Document 23

Speech to Congress on Social Security

President Franklin D. Roosevelt
January 17, 1935

Democrats made impressive gains in the midterm elections of 1934, which Roosevelt interpreted as a popular mandate for the New Deal. In 1935, therefore, he moved even more boldly, placing before Congress a new series of measures on a wide variety of subjects in what has become known as the "Second New Deal." Perhaps the most important of these was the Social Security Act, which provided for unemployment insurance and old-age pensions to be paid through a 6 percent payroll tax divided between employers and employees. The revenues generated from these payroll taxes would be more than sufficient to provide for the current elderly; the surplus would be deposited in a special fund that would – theoretically, at least – maintain the program in perpetuity. Other aspects of the plan directed that federal money would also be passed along to the states to support assistance programs for the blind, the disabled, and families with dependent children. While the benefits to the elderly would be managed at the federal level by a Social Security Administration, unemployment insurance and other assistance programs would remain under the control of the states.

The Social Security Act fell far short of what liberals in the administration had in mind. They had hoped that the program would be funded from revenues generated by the income tax, so that it might redistribute wealth from rich to poor. However, Roosevelt recognized that such a provision was unlikely to win the support of Congress. As he later explained, funding Social Security through payroll taxes gave recipients "a legal, moral, and political right to collect their pensions and their unemployment benefits. With those [payroll] taxes in there, no damn politician can ever scrap my social security program."

Source: The Public Papers and Addresses of Franklin D. Roosevelt, Volume Four, The Court Disapproves, 1935 *(New York: Random House, 1938), pp. 43 - 46.*

In addressing you on June 8, 1934, I summarized the main objectives of our American program. Among these was, and is, the security of the men, women, and children of the Nation against certain hazards and vicissitudes of life. This purpose is an essential part of our task. In my annual message to you I promised to submit a definite program of action. This I do in the form of a report to me by a Committee on Economic Security, appointed by me for the purpose of surveying the field and of recommending the basis of legislation. . . .

It is my best judgment that this legislation should be brought forward with a minimum of delay. Federal action is necessary to, and conditioned upon, the action of States. Forty-four legislatures are meeting or will meet soon. In order that the necessary State action may be taken promptly it is important that the Federal Government proceed speedily.

The detailed report of the Committee sets forth a series of proposals that will appeal to the sound sense of the American people. It has not attempted the impossible, nor has it failed to exercise sound caution and consideration of all of the factors concerned: the national credit, the rights and responsibilities of States, the capacity of industry to assume financial responsibilities and the fundamental necessity of proceeding in a manner that will merit the enthusiastic support of citizens of all sorts. . . .

Three principles should be observed in legislation on this subject. First, the system adopted, except for the money necessary to initiate it, should be self-sustaining in the sense that funds for the payment of insurance benefits should not come from the proceeds of general taxation. Second, excepting in old-age insurance, actual management should be left to the States subject to standards established by the Federal Government. Third, sound financial management of the funds and the reserves, and protection of the credit structure of the Nation should be assured by retaining Federal control over all funds through trustees in the Treasury of the United States.

At this time, I recommend the following types of legislation looking to economic security:

1. Unemployment compensation.

2. Old-age benefits, including compulsory and voluntary annuities.

3. Federal aid to dependent children through grants to States for the support of existing mothers' pension systems and for services for the protection and care of homeless, neglected, dependent, and crippled children.

4. Additional Federal aid to State and local public-health agencies and the strengthening of the Federal Public Health Service. I am not at this time recommending the adoption of so-called "health insurance," although groups representing the medical profession are cooperating with the Federal Government in the further study of the subject and definite progress is being made.

With respect to unemployment compensation, I have concluded that the most practical proposal is the levy of a uniform Federal payroll tax, 90 percent of which should be allowed as an offset to employers contributing under a compulsory State unemployment compensation act. The purpose of this is to afford a requirement of a reasonably uniform character for all States cooperating with the Federal Government and to promote and encourage the passage of unemployment compensation laws in the States. The 10 percent not thus offset should be used to cover the costs of Federal and State administration of this broad system. Thus, States will largely administer unemployment compensation, assisted and guided by the Federal Government. An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization. This can be helped by the intelligent planning of both public and private employment. It also can be helped by correlating the system with public employment so that a person who has exhausted his benefits may be eligible for some form of public work as is recommended in this report. Moreover, in order to encourage the stabilization of private employment, Federal legislation should not foreclose the States from establishing means for inducing industries to afford an even greater stabilization of employment.

