

CHAPTER 25



New patriots: How Roosevelt's New Deal made America great again

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Power, in the immortal words of Mao Tsetung, comes out of the barrel of a gun. This is one view of what state capacity means – the ability to coerce, if need be through the threat or actual use of violence. A long tradition in political thought going back to Thomas Hobbes sees naked power – guns, armed men and money – as the cornerstones of a capable state. An alternative view emphasises consensus and voluntary collaboration, as well as patriotic sentiment – the sense of belonging to a larger community. In Rousseau's view, governments get to exercise power because citizens delegate it to them; in exchange for ceding power, rulers owe protection and support to their subjects. Voluntary, costly participation as part of a large group became more common after the rise of nation-states in the 19th century. Shared myths, the emphasis of a common history, the enforcement of linguistic uniformity in school and collective remembrance can all enhance a sense of shared identity (Nora 1989, Anderson 2006, Colley 2009).

Much is already known about state-building in the Hobbesian tradition because it is easy to document and quantify. Taxes are raised, opponents suppressed and armies assembled. Most of the history of modern nation-states has been written from this vantage point (Tilly 1992). The social contract view is harder to explore; the 'contract' is rarely actually signed, and the construction of nations as 'imagined communities' (Anderson 2006) is difficult to trace. For example, while much tax compliance is de facto voluntary (Levi 1988), it is also enforced through punishments.

In a recent paper (Caprettini and Voth 2023), we show how government income support and social spending can increase state capacity, creating a shared sense of nationhood and patriotic support. We analyse the expansion of the US federal government's role as part of the New Deal after 1933. Where social spending expanded the most, patriotism – underwritten by costly actions – was greatest during World War II. The United States of the 1930s is an attractive setting to investigate the question of how government spending can affect national identity for a number of reasons.

First, its armed forces allowed volunteering for an extended period at the start of World War II. Just as in World War I, the US Army and Navy took volunteers for almost a year while conscription was implemented and came into force. This allows us to analyse one of the potentially most costly actions – war participation – as a voluntary action. The contrast with all other belligerents is striking: Germany, Japan, France, Britain and the USSR all had mandatory conscription at the time when hostilities broke out.

Second, prior to 1933, the federal government rarely touched the lives of ordinary Americans. With the coming of Roosevelt's 'New Deal', this changed dramatically. The federal government's share of GDP more than doubled from 4% in 1933 to over 9% by the end of the 1930s (Folsom 2009). Social security for the elderly, unemployment insurance, public works programmes, loan support for distressed businesses and homeowners, help for farmers – there was hardly a corner of life that was not affected by New Deal spending.

