STATES OF CHANGE:
WHAT THE GREEN NEW DEAL CAN LEARN FROM THE NEW DEAL IN THE STATES

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A DISCUSSION PAPER BY THE LABOR NETWORK FOR SUSTAINABILITY

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With the likelihood of a federal government sharply divided between Republicans and Democrats, states are likely to play an expanded role in shaping the American future. The aspirations for a Green New Deal may have support from the presidency and the House, but they are likely to be fiercely contested in the Senate and perhaps the Supreme Court. Bold action to address climate and inequality could emerge at the state level. Are there lessons we can learn from the original New Deal about the role of states in a highly conflicted era of reform?

The original New Deal of the 1930s was a national program led by President Franklin D. Roosevelt. But states played a critical role in developing the New Deal. The same could be true of tomorrow's Green New Deal.

There is organizing for a Green New Deal in every one of the fifty states. But our federal system is often ambiguous about what can and can't be done at a state level and how action at a state level can affect national policy and vice versa. The purpose of this discussion paper is to explore what we can learn about the role of states in the original New Deal that may shed light on the strategies, opportunities, and pitfalls for the Green New Deal of today and tomorrow.

THE ROLE OF STATES IN THE ORIGINAL NEW DEAL

The original New Deal of the 1930s was not a single program or piece of legislation – it was a whole era of turmoil in which contesting forces tried to meet a devasting crisis and shape the future of American society. Besides its famous "alphabet soup" of federal agencies, the New Deal was part of a process of social change that included experimentation at a state, regional, and local level; organization among labor, unemployed, rural, urban, elderly, and other grassroots constituencies; and lively debate on future alternatives that went far beyond the policies actually implemented. In practice the Green New Deal is also likely to involve competing ideas and programs pushed – in alliance and opposition – by a wide range of constituencies and organizations. In both cases states provided crucial arenas for promoting and resisting proposals for change.

FOUR CONTRIBUTIONS OF THE STATES TO THE ORIGINAL NEW DEAL

The New Deal Before the New Deal

At the pit of the Great Depression in 1932, Supreme Court Justice Louis Brandeis wrote that a single state may "serve as a laboratory" and "try novel social and economic experiments without risk to the rest of the country."[1] Even before the start of the federal New Deal in 1933, some states were developing policies and programs that anticipated and helped lay the groundwork for it.

1 Unless otherwise noted, quotations in this paper are from James T. Patterson, The New Deal and States. (Princeton. NJ: Princeton University Press, 1969)

Many New Deal programs, including agricultural, banking, tax, and housing policies, were foreshadowed in the 1920s in North Dakota by the farmer-based Nonpartisan League. It established a state-run flour mill and storage elevator; the Bank of North Dakota; and a state-owned railroad. It implemented a graduated state income tax that distinguished between earned and unearned income; a workmen's compensation fund that assessed employers; and a Home Building Association to build and finance housing.[2]

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During the 1920s, several states created deposit insurance in case of bank failures, setting the precedent for one of the first New Deal initiatives, the Federal Deposit Insurance Corporation of 1933. Anticipating New Deal labor law, Wisconsin outlawed anti-union "yellow dog contracts" in 1929. In the decade before the New Deal, 17 states adopted old age pensions, foreshadowing Social Security, albeit at a pitiful level. In 1929 eight states defeated laws regulating holding companies; one finally passed in New York state in 1930, foreshadowing New Deal regulation of corporations.

As the Depression deepened state relief programs anticipated those of the New Deal.

- Wisconsin instituted an unemployment compensation system, a surtax on personal incomes, a corporate dividend tax, an unemployment compensation plan, and utility regulation.

- Connecticut passed a public works bill foreshadowing the New Deal's Works Progress Administration (WPA). In 1931 Minnesota began to regulate hours and wages for highway workers, anticipating the regulations of the New Deal's Fair Labor Standards Act.

- Minnesota Governor Floyd Olson instituted a farm mortgage moratorium and proposed employer-financed unemployment compensation administered by a state agency, higher corporate income taxes, public ownership of utilities, substantial spending for relief, and a ban on yellow dog contracts and injunctions against strikers.

- New York under governor Franklin D. Roosevelt anticipated New Deal labor reforms by extending workmens compensation, prohibiting temporary injunctions against unions without notice of hearing, and establishing a state relief agency which became a model for the Federal Emergency Relief Administration (FERA). Some of the reforms he proposed in New York, such as state unemployment compensation, old age pensions, and regulation of holding companies and banks, were defeated but later adopted by the New Deal.

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[2] Lawrence Goodwyn, *Democratic Promise: The Populist Moment in America*, Oxford University Press, 1976.

