

# WORKING THE PIVOT POINTS

TO MAKE AMERICA WORK AGAIN

**Frank Islam • Ed Crego**

**Potomac, MD**

Copyright © 2013, Frank Islam, Ed Crego  
ISBN: 978-0-9846126-2-8

All Rights Reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system without written permission from the author, except for the inclusion of brief quotations in a review.

Printed in the United States of America.

# 1 | Pivot Points in American History: The Way We Weren't

AS AMERICANS, WE TEND TO ROMANTICIZE THE PAST AND TO FORGET the enormous changes and progress that has been made at the major pivot points in American history. We also have a propensity to engage in selective interpretation of the facts and not to look at primary sources to secure a true understanding and appreciation of the context in which something took place.

## **REVISIONIST HISTORY**

The decision to read the Constitution on the floor of the House at the beginning of the 112th Congress and the unquestioning infatuation with the Founding Fathers provide excellent examples of these tendencies.

On January 6, 2011, a number of House representatives participated in a “full” reading of the Constitution, including amendments. The text that was read, however, varied from the original document as it excluded passages that were superseded by amendments.<sup>1</sup>

This meant that there was no reference on the House floor to the “three-fifths” clause in the section of Article I, which made slaves three-fifths of a person for taxation and apportionment purposes. It

also excluded entirely the reading of the Eighteenth Amendment to the Constitution, which imposed prohibition.

Our current Constitution contains nine parts that were later changed—including who had the right to vote (originally only white males over the age of 21), election of senators by state legislatures, and the original process set out for electing the vice president. While not reading these parts may seem insignificant, it is not. This is because it misrepresents history and understates the passage of time required and extreme difficulty in addressing those pivot points that changed the Constitution.

For example, the Constitution as approved by the delegates to the Constitutional Convention in September 1787 was the product of a compromise. It was not ratified by the states until 1790, after there had been substantial national debate and several close votes in state legislatures.

It took from 1790 and a civil war for former slaves to be made citizens and given the ostensible right to vote by the Fifteenth Amendment in 1870—80 years after the Constitution's ratification. But, African Americans didn't get unimpeded voting rights until the Twenty-Fourth Amendment, which eliminated the payment of a poll tax as a requirement to vote, was passed in 1964—174 years after ratification. Women did not get the right to vote until the Nineteenth Amendment was passed in 1920—130 years after ratification.

So, the Constitution was and is not perfect—nor were our Founding Fathers, in spite of the attempt from some to sanctify them. In fact, as students of history know, the Founding Fathers were also frequently not of one mind. Their genius was the ability to reach a compromise—Federalist and Anti-Federalist joining together in the best interests of the nation and its citizens to create the enduring framework for a “more perfect union.”

That ability didn't make them superhuman, however. Each of the Founding Fathers (mothers were noticeably absent) had his own beliefs and peccadilloes. That might not square well with many in the American public today. For example, Thomas Jefferson did not believe that Jesus was the son of God nor did he accept the Trinity, the Virgin Birth or the Resurrection. And Alexander Hamilton was unapologetic

about an affair that he had with a married woman, claiming it was nobody's business but his own.

## THE PLATFORM FOR PIVOT POINTS

That's not to say that the Constitution and the Founding Fathers are not of substantial and significant historical importance and contemporary relevance. It is to argue that the brilliance of the document, as written by its drafters, is the fact that it was established as a firm but flexible platform upon which others could improve and the nation could be built.

This was accomplished by achieving a delicate balance among individuals, the states and the federal government. This balance, with the federal government as the linchpin, enabled the United States to grow and to prosper as a great nation—a nation that operates at the intersection of capitalism and community, individualism and the common good, and being and becoming.

The federal government has been, is and will be pivotal to America's success. Unfortunately, some (maybe many) do not see or realize this. They view the federal government at best as a necessary evil and at worst as a beast that should be starved or killed.

This perspective is a flummoxing one in that it denies the inextricable role that the federal government has played in making the American democracy the greatest and the country one of the most financially successful in the history of the world. Dennis Johnson provides a scholar's viewpoint on this in his masterful book *The Laws That Shaped America: 15 Acts of Congress and Their Lasting Impact*.

