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Presidents, the Economy and Domestic Policy

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Presidents, the Economy and Domestic Policy

How have presidents become increasingly involved in managing the economy and shaping domestic policy over the last hundred years?

One of the most significant changes in the American presidency over the last hundred years has been the extent to which our chief executives are expected to manage the economy and to take the lead on domestic policy. It was not always the case. Since we are at the beginning of the gridiron season, let me answer your question in a way that compares the presidency to football.

LATE 19TH-CENTURY PRESIDENTS: REFEREES

During the last third of the 19th century -- between the Civil War and Spanish-American War -- our presidents did not possess the power that presidents today have. Most of the power resided in Congress. To many Americans, this arrangement seemed consistent with what the framers of the U.S. Constitution had wanted. Article I set up a strong Congress or legislative branch of government whose role was to make laws that in large measure reflected the will of the people. Article II provided for a not-so-strong president when it came to domestic affairs, where his role was chiefly to sign, implement, administer, and enforce the laws passed by Congress. By this understanding of the Constitution, the president -- in peacetime, anyway -- was like a referee at a football game. He administered the rules of the game but did not himself want to be a player.

The comparison with football describes the referee role of presidents in the three decades between Abraham Lincoln (1861-1865) and Theodore Roosevelt (1901-1909). During Reconstruction and the Gilded Age, it did not matter which party the president belonged to. Republican presidents like Rutherford B. Hayes were as disinclined to intervene in national life as the Democratic president of the era, Grover Cleveland. They assiduously avoided intervening in the economy. In fact, when a bill to support Texas farmers suffering from a drought came to Cleveland's desk, he vetoed it, observing, "Though the people support the Government, the Government should not support the people."^[1]

James A. Garfield was typical of the string of referee presidents between Lincoln and TR. Garfield biographer Allan Peskin points out:

The pantheon of presidential "greats" seems reserved for activists, which, in the nature of things, means those who dealt with major national crises. Presidents with the good fortune to preside over quiet times seem doomed to obscurity. In Garfield's day, America was at peace with itself and the world. Neither presidents nor government was expected to make things better, only to keep them running smoothly. Garfield shared this passive view. The whole duty of government, he once maintained, was "to keep the peace and stand outside the sunshine of the people."^[2]

As Harvard's Thomas Patterson observes of the hands-off era, "The prevailing conception was the Whig theory, which held that the presidency was a limited or constrained office whose occupant was confined to the exercise of expressly granted constitutional authority. The president had no implicit powers for dealing with national problems but was primarily an administrator, charged with carrying out the will of Congress."^[3] Because he was merely an administrator, he was not even expected to have a vision of where the country should go. "My duty," said James Buchanan, a Democrat technically but a Whig philosophically, "is to execute the laws ... and not my individual opinions."^[4]

This relatively passive attitude may strike us today as strange, but the roots of the Whig theory of executive power went deep into the American experience, back to the 17th and 18th centuries, when British Whigs opposed the abuse of royal power in the monarchy. Indeed, Whig sensibilities led Americans to revolt against the mother country after 1775.

THEODORE ROOSEVELT: DEFENSE

Theodore Roosevelt, who served in the White House from 1901-1909, is regarded by many historians as the first "modern president," because he would turn the Whig theory on its head.

When TR entered the White House at the beginning of the 20th century, the Progressive movement was influencing public opinion. The industrial revolution had led to much social displacement and economic imbalance, and muckrakers were drawing attention to the problems. It was increasingly debated whether the federal government should restore the balance between big business on the one hand, and workers and the public on the other. Progressive politicians sought government intervention. Their vision -- of government, the economy, and social policy being an inseparable triangle -- was the future.

TR was the very picture of Alexander Hamilton's "leadership in the executive" (Federalist 70). Ambitious for himself and for the United States. He cherry-picked progressive ideas and translated them into a political agenda. Because of his strong character and charismatic personality, he was able to convince the American people that the presidency should have more influence over domestic affairs. He was especially eager to "level the playing field" so that all Americans could compete and get ahead in the marketplace. TR, using the office of the president as a bully pulpit, transformed the presidency and role of the federal government by seeking to make the president and federal government the mediator between special interests and the national interest. One way he did so was by targeting overly large concentrations of power, whether in economic monopolies or political machines. It was the era of trustbusting. He called his philosophy the Square Deal, and by it he meant to make America more truly a land of opportunity.

