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4. State Structures and the Possibilities for "Keynesian" Responses to the Great Depression in Sweden, Britain, and the United States

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and Theda Skocpol

When the Great Depression of the 1930s swept across the Western industrial democracies, it undermined classical liberal orthodoxies of public finance. Economic crisis called into question the predominant conviction that government should balance its budget, maintain the gold standard, and let business reequilibrate of its own accord during economic downturns. Demands were voiced for extraordinary government actions on behalf of industrial workers, farmers, and other distressed groups. Established political coalitions came unraveled, and new opportunities opened for politicians and parties that could devise appealing responses to the exigencies of the decade. One of the greatest dilemmas was how to cope with an unprecedented volume of unemployment in suddenly and severely contracted economies.

Out of the traumas of the 1930s came new political and theoretical understandings of the much more active roles that states might henceforth play in maintaining growth and employment in advanced industrial-capitalist democracies. Thus was born the "Keynesian era," as it would retrospectively come to be called in honor of the breakthrough in economic theory embodied in John Maynard Keynes's 1936 book, *The General Theory of Employment, Interest, and Money*.

National reactions to the crisis of the depression varied widely, however.[1] In many cases either conservative stasis or a turn toward authoritarianism prevailed. Among the countries that avoided the breakdown of democratic institutions, Sweden and the United States were the sites of the boldest responses to the crisis by reformist political leaderships. Supported electorally by industrial workers and farmers, America's New Deal and Sweden's "new deal" (as Bjarne Braatoy called it in 1939) both embarked on programs of deficit government spending to provide emergency relief, to create jobs on public works projects, and to enhance popular social security.[2]

In both Sweden and the United States, moreover, coherent economic arguments were developed to justify government spending not merely (in timeworn fashion) as a humanitarian response to emergency, but also as a proper strategy of national macroeconomic management in advanced capitalism. At first these arguments were not fully or explicitly "Keynesian," but they did focus on ways in which government deficit spending could stimulate consumer demand, private investments, and reemployment.[3] Such economic arguments were much more promptly and thoroughly adopted as a national political strategy for coping with the depression in Sweden. In the United States, a deliberate recovery strategy of deficit spending was devised only in the late 1930s, and it was not fully implemented during the New Deal.[4]

Indeed, the kinds of Keynesian economic breakthroughs ultimately institutionalized in these two nations were quite different. From 1936 onward, Sweden aimed to become – and very largely succeeded in achieving – a full-employment economy with high levels of public income allocation for social welfare purposes. Sweden also synthesized Keynesian macroeconomic management and welfare spending with labor market interventions designed to facilitate labor mobility.[5] Meanwhile, from 1938 through 1946, the United States came to practice, not Swedish-style "social Keynesianism," but what has aptly been called "commercial Keynesianism."[6] This meant that the federal government used tax cuts and "automatic" (rather than discretionary) adjustments of public spending to manage the economy, with more emphasis on controlling inflation than on eliminating unemployment.[7] To be sure, the role of the federal government in the U.S. economy and society became much greater than it had been before the 1930s, but U.S. domestic public spending was kept at modest levels, and neither social welfare nor industrial interventions by the federal government were effectively coordinated with macroeconomic management.[8]

Despite the eventually different outcomes, both Sweden and the United States did experience remarkably similar reformist responses to the Great Depression itself. Surprisingly, events proceeded very differently in Great Britain. Britain might well have been the earliest and most successful nation to launch a "new deal," using Keynesian economic strategies to consolidate a full-employment welfare state. After all, Britain was the pioneer among liberal capitalist countries in establishing comprehensive public social protections for its working class. Before World War I, British leaders instituted workers' compensation, old-age pensions, health insurance, and, most extraordinary of all, the world's first compulsory unemployment insurance program, which was extended to virtually the entire industrial working class at the close of the war.[9]

Persistent, large-scale unemployment was a publicly recognized problem in Britain throughout the 1920s, and the Labour, Conservative, and Liberal parties alike contested the 1929 election on platforms promising to cope with unemployment.[10] The Liberal platform, eloquently championed

by Keynes himself, called for a large-scale program of loan-financed public works. "We Can Conquer Unemployment," the Liberals declared. After Labour won the 1929 election and formed a minority government just as the Great Depression was starting, the Liberals and Keynes offered the party of the industrial working class parliamentary and intellectual backing for such a program. This was just the kind of response to unemployment and the national economic depression that would, only a few years later, in 1932–34, launch Sweden toward a full-employment welfare state and bring long-lasting political hegemony to the Swedish Social Democrats.

Nothing so innovative happened in Britain. The 1929 Labour government vacillated for two excruciating years, until it bowed out in August of 1931, after trying and failing to impose cuts in social spending on its own political base. Thereafter, the Labour party split apart and declined precipitously, and the Liberals further contracted into insignificance. A multiparty "national government" came to power in 1931 – in effect dominated by Conservatives. It took Britain off the gold standard, erected some tariffs, and sat complacently atop the national polity in the 1930s, as Britain gradually attained a strong aggregate economic recovery, but with unemployment remaining high.[11] Britain would not adopt Keynesian macroeconomic strategies before the coming of World War II, and it would not reform and extend its public social benefits into a comprehensive "welfare state" until after the close of that massive war.[12]

Explaining the Variation in National Responses to the Depression

Why did Sweden and the United States devise broadly similar political responses to the economic crisis of the Great Depression? Why, despite the similarities in their reformist responses, did Sweden end up with social Keynesianism, whereas the United States institutionalized commercial Keynesianism? And why did Britain fail to deal with the depression in innovative ways comparable to the Swedish and U.S. "new deals"?

These historical questions are addressed in this essay. Yet our argument also has a broader theoretical purpose. It aims to demonstrate the fruitfulness of a distinctive kind of explanatory approach, highlighting the structural features of states and the preexisting legacies of public policies. In particular, we shall analyze the ways in which various state structures and policy legacies in Sweden, Britain, and the United States (*a*) influenced the political orientations and capacities of groups and parties active in political struggles over the ways in which governments should cope with the circumstances of the depression and (*b*) affected the processes of intellectual innovation and expert access to policy-making centers through which new economic ideas did (or did not) enter into the formulation of governmental strategies for coping with the economic crisis.

Before we proceed, however, let us introduce various analytical perspectives that have been used to explain Swedish, British, and U.S. patterns.[13]

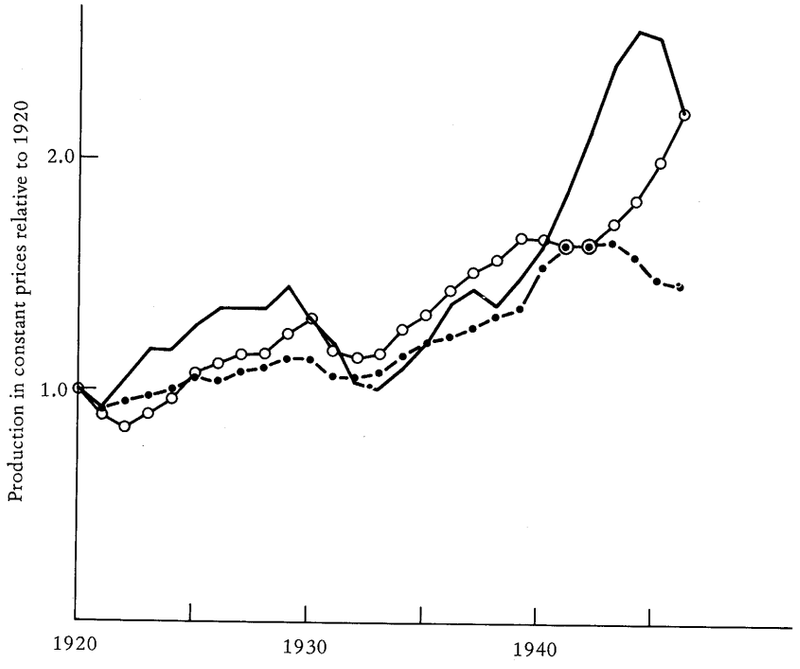


Figure 4.1. National production in Sweden, Britain, and the United States, 1920–1946. Sweden: Gross Domestic Product, o-o-o; Britain: Gross National Product, ●-●-●; the United States, Gross National Product, ———. (Sources: U.S. Department of Commerce, *Historical Statistics of the United States: Colonial Times to 1970, Part I*, Washington, D.C., 1975, p. 224; B. R. Mitchell, *European Historical Statistics, 1750–1970*, New York: Columbia University Press, 1976, pp. 789–90.)

After explaining why we find these perspectives inadequate, we shall outline the theoretical frame of reference for our own subsequent comparative-historical analysis.

Economic Conditions and National Responses

At the start, we can set aside a sort of "economic-determinist" argument that might, at first glance, seem to provide a common-sense explanation for political happenings in the 1930s. A purely functionalist and materialist perspective might try to derive the extent of reformist politics in the 1930s from the severity with which the depression hit individual countries, suggesting that more innovative responses developed to cope with more severe dislocations. As Figs. 4.1 and 4.2 reveal, however, among our three

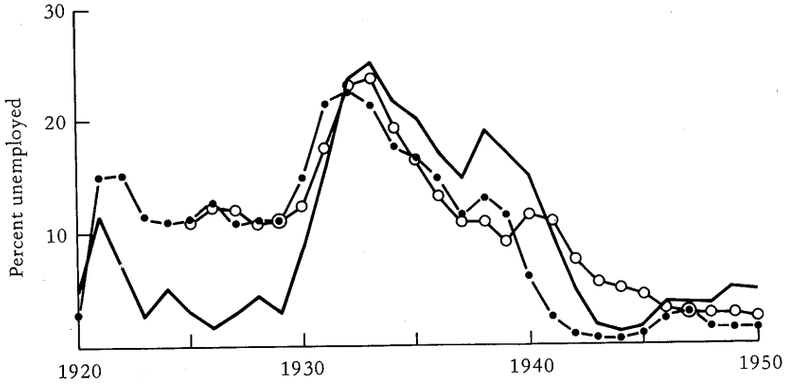


Figure 4.2. Percent unemployed in Sweden, Britain, and the United States, 1920–1950. Sweden: members of trade union benefit funds unemployed, o-o-o; Britain: 1920–23 unemployment in trade unions; 1924–50 averages of monthly numbers of registered insured wholly unemployed, ●-●-●; the United States: percent of civilian labor force fourteen years and over unemployed, annual averages, ———. (Sources: U.S. Department of Commerce, *Historical Statistics of the United States;* p. 224; B. R. Mitchell, *European Historical Statistics 1750–1970*, pp. 789–90.)

cases the United States was the hardest hit by the depression, whereas both Sweden and Britain, despite their contrasting political responses, experienced earlier and more stable recoveries than the United States. Sweden's recovery was *sustained* into the later 1930s more smoothly than the British and (especially) the American recoveries.

For all three countries, it is difficult to attribute phases of economic recovery or setback directly to the effects of governmental actions (or nonactions). We make no claims whatsoever about the actual efficacy of deficit-spending policies compared with other economic policies or circumstances.[14] Economic historians do not agree about these issues for our national cases or others in the 1930s. Moreover, much contemporary and historical evidence suggests that government policies need not be economically efficacious to be successful politically. During the 1930s, the governments and policies in power when each nation began, for whatever reasons, to recover from the depths of economic decline benefited politically, especially if those governments and policies *appeared* to have been actively grappling with the economic difficulties. But this only places a premium on understanding why the British Labour government vacillated until it reached the impasse that forced it to resign prematurely, before the British recovery commenced in 1932.

The "Working-Class-Strength" Approach to Modern Welfare States

Perhaps the most influential arguments today about policy variations among advanced industrial-capitalist democracies emphasize the strength of working-class organizations in political class struggles. Variations in the growth of public socioeconomic interventions throughout the twentieth century are explained in terms of the capacities of industrial working classes to struggle for their interests in opposition to capitalist classes.[15] In a bold version of this argument put forward by John Stephens, the agents of the origins and continuing development of the welfare state (ultimately the Keynesian full-employment welfare state) are said to be centrally coordinated industrial unions working through a working-class-based political party.[16] The party comes to power through electoral politics and then uses governmental authority to implement welfare-oriented policies. Business interests may be "brought along" to support these policies, but fundamentally – so the argument goes – the policies are the product of a working class that is politically stronger than the capitalist class, specifically because the workers are better organized and mobilized to take full advantage of electoral democracy.

Apparently, this model accounts well for the Swedish Social Democratic breakthroughs of the 1930s, which led to the use of high levels of public spending to promote social welfare and full employment.[17] Apparently, too, it can account for the failure of the American New Deal to result in a full social Keynesian breakthrough – by pointing to the long-term weakness of U.S. industrial unions in contrast to Swedish unions and by pointing to the resilient and enduring political strength of American business.[18] In our view, however, contrasts between Sweden and the United States can be attributed to the strength of labor versus business only if one is prepared to take an excessively zero-sum and highly teleological view of the fluid events of the 1930s. And once British developments in the 1930s are introduced into the comparative picture, the argument falls down altogether.

For the United States considered in comparison with Sweden, a working-class-strength approach reads eventual historical outcomes back into original causes. Although Swedish industrial workers were much more highly organized – into industrial unions and a political party – than were American workers at the start of the 1930s, U.S. workers made momentous organizational gains during the 1930s and 1940s. Industrial unions mushroomed, and organized labor's influence in the Democratic party became important.[19] The momentum was subsequently stalled in both areas of labor power; yet this was surely a result, as well as a cause, of the conservative turns in U.S. public policy as the reformism of the New Deal came to an end. Nor can the eventual failure of social democratic Keynesian tendencies emerging from the New Deal be directly attributed to the political preeminence of American capitalists. From the middle to the later 1930s,

the political influence of U.S. business groups was at an all-time nadir.[20] Thus, the recovery of business influence over public policy making, including applications of Keynesian ideas, must be attributed as much to the faltering of alternative political forces as to the strength and initiatives of the business actors themselves.

In any event, it would be very wrong to suppose that well-organized and politically influential business groups are inherently opposed to Keynesian programs that embody high levels of public spending for social welfare purposes. All types of Keynesian strategies are oriented to the national economy as a whole and aim to defuse conflicts among groups and classes by expanding the economy to everyone's absolute benefit.[21] In fact, Swedish capitalists have long been well organized on a nationally centralized basis and, though they did not originate Sweden's full-employment welfare state, they were part of the political bargaining processes that securely institutionalized it from the late 1930s onward.[22]

Depression-era public policies in Sweden did greatly enhance the organizational power and solidarity of labor, thus increasing the strength of unions and the Social Democratic party,[23] but again it is important not to read results back into causes. Coming into the 1930s, it was not at all certain that the Swedish Social Democratic party would do as well as it did. Had other parties taken the initiative or had a political stalemate occurred around more conservative policies, as in Britain, the organizational strength of Swedish industrial workers and the electoral strength of the Social Democratic party almost certainly would have been sapped rather than strengthened by the depression crisis and its political accompaniments.

There was something very special about the ability and willingness of the Swedish Social Democratic leadership to formulate a reformist public spending strategy in the early 1930s.[24] That this special something was not a result of the party's class basis alone is made strikingly apparent by the contrasting behavior of the British Labour party.[25] A comparison between these two parties around 1930 is certainly appropriate. Although their fortunes were destined to diverge rather sharply after 1930, during the 1920s the two parties experienced parallel situations in key respects and, where their circumstances differed, had offsetting balances of advantages and disadvantages.[26] Both the British Labour party and the Swedish Social Democrats were rooted in moderately strong union movements and enjoyed comparable (primarily working-class) electoral support.[27] To be sure, the Social Democratic party was the first parliamentary party to emerge in Sweden and was the strongest of the four Swedish parties during the 1920s, whereas the British Labour party, a late entrant to parliamentary politics, lagged behind the Conservatives in parliament until 1929.[28] Nevertheless, neither social democratic party could form majority governments, and both faced determined opposition from more conservative political forces throughout the 1920s and into the early 1930s.

In parliamentary terms, moreover, the British Labour party enjoyed *greater*

maneuvering room for launching a deficit-spending economic recovery strategy immediately after it came to power in 1929. Both parties, of course, were urged by union leaders and working-class electoral supporters to take bold steps against unemployment. But, after forming a minority government in 1932, the Swedish Social Democrats had to negotiate a delicate (and, from their point of view, imperfect) compromise with the Agrarian party representing farmers before they could proceed with their public works initiatives to address unemployment.[29] In contrast, the British Labour party in 1929 (and after) might have enjoyed full support from the Liberals for attacking unemployment through loan-financed public works.[30] The Labour party did not have to make concessions to agrarian concerns because farmers were but a tiny social and political presence in highly industrialized and urbanized Britain.[31] Indeed, given the unusually heavy weight of the industrial working class in the British social structure, as well as the prior development of the world's most extensive public social benefits in Britain before the 1930s, one would have to predict from the premises of working-class-strength models that Britain, not Sweden, should have been the site of the earliest and fullest social Keynesian response to the Great Depression. The first full-employment welfare state should have been launched in Britain, if these models adequately explain public policy development.

Sectoral Coalitions and Links to the International Economy

Recently, dissatisfaction with the broad categories of class-based models has prompted more sophisticated (and more determined!) efforts to tie political outcomes to the interests of socioeconomic actors. Analysts who pursue what we shall call the "economic coalition" approach look for interest-based alliances led by sectors within business, perhaps tied to sectors within agriculture, and perhaps willing to ally with organized industrial labor.[32] Interests are posited by identifying the positions of industries and firms in relation to labor costs and technology and, more importantly, in relation to domestic or international markets. Cross-sector alliances are said to favor and support alternative government economic policies according to the orientations of industries and firms toward open international trade and also according to the tolerance that different factions of business may have for wage and public benefit concessions to labor.

