

Unemployment and Government: American Labour Exchange before the New Deal

Udo SAUTTER

Creation of American national and state-run employment offices to aid the jobless was an uncertain and protracted process. From 1890 through 1928, any legislation which advocated their establishment was vigorously opposed by both the White House and employers' groups. As the depression deepened and business interests were jeopardized, however, the employers, represented mainly by the National Association of Manufacturers, finally lent their support to the Wagner-Peyser Act of 1933.

La création aux États-Unis de bureaux d'emplois nationaux ou d'États, qui auraient comme fonction d'aider les sans-emploi, fut un processus long et mal assuré. De 1890 à 1928, toutes les lois qui cherchèrent à encourager leur établissement se heurtèrent à une vive opposition, tant de la Maison Blanche que des représentants du patronat. Mais comme la Grande Dépression s'accroissait et que les intérêts des milieux d'affaires furent menacés, les employeurs, représentés surtout par la National Association of Manufacturers, accordèrent finalement leur appui à la loi Wagner-Peyser de 1933.

Among the various problems that advancing industrialization created in the labour market, unemployment emerged as one of the most vexatious. Towards the end of the nineteenth century assorted reform groups began to demand state intervention, but American governments were slow to admit responsibility. Not only did they hesitate to assume a task which traditionally had been the obligation of municipal authorities; there existed also uncertainty about what action could be effectively taken. Soon much of the discussion centred upon the potential of public employment offices.¹ The virtues of such exchanges

1. For a good survey of this question in the international context see John A. GARRATY, *Unemployment in History: Economic Thought and Public Policy* (New York: Harper & Row, 1978), chapters 6 and 7. Of varying usefulness with regard to the American scene are several writings of the period, mostly published by reform-minded advocates of public exchanges. Don D. LESCOHIER, *The Labor Market* (New York: Macmillan, 1919) intended to push the Kenyon/Nolan bill; Darrell Hevenor SMITH, *The United States Employment Service: Its History, Activities and Organization* (Baltimore: Johns Hopkins Press, 1923) and Shelby M. HARRISON, *Public Employment Offices: Their Purpose, Structure and Methods* (New York: Russell Sage Foundation, 1924) are factual descriptions of the administrative structure of the contemporary service; Ruth M. KELLOGG, *The United States Employment Service* (Chicago: University of Chicago Press, 1933), an enraged denunciation of the so-called Doak reorganization, was written to prepare the ground for the Wagner-Peyser Act; Anna Y. REED, *Occupational Placement: Its History, Philosophies, Procedures, and Educational Implications* (Ithaca, N.Y.: Cornell University Press, 1946) relied, with regard to public employment offices, upon the dissertation of one of her students in the New York University School of Education: David W. COOK, "A History of Public Employment Offices in the United States" (Ph.D. thesis, New York University, 1935), who did not go beyond assembling some of the more obvious facts. See also Annabel M. STEWART and Bryce M. STEWART, *Statistical Procedure of Public Employment Offices: An Analysis [etc.]* (New York: Russell Sage Foundation, 1933). More recently no specific inquiry into the subject appears to have been conducted, although some studies with a different focus, in particular Irving BERNSTEIN, *A History of the American Worker 1920-1933: The Lean Years* (Boston: Houghton Mifflin, 1960) and Daniel NELSON, *Unemployment Insurance: The American Experience 1915-1935* (Madison:

appeared clear. By providing jobs rather than hand-outs, they preserved the dignity — or the ethics — of the workers and kept them productive. From a treasury standpoint, exchanges were inexpensive in comparison to other relief measures. These considerations led to the establishment of a series of offices in various states and also to a hesitant federal effort before World War I. The war itself brought a proliferation of exchange agencies, but since this network was created to serve production needs rather than to alleviate unemployment, it was quickly dismantled after the end of hostilities. A dismal skeleton network of agencies persisted through the following decade. The Depression, however, resulted in the passage of the Wagner-Peyser Act of 1933 which provided for the build-up of a national system under federal auspices.

While it is obvious that knowledge of the antecedents of the measure just mentioned can contribute to our understanding of the growth of the welfare state, the subject has as yet not been fully explored. In the following, the principal endeavours and developments leading up to the Wagner-Peyser Act will be traced. It will become clear that the evident hesitation of American governments on both the state and the federal levels to establish exchanges was due to a lingering belief in the validity of *laissez faire* concepts. Only when these concepts broke down under the onslaught of the Depression did the idea of “organizing” the labour market through public employment offices win broad acceptance. It stands to reason, on the other hand, that the New Deal could not have created an exchange system as universal and efficient as it ultimately did, had it not been for the efforts and failures of the preceding generation. Under this aspect, the development can be subdivided into three major stages, namely the time up to World War I, the era between the war and the end of the 1920s, and the Depression years.

The first state-run public employment offices appeared in the United States during the 1890s, and the federal government hesitantly moved into the field early in the new century. Usually created as the result of concerned reformist lobbying or bureaucratic activism, these exchanges were frequently underfunded and failed to make a significant impact upon the labour market before the outbreak of the war.² Basically the establishment of such offices was due to a change in the climate of opinion which announced itself towards the end of the nineteenth century. Up to that time it had generally been held that joblessness was the fault of the individual, and that government had no mandate in the social sphere. But industrialization and urbanization caused “a more conscious sense of individual helplessness” to emerge in the face of environment-induced difficulties.³ This amounted to a change of perspective. “Unemployment, low wages, and high living costs took the central place [formerly] assigned to idleness, improvidence, and intemperance.”⁴ The new environmental viewpoint triggered a modification in humanitarian reform thought; the emphasis upon charity dispensation now began to be replaced by an examination and treatment of the origins of want. The evil had to be attacked at the root, if ever it was to be conquered.⁵

University of Wisconsin Press, 1969), are helpful in various ways. Raymond C. ATKINSON, Louise C. ODENCRANTZ and Ben DEMING, *Public Employment Service in the United States* (Chicago: Public Administration Service, 1938) deal almost exclusively with the New Deal period.

2. For more detail see Udo SAUTER, “North American Government Labor Agencies before World War One: A Cure for Unemployment?”, *Labor History* 24:3 (Summer 1983), pp. 366-93.

3. Robert H. WIEBE, *The Search for Order 1877-1920* (New York: Hill and Wang, 1967), p. 187.

4. Robert H. BREMNER, *From the Depths: The Discovery of Poverty in the United States* (New York: New York University Press, 1956), pp. 124-25; 134.

5. Samuel P. HAYS, *The Response to Industrialism 1885-1914* (Chicago: University of Chicago Press, 1957), pp. 79-80.

Once this new outlook had been gained, it was only logical to devise fresh and more adequate modes of approach. Hitherto private charity had cared for the miserable poor. But now the quest for governmental unemployment aid joined the demands for legislation concerning minimum wages, maximum hours, workmen's compensation and widows' pensions. From about 1890 on, the discussion of appropriate remedies for unemployment never ceased. In this regard public employment offices seemingly offered commendable advantages. They promised to be far less costly and complicated than public works and insurance schemes, and they supposedly would give many of the unemployed access to jobs which would otherwise go unfilled. From the late 1880s such bureaus were advocated by labour commissioners and social reformers alike. Soon the movement gained momentum, and when in 1909 the British Labour Exchanges Act established the first nationwide employment exchange network in the world, public labour bureaus had definitely become the favourite of the reform-minded. The most significant endorsement came through the American Association for Labor Legislation (AALL), a reform group that "spread the gospel of prevention."⁶ It counted among its members almost everybody engaged in the search for unemployment remedies. Its "Practical Program" of 1914, which was the result of two decades of reflection on the part of the experts, pointed to the creation of public employment exchanges as the first necessity.⁷

While humanitarian concern was clearly evident in much of this advocacy, the age that begot Taylorism knew also about the inherent cost of waste. Thus the "Practical Program" held it to be vitally important that the exchanges should be regarded "as a matter of business organization and not of philanthropy." The Massachusetts Commissioner of Labor regretted "the enormous waste, both human and material, due to irregular and un-systematic employment" which in his opinion had created "a problem with which the State alone can successfully cope."⁸ Furthermore, labour exchanges could help in maintaining the public peace. As early as 1890 the Ohio Secretary of State noted that "the disturbances possible from unemployed labour ... are historical in their danger,"⁹ and during the Depression preceding America's entry into World War I the Director of the Colorado Bureau of Statistics feared that "jobless men might lose respect for our written laws and assume to take unlawfully that which every man and woman is entitled to."¹⁰

While progressive minds felt that humanitarianism, efficiency, and social control were sufficiently convincing reasons for strong governmental action, the American public at large was not so easily persuaded. Unorganized labour, the most immediately concerned segment of the labour market, was of course too inarticulate to be heard from. The attitude of the trade unions was ambivalent; in the offices ultimately established many an employee was a trade union man, and it seemed judicious not to neglect a potentially rewarding institution. The American Federation of Labor (AFL) as such, however, stood aside, true to its tradition of not getting involved with government. Before trade unions can devote much time to the promotion of labour exchanges, President Samuel Gompers declared in 1910, "they want ... a heap of better conditions for the wage earners at work."¹¹ As for

6. James T. PATTERSON, *America's Struggle Against Poverty* (Cambridge, Mass.: Harvard University Press, 1981), p. 26.

7. John B. ANDREWS, "A Practical Program for the Prevention of Unemployment in America", *American Labor Legislation Review* (hereafter *ALLR*), 5:2 (June 1915), p. 177.