Johnson says, "What guided me in selecting these fifteen laws, was the answer to this simple question: 'Where would we be without this law?' How would America's elderly fare without the security of health care and social insurance? How congested and dangerous would our surface transportation system be without the backbone of the interstate highway system? . . . Each of these fifteen laws had a lasting impact on American society and history, and has had consequences far beyond its enactment."

Johnson observes that 15 laws was not a magic number. He said he could have picked 1 or even another 15—but the ones he chose to highlight appealed to him.<sup>2</sup>

Not all are blind to government's contributions. In his book *Bold Endeavors: How Our Government Built America and Why It Must Rebuild It Now*, written in 2009, financier Felix Rohatyn spotlights large and transformative events that contributed to America's growth, including the Louisiana Purchase, the Erie Canal and Lincoln's support of the transcontinental railroad.<sup>3</sup>

Thomas Friedman and Michael Mandelbaum quote Jeff Immelt, chairman and CEO of General Electric, as follows: "We worship false idols in terms of the power of a free market. The U.S. government has been the catalyst for change for generations."<sup>4</sup>

In spite of ringing endorsements such as these, there is a large and influential group of elected American officials and citizens who refuse to acknowledge or accept the fact that government has been a partner—and in many instances taken the lead—in creating the playing field for American businesses and citizens.

This may be because they do not understand history—which might be the case. The National Assessment of Educational Progress recently rated history as the subject at which students are least proficient, and a June 2010 *Times* magazine survey revealed that only 18 percent of Americans surveyed said that they knew a great deal about the Constitution. Or it may be because they have ulterior motives or an alternative agenda—they would prefer to bend the arc of history away from giving government credit for any of our accomplishments.

We prefer to believe that it is ignorance rather than intent. If it is a lack of knowledge that limits understanding, then fact-based evidence can provide the reason for changing one's mind and personal growth and development. It can also enable a shared construction of reality which—while it does not build consensus—can promote cooperation, collaboration and creative problem solving.

## **PIVOT POINTS ON PARADE**

It is from that perspective that we come back to the concept of pivot points and the role that they have played over time in advancing America and the American dream for its citizens. As we noted in the preface, pivot points can be major, moderate or minor.

Over the short history of the United States, there have been scores of major pivot points that have determined the economic and social terrain for the nation and its citizens. These include but are not limited to:

- The Constitutional Convention
- The Bill of Rights
- The Civil War
- The Fourteenth Amendment
- The Morrill Act and the Homestead Act
- Teddy Roosevelt's trust busting
- The passage of Social Security
- The GI Bill
- Building the Interstate Highway System
- *Brown v. Board of Education*
- *Roe v. Wade*
- The Space Race
- The Civil Rights Act of 1964
- Medicare legislation

Entire books could and have been written on each of these pivot points. Our purpose here is not to provide an in-depth treatment or analysis of all of these points but rather to highlight a select few from different eras and to describe them briefly in terms of:

- The Context: What was the general situation at the time the pivot point occurred?
- The Response: What actions were taken/What was the outcome?
- Alternative Scenario: What might have happened if the course/actions taken/or resolution of the point had been different from that taken?

These snapshots illustrate the manner and extent to which pivot points over time have, are and will shape the stream of American

## 6 Working the Pivot Points

history and the nation's destiny.<sup>5</sup> Without further ado, let's proceed with the parade of pivot points and look at the following.

### ***The Country's Founding***

- The Constitutional Convention
- The Bill of Rights

### ***Civil War Period***

- The Morrill Act
- The Homestead Act

### ***Beginning of the 20th Century***

- The Sherman Antitrust Act and Trust Busting

### ***The Great Depression***

- The Social Security Act

### ***Post World War II***

- The GI Bill



## The Constitutional Convention<sup>6</sup>

### The Context

In 1786, the United States and many of the individual states were bankrupt. Congress had no money to pay the debts owed to foreign lenders who had supported the Revolutionary War or our soldiers who had fought it. Moreover, the states were involved in an endless war of economic discrimination against each other. This was attributable primarily to the fact that the Articles of Confederation that had been adopted in 1777 created a weak form of federal government and gave Congress virtually no power to regulate domestic affairs and absolutely no power to tax or regulate commerce. European nations were dismissing the United States as a “third rate republic.” These and many other troubles with the existing Confederation of States convinced the Continental Congress in February 1787 to call for a Constitutional Convention “to devise such further provisions as shall appear to them necessary to render the constitution of the Federal Government adequate to the exigencies of the union.”

