

SOME BACKGROUNDS TO AMERICAN SOCIAL SECURITY*

BY

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At the last meeting of the Society, social insurance was the subject of the presidential address. The philosophical approach of the joint paper by Mr. Jarvis Farley and Mr. Roger Billings raised certain questions as to the definition and the scope of the social insurances. It is a tradition that a presidential address is safe from discussion, though I believe I recall something very like a debate between ex-President Greene and Secretary Fondiller concerning a social insurance problem of governmental experimentation. This paper is suggested by all of these Society discussions; is not a direct reply to any of them, but is something that seems called for since social insurance responsibilities had heretofore apparently pressed rather lightly on our consciences.

Since the last meeting there has appeared "The Beveridge Report," one of the most constructive discussions of social insurance yet published. To read it is slow work, but in Parts IV-VI there emerges a clear philosophy, clouded a bit occasionally, not by the author, but by the American vagueness as to this rather recent British tradition of social "insurances," "assistances," and "services." In the appendices there is developed background, understandable, complex, human, British background. Sir William's belief in social budgeting shines forth clearly—the need for a subsistence grant for non-employment, whether it is due to old-age, childhood, disability, or just job absence. The disillusioned years of the long armistice are over. There is plenty of work to be done. We have found that we want to work and can work. Even the loss of "the fathers' savings" doesn't stop our responding to these rediscovered satisfactions. He defines social insurance as the war against want by subsistence grants, no less and no more. It's not "the main show." The main show is employment, organization of the jobs, grooming the job holders, education, training, and retraining, preventing unnecessary work interruptions from preventable sickness, thwarting the tendency towards chronic idleness, righting the balance by a maximum of work, a minimum of waste. In it are the voices of Bunyan and Milton, Emerson and Longfellow—"Life is real, life is earnest." But to feel all this develops also a sense of the national differences between their democracy and ours. The roots lie deep in the British tradition. We have to dig deeply to find them, and some of them are a bit alien.

Of course, back of American social insurance lie the experiments of Great Britain, of Germany and France, the optimism of Czechoslovakia, the forth-

* The opinions as expressed in this article are those of the author and do not necessarily represent the views of the Social Security Board.

right whole-cloth Soviet plans, the cautious planning of Sweden and Denmark—all the Europe that has been. But shaping the American schemes, too, is an American tradition—and none of the other plans is essentially ours. Our beginnings in social security carry too much of alien influences, not adequately understood, too little of our American way. It is time here, too, for understanding. These comments are not an American counterpart of Sir William's analysis. They are merely one of the many American attempts to look backward as a prologue to the forward glance.

Whereas social insurance has most frequently been called *insurance*, other programs and factors have contributed to the determination of its existing structure, its detailed organization of premiums (taxes or contributions), over-all financing, the benefit formulas, and its integration into our State and national governments. It is partly because these backgrounds are not exclusively *insurance* backgrounds that the absence of an acceptable definition of social insurance has been so pronounced.

I have selected, not as complete, but as significant, ten items of the American background, and have omitted the foreign precedents which have also helped to shape much of our existing legislation. These American factors are:

1. Savings, ranging from bank savings to outright speculation;
2. Insurance;
3. The Family;
4. The Labor Movement;
5. The Employer, with his various insurance, retirement, and other welfare plans;
6. Politics and Government;
7. Subsidy;
8. Relief;
9. Conservation and Prevention;
10. The Basic Self-Sufficiency and Dignity of the American Citizen.

The present Social Security Act (as amended in 1939) includes (a) old-age provision, (b) benefits to needy dependent children and their mothers, (c) unemployment compensation, (d) a small amount of health consideration, through its aid to the needy blind, its furnishing of services to crippled children, and general aid through the existing public health services, (e) provision for vocational rehabilitation, (f) a few miscellaneous items. Preceding the Social Security Act we had the State workmen's compensation acts, many of them now having been in force for about 30 years. An increasing interest in legislation for compulsory automobile liability insurance, or an insistence upon evidence of financial responsibility in respect to potential automobile accidents is in evidence.

Experiments in encouraging employment have included the Employment Service under the successive management of the Labor Department, the

State Unemployment Compensation Agencies, the Social Security Board, and the Manpower Commission. We have had public work provision from P.W.A., W.P.A., C.W.A., the C.C.C., the N.Y.A. The Farm Security Administration and the many programs of training for the war emergency are part of our concern with jobs.

A combination of savings and insurance viewpoints has consistently appeared in the administration of Old-Age and Survivors Insurance, which deals with only part of the provision for the aged, the children and their widowed mothers. A relief viewpoint accompanies the furnishing of benefits to the needy children (without specifically designating the widowed mothers as co-beneficiaries) and in the handling of grants for the needy aged. Dealing with the unemployed, we have a mixture of advance savings and insurance within the various State programs. Provision of work, in the sense of conservation or prevention, has seemed at times but an appendage to unemployment compensation. It is the basic purpose of all the other work agencies. We have dealt with most of the unemployed, however, through straight-out relief. *Subsidy* marks the Federal grants to State administrations.

The aid to the needy blind is conducted as *relief* by the States, with a *subsidy* from the Federal Government. Much of the Public Health Service is similarly State-administered, "encouraged by" Federal subsidy. Vocational Rehabilitation, handled within the Office of Education, involves Federal subsidy to State organizations. It is a preventive or conservation type of service.

The employer welfare programs (one of the background elements) have made a very large use of employer subsidy to translate the employer contribution from relief into a subsidized thrift relationship. Herbert Agar's comment on the protective tariff may be pertinent :

"A high protective tariff such as the United States has had since the Civil War is a far-reaching act of paternalism of Government, and interference with private business and with the so-called laws of our economic system. The tariff creates an irresistible demand for further acts of paternalism—farm subsidies, compulsory tobacco or cotton guarantees, minimum wage bills. All of these are merely extensions to other groups of a sort of special favor which the tariff confers on business. The extensions become politically inevitable once the theory which underlies the tariff has been accepted as proper. If business can grow rich with the help of Government favors, so can the farmer, the factory hand, and so can everybody also. In the end, we come to the spectacle of a nation trying to lift itself by its own bootstraps. Everybody is paying a subsidy to everybody else, and is being paid a subsidy by everybody else; all the Peters are robbed in order to pay all the Pauls, and the system, ironically, is still called capitalism."¹

¹ Agar, Herbert, *A Time for Greatness*, 1942, pp. 33-34.

So the welfare programs of employers—partially to meet, partially to postpone the danger of meeting, certain demands of the labor movement—have used subsidy almost everywhere as an inherent precedent-following, precedent-setting technique. It may be moving a trifle away from admitted relief, but subsidy still bears some of the stigma of relief. It seems to give something not completely paid for by the whole group of recipients.

