Shaping Welfare Policies in the U.S., 1895-1965: Economic Interests and Political Institutions in the South

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Chapter 17

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Economic Interests and Political Institutions in the South:

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The U.S. welfare system developed later and was always more decentralized than its European counterparts. The more decentralized federal political system in the U.S., which grants much more policy discretion to states, explains some of this difference. But the difference also results from the role of economic interests in the Southern U.S. and their disproportionate political power. Until the mechanization of cotton cultivation in the Southern U.S., large scale agricultural interests in the South had the economic incentive and the political ability to prevent the expansion of the welfare state in ways that would interfere with prevailing race or labor relations in the South. With the mechanization of cotton and accompanying technological advances in seeds, defoliants and gins, we begin to see profound changes in the South’s political landscape that also manifested themselves at the national level such that currently the South’s attitudes toward welfare differ far less from the attitudes of rest of the nation.

**Contractual Mix in Southern Agriculture and the Rationale for Paternalism**

Under slavery, cotton was produced by slaves working in gangs. Owners of plantations or their overseers closely monitored slave work effort, and shirking, if detected, frequently resulted in whipping. Upon emancipation, slave owners attempted to work the “freedmen” in gangs but those who choose this mode of production discovered that they had difficulty retaining labor: the greatest asset of freedmen was their ability to move.¹ The ex-slaves also had labor scarcity on their side. With emancipation, freed women and children opted to work fewer hours in the field than under slavery. The withdrawal of their labor raised the bargaining power of men.

Over time labor working in gangs gave way to experimentation. Some planters tried share contracts with their entire labor force. For example a former slave owner would offer to supply the land, the seeds, the work stock, and the marketing of cotton and in return receive 50% of the output. In return for their labor, workers collectively would receive the remaining 50% to be divided among the workers. This system of group contracting succumbed to what economists
term the “free-rider” problem, some get the benefits without bearing the costs. A “free-rider” problem emerges whenever the individual reward to a worker is only partially tied to individual effort. In the context of cotton a rational worker would ask: why should I work so hard when a large part of my effort results in rewarding another worker.\(^2\) Differences in the abilities of workers, their attitudes towards labor and leisure, and the size of the group exacerbate the free-rider problem. As a result of the free-rider problems, plantation owners increasingly relied on contracts with individuals and households.\(^3\)

The transition took time but eventually a mix of contracts emerged: wage, sharecropper, and tenant contracts.\(^4\) A wage contract pays the worker a fixed amount per unit of time, e.g., per month or per day. As such, labor effort is divorced from the reward to labor. Without monitoring, shirking would abound. In a sharecropper contract, workers supply work effort and in return receive a percentage of the output, most frequently, but not always, 50%. A tenant contract leaves the worker as the residual claimant, i.e. he owes the landlord a rent, in cash, kind or percent of the output and the remaining profits, if any, are his.

The individual contract negotiated between workers and landlords depended on their respective endowments. The underlying motivation for the contracts was the cost of supervising labor. Prior to the mechanization of cotton, the production of cotton was very labor intensive. The gang system used under slavery, through direct supervision and direct physical punishment (or at least the credible threat of punishment), reduced monitoring costs directly. With the gang system no longer an option after emancipation, plantation owners still had an incentive to reduce monitoring costs. Monitoring costs of labor vary across workers depending on what factors they bring to the production process. To simplify, suppose only four factors are used to produce cotton: land, work stock (a mule), know-how, and labor effort. Landlords always supply land and workers always supply labor effort. If farmers have considerable experience (human capital) and have been farming for a long time and own their own mule, they supply all but the land to the production process. This means that the only reason for the landowner to be on the farm is to
monitor labor effort. Compare this to the situation of workers who just started farming and do not own a mule. For inexperienced farmers, the landowner needs to be on the farm to monitor the treatment of his work stock. Given that the landowner is there for these reasons, the additional costs of monitoring the work effort of inexperienced farmers are low compared to the costs of monitoring the effort of experienced farmers. As such, tenancy emerged in part to lower the cost of monitoring the work effort of the experienced farmers.\(^5\)