To translate TR's action into football, imagine a guy who no longer wants to be a referee. Imagine a guy who is so excited about the game that he hankers to play it. That was TR. He changed out of the zebra stripes and into a jersey. Moreover, he wanted to be an impact player, so he followed a game-plan that called for an active, creative defense, full of stunts and blitzes. He would have subscribed to the philosophy that the former great coach of the Washington Redskins, George Allen, used to hammer into his players, "Hit hard and good things will happen." That attitude describes TR's conception of his role as president. He willed the institution into change. He had an irrepressible personality that has led some historians to call him the founder of the "charismatic presidency." He used his bigger-than-life personality and ambition to transform the office of the president and its role in domestic affairs.

Here is how TR himself described his view of the presidency, in his *Autobiography* (1913):

The most important factor in getting the right spirit in my administration ... was my insistence upon the theory that the executive power was limited only by specific restrictions and prohibitions appearing in the Constitution or imposed by Congress under its Constitutional powers. My view was that every executive officer ... was a steward of the people bound actively and affirmatively to do all he could for the people.... I declined to adopt the view that what was imperatively necessary for the Nation could not be done by the President unless he could find some specific authorization to do it. My belief was that it was not only his right but his duty to do anything that the needs of the Nation demanded unless such action was forbidden by the Constitution or by the laws. Under this interpretation of executive power I did and caused to be done many things not previously done by the President.... I did not usurp power, but I did greatly broaden the use of executive power. In other words, I acted for the public welfare, I acted for the common well-being of all our people, whenever and in whatever manner was necessary, unless prevented by direct constitutional or legal prohibition.

TR's conception of the presidency evolved considerably between 1901 and 1910, and the intellectual spadework he undertook would have far-reaching effects:



"LBJ effected an expansion of the stewardship theory of the presidency. The former Senate majority leader and vice president would have a huge impact on the role the president would play in the American economy and society."



During his tenure in the White House, Theodore Roosevelt had shown how powerful that office could be in marshalling reform sentiment. He believed that the president had to be responsive to the will of the people, but that he also had an obligation to lead and not merely follow the mob.

Roosevelt's successor, William Howard Taft, proved far more conservative than Roosevelt had realized, and by 1910 the ex-president was harboring ideas that he might run for office again in 1912. That summer and fall Roosevelt set out on a speaking tour of the West, where he was greeted with cheering throngs and party regulars demanding that he challenge Taft for the 1912 nomination. It was during this speaking tour that Roosevelt began to articulate his own version of progressive reform, which he called the "New Nationalism," and which would be the basis for his campaign for the presidency.

*The New Nationalism was not a shallow piece of rhetoric thrown together for the campaign; it represented a carefully thought-through analysis of American society and the role that government ought to play. Roosevelt had been intuitively moving in this direction during his second term, but he found the historical and philosophical analysis he needed in a book by Herbert Croly entitled *The Promise of American Life* (1909). Croly argued that there were two basic strands in American political thought, which he termed Hamiltonian and Jeffersonian. The former, Croly argued, had become identified in the public mind with strong government, aristocracy and special privilege, while the Jeffersonian dogma of weak government had become identified with democracy, equal rights and equal opportunity. Croly called for an amalgam of the two, the use of Hamiltonian means to achieve Jeffersonian ends. Americans had to do this, Croly argued, because of the new facts of industrial life.*

Roosevelt read the book and grew very excited, as a number of ideas with which he had been toying now fell into place. In his famous speech at Ossawatimie, Kansas, on August 31, 1910, he sounded the keynote of what would become his campaign theme in 1912.

The old nationalism, he claimed, had been used by sinister, special interests. He now proposed a New Nationalism of dynamic democracy that would recognize the inevitability of economic concentration; to counter the power of the giant corporations, Roosevelt proposed bringing them under complete federal control, so as to protect the interests of the laboring man and the consumer.

The importance of the speech lies less in its immediate campaign connotation than in the fact that it contains the political and intellectual kernel of the modern American welfare state. [Source: <http://usinfo.state.gov/usa/infousa/facts/democrac/31.htm>]

It didn't all happen at once -- the modern presidency hardly hatched fully formed. After progressive presidents such as Theodore Roosevelt and Woodrow Wilson, there was a brief ebb in presidential power. Between 1921-1929, during the Harding and Coolidge administrations and first year of the Hoover administration, there was an effort to take the presidency back to what it was during the late 19th-century, a referee in American domestic life. In Calvin Coolidge's words, "The chief business of America is business."