### The Response

On May 25, 1787, 55 delegates from 12 states (Rhode Island, which opposed the Constitution, sent no delegates) convened in Philadelphia. Four days after that, Governor Edmund Randolph of Virginia presented a plan (the Virginia Plan) chiefly drafted by James Madison that called for a strong national government with both branches of the legislature apportioned by population. The Virginia Plan included provisions for the national government to legislate when “separate States are incompetent” and for veto power over state legislatures.

In mid-June, delegate William Paterson of New Jersey put forward a competing plan (the New Jersey Plan). The New Jersey

Plan kept federal powers quite limited, did not call for a new Congress, and enlarged some of the powers held by the Continental Congress. Paterson made clear that the smaller states would not agree to any new plan that deprived them of equal voting power in the legislative body.

Over the course of the next three months, the delegates worked out a series of compromises between the competing plans. New powers were given to Congress to regulate commerce, currency and the national defense. At the insistence of the southern states, Congress was denied the power to limit the slave trade for 20 years and slaves were allowed to be counted as three-fifths of all other persons for apportionment and electoral votes. The Connecticut Compromise, advanced by delegate Roger Sherman of that state, called for representation in the House of Representatives to be based on population and for each state to be guaranteed an equal two senators in the new Senate.

On September 17, 1787, the final compromises were made and the vote was taken on the new Constitution. In the end, 39 of the 55 delegates from those attending supported adoption of the Constitution. That was barely enough to win majority support from each of the attending state delegations.

### **Alternative Scenario**

Compromise and the reconciliation of competing plans were central to forging a Constitution that created a stronger national and federal government. If this had not been possible, the mostly likely alternative outcome would have been a “tweaking” of the “confederation model.”

This would have strained an already financially strapped nation and most likely would have led to the end of the emerging Republic, survival of a few of the strongest states, and different results in the War of 1812.

The ability to expand across the nation and to grow new states and territories would have been greatly curtailed. The United States would never have become the superpower that it became in all areas—domestic, international and defense. Today, this country would most likely resemble the Eurozone with a few dominant economic players and a number of smaller, much poorer, and less influential ones.

## The Bill of Rights<sup>7</sup>

### The Context

Getting the Constitution adopted in Philadelphia was the easy part. Getting it ratified by the states required even further compromise. During the debates on adoption of the Constitution between 1787 and 1790, many citizens feared that the Constitution gave far too much power to the central government and would result in tyrannical rule and a violation of civil rights similar to that experienced under the British. As a result, they demanded a “Bill of Rights” as part of the Constitution. Several states in their ratifications included and demanded such amendments. Others ratified the Constitution with the understanding that amendments would be offered and accepted.

### The Response

Based upon this feedback, on September 25, 1789 (approximately two years after the Constitution had been adopted in Philadelphia), the First Congress of the United States proposed 12 amendments to the Constitution for consideration by the states. The first 2 proposed amendments, which related to the number of constituents for each representative and the compensation of Congressmen, were not ratified. Amendments 3 to 12 were ratified by three-fourths of the state legislatures.

These ten amendments, which became known as the Bill of Rights, were the first ten amendments to the Constitution. Four of the amendments deal with asserting or retaining affirmative rights (e.g., the right to freedom of speech) and six deal with protection against negative actions that the government might take (e.g., protection against excessive bail and cruel and unusual punishment).

One of the foremost advocates for the Bill of Rights was George Mason, a Virginia delegate to the Constitutional Convention. He had earlier written the Virginia Declaration of Rights, which influenced Thomas Jefferson in writing the first part of the Declaration of Independence for the United States. Mason left the Convention disappointed and became one of the Constitution's most vocal opponents because, as he said, "It has no declaration of rights." Mason's voice and words were heard. James Madison, who drafted the amendments to the Constitution, drew heavily upon Mason's ideas in the Virginia Declaration of Rights.

