

New Deal, Old Deck: Business and the Origins of Social Security, 1920-1935

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THE spread of “welfare capitalism” after World War I and the growth of the welfare state after 1935 are usually regarded as discrete episodes in U.S. history; the former an ill-fated experiment in labor relations, the latter the opening salvo of a Keynesian revolution in U.S. politics. To a greater degree than historians have acknowledged, however, the Social Security Act of 1935 was the logical culmination of a quarter-century battle over the scope and costs of industrial welfare and a direct descendant of the anticompetitive business strategies of the 1920s. Along with reform and class pressures, the dynamics of U.S. capitalism and federalism shaped the formative years of the U.S. welfare state. For employers strapped by both business competition and sharply federated and inconsistent business regulation, the standardization of employment-based welfare costs was an important organizational goal.

Self-interest and competitive pressures animated private welfare initiatives and the origins of public welfare policy. Throughout the 1920s, employers sought

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to escape the costs of private pensions, workers' compensation, and unemployment insurance. Business anxiety reinforced broader social concerns (expressed through unions and ballot boxes) that ensured that attempts to escape welfare costs would require spreading those costs to other firms—by political means if necessary—rather than abandoning existing commitments. In the individual states, employers hoped welfare law would discipline marginal firms in locally competitive industries and alleviate the burden of privately initiated but badly planned welfare programs. With state welfare concentrated in the north, employers in these states, no matter whether they had supported state laws, lobbied for a federal law as a means of forcing interstate competitors to share the costs of a regulated market.

Generally scholars have ignored this interplay of federal, state, and industrial politics and have understood welfare policy in abstract or functional terms. The Social Security Act has been wheeled in as evidence of the state's ability to countervail the power of business; of the predominance of a technocratic, corporatist political synthesis; or of the state's role in maintaining "legitimacy" (the costly process of mediating or disguising class conflict).¹ And while the recent debate over "state-centered" explanations of American welfare policy has stressed the importance of state structures and business demands, it has stopped short of fully exploring the competitive dimensions of markets and politics.

The "state-centered" account closely identified with the work of Theda Skocpol has infused our understanding of U.S. welfare policy with a single powerful premise: Institutions matter.² I have drawn substantially from this insight while trying to avoid serious weaknesses in its explanatory scope and its application to U.S. politics. State-centered explanations generally equate the importance of political rules and capacities with the importance or autonomy of political actors. Following the premise that institutions do not just shape interests but also have interests of their own, this account explains the relatively late bloom of the U.S. welfare state as follows: In the absence of a skeletal social welfare administration or of programmatic political parties, federal bureaucratic or partisan political interests found it difficult to initiate social policy. While this much is undoubtedly true, developments outside the sphere of federal politics are largely ignored. Most importantly, this view ignores the profusion of private welfare plans that preceded public policy, underestimates the importance of state-level legislation and competitive federalism, and dismisses private and state welfare policies as symptoms of national administrative weakness rather than political and regulatory forces in their own right.³

A more familiar objection to the state-centered account follows from a constructively cynical or "instrumental" view of politics. I have drawn particularly, but with reservations, from Jill Quadagno's study of the politics of old-age pensions. Quadagno views the Social Security Act as a triumph of monopoly

corporations seeking to create and regulate a tractable and mobile labor supply (and, not incidentally, force nonmonopoly firms to bear the costs of this regulation). This is an effective account of corporate interests and motives, but it is an incomplete account of business interest in the tortuous progress of federal welfare policy. It exaggerates the political power and prescience of a capital-intensive, internationally oriented corporate elite and underestimates the importance of politically anxious and intensely competitive business interests seeking stability in state and federal politics.⁴

In short, the problem is less one of identifying the objectives or abilities of political and private interests than it is of *disaggregating* “state” and “business,” and exploring the dynamics of a federated polity and a competitive economy. This article stresses the competitive logic of specific industries rather than the macroeconomic concerns of monopoly capital and the competitive logic of federalism rather than the relative capacity or autonomy of state actors. This approach recognizes both the immense political power of business and the fact that this power is fragmented along industrial, competitive, and political lines. While political choices may be decisively shaped by business interests, resulting policies may fall far short (or even confound) business objectives. Federal welfare policy, a longstanding goal of political and academic reformers, was encouraged by the anxious and short-term objectives of some business interests; it also became the immediate object of widespread business opposition. This apparent contradiction reflected the constant tension between politics and markets and between local rationality and global outcomes in a complex and competitive political economy.

Throughout the 1920s and early 1930s and in more recent debates over national health insurance (in which business arguments for socialized costs and competitive equality echo those of the 1920s), U.S. welfare policy has been, in large part, a business measure in progressive clothing.⁵ Employers initiated private welfare policies as a palliative to the “open-shop” drive of the 1920s. Pressed by the costs and inconsistency of private welfare, these employers turned policy into the regulatory channels of state and federal legislation. By tracing the causal links between private welfare and the welfare state, I argue that the Social Security Act was shaped as much by clear—and often mundane—economic goals as it was by broadly defined class or state interests.⁶ This is best illustrated by tracing federal policy to its roots, to the pattern and impact of state law and, through the first decades of the century, to private experience with welfare capitalism.

THE BUSINESS OF WELFARE: WELFARE CAPITALISM

Welfare capitalism was an integral thread of a wide-ranging and frantic response to the complexity of twentieth-century labor relations. Welfare policies were designed as practical and perceptual obstacles to unionization: Accompany-

ing a monotonous pattern of strike breaking after 1919, they encouraged identification with the firm rather than with fellow employees and served as both a superficial response to workers' needs and a contract against further confrontation. "Welfarism," notes an historian of International Harvester, was "no more than a veil spread over the unmet needs of Harvester workers."⁷

As the Special Conference Committee (SCC—a secretive organization of corporate labor relations executives) noted in 1920, private welfare held the promise of "reducing labor turnover and increasing the interest of the employees in the success of the company as a whole." Employment benefits and wages deferred to pensions, savings, or the ownership of company stock encouraged workers to equate their own economic future with the prosperity and good favor of their employers. "Many of you are now real 'partners'...because you have your share of the 'surplus profits'," the Endicott-Johnson Shoe Company reminded employees in 1920, and "your own selfish interest, now, demands that you protect this business." Employers designed welfare programs with their own needs almost exclusively in mind and dismissed their costs as "efficiency expenses." Even housing and recreation programs were undertaken either to bind employees or in response to the inability of municipalities to provide services during periods of rapid industrial expansion. Not surprisingly, welfare capitalism and scientific management, both focused on efficient and productive employment, were often pursued simultaneously by the same firm.⁸

Industrial welfare was concentrated in "open shop" mass-production firms seeking to forestall unionization and regulate unwieldy workforces and in smaller firms attempting to retain or attract skilled workers. Industries and firms cut plans to fit their particular needs: The automobile industry, for example, experimented with welfare as a means of stemming turnover before 1920 but abandoned their programs as labor markets in Detroit softened after World War I.⁹ Retailers and consumer goods producers saw private pensions and unemployment insurance as a partial solution to the collapse of purchasing power in the capital-intensive economy of the 1920s. As Ernest Draper (vice-president of Hills Brothers and later secretary of commerce) argued, income support and employment stabilization were essential to "the continued success of large scale production, of quick turnover and of installment buying."¹⁰ Banking and high-technology firms also promoted welfare capitalism in part out of concerns with aggregate demand and the economic and political threat of organized labor but primarily because (whatever the putative benefits), as capital-intensive firms, they stood to bear few if any of the costs.¹¹ This broad profile of "welfare" firms and industries shifted constantly through the 1920s and 1930s. Employers viewed private and public welfare in sharply material terms and capriciously abandoned or adopted the trappings of welfare capitalism according to short-term calculations of costs and benefits.

For its part, organized labor understood employers' motives and the conditional and limited nature of benefits. Throughout the 1920s, unions consistently opposed the introduction of employer-initiated welfare plans and, when plans were introduced in union firms, fought to ensure that they would be administered equitably. Before 1929, organized labor also opposed the passage of state or federal welfare law. Although the latter position softened after 1929, unions generally regarded employment benefits as bargainable rights, and resisted employer or political control over benefits and conditions.¹² This view underscored the limits of welfare capitalism and complicated later efforts (by employers) to politicize or socialize welfare costs.

While much of welfare capitalism (which denoted everything from baseball leagues to bathroom tissue) represented little cost or commitment, those programs that did entail real costs and benefits (including stock ownership plans, pensions, workers' compensation, and unemployment insurance) proved difficult either to maintain or to abandon. As costs began outstripping benefits and welfare commitments emerged as an element of competition, firms were forced to choose between abandoning welfare programs (incurring the wrath of employees and public opinion) or spreading their costs among competitors and consumers through state and federal legislation. With little forethought, employers chose the latter. A closer look at these private programs underlines the key reasons for this preference: (1) Individual plans were justified and appraised in terms of their direct returns to the company; (2) these returns were either too small or too short-lived to allow any company to continue paying costs its competitors were avoiding.

The motives and biases of industrial welfare are clearly visible in the stock ownership plans initiated after 1919. Proponents advertised stock plans as guarantees of loyalty and efficiency, but their operation betrayed more mundane concerns. For employers, the oversubscription of Liberty Bonds and the precedent of financing such purchases through payroll deductions suggested an untapped source of capital—the workers themselves.¹³ As the SCC noted approvingly in 1923, General Electric had “cleverly devised” its stock plan to facilitate “its large financing of public utilities and other corporations.” Plainly intended to raise capital rather than redistribute ownership, only one-third of 496 plans studied in 1929 purchased stocks already on the market for their employees. Sale of stocks to employees occurred primarily in expanding, nonunion industries: oil, new technology (Bell, AT&T, and Kodak), utilities, steel products, and chemicals. Retail, financial, and service sectors also participated with more limited plans aimed at upper management.¹⁴

Most plans forced workers to pay for a block of stocks in installments, limiting both control of stock and its resale. After early plans were rocked by speculation and stock dumping in 1921, resale was commonly prohibited (undermining the

rhetorical goal of making every worker a capitalist). Restricted voting also increased the value of voting shares: "Diffusion of ownership," as the National Industrial Conference Board (NICB) noted, "means stability of control in the hands of those small minorities which direct the management policies." Installment payment and wage or service restrictions further bound employees. An early historian of U.S. Steel questioned "whether this is really a stock-owning plan or simply a method of holding employees." General Motors executives gave "preference to men who are in or are willing to join [the stock plan] when the time comes to hire and fire," and International Harvester introduced its plan with characteristic audacity on the same day union leaders were fired. The importance of stock plans, as one employer observed, was not the distribution of ownership or dividends, but "the exact form of stock, the way it is paid for, the restriction upon its sale, its relation to union membership and the like."¹⁵

Industrial pensions as private experiments and as a spur to public policy were the most important facet of welfare capitalism. Pension plans varied widely between and within industries, but employers understood and justified them on purely economic grounds (although their very existence underlined the degree to which labor had become an ethical as well as a financial liability in business competition). Throughout the 1920s and 1930s, employers initiated pension plans in the hope of averting strikes and moderating labor turnover. With the exception of early plans in the railroads and scattered craft union initiatives, pensions were confined to unorganized industries and (seen as deferred wages) opposed by labor. "Rarely, if ever," concluded the author of an exhaustive 1929 study, "has the inauguration of a pension plan come about as the result of demands from employees."¹⁶

As one management consultant noted, one immediate goal of private pensions was to "purge the payroll." Retirement of older employees, at least in the first years of a plan, reduced payrolls because replacement wages were substantially lower or positions were not filled. At Eastman Kodak, one-half of pensioned employees were not replaced, while at the Pennsylvania Railroad redundancy ran at about one-third "showing a distinct saving to the company." In a detailed survey of 302 workers pensioned at DuPont between 1923 and 1930, 39 positions were scrapped, 89 were divided among existing employees, and 180 were filled by new hiring—resulting for those years in a saving of \$200 per pensioner.¹⁷ Such economies were far from universal and became difficult to sustain as pension rolls grew. Nevertheless such material considerations helped to justify the introduction of pensions and induced many firms to pension commitments they would soon regret.

Proponents saw private pensions primarily as a weapon against turnover and unionization. Pensions were conditional on lengthy and uninterrupted service. At International Harvester and U.S. Steel, pensions were maintained except "in case

of misconduct on [the] part of beneficiaries." Most firms (95 percent of an NICB survey) required between 15 and 30 years of service for pension eligibility, a requirement that met with some success. Skilled painters and trimmers sat out a 1920 strike at Studebaker in order to maintain benefits, and striking railroad shopmen were lured back to work in 1922 when their accrued benefits were threatened. Some plans even gave firms "first call upon the services of a retired employee" for use as a strikebreaker. As Frank Vanderlip of National City Bank noted, for a pension a worker "would sacrifice much of his personal liberty, including his right to strike for better wages or shorter hours."¹⁸

Two-thirds of pensions surveyed in 1925 were noncontributory and discretionary, what one cynic dubbed the "if and maybe" pension. These provisions allowed firms to abandon plans if costs outstripped benefits and ensured that control of pension funds remained firmly in employer's hands. Even contributory plans rarely guaranteed payment: In 1929, only 10 percent of pensions obligated companies to pay. When the Armour and Morris meatpacking firms merged in 1926, Morris employees lost all their pension benefits (save a callous offer from Armour executives that allowed them to buy into the Armour plan at a prohibitive price).¹⁹ The loyalty of those covered by noncontributory plans was effectively purchased with a small percentage of payroll while those covered by contributory plans found that a portion of their wage was conditional on servility and length of service.