By the 1930s, that idea was roundly rejected.

HOOVER AND FDR: GETTING ON BOTH SIDES OF THE BALL

We saw how the idea of the referee presidency was abandoned during TR's years in office. In the next great institutional leap, the idea of presidents sticking to defense was abandoned. It happened during the Great Depression. It was Herbert Hoover's misfortune to have been in office only seven months when economic catastrophe struck. A common myth of American history is that Hoover remained essentially a spectator when confronted with the deepening crisis, that he stuck to laissez-faire principles while the people starved. This is not accurate. Indeed, before he ever became president, Hoover was no apostle of the unfettered marketplace. Already as Commerce secretary under Presidents Harding and Coolidge, he championed a closer partnership between business and government. The *Wall Street Journal* noted, "Never before, here or elsewhere, has a government been so completely fused with business."^[5]

As the Great Depression worsened from late 1929 to 1932, Hoover accepted increasing responsibility for ending the economic crisis and doing so in a socially humane manner -- he would make the economic and social effects of the depression the federal government's problem. That was unprecedented. Historian Michael Stoff observes, "Measured against past depression presidents -- Martin Van Buren in the 1830s, Ulysses S. Grant in 1873, Grover Cleveland in 1893, Theodore Roosevelt in 1907, Warren Harding in 1921 -- Hoover was a whirlwind of activity."^[6]

Nevertheless, in 1932 Franklin Delano Roosevelt challenged the hapless Hoover and won the first of four terms. Like his cousin TR, he pledged to be an energetic executive dedicated to changing the relationship between the federal government and the American people. FDR inherited the worst depression in American history -- one-quarter of the workforce was unemployed. Within his first 100 days in office, he dramatically enlarged the scope of the federal government and initiated numerous new domestic programs. During his second term, he pushed through a program that affects virtually every American to this day: Social Security. During his third term, most of which coincided with U.S. involvement in the Second World War, he instituted rationing and price controls. His was a stewardship presidency on steroids.

To translate all this into football, FDR wanted in on more of the action. He didn't want just to call what was fair and what was foul as so many nineteenth-century presidents had; nor did he want to restrict himself to defense as TR had. Fulfilling his cousin's aspirations for the New Nationalism, FDR wanted to play the game on both sides of the ball and, moreover, be even more of an impact player than TR had been. True, FDR mostly played defense; he primarily reacted to economic and social problems, like a defensive player who reacts to where the ball is. But even in that reactive capacity, FDR's 12 years in office saw the federal government assume an unprecedented role in the nation's economy. FDR's presidency consolidated the idea that the federal government, economic policy, and social policy were an unbreakable triangle in the center of which stood the American president. His actions drew much criticism, but the precedent -- of using the government to impact the economy and society -- stuck.

FDR died in 1945, but not his impact. The Employment Act of 1946 -- passed by a Republican Congress -- ratified the trend toward more federal intervention. It committed the federal government to use its economic might to achieve "maximum employment, production, and purchasing power." While specific policies were not mandated, the president was to work with Congress to foster "free competitive enterprise and the general welfare." As James Tobin and Murray Weidenbaum have observed, "The Act was an important bipartisan declaration of federal responsibility for the nation's economic performance. The electorate takes this responsibility for granted nowadays, but it was by no means generally acknowledged before World War II."^[7]

It is revealing to see how difficult it is for later presidents to revert to a less active role once a greater role is carved out for the federal government. Dwight D. Eisenhower campaigned for the presidency in 1952 on a fiscally conservative platform that called for smaller government, balanced budgets, privatizing the Tennessee Valley Authority, and abolishing (or at least shrinking) Social Security. So what did Ike do with Social Security once in the White House? Expand the program. The fact that a Republican president ratified the entitlement meant that significant bipartisan support had developed for the program. It has since become a "third rail" of American politics, difficult for any president to touch.

FDR's role in changing the presidency and the federal government cannot be overstated. His 12 years in office effected not only a political sea change, but also -- and perhaps more importantly -- an intellectual sea change, the merits of which are fiercely debated to this day. Roosevelt's 1944 speech, calling for a second Bill of Rights, went far beyond anything the nation's founders had conceived when they drafted the first Bill of Rights back in 1789. The first ten amendments of the Constitution were limited to political rights such as freedom of speech and the press. But in FDR's mind, a second Bill of Rights was needed that went beyond political rights. He championed the right to economic welfare and social access to all citizens. University of Chicago professor Cass Sunstein calls this sea change "FDR's unfinished revolution."