“The labor movement” discussion runs into all the other subjects because basic needs underlie all these classifications. The labor movement intends to meet or deal with virtually every basic need, and tends to use any of the expedients which have worked elsewhere. The family, in its coordination to deal with individual needs, forms one of the small, but highly important, groupings, and must be recognized as very functional in any of our discussions of providing for need. It is the family and its relationships which lie back of almost every aspect of insurance. It is, to a large extent, concern for the family which stimulates savings. It is the family which must be understood in employment relationships, with which relief workers have to deal when savings and insurance are inadequate and individuals or families need help.

Had individual savings and insurance been more satisfactorily teamed up, more comprehensive in their effectiveness, the employer presumably would less frequently have felt obligated to furnish relief outlay or, in order to guard his employees against the indignity of relief, to build such supplementary schedules of employer-subsidized insurance and savings. Or had the family been a somewhat more soundly integrated unit, with all of its members adequately trained and adequately cooperative, the employer would not, perhaps, so frequently have adopted his own special programs for his employees.

1. SAVINGS

Savings programs include (a) bank savings, (b) general bond purchases, including mortgage bonds, (c) the currently important War Bonds, (d) the savings features tied so closely into level premium life insurance and deferred annuities, (e) the purchase of shares of stock representing individual equities in real but commonly owned property, (f) real estate or the savings which appear in the gradual reduction of the mortgage against the mortgaged home, (g) many other thrift arrangements. It is conceivable and even basically sound practice within the family to think of saving through one's children. This may represent a non-contractual, but highly significant, choice of better training for the children rather than larger alternative savings for the parents. When family solidarity survives, this investment may be one of the soundest of them all.

Millions of American citizens have so successfully woven their thrift energies together as to feel generally secure. From their current income they have consciously, and sometimes most intelligently, allocated for future potential needs—their own and their families'—a tangible proportion of their current incomes. Other millions have intended to make such provision, but have never started. Possibly millions more have had no such intentions; certain guides and mentors have even told them that they should hardly expect to do anything about it because of their low incomes, already insufficient for current living costs.

General features of the savings programs are (a) the advance nature of the provision and the delayed utilization of the savings, (b) the steadily rising asset value of the combined programs, (c) the character-building qualities of effective harnessing of the individual desire and will, (d) the availability of funds in times of special need, without recourse to friends, neighbors, the employer, or the community as a whole, (e) flexibility, with both its advantages and disadvantages—particularly the disadvantage of too frequent discontinuance of the plans, (f) contribution toward constructive use of investments in behalf of the community, (g) general definiteness in the bank savings as to the individual's assets, this changing as the investment element enters and speculative gains and losses appear.

2. INSURANCE

Insurance deals with the clearly current risks such as disability, term life insurance, and the element of basic current protection for life contingencies within the level-premium life and annuity contracts. The largest portion of this insurance coverage has been secured by the individual through the operation of insurance agents, with contracts drawn between the individual and the insurance company. A large and growing proportion has been developed through contracts made between the employer and the insurance company, under which employees have customarily contributed toward the total cost, with a subsidy from the employer. The employer has sometimes assumed the whole cost, or, on the other hand, has sometimes limited his participation only to his services in pay-roll deduction for contracts paid for in toto by the employee. The employer's cooperation has extended to life insurance, provision for "permanent total disability" benefits, provision for temporary disability benefits, hospitalization benefits, accidental death and dismemberment benefits, and retirement allowances. (Employers have also run subsidized thrift and profit sharing programs, and sometimes have offered the facilities of pay-roll deduction for non-subsidized savings programs.)

Insurance fundamentally differs from savings in its pooling of the provision of a large group in behalf of contingencies which, as to any one member, may or may not eventuate. Pure insurance carries no cash values, provides current protection. In term life insurance, an insurance premium of \$10 may result in paying a beneficiary \$1,000, but to do so it must have the equivalent of 99 other insured lives, each paying \$10 and receiving no cash benefits—only the guaranteed protection for the period covered. It seems that nowhere outside of America has life insurance been so effectively used and understood. Nowhere is it so common to say after an automobile accident, a fire, or the death of the wage earner, "There is insurance." More than through savings, are benefits paid through insurance *in needed funds* when catastrophes occur.

3. THE FAMILY

The family as a cooperative unit is a well recognized, working enterprise. On the farm, the head of the family runs the farm; his wife runs the house; the children contribute in actual work both on the farm and in the house. There is frequently also an employer-employee relationship with one or more assistants in both departments. These are sometimes part-time, sometimes seasonal, sometimes year-round workers. In most urban and in many rural homes the head of the family earns his wage or salary income outside the home; the wife runs the home; and the children, though to a lesser extent than in the dual enterprise of farm and home, are expected to contribute something to the common enterprise. In most homes there is no clear employer-employee relationship. There are, however, many homes where there is more than one wage earner in the family, and where, with the wife also engaged outside the home, there is a sort of compensatory passing down of housekeeping responsibilities to an employee who does much of the house work. There is also some survival of the middle-class ideal of a family unit with a wage earner, a non-wage-earning, virtually non-housekeeping wife, children with no household responsibilities, and all the service performed by employees. In this situation, the wife is manager of the household, but in a much different way than on the farm or in the customary urban home. There is also a survival here and there of Society in the Social Register meaning, where a woman would lose "her amateur status" should she work either for money or, for the love of her family, in the management of her own home. (Wartime conditions have currently reduced this survival.)

Again, as in methods of thrift, in types of insurance there is a wide range of household cooperation, and yet there has persisted very strongly a real sense of family solidarity, a real understanding that the members of the family are tied together not only by blood relationship, but by common

interests and actual cooperation. This is a more natural, a more spontaneous, a more basic organization than the labor movement, than the skilled management of insurance, than the skilled management of the savings bank or the brokerage house. It is recognized by all the relief agencies. The granting of relief nearly always keys in with the family's over-all needs. There may be categorical assistances, but the recipients must outline their family relationships completely and the claims which they have upon other members of the family.

As a unit, the family is presumed to be above the level of need, and I hope it is still true that the majority of American families consider the acceptance of relief a humiliating experience. There is pooling of resources. The family is most sensitive to public opinion and to legal restraints. Both its thrift activities and its reliance upon other family members may turn out to be speculative. Yet in the depths of the long depression of the 1930's, existence of the functioning family unit drastically reduced the potential area of relief. There is general economic acceptance of the family as a working organization, as in the family motivation of most life insurance policies, in military family allotment arrangements, in the need of better housing, and generally throughout our whole economic organization.