The distribution of private pensions fell along predictable lines. Almost half were in nonunion manufacturing (steel, paper, chemicals, electrical, and machinery) with the remainder distributed among railroads, public utilities, banking, and insurance. By 1935, 80 percent of workers in these sectors were covered by private pensions (although less than 4 percent of male workers and 3 percent of female workers ever met the underlying service requirements). Pensions were more common in larger firms. The distinction between small and large firms, however, was financial rather than ideological: Small firms were simply unwilling to commit to the administration and costs of a pension plan. Regional distribution of pensions followed that of the industries noted above and were rare or nonexistent in the south.²⁰

Workers' compensation developed as a gradual reaction to legal refinement of the notion of employer liability and to what President Taft called "undue emotional generosity on the part of the jury." Under both a federal liability law that applied primarily to the railroads and a variety of state laws, compensation was sporadic and inadequate for injured workers. But reform followed the needs of employers who found legal awards frighteningly unpredictable.²¹ As early as 1917, the NICB favored compensation "as a certain and speedy redress... against the uncertain and expensive recovery through litigation." Through compensation plans, employers sought to pass liability on to the consumer as a predictable

operating expense. "The American compensation system," noted one legal analyst, "at the moment of creating the liability also created the means of relieving the employer of the real burden of that liability."²²

Although workers' compensation had a more complicated legal history than that of other welfare policies, it betrayed important similarities.²³ Plans were organized along regional and industrial lines. Compensation and safety legislation in the soft coal industry repeatedly broke apart on the rock of West Virginian noncompliance. Textile capitalists in South Carolina strongly favored compensation legislation, but the lumber industry in the state voiced strong opposition (feeling individual settlements with its black workforce would be less costly). The industry-specific nature of compensation was repeatedly challenged as a violation of "equal protection" as guaranteed by the Fourteenth Amendment, but as state law replaced private uncertainty, the regulatory focus of the law remained central.²⁴

Unemployment insurance was the most limited of private welfare programs. No more than 16 plans existed between 1916 and 1934. In 1928, only 3 companies were contributing in any substantial sense to unemployment plans, and in 1931, only 50,000 workers were covered. Unemployment insurance was intended not to relieve the jobless but rather to regulate employment by compelling continuous employment and curtailing the freedom of fly-by-night competitors. As one employer observed, the point was "not so much to give workers compensation for lack of employment as to punish the seasonal manufacturer." Most plans were noncontributory in order to avoid any implication that employees had a legal right to reserves (although employers and employees alike viewed benefits as deferred wages rather than insurance). Such private guarantees of employment were notoriously undependable and, as one observer noted, "tend to collapse when they are most needed." Executives at Leeds & Northrup observed with characteristic perception (in the spring of 1929) that their unemployment insurance plan seemed secure "unless a Depression came upon us very suddenly."²⁵

The most important industrial unemployment plans of the interwar era were in the New York, Chicago, Rochester, and Cleveland garment industries. (In the latter, the insurance plan cut the number of competing firms from 33 to 15.) The Rochester plan reflected the concerns of both the savagely competitive needle trades and employers of skilled labor in the optical (Bausch & Lomb) and photographic industries. Both the Rochester (under the tutelage of Louis Kirstein of Filene's and of Marion Folsom of Eastman-Kodak) and the Chicago (under clothing giant Hart, Schaffner and Marx) plans allowed employers to draw upon their own contributions to a central fund and reduced those contributions as firms demonstrated their ability to maintain stable payrolls. These plans were undertaken with union cooperation and underlined the distinct biases of U.S. social insurance: While European plans placed the burden of unemployment insurance

on large firms through payroll taxes, the burden of U.S. plans fell, quite pointedly, on marginal firms.²⁶

Company unemployment plans were scattered in small manufacturing firms seeking to smooth over seasonal fluctuations in supply and demand and retain their skilled workers. These firms were usually producers of essential consumer goods (and able to turn stable demand into stable employment) or producers of small, nonperishable goods (and able to produce for inventory). A 1929 Senate survey identified plans in three north-eastern fine paper plants, two New York fabric finishers, two midwestern soap, oil, and wax processors, a midwestern cannery, a New York diamond finisher, and a Pennsylvania laboratory instrument manufacturer. Perhaps the most celebrated (and representative) plan of the interwar era was at General Electric (GE). In 1924 and 1925, GE workers clearly understood the costs and benefits of unemployment insurance and rejected company plans. And in the early 1930s, as GE President Gerard Swope advertised his company's initiatives during the debate over social security, he admitted that employment "assurance" was offered only at GE's incandescent lamp plant, "where merchandise can be made up for stock, which is not subject to changes in design or fashion."²⁷

Throughout the 1920s and early 1930s, private unemployment insurance was widely considered but not widely introduced. Unlike pensions (which could directly benefit individual firms), unemployment insurance was only effective when enacted on an industry-wide basis. As early as 1922, coal firms saw unemployment insurance as a means of shaking out marginal competition, but realized that such plans would not work "unless all the mines in the country are brought under one agreement." By 1930, advocates acknowledged that private plans were doomed "unless the officers of the business men's associations will hold themselves responsible for making all their members adopt this voluntary unemployment insurance." While employers appreciated its regulatory potential, the inauguration of industry-wide unemployment insurance posed serious collective action problems. Firms that stood to benefit from industrial plans were unable to initiate or enforce them; marginal or seasonal firms that stood to bear the costs of such plans were unlikely to do so voluntarily. Finally private unemployment insurance fell far short of the income support sought by the producers and distributors of consumer products: The "worst feature" of private, voluntary plans complained one retailer, "is that it does not permit the unemployed to live on a scale which is of any use to business."²⁸

THE WELFARE OF BUSINESS: THE ORIGINS OF STATE WELFARE

Welfare capitalism buttressed the business offensive of the 1920s. As capital displaced workers and unionization fell to prewar levels, manufacturing wages rose only 6 percent and only a steady decline in farm prices kept nonunion wages

near 1914 levels. International Harvester for one attributed its ability to suppress wages largely to its welfare policies.²⁹ Yet despite these tangible benefits, welfare plans (especially pensions and unemployment insurance) were losing their appeal. For employers, neither mounting costs and liabilities nor the advantages reaped by competitors without welfare obligations were calculated or anticipated. Labor and reform interests in turn kept employers from backing off their commitments and steered business discontent with the burden of costs and competitive disadvantage toward a political solution that would disperse the costs and maintain the benefits of private welfare.

Industrial welfare peaked long before 1929. Pensions reached their height of popularity by 1920; stock plans never recovered from the panic of 1921; unemployment insurance fared badly in 1921 and again in 1924–1925; and workers' compensation began feeling the pinch of high premiums in the early 1920s. Although welfare benefits rarely exceeded 2 percent of payroll, the costs of maintaining private plans became increasingly burdensome through the 1920s and early 1930s. The DuPont Company, neither a leader nor a laggard in welfare policy, saw its welfare costs jump from \$2 million and 3 percent of payroll in 1930, to nearly \$5 million and 5 percent of payroll by 1934.³⁰ Pension liabilities ballooned with each year's retirement; unanticipated costs (such as legal awards) continued to rankle; and regional disparity in a competitive economy made any costs seem weighty.

Despite promises of efficiency and savings, private pensions proved an expensive gamble. As one employer admitted, "we started this pension system with very little knowledge what it would cost...and the financial side of it was a real embarrassment." By NICB estimates, "many companies found themselves seriously embarrassed by their pension obligations," and the SCC thought it "unlikely that the ill-considered liberality of some of the older pension plans will ever be repeated." From 1928 to 1931, aggregate pension costs increased by half and liabilities swelled to over \$2 billion. Firms such as DuPont complained that their pension plans were "financially unsound" and "too elastic and indefinite." At the Pennsylvania Railroad, pension costs grew from 1.5 percent of net operating income in 1916 to almost 5 percent by 1924; for all railroads, costs (as a percentage of payroll) doubled between 1920 and 1924. As one observer noted, private pensions "will ultimately result in a level of payments that no company can bear if it is competing with companies who do not have such charges."³¹

Employers adapted new and existing pensions to new financial and legal realities. While early plans had been discretionary, increasingly, as one industrial advisor reasoned, a "large company...under any public scrutiny" was morally and legally bound to honor pension agreements. As workers made a series of legal claims to noncontributory pension funds through the 1920s, the courts drifted toward acceptance of private pensions as a contractual right rather than (as

employers claimed) discretionary compensation. Without the assurance that workers had no “vested right” to pension funds, employers moved away from noncontributory plans. After 1923, new pension plans were overwhelmingly contributory and insured. In turn, many employers pared back their programs or simply stopped notifying workers or their dependents of pension eligibility.³²

In 1925, the National Civic Federation (NCF) sponsored a conference on the funding crisis of private pensions. The large insurers that dominated the NCF Welfare Department claimed that employers “had given no more attention [to pensions] than they [had] to the purchase of lead pencils,” and urged firms to seek private actuarial backing (largely as a defense against state insurance). To the palpable dismay of insurers, however, the NCF campaign alienated more employers (who resented being reminded of their ill-considered pension commitments) than it attracted. In addition, payroll costs often paled beside private insurance premiums. The NCF debate was revealing if inconclusive: Insurers belittled company and state pensions, many employers (notably GE and AT&T) resented the “embarrassing” legal and moral baggage of their plans, and a resigned majority hoped to spread the costs (in the words of John Raskob of General Motors and DuPont) by “making [pension] plans compulsory throughout industry as rapidly as it was practicable.”³³

Although not as widespread or costly as pensions, other welfare programs felt the crunch of bad planning and competition. Experience with workers’ compensation depended on the vagaries of liability law, the local legal system, and the occupational risks of given jobs. For many employers, however, the attempt to limit liability through compensation plans was unsuccessful—in part, as Pennsylvania Railroad executives noted, due to the “disinclination of employees to accept compensation in serious cases of liability and the greater activity of negligence case lawyers...making a specialty of actions under the federal law.” With premiums climbing steadily, private insurance of compensation did little to alleviate the uncertainty. Stock ownership plans never recovered from the depression of 1921, and whatever their motives, few could coax employee confidence after 1929. “[I]t will be a long time,” observed *Fortune* in 1933, “before wage earners will believe wholeheartedly in stock values again.”³⁴

Finally while rare as a private initiative, unemployment insurance was quickly caught up in debates over the dilemmas of private welfare. Unemployment insurance (especially for employers who had formalized private plans or tried to minimize their share of the unemployment burden after 1929) became the cornerstone of business-sponsored welfare law. Employers borrowed heavily from the logic used by reformers and welfare capitalists arguing for a socialization of pensions. While “[t]he universal adoption of [unemployment] plans present serious obstacles,” argued the SCC, “for the protection of employers in general, and to equalize cost burdens among competitors, there probably will be need for

funds built up and administered under the direction of public authorities." In all respects, private welfare initiatives were doomed as long as individual firms bore the costs inequitably. Following "the unsatisfactory experience of private funding," as one observer concluded, "financial expediency may demand that [welfare] rest on the taxing power of the state."³⁵

Inspired in part by genuine political concern for working conditions and social stability, state welfare law also reflected three distinctly business concerns: the spiraling costs of private plans, competition in specific industries, and the collapse of purchasing power in a stagnant economy. By the late 1920s, industry leaders were pressing for legislation that would ease the moral and fiscal burden of private plans and impose higher and less flexible labor costs on competitors. Once such political solutions were raised, the compass of industrial welfare narrowed to exclude stock ownership plans (which had little impact on competition) and workers' compensation (which hinged on liability and risk in given industries) and expanded to include wage and hour legislation.³⁶ Most employers, pressed by the costs of privately initiated welfare or resentful of the competitive advantage enjoyed by firms without welfare plans, framed their political demands loosely and did not explicitly direct arguments for socializing welfare costs at either federal or state legislatures. But easier access to state politics and constitutional constraints on federal action channeled business discontent toward state capitals. As welfare capitalism collapsed under the weight of its costs and contradictions, states provided the first political support.

The competitive disadvantages and costs of private welfare discouraged the most ardent welfare capitalists. But rather than simply dumping their pension and unemployment programs (which some did anyway), most preferred to force competitors, consumers, and taxpayers to pick up the tab. This strategy reflected the regulatory utility of legislated welfare (especially unemployment insurance) and the legal and moral obligations implied by existing policies (especially pensions). "If at this time...it should become publicly known that a change will be made in the pension plan," reasoned one employer, "a veritable avalanche of criticism will inevitably follow, and undoubtedly will have a most serious effect on the public attitude toward this [company]."³⁷ Employer strategies also reflected the threat of organized labor: While they were ambivalent about the inauguration of company-dominated plans, unions opposed any attempt to duck commitments or shuffle their costs to workers.

While state pensions were supported by firms that had initiated private pensions and now sought to spread the costs of those plans to their competitors, this reasoning did not spawn any business consensus on the issue. Smaller local firms (who would bear the burden of state plans) and firms competing interstate (who feared market losses to low-wage states) strongly opposed state pensions. Employers were also forced to respond to the efforts of reform and labor interests

(most notably the United Mine Workers in Pennsylvania and UMW-Fraternal Order of Eagles coalitions in Ohio and Illinois) to pass their own state pension laws. These efforts were defeated or diluted by state business organizations, and county options rendered progressive state laws largely inoperative. The threat posed by reform and labor initiatives, however, did press employers to draft and support “business-minded” alternatives.³⁸

State unemployment insurance was favored by business interests who had successfully stabilized their (usually skilled) workforces or had been able to include self-insurance or “merit ratings” in prospective legislation. As early as 1924, the Ohio Manufacturers’ Association supported state unemployment insurance, primarily because major firms (including National Cash Register and the leaders of the Dayton and Cleveland garment industries) already had plans and could self-insure under the proposed law. In turn, firms that had tried to stabilize employment (usually far short of insurance) welcomed the opportunity to spread the costs of these plans. As one Wisconsin employer reasoned, influential employers “already had in their establishments a form of unemployment insurance which they introduced voluntarily, and in order to get other manufacturers to get in line, they naturally supported a law which made it compulsory for all manufacturers to adopt some form of unemployment insurance.”³⁹

Support for pension and unemployment programs also came from specific industries. Canning, for example, faced local competition and markets and an unstable seasonal supply. As a Massachusetts canner noted in 1920, “all employers seem willing to submit to a fair advance [in wages and benefits], provided all in the industry [are] placed on the same basis.” Such regulation would also limit the seasonal entry of small competitors. The Canner’s League of California argued that the effect of the State Welfare Commission “has been to bring up the ‘low end’ and in doing so has served to place competition on a better basis.” Leaders of other locally competitive sectors echoed these sentiments. When New York proposed a dry cleaning safety code, as Frances Perkins recalled, “dry cleaners adopted it...for themselves before the Department of Labor had time to adopt it as a law.” Welfare capitalists suffering local competition “repeatedly emphasize[d] the variation between factories” and pressed for legislated, uniform welfare provisions. As Ernest Draper argued, industrial stability seemed impossible unless such programs were “uniformly required of all business concerns by state legislation.”⁴⁰

State law was less consistently favored by firms facing local and interstate competition as this created as many problems as it purported to solve. While northern textile interests attempted to standardize state welfare law on one front (such as child labor), many were strong supporters of state and municipal legislation (which replicated the interstate dilemma) on another front. Competition in the needle trades sparked numerous municipal unemployment insurance

plans and the first state unemployment law (Wisconsin). Competition in the soft-coal industry encouraged both state and federal action, although state safety law mitigated local competition at the expense of interstate conditions. In the food and retail industries, stable demand allowed firms to pass welfare costs on to consumers provided that such costs increased for all competitors. Retailers had the added incentive of a general hike in wages (demand) and invariably led the battles to take wages and welfare out of competition in their respective states.⁴¹