In football terms, FDR was ambitious to play more and more offense; he wanted the presidency and federal government to set the pace of the game. He envisioned Washington, DC, assuming unprecedented power to change not just politics, but also the economic and social conditions in American life. The nation, however, was not ready for such far-reaching changes; American individualism ran strong and deep and against the current of big government. It would take at least two more decades before a president could both speak of this "unfinished revolution" and sign enough legislation to make the changes permanent.

LYNDON B. JOHNSON: WEST-COAST OFFENSE

After the Second World War, America entered the most prosperous era of its history. Harry S. Truman conceived a far-reaching social agenda that was eventually stillborn, but significant to our story nonetheless. The Fair Deal was government on offense. It proposed medical care for the elderly and only went down in defeat because of the Korean War.

Where Harry S. Truman's ambitions for the federal government stumbled, Lyndon B. Johnson's hit a marathon stride. LBJ effected an expansion of the stewardship theory the presidency. The former Senate majority leader and vice president would have a huge impact on the role the president would play in the American economy and society. In short: the president should not just be reactive; he should be proactive. Johnson reasoned that the United States was the richest, most powerful nation in world history. Given our national resources, couldn't the president make the federal government an agent of positive change?

Johnson was much more ambitious for the federal government than previous Democrats Franklin D. Roosevelt, Harry S. Truman, or John F. Kennedy had been.

LBJ explained to aides that he wanted to make his mark on history and unroll a "Johnson program." In May of 1964 he went to Ann Arbor to sketch his vision in a commencement address at the University of Michigan. He appealed to their idealism: "Will you join in the battle to give every citizen an escape from the crushing weight of poverty?... Will you join in the battle to build the Great Society, to prove that our material progress is only the foundation on which we will build a richer life of mind and spirit?" As historian Robert Dallek notes, "The result of Johnson's antipoverty crusade and reach for a Great Society was an explosion of groundbreaking and far-reaching laws passed by Congress between 1964 and 1968." Henceforth there would be Medicare and Medicaid, a federal Office of Economic Opportunity, the food stamp program; not to mention job training, community volunteerism, and urban renewal spearheaded inside the Beltway.^[8]

Future president Gerald R. Ford was House minority leader when LBJ was president. He observed, "By the time Lyndon Johnson instituted his Great Society, the perception was ingrained in Washington that the solution to every problem was to create a new regulatory agency to write and enforce rules" [Ford, *A Time to Heal*, 1979, p. 272].

One of America's most influential commentators, James Reston, observed at the time: "President Johnson is beginning to make Franklin Roosevelt's early legislative record look like an abject failure. He's getting everything through the Congress but the abolition of the Republican party, and he hasn't tried that yet. It's a political miracle. It has even surpassed his own expectations, which were not modest...."^[9]

Johnson was president for barely more than 5 years, from 1963 to 1969, but his war on poverty -- his advancing his vision of a Great Society -- encompassed almost a thousand bills and impacted almost every element in American society.

In football terms, this was not a president playing defense. This was not a president playing offense in the manner of three yards and a cloud of dust. This was a president trying to use the federal government itself as an agent to change society.

AFTER JOHNSON: ASPIRING TO A MORE CONSERVATIVE GAME-PLAN?

Not that Washington's tentacles grew willy nilly; not at all, for at least two reasons. In the first place, there were three decades in the past hundred years in which voters grew weary or skeptical of leviathan and were happy to put the beast on a diet: the 1920s of Calvin Coolidge, the 1950s of Dwight Eisenhower, and the 1980s of Ronald Reagan. In Coolidge's case, the federal budget initially shrank but then grew slightly by the end of the '20s. In Eisenhower's case, federal expenditures diminished the first couple of years but then grew significantly by the end of the '50s. In Reagan's case, the federal budget almost doubled during in the '80s ^[10] -- although it is arguable that it would have ballooned even more had a liberal or progressive been in the White House.

In the second place, wars have often diverted presidents' domestic ambitions. In any given administration, domestic policy and foreign policy compete for the president's attention. But when war breaks out, domestic concerns usually take a back seat. American wars are a two-edged sword when it comes to domestic affairs. On the one hand, wars lead to more concentration of power at the federal level; every major U.S. war has put pounds on leviathan: the federal government inevitably grows larger and more intrusive. On the other hand, as presidential historian Robert Dallek observes, wars have repeatedly thwarted reformers' attempts to bend the federal government to their social and economic purposes. The Spanish American War took some of the steam out of populism; World War I took the wind out of the sails of Progressivism; World War II put a halt to the New Deal; the Korean War frustrated supporters of the Fair Deal.

