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POLITICS, RELIEF, AND REFORM: THE TRANSFORMATION OF AMERICA'S SOCIAL WELFARE SYSTEM DURING THE NEW DEAL

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ABSTRACT

The American social welfare system was transformed during the 1930s. Prior to the New Deal public relief was administered almost exclusively by local governments. The administration of local public relief was widely thought to be corrupt. Beginning in 1933, federal, state, and local governments cooperatively built a larger social welfare system. While the majority of the funds for relief spending came from the federal government, the majority of administrative decisions were made at state and local levels. While New Dealers were often accused of playing politics with relief, social welfare system created by the New Deal (still largely in place today) is more often maligned for being bureaucratic than for being corrupt. We do not believe that New Dealers were motivated by altruistic motives when they shaped New Deal relief policies. Evidence suggests that politics was always the key issue. But we show how the interaction of political interests at the federal, state, and local levels of government created political incentives for the national relief administration to curb corruption by actors at the state and local level. This led to different patterns of relief spending when programs were controlled by national, rather than state and local officials. In the permanent social welfare system created by the Social Security Act, the national government pressed for the substitution of rules rather than discretion in the administration of relief. This, ultimately, significantly reduced the level of corruption in the administration of welfare programs.

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

Our answer is straightforward. The President, Franklin Roosevelt, and other members of the executive branch gained little or nothing from the kinds of local corruption involved in public relief. But they stood to incur enormous losses if the New Deal relief program was perceived as corrupt by the voting public. Roosevelt and the Democrats brought relief to millions of families every month and the gratitude of relief recipients was Roosevelt's political payoff. Other politicians – Senators, Representatives, governors, and mayors – wanted to control relief and use it for political gain. Both houses of Congress, the states, and local governments maneuvered, manipulated, and cajoled to get their hands on a share of the billions spent each year on relief. Although Roosevelt made substantial concessions to Congress and to state and local governments in the administration of relief, he was able to curb corruption at the state and local level by his influence over the discretionary allocation of relief funds, by establishing offices to investigate complaints of corruption, and, in the long run, by bureaucratizing the administration of public welfare. During the New Deal, when the relief programs were reorganized to give the Roosevelt administration more control over the distribution of funds within states, it used that control to limit state and local political manipulation and increased the responsiveness of the allocation of funds within states to the high-minded goals of relief, recovery, and reform. Politics were paramount in the structure of New Deal relief programs, it just turned out that the best political outcome meant a reduction in corruption at the state and local level. This does not mean that Roosevelt did not use the administration of relief for his own political ends. There is ample evidence that presidential politics mattered in the distribution of relief funds. Corruption by others was curbed because it was in Roosevelt's political interest to see it curbed.

We begin by discussing the types of corruption involved with relief during the New Deal. We present a brief overview of the New Deal programs, followed by a more detailed history. We then trace how political influences shaped the administration of relief programs and document how relief administered by the national government differed from relief administered by states.

I. Defining Corruption

Corruption has many dimensions. During the Great Depression the New Deal Democrats were often accused of "playing politics with relief." This dimension of corruption differed by level of government. Roosevelt explicitly stated the goals of the New Deal as "relief, recovery, and reform." A growing political economy literature has tried to evaluate whether Roosevelt pursued those goals or whether he used New Deal policies, particularly the allocation of federal grants among the states, to pursue political goals.[1] For example, if the level of unemployment in states did not affect the allocation of relief spending across states, but the margin of Roosevelt's victory in the 1930s presidential election did affect allocations, this is evidence of political corruption. At the state level, governors occasionally required administrative employees to make contributions to political parties. At the local level, political machines were often accused of selecting from potential relief recipients on the basis of party or requiring recipients to vote for machine candidates. These are all examples of politics corrupting the administration of relief, in the large and in the small.

Corruption also occurred through time honored methods of fraud and featherbedding. For example, relief workers could be assigned to work on projects that benefited private land owners rather than the public;[2] suppliers could over bill for materials and make kickbacks to project supervisors;[3] or workers could pad their hours and receive benefits for work they never performed.[4] At their margins, these criminal types of corruption may be indistinguishable from political types of corruption. But they are substantively different enough that reducing political corruption requires different policies than reducing criminal corruption. It appears that the New Deal was successful at eliminating political corruption in the administration of welfare. Fraud, however, will always be with us and its reduction requires eternal vigilance[5]

The administrative structure of a government program limits the methods available to combat corruption. In general, corruption depends on administrative discretion. Officials can be corrupt only if they have some leeway to make decisions. The creation of rules and procedures is one way to limit corruption. For example, Roosevelt could only play politics with the allocation of relief funds between the states if the executive branch possessed the power to allocate funds at their discretion. If funds are allocated by a formula or a rule, for example, equal per capita grants or matching grants, the federal administrator does not possess the option of being corrupt along this dimension. Similarly, if a local case worker has the discretion to set the monthly relief benefit for each case he or she has much more opportunity to be corrupt than if relief benefits per case are fixed.

While discretion and rules are, to a certain extent, substitutes as governing devices, it is rarely possible to construct an administrative mechanism without some discretion. In the hectic days of 1933 it was extremely difficult to come up with sensible rules. As a result, the key aspect of administrative structures was who had administrative discretion. Was it lodged with the national government, the President, or with the state and local governments? Our central hypothesis maintains that political corruption at the state and local level in the administration of federal relief funds was reduced when administrative discretion lay with the executive branch of the national government. Criminal corruption was reduced by the promulgation of rules and vigorous prosecution of offenders. The tests of this proposition developed in the empirical section depend, of course, on identifying political or criminal corruption, and then distinguishing whether corruption was addressed by creating rules or changing the location of administrative discretion.