8. Massachusetts. Public Employment Offices, *10th Annual Report 1916*, p. 5.

9. Ohio. Bureau of Labor Statistics, *14th Annual Report 1890*, pp. 25-26.

10. Colorado. Bureau of Labor Statistics, *Biennial Report 1915-1916*, p. 189.

11. Samuel GOMPERS, "Government Labor Exchanges", *American Federationist*, 17 (Nov. 1910), p. 995.

the employers, they appear to have been mostly indifferent initially, as one observer noted in Massachusetts in the 1890s.¹² However, experience began to awaken some of the resistance which in the 1920s would prove so detrimental to the movement. An early example was the fight which the Manufacturers' Association of Iowa waged against the passage of an exchange law. The Association argued that such agencies were "mere recruiting stations for the labor organizations" and "would be dominated by them."¹³

Given this general climate, it is not surprising that the actual establishment of state-run employment offices was an uncertain and protracted process. The initiative came usually from some department of labour which, aside from all other reasons, considered the creation of an additional branch a welcome expansion of its activities. As a rule offices were opened as soon as the appropriate legislation and funding could be secured. The first state to move was Ohio, where exchange activities in the five principal cities began in 1890. Its example was followed elsewhere sporadically and not without reverses, but by 1911 some 17 states had opened a total of 39 exchanges. Their performance was quite uneven, due to differences in appropriation size and other local peculiarities (Table 1). The failure to create an image of professionalism had the result that employers hesitated to patronize these state offices. The latter's clientele therefore consisted mostly of unskilled workers, often of the worst sort. A vicious cycle was engendered which was apparently difficult to break.¹⁴

The results which this system, or rather non-system, of employment exchanges produced could not be expected to be magnificent. Reliable figures are hard to come by. In the endeavour to make a good showing, often "inaccurate and misleading statistics were given out," as one exchange man admitted in a candid mood.¹⁵ Some benefit may nevertheless be gained from the data in Table 1, as they can help to compare the work of the public offices with that of the private ones. For the latter, of course, aggregate figures are even more difficult to find. But we know, for instance, that in 1911 Chicago had 280 and New York (City) 828 private agencies which may have dealt with several million clients. (Many of them were obviously repeat customers, as was the case in the public offices.)¹⁶ The conclusion is unavoidable that the operations of the state-run offices can have constituted but a small fraction of the labour market activities, without any claim to a controlling function. The value of these exchanges in the fight against unemployment was clearly insignificant. Some better results might have been achieved if the state offices had found a way of transcending local limitations by coordinating their efforts on a state-wide or even a larger basis. But lack of means and administrative incapacity prevented any such development before World War I.

12. Massachusetts. Bureau of Labor Statistics, *24th Annual Report 1894*, p. 263.

13. Circular letter of the Association, reprinted in J.E. CONNER, "Free Public Employment Offices in the United States", in U.S. Bureau of Labor Statistics, *Bulletin 68* (Washington: U.S. Government Printing Office, 1907), pp. 92-93.

14. Charles B. BARNES, "A Report on the Condition and Management of Public Employment Offices in the United States, Together with Some Account of the Private Employment Agencies of the Continent", American Association of Public Employment Offices (hereafter AAPEO), Proceedings 1914, in U.S. Bureau of Labor Statistics, *Bulletin 192* (Washington: U.S. Government Printing Office, 1916), p. 68.

15. Charles B. BARNES, "Public Employment Bureaus — Organization and Operation", *ALLR*, 5:2 (June 1915), p. 197.

16. E.H. SUTHERLAND, "Unemployment and Public Employment Agencies", Chicago. Mayor's Commission on Unemployment, *Report* (Chicago, 1914), p. 111. Frank B. SARGENT, "Statistics of Unemployment and the Work of Employment Offices", U.S. Bureau of Labor Statistics, *Bulletin 109* (Washington: U.S. Government Printing Office, 1912), pp. 55; 128.

Table 1 Work Performance of State Employment Bureaus

Year	1899			1902			1910			1912		
	Applications	Placements	Percent									
Colo.							30,102	18,865	62.7	25,465	15,392	60.4
Conn.				14,198	7,679	54.1	13,003	8,126	62.5	14,615	8,725	59.7
Ill.	24,984	14,851	59.4	44,900	40,181	89.5	68,730	62,564	91.0	73,356	69,883	95.3
Ind.							5,058	2,387	47.2	18,723	14,434	77.1
Kan.				1,588	1,281	80.7	6,692	5,766	86.2	2,321a	833a	35.9
Md.				734	205	27.9	151	32	21.2			
Mass.							47,377	12,292	25.9	28,951a	29,117a	100.6
Mich.							53,295	44,939	84.3	48,974a	42,423a	86.6
Minn.					5,175		51,760	51,713	99.9	53,438b	63,339b	118.5
Mo.	4,849	2,318	47.8	11,836	7,263	61.4	14,713	10,664	72.5	16,063a	14,439a	83.9
N.Y.	5,289	2,401	45.4	3,247	3,388	104.3						
Ohio	26,145	14,989	57.3	26,968	21,428	79.5	51,650	46,512	90.1	114,603a	67,425a	58.8
Okla.							14,306	12,852	89.8	23,159a	13,294a	57.4
R.I.							3,627	2,152	59.3	3,029a	2,386a	78.8
W. Va.				1,208	1,044	86.4	4,670	3,546	75.9	2,205	1,936	87.8
Wisc.				22,077c	20,772c	94.1	(24,000)	23,852	(99.4)	50,548a	26,837a	53.1

a) for year 1913 b) 11 months c) 124 weeks

Sources: E.L. Bogart, "Public Employment Offices in the United States and Germany", *Quarterly Journal of Economics* 14 (May 1900), 351; William Franklin Willoughby, "Employment Bureaus", in his *State Activities in Relation to Labor in the United States* (Baltimore, 1901), 27-29; Massachusetts, Bureau of Statistics of Labor, *34th Annual Report* 1904, 152-77; Frank B. Sargent, "Statistics of Unemployment and the Work of Employment Offices", U.S. Bureau of Labor Statistics, *Bulletin* 109 (Washington, 1912), passim; Solon de Leon, "Operation of Public Employment Exchanges in the United States", *American Labor Legislation Review* 4:2 (May 1914), 364-67; Reports of individual state bureaus.

It could have been considered the province of the federal government to provide for such an expansion of placement activities. Various efforts in this direction proved, however, that the available administrative apparatus and experience were yet too inadequate, and that the prevailing political climate did not offer much hope for immediate betterment. The main push for federal intervention in the employment exchange field appears to have come from the Department of Labor's bureaucratic desire to enlarge its area of responsibility. The Immigration Act of 1907 created within the Department of Commerce and Labor a Division of Information whose task it was "to promote a beneficial distribution of aliens ... among the several states and territories."¹⁷ Offices opened in New York (1907), Baltimore and Galveston (1908), but placement activities remained insignificant. When in 1913 the Department of Labor separated from the Department of Commerce, its new Secretary, William B. Wilson, decided to expand the placement work "to make it useful ... to the whole body of the wage earners of the United States."¹⁸ Scarcity of funds impeded such efforts. The most ambitious among several attempts to get into action was a scheme to enlist the post masters all over the country as labour distributing agents. The undertaking fell "absolutely flat — utterly flat," as an insider later expressed it.¹⁹ As a result the placement performance of the Division remained inconspicuous until the outbreak of the war in Europe (Table 2).

Table 2 Federal Labour Exchange Activities

Fiscal Year	Applications	Placements	Percent	Fiscal Year	Applications	Placements	Percent
1909	26,477	5,008	18.9	1912	26,213	5,807	22.2
1910	18,239	4,283	23.5	1913	19,891	5,025	25.3
1911	30,657	5,176	16.7	1914	10,393	3,368	32.4

Source: Darrell Hevenor Smith, *The United States Employment Service: Its History, Activities and Organization* (Baltimore, 1923), 12.

During the unemployment crisis of 1914-15 demands were heard from the reformers' side that a national system of labour exchanges be created. Frances A. Kellor, social worker and recognized authority on the subject, discerned an "imperative need today of a federal bureau of distribution."²⁰ John B. Andrews, Secretary of the AALL, published in the *New Republic* a complete organization plan for a three-level federal-state-local structure.²¹ Cooperation of the federal division with the existing state services had hitherto

17. 35 Stat., ch. 1134, sec. 40 (1907).

18. U.S. Dept. of Labor, *1st Annual Report 1913*, pp. 43-44.

19. U.S. Congress. Joint Committees on Labor, *National Employment System*. Hearings on S. 688 and 1442, and H.R. 4305. 66th Cong., 1st sess. (19 June-25 July 1919), p. 89. Statement of Nathan A. Smyth, former assistant director general of the USES. There were also two bills introduced promoting the post office scheme. U.S. Congress. Senate, *A Bill to Authorize the Postmaster General of the United States to Establish Employment Exchanges at all Presidential Post Offices*. S. 5180, 63rd Cong., 2d sess. (8 April 1914, M.E. Clapp); *id.*, S. 679, 64th Cong., 1st sess. (7 Dec. 1915, M.E. Clapp).

20. Frances A. KELLOR, "Is Employment a Municipal Problem?", *National Municipal Review*, 3 (April 1914), p. 370. In 1904 Kellor had published a ringing denunciation of private agencies, *Out of Work* (see below, footnote 26).

21. John B. ANDREWS, "A National System of Labor Exchanges", *New Republic*, 1:8 (26 Dec. 1914), pp. 1-8; see also John B. ANDREWS, "A National System of Labor Exchanges in Its Relation to Industrial Efficiency", *American Academy of Political and Social Science, Annals*, 61 (Sept. 1915), pp. 138-45.

been minimal, but Secretary Wilson decided to use the good wind, and in April 1915 he sent out a call for a national conference of public employment bureau officials to discuss "unemployment in its various aspects" and ways of cooperation for its alleviation. The conference convened in San Francisco, 2-6 August, 1915, but beyond expressions of common interest little of a tangible nature was achieved.²²

It had become obvious by then that no progress could be expected unless a solid financial foundation could be provided. Before World War I several attempts were made to obtain legislative sanction for the service, and consequently appropriations, were made. They failed because of congressional inertia. The first proposal to be laid before Congress originated in circles close to the Progressive Party, which in its 1912 platform had stressed the "rights of labor" and had asked for "effective legislation looking to the prevention of ... involuntary unemployment."²³ Rep. Victor Murdock (Kansas), who on 29 April, 1914, introduced a bill providing for the establishment of a national bureau of employment (H.R. 16130), specifically credited his initiative to Progressive influence.²⁴ While Murdock's proposal on the whole followed Andrews' system mentioned above, another bill, introduced a few weeks later by William J. Macdonald (Michigan), tried to revive the postal scheme (H.R. 17017). Hearings were held on both bills in June and July 1914, and only protagonists of some kind of federal service appeared as witnesses. The Committee on Labor, trying to combine the salient features of both bills, had a compromise proposal worked out which reached the House floor on 29 September 1914, (H.R. 19015) and was again referred to the Committee on Labor. The latter, "earnestly urge[d] the immediate attention of Congress thereto" when reporting the Bill in February 1915, citing "the appalling situation" in the labour market.²⁵ But the 63rd Congress soon adjourned, and the matter was left in abeyance.