In the important field of security for our old people, it seems necessary to adopt three principles: First, noncontributory old-age pensions for those who are now too old to build up their own insurance. It is, of course, clear that for perhaps 30 years to come funds will have to be provided by the States and the Federal Government to meet these pensions. Second, compulsory contributory annuities which in time will establish a self-supporting system for those now young and for future generations. Third, voluntary contributory annuities by which individual initiative can increase the annual amounts received in old age. It is proposed that the Federal Government assume one-half of the cost of the old-age pension plan, which ought ultimately to be supplanted by self-supporting annuity plans. . . .

The establishment of sound means toward a greater future economic security of the American people is dictated by a prudent consideration of the hazards involved in our national life. No one can guarantee this country against the dangers of future depressions but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions, and we can provide the means of mitigating their results. This plan for economic security is at once a measure of prevention and a method of alleviation.

We pay now for the dreadful consequence of economic insecurity – and dearly. This plan presents a more equitable and infinitely less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives sought in this report.

Document 24

Speech on the National Labor Relations Act

Senator Robert F. Wagner
February 21, 1935

One of the most important pieces of legislation to come out of the Second New Deal originated not with the Roosevelt administration, but with supporters of organized labor in the House and Senate. The impetus for the National Labor Relations Act – sometimes called the Wagner Act after its primary sponsor, Sen. Robert F. Wagner (D-NY) – lay in disillusionment with Section 7(a) of the National Industrial Recovery Act (NIRA) that guaranteed the right of labor to organize (Document 19). Union leaders complained that many employers simply ignored it, or set up company unions subservient to management. At the same time, labor unrest continued to escalate through 1934, with particularly serious disputes in the trucking, coal mining, textile and shipping industries. One walkout by longshoremen in San Francisco led to a general strike in which thousands of workers throughout the city left their jobs.

The National Labor Relations Act called for the strengthening of the National Labor Relations Board (originally created under Section 7[a] of the NIRA), empowering that body to mediate labor disputes and enforce its decisions in the courts. The bill also laid out procedures by which workers could choose which union (if any) would represent them, and required that employers bargain in good faith with any union so chosen. Republicans objected, claiming that it would lead to even further labor unrest, and enough southern Democrats joined them that President Roosevelt decided to remain silent on the issue. Two days before the bill came to a vote in the Senate, in fact, he told reporters that he had not "given it any thought one way or the other." After it passed both houses of Congress, however, the president quickly signed it into law.

Source: Congressional Record, *74th Cong., 1st sess., Vol. 79, pt. 8 (February 21, 1935), pp. 2371-72.*

The recovery program has sought to bestow upon the business man and the worker a new freedom to grapple with the great economic challenges of our times. We have released the business man from the undiscriminating

enforcement of the antitrust laws, which had been subjecting him to the attacks of the price cutters and wage reducers – the pirates of industry. In order to deal out the equal treatment upon which a just democratic society must rest, we at the same time guaranteed the freedom of action of the worker. In fact, the now famous section 7(a), by stating that employees should be allowed to cooperate among themselves if they desired to do so, merely restated principles that Congress has avowed for half a century.

Congress is familiar with the events of the past 2 years. While industry's freedom of action has been encouraged until the trade association movement has blanketed the entire country, employees attempting in good faith to exercise their liberties under section 7(a) have met with repeated rebuffs. It was to check this evil that the President in his wisdom created the National Labor Board in August 1933, out of which has emerged the present National Labor Relations Board.