II. A Brief History

The history of the New Deal relief programs falls into two eras: from May 1933 to the summer of 1935, and after the summer of 1935. The periods are distinguished by the amount of administrative discretion exercised by the national government and the discretion remaining in the hands of state and local officials. Table 1 provides a list of the major New Deal relief programs. The first columns of the table give the beginning and ending dates for each program (several Social Security Programs are still in force). The last column classifies programs by their administrative character, that is, how discretion was allocated within the program. In “national” programs the national government exerted a preponderance of administrative influence. In “federal” programs state and local governments shared administrative discretion with the national government and in many programs possessed the preponderance of influence. Table 2 lists the average monthly number of cases receiving relief for the nation as a whole and for each of the major relief programs.

In the spring of 1933 the Federal Emergency Relief Act created the Federal Emergency Relief Administration, known as FERA, the largest and most important relief program up to 1935. Roosevelt chose Harry Hopkins as the FERA Administrator. The original act appropriated $500 million to be allocated among the states, half on a matching basis and half at the discretion of the administrator. Once funds were granted, however, FERA funds legally became the property of the states. Hopkins attempted to raise the standards of relief administration, but his ability to do so was limited by the relative independence of state relief administrations. Hopkins could, and did, threaten to withhold federal grants for relief to states with corrupt or inefficient relief administrations. Withholding funds, however, was a blunt policy tool that worked to the direct disadvantage of the unemployed in the state, in contradiction to FERA’s mandate.

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

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

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

III. Early Relief: 1933 to 1935

Early twentieth century American social welfare policy had its roots in the English Poor Law. Relief was administered locally through a complex network of public and private agencies, ranging from the poorhouse to the Community Chest, who assessed need and distributed benefits. The intellectual high ground in the emerging field of social work was dominated by private, rather than public, organizations. The centuries old debate over using relief to care for the truly needy as opposed to a dole for the idle, shiftless, and worthless produced a philosophy of social welfare focused on the individual case. Social workers identified the deserving poor and relief was tailored to suit the needs of the needy and to discourage the dissolute. Independent private social agencies could make these distinctions without bias. The preference for private rather than public relief was further strengthened by the general low regard for the capacity of local governments, run by local machine politicians, and staffed by untrained politicos as rewards for political service.[6] Public relief agencies were tainted by the possibility of the using relief for political purposes. Patronage and political influence – political corruption

– rather than the interests of the poor, were believed to motivate public relief.[7]

The sharp division between the proponents of private and public relief is clear evidence of the deep rooted concern over competence and corruption in the administration of public relief.[8] It is very difficult to credibly measure the extent of corruption in the administration of relief before, during, or after the New Deal. It is, however, a matter of historical record that a significant share relief was administered by private social welfare agencies before 1933, and that private administration was preferred to public administration largely on grounds of competence and political corruption. These fears did not miraculously disappear in 1933. As we discuss, private social workers continued to argue that public relief was potentially corrupt well into the mid-1930s. By the 1950s, when social welfare advocates continued to complain about the inadequacy of relief in the state administered categorical programs, charges of political corruption were not to be found.[9] This is clear historical evidence of a reduction in the prevalence of political corruption in the administration of relief over the course of the New Deal.

Because of the dominance of the private relief administration in the 1920s, it came as a surprise when the newly formed Committee on Social Statistics reported in 1929 that, in 15 large cities, 71.6 percent of all relief funds, whether disbursed by public or private agencies, came from local governments.[10] Relief, it turned out, was often publicly financed even where it was privately administered. As the depression deepened, both public and private sources of funds were called upon. The growing burden of relieving the unemployed was well beyond the ability of private agencies and relief spending by local, and eventually state, governments rose steadily.[11] Public relief officials, who had taken a backseat to professional private social workers for decades, began exerting a larger influence in planning for a larger relief effort. But the leadership of the social work movement had their roots in private social agencies, and these leaders assumed important positions in the national government after 1933. They brought with them the idea that local public relief administration was inefficient and subservient to politics.

Those ideas posed problems for Roosevelt and Hopkins when they began operations under FERA. The dominate philosophy of private social work in the 1920s was to determine what was best for each relief recipient on a case by case basis, allowing the local relief agency the maximum degree of flexibility and discretion in spending money. The prospect of distributing $500 million in federal government funds through the existing system of local public relief agencies presented a nightmare of accountability for Hopkins. Giving control of the funds to state and local public relief agencies seemed guaranteed to exacerbate the use of relief for political and corrupt purposes. Giving control of the funds to private agencies seemed guaranteed to insure that millions of decisions about who would receive how much relief would be made by social workers in the best interest of the needy, with no possibility of consistently explaining why one person received relief and another did not.

Roosevelt and Hopkins were in a hurry, however, and their initial decisions about FERA reflected the need to start quickly. In the summer of 1933 they had to figure out how to get hundreds of millions of dollars in relief to millions of families throughout the country. FERA required Hopkins to distribute the money to the states, even though most states had no formal structure for administering relief. The understanding was that most of the money would be distributed by local relief agencies. Hopkins and FERA were given some discretion in passing out money between the states (in the initial $500 million appropriation, half the money allocated by matching state and local contributions and the other half as allocated at the discretion of the administrator on the basis of need). By November 1933 the rule-based matching features of the allocation were dispensed with and Hopkins was given full discretion to pass out the funds to the states while taking into account need and state and local contributions to the effort. Hopkins could use this discretionary fiscal power to influence the standards of relief administration within individual states. The original appropriation seriously underestimated the nation's relief needs. FERA spent roughly $4,000 million between the summer of 1933 and the summer of 1935, under a series of emergency Congressional appropriations.

Hopkins made three key administrative decisions in 1933: (1) All relief funds would be spent by public agencies; (2) Relief benefits would be set on a case by case basis using a need based standard;[12] (3) FERA would enforce the highest standards of relief administration possible, would use the threat of withholding funds to enforce and persuade state and local relief administrations to meet those standards, and would vigorously prosecute state and local relief officials who used relief for their own political purposes.

