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The Disparate Responses of Harry Hopkins and John Maynard Keynes to the Great Depression and Why It Was the Social Worker Rather Than the Economist Who Got It Right

2012 Blanche Grosswald
Memorial Lecture

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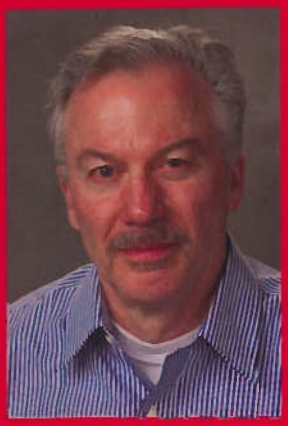


Professor Harvey received his B.A. degree from Yale University, his Ph.D. in economics from the New School for Social Research, and his J.D. from Yale Law School. He is Professor of Law and Economics at Rutgers School of Law—Camden. He has been a Visiting Scholar at the Russell Sage Foundation, a Visiting Professor of Law and Economics at the Yale School of Organization and Management, and was the first Joanne Woodward Professor of Public Policy at Sarah Lawrence College. Professor Harvey's research focuses on public policy options for securing economic and social human rights, with a particular emphasis on the right to work. Copies of his publications can be accessed from his personal web site www.philipharvey.info.

About Blanche Grosswald

Blanche Grosswald was Assistant Professor of Social Work from 2001-2003. She received her B.A. degree from Columbia University/Barnard College and earned masters degrees in Library Science and Computer Science from the University of Michigan. She received a Masters of Social Work from San Francisco State University and was awarded her PhD in social work from the University of California, Berkeley in 2000.

Her research focused on Work and Family issues. She published numerous articles in scientific and social work journals. She was an active member of the American Public Health association. She was also an active member of the National Association of Social Workers. At Rutgers, she contributed to interdisciplinary research at the Institute for Research on Women, the School of Policy, and the Center for Women and Work.

Blanche Grosswald's life and work embodied the principles of social work. She was engaged, passionate about her beliefs in human rights and autonomy, and a dedicated researcher and teacher. Her family and friends established this annual lectureship to honor her memory.

Message from the Dean

Dear colleagues,

I'm sending you what I think is a particularly thought-provoking and timely lecture by James Harvey, Professor of Law and Economics at the Rutgers School of Law: "The Disparate Responses of Harry Hopkins and John Maynard Keynes to the Great Depression, and Why It Was the Social Worker, Rather Than the Economist, Who Got It Right." Dr. Harvey personally delivered it, as the Rutgers School of Social Work's 2012 Blanche Grosswald Memorial Lecture, to two different audiences, but I thought his comments deserved wider circulation. Providing historical perspective, Dr. Harvey believes that the success of particular programs during the Great Depression point to opportunities for economic recovery today.

Dr. Harvey's central thesis is that the direct creation of significant numbers of public work opportunities, as advocated by social worker Hopkins, not only relieved the massive unemployment of the Great Depression, it was also more effective at improving the overall economy than the Keynesian notion of providing a general fiscal stimulus. Dr. Harvey argues that the "bubble up" approach, if you will, not only quickly accomplished the goal providing meaningful personal relief to a large number of suffering citizens, it also helped to improve general economic conditions more successfully than the "trickle down" approach.

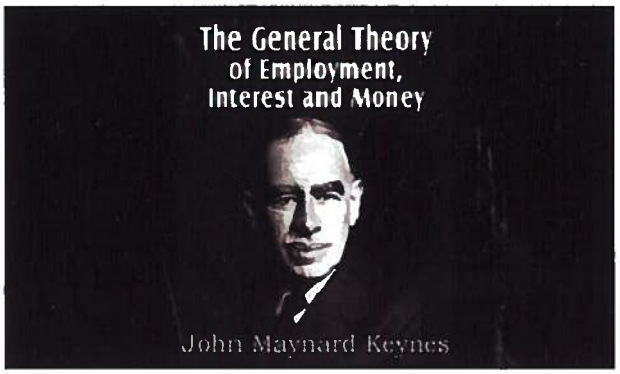
Underpinning Hopkins' approach was the basic social work tenet that recognizes the collective responsibility of society – balanced with the responsibility of the individual – for the well-being of vulnerable citizens. It was clearly reflected in his view of the role of government, as differentiated from that of the private market, and his belief that public investment in human capital for social welfare, health and education would not only benefit individuals, families and communities, but the overall economy as well.

I believe this view is as valid today as it was in the day of social worker Harry Hopkins. Its application now would not only address the growing inequality and disparities in our society, it would actually benefit the economic group that seems to be battling against it. I hope you enjoy Dr. Harvey's lecture and draw things from it that you can use in your professional life.

Kathleen J. Pottick, MSW, MA, PhD, LCSW
Acting Dean and Professor

I would like to thank Dean Pottick, the School of Social Work and Jim Cone for the privilege of delivering this lecture in honor of Blanche Grosswald. When I read the wonderful account of Blanche's professional life that Jim wrote, I was struck by how strange and unfortunate it was that Blanche and I never met.

Every spring I lead a delegation of law students on a 12-day tour of South Africa during which we meet with a range of people working to realize the human rights proclaimed in the country's inspiringly aspirational constitution. One thing that has struck me during these visits is how all of the South Africans we meet who are engaged in this work seem to know one another. People who work in university-based research institutes know and work with the people who work in public interest law firms. And both of these groups know the people who work in advocacy organizations and in the service delivery organizations, inside and outside government, that are working to meet the concrete needs of people with available resources. They know one another. They learn from one another, and they collaborate with one another— thereby enhancing the effectiveness of each of their contributions to their common goals.



We don't manage to do that very well in the United States. Here Blanche and I were teaching in the same University—yes in different schools located on different campuses—but we shared interests and could have learned from one another. It would have been unthinkable in South Africa that we wouldn't have known one another and found ways to support one another's work. It saddens me that we missed that opportunity, and it makes me realize the importance of overcoming whatever it is that keeps American human rights advocates from communicating more effectively with one another and working more cooperatively with one another. There are a lot more of us than any of us realize, and we should be able to make more of a difference than existing trends show we have achieved.

I am also especially pleased to be addressing a group of social workers. First it allows me to express my admiration and appreciation for the leadership the social work profession has displayed in insisting that the study of human rights be incorporated into the education of everyone who pursues a degree in the field. It is, quite frankly, embarrassing that the legal profession, which should be leading the charge in this area, is light years behind the social work profession in recognizing the crucial role human rights education can and should play in the preparation of the profession's practitioners.

Second, addressing a group of social workers also gives me the chance, before an audience I think will appreciate my feelings, to sing the praises of my personal hero—a social worker who I think should be credited with having made the most significant theoretical and practical contribution to the realization of economic and social human rights in the past century. That contribution is the subject of my lecture.

The picture on the screen is of someone whose name, I am sure, is familiar to virtually everyone with more than a passing interest in public policy today.