4. THE LABOR MOVEMENT

Industrial civilization is probably younger than the insurance business, since life insurance is over 200 years old in its British operation, and most of our industrial development has occurred within the last century. It has become trite to say that "we are in the process of moving from an agricultural to an industrial economy." The factory wage earner is a much newer phenomenon than the farmer, than the business man, or the housekeeper. "The labor movement" probably stems largely from the factory system. It marks the insistence that through selling one's labor to an employer there is apt to be an unequal bargain (especially when as in most of the recent past years the supply exceeded the demand), and that only through the cooperation of laborers can this inequality be corrected. There are, of course, many labor movements, and as wide a range of aiming for particular goals as there is under savings or under insurance. Of particular significance to the social security program is the establishment under the Versailles Treaty of the League of Nations and the International Labour Office. The purpose of the International Labour Office is "to promote social justice in all the countries of the world. To this end it collects facts about labour and social conditions, formulates minimum international standards, and supervises their national application. It thus helps to eliminate social unrest and international rivalries due to bad social conditions, and makes social progress more general

and more sure. One of its principal tasks at present is to prepare for post-war reconstruction."

The connotations of the movement are most varied. There is a tendency to think the class warfare is needed to secure from grudging capitalism logical concessions to labor. The common interests of labor and capital tend to be overlooked. As Sumner Slichter has pointed out in his conclusions in discussing post-war prosperity (*Harvard Business Review*, Autumn 1942, pages 1 to 40), our very survival as a prospering nation depends upon a reorientation from a feeling of class conflict to an appreciation of common interests of the two parties. Demands made by the labor movements seem frequently to have been aimed very high, under the apparent belief that to get 50 cents it is essential to ask for a dollar and be prepared to compromise. In many recent instances organized labor seems to have got 75 cents of the dollar it demanded or the whole dollar rather than the 50 cents it expected. So, as in the use of subsidies, we seem to be accumulating evidence of an increasing readiness to make demands, not because the demands are wise or logical, but because they will probably be granted.

Labor has been stating the hopes of working men, has through cooperation among working men aimed at the goal of better working conditions, better training, better opportunities for advancement in earnings and leisure time. Labor is growing in an understanding of basic economics. Whether an individual thinks of himself as a working man, a citizen, or the father of a family, he presumably wants only a fair deal and a sounder understanding of both his responsibilities and his privileges.

The I.L.O., having been organized with a very limited budget, has been developing its social insurance perspective with a limited staff, has, as must every practical man, functioned well under the limitations surrounding its activities. It has run into the danger of having to give advice before it has adequately studied the problem. It seems to have been an international expression of the labor movement, to have been on the side of the laboring man. Yet it has maintained triple representation in its governing body from labor, from employers, and from government.

Its understanding of the extent of American achievement in savings and in insurance seems rather limited. It may be that in its international role it wishes to avoid stressing the relative disadvantages of other countries. It functioned during the long armistice in those European countries whose very existence has been persistently threatened. It has attempted to set up standards of fair dealing, or security—so far as security might be possible under those conditions. Its decisions have been motivated by the basic sense of insecurity throughout Europe. More recently, the International Labour Office has been revising its advices in the South American countries, where the establishment of thrift and insurance facilities for the common man

seems to have been inordinately long postponed. The study of what has been done with the sponsorship of labor in Bismarck's Germany and Lloyd George's England, in popular front France, in sturdy little Czechoslovakia, is helpful to America, but has limited significance in relation to our own social insurance program.

The labor movement in its relationship to social security is noteworthy for its sound recognition of need and of the risk of becoming needy, for its strong emphasis upon the thorough-going pooling of risk and the sharing the costs, for its understanding of the immediacy of the problem of meeting needs. It has been (even as has been the employer who subsidizes insurance) quite ready to toy with the element of subsidy or relief in getting programs for labor. It is apt to divide the citizens into labor's camp and all other camps. It tends to extend labor's share in the special privileges from government. It seems at times to have thought more highly of strategy than of research. There may be something gallant in going into combat, even when unprepared. A few such experiences may be exhilarating, but eventually preparation counts.

5. THE EMPLOYER, HIS INSURANCE, PENSION, AND WELFARE PROGRAMS

The other side of the labor movement is the employer function of furnishing work to the laborer. Over 2 million employers have their employees included within the Old-Age and Survivors Insurance plan to which the employers also contribute. Another large number of employers representing households and farms employ a smaller number of employees. Not only has most of the progress in the labor movement developed since the last war, but it is in this period that employers' over-all programs of insurance, pension, and general welfare have been established. During the last war, the preliminary development of group insurance was greatly sped up. It seemed good sense to assure the employees that through this simple medium of group insurance the family would have approximately a year's income should the wage earner die; through the medium of disability insurance that a sizable proportion of the weekly pay envelope would be continued over a period of disability, should accident or sickness take him away from his job; through the medium of retirement programs the employee could expect at least a subsistence income should he be separated from his work because of old age or chronic disability. The entrance of the employer into these programs was possibly accelerated by a certain distrust of the "socialistic" government-administered social insurance programs of Europe. Reluctantly, employers admitted that their employees had not effectively enough used the existing savings and insurance programs, had not been led into adequate personal provision through existing labor movements or family solidarity.

There are estimated to be some 15 million wage earners carrying group life insurance, some 18 million separate personal coverages called group disability, furnishing, respectively, temporary disability benefits, additional death and dismemberment benefits, hospitalization benefits, and surgical benefits to workers and members of their families. There are a million employees working for corporations carrying group annuity programs. Employers have handled pension plans themselves. Others have used trustees for their funds. A considerable number have recently been organizing pension trusts, using individual policies and pooled funds rather than the group annuity programs. There is the cooperation between employers and their employees under the Blue Cross programs for hospitalization. There is the Henry Kaiser plan for a broader provision of medical care among employees and their families. There have been a limited number of plans offering facilities for straightforward banking, other plans for the cooperative purchase of bonds or securities through the facility of payroll deduction. Virtually all the leading employers are now cooperating with the United States Government in helping to market War Bonds, with the payment therefor deducted from the employee's pay. There have been employer-sponsored housing programs which seem to me to be at their best when the employee buys the house with the advantage of the economies of quantity production under the employer's direction, but without any employer subsidy. His monthly contributions then cover tax payment, insurance, interest, and principal repayment, all handled by pay-roll deduction. There are recreational facilities with quantity economy offered by employers, usually with a very strong subsidy element present. There are efforts to offer special study courses, either purely academic or specifically connected with job training. There is the cooperation between the employer and the community to aid the employee in making his personal contribution towards such community enterprises as Community Chest, Red Cross, local hospital drives, etc.

