

AMERICAN EXCEPTIONALISM: THE ROLE OF THE GOVERNMENT IN THE
21ST CENTURY

by

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DEDICATION

I dedicate this thesis to my wonderful parents. Particularly to my understanding and patient mother, Dixie, I've very grateful as she has put up with many years of late night editing requests. I must also thank my loving father and my sisters who have given me their fullest support. Finally, I dedicate this work to my grandmother, Cattie Mae Hunt and my late grandfather, Albert Hunt, both of whom taught me importance of diligence, hard work and the pursuit of academic excellence.

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ABSTRACT

AMERICAN EXCEPTIONALISM: THE ROLE OF THE GOVERNMENT IN THE 21ST CENTURY

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Significant political events such as the fall of the Soviet Union and the opening of the Communist eastern bloc have ushered in the current era, which has captivated the global audience's study of American Exceptionalism. Despite, America's favorable position among the nations of the world, the domestic battle over what the role of government is presents a significant challenge. The topic of economic fairness has grabbed headlines around the country and has been a contributing factor to this challenge. The 2012 presidential election will provide American voters the opportunity to select a new domestic and international leader.

In his ASNE speech, President Obama said, "I can't remember a time when the choice between competing visions of our future has been so unambiguously clear." That's correct. Obama's challenge is to make sure that American voters understand this. In the 2012 presidential election the

central issue must be economic fairness.¹

I will support my thesis by showing that the greatest threat to American Exceptionalism is manifested in the growing conflict over the role of the government. A general review of Karl Marx and Max Weber's social economic theories will establish the foundation for discussions regarding American Exceptionalism (why democratic capitalism thrived and socialism failed). Next, a detailed analysis of FDR and the New Deal will provide the reader insight into the true conflict that has come to dominate American politics: Is the purpose of American government to be an agent of economic empowerment or dependency? Final commentary will explore the risks to American Exceptionalism if this conflict continues to become more divisive.

¹ Bob Burnett, "Obama vs. Romney: Class Warfare," The Huffington Post 13 Apr. 2012, 21 Apr. 2012 http://www.huffingtonpost.com/bob-burnett/obama-vs-romney-class-war_b_1423219.html

CHAPTER ONE: THEORETICAL DEFINITIONS AND CHARACTERISTICS

So that the record of history is absolutely crystal clear. There is no alternative way, so far discovered, of improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by a free enterprise system.

– Milton Friedman

Historical Grounding:

At the very core, the historical study of labor in America presents a spectrum of interesting considerations, which are firmly established in the field of economics.

However, the social sciences must also be applied to labor history because an institutional history is incomplete without qualitative analysis. The conflict between workers and management, commonly known as the “labor question,” has been a part of Western civilization since the Industrial Revolution. The waves of technical advancements and political milestones have had major impacts on the shared experiences of society. One example is the conflicts over the hierarchical organization of production and business enterprise in colonial America prior to the Revolutionary War. These circumstances established the course of labor history in the United States.

The misdistribution of wealth and the shift of political power to the rich that accompanied it led to frequent conflicts between the rich and poor, and the workers and the merchants in the 18th century. As the century wore on, the growing resentment of wealth and political control by the rich gained momentum. The long movement of protest that gained momentum as the Revolution approached was not informed by radical working class ideology in any modern sense. Instead it was the reaction of those laborers, artisans, and small shopkeepers, who, along with farmers, counted themselves the “producers” of society, and who believed that the

rewards they received for their work were not equitable, and the economic security and social status were slipping away from them.²

Throughout America's rich history, class conflict has taken many different forms including indirect and direct violence, which are represented by poverty and armed conflict, respectively. The source of these conflicts has intensified over time as dueling parties would use coercion, by threatening termination, over individuals and groups who held competing ideologies. As a result, the struggle to influence and capitalize on America's labor markets over time has produced a series of open and closed conflicts. An example of an open conflict would be a public campaign focused on destroying labor unions movements, while a closed conflict would be a secret plot designed to sabotage factory production.

Key Concepts of Class:

There is a need to more clearly define "class" as a core concept. If this concept is misunderstood, confusion regarding the meaning and application within the context of this paper will be introduced. Karl Marx and Max Weber provide powerful arguments that address social and economic conflict. The most important consideration is whether properties of "class" be applied to our collective understanding of conflict analysis and resolution. For the purpose of this paper private property is defined as social goods that have associated economic values; examples include material and intellectual goods.

² Ronald, L. Filippelli, Labor in the USA: A History (New York: Newbery Award Records, Inc., 1984) 11-12.

Upon reading Karl Marx and Fredrich Engels, The Communist Manifesto, and Marx's later work, Capital, the use of the idiom is applied inconsistently. We must first ask what are the classes into which Marx attempted to categorize the members of capitalist society? Initially, Marx argues there are only the bourgeoisie and the proletariat class in a highly developed society such as Western Europe. Specifically, Marx argues that this is the trend, not the present reality. In the Communist Manifesto, he describes the bourgeoisie as "owners of the means of social production and employers of wage labor." Consequentially, the proletariats are categorized as "the class of modern wage-laborers who, having no means of production of their own, are reduced to selling their labor-power in order to live."

However, in Capital, Marx claims that there are three classes in society whose contradictory socioeconomic relationship is the underlying cause of the conflict. These three classes that collectively constitute antagonism within society are the capitalists, proletarians, and landowners. Landowners are defined as the individuals that enjoyed a monopoly on land during European feudalism. Marx acknowledges that outliers existed in the forms of small businessmen, the intelligentsia and the *Lumpenproletariat*. (Also referred to as the "dangerous class" because they were composed of criminals.)

Marxism is not just labeled for groups carved out of society on the basis of a discernible set of standards. It also expressed the interaction between these groups, which

Marx believed he uncovered.³ As confusing as it can be for us to understand Marx's application of class today, it is important to note that Marx's concept of class evolved over time. One can argue that between these two works, Marx used the term class too liberally. Despite the general confusion regarding the use of the term within his work property remained a core element of the concept. For Marx, private property is the keystone of capitalist societies as it is controlled by a small majority of individuals at the expense of the majority of the population.

Max Weber provides an alternative approach and application of the concept of class in his work regarding the economy.

Weber's comments on class are rather fragmentary: there is, for example, very little in his work addressing questions of class conflict. This being so, it may, on occasion seem easier to define a Weberian approach by what it is not, rather than what it is, and almost any class schema that is not avowedly Marxist could be considered Weberian. Indeed, the boundaries between the Marxist and Weberian versions are themselves often rather less than sharp.⁴

First, Marx believed that the social conflict that existed between the two key classes, the bourgeoisie and the proletariat, was caused by social and economic structures and that those structures were the root causes of conflict, revolt and revolution within capitalism. Weber held a different view. Weber argued that class conflict was a product of prestige and power instead of being ontologically economic. He believed that in a

³ Bertell Ollman, "Marx's Use of Class" American Journal of Sociology, Vol. 73, No. 5 Mar., 1968: 580.

⁴ Erik Olin Wright and Richard Breen. Approaches to Class Analysis (Cambridge, Cambridge University Press, 2005) 2.

capitalist society the market, not the structured inequalities of the class, played the predominant role in determining one's economic place in society.

Second, Marx argued that within capitalism the determining factor of one's place in class structure was whether you owned means of production or not. The bourgeoisie were owners and because of lack of options the proletariat were forced to sell labor. Weber developed a more comprehensive perspective. He acknowledged the presence of economic classes based on how market assets were spread across the population, but he focused more on the evolution of social classes.

For Weber, social classes were categorized by individual skills and class separation was clearly defined. These classes were determined by the market and were categorized by how much value each held. Based on these fundamental beliefs, Weber identifies four classes, entrepreneurial group, the petty bourgeoisie, the middle class, and the working class. The entrepreneurial group was composed of individuals who skills generated the highest value as determined by the market. These individuals hold a monopoly over prestigious positions within society. The petty bourgeoisie are understood as small business owners or shopkeepers. The middle class was composed of the workers who had formal credentials. Finally, we come to the working class, which lacked valuable skills of the other classes and were left to sell labor as their means of survival.

Upon reviewing Marx and Weber's concepts of class, it is clear that both men viewed private property as a significant component of their individual models. Karl Marx defined the owners of production within a capitalist system as the small group of

propriety owners (i.e., land, factories, machines, tools and other materials used in production) that controlled the market. As a result, this group had the greatest political and social influence. However, Max Weber acknowledged that ownership of property played a large role in a capitalist society and that the market, and not the structured inequalities, between the different classes was the most significant element of capitalism. Marx argues that class conflict is a product of an intra-relationship conflict; while Weber believes class conflict is a product of the nature of the market environment. Ultimately, for Weber, class conflict wasn't narrowly attributed to ownership and acquisition of property, but more specifically, to the opportunities individuals had to achieve desired levels of power and prestige in the community.

Marx and Weber are seen as the principal contributors to the study of class conflict. Other scholars have provided analysis and proposals have helped to expand this field of study. In Class and Class Conflict in Industrial Society, Ralf Dahrendorf provides an alternative approach by arguing against the significance of property. Dahrendorf's claimed that the modern society was characterized by dynamic power distribution and class system that surpassed Marx's original class analysis. The presence of labor unions, legal systems, and democratic government has institutionalized class conflict into the very fabric of modern society in ways Marx could not have anticipated.