With the establishment of these rules, Hopkins began to implement procedures to insure the efficient administration of relief. FERA initiated a program requiring each state to file monthly financial and administrative reports, detailing case loads, benefit payments, and administrative costs in each county. Hopkins continually pressed states to increase the amount of funding they provided for relief, to raise the standards of relief administration, and to reduce corruption and the political use of relief. But Hopkins was continually frustrated in these efforts. FERA monthly grants were legally the property of the state it was granted to. Hopkins could only threaten to withhold funds from a state, severely constraining his ability to affect the administration of relief within a state. Eventually, FERA established a division of investigation that looked into over a thousand complaints (ranging from the trivial to the felonious). Yet, even here Hopkins became frustrated because FERA's decentralized strcuture meant that the states were responsible for the investigations and the attention to rooting out fraud and corruption varied significantly across states.

FERA's goal was getting the maximum amount of relief to the largest number of people, quickly, and with a minimum of administrative costs.[13] The state and local share of relief expenditures varied from a high of 62 percent in Rhode Island to a low of 5.4 percent in Alabama. There was constant friction between FERA and state governments over the administration and financing of relief. Hopkins threatened to withhold FERA grants to several states that refused to increase state contributions. The disputes were significant in 12 states. He made good on his threat to withhold funds in Colorado and Missouri. Dissatisfaction with the way relief was administered led Hopkins to take over, or "federalize" the administration of relief in six states.[14] In North Dakota, Governor Langer was indicted and convicted for extorting kickbacks from federal government employees, although he wiggled out of serving jail time. In Ohio, Governor Davey had a feud with Hopkins over the administration of relief. When Roosevelt finally authorized the federalization of relief in Ohio his letter began "My Dear Mr. Hopkins: I have examined the evidence concerning corrupt political influence with relief in the State of Ohio. Such interference cannot be tolerated for a moment. I wish you to pursue these investigations diligently and let the chips fall where they may. This administration will not permit the relief population of Ohio to become the innocent victims of either corruption or political chicanery".[15]

Roosevelt reaped enormous political gains from the relief programs: he was seen as the source of relief for millions of American families. At the same time, garnering the credit for relief obligated Roosevelt to bear the political costs of corruption when it was exposed.[16] Roosevelt might be willing risk appearing corrupt by using relief funds for political purposes if he received the benefits. Roosevelt, however, received no direct benefits from corruption by others in the system. Thus, Roosevelt's interest in a system that would not be corrupted at the state and local level were at odds with the interests of individual Democratic senators, congressmen, governors, mayors, and state legislators who benefited much less from relief if that they could not use it for their own political purposes.

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

IV. Relief after 1935

Planning for a more permanent relief system began in 1933. From FERA's beginning its loose administrative structure embroiled Hopkins in arguments with governors and state relief systems across the country about how much financial support state governments would provide, how relief benefits were to be determined, what constituted adequate relief, whether relief was to be given in cash or in kind, and over state and local efforts to bend the administration of relief to serve political ends. Characteristically, Republicans accused Hopkins of playing politics with relief while Democrats accused Hopkins of appointing Republicans to important relief posts. There was no happy medium for Hopkins. His only certain solution to corruption was to create a national relief agency, staffed by civil servants answerable only to Hopkins; that solution was not acceptable to Congress or state and local governments. The compromise reached in 1935 enabled Hopkins and the federal government to put some bounds on the agency problem they faced in allocating federal relief at the local level.[17]

The second stage of New Deal relief administration was marked by the passage of the Emergency Relief Appropriation Act of 1935 (ERAA) and the Social Security Act of 1935 (SSA).   The two bills embodied the compromise between the President and the Congress. Both bills were introduced in January, the ERAA passed in March and the SSA in August. Two distinctions were critical: between employable and unemployable persons and between the emergency and the permanent relief programs. The ERAA appropriated \$4.8 billion for the relief of the unemployed, to be spent at the discretion of the President, through agencies unnamed in the bill but to be created under its authority (these ultimately included the WPA, REA, FSA, and the NYA). This was emergency legislation: a one-time, temporary appropriation of funds for the relief of employable persons (people who would have been employed had it not been for the depression).[18] The emergency appropriation was intended to tide the country over until the "permanent" relief structure could be put in place.

The Social Security Act created the permanent program. Congress placed old age insurance under the administration of the national Social Security Board. Administration of the categorical relief programs was lodged with state governments and financed by matching national grants. Unemployment Insurance was funded by a nationally administered payroll tax. UI programs were administered by state governments, which could draw on their individual state funds. Because states had a right to draw on their UI funds and the rules in categorical programs called for federal matching of qualified state expenditures, the national government had virtually no control over spending in this part of the welfare system.[19] Although the Social Security Board was responsible for approving the initial design of state programs, actual administration of the programs was left up to the states. Significantly, the Board was explicitly prohibited from interfering with personnel policies of the state administration or withholding matching funds because of personnel policies. Control over patronage in unemployment insurance and categorical relief programs was firmly located at the state and local level. The Board did have some ability to enforce standards of relief administration, a power that became important later. During the FERA administration, Hopkins had used the threat of withholding funds and federalizing relief to pressure state relief administrations. Those tools were taken away from the national administration in the Social Security Act.

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

Private social welfare professionals were incensed at what it perceived to be a betrayal of their basic principles. Control over the permanent relief program was given back to the states. National support and administration of relief was abandoned. Responsibility for general relief, relief for those who did not fit into a category of relief supported under the Social Security program, was returned to local governments. Only the needy who were unemployed, aged, blind, or dependent children came under the protection of the federal system. They feared that the compromise of 1935 cast relief back into the realm of politics: "One of the greatest difficulties in the way of sound organization [after 1935] was political interference with legislation and standards of personnel... The fact remains that much of the confusion and many of the backward steps taken in state and local administration were due to political pressures" (Brown 1940, p. 321).