The employer is so close to the body of employees through the pay envelope and is so well equipped to aid the employee in making the most of his own thrift impulses, that one of the most constructive services which employers have furnished to employees is the arrangement for the purchase of individual life and annuity policies by pay-roll deduction. Here we have neither compulsion by the employer nor an inflexible formula which, designed for a lowest common denominator of need, adequately services only a rather slender number of the employees. The employer in the United States has done so much, and is capable of doing so much that had it not been for the depression, it is most doubtful as to whether the unmet needs of the employees of small employers would have secured the attention they deserved through any existing employer-sponsored program of insurance or thrift.

Considering solely the employees of the larger employers, social insurance might have *seemed* unnecessary.

The employer has set patterns through the conscious use of an employer subsidy in behalf of life insurance, disability protection, pensions, etc., as against the labor movement's more limited essays into the insurance area, where the laboring man paid his own share of the total cost without subsidy from an employer. These particular programs have been marked by a recognition of presumptive need in event of certain catastrophes, but a utilization of the insurance methods of pooling for known costs has in the life and disability area given immediate rather than deferred protection. Frequently in the pension plans there is immediate provision for retired employees. This has tended to make some of the programs more akin to insurance than savings. In others advance provision is more nearly savings than insurance. Employers have tried to avoid stressing the relief element by substituting the subsidy element; while actually dominating the programs, have frequently offered employee cooperation, have secured pretty general acceptance of the economic utility of the schemes from the community as a whole, but have tended to somewhat exaggerate the degree of attachment of the employees to the particular employer. Group insurance as handled by employers, retirement programs as handled by employers, were definite influences in the shape and structure of the original Social Security Act of 1935, and were still influential in the 1939 amendments.

6. POLITICS AND GOVERNMENT

Each nation has certain political, demographic, and geographic features which are of importance to social insurance. In the United States we have a federation of sovereign States. When this federation was formed, it was clearly understood that only certain responsibilities of the State Government would be delegated to the Federal Government.

In the national development of industry, agriculture, and commerce, a certain amount of specialization has developed within individual States, such as the automobile industry which is very largely located in Michigan, and much of the textile industry in Rhode Island. The age distribution of the population State-by-State differs radically. The proportion of persons over the age of 65 is possibly three times as large in Vermont, New Hampshire, and Maine, as it is in certain of the other States. The proportion of the children under the age of 18 to the State population shows a considerable range, the greatest proportion being in the Southeastern States.

Those who remember the introduction of the income tax 30 years ago recall what a revolution this now thoroughly accepted implement of taxation caused at the time of its introduction. Since that day the trend toward

greater and greater Federal control has been persistent, though accompanied by vigorous, but intermittent defenses of State rights. In a country which includes subtropical and temperate zone conditions, there is considerable variation in the method of living between the South and the North. This affects housing, food, clothing, and other factors of individual living standards. The range of per capita income from the States like Mississippi, Arkansas, to others like Nevada, New York, and Connecticut, shows possibly triple the per capita income in these so-called wealthy States, as against the low income level States. While there are fewer elderly people in the low income States than in the higher income States there are many more children in the low income States than in the high income States. If we had a comprehensive social insurance program based more fully upon the sharing philosophy, the low income States would seem to be getting the best of the bargain. Their contribution would be much lower in dollars per capita than the contribution of the wealthier States. Their benefits would be larger per capita (of population, not of recipients) than in the cases of the wealthier States—at least for children, and probably even for the aged. The existing social security programs have only old-age and survivors insurance as a national program, have introduced unemployment compensation as State programs, and the major part of the care for the aged, the blind, and the children is still State administered, though with about half of the funds Federal.

In the discussion preceding the enactment of the Social Security Act of 1935, there was some concern as to whether the Federal Government could legally handle an insurance program involving linked premiums and benefits. The "premiums" were carefully labeled "tax." Title I provided for certain State standards for old-age assistance. Title II covered old-age benefits, while "premiums" were carefully separated and provided for under Title VIII. In State unemployment compensation Title III covered certain standards, and Title IX levied a Federal tax. This use of a *tax* to accomplish certain desirable objectives had been frowned upon in reference to child labor aspirations. It was approved for social insurance.

Not only in the United States, but in other countries, centralization and decentralization under social security programs have been discussed from the beginning. Mr. Kulp, in his pioneering work on the organization of social insurance in Germany and England suggests that we are not alone in the features of States vs. Federal administration, though both England and Germany have probably gone further in centralizing their plans than seemed reasonable in the United States in 1935.

Any attempt in 1943 or 1944 to develop a united all-purpose social security plan will have to face this factor of Federal-State inter-relationship and the considerable propensity to self-perpetuation which State agencies already

administering public assistance and unemployment compensation will undoubtedly exhibit.

7. SUBSIDY

As against the alternative of outright relief, the movement to substitute a partial subsidy has seemed to many a step in the right direction. Thus, when employers established group insurance, many of them gave group life insurance outright to the employees without expecting from them any contribution toward the costs. Other employers felt that it had a more constructive effect upon the employees to share premium payment with them. Such sharing was a reform from what seemed to the reformers the too paternalistic, so-called free group insurance. (Since the employer usually still spent as much as he would have spent on the free insurance, protection was increased.) It substituted the cooperative sharing of cost between the employer and the employee with the possibility of a residue of uninsured employees who did not "elect" coverage. As compared with individual insurance administered through salary allotment orders for the payment of premiums, where the employee pays all the cost, the subsidized insurances set precedents which sometimes implied that the employee's income was too small to meet all the cost of these outlays, that for these particularly important provisions he would act only under financial assistance from outside his family. It implied that only through the employer could he expect to secure a minimum protection. The purpose of the employer's subsidy was good—but as Agar says, it had the danger of precedent-setting in other directions. Incidentally, while Americans were putting subsidies into their employer-administered group insurances, social insurances in Europe were putting *two* subsidies into most of their programs—this subsidy from the employer, and a further subsidy from the State. The mechanism of the subsidy disturbs part of our democratic citizenship, sometimes because it selects only special favorites for its beneficence, sometimes because it seems so alien to our basic attitude of self-reliance.

Recently both the Hoover and the Roosevelt administrations have so commonly used the subsidy that its strangeness has largely vanished. Farmers have been subsidized for conserving parts of their farms from current utilization. The aviation transportation industry is subsidized; the employee is subsidized; the local community is subsidized by the State, and the State by the Federal Government.