Although ownership of economic production remained a factor, Dahrendorf argued that levels of authority (rule of law) should supersede ownership of property. Categorizing society into a "command class" and an "obey class" would help to better

shape and manage social conflict into a struggle between those who have legitimate power and those who do not. Dahrendorf believed that this structure made it less cumbersome for scholars to address and resolve social conflicts. Not to be overlooked are the works of Stanislaw Ossowski, Robert Erickson and John Goldthorpe. In Class Structure in the Social Consciousness, Ossowski suggests that by cross-classifying authority and property can produce class schemes that are more suitable in modern society. In The Constant Flux: A Study of Class Mobility in Industrial Societies, Erickson and Goldthorpe provide their own argument for class scheme that are based firmly in the relations that govern authority, employment and property respectively.

There is scholarly work dedicated to concepts of class and class conflict as it applies to socialism, communism and most importantly, capitalism. For the purpose of this paper, democracy (democratic capitalism) is defined as an open political system that advocates free market enterprise characterized by private or corporative ownership of the means of production and distribution. Furthermore, socialism is defined as the political system that opposes private ownership in favor of a social structure that supports the collective ownership of capital and the means of production (state ownership).

I explained earlier that the most important consideration that needed to be addressed and clarified was the use of class and whether properties should be included in our understanding of conflict analysis and resolution. Marx and Weber's concepts of class can be used to develop a layered concept of class. This provides an opportunity for dynamic analysis of the history of American labor: how inherited wealth (a main

contributor of total wealth) and one's ability to produce economic rents (earn a profitable living) foster class conflict. These factors are symptoms of class stratification.

Key Theories regarding Class Conflict:

Literature exists that explores a wide array of conflict theories, postulating that the formulation of social hierarchies are the cause of class conflict, while others suggest political revolt, revolution and reform are the underlying cause. Karl Marx and Max Weber are considered the founding fathers of class conflict as their individual contributions have yet to be eclipsed by any other scholar. For the purpose of this paper, I will focus on Marx and Weber's fundamental theories and will discuss their core elements, which look to illuminate the drivers of class conflict.

Karl Marx argued that the history of the world could be understood through a materialist lens. His views are founded on the belief that the significant determinant of society was based on the work performed to secure basic human needs including food, clothing and shelter. As a result, the sum of a society's labor created favorable conditions.

In the social production of their existence, men inevitably enter into definite relations, who are independent of their will, namely relations of production appropriate to a given stage in the development of their material force of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and

intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness.⁵

To best understand Marx, we must identify and discuss the core features of his materialistic theory of exploitation. First, Marx viewed history with an economic appreciation for how society was able to evolve throughout time. Marx believed that the natural evolution (the most significant patterns of economic structure) of society was feudalism, capitalism, socialism and finally communism. Throughout this evolution labor became increasingly performed by the working class (proletariat) while wealth (private property) was increasingly under control of the upper class (bourgeoisie). The Bourgeois are the middle class capitalists. Over time the gap between the two classes in terms of resources and power resulted in social and economic stratification, which was a prelude to class conflict.

Second, this growing stratification of capital was a result of the property owners paying workers less than market value for their labor in order to generate favorable profit margins. So began the exploitation of the poor. The bourgeoisie proactively protected the status quo by attempting to influence those in power to continue to exploit the labor force. Marx argued that the bourgeoisie was amalgamated by their shared interest in ensuring their elevated position in society. They continuously found opportunities to maximize profits by “short changing” the proletariat. In order for the workers to gain power, political or capital, they had to become conscious of their state of deprivation and

⁵ Karl Marx. Preface to A Contribution to the Critique of Political Economy, (London: Lawrence & Wishart, 1971) 20.

had to unite. Under the banner of a collective revolt achieving equality within the system would become feasible.

Third, in a capitalist system, the “relations of production,” property rights shaped the arrangements of the governed class and the rule of law supported this structure as a means of ensuring social order with the community. In order to protect their common interests the bourgeoisie used their affluence to influence and manipulate the state into creating and supporting a class structure through the legitimacy of the law. The use of persuasion and coercion were popular methods employed to ensure lawmakers and public figures remained in parallel with the ideological positions of the wealthy because any redistribution of resources or power would threaten the whole superstructure.

Fourth, competition within the bourgeoisie was focused on intensifying the processes that centralized resources, industrial production, and operation. The purpose of the “rack and stacking” the core means of production was to reinforce the alignment of resources within the social hierarchy. Marx believed that these circumstances would create an environment in which conditions were ripe for a state to become increasingly more economically aggressive. He felt this way because imperialistic conflicts had become more common as a means of securing more resources to exploit. Lastly, Marx argued, within the context of international relations, the economic crises are based on overproduction in relationship to the consumption-ability. Revolution creates a classless society. Here the state will wither away and all people can enjoy economic fruits, which were once controlled by the upper classes.

Weber agrees with Marx's philosophies regarding the economy contributing to class conflict but argues that class conflict is a primary product of the basic human struggle for power and prestige. In Weber's mind the economy (the means of production are structured) is a contributing factor, but not the root cause of class conflict. The most significant point of departure between Marx and Weber is each scholar's view of capitalism. Weber fundamentally believed that in capitalism, the market and not the systematized inequalities of the classes was the most significant characteristic of the system and that the nature of the market not the structure of the classes was the true source of class conflict.

Weber acknowledges that class is partially developed from circumstances affecting a person's position within society as access to education and employment offer valuable opportunity for mobility within society. The concept of prestige as Weber understood it, was associated with a person's particular social status in the community because certain skills and positions were seen as more important than others due to the value the market applied to those skills. Perhaps, the most interesting and controversial of Weber's arguments regarding class conflict lies in his proposal surrounding his understanding of "life chances".

Life chances can be understood as the opportunities an individual has for accessing and enjoying the economic goods and services that exist within society. More simply put, the chances an individual has of obtaining a valued position within society, thus achieving self-satisfaction. Social identity and recognition serve as the core of his

understanding of what constitutes life chances. In the end, “life chances” is what groups people together, creating the different levels of a class structure based primarily on a person’s skill set and key assets (private prosperity). An individual’s value in the market is not focused so much on what they “own,” but on what they produce. Ultimately, life chances fosters class situation, which is directly correlated to market situation! From this ideological platform, Weber acknowledges the following social class ranking them from most prestigious: entrepreneurial, petty bourgeoisie, middle class and working class.

At the end, it’s difficult to perform a one-for-one comparison of Marx and Weber because Weber inconsistently addressed class in his work. Nevertheless, their contributions to what constitute conflict within society are warranted and worth review. Weber fundamentally held a contradictory perspective, as he had no cause to believe that the class relationships and historical progression can be explained in terms of the evolution of conflict between the classes. On the other hand Marx profusely argued in his materialism account of history that this relationship existed. Moreover, Weber did not assume that class serves as a primary source of conflict in a capitalist society. More importantly, Weber’s theories do not argue that the formation of classes will foster collective action in the form of a social revolution. Weber’s comprehensive analysis suggested that the market as the catalyst for inequalities manifested through quality of life chances a group of individuals’ experience.

Conclusion:

Both Marx and Weber provide dueling theories that explain the root causes for social economic conflict. The next section of my thesis will focus on the argument for American Exceptionalism. Compared to other industrial Western nations, America has risen to be an interesting outlier and a global leader. Alexis de Tocqueville famously declared that, “Democracy and socialism have nothing in common but one word, equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.”⁶ It will explain why democratic capitalism thrived in America and socialism failed.

⁶ F.A. Hayek, The Road to Serfdom: Text and Documents (London: University of Chicago Press, 2007) 283.

CHAPTER TWO: AMERICAN EXCEPTIONALISM

Old Europe will have to lean on our shoulders, and to hobble along by our side, under the monkish trammels of priests and kings, as she can. A colossus shall we be.

–Thomas Jefferson, 1816

Introduction:

The history of the United States is a rich story that encompasses much of what makes America's story so inspiring. "*E Pluribus Unum*" was the axiom suggested for the first Great Seal of the United States by the Founding Fathers, which also appears on all United States currency. This Latin phrase meaning "One from many," provided a strong declaration of the American determination to establish itself as an independent and sovereign nation. Over the course of time, "*E Pluribus Unum*" has also served as a reminder of America's bold effort to make one unified nation of people from a vastly diverse set of unique cultures and faiths. The challenge of seeking unity while maintaining a level of equality under the rule of law, which served to cultivate a continuum of social and economic progress, has played a critical role in shaping both our collective history and national character.

The European Enlightenment influence (John Locke, Jean-Jacques Rousseau, and Montesquieu) on America's political development fostered different political and social results when compare to Europe (democratic capitalism developed in America while socialism was popular in Europe). As controversial as the subject of American

Exceptionalism is, ultimately, the question that needs to be addressed is why did democratic capitalism dominate the American political system? In order to understand the all the elements of this question, we must first examine the critical periods of American history in which the political and economic development separated from Europe and the development of socialism. For the purpose of my review, I will focus on the arguments of E.L. Godkin (American Exceptionalism: The Effects of Plenty on the American Experience) and Seymour Martin Lipset (It Didn't Happen Here: Why Socialism Failed in the United States) arguments state that the nature of American ideology (lack of feudalism), political structure (balance of power and two party system), social mobility, populism and the labor union movement had the greatest effect on ensuring a “lack” of socialism in America.