One reason for procrastination may have been the hidden opposition of employers' associations and trade unions. The proponents of a national bureau tried to overcome the resistance through persistent attack. Kellor published a revised edition of her muckraking book. The AALL undertook a comprehensive unemployment survey, published in November 1915, which came out strongly in favour of a national system.²⁶ And when the new Congress met in December 1915, the bill abandoned in February was reintroduced by John I. Nolan (California; H.R. 5783). Another round of hearings was held in February

22. "Department of Labor Conference on Employment, Held at San Francisco, Cal., August 2 to 6, 1915", *Monthly Labor Review* (hereafter *MLR*), 1:4 (Oct. 1915), pp. 5-13.

23. Bruce JOHNSON, ed., *National Party Platforms*. Vol. I: 1840-1956 (Urbana: University of Illinois Press, rev. ed. 1978), p. 177.

24. U.S. Congress. House, *A Bill to Establish in the Department of Labor a Bureau to Be Known as the Bureau of Employment, and for Other Purposes*. H.R. 16130, 63rd Cong., 2d sess. (29 April 1914, V. Murdock). U.S. Congress. House. Committee on Labor, *National Employment Bureau*. Hearings on H.R. 16130 (5 June 1914) and H.R. 17017 (12 June-13 July 1914), 63rd Cong., 2d sess., p. 7.

25. U.S. Congress. House, *A Bill to Provide for the Establishment of a National Employment Bureau under the Direction and Supervision of the Secretary of Labor*. H.R. 17017, 63rd Cong., 2d sess. (3 June 1914, W.J. MacDonald). U.S. Congress. House, *A Bill to Provide for the Establishment of a National Employment Bureau in the Department of Labor*. H.R. 19015, 63rd Cong., 2d sess. (29 Sept. 1914, W.J. MacDonald). U.S. Congress. House. Committee on Labor, *National Employment Bureau*. H. Rept. 1429 (to accompany H.R. 19015), 63rd Cong., 3rd sess. (20 Feb. 1915). Wilson's letter is on pp. 6-7.

26. William M. LEISERSON, "The Movement for Public Labor Exchanges", *Journal of Political Economy*, 23:7 (July 1915), pp. 714-15. Frances A. KELLOR, *Out of Work: A Study of Employment* (New York: Putnam's, rev. ed. 1915). This edition also contained a draft bill for a national system of employment exchanges, pp. 511-14. "Unemployment Survey, 1914-1915", *ALLR*, 5:3 (Nov. 1915), p. 562.

1916, and the bill was again reported out favourably.²⁷ Nothing further happened, perhaps mainly because the war boom had in the meantime done away with the scarcity of jobs. Doggedly Nolan brought in his bill again in April 1917 (H.R. 153), supported by a parallel proposal in the Senate (S. 842).²⁸ Within days, however, President Wilson sent his war message to Congress, and more urgent concerns claimed the attention of the legislators from then on.

Paradoxically the new situation did not impede the growth of the budding employment service in the Department of Labor. While unemployment was out as a vehicle for this purpose by 1917, its opposite, a scarcity of labour, began to develop. Instead of helping the jobless man, the task now at hand was to fill the manless job. The Department happily seized the opportunity, and secured more backing in this endeavour than reformers would ever have dared to dream during the pre-war years. As this expansion was not motivated by concern for the unemployed and was only temporary in nature, however, it requires no more than brief sketching here.

To pay for the build-up of the United States Employment Service (USES — the Division had adopted this name in 1915), Congress in the urgent deficiency bill of 6 October, 1917, provided \$250,000 until 30 June, 1918.²⁹ Deeming this sum inadequate, President Wilson on 5 December, 1917, allotted a further \$825,000 from the National Security and Defense appropriation. The reorganization of the Service included its establishment as a separate branch of the Department of Labor in January 1918, a rapid opening of exchanges across the United States, and the integration of the existing state offices into the sprawling system. By mid-1918 about 350 exchanges with a paid personnel of about 2,000, including 300 at the Washington headquarters, attended the needs of the war economy. The numbers rose to 500 offices, 4,000 paid and 3,000 unpaid staff by mid-February 1919.³⁰ The Service recruited skilled personnel for important industries, and a presidential proclamation urged all employers engaged in war work to refrain, from 1 August, 1918, onwards from recruiting unskilled labour in any manner except through the USES.³¹ Business boomed. Placements increased, by the Service's own reckoning, from 51,183 in January 1918 to 558,469 in November of that year. The total for the calendar year 1918 was 2,698,887. (The civilian labour force may have numbered about 40 million at the time.)³² In recognition of this work, the Sundry Civil Appropriation Act of July 1918 allotted \$5,500,000 to the Service for its activity "during the present emergency."³³ Secretary Labour Wilson, intending to profit from his good fortune while it lasted, prepared

27. U.S. Congress. House, *A Bill to Provide for the Establishment of a National Employment Bureau in the Department of Labor*. H.R. 5783, 64th Cong., 1st sess. (15 Dec. 1915, J.I. Nolan). — U.S. Congress. House. Committee on Labor, *National Employment Bureau*. Hearings on H.R. 5783, 64th Cong., 1st sess. (3-17 Feb. 1916). U.S. Congress. House. Committee on Labor, *National Employment Bureau*. H. Rept. 424 (to accompany H.R. 5783), 64th Cong., 1st sess. (24 March 1916).

28. U.S. Congress. House, *A Bill to Provide for the Establishment of a National Employment Bureau in the Department of Labor*. H.R. 153, 65th Cong., 1st sess. (6 April 1917, J.D. Phelan).

29. 40 Stat., ch. 79, p. 376 (1917).

30. U.S. Dept. of Labor, *6th Annual Report 1918*, pp. 208-10; 218; *7th Annual Report, 1919*, pp. 276; 293.

31. Text of proclamation in U.S. Dept. of Labor, *6th Annual Report, 1918*, p. 703.

32. U.S. Dept. of Labor, *7th Annual Report, 1919*, p. 285. The *Historical Statistics* have 40,023,000 for 1917 and 39,076,000 for 1918. *Historical Statistics of the United States: Colonial Times to 1970*. Part 1 (Washington: U.S. Government Printing Office, 1975), p. 126.

33. 40 Stat., ch. 113, p. 696 (1918).

a request for \$14,801,382 for the fiscal year of 1919, to be submitted to Congress in December.³⁴ But before the legislators reconvened, hostilities ceased in Europe.

The war had been instrumental in creating an agency capable of "organizing" the American labour market to a considerable degree. The question was whether the structure, hastily established and having done "a lot of what avowedly [was] emergency work,"³⁵ could survive in peacetime. Above all it still lacked a reliable financial foundation. The dimensions into which the Service had grown made it impossible to finance it, as in the pre-war years, out of the regular departmental allocation. It now appeared imperative to secure the legislation and therewith the permanent monetary basis for carrying on the placement work. War necessity was no longer a reason to intervene in the labour market, but widespread unemployment, or the danger of it, loomed large during the first post-war years. Those hoping for a continuation and development of a nation-wide service, among whom the AALL and officials in the federal Department of Labor continued to be the most eager, could still see their chance. As it turned out, however, neither the demobilization period nor the depression of 1921 created enough momentum to satisfy these expectations. Eager to cut back governmental services that had proliferated during the war years, Democratic and Republican administrations as well as Congress showed themselves unresponsive, and this attitude persisted throughout the 1920s. In the prevailing mood of "normalcy," measures against unemployment possessed low priority.

After the armistice was signed in November 1918, Secretary Wilson's blown-up request for \$14.8 million had no chance. In Congress the item was cut at various stages, until it finally passed the House on 28 February, 1919, in the amount of \$1.8 million, only to fail on passage in the Senate. A desperate appeal in early March to President Wilson for another executive allocation also fell on deaf ears. The USES saw itself compelled to ask state and municipal authorities and community organizations to help defray the cost of placement services. Demobilization worries induced these bodies to be adequately generous. Contributions averaged \$168,000 per month until June 1919, when it was hoped that another appropriation might give the Service a new lease on life.³⁶

Of utmost urgency was legislative sanction of the USES. A statutory framework which included a provision for an annual appropriation would make the system independent of future congressional whims. Mindful of this, Secretary Wilson called state representatives into conference at Washington, 23-25 April, 1919, in order "to discuss the subject of a National Employment Service ... and to project a program for legislation." The main point of discussion was the question of whether a strongly centralized service was preferable or a federated structure. The protagonists of the latter prevailed, mainly because it was realized that it would be politically impossible to implement the former.³⁷ A resulting draft bill was shortly thereafter introduced in Congress by two sympathetic legislators, William S. Kenyon (Iowa; S. 1442) and again Nolan (H.R. 4305). Joseph T. Robinson (Arkansas), who had

34. U.S. Dept. of Labor, *7th Annual Report, 1919*, p. 287.

35. C.B. Barnes (Director, New York State Industrial Commission) to J.B. Andrews, 12 Jan. 1918, John B. Andrews Papers [microfilmed, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N.Y., hereafter Andrews Papers], reel 18.

36. U.S. Dept. of Labor, *7th Annual Report, 1919*, pp. 287-88. *Congressional Record* [hereafter *CR*], 65th Cong., 3rd sess., pp. 4652-64 (28 Feb. 1919).