To say that contracts adapted to monitoring costs does not mean that monitoring costs disappeared. Over time landlords found an additional mechanism to reduce them further, “paternalism.”\(^6\) Paternalism in Southern agricultural contracts was an implicit contract between landlords and certain agricultural workers whereby the workers exchanged “good and faithful” labor for a variety of in-kind goods and services. For black workers, the most important of these benefits was protection from civil rights abuses. Plantation owners reduced labor turnover and induced greater work effort by offering workers a variety of goods and services that were difficult, if not impossible, to procure in the market. The variety of good ranged from garden plots to old-age assistance to de facto crop insurance. The essence of the contract was that it raised the opportunity cost of leaving the current employer for an alternative employer because the benefits were individual, depending on the “good and faithful” effort of employees to specific employers and the willingness of employers to deliver the goods and services.\(^7\)

**The Politics of Paternalism – Reconstruction to the New Deal**

The benefits to workers of entering into a paternalistic labor contract increased over the post-bellum period as political competition waned. During the Reconstruction period – 1865-1876 – Republicans and Democrats competed for votes. Republicans represented the poor white and ex-slave vote while Democrats catered to the upper class plantation elite.\(^8\) Though political divisions over class lines occur frequently, they are not the only division. For in the South racism did not disappear with emancipation. Indeed, some analysts argue that emancipation fostered
racism. The Freedmen’s Bureau prevented the ugliest forms of racism but its stay in the South came to an end following the Presidential election of 1876 between Rutherford B. Hayes and Samuel J. Tilden. The electoral returns were close, and in a questionable recount, South Carolina and Louisiana tipped the balance in favor of Hayes. Scholars have argued that a *quid quo pro* was at work; in exchange for electing Hayes, the North agreed to leave the South and not interfere in the region’s labor or race.

Without federal interference, Southern Democrats exploited the race issue and eventually passed poll taxes and literacy tests, which had the effect of disfranchising most blacks and many poor whites. Once blacks were effectively prevented from voting, politicians had no need to promote the economic and political progress of blacks. In the words of W.E.B. DuBois, “the South became an armed camp for intimidating black folk” [DuBois (1903)]. The number of lynchings soared. In the 1890s, lynchings averaged 111 per year. A black man was hung every third day. For blacks other governmental goods and services declined. The gap between white and black school expenditures widened significantly. For example, in 1910 Louisiana spent only 17 cents on black school expenditures for every dollar that it allocated for white schools [Margo (1990)]. Though Louisiana ranked the lowest in black to white school expenditures, the rest of the Deep South did not lavish expenditures on black schools. The Jim Crow laws provided separate but vastly unequal public accommodations for blacks and whites. Many unions further promoted racism by relegating blacks to only particular jobs [Higgs (1974)]. In the face of such a hostile atmosphere, a black in the South had an incentive to “stay in one’s place” and seek the refuge of a white protector.

Because of their wealth and social position, white plantation owners could offer certain paternalistic benefits at relatively low cost. Interventions ranged from bailing a “good tenant’s” son out of jail to the particularly striking example of William Alexander Percy who stood on the steps of the courthouse in Washington County, Mississippi and warned the Ku Klux Klan not to set foot in his county. Other anecdotal evidence abounds on the actions of plantation owners and
more importantly the beliefs of workers concerning the willingness of plantation owners to “take care of their workers.” Many of these benefits could be considered as substitutes for welfare or insurance schemes, such as workmen’s compensation [Fishback and Kantor (2000)]. There was an important difference; not all workers received paternalism. It was earned over time by loyalty. On the part of plantation owners the system became known as “noblesse oblige.” The elite could on the one hand, foster or condone general racist attitudes and policies, e.g. relatively low schooling and welfare expenditure, and on the other hand offer protection or old-age assistance for individual workers. Lower government expenditures on welfare and a more hostile social environment increased the value to workers of accepting the paternalistic packages offered by the landed elite.

An expansion of the welfare state would have diminished the value of paternalism to workers and reduced the incentive effects reaped by plantation owners. But the plantation elite had little to fear in the period from Reconstruction until the Great Depression. Within the South, rural Democrats controlled the political landscape, while outside the South, nascent attempts at welfare policy occurred only at the state and local levels. Any threat to paternalism from the beginnings of the federal welfare system awaited the New Deal.