The coalitional approach has been applied to developments in the 1930s by Peter Gourevitch and Thomas Ferguson. Ferguson, unmistakably a writer in the peculiarly American "Beardsian" tradition of attributing political events to behind-the-scenes business influence, places great stress in explaining the "second" U.S. New Deal on the influence of leaders from the internationalist, low-labor-cost sectors of business.[33] Gourevitch ranges much more widely and attributes fewer magical powers to business leaders. He attempts to find similar business–farmer–labor coalitions across nations – Sweden, the United States, and Germany.[34] Regardless of the very different contexts involved in the weakness of Weimar democracy and the triumph of Nazi authoritarianism in Germany versus the continuity of liberal democracy in Sweden and America, Gourevitch seems to argue that similar socioeconomic coalitions brought about and supported deficit-spending policies in all three nations. For the contrasting case of Britain, he stresses that many economic sectors had an interest in maintaining the gold standard and an open international economy. Above all, he argues that London financiers were hegemonic in British politics.

Coalitional approaches improve on class struggle models by highlighting the positive-sum character of many modern social policies. What is more, by permitting more fine-grained distinctions to be made among social groups, the coalitional approach can pinpoint socioeconomic influences on public policy making that may escape theorists who place such great stress on the organizational leverage of industrial labor. Nevertheless, the coalitional approach has important lacunae. For one thing, it cannot easily account for variations over time in the political efficacy of given sectoral interests: Why, for example, were the financial interests of "the City" in Britain unable to prevent social welfare innovations before World War I, yet able to cut social spending and block deficit-financed public works in 1929–30? The answer cannot lie simply in the internationalist orientation of the British economy, which was equally strong in the two periods. We shall argue that the shifting strength of Treasury controls over British social policies stemmed from changes within the structure of the British civil service itself, not from changing economic circumstances outside the state.

Coalitional analysts may also underestimate the political mutability of interests and group alliances. Alternative alliances are almost always possible for given groups, and their very "interests" can be redefined depending on the unfolding politics of the situation. Existing patterns of state intervention and the initiatives of political leaders often activate particular interests and coalitions within a range of alternative possibilities. And the institutional structures of states play a critical role in determining the access and weight of various interests and coalitions. We shall demonstrate these points in our discussion of the divergent influences that farm interests ended up having in the Swedish and U.S. "new deals."

The Role of Keynes's General Theory

A final line of argument about the politics of national recovery strategies in the 1930s takes us in the opposite direction from the social-group analyses just discussed. An intellectually determinist perspective maintains that deficit spending strategies could be devised by governments only after John Maynard Keynes published the appropriate new economic theory in his 1936 book, *The General Theory of Employment, Interest, and Money*. This sort of argument has sometimes been invoked to explain why federal executive

policy makers in the United States deliberately planned deficits as a recovery strategy only in the later 1930s and not during the "first" New Deal of 1933–35. The preface and the closing pages of Keynes's *General Theory* provide the model of the processes by which theorists might influence policy innovations. The "power of vested interests," Keynes wrote, "is vastly exaggerated compared with the gradual encroachment of ideas. . . . The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else."[35]

Keynes was certainly right about the exaggerated influence all too often attributed to "vested interests"; yet to assert that ideas are powerful is not to reveal how policy-relevant ideas emerge and how they may be variously influential. In Keynes's own experience, the workings of intellectual influence on public policy came to be understood as roundabout, routed through the prior achievement of academic credibility. Before writing *The General Theory*, Keynes spent many years trying, with little success, to press new practical programs on British politicians.[36] The book itself represented a new tack for Keynes the public actor: First a new, highly abstract theory would have to persuade academic economists, overcoming their "deep divergences of opinion . . . which have for the time being almost destroyed the practical influence of economic theory, and will, until they are resolved, continue to do so." Then, "after a certain interval" the new, academically accepted theory would powerfully influence the initiatives of politicians, civil servants, "and even agitators." In normal times, Keynes felt, such a process of roundabout intellectual influence might take twenty-five or thirty years, but in the midst of a crisis it might work more quickly.[37]

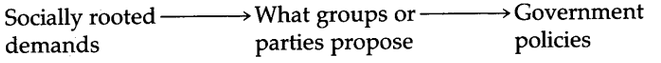
As Kerry Schott has written: "In scenarios of this type, practical economic policy simply follows theoretical developments with a time lag. The underlying premise . . . is the . . . notion that the state is little more than an active respondent to the advice of its economists."[38] Another equally important premise is that economic theories develop on their own in academic circles and then exert influence on policy making. Yet beguiling as this model might seem, especially to university-based scholars, it cannot account for British, Swedish, or American patterns in the 1930s.[39]

In Britain, no Keynesian response to the Great Depression was launched by British governments either before or after *The General Theory*. Neither the presence of Keynes the publicist and policy adviser, nor the achievement of Keynes the grand academic theorist was enough to persuade his homeland to use his ideas to devise a recovery strategy. In the United States, the influence of a certain academic interpretation of the principles of *The General Theory* did percolate into national policy making from the late 1930s onward, carried especially by Harvard-trained economists recruited into government service or public advisory bodies. Yet, as we shall see, the first rationales for deficit-spending recovery policies came neither from Keynes nor from academic circles. And, subsequently, the policy prescriptions of the version of Keynesianism that initially gained prestigious academic backing in the United States were not the prescriptions that became the most politically successful. In Sweden, finally, economists and their ideas were crucial to the Social Democratic reforms of the 1930s, but Keynes's *General Theory* was certainly not the inspiration for Swedish policies in 1932–34. The processes of intellectual influence that did underpin those reforms were complex and did not run simply from an "academic establishment" to governmental and party leaders.

The issues raised by Keynes's brief excursus in *The General Theory* into the sociology of politically influential knowledge are indeed important, but they must be addressed with an analysis that pays more attention (than Keynes, or many others since, have paid) to the structures within and surrounding the state that pattern the mutually influential interactions of experts and politicians. We are going to keep a close eye on such structures as we examine intellectual and policy developments in Sweden, Britain, and the United States.

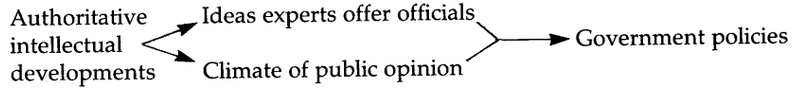
States Structures and Policy Developments

Of the perspectives on the politics of the 1930s that we have just reviewed, two – the working-class-strength approach and the coalitional approach – view politics as a process by which policy outcomes are determined by relatively immediate expressions of socially rooted demands:



Politics in these perspectives becomes an arena of struggles among class or group interests, and government is the agent of the consensus, compromise, or balance of power that emerges from such socially rooted political struggle. New policy departures, especially in a period of economic crisis or structural transformation, are thus to be understood as the result of changing balances of class power or changing coalitions of socioeconomic interests.

The final approach we discussed in the previous section also roots policy outcomes in the nonstate environment, here understood in a more idealistic fashion:



Despite their very considerable differences, both of these perspectives fail to give any significant weight to states as sites of potentially autonomous official action or as complexes of preexisting policies and institutional

arrangements. Politics is seen either as an arena of socioeconomic interest struggles or as an intellectual conversation among people trying to understand the situation and decide what conceivably might (or should) be done about it. Each of these ways of thinking about politics has much to recommend it. Yet both can be analytically enriched by taking states seriously as actors and structures.

States affect the possibilities for policy outcomes in two major ways. First, states may be sites of autonomous official action, not reducible to any social-group pressures or preferences. This is true because both appointed and elected officials have organizational and career interests of their own, and they devise and work for policies that will further those interests, or at least not harm them. Of course, elected or appointed officials will be sensitive in various ways to social preferences and to the economic environment in which the state must operate. Yet politicians and officials are also engaged in struggles among themselves, and they must pursue these struggles, along with any initiatives they take in relation to the economy or the mobilization of social support, by using – or taking into account – the coercive, fiscal, judicial, and administrative capacities of the state structure within which they are located. If a given state structure provides no existing, or readily foreseeable, "policy instruments" for implementing a given line of action, government officials are not likely to pursue it, and politicians aspiring to office are not likely to propose it. Conversely, government officials (or aspiring politicians) are quite likely to take new initiatives, conceivably well ahead of social demands, if existing state capacities can be readily adapted or reworked to do things that will bring advantages to them in their struggles with competitive political forces.

Equally important for the historical issues tackled in this essay, the organizational structures of states indirectly influence politics for *all* groups in society. This happens in various ways. It is already well known by political scientists that the organizations and tactics through which variously situated social groups can (or cannot) influence policy processes are partially shaped by the structures of government within which groups must operate. More than this, the administrative, fiscal, coercive, and judicial arrangements of given states, as well as the policies that states are already pursuing, influence the conceptions that groups or their representatives are likely to develop about what is desirable, or possible at all, in the realm of governmental action. Thus, state structures help to inspire the very demands that are pursued through politics.

For intellectuals puzzling about potentially policy-relevant phenomena, the structures of states are just as important as for classes and interest groups. Modern states and the social sciences have grown up together, not only because states themselves monitor social realities and devise theories about them, but also because the growth of state interventions for economic and social welfare purposes has directly and indirectly stimulated research and theorizing in the social sciences. Given these realities, we

may assume that the various specific structures of states pattern the ways in which experts and their ideas enter into public policy making at given times. In turn, the access to centers of policy making and implementation enjoyed by experts, or the lack of such access, influences the development of social theories and research in their own right.

The complex relationships sketched in the previous paragraphs can be summed up in a model of causal interrelationships that, in an overall analysis, would have to be explored along with the relationships indicated in the two diagrams offered earlier.

Inevitably, diagrams such as this have a static, ahistorical quality. Let us underline, therefore, that we take from Hugh Heclo the fundamental insight that policy making is inherently a historical – that is, over time – process in which all actors consciously build on and/or react against previous governmental efforts for dealing with the same (or similar) problems.[40] This means that the goals of politically active groups, policy intellectuals, and politicians can never simply be "read off" their current structural positions (no matter how "structures" are defined). Instead, the investigator must take into account meaningful reactions to previous policies. Such reactions color the very interests and ideals that politically engaged actors define for themselves at any given point.

For the remainder of this essay, we turn to events in and surrounding the depression decade of the 1930s, using comparisons among Sweden, Britain, and the United States to develop an explanation for the variation in policy responses the national governments devised to cope with economic crisis. Our explanation focuses on the ways in which the Swedish, British, and U.S. state structures and policy legacies affected the possibilities for new economic ideas to be formulated and applied to innovative government policies and influenced the political orientations and capacities of conflicting parties and coalitions of social groups. We proceed in two steps. First, we analyze the divergent initial responses of Sweden and Britain to the depression crisis. Then we bring the United States into the picture, examining relevant features of the entire New Deal and its aftermath, with special emphasis on comparisons with Swedish developments.

Sweden and Britain in the Early Depression Years: Labor Governments Confront the Dilemmas of Mass Unemployment

Why were the Swedish Social Democrats, after they came to governmental power in 1932, prepared to launch deficit-financed public works as an explicit strategy for both national economic recovery and unemployment relief, whereas the British Labour party refused to take this road during its abbreviated period in governmental power between 1929 and 1931?

Of the existing approaches we surveyed earlier, only the coalitional approach, with its stress on international economic ties, pointed to a causal factor that could be sufficient to answer this straightforward question. By the time the Swedish Social Democrats came to national power in 1932, their country, normally highly involved in international trade, had abandoned the gold standard, thus opening the way for an active domestic macroeconomic strategy. But Britain did not depart from gold until late 1931, and the Labour government of 1929–31 could not enjoy the room for manuever available to the Swedish Social Democrats – unless Labour itself was prepared to take Britain off the gold standard. The fact remains that it could have done so. Some voices of all political persuasions were advocating this step in 1930 and 1931 as a prelude either to protectionism or to fiscal activism, and the Liberals were willing to support the Labour government in any measures necessary to institute loan-financed public works.[41] Moreover, to say that the Swedish Social Democrats benefited by the fact that their nation had already been taken off the gold standard and temporarily weaned from international trade is hardly to explain how and why they took new macroeconomic initiatives.

It makes no sense to reduce political choices to the dictates of economic circumstances, for economic circumstances do not command so unambiguously, not even at moments of extraordinary crisis. Our approach to explaining the contrasting choices of the British Labour government and its Swedish Social Democratic counterpart focuses on two features of the respective national states: (*a*) their established policy approaches for addressing problems of unemployment and (*b*) the institutional mechanisms they provided for allowing economic experts to participate in public policy making. As we are about to see, clear contrasts between Britain and Sweden appear on each dimension, and by considering these contrasts together we can make sense of why governments similarly run by programmatic parties based on working-class support took such different steps in the face of deepening economic crisis in the early depression.

Social Policy Legacies and Party Orientations

Even when a major disruption such as the Great Depression creates new political demands and opens possibilities for policy innovations, political responses continue to be powerfully influenced by earlier patterns of government activity. Existing policies influence the political demands of contending groups and parties, who define their options in response to current practices. Previous interventions also shape the notions held by administrators and politicians about what is feasible, for administrative capacity built up in one area cannot easily be altered to implement a new set of policies. The resources and time required to create new capacities discourage radical policy changes, perhaps especially so in an economic emergency, when a premium is placed on quick results. In this section, we shall see that British Labour politicians, long locked into struggles over unemployment benefits, continued to center their attention on that form of government activity, whereas the Swedish Social Democrats formulated their responses to the depression in the context of ongoing struggles over public works nationally supervised by a conservative Unemployment Commission.

The introduction of unemployment insurance in Britain in 1911 was due above all to efforts by Liberal reform politicians and by civil servants at the Board of Trade, and immediate postwar extensions of the program to cover most of the industrial working class stemmed from the initiatives of the new Ministry of Labour.[42] In 1911, trade unions were coaxed into support of unemployment insurance, and their primary efforts thereafter continued to be (unsuccessfully) directed toward abolishing required contributory payments by employed workers. Yet the British Labour party grew rapidly with the democratization of the suffrage after World War I, and it soon took to heart the unemployment benefits that the organized working class had originally greeted with at best wary support.[43] During the 1920s, Labour became the chief proponent of extending and liberalizing unemployment benefits, as well as the main parliamentary bulwark against Conservative efforts to limit eligibility and trim payments to the unemployed.

All British parties, including the Labour party, worried about Britain's persistently high unemployment throughout the 1920s.[44] During the electoral campaign of 1924, the leaders of what would become the first Labour government promised a sweeping program of public works to alleviate unemployment. But, once in power, the minority Labour government concentrated on liberalizing unemployment benefits and proposed only a minor public works effort (though it also introduced a program of housing subsidies with implications for both welfare and employment).[45] This government fell only nine months after its formation, and thereafter the Labour party advocated liberalizations in the terms and extent of unemployment coverage. William Beveridge's warning that unemployment insurance might "demoralize the government of the day and cause them to give up the search for remedies" was insightful for the Labour party out of power as well.[46]

After the second Labour government came to power in 1929, it again focused its reformist energies on unemployment benefits rather than on introducing public works.[47] The unemployment issue dominated the May 1929 election, and soon after the depression crisis took hold with what Bentley Gilbert has aptly called an "explosion of unemployment."[48] Faced

with an unemployment rate in late 1930 amounting to 19.6 percent of all insured persons,[49] the new Labour government found the extension of unemployment benefits a more obvious way to cushion workers against distress than striking out in new directions for which there was no support within the government bureaucracy. In the absence of extensive experience with large-scale or centrally managed public works expenditures, the administrative difficulties of launching any such new endeavor appeared to be formidable. Labour government leaders argued with Liberal spokesmen about the feasibility of undertaking new public works swiftly enough to have any impact on unemployment, and they repeatedly rejected Liberal overtures for cooperation on an overall program that would include this approach to combating unemployment and economic decline.

The public works route not having been chosen, benefits from unemployment insurance and the supplementary "dole" provided British workers with their only bulwark against the ravages of depression. Yet unconnected to any plausible program for economic recovery, these benefits proved a fragile defense – if not for those workers who happened to be eligible for the greatest relief, then certainly for the Labour party itself, for the Labour government was caught in the contradictions inherent in a "self-financing" unemployment insurance scheme in depression times.[50] On the one side, party backbenchers and the Trades Union Congress pressed government leaders to extend and liberalize unemployment coverage to meet human needs in the economic crisis. On the other side, Treasury officials issued dire warnings about the disastrous consequences for the soundness of the pound of unrestrained government borrowing to replendish the depleted "insurance" fund. Reluctant to cut benefits, Prime Minister Ramsey MacDonald nonetheless felt he had no economic justification for repeated borrowing by the government.