In spite of the addition of the Bill of Rights, passage of the Declaration was by no means a slam dunk. It just squeaked by in some states. The vote in Massachusetts was 187 for and 168 against. The vote in Virginia was 89 for and 79 against. Rhode Island was the last of the 13 states to ratify the Constitution on May 29, 1790, by the closest vote of 34 for and 32 against after the Constitution lost overwhelmingly in a popular referendum there in March 1788 by a vote of 237 for and 2,708 against.

### **Alternative Scenario**

Compromise, again, is what ruled the day in shaping a constitution that was ratified and not one that was to be consigned to the boneyards of history. It is significant to note that, at over 200 years of age, the U.S. Constitution has stood the test of time. It has passed that test because it is a flexible framework and not a straightjacket.

What would have happened if the Bill of Rights had not been added as the first ten amendments to the Constitution? As noted earlier, most likely, given the strong opposition, it would not have passed and the United States would have been a loosely knit confederacy and ineffectual nation. Individual rights would have been state dependent and not "national" in their existence and enforcement.

Or, if the Constitution had passed without the Bill of Rights, the United States would have been a far different country—one that was truly controlled and dominated from the top and in which individual and states' rights did not matter. The Bill of Rights created the essential tension that made the United States the great representative democracy that it is and provided the basis for applying the rule of law in a manner that was even-handed and fair-minded rather than dictatorial.

## The Morrill Act<sup>8</sup>

### The Context

In the mid-19th century, higher education in the United States was provided by private colleges almost exclusively to the wealthy and elite. Several politicians and educators, however, wanted to make advanced education more easily available to the average American. The Morrill Act, which called for establishing “land grant” colleges, was drafted for this purpose. It was passed by Congress in a close vote (House: 105 to 100; Senate: 25 to 22) in 1859 but vetoed by President James Buchanan. Among the reasons Buchanan cited for his veto were that the bill was an unconstitutional infringement on states’ rights and that it harmed existing private colleges and universities.

Opposition to the Morrill Act came primarily from the South and West and support came primarily from the North and East. In 1860, Abraham Lincoln was elected president and by 1862, 12 southern states had seceded from the union. The stage was set for passage and presidential approval of the bill.

### The Response

The original Morrill bill, as proposed by Representative Justin Smith Morrill of Vermont, had been focused on agriculture. Morrill expanded the bill in 1861 to include the teaching of military tactics and mechanic arts (engineering). President Lincoln signed this bill into law on July 2, 1862.

The 1862 Morrill Act granted 30,000 acres of public land to a state for each senator or representative in Congress. This meant that even the smallest state at the time got 90,000 acres of land. The state could sell this land and use the proceeds for the “endowment, support and maintenance of at least one college.”

The Act specifically excluded benefits to those states that had seceded from the union. After the Civil War, however, the 1862 Act was extended to the former Confederate States and eventually to all states and territories, including those created after 1862.

In 1890, a second Morrill Act was passed that focused on the southern states to ensure that race was not a factor in a school's admissions criteria or else to designate a separate land grant institution for persons of color. This led to the creation of a number of today's historically black colleges and universities.

The Morrill Act drove the creation of the U.S. public higher education system. Today, the Association of Public and Land Grant Universities has 188 public and land grant universities as members. The total includes 74 land grant institutions, of which 18 are historically black institutions. The land grant institutions include many of the largest and most prestigious public universities such as the University of Illinois, Michigan State University and Ohio State University, and private institutions such as Auburn, Cornell and the Massachusetts Institute of Technology.

### **Alternative Scenario**

The U.S. higher education system is the envy of the world. The Morrill Act ensured that there was an opportunity for advanced education for all. The importance of the land grant colleges to the growth of America and the American dream is incalculable and the nation's success without them is unfathomable.

If there had been no Morrill Act, the U.S. educational system would most likely have been a network of exclusive islands for the rich and privileged. Millions of American citizens would have been deprived of higher education and the costs to the American society in terms of the lost intellectual and economic capital are inestimable.



It should be noted that the 1862 Act was passed during a time of conflict—the Civil War—and not compromise. It is as important to note that the Act was extended to the former Confederate States and in the 1890 Act to those who might have been disenfranchised as an act of conciliation and compromise and not one of retribution and punishment.