**New Deal Welfare Policies and the Role of the South**

Until the Great Depression the Northern policy of refraining from interfering in labor or race issues in the South was a political equilibrium. As a result, U.S. welfare policy was truly federalist in the sense that states varied dramatically in the welfare benefits that they offered to residents. Some like Wisconsin were pioneers in offering early social security systems while the Southern states stood out as offering little in the way of governmental programs. By the depths of the Depression in 1934 thirty-one states had established old-age pension programs but none of the thirty-one was in the South. The South’s distinctiveness was not the result of industrial states providing more generous welfare benefits than agricultural states: most Mid-West agricultural
states provided generous benefits as did California. The early pre-cursor to general welfare legislation were programs of Mothers Aid. Though Southern states did have programs for Mothers Aid the benefit levels in the South ranked at the bottom. On average the benefit levels in the South were 25% below the rest of the nation. Moreover the programs tended to come with strings attached. For example, in Louisiana, to receive aid mothers has to be available to work in the fields.

The U.S. might have left policies concerning welfare to the states had it not been for the Great Depression. By the depths of the Depression, state budgets for relief and welfare pensions were overwhelmed by the large number of unemployed workers and their families. As a result, many states turned to the federal government for help. Little was forthcoming during the Hoover administration but FDR welcomed the opportunity to do something. His first response was the Federal Emergency Relief Administration (FERA). At first FERA issued two types of grants: matching grants (three federal dollars for every state dollar) and discretionary grants. By the end of 1933 FERA moved solely to discretionary grants on a “take it or leave it” basis. To receive benefits, FERA required states to conform to its standards. For example, FERA stipulated that recipients of work relief be paid a minimum wage of thirty cents per hour. The concern in the South was that this would drive up wages in the agricultural sector or make it more difficult to attract workers as sharecroppers. Initially more irksome to the Southern way of life was FERA’s dictate that eligibility for work relief could not be based on race. Southerners quickly learned, however, that eligibility decisions remained in local hands. The end result was that the South welcomed the money without which expenditures on relief in the South would have been extremely meager. From 1933 to 1935, the federal government provided over 90 percent of the South’s total expenditures for relief as compared to 60 percent for the Northeast.

At times FERA sanctioned states that did not comply with its dictates. In 1934 and 1935 FERA brought relief administration directly under federal control in six states: Georgia, Louisiana, Massachusetts, North Dakota, Ohio, and Oklahoma. In four other states, Alabama,
Colorado, Illinois and Missouri, FERA withheld funds until states complied with their dictates. Like many welfare programs, it was not only the Southern states who complained of interference from Washington. The voices of states rights advocates echoed across the country but the political power of Southerners seemed to amplify southern voices in Washington. In the early years of the New Deal, Roosevelt viewed the Southern Democrats as among his most loyal supporters. For example, Rexford Tugwell, one of Roosevelt’s most radical advisors, describes Southern Democrats as “the only dependable body of men who can be counted on to stick by their bargains and pass legislation” [Schlesinger (1965): 415]. FDR was explicit about his fear of Southern retaliation if he crossed them: “The Southerners by reason of seniority in Congress are chairmen or occupy strategic places on most of the Senate and House Committees. If I come out for the anti-lynching bill now (1935), they will block every bill I ask Congress to pass to keep America from collapsing. I just can’t take that risk” [Schlesinger (1965): 438].

Over time opposition to FERA mounted and the government wanted to move to a more permanent solution to welfare. This was the impetus for the Social Security Act of 1935. The starting point for a policy of social insurance was Roosevelt’s Committee on Economic Security (CES), established in 1934. The CES produced numerous studies on all aspects of the social security question, and endorsed including agricultural workers under a governmental unemployment and old-age pension system. For the most part, Roosevelt used the reports of the CES as the basis for the social security bill he presented to Congress in 1935. In the President’s bill, agricultural workers were to be included under both the unemployment and old-age provisions of social security. In our view the inclusion of agricultural workers threatened the viability of paternalism in Southern agriculture.

Roosevelt’s bill came under the auspices of the House Ways and Means Committee and the Senate Finance Committee, both dominated by Southerners, as Robert Doughton (D-NC) chaired the Ways and Means Committee and Pat Harrison (D-MS) chaired the Senate Finance Committee. In addition Southerners held many of the more senior seats. Southern opposition to
including agriculture under social security emerged quickly in the deliberations. Both committees moved quickly to exclude all agricultural workers from the provisions of the unemployment benefits associated with the social security bill. In the words of Edwin Witte, the chair of the CES and architect of the pioneering social security system in Wisconsin, the exclusion was “a matter of course.” Debate over whether to exclude agricultural workers under the old-age provisions of social security was prolonged but at the end of the day the bills that emerged from both committees excluded agricultural workers from all provisions of social security. Again, we stress that many congressmen from outside of the South also opposed many of the initial provisions proposed by Roosevelt so the South did not fight a solo battle against the administration but no region collectively was as politically powerful as the Southerners, a fact reflected in their seniority on committees.