The prime minister's decision in August 1931 to cut unemployment benefits in deference to the dire warnings about budget deficits in the May Commission Report tore apart the Labour party and precipitated the Labour government's resignation. This paved the way for the Conservative-dominated "National" government that remained in power for the rest of the 1930s and benefited from the economic recovery that commenced after Britain departed from the gold standard. Of course, in devaluing the pound and erecting tariffs, the National government strayed from laissez faire orthodoxies in its recovery strategies, but its policies were not those of innovative economic theorists such as Keynes. In fact, the National government's most distinctive feature was its avoidance after 1931 of any further bold policy initiatives during the nine years that (in C. W. Mowat's words) "it shambled its unimaginative way to its fall in 1940."[51]

Looking back over the entire British experience with the birth and early growth of a modern welfare state, we can see that Britain's early steps made more difficult subsequent progress toward combining "social" and "economic" interventions in the form of deficit-financed public works. Before the Great Depression, Britain's pioneering adoption of unemployment

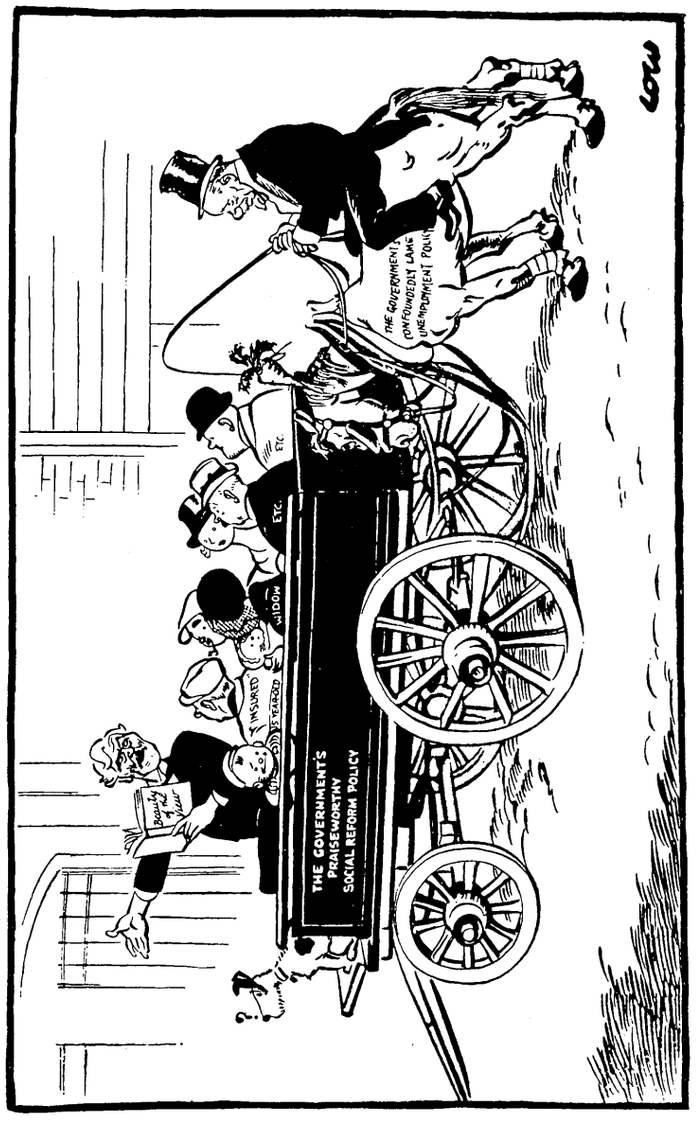
insurance and the expansion of this program into a massive relief system for most of the working class put the country at the forefront worldwide in providing state aid to the unemployed. Yet this prior achievement also channeled the efforts of the Labour party away from alternative efforts to provide employment as such, a dilemma amusingly echoed in a 1929 political cartoon (Fig. 4.3).

Apparently, developments toward full-employment welfare states are not so smoothly evolutionary as many social scientific theories imply. The nations that start first or fastest may not be the ones that arrive soonest. This conclusion is reinforced as we now turn to the history of Swedish efforts to cope with unemployment from World War I through the early 1930s.

During the 1920s, Swedish Social Democrats did not find themselves engaged in political struggles over unemployment benefits. Before they fell from power in 1914, Swedish Liberals had come close, but failed to parallel the achievement of their British counterparts by launching unemployment insurance.[52] Thus, when the end of the war brought soaring unemployment, just as it did in Britain, Sweden had no established unemployment insurance program to extend. As in Britain, the Swedish state's approach to postwar unemployment followed existing administrative and policy grooves, but in the Swedish case this meant relief works administered by a national Unemployment Commission.[53]

First set up in 1914 as an investigatory and advisory board, the Unemployment Commission soon became involved in granting relief to the victims of wartime economic dislocations. Because such relief was not tied to any insurance principle, localities were encouraged to require work in exchange for relief, and in areas of concentrated unemployment, the commission itself operated special employment programs. Paying well below the market rate, the Unemployment Commission's work programs provided the framework for dealing with Sweden's chronic unemployment during the 1920s. Step by step, the commission expanded its activities, tightened its control over local projects, and, like many Swedish administrative bodies, set day-to-day policy quite independently of the many governments that came and went during the politically unstable 1920s.

Understandably, the Swedish Social Democrats formulated many of their own demands and ideas about how to cope with unemployment in reaction to the activities of the Unemployment Commission. Like the British Labour party, the Swedish Social Democrats were buoyed into serious national political contention by the institution of mass suffrage around World War I. Also like their British counterparts, they worried about unemployment – and found it more practical to try to modify existing state programs than to initiate alternative approaches. Thus, although the Swedish Social Democrats unsuccessfully lobbied for state subsidies to union-administered unemployment funds, when they found themselves in office they spent much of their energy responding to unions' complaints about the Unemployment Commission. They were not, however, initially able to



Cart before the Horse

Figure 4.3. From *The London Express*. (Source: Robert Skidelsky, *Politicians and the Slump: The Labour Government of 1929–1931*. London: Macmillan, 1967.)

modify the commission's practices. In 1923 and again in 1926, Social Democratic minority governments fell over disputes with the commission.[54]

With persistent unemployment a continuing concern for Swedish workers and unions throughout the 1920s, the Social Democrats had to keep facing the challenge of how to deal with a national state already active on this issue in what the party and its supporters considered inadequate ways. After defeat in 1928 on a platform that espoused a radical inheritance tax, the Social Democrats began to draft a new political program designed to boost their electoral appeal and free them from the impotence that plagued the earlier Social Democratic governments.[55] During this process, a key party leader, Ernst Wigforss, successfully advocated plans for public works at prevailing wages. Such plans directly responded to the concerns of the unions about below-market wage rates on existing relief projects. The frustrations the Social Democrats had faced during their brief periods of government power would be addressed through replacement of the Unemployment Commission by a new, permanent agency to plan local and national public works.

Thus, the proposals that would in due course become central to the Social Democratic strategy for coping with the depression *emerged before the major crisis itself* through critical dialogue with the Swedish state's existing means for addressing the needs of the unemployed. The parallels to, and differences from, the British case are striking. In the British case, the Labour party focused throughout the 1920s on struggles over unemployment benefits, whereas in the Swedish case, frustrated Social Democrats focused on a national body administering public works for the unemployed. Both parties simply reacted to the existing means their national state had for coping with unemployment and its effects.

Yet labor party struggles over public works offered a better bridge to proto-Keynesian macroeconomic strategies than did prior struggles over the terms on which individuals would receive unemployment benefits. This was so not only because it was easier for public works to be conceptualized and justified in collective national terms. Equally important, it was also easier, in Sweden, as in many other countries, for politically active people to arrive at rationales for financing "useful" public works through government deficits during a national economic crisis. Thus, it mattered greatly that the Swedish Social Democrats, operating in a polity without unemployment insurance, were much more open to public works as a way to cope with unemployment than were their British Labour counterparts.

State Structures, Economic Experts, and Policy Innovations

If the Swedish Social Democrats were prepared to reform public works when they came to power, it nevertheless remains to be seen why they could build reformed public works into a combined strategy for national economic recovery and unemployment relief. After all, government defi-

cits to finance expanded public works were just as anathema to conservative opinion leaders in early-depression Sweden as in Britain, so we must probe further than we have so far to explain why the Social Democrats chose to follow this path.

Certain liberal tenets about the proper role of the government in capitalism remained politically influential throughout the West in the 1920s. Predominant views were that governments should do little to modify the "self-equilibrating" workings of domestic markets and that open international trade should be supported through "sound" currencies based on the gold standard. Regardless of such political orthodoxies, however, important new ideas germinated during the 1920s in intellectual circles of economists.[56] Students of business cycles argued that public spending could play a positive role in smoothing economic fluctuations, or even speeding recoveries from economic downturns. And new views emerged about active governmental roles in managing currencies and interest rates. By the later 1920s, proto-Keynesian suggestions about the economic functions of national governments – ideas as yet unsystematized into any coherent theory – were being developed by quite a few respectable Western economists, including, of course, John Maynard Keynes himself.

In order to assess why and how new, proto-Keynesian economic ideas became, or failed to become, credible with governmental and political leaders in a position to act on them, we must ask not about the presence of individual persons or ideas in the abstract, but whether key state agencies were open or closed to the development or use of innovative perspectives. In effect, we must investigate how the normal mechanisms used by states to incorporate educated expertise served to facilitate or hamper innovations in economic policy.

If new and politically visible economic ideas could have been decisive in their own right, then Britain would have been the first nation to adopt new macroeconomic strategies to deal with unemployment. As early as 1924, Keynes began making arguments about unemployment that pointed away from traditional remedies involving wage deflation and government economies.[57] Four years later, Keynes's ideas took center stage in political debates with the publication of the Liberal "Yellow Book" entitled *Britain's Industrial Future*. Adopted by Lloyd George as his 1929 campaign program, Keynes's unorthodox ideas were again featured in the Liberal pamplet *We Can Conquer Unemployment*, which aroused quite a public stir.[58] Not only did arguments for using government spending to combat unemployment enjoy a most eloquent proponent and the early support of a political party in Britain; they also eventually attracted support from some Labour politicians. The most notable of these was Oswald Mosely, who, as a member of the Labour government's Unemployment Committee of 1929–30, penned a memorandum to Prime Minister MacDonald endorsing a program of spending to combat unemployment, along with a long-term program of industrial rationalization.[59]

Despite all of this, the weight and unanimity of bureaucratic opposition

to innovative economic ideas were a prime factor, along with the Labour party's fixation on unemployment benefits, in discouraging bold initiatives by the Labour government to cope with the depression. The key to bureaucratic intertia in the 1920s and 1930s can be found in the organizational and intellectual stranglehold that one ministry, the Treasury, had gained over all other government departments inside the British civil service.

Before World War I, the Labour Department of the Board of Trade functioned as a center of policy innovation in matters relating to labor, including wage regulations and social insurance.[60] Especially between 1906 and 1911, Labour Department officials were able to gain the ear of the Liberal cabinet, countering the Treasury's perpetual calls for restrictions on new measures that would require government expenditures or administrative expansions. Well-developed statistical capacities and newly expanded field organizations of labor inspectors figured in this remarkable department's ability to pioneer much of the British welfare state. Even more important, perhaps, the Labour Department repeatedly took advantage of a special loophole in the British civil service regulations to recruit laterally to its top official ranks professional experts and other people experienced in dealing with labor problems. The fresh perspectives on social issues that such top-level recruits brought with them into government service gave the Labour Department a dynamism on policy matters that contrasted sharply with the stodgy conservatism of the older domestic departments, such as the Local Government Board, that relied on recruiting officials directly out of Cambridge and Oxford and promoting them by seniority over the years.

The autonomy and status of the Labour Department were apparently enhanced when an independent Ministry of Labour was established in December 1916. But, in fact, postwar administrative reorganization affecting the civil service as a whole fundamentally undermined the earlier conditions favoring policy innovations and thus negated any advantages the new ministry might have gained over the earlier department.[61] In 1919, the permanent secretary of the Treasury became the head of the entire civil service, being thus placed in a position to control career advancement for senior officials in all departments of government. The special regulations allowing lateral recruitment to top official ranks were also eliminated in 1919, ensuring that official mindsets would henceforth change much more slowly. Treasury controls over administrative and staff expenditures in all other departments were tightened, and after 1924 any departmental policy proposal calling for increased government expenditures had to pass Treasury scrutiny before it could go to the cabinet of the day. With these organizational changes in place, tentative official proposals for new uses of government administative powers or expenditures to address social and economic problems were choked off in early stages of formulation and tended not to be raised repeatedly by officials who knew that their career prospects depended on currying favor with Treasury.[62] A profound bias against policy innovations contravening economic orthodoxy spread throughout the entire British state apparatus.

When the Labour government came to power in 1919, therefore, its prime minister and cabinet officials, all relatively new to government office, heard nothing but unanimous bureaucratic advice against unbalanced budgets, new social expenditures, and innovative schemes for national economic recovery. During the Labour government's brief time in office, the only likely route for the injection of alternative policy ideas into the strategic thinking of the Labour leaders was via the Economic Advisory Council that Prime Minister MacDonald established in January 1930. This body was, of course, entirely ad hoc and started its deliberations very late in the game for the troubled Labour government. Moreover, the council as a whole was very unwieldy. Following twentieth-century patterns for British public commissions, it included ministers along with a range of extragovernmental figures: industrialists, trade unionists, and professional economists. Civil servants, however, were not included.[63]

Coherent advice was unlikely to emerge from such a contentious blend of viewpoints, and this prompted the subsequent appointment (at Keynes's urging) of a smaller committee of economists. Keynes and A. C. Pigou were the leading members. During the 1930s, members of the group would make headway at gradually modifying Treasury's views of possible economic policies for Britain,[64] but in 1930–31, even this more manageable set of economic experts could do little to overcome quickly the practical impotence of ad hoc public commissions within the British policy-making system. Nor could it immediately establish the idea that "outside" economic experts should be taken seriously by officials and politicians. The Economic Advisory Council and its committee of economists remained isolated from the governmental machineries responsible for dealing with unemployment and were viewed by Chancellor of the Exchequer Philip Snowden as a potential threat to his control over financial policy.[65] Thus, cautious recommendations for a modest program including domestic public investment, reform of unemployment insurance, and a general tariff found no sympathetic agency to serve as a point of entry into British government.[66] Ironically, it seems to have been after this frustrating experience that Keynes decided that a new, grand theoretical synthesis would be needed to overthrow the hold of "economic orthodoxy." Without the impermeability of the British polity to specific new economic policy recommendations, *The General Theory* might not have been written![67]

In sum, stifled from within the state by Treasury control and parried from without by the normal, self-enclosed functioning of British government, new economic ideas about feasible public policies, especially those calling for public works and budget deficits, could not find their way into officially sponsored programs. Only a Labour party determined and clear-sighted about *its own political need* for bold, state-sponsored initiatives against unemployment and domestic economic decline could have bypassed the British state apparatus and the cacophony of publicly debated views to take up Keynes's new ideas. But we have already seen why the Labour party's

orientations toward the problems of the unemployed were set in an alternative political frame of reference. Together, the social policy legacies that the British state brought into the depression and the imperviousness of the state apparatus to innovative ideas in the later 1920s and early 1930s seem explanation enough for why the hapless Labour government of 1929–31 missed a major opportunity to combine social progress and a strategy for national economic recovery in depression-era Britain.

As we turn back again to Sweden, we can begin to grasp some important points about the Swedish state and its relation to economic experts by looking briefly through the eyes of Brinley Thomas, an assistant lecturer in the Commerce Department of the London School of Economics, who visited Sweden between 1933 and 1935 and talked extensively with economists, officials, and political leaders. In 1936, Thomas published *Monetary Policy and Crises: A Study of Swedish Experience.* By now Thomas's economic analysis has been superseded, but some of his more sociological observations remain acute. Thomas emphasized that the Swedish state had a special capacity to pursue coordinated monetary and budgetary policies because the "Bank of Sweden is publicly owned and is responsible to the Banking Committee of the Riksdag."[68] He was especially impressed that

> in Sweden great respect is paid to the professional economist. He commands an honoured place in the scheme of things in marked contrast to the scepticism or the polite indifference with which he is regarded in this country [i.e., Britain] or the United States. . . . The curious thing is that though [Swedish economists] . . . often take part in the hurly-burly of politics, the authority attaching to their pronouncements is not thereby weakened.[69]

In his preface to the Thomas book, Professor Hugh Dalton of the London School of Economics pointed to an explanation for this: "Economists in that country [Sweden] are, and have long been, in closer touch with practical affairs than in some others, with benefit both to themselves and to public policy."[70] Indeed, much of the answer to why the Swedish Social Democrats launched a deficit-financed recovery strategy in 1932–34 lies in the history of the Swedish state from preindustrial times and its long-established mechanisms for bringing experts, bureaucrats, and political representatives together for sustained planning of public policies.

Apart from brief interludes when parliaments checked royal power, Sweden, from the seventeenth century to the early twentieth, was a bureaucratically centered monarchical regime.[71] Central administrative boards charged with overseeing governance through royally appointed regional officials were established in the seventeenth century by King Gustavus Adolphus II and his chancellor Axel Oxenstierna. Henceforth, policy formation was strongly influenced by the dominance of central administrative boards.[72] These boards were separate from departments engaged in policy implementation and thus could take a strong role in longer-term policy planning. Moreover, royal investigatory commissions recurrently deliber-

ated new national policies, and these included state officials as well as representatives of major social groups. Standing parliamentary committees – with representatives from all estates, or from both houses of the Riksdag after a two-house national representative system replaced the four estates in 1866 – also regularly cooperated with the king's officials to frame compromises and pass proposed measures.

Very rapidly, between the 1880s and 1920s, Sweden was transformed from an agrarian monarchical bureaucracy into an industrial-capitalist parliamentary democracy.[73] In the years surrounding World War I, sharp but nonrevolutionary political struggles, centered in a working alliance between the Social Democrats and the Liberals, led step by step to a universal franchise and to fully responsible parliamentary government. Despite these fundamental changes, initiative in the realm of public policy making did not simply devolve into parliamentary bargaining. Instead, Liberal and Social Democratic party leaders, especially those elected to the Riksdag, were absorbed along with economic interest-group leaders into modernized versions of Sweden's deeply rooted system of deliberative, consultative, and state-centered policy making.[74] Investigatory commissions and parliamentary standing committees guided by administrative officials carried on in the new democratic polity. Such bodies increasingly mobilized the expertise of the modern social sciences through the direct participation of professors, graduate students, and other researchers in their policy investigations.