Colonial America and the Early Republic:

Beginning with the Jamestown settlement, America represented a “New World” in which the European political and economic feudal status quo no longer applied. The *Declaration of Independence* provided the justification for revolution based on the abuse of the colonists’ natural and legal rights by King George III. Adding further agitation to the dissatisfaction of the colonists was the denial of full political rights due in the absence of direct ownership of property. I would argue that it was the colonists’ concern that their position would be ignored if they were to receive direct representation in Parliament. Moreover, it was the demands of the American colonists for a greater share in the fruits of their labor that was a contributing factor in cultivating the revolutionary spirit. To gain a clearer understanding of what created this source of frustration we must analyze

how the relationship between the Colonies and Britain changed as a result of the Seven Years' War (French and Indian War).

In Crucible of War, Fred Anderson argues that up until the end of this war, the British had been largely hands off in their dealings with the colonists. They allowed the colonists to exist without much involvement by Parliament. However, in the aftermath of that war, things changed. Britain had taken on huge debt by protecting her North American colonists. She had also assumed control over even larger tracts of the continent (Canada) and the Great Lakes Region that required defense. Secondly, Parliament tried to enact taxes (Stamp Act, Sugar Act, Navigation Acts) on the colonists to help pay war debts and cover the costs of defending the colonies. In the aftermath of Pontiac's Rebellion in 1763, Britain tried to restrict the ability of the colonists to expand and settle in the western areas (beyond the Appalachians).

During this time, the people of Britain were suffering under heavy taxes and it was (admittedly) fair to expect the colonists to pay for part of this debt and for their own defense. However, in my view, the colonists objected to the sudden attempt by Parliament to become more involved in their lives and to start to exercise powers, which they hadn't previously exercised. It's my belief that the colonists wanted to live under the benign neglect of years past, keep the fruits of their labor, and be treated as partners rather than subjects. It was the attempts by Parliament to force the colonists to obey their rule that created conflict and influenced the *Declaration of Independence*.

We hold these truths to be self-evident, that all men are created equal, that their Creator with certain unalienable Rights endows them that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the

governed. That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form as to them shall seem most likely to effect their Safety and Happiness. (Thomas Jefferson, *The Declaration of Independence*)

It's with this passage that Thomas Jefferson justifies the revolution and subsequent decision to break away from England and form a new country. Parliament had abused the colonists' natural rights, lacked the consent of the people, and a new government must be formed to secure the colonists' rights, safety and happiness.

It was Jefferson's "self-evident truths," that were eloquently articulated in the *Declaration of Independence*, which established a political tradition that fostered an American political culture that endorsed individualism, egalitarianism and laissez-faire ideologies. Proper credit needs to be given to John Locke and Jean-Jacques Rousseau as their political philosophies significantly influenced the *Declaration of Independence*. First, Locke argued that government exists to protect the natural rights of citizens and that the best government is a system created by its citizens with limited power. When the government fails to protect or breaches the natural rights of citizens, the people have the right to rebel. Furthermore, in his work, Two Treatises on Government, Locke argues that no one should harm another's life, health, liberty or possessions. In the *Declaration of Independence*, Jefferson changed possessions to happiness as he was worried that people would believe that they had the right to the property of others property. Locke's argument, believed that ultimate authority lies with the people.

In The Social Contract, Jean-Jacques Rousseau argues that man is born free, limits by a freely formed government are beneficial, individuals contest to a form of

government when they forfeit self-interests in favor of the common good, and when government is by the consent of individuals they retain their rights. In The Declaration of Independence, we see Locke and Rousseau's influence as Jefferson declares that the British Crown no longer has the consent of its American subjects which makes the King's rule null and void. In writing the *Declaration of Independence*, Jefferson and the other Founding Fathers were focused on articulating the many corrupted aspects of the British Crown, which forced them to seek revolution as resolution to end their grievances.

The victory over the British in the American Revolutionary War (1775-1783) represented a significant milestone in the course of civilization; as it marked the birth of the United States of America as a sovereign and economically autonomous nation. Thus, even before America gained its independence, the core elements that formed its political and social identities were fundamentally unique. In conjunction with the lack of a feudal tradition, the essential principles proposed by Jefferson played a dominant role in solidifying the distinct qualities that distinguished the American experience from the experiences of our European counterparts.

Next to the *Declaration of Independence*, the *Constitution* has received the bulk of the attention of scholars studying American politics. However, a failure to recognize the contributions of the *Federalist Papers* would constitute a colossal mistake.

After an unequivocal experience of the inefficiency of the subsisting federal government, you are called upon to deliberate on a new Constitution for the United States of America. The subject speaks its own importance; comprehending in its consequences nothing less than the existence of the union, the safety and welfare of the parts of which it is composed, the fate of an empire in many respects the most interesting in the world. It has been frequently remarked that it seems to have been reserved to the people of this country, by their conduct and example, to

decide the important question, whether societies of men are really capable or not of establishing good government from reflection and choice, or whether they are forever destined to depend for their political constitutions on accident and force. (Alexander Hamilton, *Federalist Paper No.1*)

Consisting of 85 essays written by Alexander Hamilton, James Madison, and John

Jay under the pseudonym Publius, *The Federalist Papers* promoted the ratification of the new constitution. Publius argued that the safety and welfare of the new nation could only be secured through the new constitution which would create a national union based on an energetic federal system of republican government, separation of powers into legislative, executive and judicial branches, a system of check and balances, and delegation of authority. Additionally, *The Federalist Papers* supported America's unique political growth as it spurred two important developments. First was the emergence of two distinct ideologies; the Federalists, who supported a strong national government, which superseded state sovereignty, and the Anti-Federalists who supported state government over national rule. This principal established the foundation of American political ideology (conservatism and liberalism) within the structure of a predominantly two party system. Second was the debate between the Federalists and the Anti-Federalists, leading up to the Constitutional Convention, which created the platform that established states' rights within federal governance. The legacy of these documents didn't end with the signing of *The Constitution* as they demonstrate a classic treatise on security, peace and federalism, which future generations would continue to review and discuss.

The importance of *The Constitution* cannot be overstated; as the hallmark of federalism, it provides the foundation for all of our laws, which continue to shape America. The first three Articles established the separate powers and rules of the three

branches of the federal government: Legislative, Executive, and Judicial, which established a system of checks and balances. Here, we can see Montesquieu's influence in The Sprit of the Laws; he argued that the best way to ensure liberty and mitigate tyranny was by dividing the key functions of power between three separate branches of government. The founders believed that the new constitution with separate legislative, executive, and judicial branches was the best way to secure the safety and welfare of the newly independent nation. James Madison's *Bill of Rights* protected the rights of individual citizens from the government and warrants further review.

The *Bill of Rights* is regarded as a symbol of timeless American culture as it limits the tyranny of the government by protecting the natural. Inspiration for the *Bill of Rights* is grounded in English law and was heavily influenced by Locke's Two Treaties of Government, which argued that civil society was established to protect property and ensure that citizens have natural rights to "life, liberty and estate." Core English legal articles to including the *Magna Charta* and the 1689 *English Bill of Rights* influenced the Constitution and the *Bill of Rights*. However, *The Constitution* represented a milestone in the evolution of government. As Jefferson points out, the Creator granted these rights to us and government cannot grant these rights, rather it can only use power to restrict or take them away, which the *Bill of Rights* prevents. For example, the *First Amendment* addresses freedom of religion, freedom of speech, freedom of the press, freedom of assembly, and freedom of petition and has stood the test of time since its inception.

In The Liberal Tradition in America, Louis Hartz argued that from the beginning socialism and class-consciousness is in conflict with the American way of life for two

major reasons. First, rules of society based on birthright or class right were rewritten because a fixed class structure (European feudalism), was lacking in America and therefore became obsolete in the wake of natural rights of citizens. The United States represented a new paradigm in which social stature was predicated on a person's ability to cultivate prestige through the acquisition of capital. Under the banner of a new American ideology that promoted individualism, egalitarianism and laissez-faire, Americans (Blacks, Native Americans, women were originally not included) were indeed free to enjoy the tangible and intangible possessions of private property, equality before the law, and the freedom to pursue happiness.

To summarize Hartz's argument very briefly, Americans were "born equal," never having to launch a revolution to obtain political democracy or social equality, with the result that American ideology has been dominated by Lockean, individualistic outlook against neither socialism on the left nor serious conservatism on the right can may any headway. A thoroughly bourgeois "fragment" spun off by Europe, America possessed only one part of the European social order. Lacking hereditary aristocracy and dispossessed working class, it had no need for class ideologies and politics.⁷

The Gilded Age - Industrial Revolution in America:

Although the Industrial Revolution began in Europe in the late eighteenth century, few could have imagined the impact it would have on America's economic and social

⁷ Eric Foner, "Why is there no Socialism in the United States", History Workshop, No. 17 (Spring, 1984), 59, JSTOR, JSTOR, George Mason University, Fairfax VA, 1 Feb. 2012. <http://www.jstor.org>

development during the early 19th century. The rapid growth and change that occurred between 1820 and 1870 were responsible for transforming America into a modern urban-industrial state. Nobel Prize winner Robert E. Lucas, Jr., declared, “For the first time in history, the living standards of the masses of ordinary people have begun to undergo sustained growth...Nothing remotely like this economic behavior has happened before.”⁸ Why did industrialization spark class-consciousness and the rise of socialism in Europe but failed to find equal success in America? The rapid economic and population growth that followed the Civil War and Reconstruction was defined as the Gilded Age. The culture of that era explains why industrialization in the United States produced different results than those found in Europe.