After the passage of the Social Security Act, lobbyists began to press for the inclusion of more of the population under the umbrella of social security. Prominent advocates in the late 1930s and throughout the 1940s that fought for covering agricultural workers under social security include organized labor, the National Association for the Advancement of Colored People (NAACP), the National Urban League, and the Social Security Board. Their efforts came to naught. It was not until 1954 that Congress included agricultural workers under Social Security and this was over the protests of many Southern Congressmen who had temporarily lost some of their agenda control because the GOP had a majority in the House and Senate following the 1952 general election. This meant that the senior Southern Democrats lost their control over the Senate Finance Committee and the House Ways and Means Committee. As testimony to Southern opposition, Walter George (Georgia) and Harry Byrd (Virginia), the two Southerners, who served on the conference committee to reconcile the differences between the House and Senate versions of the amended social security bill refused to sign the conference report. Without the Southerners’ temporary loss of power during the legislative session from 1953-1954, the inclusion of
agricultural workers would have likely been postponed until Southerners had less need for their exclusion.

The South needed relief, so they shaped federal programs as best they could. For some in Washington and elsewhere, though, relief for the South was the starting point and reform was the ultimate goal. This was the case with the Farm Security Administration (FSA). The FSA was created in 1937, though it was essentially a consolidation and expansion of programs formerly operating under the auspices of the Resettlement Administration, FERA, and the Division of Subsistence Homesteads in the U.S. Interior Department. The former programs included meager efforts at rehabilitation and resettlement and posed little threat to Southern elites who were able to co-opt most of the programs to suit their local needs. The FSA was bigger in scope and scale. At the heart of paternalism was dependency based on a personal relationship. The goal of many FSA programs was for tenants to become independent farm operators. The program that provided credit and technical assistance to tenants posed the greatest threat to Southern paternalism because it sought to make the landlord-tenant relationship more impersonal, for example by promoting the use of written leases. As such, the FSA began to be seen in the South as elsewhere as a radical organization aimed at reform. Adding to this perception was the FSA’s sponsorship of a project that produced a powerful set of photographs depicting the plight of tenant farmers.

The opposition by the South to the FSA was part of a more general conservative reaction in the late 1930s to the New Deal, as recovery seemed more imminent. Early opposition took the form of co-optation. Increasingly so, decision making devolved to local county boards controlled naturally by the established local agricultural elites. Still, the FSA was seen as a threat. By 1940, the opponents of the FSA turned to cutting off funding for the agency rather than simply tinkering with the administration of programs. Again, the South was not alone in its opposition. The FSA operated outside the established agricultural organizations such as the USDA Extension Service so the opposition was also significant within government bureaucracies trying to protect their own turf. Its opponents charged the FSA not only with waste and inefficiency but also with
harming the free enterprise system – an accusation that increasingly resonated in Congress. At the hearings on the Agriculture Appropriations bill, the testimony of Oscar Johnston, the President of the National Cotton Council, characterizes much of the discussion:

The FSA is so functioning and conditioning its activities as to promote gross inefficiency in the matter of culture and production of cotton and cottonseed; to seriously impede the cost of production of cotton and cottonseed; to lower the morale of farm workers engaged in the production of the commodities under consideration; to threaten to disturb and disrupt economic and social conditions and relationships throughout the cotton belt; to threaten those who produce cotton and cottonseed on a commercial basis; to depress the morale of the cotton farmers throughout the belt; and ultimately to destroy the business of farming as a free enterprise and a respectable means of earning social and economic security by American farmers.