Against this background, we can understand how a key Social Democratic politician, Ernst Wigforss, along with some young Swedish economists, carried out policy-relevant deliberations on issues of unemployment in the later 1920s. During one of their brief interludes in power, in 1926, the Social Democrats appointed a Committee of Inquiry into Unemployment to investigate the causes of unemployment and conceivable remedies for it.[75] Ernst Wigforss served on this investigatory commission, along with the prominent conservative economist Gosta Bagge. During the years of the commission's typically unhurried operation, Wigforss formulated the new Social Democratic proposals for public works at prevailing wages. Meanwhile, the commission "engaged the research energies of practically all of Sweden's handful of young economists," including Dag Hammarskjöld, Alf Johansson, Gunnar Myrdal, and Bertil Ohlin.[76] A series of important research monographs was completed under the auspices of the official investigation, and the younger economists associated with it would later come to be known as the "Stockholm school."[77]

The origins of breaks with orthodox neoclassical economics in Sweden have been the subject of vigorous debate among historians of economic thought.[78] One position is that the Swedish economists arrived at new analytical understanding about possibilities for activist financial measures and the use of government deficits as a recovery tool by building on the indigenous Swedish theoretical tradition established by Knut Wicksell. This argument suggests that the young economists influenced the thinking of Ernst Wigforss. An alternative interpretation is that Wigforss was inspired primarily by the English Liberals and Keynes and that he in turn influenced the theorizing of the emerging economists of the Stockholm school. Whatever the precise lines of influence, however, it is obvious that, under the aegis of investigations and discussions conducted by the committee established in 1926, important policy-relevant economic ideas were developed. Quite likely, both Wigforss and the young economists were affected by participation in the public investigatory effort.

The worldwide depression engulfed Sweden in 1930–31, and the electoral victory of the Social Democrats the following year provided the ideal context for the continuance and practical culmination of the ongoing cooperation between party leaders and innovative Swedish economists. The international financial collapse opened the way for new Central Bank policies to cushion domestic deflation.[79] With nearly one-fourth of the unionized labor force out of work,[80] unemployment was a more pressing issue than ever for the Social Democrats; so the Riksdag appointed a new Commission on Unemployment, with the leading figures of the emerging Stockholm school – Myrdal, Ohlin, and Hammarskjöld – as the directors. Drawing on accumulated studies and ideas, this team of economists cooperated closely with Wigforss, now finance minister, in formulating the Social Democrats' strategy for economic recovery.[81] At the heart of the Social Democratic strategy were proposals, rationalized simultaneously in humanitarian and in demand-stimulus economic terms, calling for loan-financed public works that would employ workers at union wage rates. The party's long-standing concern with reforming public works projects in the interest of unemployed workers was fused with the economists' ideas about fiscal measures likely to stimulate national recovery from depression.

After six months of negotiations in the Riksdag, a version of the Social Democrats' proposed program was enacted. The compromise ultimately struck was known as the "Cow Deal" between the Social Democrats and the Agrarian party. (Later we shall discuss how the Swedish state structure facilitated this and subsequent worker–farmer compromises.) To help farmers, the Cow Deal called for $10 million in agricultural loans along with agricultural price supports.[82] To address industrial unemployment, large grants for public works were approved.[83] The old Unemployment Commission was left in operation for the time being, but wages on its projects were raised to the prevailing market rate for unskilled labor.[84] Separately administered new public projects were to pay union rates. Ironically, a prolonged strike by construction workers in 1933–34 delayed the full implementation of the public works proposal, but after 1934 greater emphasis was placed on new public works, which were more generously financed than the activities of the Unemployment Commission.[85]

Today, most analysts agree that the early revival of Swedish exports in the 1930s, rather than the Social Democratic program of deficit spending

for public works, was the primary cause of the country's relatively rapid recovery from the depression.[86] Arguably, however, the Social Democratic program did ensure the domestic conditions needed to sustain an export-led recovery.[87] Swedish national production regained predepression levels by 1935–36, and growth continued apace after that (although residual unemployment lingered in Sweden as elsewhere).[88] In any event, the primary significance of the Social Democratic recovery strategy of the early 1930s lay not in its difficult to pinpoint economic results, but in the stable basis it laid for continuing Social Democratic governance. Moreover, the Social Democratic alliance with experts, who continued to be drawn into government-appointed commissions, would therafter regularly expand the economic and welfare functions of the Swedish state.[89]

In sum, the Swedish state's policies and structure in the 1920s provide the key to the Social Democrats' remarkable proto-Keynesian recovery strategy of 1933. Reacting to the state's established means for handling problems of unemployment, the Social Democratic party continually looked for ways to reform the implementation of public works. And the unique institutional mechanism of the state-sponsored investigatory commission allowed economic experts, Social Democratic politicians, and officials to ponder togehter – for several years *before* the depression crisis – how it might be politically and administratively feasible and intellectually justifiable to devise public policies to combat mass unemployment. Of course, irreducible elements of individual creativity were involved in the answers they devised, but it is difficult to imagine a better structural matrix for the crystallization of "Keynesian" macroeconomic strategies several years before the appearance of *The General Theory* itself.

The U.S. State Structure and the Limits of America's New Deal

Just as the Swedish Social Democrats benefited electorally from the onslaught of the Great Depression, so did the Democratic party in the United States and the "New Deal" wing within it led by Franklin Delano Roosevelt of New York. As Roosevelt and the Democrats came to national power in 1932–33, an especially devastating economic crisis by international standards pushed them toward bold national state actions – including public spending on an unprecedented scale – to aid farmers, relieve the unemployed, and promote national economic recovery.

In response to the severe and prolonged economic crisis and the pressing political demands it repeatedly engendered, the New Deal moved through major phases, each of which will be analyzed in subsections to follow.[90] The early New Deal pursued a de facto policy of running federal deficits to finance public works and emergency relief but did *not* launch an explicit program of national economic recovery along these lines. Only quite late in the 1930s, in 1938–39, did Roosevelt finally accept Keynesian-style economic reasoning to justify public expenditures for social purposes. At this point, the liberal New Deal was reconceptualized in social Keynesian terms that resembled the goals of Swedish social democracy. Nevertheless, despite many conditions that favored such a culmination of New Deal reforms, the United States ended up instead with commercial Keynesianism.

As we analyze these successive phases of the U.S. New Deal, we must keep in mind that the depression era in the United States not only engendered a series of debates over how to use the existing capacities of the national government to deal with social and economic problems, but also unleashed struggles over unprecedented initiatives by the federal government and the executive branch. A state structure previously quite decentralized, with national policy making coordinated more through congressional brokering than through presidential initiatives, was itself undergoing basic changes during the New Deal. Whatever the (considerable) remaining roles for local administration in Britain and Sweden, truly "national" states and polities had already been established well before the 1930s in both countries. But the American New Deal was a period of central state building and the nationalization of politics – and a time of conflicts over just how far those wrenching processes might go.[91]

The Two-Track Strategy of the Early New Deal

The early New Deal in the United States brought to power an activist president and a Democratic party anxious to expand federal initiatives to cope with a depression already of unprecedented scope, depth, and duration by 1932–33. The situation faced by the U.S. New Dealers had closer resemblances to Swedish than to British circumstances. As in Sweden, agriculture remained economically important, and workers and farmers alike supported the forces of political reform in 1932.[92] Also as in Sweden, the United States lacked established public benefits to cushion the unemployed or preoccupy the Democratic party, and public works were a recognized means of coping with rising unemployment.

Indeed, from the 1920s, both popularizing economic writers and a whole array of academic economists urged that the federal government use increased spending on public works as a method to combat unemployment and counter business downturns. In 1928, two popularizers, William Trufant Foster and Waddill Catchings, published a widely read book, *The Road to Plenty*, in which they argued that government spending on public works was needed to regulate the balance between savings and investment.[93] Foster himself testified before the Senate in 1932, urging that spending be boosted for all kinds of public works and that the national debt be increased "as far as is necessary to restore employment and production."[94] Nor were academic economists, as is often supposed, unanimously urging the "orthodox" course of wage cuts and governmental budget balancing. As the research of J. Ronnie Davis has amply demonstrated, there were dozens of respectable academic economists, especially from Chicago, Columbia, and

many state universities, who urged deficit-financed public works expenditures upon Congress, President Hoover, and President Roosevelt.[95] This was not surprising, because research on business cycles had, by the 1920s, made the notion of timing public works expenditures for countercyclical or pump-priming purposes a well-known possibility, and intellectual departures from neoclassical equilibrium assumptions were underway on a variety of empirical and theoretical fronts.[96]

To be sure, public works in the United States before the 1930s had been primarily a local and state responsibility, as were welfare for the impoverished and relief for the unemployed.[97] Neverthess, by 1932, local and state governments were begging the federal government to take over the burden of dealing with the problems of their distressed constituents. Democratic party politicians were similarly disposed. With local finances at the breaking point and the party holding national power for the first time in twelve years, federal money and patronage had great appeal.[98] The unusual docility of locally based political power that prevailed in the United States in 1932–34 thus offered the national government the chance to forge a fundamentally expanded and new role for itself.

Roosevelt did not, however, choose to implement a national recovery strategy based on public deficit spending during his "first" New Deal (or even during the "second" New Deal of 1935–36). Instead, for many years the New Deal proceeded along two tracks not explicitly coordinated with one another. On one track, the officially most visible one, regulatory efforts and self-financing interventions were featured in the New Deal's first national recovery strategy and also in the first steps it took to create a permanent federal welfare state in America. The National Recovery Administration (NRA) of 1933–35 emphasized business regulation.[99] The first Agricultural Adjustment Administration (AAA) of 1933–35 was "self-financing" through a tax on agricultural processers.[100] And the Social Security Act was formulated and passed in 1934–35 strictly on what Roosevelt called a "sound" fiscal basis, mandating the collection of taxes from workers well in advance of their eligibility for benefits from unemployment or old-age insurance.[101]

Meanwhile, federal deficits were run up right from the start of the New Deal to pay for public works and relief efforts on an unprecedented scale.[102] But these expenditures were strictly for humanitarian purposes and were carefully segregated into an "emergency budget," while Roosevelt and his financial advisers endeavored to keep the "regular" budget in balance. Moreover, the goal of the "balanced budget" was held up as the measure of New Deal success. As soon as the economic emergency let up, Roosevelt repeatedly promised, all federal expenditures would be balanced against tax income.[103]

To explain why the New Deal so doggedly avoided a recovery strategy of deficit spending, we need to examine the historical formation of the U.S. state structure. In the nineteenth century, the United States had a "state of

courts and parties." This form of political organization flourished in the absence of both public bureaucracy and programmatic political parties, and its legacies limited the capacities of the federal government in the 1930s.[104]

In contrast to Britain, Sweden, and most other European nations, the United States experienced the early establishment of (white) manhood suffrage – before any national bureaucratic state was formed.[105] Despite the fact that American workers voted sooner and more universally than European workers – in fact, in significant part *because* they did – their collective interests as a class did not come to be directly represented in national politics. Because there was no bureaucratic state in place at the time of the accomplishment of popular democracy for white men in the 1820s to 1840s, patronage-oriented political parties (along with courts) dominated much of the polity from the very start of industrialization. Competing parties vied for workers' votes within local residence communities, on the basis of the patchwork of ethnoreligious identities that divided workers among themselves, yet tied subsets of them to sets of farmers and businessmen. To be sure, there were many benefits for workers, especially in local jurisdictions where they were the solid majority, but no major labor or socialist political party emerged in the United States to pursue pro–trade union or specifically worker interests through programmatic national appeals.

The nineteenth-century U.S. state structure changed in some important ways before the coming of the New Deal. Progressive reformers in the early twentieth century sought to undercut the hold of patronage-oriented political parties on public policy making and to carve out room for expert-dominated administrative agencies within urban, state, and federal governments.[106] However, the Progressive reformers did not typically try to create national bureacracies with authority penetrating into localities, and they were largely opposed to any great expansion of the spending powers of government. An essential part of their struggle was directed against the free-spending "corruption" that they thought to be characteristic of the patronage-oriented political parties, whose hold over public policy making they were trying to break.[107] Moreover, the successes of the Progressive administrative reformers were scattered and incomplete, and their partial successes combined with the weakening of party competition in the early twentieth-century United States to exacerbate tendencies toward dispersion of political authority within the American state structure as a whole. Conflicts increased among presidents and congressional coalitions, and the various levels of government in the federal system became more decoupled from one another.[108]

Conflicts of sovereignty, fragmentary administrative reforms, and federal decentralization all, in turn, affected the relationships of emerging social science professionals to public policy making in the United States. To be sure, significant "expert" access to public policy making was first achieved by the reformers of the Progressive Era, many of whom were social scientists, and then enhanced by the wartime mobilization of academic experts

into federal service.[109] Herbert Hoover also had a penchant for organizing expert-dominated conferences and advisory commissions during the 1920s.[110] The elaborate reports and policy recommendations of such conferences and commissions were frequently ignored, however, especially when they called for federal spending.[111] Congressional brokering remained preeminent in the 1920s, and Herbert Hoover did not advocate direct federal government interventions.[112]

In the absence of access to national centers of policy making and implementation such as the Swedish economists enjoyed through participation on that country's administratively anchored investigatory commissions, U.S. economists could hardly lay the strategic groundwork for coherent macroeconomic inventions in response to the depression. Nor could academic economists, often isolated from practical policy making and inevitably scattered across the country's large and competitive system of universities, easily assemble a unified school of thought to challenge orthodox assumptions with well-reasoned and mutually reinforcing alternative ideas, as did the young economists in Sweden. Only two groups of U.S. economists seem to have managed during the 1920s to fuse practical politicoadminstrative considerations with theoretical innovations in the style of the emerging Stockholm school. These groups were the "Commons school" of institutional economists in Wisconsin and a network of agricultural economists oriented to the activities of the U.S. Department of Agriculture (USDA) and its Extension Service. In the early to middle 1930s, each of these groups would forge a particularly successful program within the New Deal as a whole. Wisconsin people would shape the Social Security Act,[113] and the USDA economists would shape the New Deal's agricultural price supports and subsequent efforts at agricultural planning.[114] But there was no counterpart group in a position to shape national economic recovery strategies as such.

Given this background on the historical formation of the state structure – of America's distinctive complex of weak national administration, divided and fragmentary public authority, and nonprogrammatic political parties – it is easy to understand why the early New Deal of 1932–34 produced a welter of federal initiatives in response to the troubles of the depression, yet put the NRA and the AAA rather than a coherent strategy of public deficit spending at the center of its efforts. In contrast to the situation in Sweden, there could be no synthesis of initiatives from a centralized administrative state and from a national parliamentary party devoted to pursuing a collective working-class interest in full employment. Neither the administrative state nor the programmatic party existed. Instead, the early New Dealers married wide popular support – achieved by channeling "temporary" spending for relief and public works through locally rooted congressmen and Democratic politicians – with low-cost, Progressive-style extensions of federal regulation in the national interest. Without having to fashion any political program explicitly recognizing class interests, the New Dealers could offer something to individuals or groups in all classes. They put the federal government in the role of an active umpire ensuring common efforts for national recovery by regulating against "uncooperative" elements in all groups.

All of this could be done, moreover, without explicitly planning *permanently* to expand federal spending, let alone budget deficits. For Roosevelt and the other reform politicians who launched the New Deal, it seemed not merely economically wise, but also morally important to avoid permanent fiscal expansions. To understand why, we must recall that Roosevelt himself, along with most of the key officials he brought with him to Washington (especially from the states of New York and Wisconsin), had originally "come of age" politically during the Progressive Era. For these veterans of fights against "political corruption," "balanced government budgets" symbolized honest government itself.[115] Thus, the earlier history of efforts to overcome patronage democracy and create a certain kind of regulatory – but not free-spending – state in America made it very unlikely that the mature reform politicians who came to Washington to cope with the depression would find notions of *deliberate* deficit spending very appealing.

Possibilities for Social Keynesianism in the Later New Deal

In contrast to the British Labour party, America's New Deal Democrats remained in power and enjoyed continued room for maneuver throughout the 1930s. The activist humanitarian reforms of the early New Deal allowed Democratic majorities to grow in 1934 and 1936. Unlike the Social Democratic strategy in Sweden, however, the New Deal's initial program for national economic recovery was not confirmed by a rapid recovery of economic production or employment to predepression levels. The recovery strategy centered on the NRA collapsed even before it was declared unconstitutional in 1935. Without pausing to discuss all of the developments of 1934–36, we turn to the later New Deal, when changes came together in a way that might have facilitated a U.S. breakthrough to social Keynesianism.

Indeed, the last part of the New Deal provides a more telling comparison with Swedish social democracy than does the early New Deal. Between 1936 and 1939, class-oriented politics was at an all-time high in the United States. The organizational power of industrial labor expanded to an unprecedented degree, and programmatic alliances of unions and liberal Democrats took shape.[116] Within this general context, a number of elements pointed very specifically toward the adoption of a social Keynesian program for national economic recovery, to be followed by a more long term marriage of public social spending and macroeconomic management.

For one thing, by 1937 a variety of federal programs and agencies existed through which increases in spending could be readily effected.[117] More-

over, the Works Progress Administration (WPA) in particular had established a national program of public works that could serve as a basis for further federal interventions. Although WPA projects were initiated locally, Washington approved all proposals. The central administration set employment quotas and monthly program budgets for each state. Regional offices reporting back to the chief administrator, Harry Hopkins, monitored and advised state and district administrations to ensure that federal guidelines and intentions were followed.[118] The movement toward greater central control grew in each year of the program's existence, from 1935 onward.