37. "Conference on National Employment Service, Washington, D.C., April 23 to 25, 1919", *MLR*, 8:5 (May 1919), pp. 1404-7. See also U.S. Congress. Joint Committees on Labor, *National Employment System*. Hearings on S. 688, S. 1442 and H.R. 4305, 66th Cong., 1st sess. (19 June-25 July, 1919), pp. 71-83.

already shown his sympathy with the cause through a like initiative during the war years, introduced a similar bill (S. 688).³⁸

In June and July 1919, hearings were held on these proposals by the Joint Committees on Labor of both Houses. These hearings differed from those before the war in that adversaries of the USES now came out in the open and passionately pleaded their causes. No longer just the hobby of a few reform-minded social activists, for a few months the matter commanded considerable attention on the political scene. Many employers feared that several unwelcome features of the war-time Service might be perpetuated with the legislation under discussion. As they were "extremely suspicious of the connections of the Labor Department with organized labour and ... opposed to in any way increasing its power as long as this control remains."³⁹ Their push was spearheaded by the National Association of Manufacturers (NAM), but found support also from other business organizations. In a special bulletin to be used by its members for lobbying purposes, the NAM, citing many examples, denounced the USES for excessive bureaucracy, extravagant spending, propensity to foment labour trouble, lack of neutrality in strike situations, hurtful discrimination between employers, and general incompetence, insufficiency and corruption. According to USES Director John B. Densmore, one underlying fear was that the USES, which had transferred about 65,000 skilled workers out of non-essential work into war work, might again use its authority "to the detriment of some of our manufacturing industries in the country." In the South, moreover, many resented that the USES had freely engaged in recruiting blacks for work in the North, thus upsetting the southern labour and wage situation.⁴⁰

The loss which one segment of employers had endured, of course, had been to the advantage of others. Not all business concerns dreaded a bureaucratic Leviathan directed from Washington. When in late 1918 the United States Chamber of Commerce polled its members concerning public employment offices, they declared themselves 689.5 to 361.5 in favour of establishing a national system.⁴¹ During the hearings USES Acting Assistant Director William E. Hall was able to produce a list of over 800 companies which had profited from the work of the Service and now endorsed the bill.⁴² Their enthusiasm was shared by the trade unions, as within the AFL in particular pre-war coolness had given way to cordial approval. The NAM's claim that the Service was union-ridden was apparently confirmed by a telegram Gompers sent from France in support of the USES, and also by the testimony AFL Secretary Frank Morrison gave before the Joint Committees. In this

38. U.S. Congress. House, *A Bill to Provide for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System, and to Regulate the Expenditures of Moneys That Shall Be Appropriated for Such Purposes*. H.R. 4305, 66th Congress, 1st sess. (31 May 1919, J.I. Nolan). U.S. Congress. Senate, *A Bill to Provide for the Establishment [etc.]*. S. 1442, 66th Cong., 1st sess. (6 June 1919, W.S. Kenyon). U.S. Congress. Senate, *A Bill to Provide for a National Employment System*. S. 688, 66th Cong. 1st sess. (23 May 1919, J.T. Robinson). U.S. Congress. Senate, *A Bill to Promote the Welfare of Industries and Wage Earners of the United States, to Extend the United States Employment Service in the Department of Labor, and for Other Purposes*. S. 3078, 65th Cong., 2d sess. (7 Dec. 1917, J.T. Robinson). This bill had been drafted by the AAPEO with the approval of the AFL. J.B. Andrews to O.R. Lovejoy, 28 Nov. 1917; *id.* to J. Robinson, 8 Dec. 1917, Andrews Papers, reel 18.

39. Z.L. Potter to J.B. Andrews, 8 Feb. 1919, Andrews Papers, reel 19.

40. Hearings on S. 688, S. 1442 and H.R. 4305 [footnote, hereafter fn., 19 above], pp. 419-23; 492; 638; *CR*, 65th Cong., 3rd sess., p. 4626 (28 Feb. 1919).

41. President's Conference on Unemployment. Committee on Unemployment and Business Cycles, *Business Cycles and Unemployment: Report and Recommendations* (New York: McGraw-Hill, 1923), p. 84.

42. Hearings on S. 688, S. 1442 and H.R. 4305 [fn. 19 above], pp. 534-47.

situation Henry Sterling, an AFL lobbyist, had difficulty sounding convincing when he declared that his organization stood behind the legislative proposal not for the unions' benefit, but "only for the general good of the labouring people of the country."⁴³

The result of the controversy announced the political climate of the 1920s. For the time being, the Joint Committees did not report the bills out and left the matter pending. One apparent reason for the legislature's procrastination was the wish to wait for the outcome of the Industrial Conference which President Wilson had called in the fall of 1919. The Conference convened on 1 December and in its final report of 6 March 1920 recommended that a system of employment exchanges be established, as the "problem of unemployment is aggravated by the fact that at the present time there is no adequate method for mobilizing such a so-called labour reserve." But unemployment, the conferees took care to affirm, was "in the first instance a local problem," and any federal role in a future service could only be a subsidiary one. It was essential "to secure decentralized administration in the States, under the supervision of its [sic] citizens; to avoid the establishment of a Federal bureaucracy."⁴⁴ The NAM's point of view clearly prevailed.

When the House Committee on Labor finally formulated a response to the legislative proposals of the previous spring, it specifically referred to this Conference recommendation. It actually used as its vehicle none of the bills that had prompted the hearings, but another one Nolan had introduced with the same intent in May 1919 (H.R. 544). In its report of 18 May, 1920, the Committee declared itself concerned about unemployment which it judged "detrimental to the person as well as a loss to the Nation," but it refrained from suggesting any specific money allocation for the tenuous service structure it proposed to create. The personnel, apart from a permanent director, was to be provided for "from time to time by appropriation or other law, so that the appointment of the force and the development of the bureau are completely within the control and hands of Congress."⁴⁵ The adversaries of the USES had won a clear victory. Whereas the intent of the Kenyon/Nolan and Robinson bills had been to shelter the Service as securely as possible from the winds of politics, the Committee now practically recommended the perpetuation of instability. But the NAM had even more reason for satisfaction. Despite Nolan's efforts "to do all I can to get immediate consideration" by Congress,⁴⁶ the latter refrained from giving this anemic proposal further attention, and the matter was laid to rest for several years to come.

In a way, the shrinkage which the USES had undergone in the meantime had pre-saged this outcome. In order to prove its value in the face of powerful competition,⁴⁷ the Service had sought to assert itself as the principal instrument of demobilization. On 2 December, 1919 it sponsored a conference in Washington to bring about coordination of the placement efforts of the various government departments, semi-private and private

43. CR, 65th Cong., 3rd sess., p. 4624 (28 Feb. 1919); Hearings on S. 688, S. 1442 and H.R. 4305 [fn. 19 above], pp. 274-75.

44. U.S. Congress. House. Committee on Labor, *To Establish a National Employment Bureau*. H. Rept. 999 (to accompany H.R. 544), 66th Cong., 2d sess. (18 May 1920), p. 4.

45. U.S. Congress. House, *A Bill to Provide for the Establishment of a National Employment Bureau in the Department of Labor*. H.R. 544, 66th Cong., 1st sess. (19 May 1919, J.I. Nolan). H. Rept. 999 [fn. 44 above].

46. J.I. Nolan to J.B. Andrews, 20 May 1920, Andrews Papers, reel 22.

47. The Secretary of Labor, James J. Davis, later spoke of "a conflict of interests such as occurred after the Armistice" when the War Department also engaged in job-finding activities. Davis to Hoover, 5 Oct. 1921, Herbert Hoover Papers [Hoover Presidential Library, hereafter Hoover Papers], Commercial Papers, Box 651.

organizations that busied themselves with the task.⁴⁸ But demobilization went more smoothly than anticipated. While the USES had its share in the work, it could scarcely claim that its role was vital for the success of the process. Of the 2,500 Soldiers' and Sailors' Bureaus temporarily established in the country, only 300 were located in the offices of the USES. Of the millions of soldiers demobilized, according to its own figures the Service placed only 474,085 men in jobs between 1 December, 1918 and 27 September, 1919.⁴⁹

The denial of funds forced the USES radically to cut back the number of its offices. From 22 March, 1919 onwards it maintained only 56 exchanges by its own means. A further 434 were being kept alive by the outside contributions already mentioned. When the demobilization pressure diminished by the middle of the year, the flow of the latter monies dried up. Congress made available a miserly deficiency appropriation in the amount of \$272,000 in July 1919, which helped to pay existing obligations. For the fiscal year of 1920 an appropriation of \$400,000 was allotted, but from then on, for the rest of the decade, the annual appropriations hovered around the \$225,000 mark.⁵⁰

No field organization could be maintained under these circumstances, and on 10 October, 1919, all the remaining USES offices were handed over to state or municipal authorities or were closed. To maintain a link, in most states one person connected with exchange activities was appointed as a Federal director of the USES at a salary of \$1 per year, an arrangement which gave individual state services the franking privilege. In various cases the USES also paid a modest administrative subsidy. By 1924 such understandings were in effect with 41 states, which together ran some 200 placement offices; \$79,150 were disbursed by the USES. The federal service also organized a placement service for farm workers. A head office in Kansas City (Missouri) and several other permanent offices in other agricultural states, to which temporary exchanges were added during the harvest season, distributed farmhands over state lines. 113,282 placements were reported for the fiscal year of 1923, 392,750 for 1926.⁵¹ The latter figures look impressive, but it has to be kept in mind that they are unreliable, and that the jobs were temporary in nature, lasting often only a few days. Moreover, this service was neither intended to alleviate unemployment nor did it do so in a noticeable way.

The advocates of an effective federal employment service did not fully give up hope during the 1920s, however. While it was realized that times on the whole were not propitious, the odd attempt was nevertheless made to keep the matter in the public consciousness. In April 1921, Senator Kenyon introduced in Congress another unsuccessful proposal for a national service (S. 681).⁵² The unemployment of that year prompted the AALL to formulate "Standard Recommendations for the Relief and Prevention of Un-

48. "Review of Activities of the United States Employment Service", *MLR*, 8:4 (April 1919), p. 143. U.S. Dept. of Labor, *7th Annual Report, 1919*, pp. 286; 900.

49. SMITH, *United States Employment Service* [fn. 1 above], p. 48 fn. U.S. Dept. of Labor, *8th Annual Report 1920*, p. 152.