John Maynard Keynes was, without doubt, the most influential economist of the twentieth century. Moreover, he earned that distinction because of his contribution to our understanding of how governments can hasten a market economy's recovery from recessionary slumps—a topic of extraordinarily high interest today.

Let me begin, though, by asking why anti-cyclical policy—as economists refer to it—is so important to us. The answer, of course, is because recessions cause unemployment on a massive scale, and unemployment is something that the research literature and public opinion both agree causes massive harm. So the real reason Keynes's work has been so influential over the past three quarters of a century is because it promises a solution to the problem of unemployment.

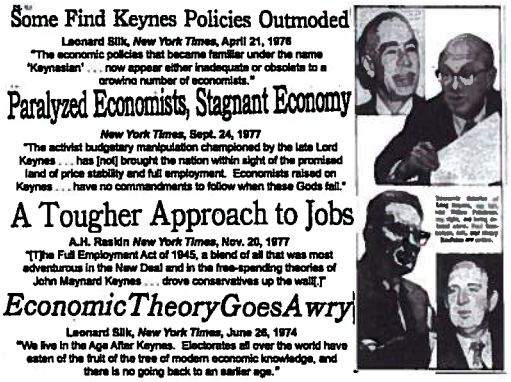
Not surprisingly, given the focus of his work on this topic, it was the Great Depression of the 1930s that

inspired Keynes to write his justly famous *General Theory of Employment, Interest and Money.* The theoretical account provided in that book of the functioning of market economies is dauntingly complicated; but the policy prescription it offers for responding to recessions is straightforward. The government of a country suffering from a recession should engage in deficit spending in order to boost aggregate demand. In response to this increase in aggregate demand, businesses will begin rehiring workers laid off during the recession and start investing again—thereby restarting the upward spiral of investment, expanding employment and growing consumption that comprises the process of economic growth.

Cover Story (Dec. 31, 1965)
"The Economy: We Are All Keynesians Now"

The *General Theory* was published too late in the 1930s—in February of 1936—for it to have had much influence on the Roosevelt administration's response to the Great Depression. Indeed, the failure of Roosevelt's economic advisors to absorb the book's teaching as quickly as they should contributed to his disastrous decision to try to balance the federal budget in 1937. The result of this policy blunder was the so-called "recession in a depression" that caused unemployment rates to spike back up to nearly 20% in 1938.

It was actually World War II that persuaded progressive economists and policy makers to embrace Keynes's teaching. As war-time spending grew, the unemployment rate fell—to 1.9% in 1943 and 1.2% in 1944. As John Kenneth Galbraith noted, "One could not have had a better demonstration of the Keynesian ideas, and I think it's fair to say that as a young Keynesian in Washington, in touch with the other Keynesians there, we all saw that very clearly at the time." The conclusion progressive economists drew from this experience was that providing jobs for everyone who wanted to work wasn't nearly as hard as people thought. All that was required was an adequately high level of aggregate demand—something the federal government could easily achieve by engaging in deficit spending.


Some Find Keynes Policies Outmoded

Leonard Silk, *New York Times*, April 21, 1976
"The economic policies that became familiar under the name 'Keynesian' . . . now appear either inadequate or obsolete to a growing number of economists."

Paralyzed Economists, Stagnant Economy

New York Times, Sept. 24, 1977
"The activist budgetary manipulation championed by the late Lord Keynes . . . has [not] brought the nation within sight of the promised land of price stability and full employment. Economists raised on Keynes . . . have no commandments to follow when these Gods fail."

A Tougher Approach to Jobs

A.H. Raskin *New York Times*, Nov. 20, 1977
"[T]he Full Employment Act of 1945, a blend of all that was most adventurous in the New Deal and in the free-spending theories of John Maynard Keynes . . . drove conservatives up the wall.[']

EconomicTheoryGoesAwry

Leonard Silk, *New York Times*, June 26, 1974
"We live in the Age After Keynes. Electorates all over the world have eaten of the fruit of the tree of modern economic knowledge, and there is no going back to an earlier age."

Moreover, it didn't really matter that much how the money was spent. Progressives might prefer to use stimulus spending to build bridges rather than blow them up, but for purposes of combating unemployment it doesn't really matter which of these undertakings is funded. Keynes himself supported this notion with his famous quip in the *General Theory* that burying bank notes at the bottom of abandoned mines and inviting capitalists to dig them up would create jobs just as well as any other type of spending.

In point of fact Keynesian economists never believed that it didn't matter at all how deficit spending was achieved. The recognition that the so called multiplier effect of deficit spending—differed for different types of deficit spending has always been a part of Keynesian orthodoxy. Still, if job creation is your goal, it's always better for the government to spend more rather than less, and if securing the votes needed to enact a stimulus initiative requires progressives to agree to spending initiatives and tax cuts with relatively small multiplier effects, at least it's better than nothing. That was precisely Keynes point in citing the beneficial effect of burying bank notes in abandoned mines to accommodate the preferences of a conservative, laissez-faire government. Let the wastrels have their way in deciding how to spend stimulus money, he argued, if that's the only way to get them to agree to increase government spending during a recession.

And so Keynesianism became gospel for American progressives in the post-World War II era, and it has retained its dominance in shaping the policy responses progressives advocate during recessions ever since. That is not to say that Keynesian thinking has held similar sway in policy debates throughout this period. His reputation has had decided ups and downs. The 1965 *Time Magazine* cover story which famously announced that "we are all Keynesians now" marks the height of his influence, while the so-called stagflation crisis of the mid 1970's—for which Keynesian theory had no ready

solution—caused his influence to plummet.

Still, despite being knocked from his pedestal in the 1970s, Keynes has continued to exert his influence on the policies progressives push in periods of high or rising aggregate levels of unemployment. Indeed, we have been first row witnesses of this progressive orthodoxy over the past three and a half years. We saw it in the Obama Administration's signature policy response to the so-called Great Recession—the $787 billion American Recovery and Reinvestment Act adopted by Congress in February 2009. We saw it in the compromise tax cut deal the President struck with House Republicans in the wake of the 2010 bi-term elections. We see it in the advice offered by progressive critics of the President's economic policies—virtually all of whom argue that the only problem with our response to the recession is that we've spent too little money to generate a robust recovery. And we see it most of all in the writings of the most prominent of these critics—the Princeton economist, Nobel prize laureate, and New York Times columnist, Paul Krugman. No, Keynes influence did not die in the 1970s. On the left, it's still the only point of view that matters in framing policy responses to economic downturns.

Leonard Silk, New York Times, April 21, 1976
"The economic policies that became familiar under the name 'Keynesian' . . . now appear either inadequate or obsolete to a growing number of economists."