## The Homestead Act<sup>9</sup>

### The Context

From the time of the Revolutionary War to the mid-1800s, public land use policy made land ownership financially unattainable for most would-be homesteaders. Then, as the nation and its citizens looked to and expanded westward, settlers began to claim “pre-emption”—the right to settle land first and then to pay later.

Homestead legislation to support this passed the House of Representatives in 1852, 1854 and 1859 but was defeated in the Senate.

In 1860, Congress passed a homestead bill that President Buchanan vetoed. In vetoing the bill, Buchanan appeared to be bending to the interests of northern factory owners who did not want to lose their cheap labor force and southerners who were afraid the western states would be populated by small farmers who would be opposed to slavery. As with the Morrill Act, the secession of the Southern states removed their opposition to the bill and the stage was set for its passage.

### The Response

President Lincoln signed the Homestead Act on May 20, 1862. The Act provided that any adult citizen, or intended citizen, could claim 160 acres of surveyed government land and required them to “improve” their plot by building a dwelling and cultivating the land for five years. Then the homesteader was entitled to the property free and clear—except for a small registration fee.

The Homestead Act drove westward expansion of the United States. The evidence suggests, however, that expansion did not always take place according to the rules and was definitely not an unbridled success or panacea for the participants.

In the period between 1862 and 1904, only 80 million out of 500 million acres (16 percent) went to homesteaders (500,000 @ 160 acres/homesteader). Because of ambiguity in the law, the majority of the land went to speculators, cattlemen, miners, lumbermen and railroads. Before the law was finally repealed in 1986, it is reported that a total of 2 million homesteaders made claims on these parcels of 160 acres but only approximately 783,000 were successful (around 39 percent) in “proving up” and acquiring their deeds after five years.

Nonetheless, the Homestead Act stands as the benchmark for the beginning of an era that changed the geography, demographics and economics of the United States. It accelerated the westward movement substantially. And, even though originally focused on agriculture and free land ownership, in conjunction with the building of the transcontinental railroad, the Act sowed the seeds and supported the growth of industrial and commercial concerns in the West.

### **Alternative Scenario**

As noted, the implementation of the Homestead Act was not without problems or faults. On the other hand, without the Act, with its flaws and failures, what would the United States look like today?

The West, most probably, would still be in a developing condition rather than a developed one. Some, such as environmentalists, might look at that as a good thing. Others, who realize that the Act contributed to an urban to rural shift and away from the highly industrialized cities of the East to the Midwest and areas such as Montana, Nebraska, Colorado, Kansas and the Dakotas, might look at that as a good thing as well. It's all a matter of perspective. No matter how one looks at it, however, this pivot point definitely changed the American landscape substantially and substantively.

## The Sherman Antitrust Act and Trust Busting<sup>10</sup>

### The Context

As the 19th century drew to an end, big business was growing bigger and bigger through consolidations and using its size and clout to dictate the terms of American economic exchange. The federal government, still recovering from the devastating effects of the Civil War, was doing little to nothing to regulate it. In an attempt to change that, in 1890 Congress overwhelmingly passed the Sherman Act, named after the bill's author Senator John Sherman (OH). The purpose of the bill was to prevent monopolistic practices and cartels and "to protect the consumers by preventing arrangements designed or which tend to advance the cost of the consumer."

In the decade following the passage of the Sherman Act it was rarely used. And when it was—such as in the case of the American Sugar Refining Company, which controlled 98 percent of the sugar industry—the Supreme Court ruled against the government's right to regulate "production of commodities within a state." Ironically, the only time an organization was deemed in restraint of trade was when the Court ruled against a labor union.

So, as the United States entered the 20th century, while the law of the land was antitrust, the reality was that trusts and big business were as strong as and possibly stronger than ever. Then, in September 1901, Vice President Theodore Roosevelt succeeded to the presidency after President William McKinley was assassinated. Things were about to change.

### The Response

Even though President Roosevelt was wealthy and favorably disposed toward business in general, he felt strongly that businesses

that controlled entire industries and increased prices to consumers should be constrained, or “busted.” He decided to enforce the Sherman Act and to regulate those businesses that felt they could operate outside of or above the law.