First, proper acknowledgement must be given to the impacts of the Embargo Act of 1807 and the War of 1812 (creating a set of conditions guiding the Industrial Revolution and its effects on America). Thomas Jefferson’s underlying goal of Embargo Act, which closed all American ports to exports and restricted imports from England from 1807 to 1812, was to avoid another war. Eventually, Jefferson’s attempt failed and America went to war with the British Empire in 1812. The War of 1812 made it obvious that in order for America to become more economically independent it must establish a strong navy and expand its manufacturing base and transportation systems. As the Industrial Revolution progressed, America was in an advantageous position to incorporate a new wave of economic and social developments to best support her

⁸ Lucas, Robert E., Jr. (2002). *Lectures on Economic Growth*. Cambridge: Harvard University Press. pp. 109–10

interests. Although the effect of the War of 1812 on America's industrial development is highly speculative, a simple acknowledgement is still warranted.

Advancements in technology, agriculture, manufacturing, and transportation ushered in positive effects on the social and economic conditions in American society. The introduction of steam power and the mass production of machine tools allowed workers in a variety of industries to greatly increase production capacity. For example, between 1865 and 1898, the output of wheat increased by 256%, corn by 222%, coal by 800% and miles of railroad track by 567%.⁹ To support this growth, a new corporate business model began to take over as a way to keep up with popular demand for goods and services. As a direct result, an increased need for workers attracted record amounts of people seeking work.

During the late 19th Century, it was the perception that economic and social advantages existed in America, which motivated many Europeans to immigrate to the United States. They sought a better life, which was solidified by the allure of the American dream.

During the Gilded Age – defined here as the period from 1871 to 1901 – 11.7 million persons are recorded as immigrating to the United States. That is considerably more than the number that immigrated to the British North American colonies and the United States in the seventeenth, eighteenth, and the first seven decades of the nineteenth century combined, but fewer than the 12.9 million who came in the first fourteen years of the new century. The national ethnic composition of the immigrant

⁹ Paul Kennedy, The Rise and Fall of the Great Powers (New York: Random House Inc, 1987) 243.

population did change in the Gilded Age, as it has changed throughout history. Britons dominated seventeenth century migration; during the eighteenth century large numbers of Africans and Germans came; in the period between the 1820s and the Civil War, Germans and Catholic Irish predominated, along with smaller but still sustainable number of Scandinavians.¹⁰

Skilled and unskilled workers found new employment opportunities in factories and mines. Rapid migration and a population boom coupled with the development of factory systems led to the rise of modern cities. New York City, Boston, and Chicago represent cities that experienced growth as a function of the rise of factories.

In his book, Industry Comes of Age: Business, Labor, and Public Policy, 1860-1897, Edward C. Kirkland argued that, “The Gilded Age is most famous for the creation of a modern industrial economy. During the 1870s and 1880s, the U.S. economy grew at the fastest rate in its history, with real wages, wealth, GDP, and capital formation all-increasing rapidly.”¹¹ Unlike Europe, where the legacy of hundreds of years of feudalism prevented the majority of the population from successfully penetrating the upper echelons of society; political and economic conditions in America promoted social mobility. The wealth and opportunities of this period are exemplified by men like John D. Rockefeller, Andrew W. Mellon, J.P. Morgan, Cornelius Vanderbilt and Andrew Carnegie; who came from humble beginnings that later achieved great personal fortune. However, for all the

¹⁰ Roger Daniels, “Immigration in the Gilded Age: Change or Continuity?” Magazine of History, Summer, 1999: 25.

¹¹ Edward C. Kirkland, Industry Comes of Age: Business, Labor, and Public Policy, 1860-1897 (New York: Quadrangle Books, 1961) 400-405.

newfound wealth and social progress, the Gilded Age failed to mask the awful conditions and abuses that the common workers suffered in building America.

Prior to the Gilded Age, workers began to believe that management was chiefly responsible for forcing them to perform in dangerous conditions, reducing wages and even driving unemployment as a way to generate additional capital. Many workers argued that the concentration of capital, the production of wealth, and distribution among the wealthy was the source of concentrated power in the 19th Century. It was these sediments that helped elucidate the rapid rise of unionism as the increase in industrialization brought workers together.

The American Civil War created demands for industrial production and organization unprecedented in American history. As such, it served as an added impetus for the tremendous growth of the industrial activity already underway. The Civil War also stimulated trade union growth as workers took advantage of the tight labor market to revive unions that had collapsed the great depression of 1857. By 1854 union membership reached 200,000.¹²

As the Industrial Revolution raged on, the economic changes imposed on America was unprecedented. These changes led to social conflict as competition between wage earners and managers was fierce. One position is that management abused their relationship with workers because workers were the real owners of capital and that this fixed system of capitalism was designed to fundamentally exploit them. In America, the rise of labor union membership created an atmosphere where American workers were able to collectively challenge management policies. Broad coalitions based on non-

¹² Filippelli 63.

ideologies that weren't class specific developed in America. David Montgomery argued that socialism in America was more concerned with influencing conditions in the workplace than developing national class based political parties.

American workers in the nineteenth century engaged in economic conflicts with their employers as fierce as any known to the industrial world; yet in their political behavior they consistently failed to exhibit class-consciousness. Why was militancy in the factory so rarely translated into the politics of class? Labor and socialist parties have emerged in the United States (indeed, Americans, in the late 1820s, created the first 'Workingmen's parties' in the world) but they have tended to be locally oriented and short-lived.¹³

However, in Europe, organized politics and workplace combativeness created the formula for class-consciousness, which ultimately developed into the creation of socialist parties.

The Progressive Era:

The Industrial Revolution fostered great macro-economic progress and dynamic social change. Furthermore, the rise of the "Captains of Industry" during the Gilded Age further solidified the belief that, in America affluence and personal fortune was possible through strong ambition and healthy work ethic. However, all the glitter of the Gilded Age and the rise of the middle class could not mask the effects of reckless capitalism. The problems (i.e., poverty and dangerous working conditions) caused by a pure laissez faire form of capitalism were becoming apparent causing many Americans to call for reforms and protections. Local and national newspapers documented the violent clashes

¹³ "Why There is No Socialism in The United States?", Eric Foner, 1983, 12 Jan 2012 http://webpace.newschool.edu/~nevesr39/Data/Foner_socialism%20US.pdf

between protesters and police helping to mobilize Americans from all classes to take action to reform the labor system and politics. Historians refer to this period (1890's to 1920's) as the Progressive Era because this time in American history experienced social activism and political reform.

First and foremost, America could have never risen to its current status as the world's hegemon without the hard work of its nineteenth and twentieth century workforce. The skyscrapers that dominate the metropolitan skylines, the thousands of miles of railroads that tied the north, south, east, and west, the coal that powered transportation, and the textile mills that provided a wide array of fabrics and clothing to the masses were all outstanding achievements. By the 1890's, New York, Boston, and Chicago had become symbols of the nation's great economic might. However, the great economic progress of the times was at the expense of the social welfare and the basic values of the political system. By the 1890's it was clear that capitalism had grown out of control and significant reforms were needed. The slums in cities were awful, people were underpaid, forced to work in dangerous conditions, and corruption at all levels of politics was widespread.

The goals of the Progressive Movement were ambitious yet simple: identify and reform the issues that burdened Americans. The key leaders of the movement were Woodrow Wilson, Teddy Roosevelt, Herbert Hoover, and Williams Jennings Bryant. Significant areas that needed reform within the labor market were laws and regulations governing job security, fair wages, hours and safety (specifically as it applied to child

labor). Additionally, the Interstate Commerce Act of 1887 and the Sherman Antitrust Act of 1890 were representative of progressive legislation as they served as bulwarks against the abuses of laissez faire capitalism. It's important to understand that the objective of this movement was not to replace democratic capitalism, but to address and correct the abuses within the system. The motivations for the working class supporting the movement were clear; improve working conditions and create social reforms that would alleviate poverty.

Violence during the Great Railroad Strike of 1877, the Homestead Strike of 1892, and the contentious strikes in other areas of the country provided motivation for workers to improve their working conditions in order to establish social and economic stability in the long run. However, violent strikes weren't the only issue that placed workers' suffering in the forefront. The tragic Triangle Shirtwaist Company fire of 1911 that caused the deaths of 148 women created a national outcry for labor regulations that would make the workplace safer for workers. Stability in the workplace would foster production efficiencies, which is advantageous for labor managers.¹⁴

By the beginning of the 20th century, per capita income and industrial production in the United States led the world; per capita income was twice that of Germany and France, and was 50% higher than in Britain.¹⁵ This dramatic economic growth established the United States as a desirable place to live due to the relatively higher per-

¹⁴ Richard Hoftstadter, The Progressive Movement: 1900-1915 (New York: Simon & Schuster, 1986)

¹⁵ Kennedy 242.

capita income levels. These favorable conditions created the rise of modern industrial economy, which laid the foundation for the rise of the middle class. The middle class supported the Progressive Movement for two reasons. First, the middle class was growing; they enjoyed reasonably good incomes, had basic education and lived in relatively safe neighborhoods away from the slums. Second, the majority of the middle class was formerly working poor and was familiar and sympathetic to plight of the poor. Additionally, for middle class Americans, a major factor was the realization that their basic morals required them to work to reform a broken system for the general benefit of society.