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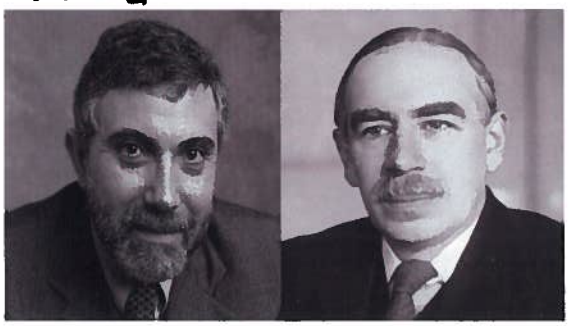
Let's now return to the 1930s. If the New Dealers' response to the decade's unemployment crisis was not based on Keynesian economic theory, what was their strategy? To answer that question I believe it is important to distinguish between the New Dealers' economic strategy and their social welfare strategy—although the two obviously interact and I shall later link them together later in my lecture.

The strategies (and I am intentionally using the plural of that term) . . . the strategies pursued by the New Dealers to hasten the economy's recovery consisted of a hodge podge of disparate measures. First one thing and then another was tried, often simultaneously, as different ideas or points of view gained or lost influence within the Roosevelt Administration. These initiatives had various goals—to "prime the pump" of business activity, increase consumption, stabilize the financial system, increase the money supply, ease the availability of credit, promote "business confidence," reduce industrial strife, or introduce a measure of economic planning into the management of the economy. Famously eclectic, Roosevelt's economic strategy was based on a commitment to experimentation—to trying a variety of things that might work as opposed to pursuing a single unified plan.

Ironically, in light of his reputation as a proto-Keynesian spendthrift, the one firm belief Roosevelt held regarding federal economic policy was that balancing the federal budget—if it were possible—would hasten the economy's recovery. Roosevelt was not alone in holding this view. He made sure it was well represented in his administration—principally in his choice of Secretaries of the Treasury—and when his advisors finally believed the time was right to rein in spending, the result was the disastrous 1937-38 recession that delayed the economy's full recovery by several years.



Paul Krugman *Keynes*

Why, if he believed in balancing the budget, did Roosevelt wait 4 years into his Presidency to act on this belief? The effect of the depression on the federal government's revenues was a factor, of course, but the principle reason was that there was one thing Roosevelt considered more important than balancing the budget—and that was

the duty of government to fulfill its obligation to secure what he viewed as the right or every member of society to economic security. Simply stated, although the pursuit of economic recovery might argue for balancing the federal budget, Roosevelt believed the fulfillment of the government's social welfare obligations to the American people took priority over that goal.

This attitude created an opportunity for the President's social welfare advisors to play a particularly prominent role in shaping his Administration's response to the problem of unemployment. Unemployment wasn't just an economic problem to be solved by promoting the economy's recovery. It also was a social problem that required the immediate intervention of government to provide for the needs of unemployed workers and their families.

Keynesophobia

Dec. 19, 2011

"Look, I know that many people can't bring themselves to even consider the possibility that Keynes was right . . . . But reality has been really clear here."

Keynes Was Right

Dec. 29, 2011

"And one of these years we might actually end up taking Keynes's advice, which is every bit as valid now as it was 75 years ago."

Bombs, Bridges and Jobs

Oct. 30, 2011

"So I welcome the sudden upsurge in weaponized Keynesianism . . . . [T]he opponents of any serious job-creation program . . . don't want voters to know what they know, because that would hurt their larger agenda—keeping regulation and taxes on the wealthy at bay."

Keynes Speaks

Oct. 3, 2011

"John Maynard Keynes celebrat[ed] the end of the gold standard . . . And he was completely right . . . [P]eople ridicul[ed] his assertion that the move would not be highly inflationary, but it truly wasn't."

The most important and creative aspects of the New Deal's response to the problem of unemployment accordingly were viewed by the New Dealers themselves as social welfare measures rather than economic policy measures; and the social welfare strategy embodied in those measures was conceived and developed not by economists, but by a pair of social workers.

I think you know the person on your left in this picture, but you may not recognize the person who is leaning forward on the car seat next to the President. His name was Harry Hopkins and if I were not addressing an audience of social workers I'd hazard a guess that there might not be anyone in the room who'd ever heard of him—even though both his name and his likeness were far better known to Americans in the 1930s than that of John Maynard Keynes.

Harry Hopkins was born in Sioux City, Iowa in 1890. His father was a harness maker who managed to support his family but not much more. His mother was a deeply religious woman who devoted herself to what was called home missionary work at the time—a combination of informal social work and mild evangelism carried out mainly by setting a good example in her family life and neighborliness. After a number of economically-motivated moves in his early years, Hopkins family settled in Grinnell, Iowa when he was 10 years old; and it was there that he received his education, graduating in 1912 from Grinnell College—a politically progressive center of secularly-oriented social gospel teaching.

Upon his graduation, Hopkins accepted a job directing youth programs in a settlement house on the lower east side of New York City. From there he went on to work for the New York Association for Improving the Condition of the Poor (the AICP) as a "friendly visitor"—that is, a case worker—and as the superintendent of the agency's Employment Bureau. On the strength of his work at the AICP, Hopkins was appointed Executive Secretary of the New York City Bureau of Child Welfare in 1915. Established to administer the state's newly-enacted pension program for mothers with dependent children—Hopkins built the program from scratch. Hopkins left the Bureau of Child Welfare when Tammany Hall regained control of the city government in the mayoralty election of 1917. In search of a new job on short notice, he applied to the American Red Cross, hoping to work in the agency's newly-established Division of Civilian Relief which provided loans and cash grants to the families of serviceman fighting in the war. Instead, the Red Cross sent him to New Orleans to help organize the agency's disaster relief infrastructure on the Gulf coast. He stayed there

five years, once again building a social welfare program essentially from scratch.

In 1922 he returned to New York City, and spent the next nine years administering health-service programs, most of the time as the General Director of the New York Tuberculosis Association. He also helped draft the charter of the American Association of Social Workers—a predecessor of the National Association of Social Workers—and was elected President of the Association in 1923.

In 1931, two years into the Great Depression, the newly-elected Governor of New York, Franklin D. Roosevelt, persuaded the state legislature to appropriate $23 million in funding for the state's hitherto almost entirely local public relief effort. Hired to direct the agency charged with distributing these funds, Hopkins reorganized the distribution of local relief in New York and also established a state-run direct employment program.

Harry Lloyd Hopkins

A year later, in the fall of 1932, Roosevelt was elected President. The following spring, during the 100-day legislative blitzkrieg that followed his inauguration, Congress appropriated $500 million in funding for state public relief agencies; and Roosevelt appointed Hopkins to head the newly-created federal agency established to distribute those funds—the Federal Emergency Relief Administration (or FERA).

One of the people Hopkins hired to assist in this effort was another social worker, Aubrey Willis Williams, a southerner with an unusual background for a native of Birmingham Alabama. Williams' Grandfather was a self-made plantation owner who was troubled enough by the immorality of slavery that he voluntarily freed his own slaves in 1855, six years before the beginning of the civil war. When his plantation was later confiscated during the war itself, the Williams family was reduced to penury, and it remained in that condition.