Experience with private insurance strengthened business support of state law. While liability law and the costs of private welfare had made insurance necessary, commercial premiums were unpredictable and onerous, and firms increasingly turned to the states.⁴² Here, too, the logic of the various welfare programs diverged. Insurance of pension plans meant simply that commercial insurers took over the administration of pensions and provided employers predictable costs based on actuarial financing. Unemployment insurance, however, was a newer and far less certain risk. Private insurers were largely unsuccessful (most notably in New York) in revising state insurance law in such a way that would allow them to underwrite unemployment in firms or industries. Overall, employers sought state plans as an escape from high premiums; insurers opposed only state insurance monopolies and strongly supported state-mandated insurance that resulted in lower premiums from a vastly increased market. Insurers lobbied eagerly for unemployment insurance unless it became clear that the state would control funding at which they responded testily that employment was "uninsurable."⁴³

Industrial structure and competitive conditions produced many inconsistencies in state welfare law and its business support. Depending on prevailing patterns of labor relations and welfare policy, many firms that proved willing to support specific welfare programs (such as mandatory pensions or unemployment insurance) objected to political efforts that combined such programs in omnibus "welfare" laws. Others objected on distinctive competitive or regional grounds: Pacific canners, for example, were relatively isolated from competition and found welfare law less burdensome than did their eastern counterparts (although large firms in both regions favored state or federal law as a means of driving out seasonal competitors). Many relatively concentrated industries, such as cigar-making, balked at state legislation that would leave out-of-state competitive fringes untouched. And state legislation was foresworn by even its initial proponents when it threatened interstate markets. Opposition to state welfare also came from those who feared an increase in manufacturing taxes, those who (while not opposed to welfare policies) preferred the flexibility of private control and, of course, those small competitors who were the target of regulatory welfare law.⁴⁴

At the same time, public pensions and unemployment insurance were also longstanding goals of political and academic reformers in many states. Yet while

these reformers were certainly more judicious and consistent on the welfare issue, their political influence was circumscribed by the objectives and anxieties of business interests. Many “reform” interests (the American Association for Labor Legislation, the American Association for Social Security, and legislators such as La Follette of Wisconsin or Wagner of New York) had longstanding ties to state business interests and often served merely as articulate voices for the regulatory programs of industries and firms. And while maverick reformers had advocated public pensions and unemployment insurance since the turn of the century, state laws were not seriously considered until their utility to business interests was well established. Finally, state laws (drafted by industrial, political, and reform interests whose goals and political muscle varied considerably from state to state) merely raised the political stakes. The resulting patchwork of state-level legislation pressed national (political and economic) interests to search for a federal solution that would achieve the regulatory benefits of public welfare while avoiding the costs of inconsistent and potentially radical state law.⁴⁵

THE FEDERAL DIMENSION: ECONOMIC AND POLITICAL COMPETITION

State pension and unemployment legislation loosely reflected business goals, but also created its own political and economic problems. Just as firms with welfare policies found themselves at a competitive disadvantage in the later years of welfare capitalism, progressive states (and firms in those states) bore the economic burden of disparate and uncoordinated state law. By the late 1920s, the competitive strategies of firms were overlaid with the competitive strategies of states and regions, and disparity in state law joined cutthroat competition as a central concern of both industrialists and politicians.

Geographically, state legislation echoed the distribution of private welfare. State pensions were proposed in Massachusetts, Pennsylvania, and New Jersey before World War I, and in Massachusetts, New Jersey, and New York in virtually every legislative session after 1919. Pennsylvania passed the first state pension plan in 1923—three years before any southern state even considered the issue. By 1932, 17 states (all in the north) had pension laws. Unemployment insurance passed only in Wisconsin before 1935, but there was a distinct regional alignment to the agitation for legislation. Between 1916 and 1930, 24 bills were tabled in 6 northern states, while 1 made it to the order paper in the south. Of 161 bills proposed in the next 3 years, 128 were in the northeast. In the first 8 months of 1933, bills passed at least 1 house in 5 northern and two western states.⁴⁶ While private and state unemployment insurance was not widespread enough to affect industrial or interstate competition, the threat of inconsistent legislation was a constant worry for employers in northern industrial and “welfare” states.

Regional competition was exacerbated by legal and practical variations in state law. Newer pension laws were contributory, insured, and placed fewer

conditions on eligibility. Legislated and prospective unemployment insurance laws were starkly dissimilar: The Wisconsin law (dismissed bitterly by reformers as “a business bill”) and an American Association for Labor Legislation (AALL) proposal awarded employers incentives based on their track record under the law; draft bills in Michigan and Ohio based merit ratings on existing conditions in the industry; and all provided for different methods of pooling employer contributions. Federal legislation seemed the only escape from this “maddening diversity of benefits.” Employers and reformers (for their own reasons) pressed for compulsory state pension and unemployment laws and less certainly for a constitutional amendment that would facilitate a federal law. After 1933, industrial advisors to the National Recovery Administration agreed that, given the inequities of state plans, “federal legislation probably is necessary.”⁴⁷

The sharpest political confrontation over welfare law was between north and south as the latter strove to protect its isolated, low-wage labor market. Market forces did little to integrate labor markets in the interwar years: While national manufacturing employment fell 9 percent from 1919 to 1927, it rose by the same amount in the south. World War I raised southern wages to 73 percent of those in the north, but by 1927 southern wages stood at 60 percent of northern wages (lower than they had been in 1913). While few southern states had legislated welfare, fewer still took the provisions of their laws seriously—specifically excepting key industries from wage and welfare law and “protecting” few workers.⁴⁸ Inadequate enforcement of existing laws and the absence of pension, unemployment, or compensation plans (coupled with low levels of unionization) placed the south in stark opposition to northern industry and its organizational efforts.⁴⁹

Inconsistent regulation was a consistent threat to competitive conditions. Firms feared both the prospect of competing on unequal terms in interstate commerce and the fiscal irresponsibility or potential radicalism of state governments. While many exploited inconsistencies in state law (the Pennsylvania Railroad opted in and out of state worker’s compensation plans according to an ongoing comparison of costs), the burden of multiple reporting and operating on a “litigious borderland” hammered home the benefits of federal law. Economic competition and uneven state law generated a profusion of economic and political strategies. For northern “welfare” states, specific industries remained the basic unit of regulation, and the utility of uniform labor costs encouraged those states to fight for federal legislation rather than for the relaxation of their own laws.⁵⁰

The specter of interstate competition not only pressed those who had passed laws to lobby for federal intervention but also discouraged the passage of further state-level welfare laws. As Justice Hugo Black concluded: “Individual states cannot and will not pass protective laws...if the manufacturers of other states are free to gain competitive advantage.” Here the “all or nothing” strategy of northern

employers paralleled the goals of labor and reform interests—all of whom supported federal law especially as interstate competitive conditions stalled the progress of social legislation in the north. The motives of “backward” southern states were, of course, quite the opposite. As welfare capitalism in northern firms became welfare policy in northern states, the absence of such legislation in the south became a cherished political and economic advantage.⁵¹

Business strategies were determined by the relationship between the legislative atmosphere of certain states and the competitive conditions of certain industries. Employers perceived the regulatory potential of uniform labor costs in two ways. Attention to product markets suggested that legislation should be uniform in those states in which competing firms were located. In the coal industry, for example, legislative unity could be pursued in the states that comprised the “Central Competitive Field” (the older, largely unionized mining region of Pennsylvania, Ohio, Indiana, and Illinois). Unfortunately, manufacturing firms were more or less (according to investment in fixed costs and dependence on local resources or markets) able to flee burdensome legislation. Attention to labor markets suggested that legislation should reflect initiatives in bordering states. This at least held out the potential of controlling regional labor cost, although it stopped short of addressing interstate and interregional business competition.

Labor-intensive and regionally competitive industries were the first to bemoan regional disparity in welfare law. In textiles, a steady migration of looms and spindles from the north (which faced stricter wage and hour laws and a share of the tax burden of burgeoning state welfare systems) had made federal welfare standards a longstanding goal of northern mills. In the needle trades, the organizational weakness of the employers themselves forced those paying higher costs (large northern urban firms) to lobby for uniformity where costs diverged most sharply: in wages and welfare. While welfare costs were not a major cost for most competitors, mandated unemployment insurance or pensions could destroy the ability of “gypsy” contractors to compete at all. In soft coal, plummeting demand, high fixed costs, and volatile levels of organization among both capital and labor left southern states dragging their heels over industry-wide welfare law. Accordingly, uniform safety and compensation costs were dominant concerns of northern operators, and early federal discussion of unemployment insurance was inspired in part by the prospect of rationalizing competition by compelling continuous operation.⁵²

As the 1920s wore on, large producers in some competitive labor-intensive industries relied on unions themselves to regulate and enforce uniform labor standards. Certainly one of the roles of the union in this sense was to enforce not only uniform wages but also adherence by all competitors to state or industry welfare policy. This was important in the garment trades where sweatshop

contractors rocked local competition and in the textile industry, where southern textile states had assiduously avoided either welfare legislation or the sincere administration of labor law. In the coal industry, although operators focused on the United Mine Workers as the principal means of regulating labor costs, welfare law remained an important alternative especially after the defeat of the union in the competitive scramble of the mid-1920s.⁵³ And for these industries and others, union-based regulation was only as strong as the unions themselves. Both union weakness and the attendant risks of unionization (“sticky” labor costs and loss of managerial authority) discouraged employers from consistently pursuing regulation through collective bargaining.

National welfare legislation emerged as the logical solution for industries torn by competition and federated welfare law.⁵⁴ As a congressional advisor argued, “these acts are not health or safety laws but business laws to eliminate unfair competition between states.”⁵⁵ Fragmented labor-intensive industries and small firms relying on skilled labor (including many of the seedbeds of welfare capitalism) preferred federal standards to the heavy hand of unions or the inconsistent grip of state law. Federal welfare, however, faced both legal and practical obstacles. Constitutional law allowed only limited federal regulation of interstate commerce, and throughout the 1920s, the courts had pointedly limited federal welfare initiatives. Many firms sought simply to stem regional competition that invariably came from neighboring states with similar industrial profiles. Due to constitutional and regional considerations, experiments in interstate cooperation preceded federal action.

States had experimented with interstate regulatory cooperation in the progressive era, and renewed their efforts in response to the interwar disparity in welfare law. A lengthy study of state welfare law sponsored by the Associated Industries of New York was predicated on cooperation among leading industrial states, which, excepting California and Missouri, bordered each other in the northeast. Franklin Roosevelt tried to “stimulate collective action” on wages and benefits at a Governor’s Conference in 1929, but for the most part, interstate cooperation was confined to narrower problems among small groups of states. Interstate compacts were pursued through loosely knit industrial and political organizations such as the NCF, the National Conference of Commissioners on Uniform State Laws, the New England Council, the Association for the Coordination of Law and Industry, and the Rockefeller-financed AALL.⁵⁶

Throughout the 1920s, regional agreements were pursued explicitly in northern states through legislative cooperation and implicitly in southern states through maintenance of a low-wage economy. Interstate agreements, however, existed in a constitutional no-man’s-land and were rarely binding. Attempts to integrate the northeast collided with the legislative agendas of specific industries. While large

firms in Ohio or Pennsylvania favored uniformity with their industrial neighbors, mining interests in these states had to contend with southern operators. In 1919, legislators from Oregon, Washington, California, and British Columbia concluded a futile effort to set standards with no choice but to “urge federal regulation” of wages and welfare. Agreements among northern states did little for those competing with the south, and international competition in some sectors and border states eroded support for any regulation. Inequitable state law and the futility of interstate agreements were so apparent by the early 1930s that state and industrial commissions lobbied directly for federal law. The Massachusetts Committee on Old Age Pensions, for example, openly rejected the steppingstone of voluntary interstate co-operation and pressed for a federal pension law in 1934.⁵⁷

Before 1935, federal welfare initiatives were few and far between. Civil War pensions, federal authority over the District of Columbia, and wage standards for government employees or government contracts were all seen as potential seedbeds for national standards. A more promising constitutional foot-in-the-door was provided by federal regulation of the railroads. Under the Transportation Act of 1920 and the Railway Labor Act of 1926, federal administrators and railway executives clearly established the benefits of uniform labor standards and the former encountered few political or constitutional obstacles in meeting the regulatory demands of leading railroads.⁵⁸ But such initiatives had little impact. In peacetime, federal employment and contracts lacked the economic power to drive policy. Regulatory law for the District of Columbia (with its limited industrial base) had little influence. And the operation of the railroads was so intertwined with federal rate regulation that pressure for legislation met with an immediate response and resulted in a run of discretionary laws for the railroads alone rather than in the germ of any general legislation.⁵⁹

Beyond these areas, federal welfare policy was interpreted by the courts and its opponents as an attempt to regulate state industry under the guise of the interstate commerce clause—an argument set forth in the decision overturning the Federal Child Labor Act of 1916. In the wake of this setback, federal business and political interests began crafting the legal basis for the Social Security Act. As early as 1924, federal enforcement of national standards through uniform state law and conditional grants in aid was suggested as an end run around constitutional restrictions.⁶⁰ Legal precedent effectively collapsed with the economy in 1929, and although federal law did not follow quickly or without legal challenge, the Depression allowed proponents of federal welfare—including many business interests—to steal the constitutional high ground from recalcitrant business and political factions.

THE ORIGINS OF SOCIAL SECURITY

The Depression thrust welfare into the spotlight of state and federal politics. Massive unemployment and the bankruptcy of local relief agencies spurred numerous state welfare laws. Organized labor abandoned its traditionally voluntarist and skeptical approach to social insurance.⁶¹ Reform and labor initiatives in the states, however, were swamped by business pressures for a federal welfare law. Employers with private pension plans or in states that had passed pension laws, continued pushing for a federal law. Business pressure for a federal unemployment insurance law also increased. Any firm or industry operating its own plan was anxious to be relieved of the costs, and more importantly, leading employers sought to stem any advance in state-level law. Even amid the widespread misery of the early 1930s, business managed to keep employment-based welfare within the regulatory channels established in the 1920s.

While relief from private pensions and inconsistent state pension law had been a goal of welfare capitalists since the early 1920s, unemployment insurance took center stage in welfare debates after 1929. Only five states had unemployment insurance laws by 1935 (and all except Wisconsin's were passed within weeks of the Social Security Act), but the threat of genuinely progressive state law and "radically different requirements" from state to state pressed employers to bypass further state-level experiments and lobby for a comprehensive federal law. "Partial adoption of unemployment insurance would make cost burdens unequal among competitors," cautioned Roosevelt's advisers, "to meet these difficulties and to supplement voluntary adoption of unemployment compensation plans, employers should be required by legislation to make some provision for unemployment reserves."⁶²

After 1929, pressure for relief from the ravages of both Depression and cutthroat competition multiplied. For their part, employers were of three minds regarding the passage of a federal pension and unemployment insurance law. Welfare capitalists and leading firms in competitive industries continued to lobby for a federal law that would relieve them of the costs of private and state plans, and regulate competition by imposing higher labor costs on competitors. Conversely small firms and political and economic interests in the low-wage south resisted efforts to socialize and nationalize the costs of industrial welfare. And a substantial number of northern and southern employers, many of whom had considerable clout in state and local circles but less certain status in federal politics, reasoned that "if the flood is upon us, then let us seek to direct the channels and save as much destruction as possible."⁶³ In this respect, the passage of state laws significantly broadened business support for a federal law: Even those for whom pension or unemployment law promised few material or regulatory returns were likely to support a federal initiative once programs were imposed or threatened in the states.