The leading cause of the success of the movement can be attributed to the support from the middle and working classes, labor management, and the Democratic and Republican parties. Leaders of the Populist Party also championed many of the reforms of the Progressive Era. Although members of this party were elected into local and state political positions, the party disappeared when Democratic candidate William Jennings Bryan incorporated many of the Populists' general interests in his famous "Cross of Gold" speech:

If they dare to come out in the open field and defend the gold standard as a good thing, we shall fight them to the uttermost, having behind us the producing masses of the nation and the world. Having behind us the commercial interests and the laboring interests and all the toiling masses, we shall answer their demands for a gold standard by saying to them, you shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold.

As a result, after 1896 the Populist Party lost its collective identity and subsequently faded from the political forefront, further solidifying the two political party status quo.

Even so, by World War I the issues that the Populists had identified in the 1890's had been addressed and adjudicated by State and federal government. By 1918, local, state, and national laws had been passed to protect workers and improve access to hospitals and universities. However, Progressives exhibited the greatest and lasting influence in the passing of the Sixteenth, Seventeenth, Eighteenth and Nineteenth Constitutional Amendments. The ratification of the Seventeenth Amendment represented a milestone in the evolution of popular government. Previously, United States senators had been elected by state legislatures, which often suffered from conflict of interests regarding powerful business entities. Progressives argue that this new amendment played a major role in cleaning up political corruption at the federal level while also strengthening American populism.

Conclusion:

America's rise to a global superpower was unique in that it did so rather quickly and has an abbreviated history. This meteoric rise has captured the attention of scholars. American Exceptionalism can be credited to an environment where equality under the law, personal liberty, and acquisition of private property have all replaced the traditional European feudal systems that supported what would later become socialist states. Moreover, America ended up becoming the place where Weber's theory of life chances coupled with the power of the individual produced the ideal conditions for democratic

capitalism.

It was during the turn of the twentieth century when Theodore Roosevelt and Woodrow Wilson led the battle for comprehensive reforms to balance the problems of reckless capitalism. These collective reforms would not be short lived, as they would later serve as the baseline of future New Deal programs under President Franklin Roosevelt. Next, a detailed analysis of FDR and the New Deal will provide the reader with additional insight into the true conflict that has come to dominate American politics: Is the purpose of American government to be an agent of economic empowerment or dependency?

CHAPTER THREE: FDR AND THE NEW DEAL

“That government is best which governs least.” - Henry David Thoreau

Introduction:

Franklin D. Roosevelt is one of the most noteworthy presidents in U.S. history as he led America through the Great Depression and World War II. The longest sitting American president, Roosevelt occupied the Oval Office from 1933 to 1945. Remembered best for his New Deal legislation, his economic programs gave hope to millions of Americans who were crippled by a depression that spanned over a decade. FDR's New Deal programs were a product of the Progressive Era with the purpose of alleviating unemployment for millions of Americans. President Roosevelt's programs grew more ambitious as basic human preservation and recovery of the American economy were superseded by the government's effort to “balance” the distribution of wealth. This section of my thesis will explore what caused the Great Depression, the role of the New Deal, and how this watershed legislation challenged the Constitution and the traditional role of the federal government.

The Great Depression:

The “Roaring Twenties,” a period where the middle class grew because of economic prosperity, was highly correlated with the Allied victory in World War I and Progressive Era economic legislation. Economists continue to study the decade as

consumer spending helped support the supply-side economic policies that lowered taxes and regulations prior to 1929. The elections of Warren Harding, Calvin Coolidge and Herbert Hoover ushered in a Republican Era. Federal economic conservatism dominated national politics as each President focused on cultivating tight bonds with industry and their big business friendly policies that looked to increase America's profit margins. Given America's reputation of national prosperity, the Wall Street Market Crash of 1929 sent shock waves around the world. Black Friday marked the beginning of a global economic depression; one that would not end until employment and defense spending of World War II revived the economy in 1947.

What really caused the Great Depression? This question doesn't have a simple answer as the key factors that caused the Great Depression continue to be a subject of debate among economists. The Keynesians and Friedmanites provide the most generally accepted analysis of what caused the Great Depression.

According to the Keynesian view in the early 1930's the current economic fetish, the balanced budget, prevented an increase in public spending to boost demand. Thus, then, faulty fiscal policy is to be blamed for the economic collapse that followed. On the other hand Friedmanites maintain that, although the central bank should churn out new money at a steady rate, something that even a "clever horse could be trained to do", yet the Federal Reserve was issuing money erratically. Sometimes it issued too much as in the stock-market frenzy of the 1920's, and sometimes too little as after the stock-market collapse in the 1930's. In the latter episode the economy was squeezed through a shortage of money causing prices to fall. Thus, then, faulty monetary policy is to be blamed for the economic collapse that followed.¹⁶

¹⁶Revisionist View of the Great Depression, Antal E. Fekete, http://www.gold-eagle.com/editorials_02/fekete030602pv.html, 6 May 2002, 1 Jul 2012.

In his book, New Deal or Raw Deal: How FDR's Economic Legacy Has Damaged America, author Burton W. Folsom Jr. provided three causes to explain how America tumbled into total economic disaster. In the first of the three ideas, Folsom identifies two significant results of the Allied victory of World War I. During the war the United States loaned \$10 billion to her European allies with the understanding that these funds would be paid back once the war had concluded. Sir Winston Churchill famously declared, "The problems of victory are more agreeable than the problems of defeat, but they are no less difficult." The relevance of this observation is most fitting given the economic challenges the United States faced in the wake of the Great War.

Here at home, the United States saw its national debt balloon from \$1.3 billion to \$24 billion in three short years. A large chunk of the debt – almost one half – consisted of Allied loans...From 1929 to 1932, however, almost all of Europe (Finland was an exception) balked at repayment and; in fact, soon repudiated their debts to the United States.¹⁷

While the conflict never touched American soil, the global war devastated Europe politically, economically and socially. Moreover, the Treaty of Versailles signified the end of the multi-national conflict, but tragically failed to resolve the problems that led to the rise of Nazi Germany and World War II. The second result of World War I Folsom touches on is the ratification of the controversial Smoot-Hawley Tariff Act of 1929, which established the highest tariffs in American history. As a direct result, many of America's World War I Allies used the high tariff as an excuse to avoid repaying their war loans. They believed that this heavy tax further injured their weak post-war markets and their profitability within the American market had become limited.

¹⁷ Burton W. Folsom Jr., New Deal or Raw Deal: How FDR's Economic Legacy Has Damaged America (New York, Threshold Editions, 2008) 30-31.

This new tariff taxed 3,218 imported items, and on 887 of them the tax was sharply increased. Foreigners were understandably outraged...our high tariff on other European goods (for example, on wool for the British and olive oil for the Italians) resulted in anti-American rhetoric, more retaliatory tariffs, and a repudiation of war debts across the European continent. Our exports, therefore, dropped from \$7 billion in 1929 to \$2.5 billion in 1932.”¹⁸

This tariff negatively affected U.S. markets because components of American exports were in fact imported and the tariff caused such imports to become cost prohibitive or unavailable. Some American-made items gained an advantage in the global market due to a lower price points in comparison to foreign substitutes. However, the macro-economic reality was that Americans were actually forced to buy fewer domestic products as the tariff hike caused an increase in the price of our own products. These negative consequences help explain why by the summer of 1930 the U.S. stock market had lost one-third of its value in under a year.¹⁹

Folsom’s further supports his argument by blaming the Federal Reserve for not supporting financial institutions after the failure of the Bank of the United States. The Federal Reserve was established in 1913 with the responsibility to regulate America’s monetary structure. The Fed’s charter called for regulation of the market through the manipulation of interest rates and bank loans. Ideally, the Fed would generate capital by discounting bank assets or by purchasing bonds on the open market. By increasing the money supply, the government would be in a position to grant bank loans and would serve as a support mechanism in times of economic uncertainty. However, in the year leading up to Black Friday, the Fed made a series of poor decisions.

¹⁸ Ibid, 31.

¹⁹ Ibid, 32.

The Fed had raised interest rates four times, from 3.5 to 6 percent, during 1928 and 1929. That made it harder for businessmen to borrow money to invest, which hindered economic growth. This contributed to the October 1929 stock market crash, the race by customers to get their money out of their backs, and the closing of many banks. In the early 1930s, the Fed dithered and let the runs on the banks continue.²⁰

In the end the incidents that led to the Great Depression are still debated among economists and historians. Folsom Jr. argued that contrary to popular belief, the crippling depression that stretched over a decade was not a product of reckless free markets but a series of government blunders. These blunders included; doubling of the national debt, devastating tariffs, and poor monetary policy of the Federal Reserve. Given the gravity of the situation, in his March 1933 inaugural address, Franklin D. Roosevelt (FDR) declared, “This nation asks for action, and action now. Our greatest primary task is to put people to work. I am prepared under my constitutional duty to recommend the measures that a stricken nation in the midst of a stricken world may require” thus bold and unprecedented course of legislation was delivered.