In 1902, Roosevelt used the Act against the Northern Securities Company, a northwest railroad holding company organized by financier J. P. Morgan and empire builder James Hill. Roosevelt charged the company with attempting to monopolize the railroad industry. The company lost its appeal in the Supreme Court by a 5–4 margin and the Court ordered it to be dissolved.

The floodgates were opened. During his two terms as president, Roosevelt dissolved a total of 44 trusts, including monopolies in the beef, sugar, fertilizer and harvester industries. Roosevelt’s successor as President, William Howard Taft, brought an end to 90 trusts in his one term.

### **Alternative Scenario**

President Roosevelt’s trust busting established the principle of government’s right and ability to regulate businesses that were engaged in unreasonable practices and/or too powerful.

Many businesses in the early 1900s felt they were equal, or perhaps superior, to the government. For example, when Roosevelt brought the antitrust suit against J. P. Morgan’s railroad combine, Morgan said, “Send your man to see my man and tell him to fix it up.” Roosevelt responded, “That cannot be done . . . No private interest can presume to be equal to the government. The government must be superior to all of these.”

If there had been no trust busting, the United States might have evolved into an autocracy or oligarchy. Virtually all wealth and power could have been concentrated in the hands of a few businesspeople. They would have been able to operate independently and with impunity and immunity. The American

middle class might never have developed and the concept of the American dream might have died stillborn.

The flip side of this argument is made by conservatives and economists who are vehemently critical of antitrust law. For example, in his essay "Antitrust," Alan Greenspan condemns the Sherman Act as stifling innovation and harming society, stating, "No one can ever compute the price that all of us have paid for that Act which, by inducing less effective use of capital, has kept our standard of living lower than would otherwise have been possible."

## The Social Security Act<sup>11</sup>

### The Context

Before the Great Recession, there was the Great Depression. The Depression was worldwide and started in October 1929 with the crash of the stock market. It grew progressively in its intensity and impact, with national unemployment reaching 23.5 percent by 1932 and peaking in early 1933 at 25 percent. Between 1929 and 1933, more than 5,000 banks failed, businesses and families defaulted on loans in record numbers and hundreds of thousands of Americans became homeless.

Herbert Hoover, who was president during this time period, initiated a number of programs to reverse the economic collapse, including the Smoot-Hawley Tariff Act, which imposed a tax on imported goods to try to drive purchases of American-made products; establishment of the Federal Home Loan Bank Board to spur new home construction and reduce foreclosures; passage of the Emergency Relief and Construction Act to fund public works programs such as dams; and creation of the Reconstruction Finance Corporation to provide government-secured loans to financial institutions, railroads and farmers. In spite of these initiatives, the economic downturn continued to worsen.

The dreadful economy led to a landslide victory for Franklin Roosevelt as president in 1932. A New Deal was on the way. That Deal would include an array of programs directed, in Roosevelt's words, at "three great objectives—the security of the home, the security of livelihood, and the security of social insurance."

### The Response

Roosevelt began his campaign for "social insurance" in June 1934 with a message to Congress, followed by a "fireside chat." He established a Committee on Economic Security and an Advisory

Council to study the problems and issues of social and economic security.

Based upon the committee's report, he presented a message to Congress in January 1935 calling for legislation to address four areas: unemployment compensation, old-age benefits, federal aid to dependent children through grants to states, and additional federal aid to state and local public health agencies. Congress acted immediately upon President Roosevelt's request with bills introduced in both the House and Senate, and on August 15, 1935, the president signed the Social Security Act into law.

There was some opposition to the Act from those who viewed it as "a governmental invasion of the private sphere," wanted exemption from payroll taxes for firms who adopted government-approved pension plans or questioned whether the Act went beyond the powers granted to the federal government in the Constitution.

The resistance to the Act before the bill was signed was relatively mild. The Conference Report on the Act passed by voice vote in both the House and Senate. There was some push back after the Act became law as opponents tried to get it overturned as illegal.

In two cases in 1937, however, the Supreme Court ruled the Social Security Act was constitutional. This stood in stark contrast to earlier Supreme Court rulings that found other pieces of New Deal legislation such as the National Industrial Recovery Act and the Agricultural Adjustment Act unconstitutional.