Throughout 1930 and 1931, business interest in federal welfare was focused through Congress and a network of business-dominated advisory committees. Senator Robert Wagner (D, N.Y.) served as a Congressional conduit for proposals drafted by the AALL; the Hebert Committee on Unemployment flirted with uniform state legislation compelled by federal taxes (foreshadowing the Social Security Act); and business leaders, in part through the President's Organization on Unemployment Relief, began "a quiet study of the best compulsory insurance laws" in preparation for a comprehensive federal law. The broadest argument for federal law came from GE's Gerard Swope in testimony before the Senate Committee on Manufacturers. As part of a wide-ranging plea for trade association autonomy and the revision of antitrust law, Swope proposed a sweeping system of federal pensions, workers' compensation, and unemployment insurance.⁶⁴

Swope clearly appreciated the regulatory potential of federal welfare. "If you wait for state legislation," he argued, "you are bound to have different laws enacted in different states, with, therefore, varying burdens upon the industries who have to compete with each other across state lines." The solution was a federal law that would compel uniform business policy. "I think it is impossible to get 100 percent acceptance on [a] voluntary basis, even in as enlightened an industry as the electrical manufacturing industry," Swope added, "if, therefore, you want to have some plan of stabilization of industry...you must have some form of Federal legislation."⁶⁵ The welfare provisions of the Swope Plan reflected the goals and premises of welfare capitalism and remained at the core of debate over public welfare policy.

The passage of the National Recovery Act (NRA) in 1933 cut short the federal welfare debate, but included (in its collective bargaining provision, Section 7a) a similarly premised attempt to regulate labor costs. Section 7a was supported by a few competitive sectors that sought the internal discipline of unionization and by capital-intensive sectors for whom the benefits of higher wages outweighed the indirect costs. As a means of regulating labor costs, however, the NRA left much to be desired. Most firms had little use for labor standards when (as implied by Section 7a) they were enforced by unions. The automobile industry dissented strongly and the steel industry dusted off its company unions in cynical compliance.⁶⁶ While collective bargaining was strengthened in some sectors, wages and benefits were still determined by the limited bargaining power of workers in a depressed economy. And under the codes drafted for each industry, wage differentials between north and south were more often frozen than closed. In the end, the NRA simply strengthened the conviction that employers in the same industry should establish terms of competition "subject to federal government supervision [and] in line with the NRA principle that employers...should agree on standard minimum labor costs."⁶⁷

Throughout the tenure of the NRA, employers continued to consider business-minded federal welfare law on its own merits and as a defense against more radical proposals by organized labor and state reformers. In 1934, a business-led Committee on Economic Security (CES) reworked the Swope Plan, hoping that “standards for all states in such a federal co-operative system would furnish the bottom below which there must be no chiseling or exploitation.” The CES complained that the Swope Plan left marginal firms unchecked (by exempting those who employed under 50 workers) and perpetuated the nagging contradiction between voluntarism and effective regulation (by focusing on trade associations). Throughout 1934, employers were divided between a plan of federal taxes and grants in aid designed to establish state-to-state uniformity and a congressional plan (favored by Senator Wagner) that gave more leeway to the states and “secure[d] uniformity where uniformity is essential, namely the equalization of competitive costs.” Most agreed, however, that industrial regulation was the central premise of federal welfare. Wagner observed “some considerable sentiment for the enactment of a single and uniform national system” and saw the removal of “competitive advantage” enjoyed by firms or states without welfare costs as the basic purpose of the Act.⁶⁸

Although the Social Security Act (SSA) included provisions for a broad range of aid and relief, the pension and unemployment insurance programs were central. Both were keyed to industrial labor markets (as a compromise with southern Democrats, domestic and agricultural labor were excluded) and provided relief only incidentally to their regulatory functions.⁶⁹ While much of the business debate over welfare law throughout the 1920s had focused on pensions, the new federal law leaned heavily on the regulatory potential of the unemployment program. Despite the fact that only Wisconsin had passed an unemployment law before 1935, many more states were actively considering legislation (which in some cases had passed one house or been defeated narrowly). Because the costs of state unemployment insurance were so prohibitive, state business interests needed little prodding: The threat of inconsistent or inequitable state law was enough to inspire support for a federal solution. And although unemployment insurance in individual firms and states was rare, its regulatory potential through federal law (which could compel all firms and regions to participate) was considerable. For these reasons, employers applied a decade of lessons learned in administering private and state pensions most vigorously in their demands for federal unemployment law.

Haphazardly and (as it would turn out) ineffectively, the SSA reflected the longstanding concerns of a number of business interests: retailers and consumer goods firms hoping to buttress aggregate demand; international sectors willing to exchange wage and welfare concessions for freer trade; and fragmented, labor-intensive sectors pressing for relief from competition, destabilizing levels of

unionization, and regional inconsistency in welfare law. "The plea of certain business interests that the time is not ripe [for social security] is a mistaken one," reasoned Swope, "so long as the legislation is applied on a nationwide basis, it makes no difference to industry that unemployment insurance [and pensions] may slightly increase costs." Predictably, the SSA (especially in its pension provisions) also dovetailed with existing company and state plans.⁷⁰

With business largely satisfied with the act's regulatory purposes, debate was confined to two issues: (1) "merit ratings" that would allow firms with established unemployment plans or records of stable employment to opt out of the SSA and (2) employee contributions to the pension and unemployment programs. Marion Folsom, pioneer of the Kodak and Rochester unemployment plans (and confidant of Senator Wagner) led the charge for some form of merit rating. Others agreed that the act should not "load the cost of seasonal employment upon the companies that have succeeded in stabilizing employment." The CES avoided the merit rating issue in early 1935 and concentrated its efforts on getting the bill through the House of Representatives in any form, "since there will ample time to get it fixed up in the Senate." Folsom renewed pressure for merit ratings while the bill languished between the House and the Senate in May. When the Senate passed their version in June, merit ratings were granted by the "Clark amendment," which then became the sticking point in six weeks of Senate-House conference debates. Finally even Folsom admitted that such a provision was "quite futile," adding that "he would not be interested in attempting to handle his own plan to do the government's job." Perhaps more importantly, private insurers repeatedly reminded Folsom and others that they would have little to do with company plans, which by this time were considered a poor risk. The conference report dropped the Clark amendment.⁷¹

Business interests also pressed the issue of employee contributions (which had been introduced as private plans proved costly and employee's rights to pension funds was strengthened by the courts). The CES and the Business Advisory Council urged employee contributions when early estimates set the cost of Social Security as high as 5 percent of payrolls. Swope and Walter Teagle (Standard Oil) added that employee contributions would increase benefits and encourage employee loyalty even if they did not ease the employer's costs. Others were opposed or indifferent to employee contributions, in part because they did not bear on the problem of interstate competition that was central to the entire program and in part because "contributions by employers are, in the long run, passed on to consumers, while contributions paid by workers... cannot be shifted." These were weak objections in the face of an overwhelming push to spread the costs of private welfare to competitors *and* to employees. The final draft entrenched the sharply regressive principle of employee contributions.⁷²

The pension and unemployment provisions of the SSA were directed both at laggard states and at laggard firms. The national payroll tax set up to fund the unemployment program was designed “to stimulate state payroll levies” and “remove the unfair competitive advantage” enjoyed by some states. The payroll tax was “deposited with the Secretary of Treasury for safekeeping and management,” and its proceeds were returned to the state upon passage of adequate legislation. In this way, firms in all regions would bear the costs of unemployment insurance while only those with existing (or frantically legislated) state programs would reap the benefits. State legislatures hurried the passage of skeletal legislation in an effort to take advantage of the “taxation angle.” As John Emery of the protectionist and southern-dominated National Association of Manufacturers (NAM) complained, the SSA “is intended not to produce revenue, but to produce legislation.” The Social Security Administration itself drafted most of the state laws.⁷³

The compulsory old-age benefit program (funded by employee and employer contributions) was similarly designed to spread the costs of private and inconsistently legislated state pensions among all states and competing firms. While the SSA also included welfare provisions unconnected to private labor markets (“destitute” old-age assistance and aid to dependent children and the blind), debate over the costs and benefits of these programs was largely divorced from consideration of the “business” provisions (unemployment insurance and payroll-financed pensions). Most importantly, financial responsibility for purely “welfare” programs was left entirely to the states: Federal aid was offered (encouraging states to channel funds into programs in which matching federal funds were available), but no effort was made to compel states or firms to participate.⁷⁴

Legislators and business interests whose respective states had assumed welfare burdens strongly supported the SSA. As H.W. Story of Milwaukee-based Allis-Chalmers argued, the welfare system needed “some sort of compulsion ... we are already making contributions in Wisconsin and would like our competitors to do likewise.” The Congressional delegations of Massachusetts, Michigan, New Jersey, New York, and Ohio—states with significant pension liabilities—led the fight for a federal law. And midwestern interests (including Robert Wood [Sears, Roebuck] and the La Follettes of Wisconsin), dismayed at the deflationary impact of New Deal banking legislation, hoped that “passage of the unemployment bill will be in itself a large inflationary measure, which will...depreciate the dollar and lead to its ultimate revaluation.” Broader support came from the renewed Democratic party, which had established a complex power base composed of a rigid one-party south, disenchanted northern voters, and—most crucially—a frantic and ill-coordinated coalition of northern industrial interests.⁷⁵

Business support for the SSA was also strong among profit-anxious, competitive sectors that saw federal welfare law as both an extension of ill-fated

experiments in welfare capitalism and a pragmatic response to state law they may or may not have supported. Typical was a Wisconsin manufacturer who had unsuccessfully opposed his state's unemployment and pension laws and by 1935 was ready to up the ante by supporting a federal law, "[s]ince we are at such a distinct disadvantage with our competitors in other states, you can readily see that Wisconsin manufacturers, doing an interstate business, are more interested to see that this social legislation becomes national in scope rather than restricted only to our particular state." After 1929, support also came from a number of leading employers (represented by the business members of the CES, all of whom had experimented with private welfare plans in the 1920s) who hoped that federal unemployment insurance would both regulate competition and preempt more radical state initiatives. Retailers had supported state welfare law and, because those programs were threatened by the Depression, pressed federal action after 1929. For the most part, both those sectors that had supported state legislation and those that had found that legislation destabilizing supported the federal act.⁷⁶

Business support for the SSA was far from uniform. But business opposition reflected the disparate goals of different industries and competing firms and not any generic business objection to the premises of public welfare. The SSA's strongest opponents were small firms. "It is one thing for Swope, Folsom, Leeds, Lewisohn and me to accept the proposal of a tax on payroll...because our companies can absorb the additional expense," admitted Teagle, "but [it is] a horse from a different garage with a great majority of the smaller employers." The SSA inspired spirited debates within the Chamber of Commerce, the NAM, and the NICB, but the ability of smaller and regional firms to deadlock their peers on the issue did little to counter widespread (if fragmented) business support for the SSA. In keeping with its emphasis on a reduction in government expenditure, the NICB opposed compulsory federal welfare—but employers among its membership dissented sharply with the Board's position. As one Chamber of Commerce Director observed, the debate over social security was little more than "an issue between certain [business] factions, particularly in the manufacturing end."⁷⁷ As in the heyday of welfare capitalism and debates over state legislation, the "business" position was characterized by material and competitive anxieties, limited horizons, and a chronic distrust of the political institutions that businesses consistently relied upon to solve their problems.⁷⁸

Political and economic opposition also came from the south, which feared not only closing the wage gap but also disrupting tenancy, employment, and political relations, and the racial premises of the southern economy.⁷⁹ For one southern executive, the SSA was a tactic of "northern industrialists backed by labor and the President against the South and its industrial development." Senator Harry Byrd (D, Va.) accused the Administration of "coercing the states to do what the Federal Government desires, although the money originally comes from the

states.” As the Depression bore heavily on regional economies, however, the recalcitrance of southern politicians (who had pressed for relief without interference in labor markets) softened. The Depression loosened the ties between southern employers and southern congressional interests, as maximizing the flow of federal relief and ensuring reelection proved more powerful incentives than continued championship of the low-wage economy. Tempted by the partisan coattails of the Roosevelt presidency and pressed by local necessity, southern congressmen exacted one major concession—the exemption of agricultural labor—and subscribed reluctantly to welfare regulation.⁸⁰ Somewhat ironically, the south was so solidly and predictably Democratic that the political costs of pointedly antisouth legislation were minimal.⁸¹

Southern states hoped that superficial compliance with the SSA would affect industrial competition as little as possible, and many of the state laws passed hurriedly in 1935 were conditional on a widely anticipated constitutional test. One Virginia employer complained to his state’s manufacturers’ association that, if the SSA were found unconstitutional, any state that had passed the necessary laws “would find itself committed to a system of pensions and of taxes developed without reference to its particular needs...and probably without corresponding legislation in a number of other states which are business competitors.” Conversely, the failure to pass laws meant that “industries in that particular State, and employers in that particular State [would] suffer” if the SSA was upheld by the courts.⁸²

Southern fears were allayed by the administration of the act. Despite its complex (and often contradictory) business and regional strategies, the SSA did little to transform industrial competition. The exception of agricultural workers ensured that reserves of inexpensive labor would remain even as industrial wages were pulled near northern standards. Further, as southern states scrambled to raise revenue for matching federal grants, they relied on a limited and highly regressive tax base. As one southern economist noted cynically, “[w]ho can say, for instance, whether society gains or loses when, in order to give one aged person a pension of \$120 per year, it takes \$2 apiece from 60 families subsisting on incomes of \$400 per year?” While the costs to southern industry increased, the SSA actually widened the state-to-state disparity in welfare expenditure.⁸³ Over all, the funding provisions of the SSA marked a significant retreat from the inconsistently progressive provisions of legislated or impending state laws and did little to stem regional competition.

The combination of business pressures for a uniform welfare law and successful business resistance to any responsibility for the costs of such a law resulted, as William Leuchtenberg notes, in “an astonishingly inept and conservative piece of legislation.”⁸⁴ Indeed the ink was scarcely dry on the SSA’s final draft before most business interests began to question the intent and impact of the

new law. Small and southern business, ably represented by NAM, had consistently questioned the premises of federal welfare law. This business opposition spread quickly after 1935 and by the late 1930s included some of the earliest and strongest proponents of federal social security. Business opposition to the New Deal in general and the SSA in particular was a product of both the peculiar dynamics of the American political economy and a tangible shift in New Deal strategy after 1935.