Born just 6 days before Hopkins in 1890, Williams had to go to work at the age of 7 to help support his family. It wasn't until he was 21 years old that his formal education began, when he was admitted to Maryville College, a small Presbyterian school in Tennessee which had been continually integrated since its founding in 1819, when an ex-slave named George Erskine, sponsored by the Manumission Society of Tennessee, was among the school's first class of 5 students.

Williams own quest for an education took him from Maryville to the University of Cincinnati and finally to the University of Bordeaux in France, where he stayed on to earn his doctorate following his military service in the First World War. A life-long champion of civil rights, Williams was particularly hated by southern Democrats in Congress who succeeded in blocking his elevation to head the WPA when Hopkins resigned from the post to become Secretary of Commerce in 1938, and again when Roosevelt nominated him to head the Rural Electrification Administration in 1945. He lived long enough, though, to attend the March on Washington in 1963 and died in 1965 railing against the Vietnam war to a former protégé from his New Deal days—Lyndon Baines Johnson.

Frustrated by the narrow range of reforms FERA was empowered to make in the nation's existing social welfare system, Hopkins and Williams developed an alternative model for the delivery of public aid to the unemployed. In a conceptual memo outlining their plan, Williams wrote that "[r]elief as such should be abolished." Instead, the unemployed should be offered real jobs paying good daily wages, doing useful work suited to their individual skills. In other words, instead of offering public relief to the unemployed, they should be offered quality employment of the sort normally associated with contracted public works. However, to minimize both the cost of the undertaking and the amount of time needed to launch it, the government should serve as its own contractor, and the projects undertaken should be both less elaborate and more labor-intensive than conventional public works.

In late October, Hopkins pitched a job-creation proposal to President Roosevelt based on the model he and Williams had devised. Concerned about the PWA's slow start-up and rising levels of social unrest among the nation's jobless as the nation's fifth winter of depression approached, Roosevelt accepted Hopkins' proposal on the spot. A week later the Civil Works Administration

(CWA) was formally established by executive order, with Hopkins at its head and an initial budget allocation of $400 million diverted from the PWA.

The program was funded only through the winter of 1933-34, but it still stands as the largest public employment program ever established in the United States. With a peak employment of 4.2 million in a labor force of 51 million, the CWA provided employment to about 8% of the nation's work force during its short existence. A program of similar relative dimensions in the United States today would have to create 12 million jobs.

Aubrey Willis Williams

Two months after the program was formally terminated, Roosevelt established a 5- member cabinet-level committee—the Committee on Economic Security (the CES)—to develop a set of legislative proposals to achieve "greater economic security" for the American people. Hopkins was the only non-cabinet member appointed to serve on the CES, chaired by Secretary of Labor Frances Perkins. The report it submitted to Roosevelt in January 1935 described the goal of its proposals in the following terms:

> The one almost all-embracing measure of security is an assured income. A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each human being in childhood, youth, middle age, or old age--in sickness or in health. It must provide safeguards against all of the hazards leading to destitution and dependency.

The CES proposed a two-legged social-welfare strategy to provide Americans with this "assured income." The first leg of the strategy adopted the plan Hopkins' and William's had developed and tested with the CWA for addressing the income security needs of unemployed workers. This part of the CES's social welfare strategy called for a commitment on the part of the federal government to provide unemployed workers with what it called "employment assurance" in both good times and bad.

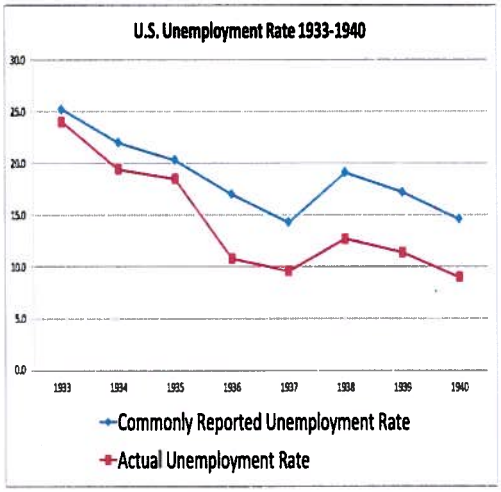
> Since most people must live by work [the report read], the first objective in a program of economic security must be maximum employment. As the major contribution of the Federal Government in providing a safeguard against unemployment we suggest employment assurance—the stimulation of private employment and the provision of public employment for those able-bodied workers whom industry cannot employ at a given time. Public-work programs are most necessary in periods of severe depression, but may be needed in normal times, as well, to help meet the problems of stranded communities and overmanned or declining industries.

The second leg of the CES's "assured income" strategy was designed to meet the needs of people who were temporarily or permanently unable to support themselves and who lacked the support of someone who could. The best known of the programs proposed by the CES to perform this function is the nation's present Social Security system, but the CES's report included proposals addressing other income security needs as well.

All of the CES's published recommendations were implemented by Congress, to some degree or another, in the first half of 1935. The Social Security Act of 1935 was the vehicle used to implement the income security leg of the CES strategy, while the employment assurance leg was implemented with an Executive Order establishing the Works Progress Administration (the WPA) accompanied by a legislated budget authorization to pay for the program.

Significantly, the President did not propose to fund the WPA at the level required to achieve the CES's goal of furnishing "employment assurance" to all workers. Instead, he requested only enough funding for the WPA to provide jobs for those unemployed workers who qualified as "needy." This decision was consistent with the President's brand of fiscal conservatism, described above, which advocated balancing the federal budget—but with the caveat that deficits were justified when required to help people in need.

What's puzzling, though, is why he allowed the CES to advocate a direct job-creation commitment that would have cost far more than he was willing to spend. The CES also developed a national health insurance proposal, but when it became clear that the American Medical Association was determined to fight any such proposal tooth and nail, he told the CES to drop its proposal from its published report. Why, then, did he allow the CES to publish an employment assurance proposal that would have cost three times as much as he was willing to spend?



One reason may be the importance Roosevelt attached to the principle of societal obligation on which the Committee's employment assurance proposal was based. Roosevelt believed very strongly that society had an obligation to its members to insure their ability to support themselves. In a widely-reported campaign address delivered to the Commonwealth Club of California in the fall of 1932, then Presidential candidate Roosevelt explained his views on this matter in the following terms:

> Every man has a right to life; and this means that he has also a right to make a comfortable living. He may by sloth or crime decline to exercise that right; but it may not be denied him. We have no actual famine or death; our industrial and agricultural mechanism can produce enough and to spare. Our government formal and informal, political and economic, owes to every one an avenue to possess himself of a portion of that plenty sufficient for his needs, through his own work.