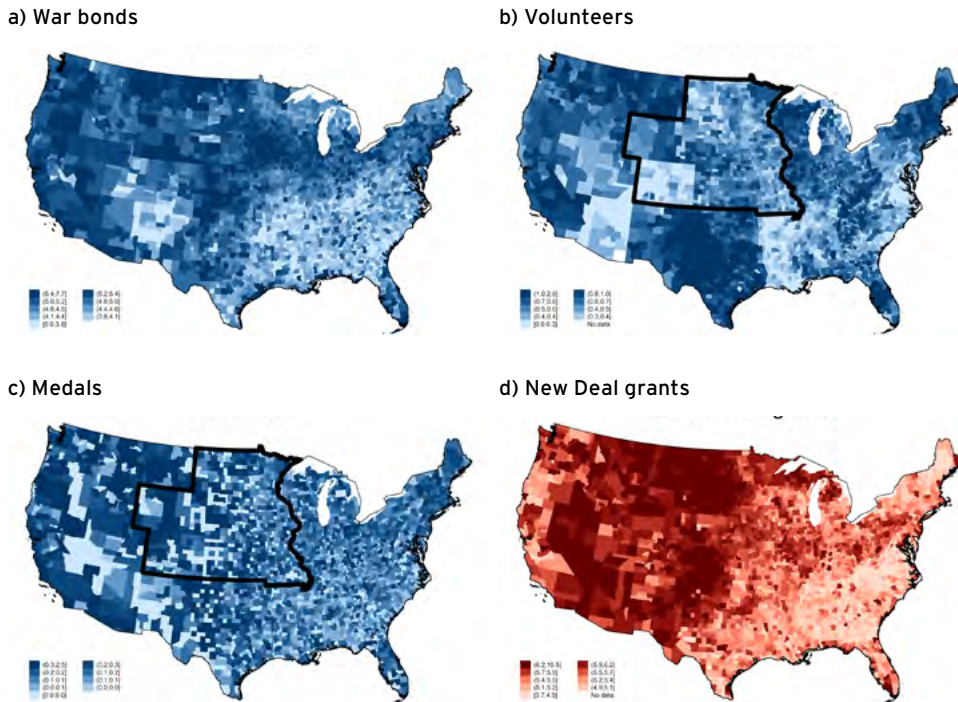
HANDOUTS FOR HEROES

To measure patriotism, we look at three outcomes: war bond purchases, volunteering and medal recipients. The US entered World War II when Japanese planes attacked and sank a good part of the Pacific Fleet in Pearl Harbor. Some 18 million men and women eventually served in the US armed forces. Public spending accounted for 47% of GDP in 1943, a large share of which was funded by borrowing. In 1944, the government deficit amounted to 25% of GDP, with bond issuance a key funding source. War bonds were issued in a range of denominations, and were on average costly propositions for the owner. The interest rate was low, not indexed to inflation and paid only at maturity. Moreover, the bonds were not transferrable, and repayment was postponed decades into the future. Panel A of Figure 1 illustrates the geographical distribution of war bond purchases. The US South saw fewer bond purchases, while the West and Northwest look particularly patriotic in this dimension. Importantly, war bonds were more widely bought in areas that benefitted from New Deal spending in the preceding decade. Panel D of Figure 1 presents the geographical variation of welfare spending during the New Deal. As the left panel of Figure 2 shows, counties that received high support saw a much more active uptake of war bonds than areas with limited welfare spending.

While most Americans who served in the armed forces after 1941 were conscripts, about 3.4 million volunteers were enlisted before this option was shut down at the end of 1942. Volunteers came from all over the country (see Figure B of Figure 1), but not to the same extent. The middle panel in Figure 2 shows that in areas benefitting from more welfare spending after 1933, the frequency of volunteering was markedly greater.

Our final indicator comes from medals. The US distributed a range of medals, and we focus on three of the highest awards for valour: the Congressional Medal of Honor, the Distinguished Service Cross, and the Silver Star. All were given out for outstanding acts of bravery involving physical courage in the face of the enemy; many were awarded posthumously. For example, Sergeant Sylvester Antolak received the Congressional Medal of Honor after he was killed when he single-handedly attacked and destroyed a German machine-gun team in Italy in 1944. Men like Sergeant Antolak came from all over the United States, but with a great deal of variation in frequency at the county level (see Figure 1, Panel C). The right-hand panel of Figure 2 shows how the likelihood of receiving a medal varied with the level of New Deal support prior to 1940: higher welfare spending spelled more heroism.

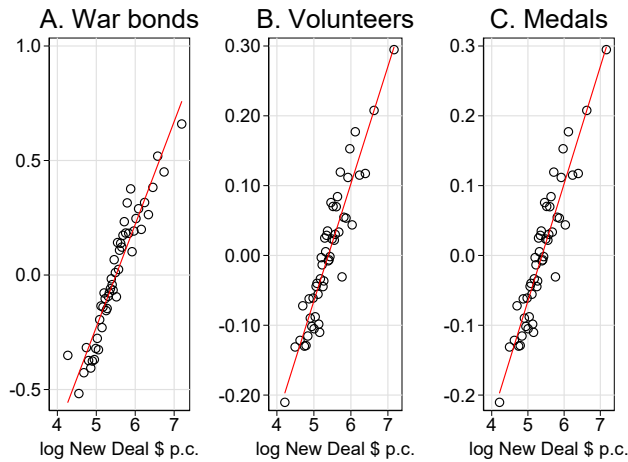
FIGURE 1 THE GEOGRAPHY OF PATRIOTISM AND GOVERNMENT SUPPORT IN WORLD WAR II



Notes: Panel A: war bond purchases in 1944 per 1940 population (Inverse Hyperbolic Sine, IHS). Panel B: WWII volunteers per 100 people. Panel C: WWII medals per 1000 people (IHS). Panel D: New Deal grants per capita (IHS). Panel B and C show the border of 7th Service Command in black. Because we are not confident about quality of military data for these states, we exclude them in baseline volunteers and medals results.

Source: Caprettini and Voth (2023).

FIGURE 2 NEW DEAL SPENDING AND PATRIOTISM



Notes: Graphs are bin-scatters of New Deal grants per capita (IHS, x-axes) and WWII patriotism (y-axes); red lines are linear fits. Panel A: patriotism measure is war bonds purchases per capita (IHS, y-axis). Panel B: patriotism is WWII volunteers per 100 people (y-axis). Panel C: patriotism is WWII medals per 1,000 people (IHS, y-axis). Each of the three WWII patriotism measures are residualized with respect to WWI volunteering and WWI medals. Sample excludes the 7th Service Command in Panel B and C.

