Introduction

Economic Citizenship in the Twentieth Century

WAL-MART is the biggest retailer in the world. Its trademark slogan, "Everyday Low Prices," draws shoppers in search of good deals on everything from diapers and dishes to DVDs. With more sales than its top five competitors, Wal-Mart is hugely successful, but Sam Walton's low-price strategy is hardly new. For over a century, mass retailers have used price appeal to win customers and steal market shares. In 1909, when Edward Filene's famous Boston Bargain Basement opened, immigrant Jewish, Irish, and Italian women lined up around the block to buy a knockoff dress for seventy-five cents or a stylish hat for fifty cents. Volume sales and low profit margins allowed Filene's to charge the cheap prices that lured tens of thousands of bargain hunters into the store. Rather than cater to upper-class Boston matrons, Filene's was the first store to sell machine-made dresses at prices that middle- and working-class women could afford.[1]

But, for all their low-price appeal, Filene's and Wal-Mart are worlds apart. Wal-Mart has achieved its success by ruthlessly cutting costs and paying rock-bottom wages, justifying those measures by the low prices it offers. In contrast, Edward Filene and other reformers of the early twentieth century knew that bargains were not enough in an era defined by inflation, limited budgets, and expanding consumer desires. For the next half-century hundreds of strikes, demonstrations, and boycotts were, in effect, protests against rising prices and inadequate income. From the immigrant wage-earning shopgirls to the native-born white-collar clerks, urban Americans flocked to Filene's and other department stores to get the best prices while they also fought for better wages and workplace conditions. And when they were unable to afford the abundant lifestyle they desired, they turned to the government to solve their pocketbook problems.

Since Filene's era the question "How much does it cost?" has attracted attention not only from the nation's shoppers but also from its statesmen. The twentieth-century American polity developed in response to that very consumer concern. From Woodrow Wilson to Franklin Roosevelt to Richard Nixon, national politics turned on public anger over the high cost of living. This book asks why these consumer issues led to what this study calls "pocketbook politics," how these politics transformed modern government, and why they declined. It begins

with the explosion of prices at the turn of the century and ends with the arrival of the Great Inflation of the 1970s. Throughout this long era, the political dynamic between consumers' search for the best buy and reformers' efforts to redistribute wealth and power drove domestic politics and constituted a central strand of American liberalism.

Indeed, the twentieth-century ideology of economic citizenship, based on participation in the mass consumer economy, would become essential to the definition of modern liberalism itself. This was a departure from the reigning political ideology of the nineteenth century, which placed a premium on self-sufficiency and the virtues inherent in an America composed of millions of small producers. Farmers and artisans epitomized this producer ideology, but even wage earners cherished their sense of economic independence, as with those craft unions and mechanical societies that fostered pride in manual skill and autonomy in the world of shop-floor production. In the twentieth century, as the economy and society became increasingly organized around a new national mass consumer market, the means to consume became important not only for securing three square meals a day but more broadly as a marker of economic citizenship and full membership in the American polity. Consumption was replacing production as the foundation of American civic identity.

Yet the struggle to make ends meet, let alone purchase all the fancy goods on display in department stores, was an inescapable reality of the twentieth-century consumer economy. Its failure to generate what progressives called consumer "purchasing power" aggravated the manifest inequalities of modern industrial capitalism. Beginning with the great labor strikes of 1877, contemporaries feared that growing disparities of income and the rise of a new wage-earning class were subverting American notions of egalitarianism, civic involvement, and political liberty that had prevailed throughout the nineteenth century. So too did they come to fear that the purchasing-power problem emergent early in twentieth century was threatening a stable American social order and enduring democracy. Thus the question of how to provide Americans—from the shopgirls at Filene's to the skilled mechanics at Ford to the filing clerks, secretaries, and service workers of modern corporations—with the purchasing power to become full economic citizens would dominate much of the century's politics.

Pocketbook Politics

The fulfillment of twentieth-century economic citizenship would not be achieved without conflict. When Henry Ford introduced the moving assembly line in 1913, he revolutionized modern production. Within a few years, Ford squeezed two-thirds of the cost out of a Model T, vastly

increased output, and managed to pay most male workers double the going rate.[2] But few other firms could easily adopt Ford's five-dollar day and low-price, high-volume strategy. While accelerating American economic productivity, the technological and business advances of the early twentieth century did not automatically lead to the cheaper prices and higher wages that would enable the masses to participate in the new consumer economy. Even the shopgirls who worked at Filene's and earned more than salesclerks at other stores found it hard to survive on eight dollars a week, let alone buy the goods they were selling. The gap between an ability to mass-produce an array of items and the ability of people to afford them was an inherent tension of the new consumer economy that would transform modern American politics.