Amplifying Pressure from Below

The early 1930s saw mass unemployment and aggressive, sometimes violent movements of the unemployed. In response to such pressure, states increased their spending for relief from less than half a million dollars in mid-1931 to a hundred million dollars by the end of 1932. This expansion of funding for relief grew out of both the humanitarian crisis and the fear of social disruption. States not only increased their own spending, but pressured the federal government to provide emergency aid. As Governor Julius Meier of Oregon wired President Hoover in 1932, "We must have help from the federal government" if we are to "avert suffering" and "possible uprisings."

> **The unemployed movement and the fiscal pressure it put on local and state governments led 'mayors, governors, social workers, and labor officials' to become 'the lobbying arm of the unemployed workers movement' in the early 1930s.**

These movements had significant impact on governments and other institutions. Direct action like hunger marches and occupations of government buildings put pressure on local, state, and at times even federal officials to establish relief and public works programs to replace private charity. With the coming of the New Deal in 1933 pressure from those states as well as from the unemployed themselves led federal government officials to take over and enormously expand provision for the unemployed. In 1933 Congress created the Federal Emergency Relief Administration and Civil Works Administration to provide relief payments and construction jobs; in 1935 it established the Works Progress Administration to create mass employment across occupations. As Frances Fox Piven says, "it was direct action that forced them to do it." It was important to get that money out "to preserve order in the cities." There are "archival records of local officials writing to Congressional committees" saying, "Send money now or troops later." The unemployed movement and the fiscal pressure it put on local and state governments led "mayors, governors, social workers, and labor officials" to become "the lobbying arm of the unemployed workers movement" in the early 1930s.[3]

When states failed to provide for pressing needs, organized action by the unemployed and impoverished often led them to change their ways. When Colorado failed to meet its obligations for relief funding, the federal government cut off relief in Colorado. The unemployed protested. When the governor called a special legislative session which failed to appropriate relief funds, relief marchers dispersed it. The legislature thereupon came up with the state' share of relief money and FERA funding resumed. In New Jersey, relief clients occupied the legislature for nine days to force action on relief payments.

Implementing Federal Programs

By 1933, 15 million workers were unemployed. The federal government under the New Deal agreed to pay for a national relief program called the Federal Emergency Relief

[3] Steve Valocci, "The Unemployed Workers Movement of the 1930s," *Social Problems*, May 1990, p. 196.

Administration (FERA). But instead of administering the program through the federal government, Congress provided matching grants to the states and gave them authority for running the program. As one historian politely put it, "Led by Senator Harry F. Byrd of Virginia, the Senate insisted on giving states a major role for fiscal and racial reasons."[4] By 1936 FERA had given states more than $3 billion for relief and states added another billion. To comply with FERA policy, states created and funded centralize relief agencies. If states refused to meet federal standards for administration, FERA federalized their programs. Other federal agencies granted money directly to contractors, municipalities, and agricultural districts.

In 1935, ahead of federal Social Security legislation, states began passing or improving old age assistance and unemployment compensation plans and creating their own departments of public welfare. States administered the federal program and made their own rules. Spending for state-administered unemployment benefits increased from nothing in 1935 to $480 million in 1940. Many states instituted progressive personal and corporate income taxes, although many instituted regressive sales taxes instead or as well.

The National Recovery Administration, established at the outset of the New Deal, established industrial codes with minimum labor standards to raise wages and counter "cutthroat competition." It applied only to interstate business, however, so the New Deal urged states to pass "Little NRAs" to impose the codes on intrastate businesses. Ten states did so and the model bill reached the floor of dozens of other legislatures. When the Supreme Court ruled the NRA unconstitutional, New Deal governors tried unsuccessfully to reestablish the program on a regional basis.

One of the key ideas of the New Deal was regional planning. In 1934 it established a National Resources Board for conserving and developing national resources. It asked governors to establish state planning agencies and to participate in regional planning activities. By 1937, all 48 governors had set up state planning boards. They received little or no state funding, however, and in most cases were relatively inactive. The greatest success for regionalism was the Tennessee Valley Authority (TVA), an economic development and environmental initiative that provided power generation, flood control, navigation assistance, fertilizer manufacturing, and agricultural development. TVA covered much of a seven-state region that included large parts of Tennessee, Alabama, Mississippi, Kentucky, Virginia, North Carolina, and Georgia, but it was a federal project in which state governments did not play a major role.

The National Labor Relations Act, also known as the Wagner Act or "Labor's Magna Carta," established the right of workers to form unions and bargain collectively with their employers through representatives of their own choosing. New York, Pennsylvania, Wisconsin, and Massachusetts passed "little Wagner acts" providing similar protections to workers of intrastate employers.

[4] Patterson, op cit, p. 100.