Source: Caprettini and Voth (2023).

FROM DROUGHT TO SACRIFICE

Is it the social spending that drives patriotism or is there some other, hidden variable that simultaneously affects welfare support and patriotic actions? For example, it could theoretically be that in areas where the government stepped in to help farmers, often paying them to stop producing, laborers and share-croppers suffered from this intervention. If in 1941 they were still affected by such interventions, they may have turned to the Army as a more attractive employer than the (inactive) farms. While at the county level we would find a correlation of income support and volunteering, the causality would go in the opposite way: government intervention, in this case, would have led to more patriotic actions by hurting the incomes of the most vulnerable.

Two important pieces of information speak against such as reversed-causality interpretation. First, we show that the correlation between welfare and patriotism is strong when we take results to the individual level. We can link individuals who volunteered to their census returns in 1940. In this way, we know their profession and we know whether they were in occupational categories that directly benefitted from social spending, or were more likely to have been hurt by it.

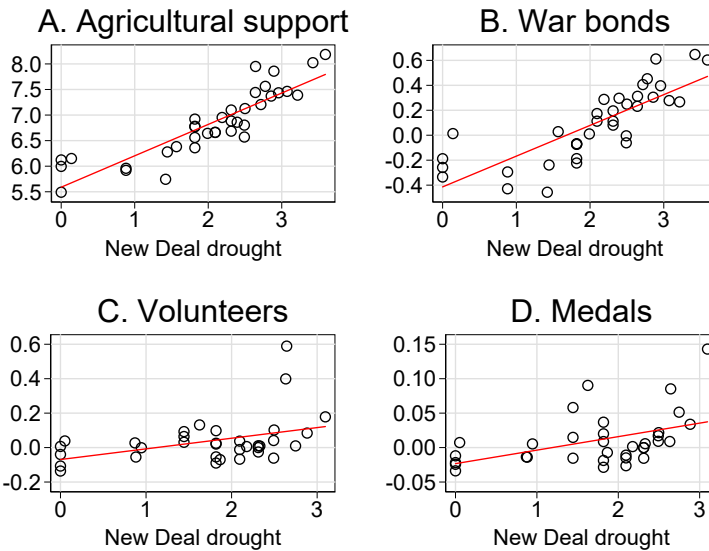
First, we look at people directly employed by the Works Progress Administration (WPA), a gigantic employment programme instigated by the federal government. We find that those employed by this scheme volunteered with a much greater frequency. Second, we consider homeowners. In areas with massive support for homeowners, those who

reported owning their primary residence volunteered more. Finally, we show the same pattern for farmers: farm-owners in areas with more support to farmers joined the ranks in much greater numbers. In addition, we show that farmhands – those workers who were hurt by New Deal-induced unemployment – were significantly less inclined to fight. Individual-level records thus not only confirm a clear causal link from welfare to patriotism, they also reveal that the effect runs both ways. When war came, workers who had been neglected in their hour of need were less ready to sacrifice themselves for their country.

Second, we use weather variation to provide further evidence that the link between government support and patriotism is arguably causal. The New Deal paid a great deal of attention to the plight of farmers. In particular, the Agricultural Adjustment Act (AAA) paid farmers to take land out of production and compensated them for losses due to soil erosion. Some 12% of spending went to farmers, putting an average of \$386 into their pockets (the median annual wage in 1939 was \$880). Some of the agricultural support was allocated for reasons not reflecting economic conditions. In particular, a significant share of spending was driven by committee membership in the US Congress. Districts who had a long-serving congressman typically received more AAA funds than other, similarly blighted but less well-connected districts. We use the part of the variation in AAA spending that is driven by ‘connections’ rather than the underlying characteristics of the county population to explain the patriotic behaviour. We find a strong effect of such spending, which goes in the same direction as the baseline correlation: more spending driven by Congressional committee membership spelled more patriotism across rural America.