One of the disadvantages of subsidies is their blurring of the over-all cost outlines. In old-age assistance, the local community is impressed with the *smallness* of its contribution to the relief of its needy aged. Formerly they met all of the then much smaller cost through the poor farm and "out-door" relief. Now the State meets a good share of a much larger bill, and

the Federal Government the rest. Rarely are the administrators convinced that basically all the communities together still meet the costs of these relief programs, though they would not deny that when a community gets a subsidy, it gets it from other communities. Eventually community after community will ask, "Am I getting or giving a subsidy?" The tremendously complicated accounting ramifications of subsidy constitute a major background to social insurance.

As with other elements, the use of subsidy recognizes needs, indicates a basic desire to meet them promptly. Its advocates believe in pooling provision; it is doubtless aimed at the greater good; it has wide economic acceptance; its successful application requires wide popular acceptance. It can be applied not only to the administration of relief, but also to the promotion of thrift. Its methods are varied, from the cases where prosperous employers have matched the savings of its employees, to the intricate use of employer contribution to pension programs where the subsidy can be isolated and otherwise explained. It is a major factor in the labor movement's various attempts to secure more than higher wages, and possibly in some instances more than the equitable share to which the laborer is entitled.

8. RELIEF

The tradition of relief has run unbroken from the England of Queen Elizabeth to the popular front governments of the pre-war days. It was its pragmatic recognition that catastrophes may happen, that there is a broad social solidarity within the community which cannot see the citizen starve or lack clothes or shelter. To these basic requirements of food, clothing, and housing, Stuart Chase and others have recently added medical care and education. It tries directly to measure specific cases of need and to furnish provision to meet that need. Basically, instead of suggesting that, *when we shall have saved up to meet future needs, we will then deal with such needs, it goes to work at once* on current needs. It is apparently a final recourse; when individual savings and insurance programs have been absent or insufficient, when the family, the labor union, and the employer, both as driving forces behind the individual and as reinforcements, have failed in their adequacy, then relief steps in. Back of the need for relief may be abnormal conditions of the war, an earthquake, a tornado, a flood, or a depression. It may simply function all the time in recognition of the inadequacies in the motivations of our over-all economy. In the American tradition, relief is not only a last resort, but a last resort we prefer not to use. Fear of being indebted to the community or the love of self-sufficiency has been a sound incentive to the citizens to help them avoid such situations as would require relief. During the last dozen years it has become easy to *say*

that our civilization has been so complex that the individual has been helpless to maintain his personal dignity, his personal responsibilities. The too ready acceptance of the inability of the individual to meet his basic responsibilities can result in his continuous choice of extra current satisfactions instead of a reasonable allotment of his income against potential future needs. In our social insurance program, there has been an element of this acceptance of personal *incapacity*, even in situations when it is clear that the individual could have done a much better budgeting job. From now on he must do a much better job in order to maintain his sense of personal integrity and his pride in his will power. He is commonly having the satisfactions of doing just that in the challenges of this war.

Categorical assistance may be designed to make the acceptance of relief a little less distasteful, but categorical assistance legally remains relief. The determination of need involves relief criteria. Approximately 2,175,000 elderly people are receiving old-age assistance; many of them are not in need in the sense of old "Associated Charities'" definitions. Many of them have cut loose from a sense of dependence upon the family, but have retained a sense of dependence upon the community. In accepting 2,175,000 individuals under relief gratuities, the aggregate local communities have been influenced by the ready availability of subsidies. In many States the qualifications seem steadily swinging from the strict needs test towards the overall non-needs-test functioning of the Old-Age and Survivors Insurance program. Relief has a way of specifically meeting needs which neither the formulas of insurance nor the accumulations of savings has yet equaled. The goals in social insurance must be so wide and basic a recognition of presumptive need that relief recipients are reduced to an absolute minimum in number, the rare special cases who have not been cared for by any other more constructive agency.

9. CONSERVATION AND PREVENTION

In the early functioning of workmen's compensation, that slender subdivision of the area to which social insurance can minister, a marked emphasis on individual rate-making was rationalized by an inspiring doctrine. It was stated that it was the employer's responsibility to avoid accidents, to improve the safety organization within his plant, to make conscientious and effective efforts to keep his employees uninjured. This was surely better than to pay them or their relatives compensation for unnecessary or avoidable injury, disability, or death. The employer, as a responsible element in our economy, might have resented the implication that he had to be bribed through potential rate reductions in his workmen's compensation costs, to function as a decent citizen and to do the best he could in this connection.

There is, therefore, an intricate web of occupational and industrial classification worked into schedule rating, into retrospective and prospective experience rating, so that one of the end products of an effective safety campaign can be smaller contribution to the over-all meeting of the costs of industrial accidents. It is not and cannot be the major end product. That purpose is the protection of life and limb.

I believe that the sense of human responsibility would continue to make employers, as good citizens, work for accident prevention, were there less of individual equity and more of over-all insurance sharing in the workmen's compensation financial provision. They are vigorously working for accident prevention in behalf of the war effort. They could continue to do it when the peace is won.

Prevention of catastrophe and conservation of the sound, constructive efforts of mankind are, of course, a dominant factor in American life. The whole organization of banking and investment is a *conservation* of that portion of current income segregated against the contingencies of potential dependency. We develop sound business enterprise so as to *conserve* employment and maintain the economic machinery at full-tilt, utilizing the working efforts of the entire nation. This too is instinctive—so instinctive that isolating the factor in this paper may seem an artifice. The life insurance companies in their organized war effort have been stressing the value of sound health for the better meeting of that war effort. With possibly inadequate medical facilities, the conservation of health and the complete healthy utilization of one's capacities are not alone in the interests of avoiding unnecessary or premature death, but a direct contribution to the war effort. Labor wants to conserve its "hard-won victories," but it believes in and works for the conservation of the best working capacity of its members. It is essential to the conservation of the dignity of the working man to have at all times adequate employment and a minimum reliance upon relief. The family wants to strengthen and increase the ties that bind the members together as a symbol of the larger family which is the church or the lodge or the community. Today "the community" seems to have widened tremendously. We do not gain healthful relations within the larger family until the basic ties between the individual members of the smaller family are soundly functioning.

The employer must be moved by a long-range sense of responsibility, believe, and practice his belief, that there are mutual interests between the employees and the employer. In the long run the employer does not profit by unfair, cheap, or unwise practices. He must conceive the goods of sound management, he must be fair in his employer-employee relationships; he must be intelligent and wise and understanding in his basic relationships. Then in the larger area of the growing community he may understand the

value of the precedents he sets. Conservation in its widest and soundest form will mean a minimizing of all that is unwise and unsound and unsatisfactory in subsidy, and in the *conservation* of self-respect, an elimination of subsidy wherever possible at the earliest possible moment. Conservation will set levels of relief high enough to meet basic needs, low enough to conserve and strengthen the will to work and the desire for self-sufficiency.