The early New Deal (1933–1935) tried to satisfy the competitive and organizational demands of virtually all business interests. This was the explicit purpose of the NRA and the implicit purpose of subsequent attempts—including the SSA—to give regulatory teeth to industry-wide agreements on competitive practices, wages, and benefits. Business generally opposed this more interventionist thrust in part because the material and managerial costs of regulation had increased but primarily because neither the NRA nor its successors provided the competitive stability or discipline they promised. Cutthroat competitors continued to flout federal standards; sharp regional wage differentials remained. In short, the baldly contradictory macroeconomic, regulatory, and taxing goals (and consequences) of the SSA reflected the immense political power and the chronic shortsightedness and disunity of business interests.⁸⁵

More specifically, the political and economic efficacy of welfare-based regulation was destroyed by the gradual (after 1935) and absolute (after 1945) internationalization of the American economy. New Deal regulatory, labor, and welfare policies were premised on a nationally protected economy. Competitive costs, including wages and benefits, could be raised across an industry because—as long as all firms were equally burdened—consumers and marginal firms would pay the direct cost of stability. As the 1930s wore on, international competition (although only an issue in a few industries before 1945) undercut this reasoning and pressed labor-intensive industries and firms, as soon as they faced international competition, to abandon the regulatory strategy of federal social security.⁸⁶

The Social Security Act (now widely considered a monument to antibusiness policy and bureaucratic excess) was shaped by profound sectoral and regional imbalances in the industrial economy, by the regulatory efforts of competitive industries in the 1920s and, as “the state” intervened at various levels, by the asymmetry between the economic and political foci of regulation. Although spurred in large part by reform and class pressures in the trough of a general depression, the SSA also reflected the efforts of industrial and regional interests who hoped federal welfare law would rationalize disparate experiments in state and private welfare and spread the costs of these experiments among all competing states and firms. Federal welfare law would, in turn, “bear most heavily on part-time operators” and force “inefficient producers,” as Sidney Hillman of the Amalgamated Clothing Workers noted, “to pay for their reserve labor supply.”

Swope promised the Senate in 1931 that federal social security legislation would serve “to compel the recalcitrant minority.” Wagner concurred three years later that the “chief merit” of the SSA “is that it will exert a profound influence upon the stabilization of industry.”⁸⁷

Federal welfare followed the failure of private plans and the distressingly inconsistent policies followed by individual states. “We believe the only way legislation might relieve any competitive conditions,” argued a beleaguered New York employer in 1928, “is to have workmen’s’ compensation, health insurance, old age pensions and similar welfare legislation under the jurisdiction of the Federal Government.”⁸⁸ The Social Security Act directly reflected the concerns of such employers. Although New Deal welfare policy would quickly lose credibility as a business strategy under the pressures of international competition, the disappointment of its proponents should not be confused with opposition to its premises. The misery of the 1930s pressed reformers, voters, politicians, workers, and unions to support federal welfare law—but a key role was played by a scattered coalition of business interests who viewed federal welfare not only as a response to these groups but also as a solution to the ravages of economic competition and federated economic regulation.

NOTES

1. See Claus Offe, *Contradictions of the Welfare State* (Cambridge: MIT Press, 1984), pp. 130–146; James O’Connor, *The Fiscal Crisis of the State* (New York: St. Martin’s, 1973), pp. 162–169; and Frances Fox Piven and Richard Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Random House, 1971), pp. 3–79. The corporatist interpretation has liberal and radical variants. The former stresses organizational influences; see Ellis Hawley, “The Discovery and Study of a ‘Corporate Liberalism’,” *Business History Review* 52, no. 3 (Autumn 1978): 309–320; and Louis Galambos, “Technology, Political Economy, and Professionalization: Central Themes of the Organizational Synthesis,” *Business History Review* 57, no. 4 (Winter 1983): 471–493. The latter stresses the economic and ideological hegemony of large corporations; see Stephen Scheinberg, “The Development of Corporation Labor Policy, 1900–1940,” Ph.D. diss., University of Wisconsin, 1966; and James Weinstein, *The Corporate Ideal in the Liberal State* (Boston: Beacon Press, 1968).

2. My comments here are drawn from a longer discussion in Colin Gordon, “New Deal, Old Deck: Business, Labor, and Politics, 1920–1935,” Ph.D. diss., (History), University of Wisconsin, 1990, pp. 1–75 and owe a substantial debt to Joel Rogers and Joshua Cohen, *On Democracy: Toward a Transformation of American Society* (New York: Penguin, 1983), pp. 47–87; and Joel Rogers, “Divide and Conquer: Further ‘Reflections on the Distinctive Character of American Labor Laws’,” *Wisconsin Law Review* 1 (1990): 26–29.

3. See Theda Skocpol and John Ikenberry, “The Political Formation of the American Welfare State,” *Comparative Social Research* 6 (1983): 87–120; Theda Skocpol and Ann Orloff, “Why Not Equal Protection? Explaining the Politics of Public Social Spending in Britain, 1900–1911, and the United States, 1880–1920,” *American Sociological Review*

49, no. 3 (October 1984): 726–750; and Ann Orloff, “The Political Origins of America’s Belated Welfare State,” in *The Politics of Social Policy in the United States*, Margaret Weir et al., eds. (Princeton, N.J.: Princeton University Press, 1988), pp. 38–80. Emphasis on the capacity of political institutions helps explain the timing of federal policy but fails to identify the political and economic interests operating within and around those institutions.

4. See Jill Quadagno, *The Transformation of Old Age Security* (Chicago: University of Chicago Press, 1988); and Jill Quadagno, “Welfare Capitalism and The Social Security Act of 1935,” *American Sociological Review* 49, no. 4 (December 1984): 632–647. Quadagno’s corporate profile is, in many respects, similar to that presented in Thomas Ferguson’s analysis of business support for New Deal labor policy. See Thomas Ferguson, “From Normalcy to New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression,” *International Organization* 38, no. 1 (Winter 1984): 51–66.

5. On the last point, see Colin Gordon, “Cosmetic Surgery: Health Care the Corporate Way,” *The Nation*, 25 March 1991, pp. 376–380.

6. On welfare capitalism generally, see Stuart Brandes, *American Welfare Capitalism, 1880–1940* (Chicago: University of Chicago Press, 1970); and Irving Bernstein, *The Lean Years: A History of the American Worker, 1920–1933* (Boston: Houghton Mifflin, 1960), pp. 157–189 both of which argue that the disdain of workers and the contradictions of welfarism doomed the movement. David Brody, “The Rise and Decline of Welfare Capitalism,” in *Workers in Industrial America* (New York: Oxford University Press, 1980), pp. 48–81; and Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York: Basic Books, 1984), pp. 124–132, argue that welfare capitalism was more sincere and promising and that such management innovations were cut short only by the Depression.

7. Katherine Stone, “The Origins of Job Structures in the Steel Industry,” *Review of Radical Political Economics* 6, no. 2 (Summer 1974): 61–97; Bernstein, *The Lean Years*, pp. 149–157; and Robert Ozanne, *A Century of Labor-Management Relations at International Harvester* (Madison: University of Wisconsin Press, 1967), p. 104.

8. “Report of the Special Conference Committee, 1920,” Pennsylvania Railroad Papers, 825:7, Hagley Library, Wilmington, Del.; Gerard Zahavi, *Workers, Managers, and Welfare Capitalism: The Shoeworkers and Tanners of Endicott Johnson, 1890–1950* (Urbana: University of Illinois Press, 1988), pp. 38, 41; Daniel Nelson, *Managers and Workers: Origins of the New Factory System in the United States* (Madison: University of Wisconsin Press, 1975), p. 117; Daniel Nelson and Stuart Campbell, “Taylorism versus Welfare Work in American Industry: H.L. Gantt and the Bancrofts,” *Business History Review* 46 (1972): 3–10; Daniel Nelson, “The New Factory System and the Unions: The National Cash Register Company Dispute of 1901,” *Labor History* 15, no. 1 (Winter 1974): 89–97; E.S. Cowdrick, “Financial Incentive Plans,” file II:17, Archibald Johnson Papers, Hagley Library, Wilmington, Del. As calculated by *Business Week*, September 28, 1929, p. 5, the turnover of industrial labor stood at 123 percent in 1920, 90 percent in 1923, and 37 percent in 1928.

9. Thomas Klug, “Employer’s Strategies in the Detroit Labor Market, 1900–1929,” in *On the Line: Essays in the History of Auto Work*, Nelson Lichtenstein and Stephen Meyer, eds. (Urbana: University of Illinois Press, 1989), pp. 54–63; David Gartman, *Auto Slavery: The Labor Process in the American Automobile Industry, 1897–1950* (New Brunswick, N.J.: Rutgers University Press, 1986), pp. 227–229; Stephen Meyer, *The Five-Dollar Day:*

Labor, Management and Social Control at the Ford Motor Company, 1908–1921 (Albany, N.Y.: SUNY Press, 1981), pp. 196–197.

10. Bryce Stewart, *Unemployment Benefits in the United States* (New York: Industrial Relations Counselors, 1930), pp. 8, 13; Norman Wood, "Industrial Relations Policies of American Management, 1900–1933," *Business History Review* 34, no. 4 (Winter 1960): 408; Executive Committee Meeting (Dec. 6, 1927), Leeds & Northrup Papers (microfilm), reel 1, Hagley Library, Wilmington, Del.; Draper, "Memorandum on Unemployment" (1928), file 17–9, Thomas W. Lamont Papers, Baker Library, Cambridge, Mass.

11. On capital-intensive sectors see Ferguson, "From Normalcy to New Deal," pp. 51–66. The incidence of welfare capitalism was a reflection of industrial structure (most notably the degree and scope of competition and the percentage of labor costs in production) rather than corporate ideology. For accounts that stress the latter, see Kim McQuaid, "Henry S. Dennison and the 'Science' of Industrial Reform, 1900–1950," *American Journal of Economics and Sociology* 36, no. 1 (January 1977): 79–98; Kim McQuaid, "Young, Swope and General Electric's 'New Capitalism,'" *American Journal of Economics and Sociology* 36, no. 3 (July 1977): 323–334; and Edward Berkowitz and Kim McQuaid, "Businessman and Bureaucrat: The Evolution of the American Social Welfare System, 1900–1940," *Journal of Economic History* 38, no. 1 (March 1978): 120–141.

12. "Labor's Appeal for Economic and Legislative Relief" (1930), Presidential File 59, Herbert C. Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; Quadagno, *Transformation of Old Age Security*, pp. 51–75, 108–109; Alexander Keyssar, *Out of Work: The First Century of Unemployment in Massachusetts* (New York: Cambridge University Press, 1986), pp. 291–298.

13. This use of payroll deductions was not confined to stock plans. Wages deferred to pension or unemployment plans or charitable "mutual benefit" societies gave employers an opportunity to trim labor costs and served as a source of capital. See "Relief Measures of Special Conference Committee Companies" (October 1931), box 19, file 5, Records of the President's Organization on Unemployment Relief, RG 73, National Archives. For an attempt to profit from employee welfare programs in the Hormel Company, see Roger Horowitz, "Austin and the Independent Union of All Workers," unpublished paper, 1989, p. 15.

14. Chamber Of Commerce Proceedings, 18/25 (1930), p. 653, U.S. Chamber of Commerce Papers, Hagley Library, Wilmington, Del.; Special Conference Committee, "Report of Conference with GE Officials" (1923), file II:17, Archibald Johnson Papers; file "GE," box 64, National Civic Federation Papers, New York Public Library, New York; Robert Foerster, *Employee Stock Purchase Plans in the United States* (Princeton, N.J.: Princeton University Press, 1926), pp. 1–3, 103–174; NICB, *Employee Stock Purchase Plans in the United States* (New York: NICB, 1928), pp. 8–15, 41–44, 203–221.

15. NICB, *Stock Purchase*, pp. 7, 14, 50–66, 116, 120–121, 138–139; "Stock Purchase Plans by Employees, 1928–1931," file 1029:9, Pennsylvania Railroad Papers; Foerster, *Stock Purchase*, pp. 12–13, 28; Charles Gulick, *Labor Policies of the United States Steel Corporation* (New York: Columbia University Press, 1924), p. 180; John J. Raskob to Donaldson Brown, 28 July 1933, file 278, John J. Raskob Papers, Hagley Library, Wilmington, Del.; Ozanne, *Labor-Management Relations*, 36–44, 94; Henry Dennison to W.J. Donald, 21 October 1922, box 2, Henry Dennison Papers, Baker Library, Cambridge, Mass. Southern textile capitalists, anxious to finance expansion without recourse to northern capital, issued stock on installment plans of as little as \$0.50 a week (Gavin

Wright, *Old South, New South: Revolutions in the Southern Economy since the Civil War* [New York: Basic Books, 1986], p. 131). U.S. Rubber stock dropped so precipitously during the 1919–1924 subscription that management thought it “detrimental to [employee] morale and [the] interests of company to compel payment” on outstanding shares (Glenn Babcock, *A History of the United States Rubber Company* [Bloomington: University of Indiana Business Report, 1966], pp. 160–161).

16. NICB, *Elements of Industrial Pension Plans* (New York: NICB, 1931), pp. 8–9; NICB, *Industrial Pension Systems in the United States* (New York: NICB, 1925), p. 101; Charles Dearing, *Industrial Pensions* (Washington, D.C.: Brookings Institution, 1954), pp. 38–39; Murray Latimer, *Industrial Pension Systems in the United States and Canada* (New York: Industrial Relations Counselors, 1931) vol. 1: pp. 17–18, vol. 2: pp. 774–779; and Quadagno, *Transformation of Old Age Security*, pp. 52–60, 80–96.

17. E.S. Cowdrick, in Chamber of Commerce Proceedings 17/23 (1929), p. 878, Chamber of Commerce Papers; NICB Proceedings, 18 September 1930, file I:1, NICB Papers; “Pensions Granted,” file 1029:10, W.W. Burrell to T.W. Demarest, 1 May 1934, file 1030:1, Pennsylvania Railroad Papers; and H. Sedwick memo, 30 August 1937, box 24, Willis Harrington Papers, Hagley Library, Wilmington, Del. The payroll-savings argument was often a boardroom rationale for a plan aimed more at turnover and the retention of skilled workers. In firms with promotion or seniority ladders, it was difficult to envision any real saving.

18. NICB Proceedings 18 (September 1930), pp. 109–110, 122–123, 132–133, series I, NICB Papers, Wilmington, Del.; “Transcript of Luncheon Conference” (26 April 1928), box 59, NCF Papers, New York Public Library, New York; NICB, “The Cost and Administration of Industrial Pensions” (1925), file V:12, NICB Papers, Wilmington, Del.; NICB, *Industrial Pensions*, p. 3; Quadagno, *Transformation of Old Age Security*, pp. 83–85; Ozanne, Labor-Management Relations, pp. 82–84; Latimer, *Industrial Pension Systems*, vol. 2, pp. 755–756, 996ff; NICB, *Elements of Industrial Pensions*, pp. 23; Sanford Jacoby, *Employing Bureaucracy: Managers, Unions and the Transformation of Work in American Industry* (New York: Columbia University Press, 1985), p. 197; E.S. Cowdrick, Special Conference Committee, “Memo on the Morris Pension,” box 8, E.I. DuPont de Nemours Company, Office of the President, Administrative Papers, Hagley Library, Wilmington, Del.; Vanderlip quoted in William Graebner, *A History of Retirement* (New Haven, Conn.: Yale University Press, 1980), p. 131.