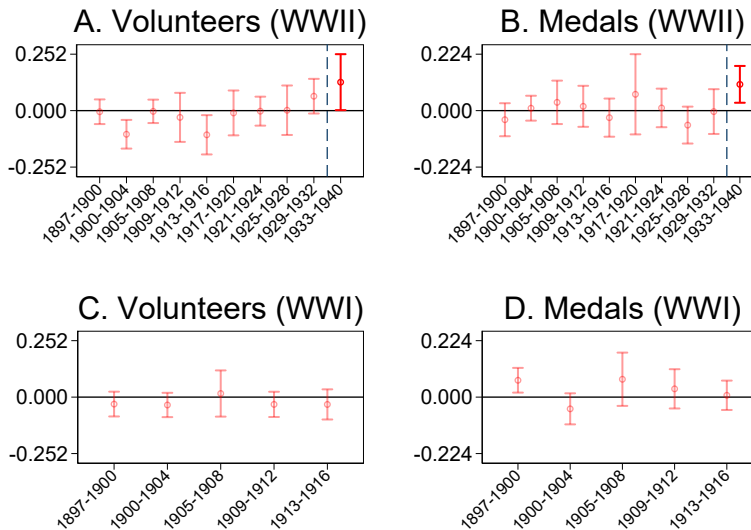
Similarly, we can use agricultural spending driven by idiosyncratic weather shocks. The ‘Dust Bowl’ (Hornbeck 2012) saw millions of farmers reduced to poverty and misery as a large part of the topsoil in the Mid-West was blown away in huge sandstorms. The federal government stepped in to help. Where it did so, patriotism in World War II was much higher (as illustrated in Figure 3). Droughts in the 1930s were unusually severe, and they often occurred in places where few droughts had broken out in earlier years. Where similar weather shocks happened before the New Deal – and without help from the government for those affected – we see no increase in patriotism, either in World War I or World War II. Figure 4 presents these placebo results. They strongly suggest that the patterns we document reflect a causal effect of social support on patriotic actions.

FIGURE 3 DROUGHTS AND PATRIOTISM



Notes: Graphs are bin-scatters of New Deal drought (x-axes) against agricultural support and patriotism (y-axes); red lines are linear fits. Panels A and E: first stage; agricultural support per farmer (IHS) on the y-axes. Agricultural support is AAA grants plus FCA loans per farmer. Panels B-D: reduced forms; measures of WWII patriotism on the y-axes. Panel B: patriotism is war bonds purchases per capita (IHS). Panel C: patriotism is volunteers per 100- people. Panel D: patriotism is medals per 1000 people (IHS). Each of the three WWII patriotism measures are residualised with respect to WWI volunteering and WWI medals. Sample excludes the 7th Service Command in Panel C-D.
Source: Caprettini and Voth (2023).

FIGURE 4 PRE-NEW DEAL DROUGHTS AND PATRIOTISM



Notes: Coefficients and 95% confidence intervals of the effect of droughts on patriotism. Dependent variables are: Panel A: WWII volunteers per 100 people. Panel B: WWII medals per 1000 people (IHS). Panel C: WWI volunteers per 100 people. Panel D: WWI medals per 1000 people (IHS). Regressions include state fixed effects and controls from 1930 (Panels A-B) or 1910 (Panels C-D). Standard errors clustered at climatic division level. Panels A-B: dashed line marks Roosevelt's inauguration (4 March 1933).
Source: Caprettini and Voth (2023).

Interestingly, the New Deal created a new geographical pattern of patriotism in the United States. When we compile the same data for World War I, for which the information on volunteers and medal recipients is also available, we find no correlation with 1930s spending. This also puts to rest any concerns that more federal help went to areas that were more patriotic to start with.

We also examine whether patriotic actions simply reflected support for the US wartime president, Franklin D. Roosevelt. Using the 1940 election results, we show that the geography of patriotic actions cannot be explained by voting for the democratic candidate.

SOCIAL SPENDING AND SUCCESSFUL NATION BUILDING

In his best-selling book, *Sapiens*, Yuval Harari contends that the primary difference between humans and chimpanzees is the “mythical glue” that binds together large numbers of individuals and groups, which has enabled us to become “masters of creation”. The source of this “mythical glue” has been widely debated in the literature, with many attributing it to shared language, schoolroom indoctrination, transport integration and common narratives (Weber 1976, Alesina et al. 2017, Aghion et al. 2018). In this chapter, we offer a complementary perspective: we argue that social spending can also create Harari’s mythical glue. When the US federal government began to look out for its citizens’ needs for the first time on a substantial scale, men and women who benefitted repaid the largesse by becoming more patriotic.

Powerful propaganda reminded Americans that the New Deal’s main purpose was to look after America’s ‘forgotten men’. When ordinary Americans in times of need had less reason to feel forgotten, they repaid Uncle Sam in both cash and blood: areas that benefitted from New Deal programmes saw more war bond purchases, and they produced more volunteers and more soldiers who fought with outstanding courage and distinction. Thus, we find clear support for ‘relational state capacity’ (Müller-Crepon et al. 2021) – the notion that a rich web of mutual trust, reciprocal support and informational clarity underpins the rise of powerful states. Equally importantly, we demonstrate that tangible, important material advantages – especially, social support during hard times – can create and strengthen patriotic sentiment, making citizens feel that they are part of a larger national whole.

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