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

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

In this section, we examine the passage of New Deal legislation to determine whether Congress played politics with relief. Did the House and Senate design the rules and administrative authority in the relief bills in ways that enhanced their own gains from the relief programs? First, differences between House and Senate versions of the same bill are examined to see if the two branches of Congress designed the rules for allocating funds between large and small states in a predictable way. Large states are better represented in the House and small states in the Senate. These differences provide a simple and clean test of whether politics mattered in the political economy of New Deal spending. Second, differences between House and Senate versions of the same bill are scrutinized to see if the House was more likely to create administrative discretion and authority at the local level and if the Senate was more likely to create administrative discretion and authority at the state level. Since using relief for political ends required administrative discretion, these results give us an indirect indication of what politicians hoped to accomplish by structuring the relief programs in particular ways. The ten important pieces of relief legislation during the New Deal are listed in Table 3.

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

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

(1) DF_i = House $allocation_i$ - Senate $allocation_i$.

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

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

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

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

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

The House and Senate allocations differ in systematic and understandable ways. Unemployment, and therefore relief spending at the state level, was concentrated in the large industrial states of the northeast and upper Midwest. These states were much better represented in the House, and the House pursued programs that allocated relative large amounts of money to large states. An important way of doing that was through matching grants, since the more wealthy, industrial, and hard hit states spent more of their own state and local funds on relief and therefore qualified for larger matching grants. The Senate, on the other hand, tended to prefer (relative to the House) programs and methods of allocation that favored the geographically large, sparsely populated states of the west and Midwest. They preferred allocation formulae, like population or land size, that funneled more money into the west. They also showed a strong preference for large public works projects, like the type conducted by Harold Ickes and the PWA located primarily in western states with an abundance of public land, over the small, often urban work relief projects conducted by Harry Hopkins and the WPA.[20]

Jurisdictional differences between the House and Senate were more marked and more important than geographic differences. Jurisdictional matters determined which level of government possessed elements of administrative discretion. Geographical differences usually arose over substantial amounts of money but were minor in relation to the whole relief package, and they never proved to be a significant impediment to the passage of legislation. Jurisdictional disputes, however, were fought over central issues of administrative control and, on at least one occasion, were capable of bringing the whole legislative process to a halt.[21] There were four dimensions of administrative discretion: decisions about money, patronage, project selection, and recipient selection. In general, we expect the House to locate administrative control over these functions at the local level and the Senate to locate control at the state level. Table 5 lists the ten relief bills, whether there was a difference in one of these four areas, and whether the difference was as expected (Y if it was; N if it was not). An example from each category:

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

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

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

4) Recipient Selection: There was never a hard and fast legislative decision on who should select the recipients for the WPA. In practice local relief agencies "referred" potential recipients to the WPA, and it was usually impossible to receive a WPA relief job without the referral.[22] Local relief agencies were not paid, at least not directly, for this task and so effectively remained independent of the WPA. Hopkins and the WPA several times requested funds from Congress to pay local relief agencies for providing referral services, and a provision for payment was included in several Senate bills. In every case the provision was eliminated from the bill by the House. Hopkins was unable to exert even indirect control on local recipient selection by providing money for the referral service, money that could have been withheld or reduced.

These examples are indicative of House and Senate concerns in relief legislation. As Table 5 shows, differences in the kind of administrative arrangements preferred by the House and Senate were frequent, persistent, and systematic. In 17 of the 18 cases where the House and Senate differed over administrative procedures, the differences are as predicted.[23] Both Senators and Congressmen were interested in locating administrative control of the relief program at the level of government where they exercised the most control.

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

Dividing administrative control over relief between national, state, and local governments was the key element in the compromise of 1935. Congress located administrative control over the permanent categorical relief programs, unemployment insurance, and general relief at the state level. The national government was given control of the emergency relief programs and the permanent social insurance program. Roosevelt and Hopkins were given a blank check for $4.8 billion in the ERAA of 1935. The magnitude of the change in New Deal relief administration cannot be underestimated. Although control of the permanent welfare program remained largely with the states, the permanent program took time to implement. For the remainder of the 1930s and the depression, the national government would be the largest provider of relief in the country and the ERAA of 1935 gave Roosevelt and Hopkins wide latitude and discretion in how they administered that relief.

The WPA succeeded FERA as the primary national program for the relief of the unemployed. Like FERA, the WPA under Hopkins provided work relief to over 2 million cases each month. Under the FERA structure, Hopkins had not possessed the discretion to allocate funds within states. When a state strayed from the administration's goals, the public was likely to blame the Roosevelt administration as much or more than they blamed the state and local politicians. To guide the state back to the proper path, Hopkins could try friendly persuasion or go to the extreme of withdrawing funds or federalizing relief. But he had no intermediate punishments. This was not a problem under the centralized structure of the WPA. WPA administrative employees worked directly for the federal government and the WPA administrators controlled the intra-state allocations of WPA funds.[24]

The next section examines the WPA rules and procedures adopted by Hopkins to control illegal corruption in the distribution of relief. This section examines how centralization limited political corruption in the distribution of funds. Roosevelt's critics argued that greater federal control under the WPA allowed Roosevelt and Hopkins to better manipulate relief allocations for political purposes. If we are correct that Hopkins and Roosevelt sought to limit political manipulation by state and local officials within the states, we should see that the distribution of relief within states more closely matched the stated goals of relief, recovery, and reform under the WPA than under FERA and that political considerations had less influence on intra-state allocations under the WPA than under FERA. Information on the allocation of WPA and FERA spending from over 3000 counties is used to examine the differences in the intra-state distribution of WPA and FERA funds. In order to compare allocation policies directly, the values for every variable (dependent and independent) for each county are normalized by subtracting the state mean for that variable and then by dividing the difference by the standard deviation within the same state. As a result every variable has a mean of zero and a standard deviation of one within each state. This facilitates comparison of the coefficients determining spending for FERA, the WPA, and the difference between the two programs.[25] We include key variables that influence the distribution of relief grants, as discussed in the literature on the allocation of New Deal funds.