Although the WPA provided a framework through which flexible central spending policies could be implemented, neither it nor other federal spending programs were originally conceived as part of an explicitly countercyclical strategy. Yet support for exactly such a strategy had been growing for some years inside the federal executive. It is interesting that the key architect of the original proto-Keynesian policy thrust from within the U.S. state was not a university-trained economist. He was Marriner Eccles, a Utah businessman-banker whose formal eduction was only to the high school level.[119]

Early in the 1930s, Eccles became convinced that deficit government spending could produce recovery from the depression, and he carried his idiosyncratic views into the Federal Reserve Board when he became its chairman in 1934. As his assistant, Eccles recruited a former Harvard instructor, Lauchlin Currie, whose diplomatic skills smoothed Eccles's relations with other officials and whose technical skills led in 1935 to the development of crucial new techniques for calculating on a monthly basis the "net income-producing expenditures of the federal government."[120] Together, Eccles and Currie built up, step by step, a like-minded network of allies prepared to lobby the president on both economic and humanitarian grounds for expanded social spending.[121] The network included some cabinet-level officials, especially Harry Hopkins at WPA and Henry Wallace at Agriculture, along with various young academically trained economists in executive-branch staff positions. Working from within the New Deal executive establishment, in short, Eccles and Currie gradually accomplished for the United States something akin to the fusion of new economic thought with concretely feasible policies that those involved in investigatory commissions accomplished in Sweden in the late 1920s and early 1930s.

Along with these administrative and intellectual developments, the configuration of power in Congress suggested that those working for the interests of farmers and industrial labor might cooperate over sustained public spending. Before the first AAA was declared unconstitutional in 1936, farm subsidies had been paid by a tax on processors. Once that tax became illegal, farmers were dependent on congressional trade-offs to secure annual appropriations for the parity payments to which they were now accustomed. No liberal on most matters, American Farm Bureau leader Edward O'Neal urged workers and farmers to stick together in the face of "economy boys" who threatened programs desired by each group.[122]

The Sour Note

Figure 4.4. A cartoon by C. K. Berryman in the *Washington Star*, December 4, 1938. (Source: Dean L. May, *From New Deal to New Economics: The American Liberal Response to the Recession of 1937*. New York: Garland Publishing, 1981.)

Finally, at a critical conjuncture, the budget-minded Franklin Roosevelt was converted to deficit spending as a solution to the continued depression in the American economy. When the sharp economic downturn in 1937 cut industrial production by one-third, the New Deal was thrown into an acute political and intellectual crisis.[123] Executive-branch advocates of deficit-spending remedies urged the president to disregard the budget-minded advice of Treasury Secretary Henry Morgenthau. The *Washington Star* cartoon in Fig. 4.4 shows who won this crucial argument. After prolonged indecision, Roosevelt heeded the advice of the spenders and in April 1938 announced a program for releasing some $6.5 billion in federal funds, through over $2 billion in monetary measures, $1.5 billion in Reconstruction Finance Corporation loans, and about $3 billion in congressional appropriations, mostly for the WPA and the Public Works Administration. Although there were some congressional attempts to place restrictions on such funds, these objections were overridden in the face of the economic downturn. In fact, with congressional elections only seven months away, the final bill actually allocated more funds than Roosevelt had requested, thanks to rural representatives who tacked on a parity payment.[124]

In the aftermath of this policy watershed in 1938, Roosevelt and liberal New Dealers remained believers in government spending as a way to combine economic and social policies, fusing, in short, what had been the two separate tracks of the earlier New Deal.[125] Roosevelt's 1939 budget and annual messages attributed the 1938 recovery to planned increases in federal spending and argued for the continued use of fiscal stimuli to increase national income. Then the Roosevelt administration proposed a hefty Works Financing Bill to Congress, justified as a needed boost for the economy, which had leveled off after recovery from the 1937 recession. This "spend–lend bill" called for the establishment of a $3.06 billion revolving fund for self-liquidating public projects.[126]

These developments in the New Deal's official orientation occurred, moreover, just as Keynes's new economic theory found a prestigious university home among American academic economists. It is interesting that, in its U.S. interpretation, Keynesian economics initially took on a distinctly more social democratic guise than one could find in Keynes's own writings. What is more, American Keynesians in the late 1930s were often openly critical of the prerogatives of private business, and, ironically, this happened even as the politically well-established Swedish Social Democrats were moving toward a rapprochement with Swedish capitalists.[127]

As John Kenneth Galbraith aptly put it, "The trumpet . . . that was sounded in Cambridge, England, was heard most clearly in Cambridge, Massachusetts. Harvard was the principal avenue by which Keynes's ideas passed into the United States."[128] Alvin Hansen moved to Harvard in 1938 from the University of Minnesota, arriving just as he converted intellectually from a skeptic to a disciple of Keynes's 1936 theory.[129] Once at Harvard, Hansen galvanized a preexisting group of graduate students and young academics into what became for a time the "stagnationist school" of Keynesian thought. This orientation held that private investment in the United States would probably not be able to attain and sustain a full-employment, growth economy without permanent infusions of public spending.[130] In the 1938 pamphlet *An Economic Program for American Democracy*, a popularized version of such ideas was deployed by a group of young Harvard and Tufts economists to celebrate the liberal New Deal and its response to the 1937 recession.[131] An unmistakable antibusiness tone suffused this tract, which called for increased public spending in combination with structural reforms in the U.S. economy and redistributions in the income structure.

Hansen was more cautious, as his December 1938 presidential address to the American Economic Association reveals.[132] Nevertheless, his theoretical and humanitarian commitment to heightened levels of public social spending was clear and became sharper as his and his students' ties to liberals in the Roosevelt adminstration grew,[133] for stagnationist Keynesianism in the United States was no mere "ivory tower" phenomenon. Hansen taught in Harvard's new Littauer School of Public Administration as

well as in the Department of Economics, and from 1939 onward, his students and followers moved in considerable numbers into important executive-branch posts.[134] Hansen himself gave celebrated testimony before Congress in 1939 and served in important advisory posts.

By 1939, therefore, two streams of "new economics" had come together in the United States: The Eccles–Currie deficit spenders, who had labored for years within the federal executive, were emboldened and inspired by the new stagnationist Keynesianism of the Cambridge academics.[135] The academics, in turn, had discovered in the New Deal's course, from the early 1930s through the spending response to the 1937 recession, a real-world justification for their distinctive reading of Keynes and the policy conclusions they wanted to draw from it.[136]

The Obstacles to Social Keynesianism in the United States

Propitious as the post-1938 situation looked, however, it would take more than particular congressional votes and the conversion of Roosevelt administration officials – even more than a social democratic reading of Keynes by prestigious U.S. economists – to institutionalize Keynesian macroeconomic management combined with high levels of social spending in the United States. Some contrasts to the ways in which social Keynesian policies were institutionalized in Sweden during the 1930s can help us to understand the obstacles to a comparable accomplishment in the United States.

In Sweden, the long tradition of central administrative guidance and the programmatic discipline of national parliamentary parties allowed the Social Democrats to implement and build on their social-spending strategy with little controversy once the Cow Deal of 1933 was struck. Public works programs in Sweden could be centrally planned yet locally implemented, because local governments were accustomed to working with national administrative boards. With remarkable ease, the Swedish state was able to centralize formerly local functions in the course of the 1930s. For example, Social Democratic reforms in 1934 undertook to reorient local labor exchanges to the national labor market by increasing central control, boosting state subsidies, and expanding the scope of operations.[137] Moreover, in a context in which the Riksdag was attuned to working cooperatively with government leaders and administrators, it proved relatively easy to reorganize Swedish budget planning in 1936–38. And the timeworn device of the public commission could be used again and again by the Social Democrats to plan new forms of social spending, labor–market interventions, and macroeconomic planning.[138]

The ready adaptability of Swedish administrative and party arrangements to the implementation of public works and the relative ease with which further modifications of government operations could be made compatible with enlarged welfare-state efforts contrast sharply with the major, and politically controversial, changes in the federal administration and the

role of the executive that were needed for comparable policy purposes to be consistently pursued in the United States. Because the rapid growth of the federal government during the New Deal had occurred in a disparate and unchecked fashion, a profusion of agencies carried on more or less independently of one another. Better control and coordination were needed before any coherent macroeconomic strategy based on public spending could be put into place. Proponents of a sweeping program of executive reorganization that Roosevelt tried to get through Congress in 1937–38 understood this. They aimed to create a powerful presidency "equipped with the personnel, planning, and fiscal control necessary to implement [its] . . . social program."[139]

In the light of the long-standing twentieth-century rivalry between presidents and Congresses for control over expanding realms of federal administration, it was hardly surprising that Roosevelt's proposals for reorganizing the executive were interpreted, even by many of his regular liberal supporters, as a power grab that could strip Congress of its authority and disrupt carefully cultivated relationships among congressional committees, interest groups, and federal administrative agencies.[140] Thus, the reorganization proposals were eviscerated by Congress. The defeat of the boldest features of executive reorganization boded ill for efforts, from the late 1930s through the 1940s, to carry out policy planning or exert fiscal coordination in ways that would have facilitated Keynesian macroeconomic management and made more credible sustained programs of public spending for full employment and social welfare. The defeat made quite clear that, despite all the forces apparently pushing the United States toward social Keynesianism in the later New Deal, established institutional channels of policy making centered in Congress were proving to be immovable obstacles to prerequisite administrative reforms.

Contrasts in state capacities for introducing and controlling social-spending programs were not the only factors pushing the Swedish and U.S. new deals toward different outcomes. There were also important contrasts in the interests and political capacities of the sectors of agriculture drawn into policy coalitions during the 1930s in the two nations. These contrasts were closely bound up with the ways in which state structures and initial depression-era policies strengthened alternative possible political alliances involving farmers in Sweden and the United States.

In Sweden, the alliance between the Social Democrats and the Agrarian party embodied in the Cow Deal of 1933 was essential for the initial introduction of the deficit-financed strategy for coping with the depression. This alliance was quite a new departure in Swedish political history. In part, prior social changes in the base of the Agrarian party made it possible, as did the depression crisis itself, yet the alliance was also crystallized and solidified by the workings of the Swedish state structure and party system.

Since its formation in 1917, the Agrarian party had aligned with parties of the Right, because it opposed the free-market, proconsumer stance of

the Social Democrats and feared that they might bring higher wages to the countryside.[141] Obstacles to a new alliance were relieved by the late 1920s through the ascendance of leaders oriented to the interests of a growing number of smaller farmers in the Agrarian party and through the movement of large grain farmers into the Conservative party.[142] When the collapse of British and German markets in 1932 spelled disaster for Swedish small producers, they turned to government for an active program of price supports (without production controls), which the bourgeois parties were reluctant to provide.[143] At that point, the Agrarians were still worried about rural wages, and the Social Democrats, for their part, were reluctant to back policies that would raise the cost of living for workers.[144] Thus, there was nothing economically inevitable about the Cow Deal. It was politically and economically *possible*, however. The Social Democrats could not pass their program without additional parliamentary support, and beleaguered Swedish farmers found expanded consumption and government subsidies attractive.

The centralized structure of Swedish policy bargaining – involving representatives of social groups and economic experts, all arguing from what might be called the point of view of the state – helped turn the potential farmer alliance with labor into an actual and enduring agreement. The arguments of the officially influential economists about the beneficial effects of public spending facilitated the initial 1933 agreement by underscoring the common, non-zero-sum interest that workers and farmers might have in a government-stimulated economy. And because parliamentary parties and politics in Sweden were nationally organized, striking a programmatic political bargain within the central government arena was the only meaningful channel open to farmers looking for relief from the depression. It was, likewise, the only way for the Agrarian party to expand its influence.

That continued to be true after 1933, especially as the alliance gained political momentum from the success of its policies. Although the Social Democratic government fell briefly in 1936 in a dispute with the Agrarians over defense and pensions, the Social Democratic party scored a substantial victory in the election that year, and the coalition with the Agrarians was reformed (and endured thereafter through various permutations for decades).[145] The Social Democrats continued to support farmers along the lines of the 1933 agreement, and between 1937 and 1939, the coalition "enacted a broad program of social legislation," including improvements in old-age and disability benefits, stronger labor laws, free maternity care, rent allowances for large families, and subsidized dental care for all Swedes.[146]

Cooperation between political representatives of industrial labor and agricultural interests proved much less durable in the American Democratic party, even though it, like the Social Democratic party, gained electoral ground by 1936. The trouble lay in the group alliances that the New Deal's policies eventually strengthened. Rather than enduringly uniting labor with

those farmers who would benefit most from increased domestic consumption and state interventions in agriculture, the New Deal ended up joining together larger, commercially well-established, export-oriented southern cotton producers with better-off midwestern corn and wheat farmers oriented to domestic as well as international markets. This cross-regional alliance, which took shape from the middle 1930s, was embodied in the American Farm Bureau Federation (AFBF), an organization that became very influential in Congress owing to its presence in many local districts.[147] The AFBF increasingly opposed federal government reforms that might in any way compromise the interests of established agricultural producers and concentrated instead on securing price subsidies tied to production controls favorable to all of its larger-farmer constituents regardless of their international or domestic market orientations. By the later 1930s and the 1940s, the AFBF frequently cooperated with the conservative alliance of southern Democrats and Republicans in Congress to oppose many urban liberal Democratic initiatives.

In the early stages of the New Deal, it was not at all foreordained that this particular coalition involving farmers would emerge as dominant. An alternative coalition might have brought together labor and consumers with dairy farmers, smaller midwestern grain producers, and southern farm tenants. The National Farmers' Union did, in fact, embody a weak version of this alliance, and its policies consistently demonstrated sympathy with continuing federal reforms and a domestic spending strategy.[148] Ironically, however, the initial New Deal agricultural program, in particular the production controls implemented through the first AAA and the federal Extension Service, had the unforeseen and unintended effect of organizationally strengthening the AFBF's ties to larger southern and midwestern farmers. The most significant consequence of the links between the AFBF and the Extension Service was the expansion of the AFBF in the South, traditionally its weakest area of operations.[149] By encouraging AFBF membership in the South in order to facilitate the administration of federal production controls, the AAA cemented ties among large commercial farmers in the United States through a lobbying organization that would, after 1935, work to stymie many AAA-initiated programs of agricultural planning as well as liberal New Deal efforts to help poorer farmers and tenants.

Although the cotton–grain alliance embodied in the AFBF was less sympathetic to increases in public social spending in the United States than an alternative alliance involving farmers might have been, its opposition to liberal New Deal initiatives after the mid-1930s (by which time commercial farmers had recovered from the depression) did not stem from any unwillingness to take federal subsidies as such. It was, rather, the governmental controls that might accompany federal expenditures that provoked the stiffest farm opposition, especially from southern landlords. Many of the New Deal programs introduced after 1935, especially the WPA and the Farm Security Administration, entailed the intrusion of the federal government

into jealously guarded local terrain. In the South the stakes were particularly high. Many southern representatives in Congress had strong ties to landlords who had dominated the region's political and economic life for over half a century. Proposals to expand the purview of central government or to transfer local functions to Washington were staunchly resisted by these people.[150] Especially as the national upheaval in industrial relations spread, southern elites sought to protect themselves from the Roosevelt administration, which they held responsible for the growth of union power. Likewise, the few overtures toward blacks made by the Roosevelt administration threatened to disrupt the caste system of race relations so fundamental both to modes of labor control and to nondemocratic electoral politics in the South.

Even though representatives of farm districts were not a majority in Congress, the processes of legislation and the control that the seniority system gave rural and southern committee chairmen allowed the best-organized agricultural interests sufficient leverage to resist any permanent compromise with the liberal wing of the Democratic party.[151] Swedish farmers had little choice but to enter right at the start of the 1930s into a centrally negotiated compromise with industrial labor and the Social Democrats, or else be excluded from power altogether. In the United States, however, farmers, especially the richer ones who consolidated their alliance through the AFBF, benefited economically from the special farm programs of the early New Deal and thereafter had no incentive to reach a lasting agreement with labor and urban liberals in Congress. This was true despite the fact that the 1936 Supreme Court invalidation of the processing tax that had financed the first AAA made farmers dependent on congressional votes for recurrent crop subsidies. Even with this heightened potential for urban–rural trade-offs in Congress, no enduring programmatic alliance resulted. Representatives concerned with agricultural interests could strike ad hoc deals with liberals over particular packages of legislation, yet oppose them on others and all the while continue to look for bases of cooperation with other interests.

Congressional conservatives initially did not oppose federal spending packages as such, but instead worked to earmark funds and to attach other restrictions reducing federal discretion. After the 1938 election had diminished Roosevelt's support in Congress, however, his 1939 "Spend–Lend bill" was defeated.[152] This defeat marked the first occasion on which Congress rejected a major New Deal spending package strongly backed by the president. Keynesians had considered this measure barely adequate, and their hopes for continuing the spending approach to economic recovery begun in 1938 were thwarted by this setback.

In sum, the strength of local bases of power and congressional determination to block the institutionalization of stronger federal executive controls were the essential barriers to constructing a permanent, nationally coordinated system of social spending in the late 1930s. The upshot was

that potential contributions by the increasing number of Keynesian experts were deflected. Although Keynesian advocates were scattered throughout the federal executive after 1938, their effectiveness depended on capturing Roosevelt's support in competition with other executive officials, and they had little leverage with many congressional centers of legislative power. Without programmatic political parties and without a strong administrative state capable of bringing spending coalitions together for planning and compromise, American Keynesians of the late 1930s could not parallel the public policy achievements of the Swedish economists, even though the programmatic hopes of many of them were quite similar.

Mobilization for World War II put an end to the political quarrels that stalemated the later New Deal, yet the conflicts were only temporarily postponed. Support persisted in Congress for national social spending and federally sponsored reforms, but so did growing conservative opposition to any further government expansion. During the war, the National Resources Planning Board (NRPB), established under the auspices of the watered-down version of the Reorganization Act passed in 1939, became something of a magnet for planners and social Keynesians.[153] The NRPB's major report, *Security, Work and Relief Policies*, published in 1942, presented a comprehensive survey of all relief policies and argued for greater coordination and advance planning of federal social spending. Congressional treatment of the board previewed the struggle over full employment that would be fought three years later. In each year of NRPB's existence, Congress attached increasingly restrictive provisions on its operations, and finally, after its major report was issued, Congress cut off appropriations for the NRPB, ensuring the agency's demise.[154]

Despite the lack of support for Keynesian social planning in Congress, discussion of measures to ensure adequate employment opportunities after the war absorbed professional economists and the general public, reflecting the widespread fear of a major postwar recession. In early 1945, the Full Employment bill was introduced in Congress.[155] Based on stagnationist Keynesian theory and expectations, the bill proposed that government spending make up any shortfall between private investment and full employment. It envisaged a substantial and permanent role for the federal government in the economy and received strong support from liberal representatives in Congress and from the labor movement and its allies. Its fate was to presage the shape of federal involvement in the economy for much of the postwar period.