50. U.S. Dept. of Labor, *7th Annual Report, 1919*, p. 902. 41 Stat., ch. 6, p. 55; ch. 24, p. 225 (1919).

51. U.S. Congress. House. Committee on Appropriations, *Departments of Commerce and Labor Appropriation Bill, 1924*. Hearings, 67th Cong., 4th sess. (14-29 Nov. 1922), p. 291. - U.S. Dept. of Labor, *11th Annual Report, 1923*, p. 37; *14th Annual Report, 1926*, p. 34. "Public Employment Services", *MLB*, 32:1 (Jan. 1931), p. 27.

52. U.S. Congress. Senate, *A Bill for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System and to Regulate the Expenditure of Moneys That Shall Be Appropriated for Such Purposes*. S. 681, 67th Cong., 1st sess. (13 April 1921, W.S. Kenyon).

employment," strongly coming out in favour of pertinent state and federal legislation.⁵³ During President Harding's Conference on Unemployment, which deliberated from 26 September to 13 October, 1921, in Washington, the reformers, led by Andrews and William M. Leiserson, energetically worked the committees to obtain an endorsement of substantial action. The Conference even came up with a recommendation that the USES be allotted an extra \$400,000 to meet the crisis. In Congress, however, fiscal conservatives blocked this effort to provide for an expanded employment office system. Edward Eyre Hunt, the Conference's secretary, ultimately had to notify the AALL that "the impression made by [USES Director General Francis I.] Jones on the committee [of Appropriations] was not helpful to the bill ... In Conference the appropriation was dropped."⁵⁴

During the next few years there were only sporadic attempts to revive the matter. In 1923 the Committee on Unemployment and Business Cycles, set up by the President's Conference, gave "hearty approval" to the idea of establishing a national system of employment bureaus. In 1925 Nolan's widow introduced her late husband's earlier bill again (H.R. 12443).⁵⁵ Neither endeavour brought tangible results. In the generally prevailing prosperity, remedies for unemployment possessed little political attraction.

Towards the end of the decade the unemployment problem took on a new urgency. Well before the Wall Street disaster in October 1929, awareness grew that under the veneer of prosperity joblessness was increasing. While it was commonly attributed to technological advances,⁵⁶ neither the nature nor the size of the phenomenon were clearly understood. The search for cures was nonetheless carried the public again. These endeavours quickly gained prominence once the stock market crash caused unemployment to become a burden not only for selected individuals, but for American society at large. Democratic Senator Robert F. Wagner (New York), assisted by progressive colleagues from both parties and growing public support, led the fight for employment office legislation in Congress. For the time being their forces proved too weak to overcome the resistance which conservative circles, in concert with the Hoover Administration, were able to offer. But when Hoover's attempt to create a useful centralized agency failed, the long-cherished hope of the reformers for a truly cooperative federal-provincial service at long last came true. During Roosevelt's Hundred Days the necessary legislation was finally passed.

Some advance action was occurring during 1928, when the need of the unemployed proved to be greater than at any time since 1920-21.⁵⁷ On 25 February Albert Johnson,

53. "Standard Recommendations for the Relief and Prevention of Unemployment", *ALLR*, 11:3 (Sept. 1921), p. 219.

54. President's Conference on Unemployment, *Report* (Washington, 1921), p. 78. See also E.E. Hunt to J.B. Andrews, 20 Dec. 1921, Andrews Papers, reel 25. Carolyn GRIN, "The Unemployment Conference of 1921: An Experiment in National Cooperative Planning", *Mid-America* 55:2 (April 1973), pp. 97-98. Edward BERKOWITZ and Kim McQAID, *Creating the Welfare State: The Political Economy of Twentieth Century Reform* (New York: Praeger, 1980), p. 61.

55. President's Conference, *Business Cycles* [fn. 41 above], XXXI; U.S. Congress. House, *A Bill for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System and to Regulate the Expenditure of Moneys That Shall Be Appropriated for Such Purposes*. H.R. 12443, 68th Cong., 2d sess. (28 Feb. 1925, M.E. Nolan).

56. See for instance Sumner H. SLICHTER, "The Price of Industrial Progress", *New Republic* 53 (8 Feb. 1928), pp. 316-18. R.G. TUGWELL, "Hunger, Cold, and Candidates", *ibid.* (2 May, 1928), pp. 323-25. Beulah AMIDON, "Business Machines and Idle Men: Unemployment as Part of the Progress of Industrial Growth", *Survey*, 62:1 (1 April 1929), pp. 14-15. Isador LUBIN, "Let Us Out", *ibid.*, pp. 11-13.

57. Clarke A. CHAMBERS, *Seedtime of Reform: American Social Service and Social Action 1918-1933* (Minneapolis: University of Minnesota Press, 1963), p. 178.

the Chairman of the House Committee on Immigration, suggested that a Federal Bureau of Employment could be serve to achieve a proper distribution of surplus labour.⁵⁸ The idea was officially taken up in Congress by the junior senator from New York who, complementing his old friend Al Smith's presidential campaign, began a crusade for legislative measures against unemployment. During the next few years Wagner emerged as the undisputed champion of this cause. His initial move was the introduction of three major bills in spring 1928, one of which (S. 4157) practically reiterated Kenyon/Nolan's proposal for a national employment system.⁵⁹ The Secretary of Labor, aroused by the Wagner initiative, considered framing a bill of his own and even convoked a conference of experts for the purpose in Washington on 7 July.⁶⁰

Election year politics momentarily kept the idea from making further headway, but the matter of federal agencies was henceforth not fully lost from sight. Pursuant to a resolution to investigate measures for unemployment alleviation (S. Res. 219), sponsored by Republican Robert M. La Follette, Jr. (Wisconsin), extensive hearings were held by the Senate Committee on Education and Labor from December 1928 to February 1929. Naturally employment agencies were among the subjects studied. Only witnesses supporting reform cared to testify, and the result was that the Committee in its report came out more strongly in favour of such agencies than any congressional body ever before. As for the USES, reorganization was recommended; but mindful of the sentiment of a decade earlier, the Committee took care to stress that the new organization should be "responsible ... to local officials, to local employers, and to local employees," thus attempting to neutralize the fears of a powerful centralized agency. To minimize future charges of corruption, civil service examinations of the personnel would be in order. If the federal government was to grant money, it should be given to the states according to "some definite system or plan."⁶¹ The Committee clearly tried hard to please all sides. Its efforts, however, did not bear immediate fruit, as Congress adjourned a few days after the report reached the Senate floor. Although Wagner was prepared "to exert himself in every way to reintroduce the bill ... and ... have it become law before the expiration of the Congress,"⁶² the next session (summer 1929) was too busy with agricultural and tariff questions to deal with unemployment concerns.

The situation changed when, from October 1929 onwards, the stock market collapse reduced business activity and job opportunities. Wagner now saw a better chance for his remedial program, and on 9 January, 1930, he reintroduced his three bills. S. 3060, like

58. *Commercial and Financial Chronicle*, 126 (3 March 1928), p. 1270.

59. U.S. Congress. Senate, *A Bill to Provide for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System and to Regulate the Expenditure of Moneys That Shall Be Appropriated for Such Purposes*. S. 4157, 70th Cong., 1st sess. (20 April 1928, R.F. Wagner).

60. F.I. Jones (Director General of USES) to W.M. Leiserson, 24 May, 1 June, 12 July, 6 Sept. 1928; Leiserson to Jones, 26 May 1928, William M. Leiserson Papers [State Historical Society of Wisconsin Archives, Madison, Wisc.], Box 42.

61. U.S. Congress. Senate, *A Resolution Providing for an Analysis and Appraisal of Reports on Unemployment and Systems for Prevention and Relief Thereof*. S. Res. 219, 70th Cong., 1st sess. (2 May 1928, R.M. La Follette). The resolution was adopted on 19 May, 1928. U.S. Congress. Senate. Committee on Education and Labor, *Unemployment in the United States*. Hearings Pursuant to S. Res. 219, 70th Cong., 2d sess. (11 Dec., 1928-9 Feb., 1929), pp. 149-78, 482, 488, 491-517. U.S. Congress. Senate. Committee on Education and Labor, *Causes of Unemployment*. S. Rept. 2072 (pursuant to S. Res. 219), 70th Cong., 2d. sess. (25 Feb. 1929), pp. VIII-XI.

62. Minna L. Ruppert (Wagner's secretary) to William Leiserson, 25 April 1929, Robert F. Wagner Papers [Georgetown University Archives, Washington, D.C., hereafter Wagner Papers], Legislative Files, Box 189.

its predecessors, provided for a national system of employment offices based upon offices maintained by the individual states, to which federal conditional grants were to be paid. These grants should ensure uniformity of service. In states which chose not to adhere to the system, the USES could establish its own offices. The bill went to the Committee on Commerce whose sympathetic chairman, Hiram Johnson (California), arranged hearings from 18 March to 1 April, 1930. The AALL, the AFL and various other liberal-minded organizations sent representatives to argue in its favour. This time the adversaries took the matter more seriously. In a lengthy brief the NAM submitted its constitutional argumentation that a federal Leviathan had to be avoided. Unimpressed, the Committee unanimously recommended passage of the bill, and on the Senate floor it was passed by 34 to 27.⁶³

Stiffer resistance loomed in the House, where hearings were held in June. The tone was set by Senator Hiram Bingham (Connecticut), who on 7 June, in a nationally broadcast speech attacked Wagner's bill, claiming that "the measure undertakes to coerce the State" and asserting that "it is not the business of Washington to look out for the general welfare of the people, but for the general welfare of the States."⁶⁴ Before the House Judiciary Committee, this constitutional argumentation was taken up by the NAM's General Counsel, James E. Emery, and also by a representative from the National Employment Board, a national association of private employment agencies. They further contended that any larger federal service would stifle free enterprise by curtailing the business of the private employment agencies. Wagner in reply concentrated on the constitutional issue, pointing out that federal aid for such programs as road building or vocational training were not considered coercion. But he left no doubt that in the final analysis a deeper issue was involved, namely that of industrialized society's task to provide for its needy citizens. He found a mandate for the assumption of this obligation in the general welfare provision of the constitution. And at any rate, he argued, the constitution could be adjusted, since, "after all, [it] is what the judges say it is." The interest of man came before adherence to the barren letter. "Men are starving, hungry, in a country of plenty," Wagner exclaimed before the House Committee, "and someone will talk about some constitutional inhibition."⁶⁵

This was an astonishing pronouncement, questioning any fundamentalist view of the constitution. The fact that the Committee reported the bill out favourably indicates that acceptance of Wagner's interpretation of the issue — it was to underlie much of the New Deal legislation — was gaining momentum. Two minority reports, however, one of them by Committee chairman George S. Graham, took adversarial positions based upon the arguments of Wagner's opponents. The greater triumph was still theirs, as the bill did not reach the House floor before the end of the session in July 1930.⁶⁶

63. U.S. Congress. Senate, *A Bill to Provide for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System, and for Other Purposes*. S. 3060, 71st Cong., 2d sess. (9 Jan. 1930, R.F. Wagner). U.S. Congress. Senate. Committee on Commerce, *Unemployment in the United States*. Hearings on S. 3059, S. 3060, S. 3061, 71st Cong., 2d sess. (18 March-1 April 1930), *passim*. The NAM brief is on pp. 104-9 (7 April 1930).