Accident prevention, prevention of unemployment, postponement of death, minimizing of sickness, education for work, retraining and rehabilitation—all these require a more thoroughly effective cooperation in the use of the educational plant, the engineering and medical services, improved sanitation, better public health. Conservation and the safety movement have been widely accepted elements in the American community. They are basic to social insurance.

10. THE BASIC SELF-SUFFICIENCY AND DIGNITY OF THE AMERICAN CITIZEN

At least up to the time of the First World War the American tradition of the pioneer had remained strong. About that time, various out-of-balance elements made themselves felt. Among them was a possible reflection of Europe's serious malady. Yet, as the programs of social insurance were devised for Continental Europe and for England, over and over again we have had restatements that the American way of life, the American spirit, the American inventiveness and ingenuity, constitute realities which differentiate American methods from foreign methods.

In the old countries on the other side of the Atlantic, class lines were very sharp. There seemed less opportunity for a worker to advance beyond his class than with us. We had always been the land of opportunity to which immigrants came, expecting, and commonly finding, the chance to better themselves.

While the activities of employers in organizing the group insurances, salary allotment programs, and the like, seem to raise a little question as to the complete self-sufficiency of the citizens affected, even here there was frequently a stated opinion that these programs were limited to a relatively small portion of the working classes, and that still the American citizens as a whole could take care of themselves. Members (frequently key men) of the American Federation of Labor, when interviewed as to their desire for social insurance, frequently said they wanted to get their full wage in the pay envelope, that with the full wage they would be responsible for all insurance needs themselves.

In 1942 the *Saturday Evening Post* ran a series of inspirational advertisements on the American way of life. Other corporations have similarly stressed such national strength, boasting that our citizens expect to work to

earn what they want, that they will not be dependent upon any dictator to give them largess.

During the long depression, many a citizen became discouraged over the slowness with which recovery was taking place. Many reforms were initiated, voicing not the optimistic conviction as to individual competence, self-sufficiency, and ambition, but rather the pessimism engendered by the depression.

The arguments in favor of social insurance were all too frequently earmarked by the tendency to accept the temporary out-of-balance condition of those depression years as the typical long-run situation.

The sense of optimism has risen again with the added responsibilities of the war, with the production achievement. It is to be hoped that more of the essential steps under which skilled processes have been broken down into their component parts so as to utilize relatively unskilled workmen on work heretofore regarded as skilled operations may possibly after the war be modified so as to give the craftsmen more skilled processes, more sense of personal satisfaction in increased quality of accomplishment, or at least to develop more skilled supervisors and service men who know all the operations. The possibility of higher earnings on labor subdivision might compensate for job monotony by encouraging constructive avocations.

During the last war, whenever social insurance was mentioned, and for many years afterwards, it was rather popular to state that the Teutonic parentage of social insurance was an adequate reason to leave it alone. It may be significant that the American legislation was depression-born and that only during the depression did "the regimentation" of the German schemes seem palatable.

Yet almost every savings program, all insurance programs, count upon a wide community of interest, for which men sink their individual divergences of opinion in favor of some comprehensive cooperation. Many people put their money together in the bank, that so pooled it encourages an over-all investment program; many people put their money together in an insurance company for mutual protection against specified contingencies, and whenever the funds grow in magnitude the insurance company makes investments in the interests of the organization.

Well organized social insurance, in a very similar way, can be recognized as the coordination of a broader grouping of members, whether the group be limited to the employees of a series of industries or open to the entire citizenship of the country. The emphasis upon the dignity of the citizen and his personal self-sufficiency may have postponed the adoption of social security for a good many years. The emphasis is so constructive that it is to be hoped that this influence has not been absent from the shaping of existing programs, and that it will grow in importance as further programs are

adopted. It does not minister to dignity to feel that men alien to our way of life are regimenting our citizens, nor does it add to our sense of self-sufficiency to be highly subsidized. If this virile motive power can be recognized and used to the full, the scope and drive of our American cooperation will be a signal force in world sanity. Social insurance has already been invigorated by it, but it must function more openly and with more directness.

SOCIAL INSURANCE

In its approaches to social insurance, each country naturally examines the precedents set by other countries, naturally tends to misjudge the importance of certain temporary expedients adopted by those countries, and, in the short time customarily permitted in the drafting of a new social security program, may be too much influenced by the expedients which these other countries have used. Thus the registration numbering system in our old-age and survivors insurance plan, our segregation of the assistances from the so-called insurances, our stressing the elements of individual equity after the savings bank pattern, and numerous other factors, have been introduced into our American social security program from other countries. While those points have been insufficiently discussed in other places, the American backgrounds have been still less adequately outlined.

The Social Security Act of 1935 was mapped out by the Committee on Economic Security, a Cabinet committee made up of the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Treasury, the Federal Emergency Relief Administrator, and the Attorney General. Dr. E. E. Witte of the University of Wisconsin was the executive director. The staff was drawn from a wide range of individuals, but with three elements possibly dominant: (a) the public relations representatives from the Industrial Relations Counselors organized by the Rockefeller Foundation, (b) the University of Wisconsin and its humanistic background, (c) the Labor Department with its interpretation of social insurance as one of the methods for enlarging the rights of labor (possibly by wresting them from management and capital). Less adequately represented on the working staff of the Committee on Economic Security were the thrift organizations for savings, investment, and insurance. Possibly the representation of relief administrators was inadequate too. Indirectly there must have been a great deal of influence along subsidy lines from the examples set by the group insurances and the labor movement's ideas on getting more for the laboring man, whether it required subsidy or relief. The employer and his insurance, retirement, and welfare programs were presumably thought to be sufficiently represented through the Industrial Relations Counselors.

A large conference was held at the Hotel Mayflower during the course of the studies of the staff of the Committee on Economic Security. To this conference was invited a broad cross-section of American liberal thinking. There were social workers, economists, Dr. Rubinow and Mr. Epstein, who had made a profession of working for social insurance. Mayor LaGuardia represented municipal government. The public was represented by economics professors and social workers and free citizens. A few employers attended, but there was a marked absence of the representatives of the insurance and thrift businesses.

The Social Security Act of 1935 was the outgrowth of this advance work. It is only fair to state that there were numerous consulting groups, representing the medical profession, representing each phase of the whole social security program. Among them was the committee of actuaries, including Professor Mowbray, Professor Rietz, Professor Glover, and one representative of the established insurance business, Mr. Linton. They came twice to discuss the program in 1 or 2-day sessions.