This is why understanding the presidency of Lyndon Johnson is so important to understanding the last four decades of U.S. history. For it was with LBJ that the nation believed that the federal government could simultaneously fight a war against communists abroad and a war against poverty at home. Whether Americans supported or decried the "Johnson program," it was breathtakingly audacious when one considers how tied up in Vietnam the nation was becoming by 1965. Johnson, president during an extremely prosperous era, wanted to have it all -- guns and butter.

We live in Lyndon Johnson's world -- the Johnson administration represents the paradigm in which we live today. He successfully pushed to expand the president's role in domestic affairs. TR (playing defense) and FDR (balancing offense and defense) and Truman (trying to play offense) were the engineers who made it possible for LBJ to build up the federal government into a leviathan. He did so over vigorous objections and heated debate, and the arguments -- philosophical and practical -- rage to this day.

Yet most chief executives after LBJ either explicitly continued many of his policies -- Democrats Carter and Clinton -- or implicitly recognized that they would not be dismantled -- Republicans Nixon, Ford, Reagan, Bush 41, and Bush 43. Reagan, for example, used his estimable rhetorical gifts to rail against the Great Society and change the terms of the debate, but he did little truly to dismantle it. What the Gipper tried to achieve was a rebirth of federalism, which involved not so much dismantling as transferring domestic programs to the states, where it was assumed they would be more accountable to the people.

President Clinton is an interesting study in the tension between big-government progressives in his administration and small-government conservatives in a Republican-controlled Congress. Clinton's ambition during his first year in office to nationalize much of the U.S. health system was a breathtaking effort to write the next chapter in a playbook characterized by a wide-open, West Coast offense. When Clinton was stymied, he settled back into the three-yards-and-a-cloud-of-dust playbook of his predecessors. The retrenchment was marked rhetorically with the famous line, "The era of big government is over" -- which was not true. For a brief time, President Clinton was compelled to cooperate with a conservative Congress and Republican governors to reform welfare programs. Yet the Great Society model was not, at its core, dismantled. Many of Johnson's programs survived the attacks of "budget hawks."

Indeed, when a Republican president like George W. Bush has seemed more interested in reforming Great Society programs than in rescinding them (under the guise of "compassionate conservatism") you know that the offensive role of the federal government in the nation's social and economic life has become permanent.

It has been a long time since there was a Whig in the White House. Nowadays, even amid the war on terror, Americans take it for granted that presidents will spearhead an ambitious domestic agenda. It is useful to recall how unthinkable that would have been barely more than a century ago.

(Question from Matt M., of Okemos, MI)

^[1] Suzanne Garment, "Stephen Grover Cleveland," in *Presidential Leadership: Rating the Best and the Worst in the White House*, ed. James Taranto and Leonard Leo (New York: Free Press, 2004), p. 113

[2] Allan Peskin, "James Abram Garfield," in *Presidential Leadership: Rating the Best and the Worst in the White House*, ed. by James Taranto and Leonard Leo (New York: Wall Street Journal Books, 2004), p. 105.

[3] Thomas E. Patterson, *We the People: A Concise Introduction to American Politics*, 5th ed. (Boston: McGraw-Hill, 2004), pp. 369-70.

[4] Buchanan quoted in Patterson, *We the People*, p. 370.

[5] Michael B. Stoff, "Herbert Hoover," in *The American Presidency*, ed. Alan Brinkley and Davis Dyer (Boston: Houghton Mifflin, 2004), p. 336.

[6] Stoff, "Hoover," p. 338.

[7] James Tobin and Murray Weidenbaum, *Two Revolutions in Economic Policy: The First Economic Reports of Presidents Kennedy and Reagan*, ed. James Tobin and Murray Weidenbaum (Cambridge: MIT Press, 1988), p. viii.

[8] Robert Dallek, "Lyndon B. Johnson," in *The American Presidency*, pp. 413-14.

[9] James Reston quoted in John F. Stacks, *Scotty: James B. Reston and the Rise and Fall of American Journalism* (Boston: Little, Brown, 2003), p. 236.

[10] See the federal budget year-by-year at <http://www.gpoaccess.gov/usbudget/fy05/sheets/hist01z1.xls>