Roosevelt made it clear in the same speech that he assigned primary responsibility for securing this right to those he referred to as the "princes of property," who "claim and hold control of the great industrial and financial combinations which dominate so large a part of our industrial life." Only if they failed to fulfill their responsibility, he continued, would it fall upon government to "assume the function of economic regulation . . . as a last resort." He also made it clear that he hadn't, in the fall of 1932, yet given up on the "princes of property" to fulfill their duty in this regard. "As yet there has been no final failure, because there has been no attempt, and I decline to assume that this nation is unable to meet the situation"

Four years later, in his acceptance speech to the Democratic National Convention after it nominated him to run for reelection, Roosevelt made it clear that the "princes of property"— who he now referred to as "the royalists of the economic order"—had failed the test he set them four years earlier; and in doing so he once again referred to the right to work as the touchstone by which the legitimacy of their power should be judged.

The royalists of the economic order have conceded that political freedom was the business of the government, but they have maintained that economic slavery was nobody's business. They granted that the government could protect the citizen in his right to vote, but they denied that the government could do anything to protect the citizen in his right to work and his right to live.

In short, the CES's assertion that government should assume the duty of providing jobs for workers whom the private sector could not employ was an article of faith for Roosevelt, even if, as "Politician in Chief" he knew better than to ask Congress to authorize him to do it, and as "Fiscal Officer in Chief" he thought it was not something he could justify funding with additional deficit spending. Providing jobs for unemployed workers who were "needy" fell within his exception for justifying deficit spending. The rest of the unemployed would have to wait. Still, the broader commitment the CES advocated was close enough to his heart that he was willing to let them leave it in their report—or so I speculate.

It's also important to note that even with the limited funding they were provided, the direct job creation programs operated by the Roosevelt administration during this period made a far greater dent in the nation's unemployment problem than is generally recognized. Together, the WPA, the Civilian Conservation Corps (the CCC) and the National Youth Administration (the NYA) provided jobs for an average of about a third

of all unemployed individuals during the second half of the 1930s. This accomplishment is obscured by the unemployment statistics commonly reported for the New Deal period, which count workers employed in these programs as unemployed rather than employed. If workers employed in direct job-creation programs are counted as employed (as they are in unemployment statistics today), we see that the nation's unemployment rate dropped from 20.3 percent to 10.8 percent from 1935 to 1936 (the first full year of operations for the WPA) rather than to the 17.0 percent level commonly reported.

This figure also shows the disastrous effect of President Roosevelt's ill-conceived attempt to balance the federal budget in 1937; and given what we now understand—because of Keynes teaching—about the virtues of deficit spending during a recession, we can see the error not only in President Roosevelt's decision to reduce federal spending in 1937, but his broader decision to only partially implement the CES's employment assurance proposal. The federal government spent 2.2 percent of GDP on the WPA, NYA and CCC combined in 1936. If It had increased that spending to 5.3 percent of GDP (the equivalent of about $750 billion in 2009), the nation's unemployment rate could have been reduced from over 20 percent to less than 2 percent immediately, and due to the multiplier effect of that additional spending, the private sector's full recovery from the Great Depression would have been accelerated by several years. In short, we can see in retrospect that the CES's employment assurance plan was not just a visionary social welfare proposal. Unbeknownst to its authors—because Keynes' *General Theory* had not even been published yet and none of the members of the Committee were economists—their proposal to guarantee public sector jobs for the unemployed during a recession also constituted a visionary economic policy strategy that anticipated Keynes's advice for combating recessions. In fact, later in my lecture I will argue that the CES's employment assurance proposal constitutes a **better** strategy for implementing Keynes's advice than the policies advocated by Keynesian economists over the past 70 plus years.

But now, back to our story of New Deal policy innovation.

As I noted earlier, Roosevelt was naturally inclined to view the "right to live" and the "right to work" as entitlements which society has a duty to secure for its members. In light of that predisposition, it required no great conceptual leap on his part to describe the New Deal's social welfare goals in similar terms; and once the President started using that language, other New Dealers were quick to follow suit. The rhetorical turning point came in the President's "Four Freedoms Speech" which was delivered as one of Roosevelt's famous "fireside chats," even though it was formally his 1941 State of the Union Message to Congress. The four freedoms language Roosevelt used in this address resonated not only with the American public but with people around the world. It is widely viewed as the most influential speech he ever delivered.

> As men do not live by bread alone, they do not fight by armaments alone. Those who man our defenses, and those behind them who build our defenses, must have the stamina and the courage which come from unshakable belief in the manner of life which they are defending. . .
>
> Certainly this is no time for any of us to stop thinking about the social and economic problems which are the root cause of the social revolution which is today a supreme factor in the world.
>
> For there is nothing mysterious about the foundations of a healthy and strong democracy. The basic things expected by our people of their political and economic systems are simple. They are:
>
> - Equality of opportunity for youth and for others.
> - Jobs for those who can work.
> - Security for those who need it.
> - The ending of special privilege for the few.
> - The preservation of civil liberties for all.
> - The enjoyment of the fruits of scientific progress in a wider and constantly rising standard of living.

He then went on to recite the four freedoms for which he suggested World War II, which the United States had not yet entered, was being fought: Freedom of Speech, Freedom of Worship, Freedom from want, and Freedom from fear.

New Deal social welfare reformers were quick to embrace this "rights talk." It fit perfectly with the

policies they had been advocating to provide people with the economic security the New Deal was dedicated to providing the American people, and it provided a stronger argument for implementing those policies than appeals to either the charitable instincts or self-interest of voters.

The National Resources Planning Board (the NRPB) was a research and advisory body housed in the Executive Office of the President and headed by the President's "favorite uncle," Frederic Delano, a former railroad magnate and the first Vice Chairman of the Federal Reserve Banking System following its founding in 1913. The NRPB's Director of Research was a Columbia University economist, Eveline Burns, who previously had served as an advisor to the Committee on Economic Security.

At the time of the President's Four Freedoms Speech, the NRPB was engaged, among other tasks, in a detailed assessment of the social welfare initiatives undertaken by the Roosevelt administration since 1933 as a guide for planning the social welfare institutions it believed the country should prepare to establish at the end of World War II. Recognizing the link between the "freedom from want" described in the President's speech and its own social welfare planning initiative, the NRPB undertook the task of developing, in close consultation with the President, a nine-point "Declaration of Rights" that "translated" the "freedom from want" into a list of economic and social entitlements. This "Declaration" was included in the NRPB's next annual report to the President, which he, in turn, transmitted to Congress on January 14, 1942. The rights enumerated in the NRPB's Declaration included

1. THE RIGHT TO WORK, usefully and creatively through the productive years;

2. THE RIGHT TO FAIR PAY, adequate to command the necessities and amenities of life in exchange for work, ideas, thrift, and other socially valuable service;

3. THE RIGHT TO ADEQUATE FOOD, CLOTHING, SHELTER, AND MEDICAL CARE;

4. THE RIGHT TO SECURITY with freedom from fear of old age, want, dependency, sickness, unemployment, and accident;

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8. THE RIGHT TO EDUCATION, for work, for citizenship, and for personal growth and happiness; and

9. THE RIGHT TO REST, recreation, and adventure; the opportunity to enjoy life and take part in an advancing civilization.