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

The second group of variables reflects political factors. The Roosevelt administration may have used the allocation of funds to promote their prospects for re-election by rewarding long-term loyal Democrats (measured by the mean percent voting Democrat in presidential elections from 1896 through 1928), by trying to attract voters who were relatively fickle in their support of the Democrats (measured by the standard deviation of the percent voting Democrat from 1896 through 1928), by rewarding voters who swung to Roosevelt in 1932 (the percent voting for Roosevelt in 1932 minus the mean percent voting Democrat from 1896 through 1928), or by spending more in areas with higher turnout (the number of presidential votes in 1932 relative to the population in 1930).[26]

The first two specifications in Table 6 show the results for the WPA and FERA separately. With regard to the economic variables, both programs provided more funds per capita in urban areas, provided more funds in counties with higher unemployment, and provided fewer funds to higher income counties as measured by retail sales per capita. FERA provided more funds, while the WPA provided fewer funds, to counties with higher tax returns per capita. On the political side, both FERA and WPA gave less money to counties that traditionally voted Democratic and more money to counties that swung to Roosevelt in 1932 and that had higher voter turnout. FERA gave more funds to counties with higher variance in their party voting, while the WPA gave less to these counties.

Our specific interest, however, is in the differences between the responses of the FERA and the WPA to key variables; therefore, we focus on the third specification in Table 6 where the dependent variable is per capita WPA spending minus per capita FERA spending. The results of the comparison are consistent with our view that when Hopkins gained more control of the intra-state allocations he reduced state and local political manipulation by focusing spending more on relief, recovery, and reform.

The WPA distributed relatively more funds within states to areas with greater unemployment, lower economic activity, and a higher urban share of the population. Because of the way the variables were scaled, a one-unit change in a variable represents a change of one standard deviation in each variable. A one standard deviation increase in the unemployment rate produced an increase in WPA funds that was 0.055 standard deviations larger than the response by FERA. A similar increase in retail sales per capita in 1929, our measure of economic activity, was associated with a reduction in WPA spending that was .08 standard deviations greater than for FERA spending. A one standard deviation increase in percent urban led to a response by the WPA that was .09 standard deviations larger. All three differences are statistically significant. The differential response in WPA and FERA spending in urban areas is particularly telling.

Representation in state legislatures was skewed in favor of rural areas. The national government was already distributing large amounts of aid to farmers through agricultural programs. Hopkins wanted FERA and the WPA to focus on relief of unemployed workers, not low income farmers. Thus, when Hopkins gained control under the WPA he managed to shift funds back to urban areas. There is one exception in our findings. The FERA was more responsive to the depths of the crash between 1929 and 1933, as measured by the growth (or reduction) in retail sales per capita in those years.

The results in Table 6 for the political variables suggest that Hopkins and Roosevelt resisted the temptation to take advantage of greater discretion by more vigorously pursuing political goals when they gained more control under the WPA. The effect of long-term swing voters and voter turnout on intra-state allocations were statistically significantly lower by .06 and .03 for the WPA than for FERA, respectively. The response to the Roosevelt swing voters was also lower under the WPA, but not in a statistically significant way.

The major bone of contention in the political economy of New Deal spending debate is whether economic or political factors influenced the allocation of federal spending. These results clearly show that when control over the intra-state allocation of relief funds shifted from state and local politicians to Hopkins that the political influence on intra-state allocations was reduced and intra-state allocations were more responsive to economic conditions.

VII. Rules and Procedures

The switch from the FERA to the WPA offered Hopkins more than greater discretion over how relief funds were allocated within states. It also gave him more central authority over the monitoring of relief administration. The WPA continued FERA's efforts to collect financial information from state and local agencies in a timely manner. Because WPA funds were federal funds, the WPA was better able to audit the finances on individual projects whether the projects were carried out by state or local governments or by the WPA itself. Administrative discretion was reduced in several areas. The WPA introduced a "security wage" policy which set the wages of WPA employees according to a formula that took into account the employees' skill, the size of the locality in which the work was performed, and the prevailing wage for work in the area. Hours of work and standards of construction on WPA projects were more closely controlled.

The move from the FERA to the WPA allowed Hopkins to reorganize and strengthen the investigations of complaints concerning improper administration of relief and corruption. Under FERA such investigations were carried out by small staffs at the federal or state level. The administration of relief "was a new problem and a new field of investigative work" and the approaches taken were as "variable as the number of states themselves" (WPA Division of Investigation 1943, p. 1). FERA established a Division of Special Inquiry in October 1934, that operated out of the Washington, D.C. office. Investigative efforts often were uncoordinated and were hampered at times by the transfer of legal ownership of relief funds to the state on reception of the grant. States, as a result, were the primary investigators when charges were raised.

Roosevelt's Executive Order creating the WPA established a "division of progress investigation," designed "to coordinate the pertinent work of existing investigating agencies of the government so as to insure the honest execution of the relief programs" (WPA 1943, p. 4). The Division had its own director and field organization directly responsible to the Administrator. The functions of the Division, "covered the investigation of all complaints alleging fraud or loss to the government or violations of Federal statutes as they applied to the expenditure of relief funds. More specifically these functions included the handling of complaints that funds were being diverted to private rather than public benefit; that false statements had been made in obtaining allocations or benefits from relief money; that pay rolls for either personal services or the rental of equipment by WPA were being padded; complaints of extortion or kickbacks, of theft or embezzlement, or bribery or the collection of illegal fees; that false compensation claims had been filed by WPA employees or that fraud existed in competitive bidding on government contracts; that vendors to the government were not delivering in line with their contracts; that forgery had been committed in work assignments, time reports, or other official documents, and other less common types of fraud in the handling of federal funds" (WPA 1943, p. 5). The Division later investigated violations of the Hatch Act, prohibiting "pernicious political activity" and provisions passed by Congress in 1939 preventing aliens from receiving WPA employment.