64. National Broadcasting Company, Press release for 8 June 1930, in Wagner Papers, Box SM 485.

65. U.S. Congress. House. Committee on the Judiciary, *Unemployment in the United States*. Hearings on S. 3059, 3060; H.R. 8374, 8655, 9560, 11414, 12550, and 12551, 71st Cong., 2d sess. (11-12 June 1930), *passim*. Quotes pp. 173; 177.

66. U.S. Congress. House. Committee on the Judiciary, *To Provide for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System, and for Other Purposes*. H. Rept. 2033 (to accompany S. 3060), 71st Cong., 2d sess. (26 June 1930).

During the summer of that year, the employment picture offered no ground for optimism. As fears regarding the situation during the next winter mounted, the proponents of an expanded federal-state service attempted to keep their cause in the public eye.⁶⁷ Paul H. Douglas, who directed an unemployment study at Swarthmore College, had proposed a concerted campaign for the three bills as early as June. During the fall Samuel Joseph of City College organized meetings with New York (State) labour commissioner Frances Perkins, *Survey* editor Paul Kellogg and others, to discuss and organize strategies.⁶⁸ Even in circles close to the Administration the feeling grew that a nation-wide system of public employment offices could aid in alleviating unemployment. Colonel Arthur Woods, chairman of the President's Emergency Committee on Employment (PECE) which Hoover created in October 1930, urged the President to ease passage of the Wagner bill.⁶⁹

Hoover was in no mood to help institute a measure advocated by left-wingers and trade unions. Unable to ignore the issue any longer, he decided to divert the push and charged his new Secretary of Labor, William N. Doak, with preparing a proposal without the grant-in-aid feature. The undertaking turned out to be difficult. Doak tried to enlist the assistance of the PECE in the drafting, but the Committee's experts, led by Bryce M. Stewart, former director of the Employment Service of Canada, favoured the Wagner version.⁷⁰ In an apparent attempt to open the Secretary's mind to more liberal views, the AALL, the principal lobbying group for Wagner's proposal, then proceeded to elect Doak, as a vice president.⁷¹ The Secretary, however, mindful of his mandate, now turned to Judiciary Committee chairman Graham for help. Their combined efforts produced an amendment to the bill before the House which practically provided for a build-up of the existing USES, the only change of substance being the addition of an Assistant Secretary of Labor.⁷² Doak could not really hope to find much sympathy for this new scheme with the advocates of federal-state cooperation, but in order to leave nothing undone, he entered into negotiations with Senator Wagner. Not surprisingly, the latter saw no basis for cooperation, as he was unable to discover "even after the closest scrutiny, anything in the new proposal which materially changes the existing unsatisfactory situation" in the USES. His major objections were that Doak's plan was "at variance with our desire to strengthen local responsibility for the problem of job-finding; and second, that the Federal Government can not be expected even to have a sufficiently extensive system of employment offices to serve the needs of the country."⁷³

67. Paul H. DOUGLAS, "Toward Unemployment Relief: The Wagner Bill for Adequate Employment Service Provides the First Steps", *Woman's Press* (Oct. 1930), pp. 699-700; "Connecting Men and Jobs", *Survey* 65:5 (1 Dec. 1930), pp. 253-56. Henry Raymond MUSSEY, "Fighting Unemployment: I. Organizing the Labor Market", *Nation* 131:3414 (10 Dec. 1930), pp. 641-43; "Public Employment Service", *American Federationist*, 37:11 (Nov. 1930), p. 1334.

68. Paul H. Douglas to Robert F. Wagner, 14 June 1930; Samuel Joseph to Robert F. Wagner, 11 Nov. 1930; 17 Dec. 1930, Wagner Papers, Legislative Files, Box 188.

69. E.P. HAYES, *Activities of the President's Emergency Committee for Employment (October 17, 1930-August 19, 1931)* (Concord, N.H. [private printing], 1936), pp. 141-42.

70. Bryce M. Stewart to Arthur Woods, 19 Dec. 1930, President's Organization on Unemployment Relief Papers [U.S. National Archives, Washington, D.C., hereafter POUR Papers], RG 73, Series 3, Box 25; *id.*, "Memorandum on Bill S. 3060 etc.", 19 Dec. 1930, *ibid.*, RG 73, Series 12, Box 253; E.E. Hunt to Col. Woods, 23 Dec. 1930, *ibid.*, RG 73, Series 3, Box 29.

71. J.B. Andrews to W.N. Doak, 8 Jan. 1931, Andrews Papers, reel 43.

72. G.S. Graham to J.B. Andrews, 10 Feb. 1931, as quoted in J.B. Andrews to R.F. Wagner, 11 Feb. 1931, Wagner Papers, Legislative Files, Box 188. The text of the amendment is in *CR*, 71st Cong., 3rd sess., p. 5774 (23 Feb. 1931).

73. R.F. Wagner to Secretary of Labor [W.N. Doak], 6 Feb. 1931, Wagner Papers, Legislative Files, Box 188.

The battle lines were now clearly drawn. The proponents of the Wagner bill swung into action. The AALL coordinated the endeavours. It circularized its several thousand members, sent the signatures of 150 prominent supporters to President Hoover and induced many of them, including the industrial commissioners of ten states and AFL President Green, to endorse the measure publicly.⁷⁴ The indignant Doak resigned his vice-presidential position within the AALL.⁷⁵ His hope lay with the House Judiciary Committee, to which he submitted his draft on 19 February, 1931. He was not disappointed, as the Committee, practically reversing its decision of the previous June when it had recommended the Wagner version, on the next day reported the amended bill out favourably. When the bill came to the House floor on 23 February, Graham again denounced the "coercive" features of the Wagner proposal. But the confrontation did not develop on clear partisan lines. Some progressive Republicans, among them notably Fiorello H. LaGuardia (New York), joined the Democratic advocates of the measure in vigorously condemning the Administration for acceding to the NAM's desires.⁷⁶ The House then proceeded to repudiate the President by voting down the Doak amendment, 182 to 84, and in its stead passing Wagner's version by voice vote. On the next day the Senate concurred in this decision, and the bill went to Hoover.

The President's dislike of the proposal had not abated over the foregoing months, but he did not have to veto it directly. As Congress expired on 4 March, 1931, he could withhold his signature without fear of being overridden. A last minute thrust was made to win Hoover's conversion. The PECE asserted, in a five-page memorandum, that nothing was really to be feared from S. 3060, and Wagner sent a telegram asking the President to reconsider.⁷⁷ But the employers' side was equally active, and Hoover may also have had a talk with Graham, whom Bingham had urgently recommended as a consultant.⁷⁸ The bill remained unsigned and did not become law.

Various opinions have been uttered regarding Hoover's reasons for rejecting the Wagner measure. In a press statement of 7 March 1930, the President claimed that abolition of the existing USES would eliminate a functioning service without bringing in a substitute for months or even years; moreover, the bill would have created 48 practically independent agencies, thus abandoning any interstate coordination; finally, subsidies would have been distributed not according to economic need, but based "upon mathematical ratio to population."⁷⁹ It is easy to show the flimsiness of this argumentation, and contemporaries as well as later commentators have denounced it.⁸⁰

74. Paul V. Kellogg to R.F. Wagner, 5 Feb. 1931; John B. Andrews to R.F. Wagner, 10 Feb.; 13 Feb. 1931, Wagner Papers, Legislative Files, Box 188. *New York Times*, 20 Feb. 1931, p. 17.

75. J.B. Andrews to R.F. Wagner, 7 Feb. 1931, Wagner Papers, Legislative Files, Box 188.

76. *CR*, 71st Cong., 3rd sess., pp. 5751-77 (23 Feb. 1931).

77. J.C. Lawrence (PECE) to Lawrence Richey (Secretary to President Hoover), 5 March 1931. Hoover Papers, Presidential Papers, Box 338. R.F. Wagner to President Hoover, Telegram, 7 March 1931, Wagner Papers, Box SM 485.

78. John E. Coffin (President, Merchants and Manufacturers Association of Los Angeles) to Hoover, Telegram, 25 Feb. 1931, Hoover Papers, Presidential Subject, Box 348. Hiram Bingham to Hoover, 25 Feb. 1931, Hoover Papers, Presidential Subject, Box 348.

79. William Starr MYERS, ed., *The State Papers and Other Public Writings of Herbert Hoover*. Vol. I.: *March 4, 1929, to October 1, 1931* (New York: Doubleday, 1934), pp. 530-31. See also Doak's letter to Hoover, 7 March 1931, printed in *Law and Labor*, 13:4 (April 1931), pp. 90-91, with essentially the same arguments.

80. KELLOGG, *Employment Service* [fn. 1 above], pp. 68-69. Don D. LESCOHIER and Elizabeth BRANDEIS, *History of Labor in the United States, 1896-1932*. Vol. III (New York: Macmillan, 1935), pp. 209-10. BERNSTEIN, *Lean Years* [fn. 1 above], pp. 282-83. J. Joseph HUTHMACHER, *Senator Robert F. Wagner and the Rise of Urban Liberalism* (New York: Atheneum, 1971), pp. 84-85.