Little New Deals

Half-a-dozen states adopted their own reform programs that came to be known as "little New Deals."

Farmer-Labor Party governor Floyd Olson of Minnesota, who had begun a "New Deal before the New Deal," made proposals far more radical than the national New Deal. In1934 he proposed a party platform advocating state ownership of utilities, mines, and transportation. After his untimely death, his successor Elmer Benson exempted poor homesteads from property taxes, and supported a major truckers strike.

In Wisconsin, Philip La Follette split from the Republican party and established an independent Progressive Party which swept the 1934 election. His little New Deal included a little NRA, increased taxes on incomes and dividends, and an excess profits tax. La Follette proposed a mortgage moratorium, a state Wagner act, and a work relief program, but Democrats, Republicans, and dissident Progressives united to defeat it in the legislature. Reelected in 1936 with stronger legislative support, La Follette won a Little Wagner Act, a little TVA called the Wisconsin Development Authority, increase aid for schools and relief, and new progressive taxes.

Several other states passed state-level New Deal legislation without calling themselves "New Deal states." In Indiana, Democrat Paul McNutt passed a state NRA, established old age pensions, banned yellow dog contracts, and prohibited discrimination in public construction. Pennsylvania, after a series of defeats for progressive legislation, in the 1936 session passed a little Wagner act, restrictions on company police, labor mediation, restrictions on labor injunctions, abolition of the poor law system, a bureau of civil liberties, and regulation of public utilities.

"Mail Transportation" (1938) *Works Project Administration-era mural* by Fletcher Martin, in the San Pedro, California, post office

LESSONS FOR THE GREEN NEW DEAL

What are the lessons we can draw from the original New Deal about the role of states in a period of turmoil and reform?

- State politics were often the dens of reaction and corruption. One historian of states in the New Deal described "the force of laisse-faire thinking" and of "interest groups sustaining it" in the "cozy legislative corridors." "Anti-New Deal lobbyists" especially hated "progressive taxation, industrial labor unions, and costly welfare laws."[5] In many states rural districts were heavily overrepresented, partially disenfranchising urban voters who were more likely to support New Deal programs. Changing state politics couldn't be accomplished just by politics as usual. Implementing state New Deal programs required challenging the state status quo.

- It helped to have plans and programs ready, even before the political context for implementing them arose. The states that were most successful in implementing New Deal programs often had platforms that had been developed and debated for years before they seemed "politically realistic."

- States did in fact serve as "laboratories for democracy," pushing programs and ideas that were not yet winnable in the national arena. Proto-New Deal programs in states like New York, Minnesota, and Wisconsin not only benefited the people of those states, but helped people elsewhere believe that such programs could work and that they could receive wide popular support.

- Whether long-planned or improvised, successful state New Deal politics required a program with wide popular appeal that could motivate people to participate and to break with established conservative social beliefs and alliances in favor of New Deal policies and candidates. It was such widely supported state and federal New Deal programs as relief and work for the unemployed, old-age pensions, and protection for labor rights that broke the long-standing stranglehold of conservative business interests over state politics.

- Success in realizing New Deal aspirations depended on building a supportive base. That required building a coalition among important demographics, including ethnic groups, African Americans, the unemployed, unskilled workers, organized labor, and political liberals committed to a more equal society. It also involved mobilizing their members to participate in the political process.

- While the powers states can exercise in our federal system may appear constitutionally limited, in fact those limits are highly flexible, and states can engage in many kinds of radical action if there is a supportive political context. Before and during the New Deal states established their own bank deposit insurance systems; created publicly owned utilities; imposed mortgage moratoriums; and banned injunctions against strikes. These programs might have seemed beyond the jurisdiction of states just a few years before. Reform programs can be creative in utilizing all the potential powers of state government.

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[5] Patterson, op cit, 192.