A staff of 50 was based in Washington, supplemented by field offices in 15 cities, originally, and later in the regional offices. The number of field agents peaked in number at 73, supplemented by "resident agents" throughout the country.[27] There were plenty of complaints. The records of the investigative division take up 415 cubic feet plus numerous rolls of microfilm in the National Archives. In 1937 alone, the Division conducted 3,280 investigations.

The Division evaluated complaints, investigated them if necessary, and then, if a problem was found, turned cases over to the Attorney General's office for prosecution. The Division investigated and reported on 17,352 cases. In 8,811 the charges were substantiated. A total of 2,215 were referred to the Attorney General for criminal prosecution. Of the remaining 6,596 substantiated cases, 4,496 persons were dismissed, demoted, suspended, reprimanded or debarred. When a subcommittee of the Committee on Appropriations of the House investigated the WPA in 1940 they could not uncover a single serious irregularity that had not previously been investigated by the Division.

The switch from the FERA to the WPA gave Hopkins a great deal more authority over the activities of state and local WPA projects. It is clear that he took this opportunity to establish better monitoring of the programs. He and Roosevelt were concerned that charges of corruption left to fester and later be uncovered by Congressional investigations would significantly damage the success of the program and ultimately the administration. Therefore, they established a more centralized investigative division that routinely investigated complaints and pressed for the prosecution of political and criminal corruption.

VIII. Concluding Remarks

The modern American welfare state was created during the New Deal. Prior to 1933, the burden of caring for the needy and unemployed fell on local governments. By late 1935, a system of nationally funded and administered old age insurance was in place; federally funded and state administered programs providing old age assistance, aid to dependent children, aid to the blind, and unemployment insurance were in place; and a substantial emergency relief structure with both national and state components was working to see the nation through the last years of the depression. Before 1932, the administration of public relief was widely regarded as politically corrupt, a concern so prevalent that a significant portion of the nation's relief systems were administered by private social welfare agencies. Although political opponents of the New Deal often complained about the use of relief for political purposes, by 1940, charges of corruption had diminished considerably. Corruption within the relief programs was reduced. How this contributed to the overall level of corruption in the political system within the New Deal is not clear. The importance of political machines is often claimed to have declined over the course of the New Deal, partly because the provision of national relief undercut the provision of local relief by the machines. But as we have documented, part of the relief system remained in the administrative hands of the local governments, albeit with more supervision from the Social Security Board.[28]

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

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

The deal struck in 1935 with the passage of the Emergency Relief Appropriations Act and the Social Security Act gave the Roosevelt administration authority over the distribution of emergency relief. Congress insured, however, that states retained control over important elements of the permanent relief program: unemployment insurance, aid to the blind, old age assistance, and aid to dependent children, but were subject to federal oversight. Although we stress the difference in the interests of Congress and the executive branch, this should not obscure the importance that all Democrats placed on re-electing Roosevelt. Giving Roosevelt control over the emergency relief program allowed him to claim credit for providing relief and employment to millions of families every month. Voters responded by supporting Roosevelt. When Roosevelt and Hopkins obtained more control over the intra-state allocation of WPA relief funds, they targeted the allocation of funds within states more at the high-minded goals of relief, recovery, and reform and resisted increasing the role of presidential politics.

The other side of the bargain gave states more control over the administration of categorical relief and unemployment insurance, as well as complete fiscal autonomy. But state independence came with a catch. The Social Security Board could not force states to spend more or less on relief, nor could it decide who would staff administrative positions, but it could and did require that relief be administered in a fair and impartial manner. The development of welfare entitlements and the evolution of higher standards of welfare administration in the states under the watchful eye of the Social Security Board are a subject beyond our current story.

Our explanation for why the New Deal relief policies sought to reduce corruption does not imply that politics played any less of a role in the 1930s than politics played before the Great Depression. It was in Roosevelt's political interest to reduce corruption from the administration of relief at the state and local level. It was political interest, and not only enlightened social policy, that contributed to the reduction in corruption.

Table 1
Major Relief Programs, Dates, and Administrative Character

Started	Ended	Legislation/Agency	Administration
May 1933	Fall 1935[1]	Federal Emergency Relief Administration (FERA)	Federal
		Civilian Conservation Corp (CCC)	National
December 1933	March 1934	Civil Works Administration (CWA)	National
Spring 1935	1942	Emergency Relief Appropriations Act of 1935	
		Works Progress/Projects Administration (WPA)	National/Federal
		Rural Electrification Administration (REA)	National
		Farm Security Administration (FSA)	National
Summer 1935	Continuing	Economic Security Act	
		Social Security Board	
		Old Age and Survivors Insurance (OASI)	National
		Unemployment Insurance	Federal
		Categorical Relief	
		Old Age Assistance (OAA)	Federal
		Aid to the Blind	Federal
		Aid to the Dependent Children (ADC)	Federal

Notes. Federal administration refers to joint administration by the state and national governments. National administration refers to programs administered by the National government. General relief was provided by local governments throughout the period.

[1]Some FERA projects were phased out over a period lasting through March 1937.

Table 2
Average Monthly Case Loads by Major Programs (000s of cases)

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

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

Notes: All figures are the average of monthly case loads for the months reported in each year in the original source. For example, the FERA listing in 1933 is the average monthly case load for the months June through December of that year. The UI listing in 1940 is the average monthly case load for the months January through June of 1940. The CWA listing in 1934 includes a peak of 4.311 million cases in January 1934 down to 1.1 million cases in April after the program was ended and was winding down.