Less clear is the real motivation underlying the presidential action. At the time the suspicion was voiced that the Administration was motivated by “a disposition to deprive the New York senator of credit for these measures.”⁸¹ The unpublished Hoover papers do not contain any conclusive evidence in this regard, and several further explanations are possible. I. Bernstein holds that financial considerations played the decisive role; Hoover, believing in a balanced budget, resented the additional outlay which the Wagner measure would have entailed. J.A. Schwartz thinks rather that the President was afraid of losing the political initiative to Congress and had decided to show that opposition to congressional enthusiasts was courageous and correct.⁸² There may be some virtue in these assumptions. It appears, however, that Hoover also shared the more fundamental fear which the employers’ organizations harboured concerning uncontrolled union penetration. The Wagner bill, he claimed in his memoirs, “would have put workers’ jobs in control of political machines, such as Tammany in New York, or the Hague gang of Jersey City.”⁸³ The Doak amendment, on the other hand, would have greatly reduced this danger; by providing for central control from Washington, it ensured that appointments and policies were less likely to get out of hand.

This latter explanation provides the answer to the question as to why the staunch resistance which the conservatives had offered to the USES extension up to this time suddenly subsided. The minority reports on S. 3060 had denounced the creation of another massive agency in Washington, but the President now moved to reorganize and vastly expand the USES without legislative sanction strictly as an executive agency headed in Washington. He obviously reasoned that if there had to be an increased service — and the substantial majorities in Congress for Wagner’s bill left no doubt about feelings in the country — it was better to grasp the evil by its horns and give it the proper direction. On 12 March, 1931, Hoover thus announced the appointment of John R. Alpine, a former vice-president of the American Federation of Labor turned business executive, as Special Assistant to the Secretary of Labor in charge of the extension of the federal employment service, and had Congress vote an emergency appropriation of \$500,000 to finance the undertaking.⁸⁴

It seems appropriate at this point to cast a look at the state-run employment offices. By late 1930 nothing had materially changed from the situation in the early 1920s. The loose ties with the USES already described still existed in all instances, but beyond that the 24 states that engaged in exchange activities were on their own. The number of offices and employees varied considerably, as Table 3 indicates. (In 11 additional states the USES maintained a representative in connection with its farm labour service.⁸⁵) The differences in size were of course a direct result of the variations in the funds available. In some states little more than a so-called “mail-order system” was practised, i.e., telephone and cor-

81. *New York Evening World*, 20 Feb. 1931. See also the various Press quotes in “Why Did Hoover Veto the Wagner Bill?”, *ALLR*, 21:1 (March 1931), p. 90.

82. BERNSTEIN, *Lean Years* [fn. 1 above], p. 284. Jordan A. SCHWARTZ, *The Interregnum of Despair: Hoover, Congress, and the Depression* (Urbana: University of Illinois Press, 1970), pp. 40-41.

83. [Herbert Hoover], *The Memoirs of Herbert Hoover: The Great Depression 1929-1941* (New York: Macmillan, 1952), p. 47.

84. Hoover, *State Papers* [fn. 79 above], pp. 532-33. The Deficiency Appropriation Act for 1931 (46 Stat., ch. 522 [1931], p. 1575) provided that if S. 3060 was passed by Congress but did not become law, an appropriation of \$500,000 for the employment service would be immediately available.

85. Arizona, Delaware, Georgia, Maryland, Montana, North Dakota, Oregon, South Dakota, Texas, Vermont, Washington.

Table 3 State Employment Offices in 1930

State	Year First Office Opened	Offices	Employees	State Funds	Federal City County Funds	Total Annual Expendit.
				\$	\$	\$
Arkansas	1917	5	5	2,400	1,860	4,260
California	1915 (1895)	11	27	90,835	—	93,710
Connecticut	1901	8	16	48,114	—	50,000
Illinois	1899	20	109	266,080	—	266,080
Indiana	1909	5	15	25,000	7,970	32,608
Iowa	1915 (1891)	2	4	3,600	2,760	6,360
Kansas	1901	5	7	9,600	1,800	15,116
Maine		1	1	—	1,400	1,400
Massachusetts	1906	4	34	72,500	4,881	72,159
Michigan	1905	10	15	32,758	1,620	34,378
Minnesota	1905	3	22	35,350	9,099	44,450
Missouri	1898	3	n.a.	n.a.	n.a.	n.a.
Nevada	1923	3	3	2,000	2,123	4,123
New Hampshire	1917	1	1	3,800	960	3,733
New Jersey	1915	8	22	36,680	48,960	95,844
New York	1914 (1896)	11	96	166,280	5,280	171,560
North Carolina	1921	6	8	9,140	8,180	17,320
Ohio	1890	13	69	86,960	69,864	156,824
Oklahoma	1908	4	5	9,088	2,040	10,566
Pennsylvania	1915	13	58	100,000	8,300	102,800
Rhode Island		1	2	4,000	900	4,900
Virginia	1924	3	8	2,500	9,280	11,780
West Virginia	1901	1	2	3,000	1,440	4,440
Wisconsin	1901	10	28	50,000	19,290	58,081
Total		151	557	1,059,685	208,007	1,262,492

Sources: "Public Employment Services", *Monthly Labor Review* 32:1 (Jan. 1931), 22. Reports of individual state bureaus.

respondence were the sole tools of the officials.⁸⁶ Another problem area was the still persisting inadequacy of the personnel. The majority of states did not subject their exchange employees to civil service rules, and appointments frequently "have unfortunately and admittedly been of a political nature,"⁸⁷ thus precluding the selection of thoroughly qualified officials. The placement results were naturally the worse for it. (The figures in Table 4 have to be taken with a large grain of salt for the reasons noted earlier.)

The so-called "Doak reorganization" did not attempt to integrate these state systems into the expanding federal service, but rather endeavoured to create parallel offices of its

86. "Public Employment Services" [fn. 51 above], p. 11.

87. George H. TRAFON, "The Wagner Bill and the Hoover Veto", *ALLR*, 21:1 (March 1931), p. 86. A telling example of the inflation of figures is provided by the farm labour division. In 1927 it dealt with about 100,000 harvesters, whereas the placements may have been in the 400,000 range, as the same individuals were placed several times over. U.S. Dept. of Labor, *15th Annual Report, 1927*, p. 33.

own. To get the expansion underway, federal State Directors were appointed in every state, and by mid-1932 101 general placement offices had been opened. Federal appropriations for the fiscal year 1931-32 amounted to \$938,780. In his report for 1932, Alpine prided himself on the job placement of a total of 2,174,174 men and women during the fiscal year.⁸⁸ This performance would certainly have been “no mean accomplishment in these times of reduced work opportunities,” as Doak thought,⁸⁹ were it to withstand scrutiny. But if one assumes that about 45 percent of the placements reported were made by the “cooperating” state services,⁹⁰ whose activities were brazenly included in Alpine’s figures, his total is cut to about 1.2 million jobs found through federal efforts. During that fiscal year, furthermore, the Farm Labor Division, which had been in existence for years and treated “directed to employment” figures as placements, was responsible for 886,605 jobs.⁹¹ This leaves somewhat in excess of 300,000 general placements during that period. Once allowance is made for generous padding⁹² and the fact that most jobs found were only of a temporary nature,⁹³ the achievement was at best a minor one. Even the combined performance of federal and state services, including the somewhat special farm labour placements, cannot impress. If one takes Alpine’s figure of 2.17 million placements, it has to be spread over 12 months. Assuming that the average job lasted about a month — which seems ample under the circumstances — the governmental placement services may have been responsible for keeping about 180,000 people employed during the fiscal year of 1931-32. As far as it went, this was certainly meritorious. Compared with the number of job-seekers, which has been estimated at between eight and twelve million at any one time,⁹⁴ it was a mere drop in the bucket.

It was even doubtful that much headway was made in the effort to catch up with the private agencies. Figures for the business volume of the latter are virtually impossible to come by. But the number of private agencies operating can by itself serve as a certain indicator. In 1932, when the Depression had already very much depleted their ranks, 229 of them still did business in Chicago, 758 in New York (City), 19 in Buffalo, 291 in California.⁹⁵ Their activities must have been vastly more important than those of the governmental exchanges.

From the start the shortcomings of the USES reorganization were relentlessly put on the pillory by those interested in the passage of the original Wagner measure. As early as May 1931, the Association of Government Officials in Industry, assembled in Boston,

88. U.S. Dept. of Labor, *20th Annual Report, 1932*, p. 43.

89. U.S. Dept. of Labor, *20th Annual Report, 1932*, p. 3.

90. Before congressional committees Alpine stated that from 1 April to 31 Dec. 1931 the USES placed 861,653 (53 percent) and the “cooperative” offices 773,045 (47 percent) of the total of that period; from 1 April 1931 to 31 Oct. 1932 the figures were 1,842,055 (55 percent) and 1,536,539 (45 percent). U.S. Congress. Senate. Committee on Commerce, *National and State Employment Service*. Hearings on S. 2687, 72d Cong., 1st sess. (24-31 March 1932), p. 21; U.S. Congress. House. Committee on Appropriations, *Department of Labor Appropriation Bill for 1934*. Hearings on H.R. 14363, 72d Cong., 2d sess. (16 Dec. 1932), p. 81.

91. U.S. Dept. of Labor, *20th Annual Report, 1932*, p. 44. KELLOGG, *Employment Service* [fn. 1 above], p. 117.

92. KELLOGG, *Employment Service* [fn. 1 above], p. 121.

93. Hearings on H.R. 14363 [fn. 90 above], p. 82.

94. *Historical Statistics* [fn. 32 above], p. 135.

95. KELLOGG, *Employment Service* [fn. 1 above], p. 52. The Chamber of Commerce estimated in 1932 that there were 1,150 private agencies in New York, making more than 1,000,000 placements a year. Chamber of Commerce of the United States of America. Dept. of Manufacture, *Public and Private Employment Exchanges: Report of Committee of the Department of Manufacture* (Washington: Chamber of Commerce of the United States, 1932), p. 15.