As in the later New Deal and in the struggle over the NRPB, southern and rural conservatives held the balance of power in Congress. Opposition to the bill by the AFBF and by the U.S. Chamber of Commerce and other business organizations stressed the shared interest of farmers and business in curbing the growth of federal government. Strategically placed conservatives in the House, especially Representative William Whittington of Mississippi, who worked closely with Chamber of Commerce economists,

were instrumental in substituting and passing a greatly watered down version of the employment bill.[156] The new Employment Act of 1946 did not commit the federal government to spending to ensure full employment. It merely authorized the president to monitor the economy and to submit economic projections to Congress. The new mechanism it established was the Council of Economic Advisors, whose authority was simply to advise the president, not to prepare anything so comprehensive as the annual National Production and Employment Budget proposed by the original Full Employment bill.[157]

In the United States, the battle during 1945–46 over the Full Employment bill marked the denouement of the drama that had begun when Roosevelt assumed office in 1932. Tendencies similar to those that had produced Sweden's social Keynesian response to the depression gathered force during the 1930s in the United States, but the structure of the American state prevented them from producing a comparable synthesis of social spending and macroeconomic management. In turn, the differing fates of the new deals in Sweden and America had major and enduring consequences for the way in which business was reintegrated into public policy making once the depression was over.

In Sweden, the political dominance of the Social Democrats, reconfirmed by electoral victory in 1936, induced business to come to terms with Swedish labor unions and with the emerging Swedish welfare state. Reconciled to the continuation of the Social Democrats in office, the Swedish Confederation of Employers' Organizations concluded a pact with the unions designed to ensure increased stability in industrial relations and to shield wage negotiations from direct state regulation.[158] Although this "private" corporatist system of centralized wage negotiations sanctioned in the Saltsjobaden Agreement of 1938 limited the direct reach of the Swedish state, it was established in the context of high levels of public spending and it eased future public policymaking for an internationally efficient economy and for generous social welfare by establishing uniform and regular procedures for negotiating nationally standardized wage increases. Swedish business, in short, made peace with social Keynesianism – from which, indeed, larger and more efficient enterprises would benefit considerably in the postwar period.[159]

In the United States, by contrast, *after* the supporters of the Full Employment bill of 1945 had been blocked by the congressionally centered alliance of AFBF farmers and Chamber of Commerce businessmen, advocates of commercial Keynesianism in the big-business-affiliated Committee for Economic Development (CED) were able to pick up the pieces.[160] The CED cooperated with moderate economists on the new Council of Economic Advisors, and its economic thinking drew on long-standing work by University of Chicago–based economists who had anticipated some of Keynes's policy prescriptions before *The General Theory* and who had never converted to the Harvard-led stagnationist understanding of the U.S. econ-

omy and the role that public spending should play in it.[161] By accepting the least objectionable feature of Keynesianism – balancing budgets over a period of years, rather than annually – the CED and its moderate economist allies were able to institutionalize countercyclical policies that relied on automatic stabilizers, not on increased government spending and the discretionary power and stronger welfare state that would have accompanied it.

Consumer purchasing power in the postwar United States was partially sustained by such federal automatic stabilizers but also depended strongly on recurrent union gains in private wage negotiations.[162] These gains were achieved through much more industrial conflict than occurred in Sweden.[163] National military outlays in the Korean War and its aftermath became another important prop for the economy, which also benefited from America's international economic leadership while Europe and Japan rebuilt from the devastations of war. Meanwhile, authority over diverse and uncoordinated programs of federal domestic spending in the United States continued to be centered in Congress, the many local and interest-group constituencies of which could enjoy public resources without federal control. At the national level, macroeconomic management remained divorced from public social welfare efforts, and the wholehearted pursuit of full employment – defined as jobs for everyone willing to work – remained beyond the purview of public policy in the United States.

Conclusion

The Great Depression of the 1930s undermined previous tenets of public finance and opened new possibilities for the state in capitalist liberal democracies to become the active agent of societal welfare through a synthesis of social spending and macroeconomic management. The realization of such possibilities depended on the emergence of new ideas about the management of national economies, on shifts in political power that strengthened organized labor, and on socially rooted coalitions politically willing and able to support deficit-spending policies. Yet such factors, we have maintained, were not sufficient to account for various national policy choices. Instead, we have analyzed the social policy legacies and the structures of states in order to account for the recovery strategies pursued by Sweden, Britain, and the United States in response to the depression crisis.

Our emphasis has not been primarily on states as sites of direct official action. Rather we have probed more subtle, often overlooked relationships between states and societies – relationships that profoundly affected the capacities of states and political leaders in Sweden, Britain, and America to conceive and implement public strategies. We have discovered that political parties, even those historically formed as programmatic agents for working-class interests, defined their goals in the 1930s in close relationship to existing policies and capacities of the states with which they were dealing. We have found, too, that political coalitions of social groups willing to support deficit-spending programs gained leverage only through state structures and came together – or broke apart – partially in response to the sequence and effects of state policies themselves. We have also examined ways in which the Swedish, British, and U.S. state structures patterned the formulation and successful application of new, policy-relevant economic ideas, and here we may point, not so much to firm conclusions, as to several comparative observations worth turning into questions for further exploration.

The Swedish "new" economists achieved the earliest and fullest "Keynesian" policy successes and subsequently reaped rich rewards through their academic and public careers and international intellectual reputations. Yet the Swedish economists achieved their policy impact *without* first forging a strikingly new grand theory, as Keynes did in Britain, and without clothing their economic prescriptions in politically partisan and conflictual prescriptions, as the stagnationists did in the United States. Our analysis has suggested that early and sustained access to administratively strategic centers of public policy made it possible for the Swedish economists to produce effective intellectual justifications for state-sponsored reforms in this relatively atheoretical and nonconflictual mode. Do analogous conditions regularly lie behind successful social-scientific contributions to public reforms in capitalist democracies (and other kinds of polities)? Under what alternative conditions do grand academic theories or conflictual presentations of theories prove more effective, directly or indirectly, in the complex processes that lead to transformations in public policies?

Still more intriguing, What effects on processes of intellectual innovation, and on intellectual reflection itself, are exerted by the policy successes and setbacks of experts? Would John Maynard Keynes have bothered to fashion the grand theory that gave his name to an epoch – and that inspired such an array of followers and policies ranging across intellectual and political spectra – if he had enjoyed immediate access to centers of public policy making in interwar Britain? If Keynesianism, in turn, had not been born, would the Swedish economists ever have bothered to declare themselves members of the Stockholm school? What difference would it have made for economic theorizing and research, and for public policies and political debates in the postwar period, if these paradigms and schools had not been created? And if Keynesianism had not been fashioned as a transnational language of discourse on public economics, how would we and the comparative political sociologists with whom we debate have conceptualized our guiding questions about Sweden, Britain, the United States, and other advanced nations from the 1930s to the present? Perhaps, in fact, we all owe more than we can even imagine to the organizational structure of the British state in the 1920s!

Notes

This chapter grew out of an earlier paper on Sweden and the United States published in the *International Journal of Comparative Sociology* 24(1–2) (1983): 4–29. We benefited from reactions to that paper and to the first draft of this essay, presented in the session entitled "Comparative Social and Economic Policy" at the annual meeting of the American Political Science Association, Chicago, September 2, 1983. Helpful comments and criticisms came especially from Douglas Ashford, Barry Eichengreen, Peter Gourevitch, Barbara Haskel, Hugh Heclo, Albert Hirschman, Peter Lange, Axel Leijhonufvud, Stephen Krasner, Charles Sabel, Philippe Schmitter, Bill Skocpol, and David Stark. We also benefited from stimulating discussions when these ideas were presented at the University of Chicago's Center for the Study of Industrial Societies, in a Social Science Luncheon Seminar at the Institute for Advanced Study in Princeton, and in a lecture at Duke University.

1. For some overviews of national variations, see H. W. Arndt, *The Economic Lessons of the 1930s* (London: Oxford University Press, 1944); W. Arthur Lewis, *Economic Survey* (London: Allen & Unwin, 1960); and Bradford Lee, "Budget Balancing in an Historical Perspective: National Priorities in Britain, France, and the United States" (Paper presented at the Woodrow Wilson Center, Washington, D.C., June 1981).
2. The "new deal" label for Swedish reforms in the 1930s comes from Bjarne Braatoy, *The New Sweden* (London: Nelson, 1939), chap. 1. for overviews of Swedish and U.S. policies in the 1930s, see especially Arndt, *Economic Lessons*, chap. 2 and 8; Bertil Ohlin, ed., "Social Problems and Policies in Sweden," a collection of articles in *Annals of the American Academy of Political and Social Sciences* 197 (May 1938); Harrison Clark, *Swedish Unemployment Policy: 1914 to 1940* (Washington D.C.: American Council on Public Affairs, 1941), chaps. 5–12; Herbert Stein, *The Fiscal Revolution in America* (Chicago: University of Chicago Press, 1969), chaps. 3–7; and Albert U. Romasco, *The Politics of Recovery: Roosevelt's New Deal* (New York: Oxford University Press, 1983).
3. There are major and continuing controversies over what should count as a truly "Keynesian" argument, either in theoretical or in policy-oriented terms. Here, we are inclined to accept Don Patinkin's point that the *theoretical* "central message" of Keynesian economics did not appear until Keynes's 1936 book *The General Theory of Employment, Interest, and Money*. See Don Patinkin's "Multiple Discoveries and the Central Message," *American Journal of Sociology* 89(2) (1983): 306–23; and also his *Anticipations of the General Theory?* (Chicago: University of Chicago Press, 1982). Nevertheless, well before 1936, Keynes himself in Britain and various other economists there and in other nations anticipated parts of the Keynesian theoretical message and, especially, many of its policy-relevant implications. We shall discuss relevant instances later. For now, let us simply point out that, failing a better terminology, we shall use "proto-Keynesian" to refer to such pre-1936 anticipations. After 1936, the term "Keynesian" becomes appropriate even for theoretical and policy ideas that might have been developed parallel to, or separate from, Keynes's writings, precisely because his "central message" did quickly come to dramatize and symbolize a transnational revolution in economic thinking.
4. See Stein, *Fiscal Revolution*, chaps. 5–7; and Dean L. May, *From New Deal to New Economics: The American Liberal Response to the Recession of 1937* (New York: Garland, 1981), chaps. 6 and 7.
5. On Swedish policies from the 1930s, see Gösta Esping-Andersen and Roger Friedland, "Class Coalitions in the Making of West European Economies," *Political Power and Social Theory* 3 (1982): 17–25; Assar Lindbeck, *Swedish Economic Policy* (Berkeley: University of California Press, 1974); Andrew Martin, "The Dynamics of Change in a Keynesian System," in *The State, Capital, and Liberal Democracy*, ed. Colin Crouch (New York: St. Martin's Press, 1979), pp. 88–121; and William Snavely, "Macroeconomic Institutional Innovation: Some Observations from the Swedish Experience," *Journal of Economic Issues* 6 (1972): 27–60.
6. "Social Keynesianism" is our own phrase. "Commercial Keynesianism" comes from Robert Lekachman, *The Ages of Keynes* (New York: McGraw-Hill, 1966), p. 287.
7. On U.S. macroeconomic policies since World War II, see Lekachman, *Age of Keynes*, chaps. 8–11; Robert M. Collins, *The Business Response to Keynes, 1929–1964* (New York: Columbia University Press, 1981), chaps. 6 and 7; and Stein, *Fiscal Revolution*, chaps. 9–17. In the postwar period, the United States and Sweden gravitated toward opposite poles both in terms of levels of public spending and in terms of the trade-off between unemployment and inflation. See Andrew Martin, *The Politics of Economic Policy in the United States: A Tentative View from a Comparative Perspective* (Beverly Hills, Calif.: Sage, 1973), pp. 5–20; and Douglas Hibbs, "Political Parties and Macroeconomic Policy," *American Political Science Review* 71 (1977): 1472.
8. On the specific difficulties of coordinating Keynesian economic intervention with unemployment insurance in the United States, see Edward J. Harpham, "Federalism, Keynesianism and the Transformation of Unemployment Insurance in the United States," in *Nationalizing Social Security*, ed. Douglas E. Ashford and E. W. Kelley (Greenwich, Conn.: JAI Press, forthcoming).
9. On Britain's pre-1930s social policies, see especially Bentley V. Gilbert, *The Evolution of National Insurance in Great Britain: The Origins of the Welfare State* (London: Michael Joseph, 1966); Bentley V. Gilbert, *British Social Policy, 1914–1939* (London: Batsford, 1970), chaps. 1–3; and Peter Flora and Jens Alber, "Modernization, Democratization, and the Development of Welfare States in Western Europe," in *The Development of Welfare States in Europe and America*, ed. Peter Flora and Arnold J. Heidenheimer (New Brunswick, N.J.: Transaction Books, 1981), especially Figure 2.4, p. 55, which summarizes the programmatic and labor-force coverage of British social policies compared with those of other European nations.
10. The following account relies especially on Robert Skidelsky, *Politicians and the Slump: The Labour Government of 1929–1931* (London: Macmillan, 1967).
11. On Britain's recovery in the 1930s, see Arndt, *Economic Lessons*, chap. 4, which presents a quite optimistic picture.
12. There is disagreement about whether Britain ever fully implemented Keynesian macroeconomic policies, although much of what is at issue depends on how "Keynesian" policies are defined. See Jim Tomlinson, "Why Was There Never a 'Keynesian Revolution' in Economic Policy?" *Economy and Society* 10(1) (1981): 72–87; and Kerry Schott, "The Rise of Keynesian Economics: Britain 1940–64,"

Economy and Society 11(3) (1982): 292–316. On the "Beveridge" reforms in the British welfare state after World War II, see Norman Furniss and Timothy Tilton, *The Case for the Welfare State* (Bloomington: Indiana University Press, 1979), pp. 104–109.

13. We deal only with explicitly *comparative* arguments, direct competitors of our own. In the historical literatures on each individual country, however, the personalities and outlooks of key national leaders are often emphasized. Comparative analysts may fall back on ad hoc explanations along these lines, when economic-determinist or "rational-choice" arguments fail. See, for example, Peter Gourevitch's treatment of the British case in "Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930s," *International Organization* 38(1) (1984): 121–22; and Dennis Kavanagh, "Crisis Management and Incremental Adaptation in British Politics: The 1932 Crisis of the British Party System," in *Crisis, Choice, and Change: Historical Studies of Political Development*, ed. Gabriel A. Almond, Scott C. Flanagan, and Robert J. Mundt (Boston: Little, Brown, 1973), pp. 194–95.

    Ironically, *similar* leadership personalities and outlooks have been invoked to explain *different* outcomes across our three cases. In particular, British Labour leaders of 1929–31 have been criticized for excessive willingness to compromise in the name of national unity and for combining idealism with pragmatism, whereas Swedish Social Democratic leaders and American New Dealers have been praised for similar qualities, which supposedly explain their reformist initiatives! In our view, the actual goals, outlooks, and normative ideals of leaders and groups must be seriously considered, but in a historically grounded way. They should not be treated as fixed essences built into personalities or party ideologies, but rather analyzed in close relationship to the overall institutional contexts, patterns of political culture, and conjunctures of political conflict within which leaders and groups operated over time.
14. For example, international monetary and trade fluctuations, the precise effects of which in relation to national policies and domestic economic circumstances are difficult to assess, exerted powerful influences on the course of national economic recessions and recoveries in the Great Depression. See Arndt, *Economic Lessons*, and the arguments about Sweden cited in note 86.
15. Proponents of various kinds of working-class-strength arguments include Francis G. Castles, ed., *The Impact of Parties* (Beverly Hills, Calif.: Sage, 1982); Esping-Andersen and Friedland, "Class Coalitions"; Walter Korpi, *The Working Class in Welfare Capitalism* (London: Routledge & Kegan Paul, 1978); Walter Korpi, *The Democratic Class Struggle* (London: Routledge & Kegan Paul, 1983); Martin, *Politics of Economic Policy;* and John Stephens, *The Transition from Capitalism to Socialism* (London: Macmillan, 1979). An excellent review of this approach to the development of Western welfare states is to be found in Michael Shalev, "The Social Democratic Model and Beyond: Two Generations of Comparative Research on the Welfare State," *Comparative Social Research* 6 (1983): 87–148.
16. Stephens, *Transition to Socialism.*
17. Every one of the works cited in note 15 dwells on the Swedish case, especially since the 1930s. The working-class-strength model is, in effect, an attempt to derive a cross-nationally relevant theory from a certain understanding of the rise of Swedish social democracy.