Table 3
Major Relief Legislation: 1921-1939

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

Table 4
Regressions of the Difference in House and Senate Bills on Voting Share in House

Bill Number	Constant	Votes	R^2	Critical Vote
HR 12445	-0.601	14.39	0.03	15.2
	(1.75)	(1.22)		
HR 4606	-0.03	3.89	0.13	2.8
	(-0.72)	(2.60)		
HR 9830	-11.38	277.51	0.14	15
	(2.99)	(2.71)		
HJR 117	-6.49	157.26	0.22	15.1
	(5.07)	(3.59)		
HR 12624	-1.38	33.71	0.42	14.9
	(8.22)	(5.86)		
HJR 361	-0.82	19.81	0.08	15.1
	(2.90)	(2.04)		
HJR 679	0.18	-4.13	0.0007	15.9
	(0.27)	(-0.18)		

Notes: The dependent variable in all regressions is the difference in per capita spending between the House and Senate versions of the bill. Independent variable in each regression is voting share of each State in the House. All regressions have 46 degrees of freedom. The t-statistics are in parentheses below the coefficients.

Table 5
Observable Differences in House and Senate Bills

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

Notes: Entries correspond to differences in the House and Senate versions of each bill, where Y means that the Senate version favored state over local interests; N means that the Senate version did not favor state over local interests; and --- means that there was no difference in this aspect of the House and Senate versions of the programs.

Table 6
Comparison of Intra-state Allocation of FERA and WPA Funds

	1	2	3
Variable	WPA	FERA	WPA minus FERA
% urban, 1930	0.216	0.125	0.091
	(7.54)	(4.29)	(3.27)
Tax returns per capita, 1929	-0.005	0.076	-0.081
	(-0.15)	(2.52)	(-2.79)
Retail sales per capita, 1929	-0.208	-0.153	-0.055
	(-6.74)	(-4.87)	(-1.84)
Retail sales per capita growth, 29-33	-0.016	-0.13	0.114
	(-0.87)	(-7.03)	(6.44)
% unemployed, 1930	0.282	0.227	0.055
	(13.9)	(11.04)	(2.77)
Democratic Loyalty, 1896-1928	-0.061	-0.069	0.008
	(-3.28)	(-3.64)	(0.43)
Swing, 1896-1932	-0.034	0.03	-0.064
	(-1.74)	(1.48)	(-3.33)
Turnout, 1932	0.048	0.078	-0.03
	(2.63)	(4.21)	(-1.69)
Roosevelt Swing, 1932	0.048	0.056	-0.008
	(2.25)	(2.60)	(-0.4)
R^2	0.127	0.099	0.037
Adjusted R^2	0.124	0.097	0.034
Number of observations	3061	3061	3061

Notes and Sources: (t-statistics in parentheses). The values for each variable have been normalized by subtracting the state mean and dividing by the state standard deviation. WPA and FERA spending information is from the U.S. Office of Government Reports (1940). It was converted to per capita spending by dividing by the population in 1930. Retail sales information from 1933 is from U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce (1936). The 1929 retail sales information, percent urban in 1930, population in 1930 and 1940, and the ratio of unemployed to gainfully employed in 1930 is from Historical, Demographic, Economic, and Social Data: The United States, 1790-1970, ICPSR tape number 0003, as corrected by Michael Haines. The population figures used to create our per capita estimates for 1929 and 1933 retail spending were calculated using linear interpolations of the 1930 and 1940 populations. The tax return information comes from U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce (1932). The mean Democratic share of the presidential vote from 1896-1928, the percent voting for Roosevelt in 1932 minus the mean Democratic share from 1896 to 1928, the standard deviation of the Democratic share of the presidential vote from 1896 to 1932, and the percent of adults voting in 1932 were all calculated using information from ICPSR's United States Historical Election Returns, 1824-1968 (ICPSR tape number 0001). The data set consists of 3,061 counties and county/city combinations in the United States. The New Deal program information was reported for some combined counties. For a list see Fishback, Kantor and Wallis (2003, pp. 304-5).

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ENDNOTES

[1] The literature begins with Arrington (1969 and 1970), Reading (1973), and Wright (1974), and continues in Wallis (1984, 1987, and 1991). Anderson and Tollison (1991) criticized Wright and Wallis for not including Congressional information, which led to the response by Wallis (1998) and the exchange between Fleck (2001) and Wallis (2001). Couch and Shugart (1998 and 2000) examined New Deal spending as well. Investigation of the determinants of county allocations and a summary of the entire literature can be found in Fishback, Kantor, and Wallis (2003).

[2] A restriction on the "extension or improvement of streets and utilities in relatively underdeveloped areas… was the direct result of cases developed by the Division [of Investigation], some of which were prosecuted in Federal courts, showing that, at times and through subterfuge, real estate firms or developing companies, for example, sought to divert relief funds to their own benefit in constructing streets and private utilities in undeveloped areas to the enhancement of the value of the real estate owned by them" (Works Progress Administration Division of Investigation 1943, p. 7).

[3] "This type of case involved the submission of false time claims to the government in the rental of equipment; the short delivery of materials to WPA projects by venders, at times in collusion with WPA supervisory employees; or the furnishing of equipment or material below the specifications of the contract which resulted in loss to the Government. Cases of this character frequently involved considerable amounts of money… In this connection, it should be remembered that the Works Projects Administration operated a program consisting of projects which ranged from the building of two miles of farm-to-market road in Texas, to the construction of LaGuardia Airport at New York City" (Works Progress Administration Division on Investigation 1943, p. 23).