This book aims to reperiodize reform in twentieth-century America. Rather than see the twentieth century as divided by distinct eras of political reform, we need to appreciate the continuities of a certain kind of American liberalism that transcends the chronological divisions of traditional political history. From the inflationary years of the early twentieth century through the inflation of the early 1970s, the "purchasing-power question" of what people could afford remained on the political agenda, regardless of the state of the economy or the policies pursued by Congress or the president. There were always competing social and economic issues vying for political attention, but for most of the twentieth century the purchasing power of the public was never far from the center of American politics.

"Purchasing power" was shorthand for redistributive economic policies designed to enable the working and middle classes to buy basic necessities and still have enough left over to shop at Filene's and even drive a Model T. This agenda, with its goal of redistributing wealth and income through government wage and price policies, resulted in a radical restructuring of American capitalism. In spite of the nation's deep commitment to a free market, the fact that so many people were unable to purchase the goods it offered made pocketbook policies popular across income, class, ethnicity, and region. Americans continued to define themselves by a number of other categories such as profession, gender, ethnic background, or residence. But the fact that every person was also a shopper made a consumer interest potentially powerful. In contrast to the narrow appeal to social solidarity mounted by the relatively small numbers of white male native-born trade unionists, a consumer ideology quickly spread among the immigrant masses, especially women, and attracted a broad spectrum of the middle and working classes.

The prominence of pocketbook politics casts doubt on the traditional view of twentieth-century American consumer society as profoundly depoliticizing. According to this point of view, the desire for material goods

led to a popular quest for individual material advancement, but only at the cost of an oppositional consciousness and a turn away from a collective struggle for power. As early as 1906 the German sociologist Werner Sombart declared that all American socialisms "have come to grief on the shoals of roast beef and apple pie." If not everyone could obtain a high standard of living, there was enough evidence of social mobility and economic advance to make those goals, and by extension the system of American capitalism, seem worthy. "As the material condition of the wage worker has improved—and the increasing comfort of his way of life has enabled him to savor the corrupting effects of material wealth," explained Sombart, "so has he been impelled to love the economic system which has shaped his fate." As late as the 1960s, New Left scholars similarly saw mass consumption as the coffin of class consciousness. More recently, feminist, labor, and cultural historians have examined how consumption has served as a terrain for class and gender struggles. Yet New Left assumptions about participation in the mass market bringing anomie, fragmentation, and the decline of democracy endure. Writing almost one hundred years after Sombart, historian William Leach laments that in the twentieth century, the "democratizing [of] individual desire" displaced the democratizing of "wealth or political or economic power." Selfish individualism and materialism, the argument has gone, undercut public mindedness, diluted class solidarity, and insulated American society from radical politics.[3]

Yet for much of the twentieth century, a preoccupation with how much things cost had a deeply politicizing effect on Americans as consumers. While prices are ubiquitous and not inherently political, they became so in response to the rising cost consciousness and state-building efforts of the twentieth century. Early in the century, a confluence of historical developments made inflationary prices the subject of political debate. Between 1870 and 1920, the percentage of Americans living in cities doubled to over fifty percent. By 1920, more people worked in factories than on farms, and less than one-quarter of the workforce was self-employed. At the same time, people were now purchasing basic necessities in the market rather than producing them at home. These multiple forces of industrialization, urbanization, and the commercialization of daily life coincided with the rise of inflation as the new and defining characteristic of the economy.[4] In this context, prices were a dominant index of living standards. Over the next half century, prices then became a central political problem during the course of two world wars, when the rate of inflation reached double digits, and even during the Depression, when prices fell slower than wages. These national crises enabled and necessitated a radical expansion of government involvement in the economy through a set of public policies and institutions to combat what contemporaries throughout this decades-long era called the high cost of living.