19. Robert Dunn, *The Americanization of Labor* (New York: International Publishers, 1927), p. 155; Latimer, *Industrial Pension Systems*, vol. 1: p. 44, vol. 2: pp. 719–720, 968–973; E.S. Cowdrick, “Memo on the Morris Pension,” box 8, E.I. DuPont de Nemours Company, Office of the President, Administrative Papers; Ralph Easley to W.J. Graham, 11 November 1924, box 27, NCF Papers; *American Labor Legislation Review* 17, no. 1 (March 1927): 36–37. Armour demanded 3 percent of the last 12 years earnings (about \$500 based on packinghouse wages) as the price for joining the pension plan.

20. NICB, *Elements of Industrial Pensions*, p. 1; Latimer, *Industrial Pension Systems*, vol. 1, pp. 24–28, 40, 44–45; Quadagno, *Transformation of Old Age Security*, pp. 82–83, 91; NICB, *Industrial Relations Programs in Small Plants* (New York: NICB, 1929), pp. 16–17; *American Labor Legislation Review* 19, no. 1 (March 1929): 55–56.

21. Dim experience with legal awards did forge some worker support for compensation, but the judicial trend was undoubtedly toward a more judicious administration of liability law. Between 1875 and 1905 in one survey of appellate decisions, employers

prevailed in 98 of 1034 cases, and the number of cases rose from 92 to 736 per year. As adjudication by jury increased and the loophole of the "fellow-servant" rule (which made fellow workers liable before employers) was closed, lawyers joined the fight against the avoidance of liability through compensation. See Edward Berkowitz and Kim McQuaid, *Creating the Welfare State: The Political Economy of Twentieth Century Reform* (New York: Praeger, 1980), p. 34; Weinstein, *Corporate Ideal*, pp. 43–44; Samuel Horvitz, "Current Trends in Workmen's Compensation," *The Law Society Journal* 12 (1947): 470; and Nuala Drescher, "The Workmen's Compensation and Pension Proposal in the Brewing Industry: A Case Study of Conflicting Self-Interest," *Industrial and Labor Relations Review* 24, no. 1 (October 1970): 32–46.

22. Skocpol and Ikenberry, "Formation of the American Welfare State," pp. 108–109; Berkowitz and McQuaid, *Creating the Welfare State*, pp. 33–40; Weinstein, *Corporate Ideal*, pp. 40–61; Robert Asher, "Business and Worker's Welfare Relief in the Progressive Era: Workmen's Compensation in Massachusetts, 1880–1911," *Business History Review* 43, no. 4 (Winter 1969): 452–475; Robert Asher, "Radicalism and Reform: State Insurance of Workmen's Compensation in Minnesota, 1910–1933," *Labor History* 14, no. 1 (Winter 1973): 19–41; Robert Wesser, "Conflict and Compromise: The Workmen's Compensation Movement in New York, 1890–1913," *Labor History* 12, no. 3 (Summer 1971): 345–372; Joseph Tripp, "An Instance of Labor and Business Cooperation: Workmen's Compensation in Washington State," *Labor History* 17, no. 4 (Fall 1976): 530–550; Harry Weiss, "The Development of Workmen's Compensation in the United States," Ph.D. diss., University of Wisconsin, 1933, pp. 20–23; Taft quoted in R. Robinson to J.C. Rose, 15 July 1921, file 1175:10, Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.; Second Meeting of the Executive Committee, 16 May 1917, series II (reel 1), NICB Papers; and Arthur Larson, "The Nature and Origins of Workmen's Compensation," *Cornell Law Quarterly* 37 (1952): 215–220.

23. U.S. Steel required employees to sign a release specifying "no relief will be paid to any employee or his family if suit is brought against the company." In 1924, Studebaker forced subscription to a compensation plan over worker protests. See Stone, "Job Structures," p. 76; Robert Dunn, *Labor and Automobiles* (New York: International Publishers, 1925), pp. 153–155.

24. *American Labor Legislation Review* 10, no. 2 (June 1920): 155; James Coleman, *State Administration in South Carolina* (New York: Columbia University Press, 1935), pp. 180–182; Walter Dodd, *Administration of Workmen's Compensation* (New York: McGraw-Hill, 1936), pp. 29–30, 38–39.

25. Daniel Nelson, *Unemployment Insurance: The American Experience* (Madison: University of Wisconsin Press, 1969), pp. 47–50; Stewart, *Unemployment*, pp. 8, 13, 96, 142–143; Special Conference Committee Statement, 11 March 1921, file 279, Raskob Papers, Hagley Library, Wilmington, Del.; Senate Committee on Education and Labor, *Unemployment in the United States*, 70/2 (Washington, D.C.: GPO, 1929); William Mack address, Re: Unemployment Insurance, acc. 8/2/75, box 1, Lukens Steel Papers, Hagley Library, Wilmington, Del.; Stewart, "American Voluntary Attempts at Unemployment Benefits," *Annals of the American Academy of Political and Social Science* 170 (November 1933): 55–60; and C.S. Redding to the Executive Committee, 26 March 1929, reel 2, Leeds & Northrup Papers, Hagley Library, Wilmington, Del.

26. Senate Committee on Education and Labor, *Unemployment*, pp. 214–218, 221–265, 353ff (this survey also noted plans in the Kingston, New York, and Scranton,

Pennsylvania, lace industries); Louis Kirstein to Clothiers Exchange, 13 November 1911, box 68, Rochester file C-2, Kirstein Papers, Baker Library, Cambridge, Mass.; "The Next Labor Offensive," *Fortune* 6, no. 1 (January 1933): 61, 92-94; and "Digest of Plans," file 19:5, President's Organization on Unemployment Relief records.

27. Nelson, *Unemployment Insurance*, pp. 31, 79-103; Stewart, "Voluntary Attempts at Unemployment Benefits," pp. 53-54; Stewart, *Unemployment*, p. 151; NICB, "Reducing Fluctuations in Employment: Experience in 31 Industries," *Studies in Personnel Policy* 27 (November 1940): 14-34; Jacoby, *Employing Bureaucracy*, pp. 200-201; Senate Committee on Education and Labor, *Unemployment*, pp. 278-352; P. White to Thomas Lamont, 5 October 1930, file 72-26, Lamont Papers, Baker Library, Cambridge, Mass.; Josephine Young Case and Howard Needham Case, *Owen D. Young and American Enterprise* (Boston: David R. Godine, 1982), p. 379; Swope to Robert Wagner, 30 December 1934, file 15, Records of the CES, Social Security Administration, RG 47, National Archives; and Swope Address, 21 March 1935, President's Personal File 2943, Franklin D. Roosevelt Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, N. Y.

28. Edwin Ludlow letter, 23 June 1922, Commerce File 101; Evanson to Ludlow, 27 June 1922, Commerce File 101; E.A. Filene to Hoover, Presidential File 89, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; E.A. Filene, "The Consumer's Dollar" (1934), file 6, John H. Fahey Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, N. Y.

29. Frank Stricker, "Affluence For Whom?—Another Look at Prosperity and the Working Classes in the 1920s," *Labor History* 24, no. 1 (Winter 1983): 5-33; and Ozanne, *Labor-Management Relations*, p. 236.

30. Latimer, *Industrial Pension Systems*, vol. 1: pp. 42, 397, 940, vol. 2: pp. 634-635; NICB, *Stock Purchase Plans*, p. 16; Stewart, *Unemployment*, pp. 96-97; *Bulletin of the Bureau of Labor Statistics* 544 (November 1931), p. 13; and DuPont plans, box 24, Harrington Papers, Hagley Library, Wilmington, Del., (in the capital-intensive and tightly organized chemical industry, DuPont did not find these costs as weighty as did its counterparts in more competitive industries).

31. "Luncheon Conference," 26 April 1928, box 59, NCF Papers, New York Public Library, New York; NICB, "Company Pension Plans and the Social Security Act," *Studies in Personnel Policy* 16 (December 1939): 21; NICB, *Elements of Industrial Pension Plans*, pp. 4-5; "Annual Report of the SCC, 1934," box 19, Harrington Papers, Hagley Library, Wilmington, Del.; Latimer, *Industrial Pension Systems*, vol. 1: pp. 216-219, vol. 2: p. 894; H.F. Brown to Irene DuPont, 3 October 1919, box 8, E.I. DuPont de Nemours Company, Office of the President, Administrative Papers; railroad statistics from "Comparative Statement of Railroad Pension Plans, 1920-1924," file 1150:12, Pennsylvania Railroad Papers; Latimer, "Old Age Pensions in America," pp. 63-65; and *Business Week*, 16 November 1929: pp. 37-40.

32. A. Williams to Gertrude Easley, 29 April 1927, box 56, NCF Papers; Glenn Bowers (Industrial Relations Counselors) in Chamber of Commerce Proceedings 17/23 (1929); address of James Kavanaugh (Metropolitan Life), Chamber of Commerce Proceedings 12/16 (1924), Chamber of Commerce Papers, Hagley Library, Wilmington, Del.; Latimer, *Industrial Pension Systems*, vol. 1: pp. 45-51, 59-60, vol. 2: pp. 688-699, 910; Quadagno, *Transformation of Old Age Security*, p. 92; NICB, *Elements of Industrial Pension Plans*, pp. 14-18; Ingalls Kimball, "Industrial Pensions," *Annals of the American Academy of Political and Social Science* 161 (May 1932): 33-39; "Annual Report of the SCC, 1930,"

and "Annual Report of the SCC, 1932," boxes 6, 17, Harrington Papers, Hagley Library, Wilmington, Del.; and J.C. Clark, "Railroad Employees Pension Plans," 17 April 1926, file 1150:12, "Railroad Retirement Board—Legislative History," file 1154:1; "Pension Plans of other Companies," file 1154:7; G.L. Peck to Pension Department, no date, file 1150:12; E.B. Hunt to G. L. Peck, 15 April 1925, file 1150:12, file 1154:9—all in Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.

33. Ingalls Kimball (Metropolitan Life) to Gertrude Easley, 12 August 1924; Ralph Easley to G.C. Sykes, 24 January 1925, box 56; "Memorandum for Mr. Sherman," 25 February 1925; box 57; Kimball to W.J. Graham (Equitable Life), 30 October 1924, box 27; "Abstract of Discussion: Meeting of Committee on Old Age Pensions," 30 May 1924, box 59—all in NCF Papers. In the late 1920s, new pension plans owed their existence "to a considerable extent [to] the activities of the insurance companies" ("Confidential Report on NCF Conference Regarding Pensions," 3 March 1925, box 59, NCF Papers).

34. J.C. Rose to F. Gowen, 10 February 1921 and F. Gowen to S. Neale, 21 January 1914, complaining that lawyers "have got a stronger hold upon the situation than we imagined," file 1175:10—both in Pennsylvania Railroad Papers; Virginia file 132, box II:452, Westmoreland Coal Papers, Hagley Library, Wilmington, Del.; "The Next Labor Offensive," *Fortune* 6, no. 1 (January 1933): 61.

35. "Annual Report of the SCC, 1934," box 19, Harrington Papers, Hagley Library, Wilmington, Del.; "Stabilization of Employment in Virginia" (1934), box II:537, Westmoreland Papers, Hagley Library, Wilmington, Del.; Latimer, "Old Age Pensions," p. 55.

36. Wage and hour regulation was favored by the same interests who supported state and federal welfare, and the dispute over disparate welfare law was often channeled into debates over wages and hours. Wages represented a far greater percentage of labor costs than did welfare benefits and provided a more direct and compelling point of comparison between north and south. Any federal welfare law based on payroll taxes would only marginally close the wage gap. A logical complement to regulatory welfare policy, federal wage and hour regulation had quite a different legislative trajectory: It was a major thrust of the NRA codes but was barely mentioned in the debates over Social Security—and not legislated until the Fair Labor and Standards Act of 1938. See U.S. Department of Labor, *The Development of Minimum Wage Laws in the United States, 1912–1927* (Washington, D.C.: GPO, 1928); and Walter E. Boles, "Some Aspects of the Fair Labor Standards Act," *Southern Economic Journal* 6, no. 4 (April 1940): 498–511.

37. C.S.K. to G.L. Peck, 7 December 1925, file 1030:3, Pennsylvania Railroad Papers.

38. P. Sherman to Gertrude Easley, 12 November 1924, box 28, NCF Papers; Chamber of Commerce Proceedings 19/26 (1931), pp. 757–765, Chamber of Commerce Papers; and Quadagno, *Transformation of Old Age Security*, pp. 64–72.

39. Dayton Committee on Stabilization of Unemployment to William Leiserson, file 11; E.S. Cowdrick to Leiserson, file 10, Leiserson Papers, State Historical Society of Wisconsin, Madison; and C. Kiehl, "Stabilization of Employment," file 24; "Correspondence on Company Plans," file 25; Highway Trailer Company to Edwin Witte, 5 April 1935, file 54—all in CES Records.

40. NICB, "Reducing Fluctuations in Employment," p. 15; National Consumers' League, *State Minimum Wage Laws in Practice* (New York: National Consumers' League, 1924), pp. 135, 140, 142; Senate Subcommittee of the Committee on Manufacturers, *Establishment of a National Economic Council*, 71/1 (Washington 1935), p. 149; Victor P. Morris, *Oregon's Experience with Minimum Wage Legislation* (New York: Columbia

University Press, 1930), pp. 204–205; Quadagno, “Welfare Capitalism and the SSA,” pp. 634–635; Stewart, *Unemployment*, 65; and *American Labor Legislation Review* 22, no. 1 (March 1932): 31.

41. Stanley Vittoz, *New Deal Labor Policy and the American Industrial Economy* (Chapel Hill: University of North Carolina Press, 1987), pp. 34–69; Nelson, *Unemployment Insurance*, pp. 79–125; Arden Lea, “Cotton Textiles and the Federal Child Labor Act of 1916,” *Labor History* 16 (1975), pp. 485–494; Senate Subcommittee of the Committee on Manufacturing, *National Economic Council*; William Graebner, *Coal Mining Safety in the Progressive Era* (Lexington: University of Kentucky Press, 1976); *Bulletin of the Bureau of Labor Statistics* 285 (July 1921); and Consumers’ League, *State Minimum Wage Laws*, pp. 44, 51, 55, 145.