By 1943 the supporters of the FSA either gave in or lost: the House Appropriations Committee voted to abolish the FSA. The Senate did not want to abolish the FSA completely, but in the compromise bill rural rehabilitation funding was slashed 43% and promotion of cooperatives and land leasing were outlawed. The FSA limped along until 1946 when Truman signed the Farmers Home Administration into law, thereby abolishing the FSA. The reflections of Sidney Baldwin, a leading FSA official, capture the sentiment of the Southern elite:

Those Southerners who were bitterly opposed to us were opposed to us for understandable reasons. We were in many ways subversive of the status quo…The programs of the FSA represented a serious threat to the dependence of the farm tenant and sharecropper on his landlord, the store-keeper, and the courthouse gang…It didn’t take many FSA clients in a Southern county to prove the fact that the FSA was real, that it was there, that the poor farmer need not be so entirely dependent on the rules of this community.
World War II and the threat of labor shortages

While the skirmishes over funding of the FSA occurred, agricultural interests in the U.S. faced a much more serious issue beginning in the 1940s; a switch from surplus labor to shortages because of the manpower demands of WWII. This change threatened to undermine the regions’ system of paternalistic labor relations by providing an opportunity for Southern workers to obtain alternative employment in labor-deficit regions. This would have substantially reduced the value of paternalism in the South and undermined the labor discipline that it promoted. Southerners responded in three ways: 1) by directly preventing workers from leaving the South through legislation barring labor agents who could have recruited workers for Northern factories; 2) by providing draft deferments to workers who remained in the South; and 3) by indirectly making out-migration a less attractive option through an increase in the immigration of temporary farm workers to farm areas outside the South that would have otherwise represented attractive destinations for the South’s workers.

The emigrant agent laws passed in a number of Southern states were a quick and easy solution to the threat that workers would decamp for Northern industrial employment. These laws were enacted at the state level where the plantation elites exercised considerable influence, and prompted little resistance from states’ other economic interests. By 1942, twelve states across the country had placed restrictions on the recruitment of labor by agents from outside the state. Eleven of the twelve states were in the South.

A more potent source of competition for the South’s agricultural elite was the federal government. The war effort required both the mobilization of troops and the relocation of workers to sites of wartime production. Either would have undermined paternalism, but both were fought successfully in Congress by the region’s political agents. Generous criteria for military service deferments were inserted into the rules of the Selective Service System to allow even relatively unproductive Southern farm workers to avoid conscription if their county’s farm establishment
(dominated by large planters) attested that they were necessary for maintaining farm production levels. The federal government was also barred from expending funds to reallocate workers across regions in 1943, an outcome that was recognized even at the time as beneficial mainly to Southern planters.

Only one avenue remained for workers who hoped to escape from the South’s system of paternalistic labor relations: self-financed and self-directed migration to labor deficit regions. Southerners could do little to dampen the demand for workers in war industries. But they could reduce the demand for farm workers outside the South. By encouraging the importation of Mexican farm workers under the Bracero Program, Southern plantation interests succeeded in making migration out of the South by farm workers considerably less attractive.

Temporary Mexican farm workers were imported into the U.S. under a variety of agreements beginning in 1942. These initiatives enjoyed the strong support of representatives in Congress from across the South, leading to the institutionalization of labor importation in the Bracero Program (Public Law 78) in 1951. Two Southern Congressmen played key roles: Representative Poage (TX) and Senator Ellendar (LA) both respective chairmen of their Agriculture Committees negotiated the initial wartime labor agreement with the Mexican government. Though only Texas and Arkansas ever employed significant numbers of these workers in the South, the region’s representatives consistently provided strong support for the program. This is consistent with their interest in reducing migration to regions such as the Southwest where many more Braceros were employed. The program continued long after the war, with strong Southern support throughout its life, and ended only in 1963, at which time the mechanization of the cotton harvest was a viable substitute for labor across the entire South.

**Welfare Expansion in the 1960s**

Though Southerners were successful from the New Deal through the early 1950s in preventing the expansion of federal programs that would have made paternalism less attractive,
the American welfare state nonetheless expanded. As we noted above, the Social Security system
was expanded to include farmers and farm workers in the 1950s, during a period when Southern
Democrats lacked the veto power they had exercised over welfare legislation to that point. Even
more dramatic changes to the national welfare system occurred in the 1960s and early 1970s as
new programs were introduced.

What led to this dramatic reversal? Whenever Democrats had held the upper hand in
Congress, Southerners had been positioned to block the expansion of the welfare system.
Democrats retained control in Congress throughout the 1960s, yet the legislation previously
blocked by Southerners was enacted. Did the preferences of Southern representatives change, or
did changes in their place within the congressional power structure diminish their ability to resist
new initiatives?