Pocketbook politics, which began with housewives protesting inflation at the grass roots and continued with workers demanding more at the bargaining table and on picket lines, led to a powerful alliance of middle-class consumers and organized labor. That alliance supported the creation of a new mass-consumption political economy that challenged the traditional prerogative of businessmen to set wages and prices. For much of the century, Americans made demands as consumers with rights in the marketplace. A consumer was no longer someone who just purchased items for sale. Now he, or more likely she, shopped around, looked for bargains, and substituted cheaper products in an effort to stretch family dollars. At times she even took to the streets to protect her pocketbook. From the turn of the century through midcentury, precipitous price hikes often led to food riots, consumer boycotts, and rent strikes. Organized labor also embraced a consumer identity and insisted on a "living wage." Demands for higher pay were not new, but twentieth-century wage earners justified them on the basis of their right to an "American standard of living." Walter Lippmann, perhaps the most astute political writer of the Progressive Era, described what he saw as a rapidly spreading "consumer consciousness." In 1914 he wrote, "The real power emerging today in democratic politics is just the mass of people who are crying out against the 'high cost of living.' That is a consumer's cry." When shoppers started to question whether prices were reasonable or unreasonable, they began a line of inquiry that, according to Lippmann, "runs counter to the whole fabric of the old commercialism." "To talk about 'reasonable returns' is to begin an attack on industrialism which will lead far beyond the present imaginations of the people who talk about it. . . . Just where those words lead nobody knows."[5]

State-Building from the Bottom Up

Pocketbook politics were so powerful because they relied on a mutually reinforcing dynamic between the public and the government. Today, as over one hundred years ago, we are told that the consumer is the standard-bearer of the free market. But throughout much of the twentieth century, policymakers acted on behalf of the "consuming public" to regulate the nation's markets in the interests of ordinary citizens. Americans have experimented with many ways to regulate the economy, from nationalizing industry to setting up regulatory commissions to breaking up monopolies. In contrast, a community of purchasing-power progressives, whose story is told in these pages, supported giving ordinary people the necessary authority and institutional tools to monitor prices and set wages. The rise of economic citizenship in the twentieth century depended both on political

elites who made policy and on ordinary men and women who took their votes and their protest to the streets, markets, and factories.

This book encourages a new way of studying state power by integrating popular politics and elite policymaking. The functioning of large administrative states can be understood only by exploring the ways that they legitimize their authority, which can include delegating power to citizens. Conversely, popular movements have succeeded in effecting change only to the extent that they win support at elite levels. Unlike most social historians who focus exclusively on consumers at the grass roots, *Pocketbook Politics* breaks new methodological ground by insisting on the centrality of national politics and the state in the nearly century-long fight to fulfill the American Dream of abundance.[6] We know a good deal about the business and culture of the mass market. We also know about the rise of the modern welfare state and postwar Keynesian tax-and-spend fiscal policies, which sought to smooth the rough edges of modern capitalism.[7] But we know less about the intersection of what consumer advocate Caroline Ware called "concrete daily economic experience" and economic policymaking. It was this powerful dialectic that Ware understood by her use of the phrase "economic citizenship."[8] Thus, this book combines political and social history, drawing on government documents and presidential records as well as on grassroots sources and popular periodicals, in order to show the dynamic interplay between the state and its citizenry over marketplace issues during the twentieth century.

The vision of economic citizenship that resulted was at once radical and conservative, full of reordering possibility and inherently limited. Americans did not develop the kind of welfare state that became common in many industrialized countries. Measured by European standards, the American welfare state comes up short, most obviously in its lack of national health insurance. Americans' commitment to private enterprise helps to explain this comparative weakness. But pocketbook politics led to regulation of the market by a variety of laws and institutions that promoted militant unionism, government price controls, and a Keynesian program of full employment. Through its support of a strong union movement and its ability to empower consumers to monitor prices during times of war and depression, the federal government intervened directly in the American economy, thereby undermining a nineteenth-century belief in limited government. Efforts to reform wages and prices had their own radical thrust that went to the heart of capitalism and sparked fierce debate. On one side, a reform coalition of ordinary Americans, mass retailers, and national politicians fought for laws and policies that promoted mass purchasing power. Opposing them were the millions of small businessmen and manufacturers who fiercely resisted this low-price, high-wage agenda that threatened to

bankrupt them. Those policies gained acceptance because they were built on grassroots participation—what contemporaries termed democracy in action and I call state-building from the bottom up.

