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## **New Deal, Old Deal** **by Sheldon Richman**

It's commonly held that Franklin D. Roosevelt's New Deal was a radical break with America's past. Both fans and foes of Roosevelt embrace this position. Many libertarians join conservatives in believing that things were going satisfactorily in the United States until Roosevelt got his hands on power.

Some take a slightly longer view and claim that the New Deal was really the culmination of a process that began at the dawn of the 20th century, in the time known as the Progressive Era. With the founding of the Interstate Commerce Commission in 1887 and up until the United States entered World War I in 1917, Washington, D.C., was the location of accelerating government intervention into people's lives.

A smaller number of students of history, however, realize we must go back even further to find the genesis of this interference. They look back to the Civil War era, during which Abraham Lincoln carried out the dreams of those, such as Henry Clay, who longed for a robust central government. The seeds of a Washington-based welfare system can be found in the pension system for Union soldiers, which continued to grow even as the veterans were dying off.

But the second half of the 19th century is far too recent to explain America's descent into statism. As the late Jonathan R.T. Hughes wrote in *The Governmental Habit Redux*,

Most studies of modern nonmarket controls consider that the relevant history extends back to the New Deal. A few go back further, into the late nineteenth century. But in fact the powerful and *continuous* habit of nonmarket control in our economy reaches back for centuries.

Thus, during the colonial period virtually every aspect of economic life was subject to nonmarket controls. Some of this tradition would not survive, some would become even more powerful, while some would ascend to the level of federal control. The colonial background was like an institutional gene pool. Most of the colonial institutions and practices live on today in some form, and there is very

little in the way of nonmarket control that does not have a colonial or English forerunner. American history did not begin in 1776.

This interventionist legacy applies to two broad categories: regulation of economic affairs and the welfare state, the second of which will occupy this article. Just as broadly protectionist interference with economic freedom (including licensing and price control) goes back without interruption to colonial times (and before that to England), so too does the “safety net,” the provision of assistance to the poor. On a local basis, the colonies and then the states maintained programs to feed and shelter those who could not do those things for themselves. But as Hughes and Francis Fox Piven and Richard Cloward in *Regulating the Poor* show, the motive was not entirely humanitarian. Control of potentially disruptive elements was at least as much the rationale for taking care of the indigent and unemployed. Indeed, Piven and Cloward find that government assistance has waxed and waned in tandem with the threat of disorder. As they put it,

The key to an understanding of relief-giving is in the functions it serves for the larger economic and political order, for relief is a secondary and supportive institution. Historical evidence suggests that relief arrangements are initiated or expanded during the occasional outbreaks of civil disorder produced by mass unemployment, and are then abolished or contracted when political stability is restored. We shall argue that expansive relief policies are designed to mute civil disorder, and restrictive ones to reinforce work norms.

During the Middle Ages the Church was responsible for helping the poor in England. But Henry VIII wanted to take power away from the Church, and so in 1536 he turned the job over to local secular authorities. According to the law,

All governors of shires, cities, towns, hundreds, hamlets, and parishes, shall find and keep every aged, poor and impotent person, so as none of them shall be compelled to go openly in begging.

The motive is revealed in those final words. Begging became a crime with unpleasant penalties, including death for recidivists. (Nevertheless, it persisted.) The poor were monitored and could be forced to work in jails and workhouses and in some cases even sold into servitude. Moreover, direct charity to the poor was forbidden. Henry’s daughter, Elizabeth I, reinforced the system by establishing the poor rate, a tax to finance the system. Authority was still at the local level.

“It was this law governing the poor that came to colonial America,” Hughes wrote.

The law’s brutality, however appalling, should not mask the principles established. The poor would live in the community’s embrace in the colonies and afterward in American

communities across the continent. They were not to starve.... The cruelty and brutality that for so long marked poor relief in this country was thus not the result of just sadistic management. In the relief of poverty harshness was deemed a virtue. In Tudor and colonial times poor relief was mixed up not only with the suppression of vagrancy (a crime) but ... with the compulsory labor that typified the era. A humane tradition could hardly begin there.

### **The trend toward centralization**

In the 19th century, England amended the Elizabethan Poor Laws to begin a process of centralization. In America local and state responsibility remained the rule until the New Deal. Indeed, that was Franklin Roosevelt's innovation: central control from Washington. But Hughes emphasized that the beginning of centralization in American life long predated Roosevelt. Economic regulation began to be centralized in the late 19th century. The impetus for that was the interstate railroads. Those who supported state and local regulation were forced by logic to concede that railroads which crossed state lines required national oversight to avoid confusion. The railroads themselves wanted such regulation, and Congress and President Grover Cleveland obliged by creating the Interstate Commerce Commission, the pioneering and constitutionally dubious independent regulatory agency. The historian Gabriel Kolko writes,

The first regulatory effort, the Interstate Commerce Commission, had been cooperative and fruitful; indeed, the railroads themselves had been the leading advocates of extended federal regulation after 1887.

Their motive for wanting rate and other regulation? To avoid having to deal with each state government and to tame unruly rate competition.

The ICC was soon followed by the Federal Trade Commission, the Bureau of Chemistry (which later became the Food and Drug Administration), the Federal Reserve System, and other national regulatory entities. (The ICC has since been abolished.)

It was a small step from national regulation to national assistance for the poor. All it took was a collapse of the national economy instigated by the Federal Reserve and aggravated by the interventionist policies and uncertainties generated by presidents Herbert Hoover and Roosevelt. The centralized welfare state has been here ever since.

In the mid 1990s politicians, ever mindful of the need for reelection, responded to widespread disillusionment with welfare and passed "welfare reform." That, however, has not meant relief for the taxpayers. As the Associated Press reported recently,

The welfare state is bigger than ever despite a decade of policies designed to wean poor people from public aid. The number of families receiving cash benefits from welfare has plummeted since the

government imposed time limits on the payments a decade ago. But other programs for the poor — including Medicaid, food stamps and disability benefits — are bursting with new enrollees.

An AP study revealed that “nearly one in six persons rely on some form of public assistance, a larger share than at any time since the government started measuring two decades ago.”

It appears that welfare reform has meant a shift from cash to in-kind relief. It makes little difference to the taxpayers.

What is the lesson of this story? There are several. Libertarians too readily attribute the welfare state to Marx and other 19th-century continental European socialist influences. Progressives and New Dealers are thought to have been infected with welfarist ideas by foreigners and then to have carried them out in the United States after subverting the laissez-fairist foundations of America.

That is not what happened. Alas, the welfare state is as American as apple pie. The foreign influence was English, and the idea was planted when Americans lived in British colonies. Nothing could be more deeply rooted.

Thus we libertarians have our work cut out for us. The good old days are still ahead of us.

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**This article was originally published in the May 2005 edition of *Freedom Daily*.**