There was thorough-going, conscientious, dignified effort to develop a program in the interests of "the worker," a rather narrower field than that represented by the citizenship of the United States, but one carefully conceived and idealistically envisioned.

In Old-Age Benefits (the more restricted initiation of the Old-Age and Survivors Insurance of 1939), the *savings* element was recognized in the unimportant and awkward provision that in every case there would be a return to his beneficiary or his estate of a little more than the taxes paid by the employee, should he die without having received old-age benefits, or should he reach the age of 65 and retirement without having qualified for a monthly income. The savings element, which has dominated so many retirement programs, was to build certain reserves so as to "get ahead" of presumptive future need and (to the extent of the interest which the reserve would receive) to make it easier for the community of the future to meet its costs.

Savings also appeared in the concept of unemployment compensation—that payments from the employers (and occasionally from the employees) should be put into trust funds and built up into reserve funds vaguely similar to the old-age reserve fund. It was thought that, while the old-age reserve fund might hit \$50 billion, the chances were very much against the combined State unemployment reserve funds exceeding \$5 billion.

The investment of the reserves was a subject discussed over a period of several years by the International Labour Office, with a sort of tacit assumption that the reserve method was indigenous to the social security systems. The use of that other connotation of savings, the individual bank account, called for the development and maintenance of elaborate records. After some changes, a quarterly wage record was adopted both for old-age benefits and

unemployment compensation. In old-age benefits the cumulative records must be built up during the entire working lifetime of the individual beginning with 1937 (over fifty years of employment there are two hundred quarters); in unemployment compensation, in most of the States, records are determined for a base year of but four quarters, and when the base year has retreated far enough into the past, the entire year's record of individual earnings can be dispensed with and another set substituted. A dual record-keeping system, largely for the same individuals, is thus in operation, both portions influenced very largely by the individual equity concepts of the savings side of our system. The individual equity idea is also present in much preliminary discussion of "permanent total disability" and of temporary disability.

The term "*insurance*" has appeared in the names of the programs of old-age and survivors *insurance* and in the New York program of Unemployment *Insurance*. Although the term "compensation" has commonly been copied from workmen's compensation in our designation of unemployment insurance, both programs are constantly designated *insurance* programs. They *are* insurance in their sense of over-all sharing; in the collection of the essential funds from which to pay the benefits; they *are* insurance in their emphasis upon presumptive rather than actual need, in their use of formula determination for the amount of benefit, in their growing understanding that it is the family, and not alone the individual, being served in the basic record compilation for the sake of sound statistical control. They are not insurance in the sense of current coverage which so strikingly belongs to all the insurance business. They have copied, strangely enough, much more of the savings aspects of the level premium life and annuity business than they have of the protection aspects under which my agent puts the company "on my automobile liability risk" from the time I tell him my contract is to be renewed since he advances my premium and sends me a receipted bill. They are not at all insurance in the group life insurance sense of promptly covering the entire body of employees with the signature on an application, the payment of a binding premium, and the acceptance of the risk at the home office. They carry the delays and postponements which go with the accumulation of an effective amount of savings. Some of the staff of the Committee on Economic Security had become too much convinced of the importance of the *savings* side of the group annuity contract, and were instrumental in copying into our Social Security Act many limitations which went with those contracts, quite alien to a possible broad insurance service designed to give universal and immediate protection to our citizens.

It would be so simple to think of insurance of the whole body of citizens as effective from today after the fashion of a group life binder. We would promptly recognize that not alone is *the man of 65 about to retire* part of

the program, but that *the man of 65 or 70 or 75 who has retired* is equally part of our program. New Zealand has caught the view somewhat more thoroughly than we have, having had the advantage of studying both the American and the British organizations of benefit structure, though they are still using means tests and have yet to reach full grants as a right. Insurance could merge the major part of those who would otherwise be relief recipients in with those who would otherwise be savings accumulators, and construct the middle ground of insurance for old age, even as it can furnish insurance for all the orphan survivors, for those disabled and for those unemployed.

The family was rather short-changed in the old-age benefit structure in the 1935 Act, but was more definitely recognized in the revision of 1939. The amendments took into account the structure of the family of the retired employee, the structure of the family of the man who died, and gave benefits to fit in more directly with the constitution of the family group. The 1939 amendments still too closely followed the individual bank account concept of the period of contribution and the wages which had been taxed, but it made a start away from too much predilection for savings and too little for insurance.

The *family* was not specifically recognized in the unemployment compensation program (save in the District of Columbia), and there is a great deal of talk of going from a set of benefits normally paid only to the individual, apparently for his own personal use, over to a benefit structure which deals with the worker as a family man and varies the benefits by size of family. In the administration of the assistances for old age, for dependent children, for the needy blind, the social worker reports on the entire family situation and, while the benefit is nominally allocated to an individual, it is expected to reflect family needs.

The family was also recognized in OASI by arranging that, in the absence of grants to surviving children and widow, the deceased wage earner could then have as a potential beneficiary a needy parent whom he was wholly supporting. (The definition of "wholly" varies from time to time.) This arrangement brought in a *relief* element rather alien to the old-age and survivors program. It dealt, however, with this elderly person more as a residual legatee in the absence of other basic beneficiaries. It neither dealt with all parents on the same basis, nor did it adequately recognize that anyone who could qualify under this arrangement would usually be able to qualify for benefits under old-age assistance. A sense of dignity was lost. A decided complexity was added. The family's interest might have been even more conserved by arranging that in all cases, rather than cases with no immediate monthly benefits payable, a small death benefit should be paid. This would have recognized the universal desire for funds for last sickness

expenses, burial, and family readjustment, put it on the basis of presumptive and not actual need, and would have made the insurance structure more consistent.

The group programs subsidized by *employers*, which had often divided cost between the employer and the employee, served as a very real model for the division of cost between the employer and the employee in the social insurances. Whereas many group cases fixed a rigid employee contribution, leaving the employer bearing the residual cost which could not be specifically predicted year after year, other cases, especially group annuities, took the simple statement that the employer and the employee roughly "went 50-50 on the cost of the program." In the inherent structure of the group annuity and the group life insurance contracts, this was a very difficult thing to accomplish because costs varied from year to year, and a strict insistence on the 50-50 arrangement threw aside the simplicity of uniform rates of contribution by the employees in favor of this emphasis upon a specific and rather artificial type of sharing. Generally the 50-50 arrangement was used only crudely, but it frequently had to be defended and explained.