[4] "Due to the fact that the program employed large numbers of people, frequently in rather small units, an operation involving the preparation of a vast number of payrolls, irregularities in connection with these payrolls were the most common type of complaint. These irregularities in general consisted of normal and routine "padding" operations in which persons were paid for time when they were absent from their WPA duties of were dually employed" (Works Progress Administration Division of Investigation 1943, p. 21).

[5] The evidence for the New Deal's success at eliminating political corruption is the virtual absence of complaints, for example, that party orientation of a recipient has any impact on the probability of getting a social security check or and AFDC payment. Evidence that political corruption was important before the New Deal is presented in the historical section.

[6] On the general low opinion in which local government was held by public administration experts and political scientists in the early years of the twentieth century see Brock (1988, pp. 50-83. "When Americans used the word 'politician' in a derogatory sense (as they often did),

they had most in mind the local official in city wards, townships, or counties seeking patronage and spoils, favoring friends, juggling contracts, and acknowledging some obligation to their party but none to the community. Civic reformers, students of public administration, and almost every issue of the *American Political Science Review* produced abundant evidence of local incompetence." (p. 51).

[7] "There was ample evidence in the reports of the studies already mentioned that this system [pre-New Deal local relief] encouraged petty graft as well as the use of relief for political power. Merchants sometimes failed to report the death of customers who were on the relief lists and continued to collect for their private tills the pittances of the dead from the relief funds of the town or county. Legal restrictions on pauper voting were usually not enforced in the states where they existed. Hence men and women on relief built up a solid vote for officials from whom they got relief." See Brown (1940, p. 16).

[8] "Most relief workers on either the private or public side were chiefly bent on destructive criticism and critical comment regarding the opposition" (Brown 1940, p. 45). "The community of interests in public welfare shared by both the voluntary social agency and the political authority have not always prevented the private agency from viewing the government as an inimical and antagonistic body opposed to the constituents of the private agency, instead of being their political creature and the medium of their democratic expression of their ideals and purposes" (quote of Joseph Logan by Brown 1940, p. 53). Brown's first chapter is a discussion of the national, state, and local responsibility for relief and the conflict between private and public relief advocates.

[9] Brock (1988), Brown (1940), and Katz (1986, pp. 36-57) talk extensively about the problem of politics, corruption, and relief prior to the 1930s. Historical studies of the post-New Deal programs spend almost no time discussing corruption. Harsh critics of the welfare system, such as Piven and Cloward (1993) and Katz (1986) argue that relief has become an instrument of social control, but conceded that relief had become more professionally administered. There is little discussion of corruption in the distribution of relief funds after the New Deal.

[10]See Brown (1940, p. 55). "The amazement with which this information was received and the significance attached to it are shown by the extent to which the figures are cited in the literature of the period. They appear like a refrain, in conference papers and reports, magazine articles, statements of policy and recommendations for programs put out by national and local agencies, both public and private. They are quoted with satisfaction and triumph by proponents of public welfare and with some consternation and trepidation by private agency executives." p. 56.

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

administration.

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

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

[14] The six states were Oklahoma, North Dakota, Massachusetts, Ohio, Georgia, and Louisiana. Federal officials federalized relief in Oklahoma on 2/23/34 when the governor announced that he would not apply for relief unless he had control over the distribution; in North Dakota on 3/1/34 as the result of charges that employees of the state relief administration were being assessed for political contributions; for work relief in Massachusetts on 3/7/34 because the state had a statute that all grants from the state had to be distributed on a population basis not on a need basis; in Ohio on 3/16/35 in a dispute over whether Ohio had supplied a fair share of relief funds; and in Louisiana (4/8/35) and Georgia (4/19/35) due to long-running disputes between the governors and federal administrators over the use of the funds. Hopkins withheld funds from Colorado in December 1933 and from Missouri in April 1935 until the state legislatures produced funds to help pay for relief. Threats to withhold funds went out to Alabama and Kentucky in 1933 and to Illinois in 1934. See E.A. Williams (1939, 170-8, 203-5).

[15] As quoted in Brown (1940), p. 210.

[16] The "political economy of New Deal spending" literature provides a thorough, but somewhat inconclusive, picture of the overall use of federal allocation of grants between the states for political purposes. See the citations in footnote 1. There is evidence that Hopkins was in direct contact with relief administrations in large cities, including important and influential Democratic

machine politicians. See Dorsett (1977).

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

[18] There were also Emergency Relief Appropriation Acts in 1936, 1937, 1938, and 1939.

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

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

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

[22] It was possible to get a non-relief WPA job without a referral. These jobs were either supervisory or administrative. See Howard (1943, pp. 356-365) for a discussion of referral policy.

[23] The one anomaly is a special case. In the original FERAct the Senate inserted a provision enabling the federal government to take over the administration of relief in a state. This was called "federalizing" relief and it clearly weakened state independence, which we would not expect the Senate to do. Later, in 1934, Senator McAdoo from California asked Hopkins to

federalize relief in California, because he was in a political battle with the faction of the party controlling the relief administration. It appears that the anomaly in Table 5 was the result of the anticipated political gains that would come to Senators from "federalization." Those gains, it turns out, never materialized.

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

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

[26] See Wright (1974); Fleck (1994, 1999, and 2001); Wallis (1998 and 2001); and Fishback, Kantor and Wallis (2003) for empirical analysis of relief spending using these variables.

[27] Agents were often young, 85 percent had professional or college training as lawyers, accountants, and engineers. A number had been investigators for the FBI or in other settings.

[28] Dorsett concludes his study of the New Deal and the machines with this way: "The second wrong assumption is that the federal government, by assuming responsibility for welfare programs, thereby destroyed the machine's useful role as a service institution. Actually, the distribution function was not preempted by the federal government: under the New Deal many welfare programs were financed in Washington, but they were *directed* at the local level." (p. 113).