The framing of the war effort as a human rights struggle also led the American Law Institute (ALI) to undertake the drafting of a "Statement of Essential Human Rights." A highly influential, quintessentially mainstream organization of judges, lawyers and law professors headquartered in Philadelphia and dedicated to the improvement of the law, the ALI convened an international drafting committee to enumerate the human rights, acceptable to all the peoples of the world, on which a lasting peace could be based following the end of World War II. The effort took three years of study and discussion, and the final "Statement," like the NRPB Declaration, recognized a range of economic and social rights beginning with the right to work.

American Law Institute Statement of Essential Human Rights 1945

Article 12: Every one has the right to work.
The state has a duty to take such measures as may be necessary to insure that all its residents have an opportunity for useful work.

Article 13: Every one has the right to reasonable conditions of work.
The state has a duty to take such measures as may be necessary to insure all [workers] reasonable wages, hours, and other conditions of work.

Article 14: Every one has the right to adequate food and housing.
The state has a duty to take such measures as may be necessary to insure that all its residents have an opportunity to obtain these essential.

Article 15: Every one has the right to social security.
The state has a duty to maintain or insure that there are maintained comprehensive arrangements for the promotion of health, for the prevention of sickness and accident, and for the provision of medical care and of compensation for loss of livelihood.

In 1944, with the end of the war in sight, Roosevelt chose to use his State of the Union Message to summarize his argument that the employment and social welfare entitlements his Administration had sought to secure were in fact human rights that the federal government had a duty to secure. Invoking the natural rights language of the U.S. Declaration of Independence, Roosevelt criticized the nation's original Bill of Rights as

"inadequate" in an industrial age "to assure us equality in the pursuit of happiness." He then proceeded to list eight economic and social entitlements—a refinement of the NRPB's earlier nine-item list—that he claimed the American people had already "accepted" as a "second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed."

FDR's Second Bill of Rights
January 11, 1944

In our day these economic truths have become accepted as self evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed. Among these are:

- *The right to a useful and remunerative job in the industries or shops or farms or mines of the nation;*
- *The right to earn enough to provide adequate food and clothing and recreation;*
- *The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;*
- *The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;*
- *The right of every family to a decent home;*
- *The right to adequate medical care and the opportunity to achieve and enjoy good health;*
- *The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;*
- *The right to a good education.*

All of these rights spell security.

As in the Report of the Committee on Economic Security, the National Resources Planning Board's "Declaration of Rights," the American Law Institute's "Statement of Essential Human Rights," the first economic and social entitlement listed is the "Right to Work." This is not because access to work is more important per se than other economic and social entitlements. It simply recognizes that access to fairly compensated work occupies a special position in efforts to secure other economic and social entitlements. To the extent the right to work is secured, the social welfare needs that society must meet by other means are diminished and the resources available to satisfy those unmet needs are increased. As the rate of unemployment goes up, the social welfare needs society must meet by other means increases and the resources available to meet those needs decreases.

So securing the right to work plays a role in efforts to secure economic and social rights much like the role played by free speech rights in efforts to secure civil and political rights. If freedom of speech is guaranteed it is much easier to secure other civil and political rights, and if it is not secured, it is virtually impossible to secure other civil and political rights. So too, if the right to work is secured, it is much easier to secure other economic and social rights, but if the right to work is not secured, it is virtually impossible to secure those other rights.

This then was the New Dealers' strategy for responding to the problem of unemployment. Rather than focusing solely, or even primarily on fixing the economy, their primary goal was to conceive and implement the social welfare measures people needed to keep their lives on track until the economy recovered. Stated differently, the primary goal of the New Deal was not to end the Great Depression but to help people survive the Great Depression. Anyone who judges programs like the WPA based on whether or not they hastened the economy's recovery is simply missing the point of those policies.

* * *

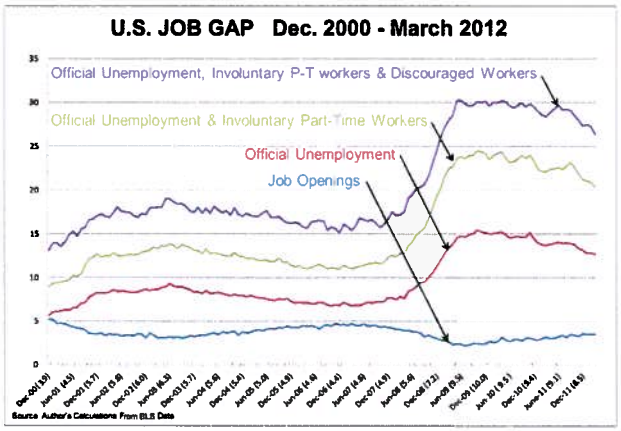
But wasn't the Roosevelt administration's focus on social welfare policy necessitated only by the fact that they were so uncertain how to fix the economy itself? Now that we've all had the benefit of Keynes teaching, why go to all the trouble Harry Hopkins did to create the CWA and WPA? Why not just bury some bank notes at the bottom of abandoned mines, as Keynes suggested, and avoid all the political and administrative headaches associated with establishing and operating an employment program capable of providing meaningful work for millions of workers?

Well, the answer to that question is that Harry Hopkins, Aubrey Williams, the Committee on Economic Security, the National Resources Planning Board, the American Law Institute, and President Roosevelt himself when he was thinking about society's social welfare obligations rather than the government's economic policy options—all of these New Deal policy advocates were actually better economic policy advisors than John Maynard Keynes.

In saying that, I do not want to be understood as disparaging in any way Keynes's contribution to our understanding of market economies. He was, I believe, the greatest economist of the twentieth century by a very wide margin. The problem was that he was an economist, and like virtually all his brother and sister

economists, the question he asked was how his insights into the workings of market economies could be used to help fix what ails them. And if your goal is to fix the economy, it's absolutely true that it doesn't matter whether stimulus dollars are buried in mines or used to build houses for the homeless—provided the multiplier effect of the two types of spending are the same.

But if you were a social worker armed with Keynes's economic insights—imagine, for example, Harry Hopkins and Aubrey Williams armed with Keynes's knowledge of the economic benefits of deficit spending—then the question you would ask would be different. Not how to fix the economy, but how to use deficit spending to meet people's social welfare needs in a way that also would help fix the economy. That, as we can see in retrospect, is exactly what the Committee on Economic Security did in proposing that the government should guarantee all members of society employment assurance.



Let's not look at 1930s numbers to see this, though. Let's look at our own Great Recession. Back in February 2009, when Congress was debating the President's proposed $787 billion American Recovery and Reinvestment Act. It was estimated at the time that the initiative would save or create 3 to 4 million jobs. A social worker colleague of mine asked me what I thought it would cost to provide jobs for all the nation's unemployed workers instead of just 3 to 4 million. Like most progressives she accepted without question that Keynes provided the best guidance as to how to do this, and she expected I would come up with a number in the 2 to 3 trillion dollar range.