18. Martin, *Economic Policy in the United States*, and Stephens, *Transition to Socialism*, pp. 149–56, discuss U.S. developments in these terms.
19. David Brody, "The Emergence of Mass Production Unionism," in *Change and Continuity in Twentieth Century America*, ed. J. Braeman, R. Bremner, and E. Walters (Columbus: Ohio State University Press, 1964), pp. 221–62; Milton Derber, "Growth and Expansion," in *Labor and the New Deal*, ed. M. Derber and E. Young (New York: DaCapo Press, 1972), pp. 1–44; and J. David Greenstone, *Labor in American Politics* (New York: Knopf, 1969), chap. 2.
20. Collins, *Business Response to Keynes*, chap. 2.
21. This point has been especially emphasized by Adam Przeworski. See his "Social Democracy as a Historical Phenomenon," *New Left Review*, no. 122 (July–August 1980): 27–58.
22. Stephens, *Transition to Socialism*, pp. 130–31; Korpi, *Working Class in Welfare Capitalism*, p. 86; and Sven Anders Soderpalm, "The Crisis Agreement and the Social Democratic Road to Power," in *Sweden's Development from Poverty to Affluence, 1750–1970*, ed. Steven Koblick (Minneapolis: University of Minnesota Press, 1975), p. 277.
23. See especially Korpi, *Working Class in Welfare Capitalism*. Also, John Stephens discusses the "feedback effects" of Social Democratic incumbency on Swedish union strength in "Class Formation and Class Consciousness: A Theoretical and Empirical Analysis with Reference to Britain and Sweden," *British Journal of Sociology* 30(4) (1979): 389–414, especially pp. 406–407.
24. Strictly speaking, three Scandinavian Social Democratic parties pursued reformist public-spending strategies in the 1930s: the Danish (from 1929), Norwegian (from 1935), and Swedish (from 1932). Swedish Social Democrats and economic experts played the leading role in fashioning an economically rationalized recovery strategy, but the Danish Social Democrats were the first to attain power and implement such a strategy. During the 1920s, the Danish Social Democrats formed an alliance with the Radical party representing small farmers in an agrarian sector that was more socioeconomically differentiated than in Sweden or Norway. See Francis G. Castles, *The Social Democratic Image of Society* (London: Routledge & Kegan Paul, 1978), pp. 22–23, 113. Moreover, the Danish state, like the British, was an early pioneer among liberal countries in launching social benefits programs. However, Danish unemployment insurance was in the form of public subsidies to voluntary union-run plans, not compulsory (contributory and publically funded) benefits for virtually the entire industrial working class, as in Britain.
25. Like the British Labour party, the German Social Democratic party also failed to launch innovative policies against unemployment, despite support from key union leaders for demand-stimulus ideas. See the discussions in Gourevitch, "Breaking with Orthodoxy," p. 108; Martin, *Economic Policy in the United States*, pp. 45–46; and Vladimir Woytinski, *Stormy Passage* (New York: Vanguard, 1961), pp. 458–72.
26. As we read him, Stephens, *Transition to Socialism*, p. 145, agrees with this point, but he does not seem to realize that the comparability of British and Swedish working-class organizational strength in the 1920s raises basic questions about using such strength to explain the sharply contrasting Labour versus Social Democratic responses to the depression crisis. Those divergent responses, in

turn (as Stephens agrees), were a primary reason for the divergent fates of the two social democratic labor movements after the early 1930s.

27. Stephens, *Transition to Socialism*, pp. 115–16, provides interesting figures on Swedish and British unionization. The post–World War I peak of union membership was far higher in Britain than in Sweden; thereafter, the trends favored Sweden, although sharp divergence came only *after* the early 1930s. In 1930, union members were 23 percent of the total labor force in Britain and 20 percent in Sweden. For 1930–31, if only nonagricultural wage and salary workers are used as the base, Sweden had 35 percent unionized compared with 31 percent for Britain. According to Castles, *Social Democratic Image*, Table 1.1, p. 6, the British Labour party averaged 33 percent of the vote during the 1920s, whereas the Swedish Social Democrats averaged 36 percent. Obviously, all of these percentages are quite close to one another.
28. Hugh Heclo, *Modern Social Politics in Britain and Sweden* (New Haven, Conn.: Yale University Press, 1974), pp. 38–41.
29. Soderpalm, "Crisis Agreement."
30. Skidelsky, *Politicians and the Slump*.
31. Heclo, *Modern Social Politics*, Fig. 3, p. 23, shows the contrasting balances between manufacturing and agriculture in the British versus Swedish national economies. In 1930 those employed in agriculture (including forestry and fishing) constituted 36 percent of the Swedish labor force, but only 6 percent of the British labor force. The source is B. R. Mitchell, *European Historical Statistics, 1750–1970* (New York: Columbia University Press, 1976), pp. 162–63.
32. Aside from those cited and discussed later, important works using the "economic coalition" approach to explain public policies include Alexander Gerschenkron, *Bread and Democracy in Germany* (New York: Howard Fertig, 1966; originally 1943); James Kurth, "The Political Consequences of the Product Cycle: Industrial History and Political Outcomes," *International Organization 33* (1979): 1–34; and Peter Gourevitch, "International Trade, Domestic Coalitions and Liberty: Comparative Responses to the Crisis of 1873–95," *Journal of Interdisciplinary History* 8 (1977): 281–313. In *The Collapse of the Weimar Republic* (Princeton, N. J.: Princeton University Press, 1981), David Abraham uses this approach to illuminate a regime change as well as shifting policy patterns.
33. Thomas Ferguson, "From Normalcy to New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression," *International Organization* 38(1) (1984): 41–93. Despite the title, Ferguson does not really say much about which policies were adopted and exactly how, especially after the "first" New Deal of 1932–34. Apparently, he mistakenly conflates the labor regulation and social insurance reforms of 1935–36 with Keynesianism. He also seems to make strong assumptions, not empirically demonstrated in this article, about the role of the Democratic party as such in shaping policy choices.
34. Peter Gourevitch, "Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930s," *International Organization* 38(1) (1984): 95–129.
35. John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt Brace Jovanovich, 1964; originally 1936), p. 383.
36. Some useful reflections on Keynes's lack of short-term successes as a policy adviser in the interwar years appear in Professor Donald Muggeridge's discussion of Lord Kaldor's "Keynes as an Economic Advisor," in *Keynes as a Policy Advisor*, ed. A. P. Thirwall (London: Macmillan, 1982), pp. 28–33. Other insights about Keynes's distinctive blend of scientific and political concerns appear in Elizabeth S. Johnson and Harry G. Johnson, *The Shadow of Keynes* (Chicago: University of Chicago Press, 1978), chaps. 2 and 6; and in John Vaizy, "Keynes and Cambridge," in *The End of the Keynesian Era*, ed. Robert Skidelsky (London: Macmillan, 1977), pp. 10–24.

37. Keynes, *General Theory*, pp. vi, 383–84.
38. Schott, "Rise of Keynesian Economics," p. 292.
39. The assertions of the following paragraph are elaborated and documented later at appropriate points in our comparative-historical analysis.
40. Heclo, *Modern Social Politics*, especially chap. 6.
41. Skidelsky, *Politicians and the Slump, passim*.
42. Heclo, *Modern Social Politics*, pp. 78–90, 105–110; see also Jose Harris, *Unemployment and Politics: A Study in English Social Policy, 1886–1914* (Oxford: Oxford University Press, 1972).
43. Kavanagh, "Crisis Managment and Incremental Adaptation," pp. 175, 181–83; and Skidelsky, *Politicians and the Slump*, chap. 2.
44. See Fig. 4.2 for British rates of unemployment in the 1920s.
45. On Labour's election promises, see Heclo, *Modern Social Politics*, p. 114. On the Labour government's record, see C. L. Mowat, *Britain between the Wars, 1918–1940* (Chicago: University of Chicago Press, 1955), pp. 174–78.
46. Quoted in Heclo, *Modern Social Politics*, p. 115.
47. This paragraph draws broadly from Skidelsky, *Politicians and the Slump*, chaps. 3–7.
48. Bentley V. Gilbert, *British Social Policy, 1914–1939* (London: Bratsford, 1970), p. 162.
49. Ibid.
50. Ibid, pp. 162–75; and Skidelsky, *Politicians and the Slump*, chaps. 11–13.
51. Mowat, *Britain between the Wars*, p. 413.
52. This paragraph draws from Heclo, *Modern Social Politics*, pp. 74–78, 92–97. See also Douglas Verney, "The Foundations of Modern Sweden: The Swift Rise and Fall of Swedish Liberalism," *Political Studies* 22(1) (1972): 42–59.
53. On the Unemployment Commission, see Harrison Clark, *Swedish Unemployment Policy* (Washington D.C.: American Council on Public Affairs, 1941), chaps. 2 and 3; and Gustav Moller, "The Unemployment Policy," *Annals* 197 (1938): 47–48.
54. Clark, *Swedish Unemployment Policy*, pp. 49–50; and Herbert Tingsten, *The Swedish Social Democrats* (Totowa, N. J.: Bedminster Press, 1973; originally 1941), pp. 261, 430.
55. Castles, *Social Democratic Image*, pp. 24–25; Donald Winch, "The Keynesian Revolution in Sweden," *Journal of Political Economy* 74(2) (1966): pp. 170–71; Timothy Tilton, "A Swedish Road to Socialism: Ernst Wigforss and the Ideological Foundations of Swedish Social Democracy," *American Political Science Review* 73 (1979): 508; and C. G. Uhr, "Economists and Policymaking 1930–1936: Sweden's Experience," *History of Political Economy* 9(1) (1977): 91, note 4.
56. Some relevant treatments of trends in policy-relevant economic thought in the 1920s and early 1930s include Stein, *Fiscal Revolution*, pp. 131–62; J. Ronnie Davis, *The New Economics and the Old Economists* (Ames: Iowa State University Press, 1971); Keith Hancock, "Unemployment and the Economists in the 1920s,"

Economica, new ser., 27 (1960): 305–21; Brinley Thomas, "Swedish Monetary Policy since Wicksell," in *Monetary Policy and Crises: A Study of Swedish Experience* (London: Routledge, 1936), chap. 3; and Everett J. Burtt, Jr., *Social Perspectives in the History of Economic Theory* (New York: St. Martin's Press, 1972), pp. 233–37 (on Keynes's own evolution from 1924 to 1933). All of these works emphasize ways in which modifications of neoclassical economic ideas were pushing toward fully "Keynesian" models and policy prescriptions. For a fuller understanding of the disputes in intellectual history to which these works contribute, see also the works cited in notes 3, 77, and 78.

57. Roy Harrod, *The Life of John Maynard Keynes* (New York: Norton, 1951), pp. 345–86. The first important statement by Keynes about deficit-financed public works was "Does Unemployment Need a Drastic Remedy?" which appeared in *The Nation* on May 24, 1924. Further articles and public lectures regularly ensued.
58. Skidelsky, *Politicians and the Slump*, pp. 51–57.
59. Ibid., chap. 8.
60. This paragraph draws on Roger Davidson, "Llewellen Smith and the Labour Department," in *Studies in the Growth of Nineteenth Century Government*, ed. Gillian Sutherland (London: Routledge & Kegan Paul, 1972), pp. 227–62; Roger Davidson, "Board of Trade and Industrial Relations," *Historical Journal* 21(3) (1978): 571–91; J. A. M. Caldwell, "The Genesis of the Ministry of Labour," *Public Administration* 37(4) (1959): 367–91; and especially R. Davidson and R. Lowe, "Bureaucracy and Innovation in British Welfare Policy, 1870–1945," in *The Emergence of the Welfare State in Britain and Germany*, ed. W. J. Mommsen (London: Croom Helm, 1981), pp. 264–77 (on the pre-1916 period).
61. See Davidson and Lowe, "Bureaucracy and Innovation," especially pp. 277–91; Rodney Lowe, "The Ministry of Labour, 1916–24: A Graveyard of Social Reform?" *Public Administration* 52 (1974): 415–38; and Rodney Lowe, "The Erosion of State Intervention in Britain, 1917–24," *Economic History Review*, 2nd ser., 31(2) (1978): 270–86.
62. Davidson and Lowe, "Bureaucracy and Innovation," pp. 283–84, and Lowe, "Erosion of State Intervention," pp. 279–82, discuss telling examples of individual officials within the Labour Ministry who came up with proto-Keynesian proposals or ideas, only to have them deflected in ways traceable to Treasury's organizational controls.
63. Skidelsky, *Politicians and the Slump*, pp. 134–36, 142–45. See Heclo's useful comments on British commissions, especially in comparison with Swedish commissions, in *Modern Social Politics*, pp. 44–46.
64. Skidelsky, *Politicians and the Slump*, pp. 202–15. The longer-run impact of this body (which became the Committee on Economic Information in 1932) is traced in Susan Howson and Donald Winch, *The Economic Advisory Council 1930–1939: A Study in Economic Advice during Depression and Recovery* (Cambridge: Cambridge University Press, 1977). In "Keynes and the Treasury View: The Case for and against Unemployment Policy," in *The Emergence of the Modern Welfare State in Britain and Germany*, ed. W. J. Mommsen (London: Croom Helm, 1982), pp. 184–87, Skidelsky introduces notes of caution about some of Howson and Winch's conclusions concerning Keynes's influence on Treasury thinking in the middle 1930s.
65. Skidelsky, *Politicians and the Slump*, pp. 145, 204.
66. Ibid., p. 215.

67. The "orthodoxy" that Keynes (rather unfairly) attributed to his fellow economist A. C. Pigou is better understood as the "Treasury view," with which Keynes had long been in political contention.
68. Brinley Thomas, *Monetary Policy and Crises: A Study of Swedish Experience* (London: Routledge, 1936), p. xviii.
69. Ibid., pp. xix–xx.
70. Ibid., p. ix.
71. For historical overviews revealing how the Swedish monarchy strengthened itself along with independent peasants at the expense of a feudal landed aristocracy, see Perry Anderson, *Lineages of the Absolutist State* (London: New Left Books, 1974), chap. 7; Hans Brems, "Sweden: From Great Power to Welfare State," *Journal of Economic Issues* 4(2–3) (1970): 1–17; Eli F. Heckscher, *An Economic History of Sweden* (Cambridge: Harvard University Press, 1954), pp. 117–28; Nils Herlitz, *Sweden: A Modern Democracy on Ancient Foundations* (Minneapolis: University of Minnesota Press, 1939), pp. 3–21; and Stephen Kelman, *Regulating America, Regulating Sweden* (Cambridge: MIT Press, 1981), pp. 119–20.
72. Heclo, *Modern Social Politics*, pp. 41–43; and Hans Meijer, "Bureaucracy and Policy Formulation in Sweden," *Scandinavian Political Studies* 4 (1969): 103–16.
73. Timothy Tilton, "The Social Origins of Liberal Democracy: The Swedish Case," *American Political Science Review* 68(2) (1974): 561–71; and Dankwart Rustow, *The Politics of Compromise: A Study of Parties and Cabinet Government in Sweden* (Princeton, N. J.: Princeton University Press, 1955), chap. 2.
74. Meijer, "Bureaucracy and Policy Formulation," and Thomas J. Anton, "Policy-Making and Political Culture in Sweden," *Scandinavian Political Studies* 4 (1969): 88–102.
75. C. G. Uhr, "Economists and Policymaking 1930–1936: Sweden's Experience," *History of Political Economy* 9(1) (1977): 92; Thomas, *Monetary Policy and Crises*, pp. xv–xvi.
76. Uhr, "Economists and Policymaking," p. 92.
77. According to Donald Winch, "The Keynesian Revolution in Sweden," *Journal of Political Economy* 74(2) (1966): 169, the appellation "Stockholm school" was not coined until 1937, when Bertil Ohlin "attempted to explain the differentiating characteristics of Swedish and Keynesian macroeconomic analysis." See Ohlin's "Some Notes on the Stockholm Theory of Savings and Investment," *Economic Journal* 47 (March/June 1937): 53–69, 221–50. Uhr, "Economists and Policymaking," p. 89, note 1, provides a cohort-based definition of the "Stockholm school" in the making during the late 1920s and early 1930s.
78. This debate, which is primarily about questions of theoretical priority rather than the broader issues about politically influential intellectual innovations that more directly concern us here, is ably summarized in Winch, "Keynesian Revolution in Sweden," and in Bo Gustafsson, "Review Article – A Perennial of Doctrinal History: Keynes and 'The Stockholm School,' " *Economy and History* 16 (1973): 114–28. The most important contribution is Karl-Gustav Landgren's *Den 'nya economien' i Sveriege: J. M. Keynes, E. Wigforss, B. Ohlin och utvecklinger 1927–39* (Stockholm: Almqvist & Wiksell, 1960), which was debated in a special issue entitled "The Stockholm School: Ideas, Origin, and Development – A Symposium," *Economisk Tidskrift* 42 (September 1960). More recently, conclusions different from Landgren's are drawn in Otto Steiger, *Studien zur Entstehung der Nuen Wirtschaftslehre in Schweden – Ein Anti-Kritik* (Berlin: Duncker &

Humblot, 1971). Steiger's argument is sympathetically discussed in C. G. Uhr, "The Emergence of the 'New Economics' in Sweden: A Review of a Study by Otto Steiger," *History of Political Economy* 5 (1973): 243–60. See also the citations by Don Patinkin in note 3.