President Roosevelt signed amendments to the Social Security Act on August 11, 1939, approximately four years after the signing of the original Act. The primary amendment related to expanding the coverage from "old age" to "old age and survivors" insurance. The Social Security Act has been amended numerous times in the decades since then to change the scope and nature of the program and its financing.



**Alternative Scenario**

Social Security today is central to the economic health and well-being of America's elderly. Prior to Social Security, many elderly faced the prospect of abject poverty upon retirement.

Consider what would have happened to the elderly and other Social Security beneficiaries during the Great Recession of 2007–2009 and its aftermath if there had been no Social Security benefits. Imagine the impact and devastating effect the absence of these benefits and the cash flow they generated would have had on the entire economy. We do not think that is an exaggeration to say that without Social Security the Recession would have been a Depression.

There are certainly many issues related to Social Security's future direction and financing. The Bowles-Simpson Committee addressed these issues directly in its report and there have been numerous alternative proposals to change the "face" of Social Security.

The bottom line, however, is not whether there will be any Social Security at all. That is not a debating point or within the realm of consideration. America's Social Security system must be strong for America to be strong.

## The GI Bill<sup>12</sup>

### The Context

In 1944, as World War II began to wind down, American political leaders started to contemplate what should be done for our returning servicemen. Three primary factors drove this consideration:

- The desire to do what was right for those who had fought valiantly for the country
- Uncertainty regarding the potential economic and social consequences of dismantling the nation's war machinery
- The sad and vivid memory of the results of the veterans' Bonus March of 1932

The American economy had recovered somewhat in the period from 1932 to 1940 before the war. GDP grew 58 percent in those eight years and unemployment fell from a high of 25.2 to 13.9 percent when the draft started. GDP grew another 56 percent in the war years from 1940 to 1945.

Still, due to the extraordinary government expenditures to support the war, it was difficult to impossible to predict what would happen at the war's end. There was a concern that it might push the country back into a depression.

The greater concern, however, was to avoid a repeat of what had happened after World War I. The World War Adjusted Compensation Act (Bonus Act) did not become law until 1924—six years after the end of the war. President Warren Harding vetoed a version of the bill in 1922. President Calvin Coolidge vetoed the 1924 Bonus Act but Congress overrode his veto.

The Bonus Act basically provided 20-year insurance certificates to be paid on the veteran's birthday in 1945. With certain restrictions, the veteran could borrow against those certificates in advance of the payout.

Because of the effects of the Great Depression, a veterans' group marched on Washington in the summer of 1932 demanding immediate conversion and payment of the certificates in cash. They were rebuked—many veterans left but some stayed and encamped on the Capitol. After a conflict with police in which a few veterans were killed, President Herbert Hoover ordered the army to clear the veterans' site. Army Chief of Staff Douglas MacArthur carried out the president's orders commanding the infantry, cavalry and six tanks to evict the veterans and their families from their encampment.

There was a smaller veterans' Bonus March in 1933 at the beginning of President Roosevelt's administration. Finally, in 1936, Congress overrode President Roosevelt's veto to pay the WWI veterans' bonus years early.

Eight years later, near the end of WWII, the elected leaders in Washington were given a chance for redemption and to prove they had learned the lessons from the mishandling of the WWI veterans' "bonus."

### **The Response**

They seized the moment. Congress passed and President Franklin Roosevelt signed the Servicemen's Readjustment Act (The GI Bill) of 1944 into law on June 22, 1944. Even given the background and compelling factors for passage of the GI Bill, there was some debate regarding the nature and substance of the bill.

The bill had three core provisions: support for college education or training, loans to buy homes and businesses, and unemployment compensation of \$20/week up to a period of 52 weeks. The Senate and House easily agreed on the education and loans but there was a concern that the unemployment compensation would be extremely costly and might cause the veterans not to seek work.

The conference committee of the Senate and House was deadlocked 3–3 on this provision. Representative John Gibson

(GA), a member of the committee, had gone home to recover from an illness. Hearing of the impasse, he rushed back to the Capitol overnight and passed the deciding vote.

The rest is history. Few veterans availed themselves of the unemployment compensation—less than 20 percent of the funds set aside were used. In contrast, the educational and loan provisions were both outside of the ballpark, tape-measure grand slam home runs.