I decided to ask instead how much it would cost to achieve this goal using the New Deal direct job creation strategy that Harry Hopkins and Aubrey Williams conceived and the Committee on Economic Security embraced. In other words, the question I asked was how much it would cost to implement the CES's employment assurance strategy today and thereby secure the right to work recognized in President Roosevelt's 1944 Second Bill of Rights. I developed a model, came up with some numbers, started sharing them in seminar and conference presentations, and this past year published two papers reporting my research. I'll be happy to provide URL's for both papers to anyone who would like to see them.

The first figure I'd like to share with you shows what I call the U.S. Job Gap. The bottom line shows how many vacant jobs employers were ready, willing and seeking to fill on a monthly basis in the United States from December 2000 (when this data series was first reported) through March of this year. The line immediately above it (Official Unemployment) shows how many people were totally unemployed and actively looking for work over the same time period. The third line from the bottom adds to official unemployment the number of people who were working part time but wanted full-time jobs (Involuntary Part-Time Workers). Finally, the top line adds to these two groups the number of people who said they wanted a job but were not seeking one actively enough to be counted as officially unemployed. I call these individuals Discouraged Workers even though Bureau of Labor Statistics uses that designation to refer to a much smaller subset of passive job wanters.

As one would expect, the figure shows that the economy's job gap mushroomed during the "Great Recession," and has been closing ever so slowly since it peaked in June of 2009. It's also worth noting that that the economy had a persistent if much smaller job gap before the recession. Indeed, a positive job gap appears to be an endemic feature of the American labor market — even at the top of the business cycle — such as at the end of 2000 when the national unemployment rate was 3.9 percent, and in 2007 when it averaged 4.6 percent.

One additional point I want to make about the economy's job gap is that the unemployment burden it describes is not equally shared. Some population groups face much poorer job prospects on an ongoing basis than the national unemployment rate suggests.

This table, for example, shows the comparative unemployment rates of various groups and communities in March 2007, the last time the national unemployment rate dropped below 4.5 percent. As the overall unemployment rate rises, these relative differentials persist—so youths tend to be more than three times as likely as older workers to suffer unemployment, blacks suffer unemployment at roughly twice the rate of whites, high school dropouts are roughly four times as likely as college graduates to be unemployed, and where you live also makes a big difference—even when comparing large metropolitan areas of comparable size.

Comparative Unemployment Rates, March 2007

Table 1

National Average Unemployment Rate	4.4%
Youths aged 16-19	
Black aged 16-19	24.9%
White aged 16-19	13.9%
All persons aged 16 & over	
Black	8.3%
White	4.0%
All Persons aged 25 and Older	
Less than high school diploma	7.9%
Bachelor's Degree and Higher	1.8%
Large Metropolitan Areas	
Miami-Ft.Lauderdale-Pompano Beach	3.1%
Detroit-Warren-Livonia	6.9%

Source: BLS

What would it cost to provide employment assurance to all these workers? This table shows my estimate of the annual cost of creating a million jobs for a cross section of the unemployed population—including not only officially unemployed workers but all involuntary part-time workers and a reasonable estimate of the number of discouraged workers who would accept jobs if they were readily available.

The job creation program I modeled would provide unemployed workers with part- or fulltime jobs, depending on their preference, producing relatively labor-intensive public goods and services, as Hopkins and Williams proposed. I assumed the jobs would pay the same wages as similar jobs in the regular public and private sectors of the economy, and program participants would be offered the same health insurance benefits, subject to the same employee contributions as federal government employees. To the extent possible, persons employed in the program would be offered positions comparable in skill level and responsibility to those they previously occupied, if they had previous employment. New entrants or reentrants to the labor market would be offered positions that similarly qualified and experienced workers reasonably could expect to fill as new hires in regular jobs.

Employment in the program also would be treated the same as regular employment for tax purposes, for establishing eligibility for government benefits and for asserting legal rights — including the right to unionize. Based on these assumptions I estimate that the annual budgeted cost of creating 1 million jobs in such a program would be $46.8 billion, or an average of $46,800 per job. Based on existing worker preferences, about 85 percent of those jobs would be full-time positions averaging 40 hours per week, while the rest would be part-time positions averaging 20 hours per week. The budgeted cost per full-time equivalent (that is, FTE) job in the program would be $53,300.

However, because such a program would generate additional revenues and savings for all levels of government, the additional public funding required to pay for the program (which I call its "net cost") would be substantially lower than this figure. The bottom half of the table shows a partial listing of the cost-defraying revenues and savings it would generate, showing an average net cost per job of $24,189, or $26,162 per FTE job. Based on these figures, the budgeted cost of creating the 12.2 million jobs that I estimate would have been needed this past fall to reduce the nation's unemployment rate to its pre-recession low of 4.5 percent would be approximately $571 billion the first year. The additional cost of the initiative to taxpayers (the program's net cost) would be $295 billion the first year. Reducing the nation's unemployment rate another 2.5 points to the genuine full employment level of approximately 2 percent would have increased the program's first year net cost by about $130 billion.

How much the program would cost the second year depends on the size of the program's multiplier effect and how quickly private sector investment recovered from its recessionary levels. My model projects that the multiplier effect of program spending would induce private sector employers to create 4.9 million jobs over and above those created in the program, with most of that job creation occurring after the program's first year. That means the program would need to provide

approximately that many fewer jobs the second year it operated.

On the other hand, it doesn't mean the program would continue to shrink annually absent a recovery in the economy's ability to generate its own growth. The boost to private sector employment provided by a fiscal stimulus is not permanent. This is not a limitation of the direct job creation strategy. It is true of all types of fiscal stimulus, including the tax cuts favored by conservatives. Unless the stimulus spending continues or is replaced by another source of increased aggregate demand, employment and unemployment will revert to their pre-stimulus levels within a year or so after the stimulus ends.

As a practical matter, this means that unless and until the private sector rebounds and starts generating job growth on its own, the jobs program would have to continue to create the jobs needed to maintain the nation's overall unemployment rate at 4.5 percent. Economies don't remain in recession indefinitely, however, and with economic recovery the jobs program would shrink. By the time the nation's unemployment rate exclusive of jobs program hiring reached 4.5 percent, the program's workforce would have been cut back to zero.

How long it will take the private sector to recover from the Great Recession is something no one can predict with legitimate confidence. It depends on too many unknowns. However, an ongoing commitment to use the direct job creation strategy to maintain a 4.5 percent national unemployment rate would create an economic environment strongly conducive to a quick recovery. Consumers spend because they have the income to pay for what they purchase and enough confidence in the security of their employment to take on additional debt. Businesses invest to satisfy increases in existing demand and in anticipation of increased future demand. The direct job creation strategy can create these conditions, and by so doing would minimize the number of jobs the government would have to create over time.