The Board has performed a marvelous service in composing disputes and sending millions of workers back to their jobs upon terms beneficial to every interest. But it was handicapped from the beginning, and it is gradually but surely losing its effectiveness, because of the practical inability to enforce its decisions. At present it may refer its findings to the National Recovery Administration[1] and await some action by that agency, such as the removal of the Blue Eagle. We all know that the entire enforcement procedure of the N.R.A. is closely interlinked with the voluntary spirit of the codes. Business in the large is allowed to police itself through the code authorities. This voluntarism is without question admirable in respect to provisions for fair competition that have been written by industry and with which business is in complete accord. But it is wholly unadapted to the enforcement of a specific law of Congress which becomes a crucial issue only in those very cases where it is opposed by the guiding spirits of the code authorities. Secondly, the Board may refer a case to the Department of Justice. But since the Board has no power to subpoena records or witnesses, its hearings are largely ex parte[2] and its records so infirm that the Department of Justice is usually unable to act.

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[1] Established by the National Industrial Recovery Act (Document 19) in 1933, the National Recovery Administration sought to coordinate the activities of labor, industry and government through voluntary codes to reduce what the Roosevelt administration thought was inefficient competition. Its symbol was a blue eagle. The Supreme Court ruled the NRA unconstitutional in 1935 (Document 28).

[2] A legal term referring to a court procedure at which all concerned parties are not present.

Finally, the existence of numerous industrial boards whose interpretations of section 7(a) are not subject to the coordinating influence of a supreme National Labor Relations Board, is creating a maze of confusion and contradictions. While there is a different code for each trade, there is only one section 7(a), and no definite law written by Congress can mean something different in each industry. These difficulties are reducing section 7(a) to a sham and a delusion.

The break-down of section 7(a) brings results equally disastrous to industry and to labor. Last summer it led to a procession of bloody and costly strikes, which in some cases swelled almost to the magnitude of national emergencies. It is not material at this time to inquire where the balance of right and wrong rested in respect to these various controversies. If it is true that employees find it difficult to remain acquiescent when they lose the main privilege promised them by the Recovery Act, it is equally true that employers are tremendously handicapped when it is impossible to determine exactly what their rights are. Everybody needs a law that is precise and certain.

There has been a second and even more serious consequence of the break-down of section 7(a). When employees are denied the freedom to act in concert even when they desire to do so, they cannot exercise a restraining influence upon the wayward members of their own groups, and they cannot participate in our national endeavor to coordinate production and purchasing power. The consequences are already visible in the widening gap between wages and profits. If these consequences are allowed to produce their full harvest, the whole country will suffer from a new economic decline.

The national labor relations bill which I now propose is novel neither in philosophy nor in content. It creates no new substantive rights. It merely provides that employees, if they desire to do so, shall be free to organize for their mutual protection or benefit. Quite aside from section 7(a), this principle has been embodied in the Norris-LaGuardia Act,[3] in amendments to the Railway Labor Act[4] passed last year, and in a long train of other enactments of Congress.

There is not a scintilla of truth in the wide-spread propaganda to the effect that this bill would tend to create a so-called "labor dictatorship." It does not encourage national unionism. It does not favor any particular union. It does

[3] Passed in 1932, this act gave certain protections to labor unions and those trying to organize them.

[4] Passed in 1926 and amended in 1934, this act encouraged the resolution of labor disputes through mediation.

not display any preference toward craft or industrial organizations. Most important of all, it does not force or even counsel any employee to join any union if he prefers to deal directly or individually with his employers. It seeks merely to make the worker a free man in the economic as well as the political field. Certainly the preservation of long-recognized fundamental rights is the only basis for frank and friendly relations in industry.

The erroneous impression that the bill expresses a bias for some particular form of union organization probably arises because it outlaws the company-dominated union. Let me emphasize that nothing in the measure discourages employees from uniting on an independent- or company-union basis, if by these terms we mean simply an organization confined to the limits of one plant or one employer. Nothing in the bill prevents employers from maintaining free and direct relations with their workers or from participating in group insurance, mutual welfare, pension systems, and other such activities. The only prohibition is against the sham or dummy union which is dominated by the employer, which is supported by the employers, which cannot change its rules or regulations without his consent, and which cannot live except by the grace of the employer's whims. To say that that kind of a union must be preserved in order to give employees freedom of selection is a contradiction in terms. There can be no freedom in an atmosphere of bondage. No organization can be free to represent the workers when it is the mere creature of the employer.