By the time, the original GI Bill ended on July 25, 1956, 7.8 million of 16 million WWII veterans had participated in an education or training program. From 1944 to 1952, nearly 2.4 million veterans got home loans backed by the Veterans' Administration. These are stunning statistics but the economic results are even more so.

### **Alternative Scenarios**

The GI Bill fueled the growth and expansion of America during what in retrospect may be viewed as the country's economic golden era (1945 to approximately 1973). The U.S. highly educated class and its middle class expanded significantly, millions of new homes were built and hundreds of thousands of businesses were created. GDP, productivity and wages went up substantially.

Economic benefits were distributed relatively equally. The rising tide raised all boats. The American ship of state was one very good place to be for most citizens (except for those who were minorities).

Given the lessons learned from WWI and the Depression, some form of GI Bill was inevitable. There was some question at the time the bill was passed as to whether veterans would take advantage of the education and training provisions.

That question was answered with a resounding yes. As a result, this landmark piece of federal legislation became the springboard for launching and accelerating American creativity,

capitalism and entrepreneurial behavior. It provides the perfect example of what can be done when the interests of the public and private sector align and citizens from all backgrounds can draw upon the benefits provided through governmental programs and apply typical American ingenuity to shape their future and that of the nation.

What would have happened if there had been no GI Bill or one of much lesser scope with only an economic payout, for example? Imagine the United States around 1945. Or, say 1940. Get the picture?

This is only a Whitman's sampler of the country's major pivot points. Think about the Context, Response and Alternative Scenarios for the points we mentioned earlier—such as the Civil War, the Fourteenth Amendment, the Interstate Highway System, *Brown v. Board of Education*, the Space Race and the Civil Rights Act of 1964—which we have not discussed here.

Think about the other pivot points that we have not mentioned—such as the Nineteenth Amendment, the Marshall Plan, Medicare, the internet (no, Al Gore was not its father but he did play a role and the federal government was instrumental in its establishment), the Environmental Protection Act—and the full implications become apparent. What is done at the pivot point has incredible potential and power to make America stronger and better or weaker and poorer.

## **PIVOT POINT TAKEAWAYS**

The role the federal government plays and how pivot points are handled matter enormously. That's the basic takeaway from this brief historical review. There are additional takeaways that an analysis of this data suggests:

- **Memory Matters:** Or, our American memory should. George Santayana famously said, "Those who do not remember the past are condemned to repeat it." An understanding of the contexts and back

stories at pivot points facilitates the development of knowledge and insights for forward progress. A partial or inaccurate recollection retards momentum and leads to inertia—intercranial and otherwise. Based upon this, we offer the following adaptation to Santayana's saying: "Those who remember, or want to go back to, a past the way that it wasn't are condemned to no future." *Back to the Future* made good movie theater but it cannot be the basis for a successful country.

- **Mindsets Matter:** Even when citizens do recognize government's role, there is no agreement on the level or importance of its contribution. If one reviews the accomplishments that government has spurred in American history, it would seem there might be some agreement on that. But quite the contrary is true. If you review the pivot points in this chapter, you'll see the same arguments being played out continuously and over and over again in eras from the time of the Constitution. Howard Fineman describes this phenomenon in depth in his book *The Thirteen American Arguments: Enduring Debates That Define and Inspire Our Country*.
- **Momentum Matters:** The accomplishments at these pivot points were not achieved instantaneously. In many cases, it took years and repeated efforts to achieve the final results. That demonstrates the need for persistence and movement forward. Compromise was also an essential ingredient.

While the evidence of government's contributions may be incontrovertible, the importance one assigns to them is not inarguable. That's the American way and the way it should be. The perception of the conservative will differ from that of the liberal or progressive, but the definition of the facts should not.

If that can be the starting point, and we acknowledge that our differences are matters of opinion or on alternative approaches to solve a mutually agreed upon problem, then there is the chance for persons of goodwill to negotiate in good faith to work the pivot points.

Without that starting point, there can be no finish line. There can be no ways and means. There can only be wills and wails. This is the case where conflict and confusion prevail over courage and compromise. This is where we stood in the United States at the end of 2012 and moved midway into 2013.