The second argument is the easiest to address directly. For much of the twentieth century
and particularly after World War II, committees crafted most of the legislation in Congress.
Without the approval of the relevant committee, a bill could not be easily advanced to the floor
for a vote by the full body. Within committees, chairmen exercised almost absolute authority to
direct the committee’s work. Because of the dominance of Democrats in the South, the region’s
representatives in Congress tended to enjoy much greater seniority than other legislators, and that
longevity gave them a disproportionate share of committee chairmanships. This gave Southerners
veto power over legislation they found objectionable, veto power that they successfully exercised
throughout the 1930s and 1940s. If the power of Southerners in the congressional committee
structure is measured by the number of chairmanships they held and the number of the most
senior committee positions they occupied, it is clear that Southern veto power did not wane in the
1960s. Table 1 shows the seniority of Southern Congressmen on certain committees in the House
of Representatives. The information in the table starts in 1947 because this was the year that
Congress reorganized committees in ways that gave more power to committees and committee
chairs in particular. We chose 1960 as our first break point because there is a consensus that at
least until 1960 Southern Democrats controlled the legislative agenda. Another break-point was established in 1964 with the election of Lyndon Johnson. Information is provided on the Rules, Appropriations and Ways and Means committees because they are the overarching most powerful committees in the House. The Rules committee is the gatekeeper: all legislation must pass through the Rules Committee before proceeding to the floor for a vote. If a bill does not meet the preferences of the senior members of the rules committee, the bill is simply left to die. The Rules Committee also determines whether legislation is deemed to be constitutional. Appropriations controls spending and Ways and Means controls taxation. The remaining committees were selected because of their importance in determining legislation affecting race or labor relations in the South.

Table 1

Seniority of Southern Democrats in the House of Representatives

1947-1970

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It is apparent that Southerners dominated seniority. Moreover their seniority increased in the 1960s. They chaired the Rules, Ways and Means and Agriculture committees throughout the 1960s and in many years they commanded a majority of the senior seats. It is important to emphasize that a veto on the legislative agenda can be sustained by simply controlling seniority in either the House or the Senate.

By constitutional design the Senate is more conservative than the House. By conservative we simply mean that the Senate is more likely to uphold the status quo. Because of six year terms, Senators have less of an electoral connection than members of the House and as such Senators were more isolated from public opinion. In addition terms in the Senate were staggered so that during any electoral cycle only one-third of the members turned over. This further insulated the South from popular opinion. The power of the Senate was a negative power in that they could block legislation. One instrument in their arsenal of power was the filibuster, a practice strengthened over time by precedent by which a Senator could not be called to order over the irrelevancy of his discourse during a debate. This meant that a block of Senators could simply wear out other members by a continual discussion preventing a measure coming to a vote. Caro described the veto power of the Senate as:

> an impenetrable wall against the Democratic impulses it had originally been supposed only to “refine” and “filter,” into a dam against which waves of social reform, attempts to ameliorate the human condition, dashed themselves in vain [Caro (2002):105].

Table 2 shows the seniority of Southern Congressmen in the Senate. Like the House Southerners dominated many committees. Moreover in the Senate their dominance clearly increased in the 1960s. For welfare and civil rights the conservatism of the Senate showed up in chairmanships of the Labor and Judiciary Committees chaired by Southerners throughout the
1960s. The only powerful committee on which the South did not dominate the chairmanship was the Appropriations Committee but they did occupy the majority of the top seats during the 1960s.

Table 2
Seniority of Southern Democrats in the Senate: 1947-1970

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Though their power was undiminished, there is a good deal of evidence that their willingness to use that power to block welfare legislation was reduced by several developments in the 1960s. The mechanization of cotton harvesting probably had the most direct impact on that willingness: though less than half of the cotton in the South was harvested mechanically at the end of the 1950s, more than eighty percent was picked by machines by 1965. This had the direct effect of reducing the need for paternalism in the South, as new machine technology standardized production and reduced the scope for shirking. It also reduced the value of paternalism indirectly
by increasing unemployment in Southern agriculture. The threat of unemployment now served to motivate workers, as had the promise of benefits contingent on their perceived effort.

The value of paternalism had rested on a lack of civil rights, particularly for blacks, in the South. The nation’s changing attitudes toward civil rights in the late 1950s and early 1960s also made the long-term viability of paternalism less likely. Part of the increased demand for Civil Rights and more equality in welfare came from blacks who had migrated North and became an important core constituency for the Democratic party, particularly in certain states [Young and Burstein (1995)]. As workers and employers foresaw the day when the government would protect workers from violence, both had less reason to enter into long-term relationships in which current efforts were rewarded with future benefits. The logic of paternalism began to unravel.