79. Thomas, *Monetary Policy and Crises*, pp. 178–205.
80. The unemployment figure comes from the Swedish Board of Trade, *Swedish Economic Review*, no. 1 (1936): 14.
81. Uhr, "Emergence of the 'New Economics,' " pp. 249–50.
82. Soderpalm, "Crisis Agreement," p. 270.
83. Moller, "Unemployment Policy," p. 51.
84. Clark, *Swedish Unemployment Policy*, chap. 6.
85. Ibid., pp. 95, 154.
86. Assar Lindbeck, *Swedish Economic Policy* (Berkeley: University of California Press, 1974), p. 23; Gustaffson, "Perennial of Doctrinal History," p. 128; Uhr, "Economists and Policymaking," pp. 116–19.
87. Moller, "Unemployment Policy," pp. 57–62.
88. Uhr, "Economists and Policymaking," pp. 110–15.
89. Ibid., p. 119; see also note 138.
90. It has been standard in the historical literature to divide the New Deal around 1935 into "first" and "second" stages. Here we will not dwell much on this division, because (even after the turn to prolabor regulations and social insurance in 1935) aspirations for a balanced federal budget remained characteristic of the Roosevelt administration's thinking about the role of government in national economic recovery – until the 1937 "Roosevelt recession" and its aftermath created apparent possibilities for a turn to Keynesianism combined with increased social spending. Periodizations of the New Deal should obviously not be reified, but devised for analytically useful purposes in various ways from study to study.
91. On the nationalizing significance of the New Deal, see Samuel H. Beer, "Liberalism and the National Idea," in *Left, Right and Center: Essays on Liberalism and Conservatism in the United States*, ed. Robert A. Goldwin (Chicago: Rand McNally, 1965), pp. 142–69.
92. Those employed in agriculture (including fishing, but not forestry) remained 21.8 percent of the labor force in the United States in 1930 (U.S. Department of Commerce, *Historical Statistics of the United States: Colonial Times to 1970* [Washington D.C.: Government Printing Office, 1975], p. 139), part 1. This figure can be juxtaposed to those given in note 31. In 1932, Roosevelt pitched his reformist campaign appeals to farm interests more than to urban workers. Southern and western support were critical in his bid for the Democratic nomination, and in the general election he received strong electoral support from farm areas, especially from the South and from other areas with poorer farmers or tenants. As the 1930s progressed, Roosevelt and the Democrats gained urban and industrial worker support and lost ground among better-off farmers. See John M. Allswang, *The New Deal and American Politics* (New York: Wiley, 1978), chap. 2.
93. William T. Foster and Waddill Catchings, *The Road to Plenty* (Cambridge, Mass.: Riverside Press, 1928).
94. Quoted in Arthur M. Schlesinger, Jr., *The Crisis of the Old Order, 1919–1933* (Boston: Houghton Mifflin, 1957), p. 187.

95. Davis, *The New Economics*.
96. Ibid., chaps. 3 and 4; and Dean L. May, *From New Deal to New Economics: The American Liberal Response to the Recession of 1937* (New York: Garland, 1981), pp. 67–76. Many relevant technical and theoretical innovations both built on and reacted critically to the pioneering macroeconomic work on business cycles of Wesley Clair Mitchell and the National Bureau of Economic Research. See John Maurice Clark, "Contribution to the Theory of Business Cycles" and other essays in *Wesley Clair Mitchell: The Economic Scientist* (New York: National Bureau of Economic Research, 1952). Davis's discussion (pp. 47–60) of Chicago economist Paul Douglas's important 1935 book, *Controlling Depressions*, emphasizes its critical dialogue with Mitchell's 1913 *Business Cycles*.
97. See Stein, *Fiscal Revolution*, pp. 12–14; Leah Hannah Feder, *Unemployment Relief in Periods of Depression: A Study of Measures Adopted in Certain American Cities, 1857 through 1922* (New York: Russell Sage Foundation, 1936); and Lester V. Chandler, *America's Greatest Depression, 1929–1941* (New York: Harper & Row, 1970), pp. 31–33.
98. Chandler, *America's Greatest Depression*, pp. 48–51; and James T. Patterson, *Congressional Conservatism and the New Deal* (Lexington: University of Kentucky Press, 1967), pp. 10–11.
99. Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton, N. J.: Princeton University Press, 1966), part 1.
100. Chandler, *America's Greatest Depression*, p. 216.
101. Theda Skocpol and John Ikenberry, "The Political Formation of the American Welfare State in Historical and Comparative Perspective," *Comparative Social Research* 6 (1983): 124–25; and Mark H. Leff, "Taxing the 'Forgotten Man': The Politics of Social Security Finance in the New Deal," *Journal of American History* 70(2) (1983): 359–81.
102. Chandler, *America's Greatest Depression*, pp. 136–38, 189–207.
103. Stein, *Fiscal Revolution*, pp. 49–73.
104. The "courts and parties" label is from Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877–1920* (Cambridge: Cambridge University Press, 1982), chap. 2. See also Morton Keller, *Affairs of State: Public Life in Late Nineteenth Century America* (Cambridge: Harvard University Press, 1977), chaps. 7, 8, and 14; and Richard L. McCormick, "The Party Period and Public Policy: An Exploratory Hypothesis," *Journal of American History* 66 (1979): 279–98.
105. For the British and Swedish patterns in overall European context, see Reinhard Bendix, *Nation-Building and Citizenship* (New York: Wiley, 1964), chap. 3; Ira Katznelson, Chapter 8, this volume; and Donald J. Blake, "Swedish Trade Unions and the Social Democratic Party: The Formative Years," *Scandinavian Economic History Review* 8(1) (1960): 19–44. The discussion of the U.S. case in the remainder of this paragraph draws on Ira Katznelson, *City Trenches: Urban Politics and the Patterning of Class in the United States* (New York: Pantheon Press 1981), chaps. 1–4; and Martin Shefter, "Trades Unions and Political Machines: The Organization and Disorganization of the American Working Class in the Late Nineteenth Century," in *Working Class Formation: Nineteenth Century Patterns in Western Europe and the United States*, ed. Ira Katznelson and Aristide Zolberg (Princeton, N. J.: Princeton University Press, forthcoming).
106. Skowronek, *Building a New American State;* and Martin J. Schiesl, *The Politics of*

Efficiency: Municipal Administration and Reform in America: 1880–1920 (Berkeley: University of California Press, 1977).

107. Skocpol and Ikenberry, "Political Formation of the American Welfare State," pp. 98–119.
108. Skowronek, *Building a New American State*, part 2.
109. Carol S. Gruber, *Mars and Minerva: World War I and the Uses of Higher Learning in America* (Baton Rouge: Louisiana State University Press, 1975).
110. Carolyn Grin, "The Unemployment Conference of 1921: An Experiment in National Cooperative Planning," *Mid-America* 55 (1973): 83–107; and Barry D. Karl, "Presidential Planning and Social Science Research: Mr. Hoover's Experts," *Perspectives in American History* 3 (1969): 347–409.
111. See, for example, Grin, "Unemployment Conference"; and William Chenery, "Unemployment at Washington," *Survey* 37 (1921): 42.
112. Ellis W. Hawley, "Herbert Hoover, the Commerce Secretariat, and the Vision of an "Associative State,' " *Journal of American History* 61 (1974): 116–40; and Joan Hoff Wilson, *Herbert Hoover: Forgotten Progressive* (Boston: Little, Brown, 1975).
113. On the "Commons school" in relation to the Social Security Act, see Layfayette G. Harter, *John R. Commons: His Assault on Laissez-Faire* (Corvallis: Oregon State University Press, 1962); Daniel Nelson, *Unemployment Insurance: The American Experience, 1915–1935* (Madison: University of Wisconsin Press, 1969), chaps. 6 and 9; Theron F. Schlabach, *Edwin E. Witte: Cautious Reformer* (Madison: State Historical Society of Wisconsin, 1969).
114. Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," *Political Science Quarterly* 97 (1982): 268–78; and Richard S. Kirkendall, *Social Scientists and Farm Politics in the Age of Roosevelt* (Columbia: University of Missouri Press, 1966).
115. May, *From New Deal to New Economics*, chap. 2, is especially insightful on the politicomoral basis of Roosevelt's and Treasury Secretary Henry Morgenthau, Jr.'s views about budget balancing.
116. See note 19.
117. Stein, *Fiscal Revolution*, p. 106.
118. Arthur W. MacMahon, John D. Millet, and Gladys Ogden, *The Administration of Federal Work Relief* (Chicago: Public Administration Service, 1941), pp. 200–20.
119. May, *From New Deal to New Economics*, pp. 40–52, sketches Eccles's biography. See also Sidney Hyman, *Marriner S. Eccles: Private Entrepreneur and Public Servant* (Stanford, Calif.: Graduate School of Business, Stanford University, 1976).
120. On Currie, see Stein, *Fiscal Revolution*, pp. 165–67; Alan Sweezy, "The Keynesians and Government Policy, 1933–1939," *American Economic Review* 62 (1972): 117–118; and John Kenneth Galbraith, "How Keynes Came to America," in *Economics, Peace and Laughter*, ed. Andrea D. Williams (Boston: Houghton Mifflin, 1971), pp. 47–48.
121. Eccles's economic ideas and the contacts he built up before 1937 are described in May, *From New Deal to New Economics*, pp. 53–66. Both May and Stein, *Fiscal Policy*, chap. 7, stress that Keynes (whether in person or through his writings) had little direct influence on the president or administration officials before 1937.

122. Christiana McFadyen Campbell, *The Farm Bureau and the New Deal: A Study of the Making of National Farm Policy, 1933–40* (Urbana: University of Illinois Press, 1962), pp. 190–91.
123. Chandler, *America's Greatest Depression*, p. 130; and May, *From New Deal to New Economics*, chap. 1.
124. Patterson, *Congressional Conservatism*, pp. 234–41,
125. May, *From New Deal to New Economics*, pp. 152–56. May notes more of a post-1937 recession shift toward Keynesian views on Roosevelt's part than does Stein.
126. Robert Collins, *The Business Response to Keynes, 1929–1964* (New York: Columbia University Press, 1981), p. 46.
127. See note 22.
128. Galbraith, "How Keynes Came to America," p. 48.
129. Our information on Alvin Hansen and his influence comes from Galbraith, "How Keynes Came to America"; Stein, *Fiscal Revolution*, pp. 163–68; and especially the collection of articles on Alvin H. Hansen in *Quarterly Journal of Economics* 90 (1976): 1–37. Hansen was initially very skeptical about Keynes's *General Theory*. In "Alvin Hansen as a Creative Economic Theorist," *Quarterly Journal of Economics* 90 (1976), p. 29, Paul Samuelson has wryly "hazarded the guess that Hansen received his call to Harvard by miscalculation. They did not know what they were getting. And neither did he." The last observation refers to the fact that Hansen was a creative, involved teacher, who was influenced by the youthful Keynesians already in Cambridge, just as he subsequently influenced and sponsored them.
130. A good discussion of "stagnationist" views appears in Collins, *Business Response to Keynes*, pp. 10–11, 51. "From the outset," Collins writes "the stagnationist analysis comprised a complex mixture of economic ideas and political preferences. It simultaneously explained the nature of modern American capitalism and yielded a set of programs for altering that system. But also, just as importantly, it became an emphasis, a collection of attitudes, a vision of the future which assumed that economic progress and sweeping social change were not antithetical" (p. 11).
131. Richard V. Gilbert, George H. Hildebrand, Jr., Arthur W. Stuart, Maxine Yaple Sweezy, Paul M. Sweezy, Lorie Tarshis, and John D. Wilson, *An Economic Program for American Democracy* (New York: Vanguard Press, 1938).
132. Alvin H. Hansen, "Economic Progress and Declining Population Growth," *American Economic Review* 29 (1939): 1–15.
133. By 1941, Hansen was "calling for 'a really positive expansionist policy' to replace the New Deal's tepid 'salvaging program.' " Here Collins, *Business Response to Keynes*, p. 11, is quoting from Hansen's *Fiscal Policy and Business Cycles* (New York: Norton, 1941), p. 84. See also Hansen's "Social Planning for Tomorrow," in *The United States After the War*, ed. Alvin H. Hansen, F. F. Hill, Louis Hollander, Walter D. Fuller, Herbert W. Briggs, and George O. Stoddard (Ithaca, N.Y.: Cornell University Press, 1945), pp. 15–34; and *After the War – Full Employment*, National Resources Planning Board (Washington, D. C.: Government Printing Office, 1942).
134. Stein, *Fiscal Revolution*, p. 168; James Tobin, "Hansen and Public Policy," *Quarterly Journal of Economics* 90 (1976): 32–37; Walter S. Salant, "Alvin Hansen

and the Fiscal Policy Seminar," *Quarterly Journal of Economics* 90 (1976), pp. 21–22; and Byrd L. Jones, "The Role of Keynesians in Wartime Policy and Postwar Planning, 1940–1946," *American Economic Review* 62 (1972): 125–33.

135. May, *From New Deal to New Economics*, pp. 146–50; and Stein, *Fiscal Revolution*, pp. 165–68.
136. The grounding of the stagnationists' theoretical arguments in interpretations of the concrete history of the New Deal is apparent both in Gilbert et al., *An Economic Program for American Democracy*, and in Alvin Hansen's first full Keynesian statement, *Full Recovery or Stagnation?* (New York: Norton, 1938).
137. Harrison Clark, *Swedish Unemployment Policy* (Washington, D.C.: American Council on Public Affairs, 1941), p. 118.
138. Hans Meijer, "Bureaucracy and Policy Formation in Sweden," *Scandinavian Political Studies* 4 (1969): 109, presents statistics showing that about 750 commissions per decade were at work during the Social Democrats' first three decades in power in Sweden, up from about 450 per decade earlier in the century.
139. Richard Polenberg, *Reorganizing Roosevelt's Government: The Controversy over Executive Reorganization* (Cambridge: Harvard University Press, 1966), p. 26.
140. Ibid.; Patterson, *Congressional Conservatism*, pp. 214–29; and J. Joseph Huthmacher, *Senator Robert E. Wagner and the Rise of Urban Liberalism* (New York: Atheneum, 1968), pp. 243–45.
141. Sven Anders Soderpalm, "The Crisis Agreement and the Social Democratic Road to Power," in *Sweden's Development from Poverty to Affluence, 1750–1970*, ed. Steven Koblik (Minneapolis: University of Minnesota Press, 1975), p. 262.
142. Svenska Handelsbanken, "Government Measures for the Relief of Agriculture in Sweden since 1930," suppl. to Svenska Handelbanken's *Index* 14 (March 1939), p. 5; and Kurt Samuelsson, *Sweden: From Great Power to Welfare State* (London: Allen & Unwin, 1968), pp. 140–41.
143. Jean Jusissant, *La Structure Economique de la Suede et de la Belgique*, (Brussels: Collection de l'Ecole des Sciences Politiques et Sociales de l'Université de Louvain, 1938) and Svenska Handelsbanken, "Government Measures," pp. 24–25.
144. Ernst Wigforss, "The Financial Policy during Depression and Boom," *Annals* 197 (1938): 31.
145. Soderpalm, "Crisis Agreement," pp. 275–77.
146. Dankwart Rustow, *The Politics of Compromise: A Study of Parties and Cabinet Government in Sweden* (Princeton, N.J.: Princeton University Press, 1955), p. 109.
147. See Richard S. Kirkendall, "The New Deal and Agriculture," in *The New Deal: The National Level*, ed. John Braeman, Robert H. Bremner, and David Brody (Columbus: Ohio State University Press, 1975), pp. 83–109; Grant McConnell, *The Decline of Agrarian Democracy* (New York: Atheneum, 1969), chaps. 7–16; and Campbell, *Farm Bureau and the New Deal*, chaps. 8 and 9.
148. On the National Farmers' Union and its policies, see McConnell, *Decline of Agrarian Democracy*, pp. 37–39, 68–69, 108, 137, 146; and Campbell, *Farm Bureau and the New Deal*, pp. 169–71. On related, radical reformist agrarian organizations, see also John L. Shover, *Cornbelt Rebellion: The Farmers' Holiday Association* (Urbana: University of Illinois Press, 1965); and Donald H. Grubbs, *Cry from the Cotton: The Southern Tenant Farmers' Union and the New Deal* (Chapel Hill: University of North Carolina Press, 1971).
149. Campbell, *Farm Bureau and the New Deal*, chap. 6.
150. McConnell, *Decline of Agrarian Democracy*, chaps. 8–10; Sidney Baldwin, *Poverty and Politics: The Rise and Decline of the Farm Security Administration* (Chapel Hill: University of North Carolina Press, 1968); and Paul E. Mertz, *New Deal Policy and Southern Rural Poverty* (Baton Rouge: Louisiana State University Press, 1978).
151. Murray Edelman, "New Deal Sensitivity to Labor Interests," in *Labor and the New Deal*, ed. Milton Derber and Edwin Young (New York: DaCapo Press, 1972), pp. 185–86; and Patterson, *Congressional Conservatism*, pp. 334–35 and *passim*.
152. Patterson, *Congressional Conservatism*, pp. 318–22; and Collins, *Business Response to Keynes*, pp. 46–47.
153. Collins, *Business Response to Keynes*, pp. 13–14.
154. Marion Clawson, *New Deal Planning: The National Resources Planning Board* (Baltimore, Md.: Johns Hopkins University Press, 1981), pp. 225–32.
155. Stephen Kemp Bailey, *Congress Makes a Law: The Story Behind the Employment Act of 1946* (New York: Columbia University Press, 1950), chaps. 1–3.
156. Ibid., pp. 150–78, 202–205; and Collins, *Business Response to Keynes*, pp. 102–109.
157. Bailey, *Congress Makes a Law*, pp. 220–34, 243–48.
158. See note 22.
159. Esping-Andersen and Friedland, "Class Coalitions," p. 20.
160. Collins, *Business Response to Keynes*, chaps. 5 and 6; Stein, *Fiscal Revolution*, chaps. 8 and 9.
161. On the Chicago economists in relation to the Council for Economic Development and the fashioning of commercial Keynesian ideas, see Collins, *Business Response to Keynes*, pp. 71–72, 83–84; and Davis, *New Economics and Old Economists*, chap. 3 on the Chicago school. Clearly, the fact that the U.S. university system is large and multiply centered made it more possible than it would have been in a centralized, European-style academic establishment for separate strands of macroeconomic thinking to develop parallel to the stagnationist Keynesian school centered at Harvard.
162. See the useful discussion of postwar U.S. "macroeconomic stabilization" in Michael J. Piore and Charles Sabel, *The Industrial Divide* (New York: Basic Books, 1984), chap. 4.
163. Walter Korpi and Michael Shalev, "Strikes, Power, and Conflict in the Western Nations, 1900–1976," *Political Power and Social Theory* 1 (1980): 309–16.

集密Bringing the State Back In

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