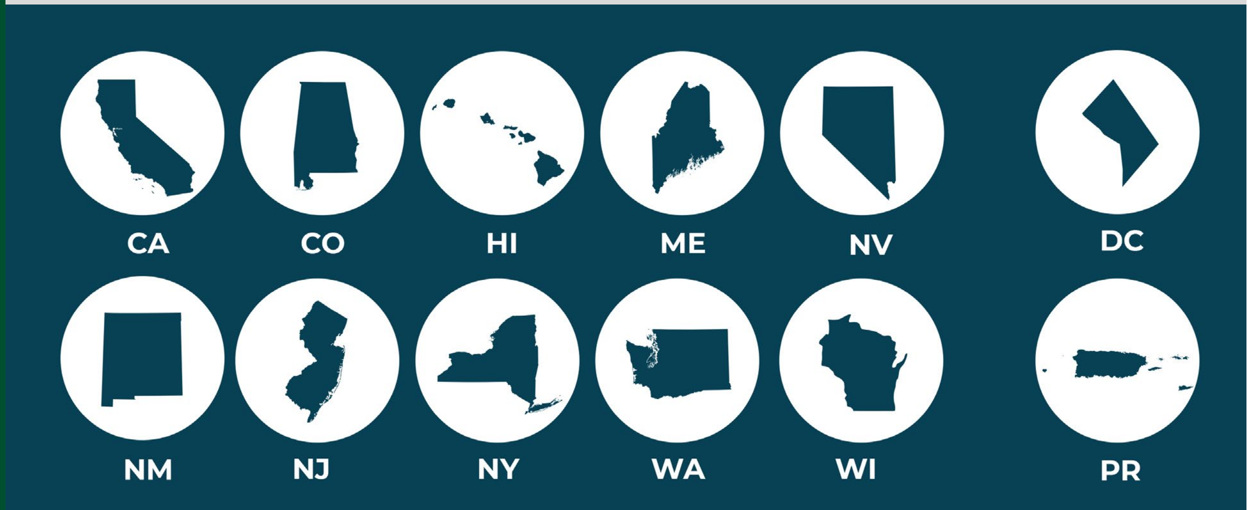
- There was often synergism between state New Deal policies and militant direct action. Expansion of state public relief programs and state demands for federal relief often followed from urban street confrontations, marches by farmers and the unemployed, and occupations of state capitols. So did the recognition that something was seriously wrong with the status quo that required substantial social change.

- Political parties were rarely consistent supporters of the New Deal at a state level. Often they were divided among conflicting and sometimes corrupt factions that did not consistently support New Deal programs but rather pursued patronage and private interests. New Deal advocates needed to secure a base that was not entirely dependent on established party leaders and machines.

- Even at the height of their powers, state New Deal advocates remained vulnerable to counterattack by the forces of greed and reaction. While many state New Deals had brief periods in which they were able to institute unprecedented reforms, many of their programs were subsequently restricted or even gutted by their opponents.

THE GREEN NEW DEAL AND THE STATES

These 10 states, along with Washington, D.C., and Puerto Rico, have passed legislation to implement 100 percent clean electricity policies and economy wide greenhouse gas pollution-reduction programs:



The Green New Deal first broke into prominence as a national program to create millions of jobs and address economic inequality by rebuilding the American economy on a climate-safe basis. The core themes of the GND were embodied in a resolution submitted by Rep. Alexandra Ocasio-Cortez and Sen. Ed Markey which proposed a broad vision to transform America. It called for "a new national, social, industrial, and economic mobilization on a scale not seen since World War II and the

New Deal era." Such a mobilization provides "a historic opportunity to create millions of good, high-wage jobs, virtually eliminate poverty in the United States, provide unprecedented levels of prosperity and economic security for all U.S. persons, and counteract systemic injustices."

Long before any national implementation of the GND, extensive mobilization has begun for the GND at the state level. A special section in *Popular Science* laid out Green New Deal-style legislative proposals in every one of the fifty states.[6] Fifteen states and territories have taken legislative or executive action to move toward a 100 percent clean energy future. This includes 10 states, along with Washington, D.C., and Puerto Rico, that have passed legislation to implement 100 percent clean electricity policies and economywide greenhouse gas pollution-reduction programs.[7] State coalitions like Illinois Clean Jobs and New York Renews have passed legislation that foreshadows GND principles and policies. A national Green New Deal Network supports "local and state-based organizations across the country" to "integrate the Green New Deal into their organizing" and "pass Green New Deal-inspired legislation at the local and state level."[8]

Even before a national GND is in place, states are laying the groundwork for GND programs. They are amplifying actions like the Black Lives Matter demonstrations and the strikes by teachers for safe COVID-19 policies to incorporate them in state policy. They are supporting the national movement for climate justice. And they are starting state-level "Little Green New Deals." As the original New Deal demonstrated, a national movement of reform can realize some of its most significant achievements at a state level.

[6] April Reese, "What a Green New Deal Would Look Like in Every State," *Popular Science*, February 27, 2020. https://www.popsci.com/story/environment/green-new-deal-state-by-state/

[7] Sam Ricketts, Rita Cliffton, Lola Oduveru, and Bill Holland, "States Are Laying a Road Map for Climate Leadership," Center for American Progress, April 30, 2020. https://www.americanprogress.org/issues/green/reports/2020/04/30/484163/states-laying-road-map-climate-leadership/

[8] Maurice Mitchell, "Building the GND Movement," *Democracy*, Spring, No. 56 https://democracyjournal.org/magazine/56/building-the-gnd-movement/