42. State plans had already relieved employers of many of the burdens of accident and compensation insurance. Industrial accident insurance premiums rose from under \$200,000 in 1887 to over \$35 million in 1912. Industries such as steel were able to reduce premiums through safety campaigns, but others (such as coal) found it impossible to even obtain insurance. In Arizona, 95 percent of the mining industry leapt to the support of state insurance. Those industries familiar with state-operated insurance also noted that its rates were 25 to 30 percent cheaper and that state insurers performed little or no inspection. See Gulick, *Labor Policy of U.S. Steel*, p. 151; *American Labor Legislation Review* 10, no. 2 (June 1920): 137–138; “Employers Favor State Accident Insurance,” *American Labor Legislation Review* 10, no. 2 (June 1920): 155–157; *American Labor Legislation Review* 14, no. 3 (September 1924): 234–235; *American Labor Legislation Review* 16, no. 2 (June 1926): 126, 194, 205; “Employers Coming to Grips with Compensation Costs under Commercial Insurance,” *American Labor Legislation Review* 17, no. 2 (June 1927): 124–127; and Roy Lubove, *The Struggle for Social Security, 1900–1935* (Cambridge: Harvard University Press, 1968), pp. 51–55. In Missouri, insurers supported a privately funded state compensation plan and promised lower premiums to their customers who added their support. Within a year, premiums shot up drastically, by over 200 percent in the coal industry alone (“Missouri Employers Get a Lesson in Commercial Insurance Tactics,” *American Labor Legislation Review* 17, no. 1 [March 1927]: 23–26).

43. Haley Fiske (Metropolitan Life) to Hoover, 13 March 1924, Commerce File 672, Herbert C. Hoover Presidential Library, West Branch, Ia.; Frederick Ecker [Met Life] to Hoover, President’s Personal File 80, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; and I.M. Rubinow, “Is the Unemployment Risk Insurable?” *Annals of the American Academy of Political and Social Science* 170 (November 1933): 40–44.

44. William Graebner, “Federalism in the Progressive Era: A Structural Interpretation of Reform,” *Journal of American History* 64, no. 3 (September 1977): 337–338. At DuPont, which faced little intrastate or interstate competition, welfare was thought to be better in private hands. “It seems to me wise for private citizens to do the relief part so as to avoid the opening wedge of a ‘dole’ which the politician will never shut off,” reasoned Irene DuPont, while “private citizens can discontinue their contributions.” The DuPonts provided surrogate relief in a number of communities, distributing funds that were in turn solicited from DuPont employees (I. DuPont to H.F. DuPont, 27 October 1931; and DuPont circular, 15 March 1932, file 189, Irene DuPont Papers, Hagley Library, Wilmington, Del.).

45. The connections between peak “reform” groups such as the NCF or AALL and corporate interests has been traced in radical variants of “corporate liberal” scholarship (see note 1 and, for a brief overview, William Domhoff, *The Higher Circles* [New York: Vintage, 1970], pp. 156–250). This view has a surreal and almost conspiratorial tone. I am more interested in the short-term, often circumspect, ties between reformers, business interests, and legislators at the state level. In Wisconsin, for example, the La Follettes were extremely close to a number of business interests including Robert Wood of Sears and H.W. Story of Allis-Chalmers (whose brother-in-law was the other Wisconsin Senator, Ryan Duffy). And Wisconsin reformer William Leiserson was strongly influenced by his work as an arbitrator in the needle trades. I have traced these themes in “The Political Economy of Reform: Wisconsin Employers, the ‘Wisconsin Idea,’ and the Origins of Social Security,” (unpublished, 1989).

46. Legislation is summarized from *American Labor Legislation Review* (1915–1935). See also Quadagno, *Transformation of Old Age Security*, p. 72; John Andrews, “Prospects for Unemployment Compensation Laws,” *Annals of the American Academy of Political and Social Science* 170 (November 1933); Industrial Relations Counselors, *An Historical Basis for Unemployment Insurance* (Minneapolis: University of Minnesota Press, 1934), pp. 72–73, 177; Stewart, *Unemployment*, p. 570; Lubove, *Struggle for Social Security*, pp. 53, 135–136; *Bulletin of the Bureau of Labor Statistics* 496 (November 1929): 1–10; Edwin Witte, “Organized Labor and Social Security,” in *Labor and the New Deal*, Milton Derber and Edwin Young, eds. (Madison: University of Wisconsin Press, 1957), pp. 247–248. Workers’ compensation followed similar regional lines; passing most northern legislatures in 1910 or 1911 while the “backward five” of the deep south were without compensation law as late as 1929.

47. House Committee on Ways and Means, *Economic Security Act, 74/1* (Washington, D.C.: GPO, 1935), p. 56; Senate, *Unemployment*, pp. vii–xv, 257–259; George Wheeler and Eleanor Wheeler, “Individual Employer Reserves in Unemployment Insurance,” *Journal of Political Economy* 43, no.2 (April 1935): 250; Carter Goodrich, “An Analysis of American Plans For State Unemployment Insurance,” *American Economic Review* 21, no. 3 (September 1931): 399–415; Walter Morton, “The Aims of Unemployment Insurance with Especial Reference to the Wisconsin Act,” *American Economic Review* 23, no. 3 (September 1933): 400–401; E.E. Muntz, “An Analysis of the Wisconsin Unemployment Compensation Act,” *American Economic Review* 22, no. 3 (September 1932): 414–428; Leiserson to Leo Wolman, 26 January 1932, file 15; Leiserson to John Andrews, 9 December 1931, file 1; E.A. Filene to Leiserson, file 14—all in Leiserson Papers, State Historical Society of Wisconsin, Madison, Wisc.; R. Williamson to M.G. Murray, 15 January 1935, file 14, CES Records; “Report of the Unemployment Insurance Committee,” 19 June 1934, file 350:8; and Industrial Advisory Board, “Memorandum On Unemployment Insurance,” April 1934, file 350:8—all in National Recovery Administration (NRA) Records, RG 9, National Archives. Similarly, workers’ compensation laws, although passed in 44 states by 1935, were “sadly lacking in uniformity.” See Senate Committee on Finance, *Economic Security Act, 74/1* (Washington, D.C.: GPO, 1935), p. 65.

48. Labor regulation often entailed the exclusion of potential workers from the labor force, reflecting both capital intensity and the desire to increase the labor costs of low-wage competitors. Protective legislation also displaced female workers and entrenched the position within the working class of organized male workers. Gender relations and ideologies of domesticity were crucial to the form and focus of “protective” labor and

welfare laws and an important ancillary to their purely economic regulatory functions. See Susan Lehrer, *Origins of Protective Labor Legislation, 1905–1925* (Albany, N.Y.: SUNY Press, 1987); Heidi Hartmann, "Capitalism, Patriarchy and Job Segregation by Sex," *Signs* 1, no. 3 (Spring 1976): 137–169; Patricia Brito, "Protective Legislation in Ohio: The Interwar Years," *Ohio History* 88, no. 2 (Spring 1979): 173–197; Nancy Erickson, "Historical Background of 'Protective' Labor Legislation: Muller v. Oregon," in *Women and the Law*, vol. 2, D. Kelly Weisberg, ed. (Cambridge: Harvard University Press, 1978), pp. 155–186; and Mimi Abramovitz, *Regulating the Lives of Women* (Boston: South End Press, 1988), pp. 215–235.

49. Quadagno, *Transformation of Old Age Security*, pp. 15–18; George Tindall, *The Emergence of the New South, 1913–1945* (Baton Rouge: Louisiana State University Press, 1967), pp. 319, 433; Clarence Heer, *Income and Wages in the South* (Chapel Hill: University of North Carolina Press, 1930), pp. 23–25; Wright, *Old South, New South*, pp. 65–70, 198–238; "Study of the Workings of the Minimum Wage Laws" (1922), file V:16, NICB Papers; Department of Labor, *Development of Minimum Wage Laws*, pp. 14–17; *Bulletin of the Bureau of Labor Statistics* 285 (July 1921): 16–21; NICB, *Industrial Progress and Regulatory Legislation in New York* (New York: NICB, 1927), pp. 56–93; Nelson, *Unemployment Insurance*, pp. 114–128; Dodd, *Administration of Workmens' Compensation*, pp. 30–33. After the Supreme Court's *Ives v. South Buffalo* decision, the States were free to draft elective workers' compensation laws, which allowed those firms wishing to escape liability to do so without burdening others.

50. "Witte memo of Conversation with Raskob," October 1934, file 21, CES Records; Business Advisory and Planning Council, "Industry's Responsibility to the Unemployed" (1934), file 310, Raskob Papers, Hagley Library, Wilmington, Del.; Frank Whiting (New York Central) to S.J. Peterson, 4 December 1923, file 1175:10, "Report of the Subcommittee to Consider Federal Workmen's Compensation," 22 August 1932, file 1175:11, Duncan Brent memo, 25 January 1933, file 1175:12, Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.; and NICB, *Regulatory Legislation in New York State*, pp. 2, 93, 147.

51. Christopher Grandy, "The Economics of Multiple Governments: New Jersey Corporate Chartermongering, 1875–1929," Ph.D. diss., Berkeley, California, 1987, pp. 2, 5, 239–241, 250–279; M. Murray to Wagner, no date, file 228:1709, Robert F. Wagner Papers, Georgetown University, Washington, D.C.; and Black Address, 15 July 1937, file 249, National Association of Manufacturers Papers, Hagley Library, Wilmington, Del.

52. Vittoz, *New Deal Labor Policy*, pp. 21–69; NICB, *Regulatory Legislation in New York*, pp. 91, 135; Lea, "Cotton Textiles and the Federal Child Labor Act of 1916," pp. 485–494; Steven Fraser, "Combined and Uneven Development in the Men's Clothing Industry," *Business History Review* 57, no. 4 (Winter 1983): 522–547; Graebner, *Coal Mining Safety*, pp. 72–111; A. Ford Hinrichs, *The United Mine Workers of America and the Non-Union Fields* (New York: Columbia University Press, 1923), pp. 19–21, 107, 112–125; James Johnson, *The Politics of Soft Coal* (Urbana: University of Illinois Press, 1979); and NICB, *The Competitive Position of Coal in the United States* (New York: NICB, 1931), pp. 11, 19–27, 37–147.

53. Vittoz, *New Deal Labor Policy*; Carpenter, *Competition and Collective Bargaining in the Needle Trades, 1910–1967* (Ithaca: New York State School of Industrial and Labor Relations, 1972), pp. 40–89; Morton Baratz, *The Union and The Coal Industry* (New Haven, Conn.: Yale University Press, 1973); and John Bowman, *Capitalist Collective*

Action: Competition, Cooperation and Conflict in the Coal Industry (New York: Cambridge University Press, 1989).

54. Some labor-intensive industries resisted welfare law. The lumber industry, for example, had uniformly dismal labor conditions, virtually no existing unionization and a competitive "cut and get out" ethos. The industry was also without a northeastern core and virtually without leading firms (as it was common practice to dissolve formally a firm after logging a given area and to take only capital to the next site). Further, slipping demand (caused by the use of stone, concrete, and steel in construction) made the industry as a whole reluctant to weather a general increase in costs. Ironically, it was southern operators who initiated meager welfare provisions under these conditions, hoping that housing and benefits would stem the migration of workers to the north. See Vernon Jensen, *Lumber and Labor* (New York: Farrar and Rinehart, 1945), pp. 12–21, 24–34, 154–161; Charlotte Todes, *Labor and Lumber* (New York: International Publishers, 1931), pp. 75–89, 101, 170–180; James Fickle, *The New South and the "New Competition": Trade Association Development in the Southern Pine Industry* (Urbana: University of Illinois Press, 1980), pp. 287–329; William G. Robbins, *Lumberjacks and Legislators: Political Economy of the U. S. Lumber Industry, 1890–1941* (College Station: Texas A&M Press, 1982).

55. *American Labor Legislation Review* 14, no. 1 (March 1924): 54–59, 71. Many industries viewed the standardization of welfare costs in the context of federal protection on other fronts. Protectionist producers were willing to tolerate uniform labor costs as long as they were reflected in tariffs and import quotas, and the railroads were open to any industrywide advances in benefits as long as Interstate Commerce Commission (ICC) rates were adjusted accordingly. It proved difficult, however, to graft welfare onto federal regulation of the railroads, and the existence of the federal ICC actually hampered efforts to include the railroads in New Deal welfare law. See Carman Randolph, "Memorandum on the Federal Workmen's Compensation Commission, no date, file 1175:8, and "Fair Labor Standards Act, 1938," file 909:27–29, Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.

56. James T. Patterson, *The New Deal and the States: Federalism in Transition* (Princeton, N.J.: Princeton University Press, 1969), pp. 17–37; Massachusetts Department of Corporations and Taxation to Delaware State Tax Commission, 30 December 1926, file 765:1, P.S. DuPont Papers, Hagley Library, Wilmington, Del.; Roosevelt quoted in Raymond Muntz, "Policy Development in Unemployment Insurance," in *Federal Policies and Worker Status Since the Thirties*, Joseph Goldberg, ed. (Madison: University of Wisconsin Press, 1976), p. 75; Memo for Conference with Governors, March 1933; President's Secretary's File 74; and Joseph Ely (Massachusetts Governor) to Roosevelt, 6 July 1934, Official File 407, FDR Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, N.Y. See also the National Conference of Commissioners Records, files 17–22, Nathan MacChesney Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; Jane Perry Clark, "Interstate Compacts and Social Legislation," *Political Science Quarterly* 50, no. 4 (December 1935): 502–524; and Jane Perry Clark "Interstate Compacts and Social Legislation II: Interstate Compacts after Negotiation," *Political Science Quarterly* 51, no. 1 (March 1936): 36–60.

57. NICB, *Regulatory Legislation in New York*, pp. 10–11, 28–30, 50–55; *Report of the Commission on Compensation for Industrial Accidents* (Boston: Commission on Compensation, 1912), pp. 17–20, 26–27; Connecticut Unemployment Commission, *Measures to Alleviate Unemployment in Connecticut* (Orange: Connecticut Unemployment

Commission, 1932), pp. 26, 159–164; Senate Subcommittee of the Committee on Manufacturers, *National Economic Council*, pp. 409, 485–486, 547; “Report of the Committee on Employer’s Liability and Workmen’s Compensation,” 1912, file 1175:8, Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.; “Interstate Compact on Minimum Wages,” 1934, file 249, National Association of Manufacturers Papers; Minutes of First Executive Committee Meeting, 5 May 1916, reel 1, NICB Papers; National Association of Manufacturers Annual Report, 1934, file 851.1, National Association of Manufacturers Papers; Morris, *Oregon’s Experience with Wage Legislation*, pp. 207–208; and Quadagno, *Transformation of Old Age Security*, p. 101. Ohio manufacturers reminded the Senate that Canadian competition forced them to fight welfare law at state and federal levels (Senate Committee on Finance, *Economic Security Act*, p. 1102).

58. NRA, Division of Review, “Possibility of Government Contract Provisions as a Means of Establishing Economic Standards,” Work Materials 26 (Washington, D.C.: GPO, 1938); Skocpol and Ikenberry, “Political Formation of the Welfare State,” pp. 95, 111–112; and Latimer, *Industrial Pension Systems*, vol. 1: pp. 34–37.