Southerners were not powerless in the face of these developments, however. As we have seen, they maintained their hold over the congressional committee structure until well into the 1970s when it was significantly reduced by a series of reforms. Though they no longer blocked as much welfare legislation in the 1960s as they had previously, Southerners continued to play a large role in welfare policy. The difference in the 1960s was that rather than blocking legislation that threatened their interests as they had since the New Deal, they now sought to alter legislation in ways that encouraged migration out of the South by farm workers rendered superfluous by mechanization. The Great Society programs of the Johnson administration were crafted by Southerners, who still occupied crucial nodes of power in Congress, in order to reduce the burden on local elites that unemployed farm workers would have imposed. Together with Northern urban legislators for whom migrants from Southern farms represented a powerful new constituency, Southern farm interests now supported programs directed at poverty in the nation’s cities. Southern representatives were decisive in passage of both the Economic Opportunity Act of 1964 and the Food Stamp program’s genesis in 1963.

The decline in the influence of rural agricultural interests at both the state and federal level had effects at both the national and state levels. At the federal level welfare expenditures
became more homogeneous. Even in the short period between 1960 and 1970 total benefit levels divided by population in the North and the South started to converge. In 1960 when cotton was 50% mechanized the ratio of southern benefit levels (AFDC, Food Stamps and Medicaid) per capita to benefits per capita in the rest of the country was .8. By 1970 when cotton was nearly fully mechanized the ratio climbed to .87.\textsuperscript{10} If we restrict the comparison to the South and the Midwest, the convergence is more striking: from 74% in 1960 to nearly 90% in 1970. In short, over time we saw much more convergence between the South and the rest of the country in their welfare systems.

**Concluding Remarks**

The South witnessed changes beyond welfare. The Economic Opportunity Act initially encouraged the out-migration of labor from the South, but equally as important, the South began to actively recruit capital to the South.\textsuperscript{11} The recruiting involved not so much lowering corporate taxes across the board but rather by offering tax breaks to selected large firms. These moves attracted a number of major automobile manufacturers to the South in the 1980s and 1990s.

In addition to changes within the South the Voting Rights Act had a profound impact within the South. Not only did it enable millions of African Americans to vote but it set in motion a transition away from a solid one-party Democratic South to a mixed and eventually dominant though not solid Republican South. Considerable migration from the rest of the nation into the South also contributed to more convergence of regional attitudes. Perhaps the most dramatic change was the southward migration of the elderly who in some states, most notably Florida, have accumulated considerable economic and political clout. Ironically, though the South is now less distinct than the rest of the nation in its attitudes towards welfare policies, it has retained its disproportionate force in shaping policies overall.
References


ENDNOTES

1 Of course a slave’s ability to switch employers required some knowledge on their part of alternative employment opportunities. Over time competition among landowners for scarce labor generated this information (Higgs 1974). For an analysis of the transition to free labor contracting, see Shlomowitz (1978).

2 The free-rider problem is familiar to anybody who has been involved in a group project.

3 Households face less of a free-rider problem because of ties of affection and fear. Nevertheless, most households with teenagers find that they confront a variety of free-rider problems, e.g. the length of a shower which affects the amount of hot water for other members of the family.

4 Alston and Higgs (1982) provide an analysis of the evolution of contracts as well as tests of the determinants of contract mix across plantations in Georgia in the early part of the twentieth century.

5 The use of tenant contracts to solve monitoring costs dates back to Roman antiquity. See Alston (2003).

6 The following discussion draws heavily on Alston and Ferrie (1999).

7 Numerous employers use perquisites to reduce labor turnover and increase labor effort. Wherever monitoring costs loom large, management has an incentive to try to raise the opportunity costs of quitting or being fired. For example, it is not surprising that software producers were one of the first to eliminate “dress codes” and punch clocks in order to motivate and retain creative engineers whose work effort was difficult to monitor.

8 These distinctions are painted sharply; as always reality is more nuanced. See Kousser (1974) for an analysis of the political forces at work in this period.

9 It is important to note that the power of the South on the Education and Labor Committee in the House was weakest in the early 1960s and that it was not coincidental that the Economic Opportunity Act was written by this committee.

10 These calculations are based on data contained in Robert Moffitt’s website: http://www.econ.jhu.edu/People/Moffitt/DataSets.html

11 Recruitment of northern capital was made all the easier given the open/shop right to work laws in place in many Southern states.