The New Deal Era 1933 to 1944:

Confronted with the compounding economic pressures of the Depression, President Roosevelt knew that Americans were looking to him as their leader. They needed him to help the struggling working and middle class restore the economy to a healthy level and prevent a reoccurrence of the economic hardships. Faced with financial catastrophe that created nation-wide panic from bank failures and a high unemployment rate, FDR began getting America back on her feet again while simultaneously restoring the public’s confidence in the economy to a pre-war level.

²⁰ Ibid, 32-33.

The legislative progress FDR was able to achieve during his First Hundred Days as president set the standard for every President's effectiveness thereafter. From March 1933 to June 1933, FDR sent over a dozen legislative proposals to Congress focused on stimulating recovery. Roosevelt's time in office was marked by experimentation with the hope that different approaches and combinations of legislation would alleviate the Depression. As a result, Roosevelt won over millions of struggling Americans with his charm and perseverance because he never hesitated to try different tactics if initial efforts failed. Furthermore, his ability to win Congressional approval has exceeded every modern President since.

Accordingly, the second question that must be addressed is how effective was FDR's New Deal in pulling America out of the Great Depression? To answer this question we must first identify the key policies and programs FDR championed. Between 1933 and 1935, the "First New Deal" included: the National Recovery Act (advocated for industry regulations "codes of fair competition" administered by the National Recovery Administration, the NRA), the Agricultural Adjustment Act (paid farmers to reduce their harvests), the Banking Act of 1933 (created the Federal Deposit Insurance Corporation), the Tennessee Valley Authority (created to improve rural development), in addition to these policies the U.S. was taken off the gold standard. Furthermore, under Roosevelt's the National Housing Act of 1934 was passed; and the Federal Savings and Loan Insurance Corporation and the Securities and Exchange Act were created. In his article, *The New Deal Reconsidered*, Bradford A. Lee provided an account of Roosevelt's objectives:

Apart from keeping their countrymen alive, their first goal was to bring the economy out of the Depression. Their second objective was to make the distribution of wealth and especially income more equal – or, as they were want to say, more “balanced.” The major cause of the Depression, in Roosevelt’s view, was the relatively small amount of purchasing power in the hands of farmers and workers; the cure was redistribution of income. Finally, the New Dealers hoped to realign the groupings in American politics to keep the Democratic Party in power.²¹

It is important to remember that the Depression was not limited to only the United States; the majority of industrial countries including our European allies were struggling. However, when most countries were able to maintain stability, the United States’ road to recovery experienced waves of turbulence. The Gross National Product (GNP) tumbled between the 1932 and 1933, recovering for a short period. Alas, FDR’s initial economic success was short lived as recovery stagnated in the fall of 1933, then again from 1934 to the summer of 1937. Despite major legislation and increased deficit spending (during his first year, FDR spent close to \$3.6 billion), the results of his first term policies and new government agencies were mixed and produced marginal economic gain. To combat this economic instability, in the summer of 1935, FDR unleashed his second round of legislation, better known as the “Second New Deal.” Roosevelt designed this legislation to battle under-consumption, which he believed was a leading cause of the Depression.

In economics, the theory of under-consumption argues that depressions are a direct result of a lack of consumer spending as it applies to the volume produced by the market. It is important to note that under-consumption was not a new notion developed

²¹ Bradford A. Lee, *The New Deal Reconsidered*, The Wilson Quarterly (1976), Vol. 6, No. 2 (Spring, 1982) 64, JSTOR, JSTOR, 4 Jan 2012
<http://www.jstor.org/stable/40256265>

during the Great Depression. In fact, it has its roots in 16th century mercantilism. However, by the 1930s, this theory had largely been superseded by economist John Maynard Keynes's theory of aggregate demand. Keynes believed that aggregate demand was swayed by a multitude of economic variables to include both federal and private industry. Keynes' advocated for government creation of economic policy and financial institutions to ensure that the market would sustain healthy levels of production. President Roosevelt believed that under-consumption and, later, Keynes's theory of aggregate demand could overcome the Great Depression by establishing a mixed economy in which the public sector would operate under the guidance and direction of the federal government.

Despite the mixed results of FDR's "First New Deal," he neither lost hope nor momentum. Roosevelt's "Second New Deal" included more progressive and expensive legislation implementations. These included; the Social Security Act (established insurance for old age, unemployment, aid to dependent children and old age assistance), the National Labor Relations or "Wagner" Act (made unfair labor practices illegal and gave a significant amount of support to unions), the Banking Act (established the Federal Reserve), the Fair Labor Standards Act of 1938 (established minimum wage and maximum working hours for industry), and the Public Utilities Holding Company Act (tasked with regulating utility industry). The "Second New Deal" in many respects was more controversial than the first. The creation of the Social Security System alarmed many conservative economists and policymakers because they believed it was approaching socialism. It was Roosevelt's unprecedented success in achieving his

“welfare” programs that caused conservatives to question if the President had breached the federal balance of power set forth in the Constitution by establishing the NRA. However, this fear was eased when in 1935 the Supreme Court declared the NRA unconstitutional on the grounds that Congress authorized excess power to the agency.

FDR’s frustrations were far from over when, in 1937, the country experienced a severe industrial decline that eclipsed the post-Black Friday Market crash of 1929. Moreover, a strong argument that exposed New Deal’s failure to provide steady economic recovery was evident in Roosevelt’s behavior towards the wealthy. FDR first targeted wealthy Americans when he raised taxes in 1935, better known as “Soaking the Rich.”

Other tax problems contributed to “regime uncertainty.” Corporate taxes went up, the estate tax was increased to a top rate of 70 percent, the United States alone among nations passed an undistributed profits tax. Businessmen watched the top rate of the federal income tax increase from 24 to 63 percent in 1932 under Hoover and then to 79 percent in 1935 under Roosevelt. The President regularly castigated businessmen and threatened to raise rates further. On April 27, 1942, Roosevelt issued an executive order that would tax all personal income over \$25,000 at 100 percent.²²

By applying excise taxes on the wealthy corporations and individuals to further finance his New Deal programs, Roosevelt incentivized businessmen to not invest to avoid this charge. Furthermore, coupled with the minimum wage regulations, many companies were not able to hire new workers. In many cases existing employees were terminated as Roosevelt’s new policies no longer allowed the market to determine the price of labor. This policy reinforced the high employment rate during the Depression

²² Burton 250.

because corporations couldn't afford to hire labor at rates mandated by the government. As a result of this legislation, many businesses were forced to terminate employees.

This leads to the third question. If Roosevelt's New Deal did not bring America out of the Great Depression, then what exactly did? America's entry into World War II was the watershed event that finally pulled the U.S out of the Depression. Unemployment decreased as federal spending increased with millions of American soldiers deployed to the front lines. "The war proved that massive spending under the right conditions produced full employment."²³ The increase in spending and decrease in unemployment was the antidote for Great Depression.

The irony, of course, is that the more FDR dreamed up new taxes and regulations to get the economy moving, the more regime uncertainty he created. And those efforts had a predictable effect: the economy began to turn south in 1937, resulting in the Roosevelt recession. Unemployment had fallen from a high of 24.9 percent in 1933 to 16.9 percent in 1936, the year FDR's first reelection, still significantly higher than the post-war high of 7.5 percent during Reagan's 1984 reelection and the current, and likely to remain, 9.1 percent unemployment rate under Obama.²⁴

FDR's legacy is however enduring, New Deal agencies include; the Civil Aeronautics Board, Commodity Credit Corporation, Export-Import Bank, Farm Credit Administration, Federal Communications Commission, Federal Deposit Insurance Corporation, Federal Housing Administration, Federal Savings and Loan Insurance Corporation, National Labor Relations Board, Rural Electrification Administration,

²³ John Gattary, *Interpreting American History: Conversations with Historians* (London: Macmillan, 1970). 184-185.

²⁴ Merrill, Matthews *Obama: Campaigning Like It's 1936*. *Forbes Magazine*. 28 Oct 2011, 8 Feb 2012 <http://www.forbes.com/sites/merrilmatthews/2011/10/28/obama-campaignin-like-its-1936/print/>

Securities and Exchange Commission, Social Security Administration, and the Tennessee Valley Authority. On the other hand, President Thomas Jefferson declared; “A government big enough to give you everything you need, is a government big enough to take away everything that you have.” The role of the state, as seen by Jefferson or as seen by Roosevelt, is a controversial topic. It is this philosophical difference lays, the what fundamental role of the federal government should be, a question that has dominated American political discourse.

Conclusion:

The Great Depression reflects a period in America’s history that was wrapped with debilitating economic and social conditions that challenged the role of the government under democratic capitalism. The period witnessed the struggle of millions of Americans to establish basic security and stability as record unemployment and bank failures caused many to be without jobs or homes. Given the severity of the situation, some Americans began to wonder if democratic capitalism was the best form of government. It was during this time that the Communist Party made attempts to galvanize national influence, but efforts to gain popular ground failed to take root in the wake of FDR’s First New Deal. President Roosevelt’s election into office proved to be a watershed event in American history as it signaled triumph over threat communism posed in the American political arena. However, one does have to wonder if FDR’s New Deal coupled with his lengthy time in office compromised the traditional role of the democratic state in relative to his progressive interpretation of the role of government?