Table 4 United States Employment Service Performance 1919 - 1932

Fiscal Year	USES Cooperating State Services			USES Farm Labor Division
	Applications	Placements	Percent	Placements
1920*	3,165,559	2,029,252	63.8	—
1921	2,433,746	1,397,738	57.4	—
1922	2,874,785	1,458,746	50.7	(75,000)
1923	2,887,697	2,156,466	74.7	113,282
1924	2,755,593	1,806,990	65.6	161,083
1925	2,663,846	1,609,977	60.4	425,548
1926	2,727,763	1,791,381	65.6	392,750
1927	2,440,640	1,688,476	69.2	n.a.
1928	2,259,095	1,412,645	62.5	433,854
1929	n.a.	n.a.		559,571
1930	2,346,316	1,345,936	57.4	611,598
1931	n.a.	1,104,136		c.670,000

* 1 Oct. 1919-30; June 1920.

Sources: Smith, *United States Employment Service* (See Table II); U.S. Dept. of Labor, *Annual Reports* for the years 1923-30.

passed a resolution in favour of the states system "rather than an independent system of Federal employment offices." That the states as a rule did not welcome the federal intrusion was indicated by the recommendation made by the representatives of ten eastern states that the USES "refrain from independent operation of any direct placement offices in the states which maintain employment services."⁹⁶ A somewhat belated directive issued by Alpine, aim at bringing "into cooperating relationship all public employment offices maintained and operated by the several States," did not apparently do much good. "To date about the only thing this scheme has accomplished," observed the secretary of the Oklahoma Federation of Labor, two months later, "is to confuse matters and hamper the long-established employment service."⁹⁷ The September 1931 issue of the *American Labor Legislation Review* published an article by G.H. Trafton denouncing the confusion and duplication created by Alpine's endeavours and quoting state officials and even ex-president Coolidge as witnesses.⁹⁸ At the annual convention of the International Association of Public Employment Services, held during the same month at Cincinnati, Leiserson, the Ohio veteran of the movement, condemned the new USES as "a fraud on the public and on the unemployed." The convention then proceeded to adopt a formal resolution declaring that "the existing so-called reorganized Federal Employment Service is wrong in principle, has failed and cannot succeed in developing an efficient worthwhile public employment service."⁹⁹

96. "Annual Meeting of Governmental Officials in Industry", *MLR*, 33:1 (July 1931), p. 91. "Eastern Interstate Conference on Labor Legislation", *MLR*, 33:2 (Aug. 1931), p. 304. The states represented were Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, Rhode Island and West Virginia.

97. U.S. Dept. of Labor, Employment Service, "General Order Number 5, July 28, 1931", Wagner Papers, Legislative Files, Box 188. (Note the change of name of the agency.) Victor S. Purdy to R.F. Wagner, 19 Sept. 1931, Wagner Papers, Legislative Files, Box 188.

98. George H. TRAFTON, "The Doak 'Reorganization' Fails", *ALLR*, 21:3 (Sept. 1931), pp. 297-99. See also *id.*, "The Doak Plan in Operation", *ALLR*, 21:2 (June 1931), pp. 199-202.

99. "State Employment Service Officials Condemn Doak 'Reorganization'", *ALLR*, 21:4 (Dec. 1931), p. 393.

As a consequence, Senator Wagner felt encouraged enough to make another legislative attempt in the new Congress. S. 2687, which he introduced on 6 January, 1932, differed only in minor detail from the previous S. 3060, the alterations adopted serving merely to clarify some points which in the earlier debate had drawn criticism.¹⁰⁰ Again the bill was referred to Johnson's Committee on Commerce, which held another round of hearings from 24 to 31 March, 1932. Nothing much new came to the fore, although Wagner's relentless questioning of chief witness Alpine could have educated the public at large, if it had cared, about the incompetence, if not downright corruption, which characterized the build-up of the Service. Wagner's main point was that the refurbished USES frequently was acting parallel with existing state offices, duplicating efforts and causing "friction ... rather than cooperation." Alpine, for his part, could not see it this way, maintaining that competition among the services was beneficial for the jobless.¹⁰¹ The Committee remained true to its previous intentions and reported the bill out favourably on 22 April, 1932. Opponents inside the Committee, however, filed another minority report claiming that adoption of the Wagner bill "would cause the ultimate discontinuance" of the good work of the Doak organization which was "in complete operation in the country." More to the point was Senator Josiah W. Bailey's (North Carolina) explanation that he was "not inclined to the view that the Federal Government is responsible for the employment of individuals."¹⁰² This opinion seemingly still prevailed, as the proposal did not come up any more for further action during the 72nd Congress.

But the horrible experience of the worst Depression year began to have an impact. The Committee of the Department of Manufacture of the United States Chamber of Commerce now recommended that the federal service "should be limited to ... coordinating the work of local employment agencies maintained by municipalities and states",¹⁰³ thus practically coming out in favour of the Wagner bill. The Social Science Research Committee of the University of Chicago agreed to sponsor an investigation of the existing facilities. On its behalf Miss Ruth Kellogg undertook a 12 week fact-finding tour of 16 states in summer and early fall 1932, visiting public employment offices and gathering data. Another indication of the changing mood was Wagner's reelection in November by the largest majority any senator had ever obtained.¹⁰⁴ This event coincided, of course, with the humiliating election defeat of Hoover and his party in the country at large, a development which finally boded well for the passage of Wagner's proposal.

The result of Kellogg's survey, a book-length study published in early 1933, made up in fervent indignation for what it lacked in methodicalness of presentation. Its crushing condemnation of the Doak agency culminated in the statement that the USES "fails to have any impact on the labor market, that is, does not function as a clearing place [and] has fallen prey to the spoils system."¹⁰⁵ The numerous examples of ineffectiveness and corruption

100. U.S. Congress. Senate, *A Bill to Provide for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System, and for Other Purposes*. S. 2687, 72d Cong., 1st sess. (6 Jan. 1932, R.F. Wagner).

101. Hearings on S. 2687 [fn. 90 above], *passim*. Quotation p. 14.

102. U.S. Senate. Committee on Commerce, *National and State Employment Service*, S. Rept. 589 (to accompany S. 2687), 72d Congress., 1st sess. (22 April 1932); *id.*, Part 2 (to accompany S. 2687), 72d Cong., 1st sess. (4 May 1932). The signatories of the minority report were P.H. Dale, R.C. Patterson, G.H. Moses, and H. Bingham. J.W. Bailey to R.F. Wagner, 11 April 1932, Wagner Papers, Legislative Files, Box 188.

103. Chamber of Commerce, *Public and Private Employment Exchanges* [fn. 95 above], p. 25.

104. HUTHMACHER, *Robert Wagner* [fn. 80 above], p. 106.

105. KELLOGG, *Employment Service* [fn. 1 above], pp. 171-72.

which it cited were well suited to preparing the ground for renewed legislative efforts in the Democratic Congress of the Roosevelt Administration. Public opinion was definitely swinging in this direction. In January 1933, the Conference of Eastern States on Uniform Labor Laws adopted a resolution vigorously in favour of Wagner's proposal.¹⁰⁶ As the chairman of the Department of Economics at the University of Chicago remarked, Wagner's measure had "even stronger backing by people generally than ever before."¹⁰⁷

The senator did not fail to appreciate his opportunity. A new bill (S. 510) embodied the idea of a genuinely cooperative federal-state system so long advocated by him and his backers. It had swift passage through Congress, and on 6 June, 1933, President Roosevelt was able to sign the Wagner-Peyser Act into law.¹⁰⁸ Another reorganization got underway which found its ultimate usefulness with the adoption of the Social Security Act in 1935 and the introduction of unemployment insurance.

Appearing before a congressional committee in 1928, Stewart argued that the "primary function" of a governmental employment service "is to organize the labor market on a national basis; but it has this secondary function of being a central agency in combating unemployment."¹⁰⁹ The history of governmental labour agencies clearly demonstrates that on the whole nothing of the sort occurred in the United States before 1933. State-run exchanges, even in the few better organized states, were far too ill-equipped to have anything but a very modest impact on the labour market, and then only within some narrowly circumscribed local spheres. The federal network came somewhat closer to the ideal during World War I, when it made valiant endeavours to transfer labour from areas of less need to more important places. Given enough time, it may have overcome the attendant insufficiencies and evolved as a functioning organization. But the post-war developments showed that any such hopes were essentially premature. War exigencies might ask for extraordinary measures, but American society was not yet ready to accept substantial governmental interference in the socio-economic field in peacetime if it could help it. Unemployment did not emerge as a severe enough danger, comparable to the concerns evoked by the war, until well into the Depression years. "Organization" of the labour market, and governmental employment agencies as tools to this end, therefore had low priority up to the early 1930s.

The opposition which conservative forces offered to the build-up of an efficient employment service was primarily motivated by fears that business interests were in jeopardy. It was only when the Depression seemingly presented an even more serious danger, namely a threat to the business environment itself, that resistance abated. Growing public interest in the matter found its expression in the readiness of Congress to pass appropriate legislation. The Administration's veto of the Wagner bill and its clumsy "Doak reorganization" could only temporarily hold up a seemingly inexorable development. These rearguard actions cleared the way for, rather than impeded, the ultimate establishment of

106. H.A. Millis to R.F. Wagner, 7 Dec. 1932, Wagner Papers, Legislative Files, Box 190.

107. Edwin S. Smith (Commissioner of Labor and Industries, Massachusetts) to Wagner, 30 Jan. 1933, Wagner Papers, Legislative Files, Box 191. The conference took place 27-28 Jan. 1933 in Boston. Represented were Connecticut, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Massachusetts, and the U.S. Dept. of Labor.

108. U.S. Congress. Senate, *A Bill to Provide for the Establishment of a National Employment System and for Cooperation with the States in the Promotion of Such System, and for Other Purposes*. S. 510, 73rd Cong., 1st sess. (20 March 1933, R.F. Wagner). This bill became 48 Stat., ch. 49 (1933).

109. Hearings Pursuant to S. Res. 219 [fn. 61 above], p. 153.

a competent service. The reorganization's failure demonstrated that the early promoters of a labour exchange system had been right in reasoning that a scheme which provided for genuine federal-state cooperation was the preferable proposition. In a way, the reformers' protracted fight had not been in vain, as a perpetual rethinking and honing of the concept had taken place over the decades. As a result a ready-made concept was available in the New Deal period.