So in old-age benefits the contribution rate started in 1937 with 1% charged against the employee, 1% charged against the employer, with no tax beyond the first \$3,000 of earnings from any one employer. These tax rates were to rise by uniform steps up to a 3% and 3% contribution in 1949. There was at once lost the definiteness and stability of a fixed rate of contribution for employees. There was introduced the question as to just when rates of tax should be advanced. There had not been a resolution of the conflict between savings and insurance thinking, and the reserve problem, which was common to both non-insurance savings and insurance savings, has remained under debate ever since.

Whereas the employer contribution was frequently defined as the investment of the employer in an improved employee morale or was based upon that mechanical and largely fallacious argument that thus the employer recognized human depreciation, the demand by the Government that the employer withdraw from his reserves for other purposes very tangible amounts of contributions to be added to the employee contribution when the employer has no choice in the matter submits a completely different situation. The argument for employer contribution has lost most of the validity it held in a voluntary welfare program. Once more old-age benefits copied rather perfunctorily the technique built up under a voluntary arrangement (also present is the influence of foreign practice) and established something seriously open to question from the standpoint of economic realism. The employer subsidy seems open to question also from the standpoint

of use of a compulsory subsidy required from an employer without reference to economic capacity to pay.

Since employer contribution can be explained as an increase in the total pay-roll of the employer, there is present in the social security program a premonition of further wage adjustments made under the direction of the National Labor Relations Board and other labor organizations within the Governmental structure. Since those wage-approving bodies are functioning so zealously, this additional method of wage advance seems superfluous now. The whole subsidy suggestion stems from the belief that more wage should be paid.

Subsidy has been present, as we have noted in the old-age and survivors plan, first by establishing an employer subsidy and, second, by certain suggestions that eventually there will be a Governmental subsidy. It is present in unemployment compensation in the suggestion that workmen's compensation precedents should be followed, making the failure to maintain employment the fault of the employer and assessing against him the penalty of the contribution toward unemployment compensation benefits. This penalty concept is very strongly carried forward in its coordination with experience rating and the promise that a well organized employer plan for the prevention of new unemployment will reduce the share of the employer in the pooled provision for the unemployed. In the otherwise strictly relief areas of categorical assistance, we have a subsidy as between Governmental levels. In the suggestions of adding health insurance, it is assumed that this too would adopt the employer, and possibly the Governmental subsidy which exists or has been suggested in old-age and survivors insurance.

The *relief* element still remains in most of the public assistance programs, though the administration of the program constantly tends away from relief and to an admitted gratuity to be maintained without much regard to the need of those receiving the benefit. Presumptive need is quite a different thing as it appears in old-age and survivors insurance and unemployment compensation. Relief is present also in the administration of all the rest of the assistance outside of the three categorical assistances. A suggestion of Federal subsidy has been made for residual relief, introducing more complexity into the pattern—but moving slowly to a Federal share in virtually all payments.

There was a slender element of *conservation* and *prevention* in the vocational rehabilitation provisions of the Social Security Act. These have been greatly increased in effectiveness as a result of the man-power needs of the war, and rapid courses are being given all over the country to bring into working effectiveness men who had been long unemployed, men who had considered themselves disabled. This practical current functioning which I

have mentioned as so much present in pure insurance is one of the most helpful forces developed by the war. It gives evidence that this conservation factor will have a dominant position in the social security program of the future.

A great deal of credit was given to this sense of *personal dignity* and *personal responsibility* in arguing that the limited program which we had adopted was itself in keeping with the values we had set upon personal self-sufficiency and personal dignity. So determining the benefits in old-age and survivors insurance, and again in unemployment compensation as to make them dependent upon the wages earned, was said to be a recognition of American methods and in keeping with the American tradition. It was further emphasized that in certain backward sections of the country achievements had been rather limited, and that it would be unwise to hold down benefits in better sections in order to establish a level suitable for the backward sections.

In emphasizing this sense of individual equity which determines all benefits upon wages, extensive record-keeping operations have been built up as well as a rather complicated set of eligibility requirements. While practically limiting the coverage to employees of industry and commerce, the American freedom of movement leaves a large number of citizens working part of the time in these covered employments and part of the time in other employments. We build extensive records, then, which do not represent the record of total personal accomplishment even in earnings, but only that limited part of the accomplishment which is within "covered employment." It may be rather doubtful whether the anomalies within the system seem more of an affront or more of a compliment to responsible people.

It is noteworthy that in the much more comprehensive system now being recommended in England and in the much more comprehensive system already adopted in New Zealand, this same point of personal dignity is quoted as the reason for uniformity of treatment. Sir William Beveridge believes that a level amount of old-age income, even though a man belongs to the upper classes, is a sounder technique than to use the Federal machinery in order to give the upper-class citizen more from joint Federal funds than the lower-class citizen. So with us, as we study the various portions of our established program, it may be that the shaping background which has initially had one result may later have a very different result in the mechanism of the more broadly effective benefit program.

It is also worth while to indicate that some of the most striking developments among employers have been in those corporations where the management believed in guiding the employees into increased self-reliance rather than into a diminution of self-reliance. In almost all management-inspired

programs, there has been a conscious effort to so shape the benefit structure as to stimulate the employees to greater and more effective self-reliance. It may be that Government programs have unconsciously copied certain limitations of these programs rather than their more essential and more basic elements.

I will not attempt to gather together the implications which develop from this statement of backgrounds. The paper previously presented to this Society on "Social Budgeting," however, does suggest the way in which we could move forward from the complicated, incomplete, inadequate—though individually frequently too generous—program of benefits we now possess to one more consonant with the dignity of the American people and more apt to foster full employment and to minimize residual unsatisfactory relief.

There has been some evidence that, in addition to the catalog of factors here discussed, there is the further factor of inherent, vigorous employment, well directed by men more skilled in management, financed by that inspired altruism called capitalism, which has much of the credit for the enviable material position of the American people. Social security, dealing so largely with the catastrophes within our individual life histories, is, of course, subordinate to the basic working genius of the nation. It can apparently, particularly in the abnormal conditions of a depression or a war, represent the thinking of a very limited group of people, and in those abnormal times any failure to represent the entire people may go temporarily unchallenged. As the nation outgrows war-like conditions, as it outgrows those continuing controls of the early postwar years, having social security represent any fractional part of the community is unthinkable. It must reflect the essential American backgrounds from which it has sprung and the essential American pioneering spirit which has been the strength of the country from its inception.

Social security hasn't been just a Governmentally administered, Governmentally subsidized form of protection; it has been developed from many factors, most of them non-governmental. Its further improvements require a more complete understanding of how it came to be as it is. Its further growth will require knowledge, understanding, and a very practical idealism.