CHAPTER FOUR: THE ROLE OF THE GOVERNMENT IN THE TWENTY FIRST CENTURY

“The man of a system...is apt to be very wise in his own conceit; and is often so enamored with the supposed beauty of his own ideal plan of government, that cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board...” - Adam Smith, 1759

Introduction:

“It started with a tweet; ‘DEAR AMERICANS, THIS JULY 4th, dream of insurrection against corporate rule’ and a hash tag: #occupywallstreet. It showed up again as a headline posted online on July 13th by *Adbusters*, a sleek, satirical Canadian magazine known for its mockery of consumer culture. Beneath it was a date, September 17th, along with a hard-to-say slogan that never took off, ‘Democracy, not corporatocracy,’ and some advice that did: ‘Bring a tent.’ Inspired by the uprising in Tunisia and Egypt, also known as the “Arab Spring” this world-wide people powered movement which began in Liberty Square in Manhattan’s Financial District on September 17, 2011 has grown to encompass more than 1, 600 occupations around the United States and the world.”²⁵ When this study was written protests were taking place

²⁵ Jeff Sharlet, Welcome To The Occupation. Rolling Stone Magazine, Issue 1144. November 24, 2011. 60.

in Los Angeles, Boston, Chicago, Washington D.C., Philadelphia, Nashville, Oakland, Seattle, London, Tokyo, Sao Paulo, Sydney and Cape Town.

The supporters of this politically unorganized populist movement are protesting against increasing economic and social inequality, corruption in the financial sector, undue influence of the federal government by powerful corporations, and expanding corporate greed. The movement demands a complete overhaul of the tax system placing the majority of the burden on the wealthiest, an increase in minimum wage, and greater financial assistance for homeowners who are “under water” on their mortgages. The slogan “We Are the 99 Percent” is their focus. This slogan along with images of shantytowns exemplifies the ever-expanding income gap between the wealthiest one percent and the rest of the general population.

Many political analysts have attempted to categorize this movement. Are the protesters simply anarchists seem content with over turning the current political, social and economic systems? Will they seek to spoil the rule of law and the protection of natural rights if their reforms are implemented? What is acknowledged is that the protesters are not likely to usher in their major governmental changes. However, what the Occupy movement did accomplish was to galvanize supporters of a progressive interpretation of the Constitution. This movement has provided a convenient platform for politicians to influence voters regarding the appropriate role of government.

Natural Rights:

John Locke’s Two Treatises on Government greatly influenced America’s Founding Fathers. The contrasts between Locke and Hobbes are clear. First, while

Thomas Hobbes' The Leviathan argued that an absolute monarch is required to enforce a social contract, Locke advocated for a different approach. Locke's theory of the social contract was shaped by his participation in the Glorious Revolution (1688-1689), which established Parliament's supremacy by replacing a despotic monarch (King James II) with a constitutional monarchy (William and Mary of Orange). Locke believed that the English had the right to rebel against King James II because his rule used unlawful force (against the consent of the governed). King James II therefore no longer held a legitimate relationship with the people. Leading up to the American Revolution Locke's perception and justification of a social contract provided an outline for the Founding Fathers to follow.

It was Locke's belief that the best government is one based on liberty rather than authority or security that set him apart from Hobbes and Rousseau. Moreover, his appeal for equal rights of personal freedoms; private ownership of property, labor enterprise, and religious tolerance collectively formed the basic principles of a good government. Building on his this platform, Locke also argued that the legitimacy of the government to rule is derived from the consent of its citizens. In a legitimate government the state is responsible for promoting and enforcing the self-preservation and natural rights of the governed. These were the concepts that Thomas Jefferson, James Madison, Alexander Hamilton and George Mason subscribed to and included in *Declaration of Independence*, the *Federalist Papers*, and the *Constitution*.

America's Founders shared Locke's core belief that men were created equal by the Creator and he provided natural rights of life, liberty and property. The earth was given to men by God to use in crafting their individual lots. Each had the opportunity to acquire property through merit of labor. Locke argued that this was "the chief end" of society. However, those who hold the opposite view argue that Thomas Jefferson and the other Founders did not completely incorporate Locke's natural rights argument into the *Declaration of Independence* because it purposely omitted the right to property. The fact that the natural right to property was not included, lead to speculation that Jefferson feared that people would incorrectly interpret this as the right to the property of others.

The Declaration of Independence speaks of the right to pursue happiness; it does not offer a guarantee that one will achieve happiness. This makes all the difference in the world; for in a free society there can be no guarantee that effort will meet with success.²⁶

Nevertheless, this progressive view lacks fidelity when considering the *Federalist Papers* and the *Constitution*.

"The Framers' obsession with safeguarding property led them to write about this one right in *The Federalist Papers* nine times as often as they did voting rights, speech rights, privacy rights, religious rights, and press rights combined."²⁷ *Federalist Paper No. 10*, the most influential of the articles in shaping the *Constitution*, provided a prelude to the structure of society and the rule of law.

²⁶ Steven Yates, Rights Versus Entitlements. *The Freeman, Ideas on Liberty*. September 1994, Volume 44, Issue 9.

²⁷ Rick Lynch, "Property Rights, Freedom, and the Constitution," *Freedom Daily* Nov. 2008

The diversity in the faculties of men, from which the rights of property originate, is no less an insuperable obstacle to a uniformity of interests. The protection of these faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results; and from the influence of these on the sentiments and views of the respective proprietors, ensures a division of the society into different interests and parties. (James Madison, Federalist No. 10)

The attention America's Founders dedicated to the natural right of property is warranted because property rights support liberty, individualism and capitalism, which are hallmarks of American political Exceptionalism. For the government to best support right of property, an open market where the private appropriation of the means of production and goods must be established, maintained, and protected. Once more, we can best understand this pillar of good governance by reviewing Locke. He argues that in a state of nature, an environment absent of government, individuals would be morally obligated by The Law of Nature not to harm each other or each other's possessions. However, without government to defend against those who would do harm, people would have lived in fear as they would have no security or guarantee of rights.

Consequentially, supporters of a traditional role of democratic government, (that is the constitutional views of the Founding Fathers that until the early twentieth century dominated American politics) define government's role as being the protector of natural rights of life, liberty and property. The genius of the Founders was further demonstrated in the design of separate, yet equal branches of government. This structure has proven to be a wise and effective method of protecting natural rights and mitigating the threat of tyranny. In *The Federalist No.51, The Structure of the Government Must Furnish the Proper Checks and Balances Between the Different Departments*, James Madison noted:

“If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.” (James Madison, *The Federalist* No. 51)

In summary, advocates of the traditional role of government believe that every American must be allowed to live by their personal efforts without the gross interference of others or government on the rights to life, liberty, and property. In *The Rights of the Colonists*, John Adams declared, “The Natural Rights of the colonists are these, first, a right to life; second, to liberty; third to property; together with the right to support and defend them in the best manner they can.” (John Adams, *The Rights of the Colonists*) After all, that was what Thomas Jefferson built into the *Declaration of Independence* and what the colonists fought and died for.

Progressive Rights:

Supporters of progressive rights are fundamentally influenced by a progressive view of history, which is used to justify the genuine need and legitimacy for progressive rights. A “progressive view of history” as it applies to the role of government, states that objective of government is no longer solely responsible for the acquisition of natural rights, but is committed to establishing a level of economic equality that is tied directly to the pursuit of happiness. This evolved view of American life emerged at the turn of the twentieth century and promised to deliver citizens from the plagues of reckless capitalism and corrupt government. Those who support this view believed that an expansion of the

role of government within society is a means to an end where a greater level of economic equality and fairness can be achieved.

Woodrow Wilson was the first president to successfully champion and execute a progressive interpretation of the *Constitution*. (Establishing a government that existed to serve the social and economic interests of the people.) Wilson believed that government had achieved the Founding Fathers original goal of ensuring security through the protection of natural rights of life, liberty and property. He argued that, American society had evolved since the signing of the *Declaration of Independence* and government no longer needed to be limited in size, scope and power. Wilson was critical of the decentralization of government, in addition to the separation of branches of government, as he believed these parameters to be barriers to progressive growth and not barriers against tyranny.

In the White House, Wilson intended to be a strong president working with a “living Constitution”. Contrary to the written Constitution, he promoted the expanding of “beneficent” government into new areas – regulating overseas shipping rates, subsidizing loans to farmers, and fixing an eight-hour day for railroad workers. In Wilson’s progressive view, government was not to be used to limit executive or legislative activity, but to improve the lives of its people. Results, not process, mattered to Wilson. The Federalist Reserve was created to regulate banking “for the general good”; the first income tax was also passed under Wilson. He promoted it as a progressive tax, and had it raised repeatedly until the wealthiest Americans were paying 77 percent marginal tax on their annual incomes during World War I.²⁸

²⁸ Folsom Jr 256.