59. G.L. Peck memo, file 1175:6, “Report of the Special Committee on an Unemployment Compensation Plan for Railways,” 27 January 1938, file 806:1, “Railroad Unemployment Compensation Act, 1936–1938,” file 806:1, Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.; *American Labor Legislation Review* 14 (1924): 326–327; Latimer, *Industrial Pension Systems*, vol. 2: pp. 650–655, 675; Quadagno, *Transformation of Old Age Security*, pp. 72–74; and NICB, “Trends in Company Pension Plans,” *Studies In Personnel Policy* 61 (1944): 44–48.

60. *American Labor Legislation Review* 14, no. 1 (March 1924): 72–80.

61. “Labor’s Appeal for Economic and Legislative Relief” (1930), Presidential File 59, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; Quadagno, *Transformation of Old Age Security*, pp. 51–75, 108–109; Keyssar, *Out of Work*, pp. 291–298; Bernstein, *Lean Years*, pp. 345–355.

62. F. Ecker (Metropolitan Life) to Hoover, 24 February 1931, President’s Personal File 80, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; “Preliminary Report on Unemployment Insurance,” April 1934, file 14, Leon Henderson Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, N.Y. While most major employers did not object to universal adoption of the distinctly business-oriented Wisconsin bill (which provided for reserves segregated by employer and merit ratings), laws drafted in other states throughout the early 1930s were more progressive. Most notable of these was New York’s Byrnes-Condon Law (passed in early 1935), which provided for a state-wide compensation pool and significantly strengthened New York Senator Robert Wagner’s championship of a federal social security law. See “Memorandum for the President: Unemployment Insurance,” 11 September 1931, Presidential File 176, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; Francis McConnell to Leiserson, 1 May 1935; and Abraham Epstein to Leiserson, 5 April 1934, file 2, Leiserson Papers, State Historical Society of Wisconsin, Madison, Wisc.

63. Edwin Michael to H.B. McCormack, 16 September 1935, file V:341, Westmoreland Coal Papers, Hagley Library, Wilmington, Del.

64. The Committee on Economic Security (including Folsom of Eastman-Kodak, Swope of GE, Teagle of Standard Oil, and Leeds of Leeds & Northrup) was an offshoot of the NRA industrial advisory boards, the Business Advisory Council, and the Industrial Advisory Board to the President’s Organization on Unemployment Relief (which was

chaired by Gifford of AT&T and included Teagle, Leeds, Taylor of U.S. Steel, Dennison, and Folsom); see file 19:2, 3, 5, President's Organization on Unemployment Relief Records; membership lists, file 1:3, Business Advisory Council Records, Records of the Department of Commerce, RG 40, National Archives. Quote is from Morris Leeds in Chamber of Commerce Proceedings 19/26 (1931), Chamber of Commerce Papers; "Mr. Swope's Insurance Plan," *The New Republic*, 1 April 1931, p. 202; "Memorandum on Swope-Young Plan," 1931; and Draft: "Swope-Young Plan," 1931, Presidential File 92, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.

65. Senate Subcommittee of the Committee on Manufacturers, *National Economic Council*, p. 308; Grant Farr, *Origins of Recent Labor Policy* (Boulder: University of Colorado Press, 1959), pp. 20–22.

66. William Hogan, *Economic History of the Iron and Steel Industry* (Lexington, Mass.: D.C. Heath, 1970), p. 1167; and Sidney Fine, *The Automobile Under the Blue Eagle* (Ann Arbor: University of Michigan Press, 1963), pp. 35–57. The tightly organized auto industry was indifferent to the regulatory aspects of federal welfare. But GM executives championed any support of aggregate income that might rekindle a flagging automobile market. An early model for federal welfare was the "Deane Plan," drafted by an executive of GM's consumer financing division (GMAC). Although critics correctly viewed it as an "outright subsidy to consumption," the Deane Plan was widely considered in business and political circles in the early 1930s. See "Report of the Committee on Economic Security," 890ff, file 70, Edwin Witte Papers, State Historical Society of Wisconsin, Madison, Wisc.; "Deane Plan," file 28; Alexander Sachs to Donaldson Brown, file 28; "Course of Decline in Employment," file 122; Dahlberg, "Supplementary Report on the Deane Plan," file 123, Alexander Sachs Papers; "Deane Plan," Official File 396; and Raskob to Roosevelt (15 Dec. 1933), President's Personal File 226, Roosevelt Papers—all in the Franklin D. Roosevelt Presidential Library, Hyde Park, N.Y.

67. Bryce Stein, "Unemployment Insurance," file 21, CES Records. On NRA wage differentials, see Wright, *New Deal, Old South*, pp. 216–219.

68. Wilbur Cohen, "The Swope Plan: A Critical Analysis," 14 September 1934, file 17 and "Confidential Report of the Advisory Council to the Committee on Social Security," 18 December 1934, file 6, CES Records; "Report of the Unemployment Insurance Committee to the Industrial Advisory Board" (June 1934), Official File 121a, Roosevelt Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, N.Y.; Senate Committee on Finance, *Economic Security Act*, pp. 3, 22, 162–163; House Committee on Ways and Means, *Economic Security Act*, pp. 145–146. "The purpose of the federal tax," noted Secretary Perkins, "is to equalize the cost of doing business in every State, so far as it can be equalized" (Senate Committee on Finance, *Economic Security Act*, p. 126).

69. On agricultural labor, see Lee J. Alston and Joseph P. Ferrie, "Labor Costs, Paternalism, and Loyalty in Southern Agriculture: A Constraint on the Growth of the Welfare State," *Journal of Economic History* 45, no. 1 (March 1985): 95–117; Warren G. Whalley, "Labor for the Picking: The New Deal and the South," *Journal of Economic History* 43, no. 4 (December 1983): 905–929.

70. Marion Folsom, "Company Annuity Plans and the Federal Old Age Benefit Plan," *Harvard Business Review* 14, no. 4 (Summer 1936): 414–424; NICB, "Company Pension Plans and the SSA," pp. 8, 24; SCC Reports 1935, 1936, boxes 28, 21, Harrington Papers, Hagley Library, Wilmington, Del.; Don Martin (Ohio Manufacturer's Association) to James Emery, 25 September 1935, file 852.1; "Provisions of Company Pension Plans as

adjusted to the Social Security Act," file 258, National Association of Manufacturers Papers, Hagley Library, Wilmington, Del.; H.M. Forster file, file 56, CES Records; "Memorandum: Conference on Social Security," file 350:8, Subject files, Advisory Council, NRA Records; Witte memorandum of interview with Swope, October 1934, file 21, CES Records; "Preliminary Draft of [CES] Report," 1934, file 201, Witte Papers, State Historical Society of Wisconsin, Madison, Wisc.

71. Folsom to Wagner, 13 March 1934, file 328:2, Thomas Eliot to Wagner, 23 June 1935, file 328:20, and Folsom to Wagner, 13 May 1935, file 328:20, Wagner Papers; Adams (John Manning Paper) to Edwin Witte, 20 November 1934, file 58, Deane (GM) to Arthur Altemeyer, 11 November 1934, file 44, Witte to John Andrews, 2 April 1935, file 54, and Rulon Williamson to Witte, 25 July 1935, file 14—all in CES Records; and Witte, "Organized Labor and Social Security," pp. 252–253.

72. W.E. Woodward to Wagner, 7 May 1934, file 382:2, Wagner Papers, Littauer Library, Georgetown University, Washington, D.C.; Business Advisory and Planning Council, "Report of the Committee on Social Legislation," 10 April 1935, file 17, Swope to Witte, 10 December 1934; Teagle to Witte, 11 December 1934, file 16; "Statement Concerning the Report of the Committee on Social Legislation," 10 April 1935, file 17, and "Confidential Report of the Advisory Council to the Committee on Economic Security," 18 December 1934, file 6—all in CES Records.

73. M. Murray to Witte, 19 March 1935, file 1; "Revised Draft of Final Report" [1935], file 6, and J. Clark, "Some interrelationships of Federal and State law," file 12, CES Records; "Summary of Federal-State Subsidy Plan," November 1934, file 2:3, Business Advisory Council Records; House Committee on Ways and Means, *Economic Security Act*, pp. 41, 148–149; Senate Committee on Finance, *Economic Security Act*, pp. 5, 6, 226–237, 926; Don Martin (Ohio Manufacturers' Association) to James Emery, 25 September 1935, file 852.1, National Association of Manufacturers Papers; Raymond Atkinson, *The Federal Role in Unemployment Compensation Administration* (Washington, D.C.: Brookings Institution, 1941); Senate, *Arguments in the Cases Arising Under the Social Security Act*, S. Doc. 53, 75/1 (Washington, D.C.: GPO, 1937), pp. 2, 14–17, 36–39, 122–133; and Social Security Board, "Draft Bills for State Unemployment Compensation," January 1936, file 1165:6, Pennsylvania Railroad Papers, Hagley Library, Wilmington, Del.

74. Clarence Heer, "Financing the Social Security System in the South," *Southern Economic Journal* 4, no. 3 (January 1938): 292–294, 299.

75. H.W. Story in "National Conference on Economic Security," November 1934, file 4, CES Records; House Committee on Ways and Means, *Economic Security Act*, 77, 192–193; Senate Committee on Finance, *Economic Security Act*, 70; Robert La Follette to Robert Wood (Sears), 5 April 1933, Wood to La Follette, 7 April 1933, file 9, Robert E. Wood Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; La Follette telegram to Roosevelt, 23 February 1933, President's Personal File 1792, La Follette to Roosevelt, 14 January 1935, President's Personal File 6659, Perkins Memo, 11 January 1935, President's Personal File 1792, Roosevelt Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, N.Y. On the Democrats, see Joel Rogers and Thomas Ferguson, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986), pp. 40–50; Richard F. Bensel, *Sectionalism and American Political Development, 1880–1980* (Madison: University of Wisconsin Press, 1984), pp. 155–173,

317–367; V.O. Key, *Southern Politics in State and Nation* (New York: Vintage, 1949), pp. 315–384, *passim*; and Tindall, *Emergence of the New South*, pp. 607–649.

76. Highway Trailer Company to Witte, 5 April 1935, file 54, CES Records; and Edwin Witte, *The Development of the Social Security Act* (Madison: University of Wisconsin Press, 1962), pp. 50–89.

77. “Confidential Memorandum on NICB Conference,” 15 October 1934, Post-Presidential Individual File 3848, Hoover Papers, Herbert C. Hoover Presidential Library, West Branch, Ia.; and Chamber of Commerce Proceedings 23/30 (1935), p. 141, Chamber of Commerce Papers, Hagley Library, Wilmington, Del. On the debate within the Chamber (with the opposition led by executives of Morton Salt and Baldwin Locomotive), see Chamber of Commerce Proceedings 23/30 (1935), Chamber of Commerce Papers, Hagley Library, Wilmington, Del.; and *New York Times*, 25 January 1935, p. 1. On the National Association of Manufacturers, see “Social Security Legislation,” handwritten notes on SSA; Social Security Committee Meeting, 25 January 1935, file V:1; Social Security Committee Meeting, 16 April 1936, file V:2, National Association of Manufacturers Papers, Hagley Library, Wilmington, Del. As one example of industry divisions, U.S. Steel (whose competitive position had continued to slip under the NRA) supported the Social Security Act, while the association of smaller manufacturers—the National Metal Trades Association—was sharply opposed (Senate Committee on Finance, *Economic Security Act*, pp. 869–872).

78. See David Vogel, “The Persistence of the American Business Creed,” *Research in Corporate Social Performance and Policy* 2 (1980): 77–102; and Vogel, “Why Businessmen Distrust Their State: The Political Consciousness of American Corporate Executives,” *British Journal of Political Science* 8 (1978): 45–78.

79. As the editors of the *Jackson Daily News* noted: “The average Mississippian can’t imagine himself chipping in to pay pensions for able-bodied Negroes to sit around in idleness.” (cited in Tindall, *Emergence of the New South*, p. 491).

80. J.D. Rogers to R.S. Graham, 18 June 1935, file II:404:4, Westmoreland Papers, Hagley Library, Wilmington, Del.; Senate Committee on Finance, *Economic Security Act*, pp. 2–13, 70–79, 122; Tindall, *Emergence of the New South*, pp. 373, 473, 483, 618. See also A. Cash Koeniger, “The New Deal and the States: Roosevelt versus the Byrd Organization in Virginia,” *Journal of American History* 68, no. 4 (March 1982): 876–896; and Lee Alston and Joseph Ferrie, “Resisting the Welfare State: Southern Opposition to Farm Security Administration,” in *The Emergence of the Modern Political Economy*, Robert Higgs, ed. (Greenwich, Conn.: JAI Press, 1985), pp. 91–114.

81. For a variation on this point (with regard to the regional distribution of federal spending), see Gavin Wright, “The Political Economy of New Deal Spending,” *Review of Economics and Statistics* 52, no. 1 (February 1974): 30–38.

82. Edwin Michael to Virginia Manufacturers’ Association, 6 December 1935, file V:341, Westmoreland Papers, Hagley Library, Wilmington, Del.

83. Heer, “Financing the Social Security Program in the South,” p. 299. See also transcript of Hopkins-Morgenthau telephone conversation, 8 January 1935, Morgenthau Diaries, 3:58–60, Franklin D. Roosevelt Presidential Library, Hyde Park, N. Y.; Patterson, *The New Deal and the States*, pp. 92, 99; B. Guy Peters, “The Development of the Welfare State and the Tax State,” in *Nationalizing Social Security in Europe and America*, Douglas Ashford and E.W. Kelley, eds. (Greenwich, Conn.: JAI Press, 1986), pp. 219–243; Mark

Leff, "Taxing the 'Forgotten Man': The Politics of Social Security Finance in the New Deal," *Journal of American History* 70, no. 2 (September 1983): 359–381.

84. William Leuchtenberg, *Franklin D. Roosevelt and the New Deal, 1932–1940* (New York: Columbia University Press, 1963), p. 132.

85. See Gordon, "New Deal, Old Deck," pp. 629–659.

86. Different industries faced international competition at different times, and some clung to the logic of uniform national welfare standards well into the 1980s. See Colin Gordon, "Pittston and the Political Economy of Coal," *Z Magazine* vol. 3, no. 2 (February 1990): 95–100.

87. Hawley, "Hoover and the Problem of Coal," pp. 259–260; *American Labor Legislation Review* 23, no. 2 (June 1933), p. 138; Senate Subcommittee on Manufacturers, *National Economic Council*, p. 311; Senate Committee on Finance, *Economic Security Act*, p. 2.

88. "Social Security Act," (Chamber of Commerce) *Washington Review*, 22 February 1937; NICB, *Regulatory Legislation in New York*, p. 92.

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