Annual Cost of Creating 1 Million Jobs
In a Direct Job Creation Program

Budgeted Costs	
Estimated Avg. Hourly Wage	$16.67 dollars
UI-Eligibile Workers	$18.70 dollars
Other Program Participants	$10.61 dollars
Annual Wage Bill	$27.7 billion
Employer's Share of Social Security and Medicare Taxes	$2.1 billion
Cost of Providing Federal Employee's Health Benefits (FEHB)	$5.3 billion
Non-Labor Costs (space, materials, trans., etc.)	$11.7 billion
Total Jobs Program Budget	**$46.8 billion**
Additional Revenues & Savings Attributable to Program	
Federal Tax Receipts	$7.2 billion
State and Local Income and Sales Tax Receipts	$1.4 billion
UI Savings	$7.1 billion
Medicaid and CHIP Savings (due to FEHB enrollments)	$2.2 billion
Sales of Goods & Services (@10 cents per the dollar of output)	$4.7 billion
Total Additional Revenues and Savings	**$22.6 billion**
Net Cost of Creating 1 Million Jobs	**$24.2 billion**
Average Net Cost per Job	**$24,189 dollars**
Average Net Cost per Full-Time Equivalent Job	**$26,162 dollars**

The superiority of this recovery strategy is readily apparent when its cost and job creation effect are compared with that of the American Recovery and Reinvestment Act (the ARRA), which Congress enacted in February 2009. Instead of directly creating jobs, the ARRA relied on a combination of tax cuts and increased spending to induce private sector firms to create jobs. According to the Congressional Budget Office (the CBO), the ARRA cost the federal government about $677 billion through the end of 2010 and increased the number of people employed as of that point by 1.3 million to 3.5 million. If we instead had spent that $677 billion on the direct job creation strategy, we could have reduced the nation's unemployment rate to 4.5 percent as quickly as we could have gotten the program up and running, and kept the unemployment rate at that level for more than 18 months while simultaneously increasing private sector employment by about 3.9 million by the end of 2010, compared with the 1.3 million to 3.5 million achieved by the ARRA.

Why is the New Deal strategy such much more effective at creating jobs than the standard Keynesian strategy exemplified by the ARRA? There are several reasons, but the most important one is what I call its "twofer" effect (as in two for the price of one). When you use stimulus dollars to pay for SNAP benefits (which most people

still call food stamps) the government in effect pays for two benefits. The first is the benefit food stamps provide to their recipients. The second is the private-sector jobcreation induced by the government's expenditure. This is the "twofer" effect. When you use stimulus dollars to provide jobs in a direct job-creation program both of the effects you purchase consist of jobs. First, you get the jobs provided in the program itself, but then you also get the private-sector job creation induced by the government's spending on the job creation program.

Moreover, for a variety of reasons I won't bother to describe here **(hours vs. jobs, capital labor ratio, income to already existing capital, average wage, profit)**, a job can be created in a direct job creation program for about half what it costs the government to induce the private sector to create a job. Combine these two advantages, and the job creation effect of spending a billion dollars on direct job creation is double to four times the size of the job creation effect of spending a billion dollars on SNAP benefits. Compared to the job creation effect of retaining the so-called Bush era tax cuts, the direct job-creation strategy is 10 to 20 times as cost efficient.

As if this were not enough, the New Deal strategy has 4 other economic advantages over the standard Keynesian strategy for combating unemployment. First, its job creation effect is achieved much faster. It is front loaded. Most of the jobs attributable to the strategy are provided immediately—or as soon as the program can be gotten up and running, whereas the peak employment effect of a standard Keynesian stimulus takes about 18 months to arrive.

Second, the New Deal strategy has a natural tendency to target its job creation effect on those individuals, population groups and communities that most need jobs. As I noted earlier, the burdens of joblessness are unequally distributed. Disadvantaged population groups bear substantially more than their fair share of the pain of joblessness, and, unfortunately, the job creation effect of conventional Keynesian stimulus strategies does little or nothing to correct this imbalance. The same economic forces that cause private sector job losses to be concentrated among disadvantaged workers tend to direct private sector job gains away from them. A direct job creation program that provided work for all job seekers would disproportionately benefit the members of disadvantaged population groups, and it would do it automatically. A direct job creation program that provided work for only some of the unemployed could achieve the same goal with eligibility requirements that take the length of time a person has been unemployed and their need for work into consideration in allocating employment opportunities.

Economic Advantages of the New Deal Strategy Compared to the Keynesian Strategy

- Many more jobs created per dollar of stimulus spending
- Jobs are created much faster
- Job creation is more fairly targeted
- Multiplier effect of New Deal strategy nearly as great as the highest multiplier alternatives deployed in standard Keynesian plans
- Delivers fiscal stimulus to private sector in way that enhances its anti-cyclical effect

The third advantage of the New Deal strategy is that it delivers its private-sector fiscal stimulus in a way that is likely to maximize its anti-cyclical effect. The revenue losses that businesses suffer during a recession flow primarily from rising unemployment rather than whatever economic problems triggered the recession in the first place. Otherwise healthy and well managed businesses lose their customers because their customers lose their jobs. The fiscal stimulus provided by a direct job creation program would reverse this process. The resumption of ordinary consumer spending by re-employed workers would fill precisely the same gap in the balance sheets of local businesses that rising unemployment rates created in the first place.

Why does this matter? Under conventional stimulus approaches, the government increases spending in places and in ways that bear little immediate connection to the losses most businesses have suffered (for example, new infrastructure projects). Eventually the multiplier effect of the stimulus spending spreads through the economy, but it takes time, and this delay can mean the difference between life and death for stressed businesses. Because it would deliver its fiscal benefits to the very same segments of the economy that suffered income losses as unemployment grew, the direct job-creation strategy would help insulate otherwise healthy firms from the negative effects of the recession, and in so doing, it would provide a more stable foundation of healthy businesses to support a

resumption of economic growth.

Finally, the last economic advantage of the New Deal strategy I want to mention is its ability to stop recessions from feeding on themselves. The rapid deployment of a large, direct job creation program at the beginning of a recession could reduce the severity of the recession dramatically. This is because, as I just noted, most of the job losses and attendant economic harm that occur during a recession are the follow-on results of earlier job losses rather than being linked to the tendencies or events that triggered the economic contraction in the first place. It's this downward spiral of job losses leading to further job losses that turns a business correction into a recession. If the initial job losses associated with a recession could be stopped from triggering further job losses, periodic slowdowns in economic activity would still occur. There might even be recessions, but they wouldn't be as deep as those we now experience. By offering immediate reemployment to laid-off workers, a direct job-creation program would prevent their job losses from triggering further job losses. That alone might be enough to stop a recession in its tracks, but even if it did not, it would lessen the intensity of the recession.

So there you have it—the reason I think it was the social worker (Harry Hopkins) rather than the economist (John Maynard Keynes) who provided us with the best strategy for combating recessions. Keynes may be the greatest economist of the twentieth century, but when it comes to combating unemployment, it was Harry Hopkins who got it right.

Who Got It Right?

Harry Hopkins?

John Maynard Keynes?

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