Most notably, Wilson was responsible for establishing a number of major progressive reforms including; The Federal Reserve Act, Federal Trade Commission Act, Clayton Antitrust Act, Federal Farm Loan Act, Adamson Act, Lever Act and most important, The Seventeenth Amendment to the Constitution. Those supporting a more conservative view would argue that the Seventeenth Amendment was the nail in the coffin to the doctrine of federalism. Conflicts of interest and claims of inappropriate influence of business entities didn't disappear as senators began to be popularly elected. Conservatives believed in the value of electing their state legislators, which then selected the senators because senators paid more attention to the wishes of the state legislators. By cutting the legislature out of the process and have senators directly elected, an important bulwark against the power of the federal government was eliminated and power became more concentrated in Washington D.C. Legislatures no longer had the ability to influence senators from passing laws, which consolidated more power in the hands of Washington politicians.

Ironically, popular election of senators actually moved power further from the people. Its my belief that democracy is most effective when it occurs at the lowest levels (grass roots) because it's closer to the people. Solutions can be tailored to their needs better than a one size fits all solution. This is sometimes necessary and desirable, but that doesn't mean it should be the standard solution. Unfortunately, a popular election of senators was made America's standard solution and power was consolidated in Washington D.C. Despite these criticisms, Wilson's progressive reforms enabled the

potential for the role of government to grow under the command of FDR and the Democratic Party.

Where Woodrow Wilson championed a progressive role of the government, FDR is responsible for the turning progressive rights into American political thought. Subscribing to Wilson's progressive interpretation of the *Constitution*, FDR did more than any president in history to expand the size and the power of the government, as he believed the objective of government was:

To do what any honest Government of any country would do; try to increase the security and the happiness of a larger number of people in all occupations of life and in all parts of the country; to give them more of the good things in life, to give them a greater distribution not only of wealth in the narrow terms, but the wealth in the wider terms; to give them places to go in the summer time – recreation; to give them assurance that they are not going to starve in their old age; to give honest business a chance to go ahead and make reasonable profit, and to give everyone a chance to earn a living.²⁹

It was from this view of the role of government that FDR justified his New Deal legislation, which became the benchmark of progressive reform. In an effort to create a “caring society”, FDR argued that beyond natural rights of life, liberty and property Americans also had economic rights, which included the right to a comfortable living, employment, a good home, and education.

Conclusion:

²⁹ Arthur M. Schlesinger, Jr., The Politics of Upheaval (Boston: Houghton Mifflin, 1988), 291.

The progressive view of the role of government is a stark contrast to the system of government that the Founding Fathers advocated. While the Founders believed in equality of the law, Progressive advocates like Woodrow Wilson, Franklin Roosevelt, Lyndon Johnson, Bill Clinton and Barack Obama believe in a system of government that establishes economic fairness. These Progressive Presidents believe that the role of the government is to ensure you enjoy “the good life.” In this system, your progressive rights would replace obedience to the rules and fidelity of the Constitutional process. As a testament to their legacies, America, now more than ever, has found itself entrenched in a political conflict over the role of government.

CHAPTER FIVE: THESIS CONCLUSION

“America will never be destroyed from the outside. If we falter and lose our freedoms, it will be because we destroyed ourselves.” – Abraham Lincoln

The Argument for Empowerment:

The rise of the United States puzzled Karl Marx as he argued that capitalism in America developed more “shamelessly” than in any other country in the world. Despite democratic capitalism’s early success in the United States, Marx never lost faith that if America possessed the aptitude to be the greatest capitalist nation on Earth it also could be the greatest communist nation. However, it was a unique combination of American ideology, political structure, populism, social mobility, and the labor union movement that had the greatest effect in preventing socialism and communism from taking root in the country’s economic, social, and political spheres. It was the absence of a feudal structure, the early success of democratic capitalism, a balance of power (instead of a Machiavellian approach), unprecedented economic growth supported by the continuous waves of social, economic and political reforms were all key elements that made America an exceptional country throughout history.

Based on our history, one could argue that American Exceptionalism was the antidote to Marx’s theory of communism. Supporting this argument, the application of Max Weber’s theory of life chances and the role of power and prestige, accurately reflect

the American model of democratic capitalism. “Max Weber’s response to Marx through his critique that Marxian social class theory is too dialectical and so he includes factors associated with such societal input as politics and status. Central to every single theory regarding social class within an economic system based on private ownership is that status becomes the foundation upon which to delineate economic empowerment.”³⁰

Since the Industrial Revolution, people from all over the world have come to America not because they seek a utopian state which promotes “economic fairness,” but because of the opportunity to improve their lives by embracing natural rights. This has created an environment of economic empowerment.

In writing the *Declaration of Independence*, Thomas Jefferson was influenced by a variety of political philosophers including Locke and Rousseau. In the end, Jefferson identified the natural rights of life, liberty and property as being central to the ideals of the Founding Fathers. Thus it was the role of the state to protect the natural rights of its citizens and in doing so provide a level of security and equality under the law.

In crafting the Constitution, the Founders emphasized process, not results. If we follow the Constitution, we won’t have a perfect society, which is unattainable by imperfect humans. But we will provide opportunity for people to use their natural rights to pursue the acquisition of property and their personal happiness. The results may yield sharp inequalities of income, but the process will guarantee chances for almost everyone. During the 1800s, Americans increasingly acknowledged the natural rights of black Americans and guaranteed the rights for women. Both were logical outflows of the Declaration of Independence and the limited

³⁰ “Karl Marx, Max Weber and Social Class theory” Timothy Sexton, 7 January 2012. https://voices.yahoo.com/shared/print.shtml?content_type=article&content_type_id=56629

government ensured in the Constitution. The Founders emphasized the lessons of experience, not the opportunity to create a utopia; they stressed fidelity and the rules of the game more than good intentions (sincerity). The process, not the results, was what most American leaders from the Founders to Grover Cleveland wanted to protect.³¹

The Argument for Dependency:

Aristotle, a student of Plato, provided a simple explanation of the role of the state; its purpose is to satisfy the basic needs for survival and to continue to function for the sake of the “good” life. In Nichomachean Ethics, Aristotle provided his thesis on what it means to achieve *eudaimonia*, (to live well, the good life). He argued that man has a natural desire to achieve happiness, and it is this desire that motivates his actions in society instead of in isolation. Aristotle believed the role of the state within society was to provide for a common existence and for more honorable deeds. Ultimately, the realization of a good state rested on the virtue of individual citizens. He argued that excellence was a product of virtue and was formed by *ethos* (habit). While man has the capacity for cultivating many virtues, they are only acquired when practiced. It is from practice that character is revealed both at the level of the individual and the state.

Progressives believe that the heart of the *Constitution* was the *Bill of Rights* but believed the wisdom and the application of the Founding Fathers failed to cover the challenges of the twentieth century. FDR, the father of Progressive Rights, believed that the *Bill of Rights* needed updating. “As our nation has grown in size and stature, however, as our industrial economy expanded, these political rights proved inadequate to

³¹ Folsom Jr 255

assure us equality. We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence.”³²

Supporters of progressive rights believe just as FDR did, that “The State” was a tool for achieving a more abundant life, which is synonymous with Aristotle’s concept of the good life. From this perspective, the idea of the “abundant life” rested on his understanding of what constituted a good society. FDR felt that the ultimate objective of American government was to uphold the *Constitution* and to promote the three freedoms of speech, religion, and want from fear.

Roosevelt’s new progressive rights, unlike those of the Founding Fathers, imposed obligations on society to provide jobs, buy homes, and pay for education. Government, by necessity, had to increase in size to tax some citizens to provide newly discovered “rights” for others. Where the Founders wanted government limited mainly to protect rights, Roosevelt and the progressives wanted to expanded government to provide jobs, recreation, education, and houses. Where the Founders were skeptical of human nature, the progressives were optimistic that a president, or a small group of administrators, could use government to create the good life for American and preserve liberty as well.³³

Roosevelt wasn’t the last president to demonstrate a progressive interpretation of the *Constitution*. In addition to his theory that under-consumption was the primary economic cause of the Great Depression, Roosevelt also believed that American democratic capitalism could not only be preserved, but also improved through the expansion of the role of the government. This progressive view rested on entitlement programs, Social Security, pro-union, banking reforms, and “Wealth Tax.” These grew the infrastructure of the government by creating the programs that redistributed wealth to

³² Thomas H. Greer, What Roosevelt Thought. (Chicago: Michigan State University Press 2000) 13.

³³ Folsom Jr 257.

the poor and middle classes. Such progressive services were designed to cure economic and social uncertainty.

The end goal for Progressives is to transform the role of the government in an effort to enhance civil society. The role of the President is to lead an honest government that guarantees the security of its citizens and foster good will, or what Aristotle would consider “virtue,” through the redistribution of wealth. Roosevelt felt his New Deal programs provided a level of equality through his extension of natural rights. It is from FDRs legacy that President Obama, through his legislation, is attempting to establish what he believes best for America. Through the expansion of the role of government, the role of the individual is marginalized and the potential for tyranny increases.

Final Thoughts:

The last century of American politics ushered in a new paradigm in which the natural rights of life, liberty and property, (championed by the Founding Fathers) are being challenged by the progressive interpretations of democratic presidents (FDR having the greatest influence to date). As a result, the debate between natural rights and progressive rights (employment, a certain level of income, education and health care) dominates modern politics. Throughout this debate Republicans and Democrats have used class warfare to spearhead their political agendas as the future of American Exceptionalism is in unknown. I argue that the ontological conflict regarding the role of the government has become more heated leading up to the 2012 Presidential election. It will be interesting to see if Americans believe the role of government is to empower individuals or to be a mechanism for dependency.

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