Precisely because they relied on popular mobilizations at factories and markets, these policies penetrated deep into society and the economy. A new political elite concerned about promoting mass purchasing power allied itself with a new industrial union movement, each providing the other with legitimacy and strength. By midcentury, massive unions represented one out of every three workers and created a set of powerful collective-bargaining institutions industrywide. Framing its demands in the language of purchasing power, the labor movement justified itself as the engine that would drive redistribution for the entire consuming public. The purchasing-power rhetoric also mobilized many organized consumer groups nationwide who supported the higher wages of workers and joined them in the fight for fair labor standards and for fair prices. Women of all classes and political leanings participated in a wide range of consumer movements, from Jewish mothers protesting beef prices on the Lower East Side, to Eleanor Roosevelt and other upper-class women wearing only union-made dresses, to hundreds of thousands of middle-class women in both world wars marching into neighborhood stores to enforce compliance with popular notions of fair prices. That widespread, popular mobilization represented a pervasive, and therefore threatening, regime to the nation's capitalists.

Mobilizing citizens was a necessity of modern statecraft and yet a potential source of instability; citizens, once empowered, could not always be controlled, and thus state-building from the bottom up was a double-edged sword. The fact that all Americans acted as consumers gave purchasing-power rhetoric its wide appeal. For politicians, the language of consumerism was a way to stitch together various groups with other interests, promising each sector a higher income. But Americans never saw themselves only or even primarily as consumers. And the inability to stop inflation made a diverse coalition of supporters difficult to sustain: in particular, consumers' desire for cheap prices ran up against labor's demands for higher wages. Since inflationary pressures from war to government spending to collective bargaining were endemic to the midcentury economy, those who were unorganized came to feel squeezed. Once labor's higher wages began to drive up the cost of living, mass unions started to lose their middle-class allies and even to alienate the skilled working-class elite who deeply resented the gains made by their less-skilled counterparts. When purchasing-power policies failed to deliver higher standards of living, apathy, resentment, and disenchantment were the result. This book explores the pocketbook politics—filled with hopes, fear, and tensions—and the new kind of American state that resulted.

From Department Stores to Departments of Government

Part 1, "The High Cost of Living and the Rise of Pocketbook Politics, 1900–1930," begins with the inflation of the early twentieth century that put these pocketbook politics powerfully on the agenda. It starts when millions of immigrants and middle-class Americans moved to the cities and confronted a new era of inflation that exploded during World War I. Inflation, as much as the lure of advertising or the desire for new consumer products, shaped Americans' experiences in the marketplace and made them feel uneasy and powerless. This generation saw monopolies and wasteful middlemen as the villains responsible for more than doubling the cost of daily living between 1900 and 1920. That impulse to point a finger was characteristic of the Progressive Era, when problems of modern life tended to be identified not as natural phenomena but rather as social problems that could be solved through rational, or at least political, means. Contemporary economists explained that inflation resulted from an expansion of the gold supply, but the public, seeking to politicize seemingly impersonal economic forces, blamed trusts and middlemen. The high cost of living resonated precisely because it was not just a problem of the urban poor, the unemployed, or the tenement dwellers; it affected everyone, especially the new white-collar middle classes living on fixed salaries. Walter Lippmann commented: "We hear a great deal about the class-consciousness of labor. My own observation is that in America today consumers' consciousness is growing very much faster." Lippmann understood that as the new mass market promised Americans a better life, they would begin to demand low prices, high wages, and better-quality products as a basic right.[9]

The massive inflation of World War I and the unprecedented decade of productivity that followed made mass purchasing power a pressing political issue. During the war, runaway prices threatened to erode living standards of millions of urban Americans, including wage earners upon whom production for national defense now depended. In that context, President Wilson legitimized the notion that Americans had basic rights as consumers and put the expanded wartime governmental authority behind what was popularly called "fair prices" and "living wages." Liberal policymakers shared with ordinary Americans the fear that rising prices were dangerously outstripping wages, threatening economic and political instability. The prosperity of the interwar years only intensified progressives' commitment to a purchasing-power agenda of high wages and low prices. As national production nearly doubled in the 1920s, labor leaders began to emphasize the pitfalls of underconsumption. According to this theory, low wages, or what Edward Filene called "counterfeit wages," presented just as big an obstacle to economic

citizenship as high prices. Modern technology was accelerating production exponentially, but the failure to distribute these enormous numbers of goods remained an intractable issue, stubbornly defying the conventional wisdom that supply automatically creates its own demand. Without enough people able to purchase these goods, this group argued, the economy would collapse.