Equally erroneous is the belief that the bill creates a closed shop for all industry. It does not force any employer to make a closed-shop agreement.[5] It does not even state that Congress favors the policy of the closed shop. It merely provides that employers and employees may voluntarily make closed-shop agreements in any State where they are now legal. Far from suggesting a change, it merely preserves the status quo.

A great deal of interest centers around the question of majority rule. The national labor relations bill provides that representatives selected by the majority of employees in an appropriate unit shall represent all the employees within that unit for the purposes of collective bargaining. This does not imply that an employee who is not a member of the majority group can be forced to enter the union which the majority favors. It means simply that the majority may decide who are to be the spokesmen for all in making agreements concerning wages, hours, and other conditions of employment. Once such agreements are made the bill provides that their terms must be applied without

[5] An agreement between union and management mandating that new employees join the union as a condition of employment.

favor or discrimination to all employees. These provisions conform to the democratic procedure that is followed in every business and in our governmental life, and that was embodied by Congress in the Railway Labor Act last year. Without them the phrase "collective bargaining" is devoid of meaning, and the very few unfair employers are encouraged to divide their workers against themselves.

Finally, the National Labor Relations Board is established permanently, with jurisdiction over other boards dealing with cases under section 7(a) or under its equivalent as written into this bill. Nothing could be more unfounded than the charges that the Board would be invested with arbitrary or dictatorial or even unusual powers. Its powers are modeled upon those of the Federal Trade Commission[6] and numerous other governmental agencies. Its orders would be enforceable not by the Board, but by recourse to the courts of the United States, with every affected party entitled to all the safeguards of appeal.

The enactment of this measure will clarify the industrial atmosphere and reduce the likelihood of another conflagration of strife such as we witnessed last summer. It will stabilize and improve business by laying the foundations for the amity and fair dealing upon which permanent progress must rest. It will give notice to all that the solemn pledge made by Congress when it enacted section 7(a) cannot be ignored with impunity, and that a cardinal principle of the new deal for all and not some of our people is going to be supported and preserved by the Government.

[6] Established in 1914, the Commission seeks to prevent anti-competitive business practices, such as monopolies.

Document 25

"Black Cotton Farmers and the AAA"

E.E. Lewis
March 1935

One of the greatest complaints made by rural blacks toward the Agricultural Adjustment Administration was the effect that its policies had on southern – largely African-American – sharecroppers. The AAA had been formed under the 1933 Agricultural Adjustment Act; its purpose was to implement a "domestic allotment" plan to raise the price of farm products by paying farmers to produce less. This proved a great deal for farmers who owned their own land. However, for those who lived and worked on land owned by others – particularly black sharecroppers in the South – the results were often disastrous, as landowners simply informed them that their labor was no longer necessary, and evicted them from the land. A few members of the AAA tried to fight this, but were soon dismissed after encountering objections from southern Democrats. Black journalist E.E. Lewis took to the pages of Opportunity *to express his dissatisfaction with the AAA. (*Opportunity *was the magazine of the National Urban League, an organization founded in 1910 to defend the interests of urban African-Americans.) Lewis acknowledges the racial prejudice affecting black sharecroppers, but emphasizes the underlying economic and technological conditions of southern agriculture affecting both blacks and whites.*

Source: Opportunity: A Journal of Negro Life, *13:3 (March 1935), p. 72. Available at* http://newdeal.feri.org/opp/opp3572.htm.

The avowed aim of the new deal is to enhance the well being of the masses, but matching this aim with the actual achievements of the Administration is not a very happy occupation. Nowhere is the discrepancy between aim and achievement more disconcerting than in the case of the Negro cotton producer. The natural reaction of those interested in the economic problems of the Negro is to pass judgment upon the personal character of the individual members of the Administration. A much wiser plan is to forget personalities and concentrate our attention upon basic social and economic forces which are so largely responsible for the present federal