Part 2, "Purchasing Power to the People, 1930–1940," examines how this community of progressives transformed their agenda of mass purchasing power into a program of national recovery and reform during the Great Depression of the 1930s, pushing it from the margins to the center of political debate. As New Deal policymakers, they sponsored a distinctly American kind of statecraft to increase purchasing power through a set of state institutions, strong unions, and organized consumers. Since the budget of the federal government was so small, Keynesian spending was not available as a remedy, and thus reformers looked to other means to stimulate demand. In the early 1930s, they created a new government regime of institutions that mobilized workers and consumers to secure a low-price, high-wage economy. The salient success of their campaign came with the passage of the National Labor Relations Act in 1935, which gave workers the right to organize and engage in collective bargaining. The purchasing-power argument helped organized labor win middle-class support for this radical reform, aligning the interests of a strong union movement that insisted on higher wages and cheap prices with those of the rest of society.

As expansive and transforming as it was, the purchasing-power agenda contained inherent tensions. Three internal strains plagued the New Deal coalition of farmers, labor, and the middle class and made it politically vulnerable. The first stemmed from a conflict between urban residents' need for affordable food and farmers' need to earn a living. Like other citizens, farmers had imbibed the promises of the new marketplace. But for them fair prices meant high commodity prices. Though their numbers had dwindled since the nineteenth century, they retained a strong hold on political imagination, they had disproportionate representation in Congress, and their interests were promoted by a powerful lobbying organization. That was a particular problem for the New Deal Democratic Party, as its leaders understood that electoral success depended on winning the votes of both farmers and labor. Legislation and public policies that benefited certain groups of consumers therefore could work against the interests of other groups.

The second major tension existed between organized labor and the unorganized middle classes. The more success labor had in achieving high wages, the more consumers would have to pay for these gains in the form of higher prices. Moreover, the rising power of labor meant

more than just higher wages for the blue-collar worker: unionization generated strikes, shortages, and challenges, in the factory and out, to traditional hierarchies of race, gender, ethnicity, and skill. Thus, the emerging clout of the semiskilled, multiethnic masses created the third major tension as the skilled native-born working-class elite recoiled at the advances being made at their expense. By the 1940s, the idea of a unified consumer interest, if it had ever existed, was ready to come apart at the seams.

Part 3, "The Evils of Inflation in War and Peace, 1940–1960," examines how wartime inflation enabled President Roosevelt to unite his coalition behind the drive for fair prices, reinforcing it with calls for patriotism. As Wilson had during World War I, FDR targeted runaway inflation as a threat to not only the production effort but also the preservation of democracy. Roosevelt, however, resorted to an even more sweeping program, the creation of a nationwide system of price controls and rationing. The policy of mandatory wartime controls, run by the Office of Price Administration (OPA), mobilized millions of housewives to enforce compliance in local communities. What made OPA so powerful was the support it received from unions, whose membership had grown by nearly 50 percent. Because patriotism demanded acquiescence and because unions had faith in the New Deal state, organized labor agreed to a wage freeze for the duration of the war. As they had also signed no-strike pledges, union leaders had little choice but to throw their weight behind price controls to protect their members' living standards. The politicization of wages and prices during the war, actively supported by a mobilized consuming public, represented the high point of the purchasing-power agenda. Though controls were only a wartime emergency measure, they emboldened Americans to insist on stable prices. For the next three decades, the public repeatedly demanded price controls as a remedy to inflation.

The inability to control inflation would prove the downfall of labor liberalism in the postwar years. After the war, the nation's businessmen, from the large industrialists to the small producers and shopkeepers, sought to dismantle the OPA and sever middle-class support for organized labor. They did so in part by blaming the industrial union movement for the explosive rise in consumer prices, thus exploiting a central tension of the purchasing-power program. With the end of controls, prices skyrocketed and unions staged massive strikes to protect their wartime gains. Although the consumer price index fluctuated comparatively less after 1948, it took middle-class consumers more than a decade to forget the fearful, explosive burst of wage-price inflation that had threatened their living standards in the immediate postwar years.

The booming economy of the 1950s, far from establishing the foundations for the "golden age" of American capitalism, unleashed antagonisms and anxiety over inflation. Cold War spending and the full-employment, high-wage economy of this era sustained healthy rates of economic growth. But they also led to creeping prices that exacerbated persistent middle-class fears of economic instability, uncertainty, and change. Moreover, now that many Americans were buying luxury goods like cars and televisions for the first time, they believed that the cost of living was spiraling upward, despite the fact that the overall price level remained relatively stable. The concern with inflation undercut middle-class political solidarity with organized labor, dissipating and weakening, as early as the 1950s, the alliance created during the New Deal and World War II years.

But all that was in the future. This story begins with the turn-of-the-century bargain hunters.