

SOCIAL INSURANCE

CHAPTER I

THE COMMON WELFARE

AMONG the many characteristics which foreign observers have ascribed to Americans are two about which there has been little difference of opinion. We are good-natured, and we are individualists. Sermons have been preached against our good nature, so I need not dwell upon it. Much more important is our individualism, — our absorption in individual interests and our reluctance to undertake things in combination with our neighbors or through the government. That individualism is an American characteristic is proved by a number of familiar facts. Thus, the phrase, “social reform,” which, in other countries, suggests comprehensive plans of state action, is still usually associated in the United States with the welfare departments of private corporations, privately endowed schools of philanthropy, or such splendid examples of private beneficence as the Russell Sage

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Foundation. Again, the coöperative movement, which has made such signal progress in Europe, is in its infancy here. Finally, socialism, the extreme antithesis of individualism, numbers fewer converts relatively to the population in the United States than in any other country of the Western World.

Like every other national trait, this characteristic may be traced to definite causes in our history. If individualism is not the normal attribute of a new country,¹ it is at least a natural consequence of the process by which this particular new country has grown up. The population of the United States is practically all of foreign origin. Generally speaking, only self-centered and self-reliant characters break the social bonds that hold them at home, leave neighbors and friends, and stake everything on the doubtful venture of emigrating to a new land. The twenty-seven odd million immigrants who have come to this country since it was discovered by Europeans have thus left a strong individualistic impress on their descendants. Related to this has been the diversity of our population elements. As sociologists express it, the "con-

¹ That individualism is not characteristic of all new countries is clearly proved by the history of Australia and New Zealand.

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sciousness of kind" has been slow to develop in our heterogeneous population. This has fostered individualism and stood in the way of combined action. Thus our heredity gives us a strong individualistic bias. Far from opposing this bias, the natural conditions which distinguish this country have tended further to emphasize it. The variety and abundance of our resources have offered unrivaled opportunities for individual achievement. Dazzled by these, we have been absorbed in a mad struggle for individual success and blinded to our common interests. Nor is this all.

As though it were not enough that heredity and environment combined to make us individualists, our forefathers wrote their individualistic creed into our federal and state constitutions. All these instruments give special sanctity to the rights to liberty and property. As interpreted by the courts, a significance has been given to these constitutional rights that has seemed at times to make a fetish of the merely formal freedom of the individual. Thus it is not too much to say that Americans are born individualists in a country peculiarly favorable to the realization of individual ambitions and under a legal system which discourages and opposes resort to any but individualistic remedies for social evils.

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So long as this was a new country, with abundance of free land to attract and reward the adventurous pioneer, little fault was to be found with this national trait. To be self-centered and self-reliant, to believe that "that government is best which attempts least," to identify freedom with immunity from state interference, was safe and wholesome for a nation of farmers. It fostered ambition, enterprise, and courage, and these were desirable qualities. To them and to our wealth of natural resources we have owed our greatness as a people. To some extent we are still a nation of farmers. For great sections of the country the simple formulæ of individualism, qualified by a more aggressive conservation of natural resources and governmental regulation of railroads and trusts, are still true and wise. But every year these sections are growing less important, and the qualifications on the program of individualism that must be made to adapt it even to their needs, more numerous.

It is the purpose of these lectures to insist that for other great sections of the country—the sections in which manufacturing and trade have become the dominant interests of the people, in which towns and cities have grown up, and in which the

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wage earner is the typical American citizen—the simple creed of individualism is no longer adequate. For these sections we need not freedom from governmental interference, but clear appreciation of the conditions that make for the common welfare, as contrasted with individual success, and an aggressive program of governmental control and regulation to maintain these conditions.

This view might be defended in general terms. I might trace the course of the industrial revolution and show how, with the introduction and spread of capitalistic methods of production, the individual wage earner has become more and more helpless in his efforts to control the conditions of his employment. I might sketch the growth of cities, and point out how the welfare of city dwellers, their housing accommodations, the water and milk they drink, and the food they eat, are determined for them rather than by them, and unless regulated by the common government will not be adequately regulated at all. But arguments in general terms are seldom convincing. What I intend to do rather is to indicate certain points at which the program of individualism seems to me conspicuously inadequate and to outline a program of social reform by which its deficiencies may be corrected.

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To bring out some of the contrasts that I have in mind, let me state as fairly as I may what the program of individualism intends for the wage earner. It looks upon our complex modern method of production for sale in the general market as a great system of coöperation. Employer, capitalist, and wage earner coöperate in preparing goods for sale. Buyers, who are other employers, capitalists, and wage earners, coöperate by taking goods at the prices demanded and at the same time offering their goods for exchange in the common market. Competition, if free and unhampered, tends to adjust the terms on which workmen are hired, capital is borrowed, and goods are sold, so that each is rated at the figure to which it is competitively entitled. Under this arrangement, as individualists conceive of it, the employer needs the workman as much as the workman needs the employer. There is competitive bidding on both sides. In times of abounding prosperity like the present there are more jobs seeking men than men seeking jobs. Wages tend to rise. On the whole, abounding prosperity has been the rule in the United States. If wages have not risen as much as we could wish, it is because immigration and the native growth of population have re-

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sponded so fully to expanding industry. There is no inherent tendency in the competitive system to hold wage earners down, no "iron law of wages." Wages are determined by the relation between supply and demand. Expanding industry furnishes the demand. It rests with wage earners themselves to control the supply. Their well wishers do wrong to seek to interfere with the "natural laws of trade." Their efforts should be directed rather to inducing wage earners to greater prudence in their marriage relations and more forethought in providing by saving for their future needs. By means of postponed marriages and smaller families the supply of workers may be kept down so that wages will advance to ever higher levels. By means of saving, wage earners may make ever larger contributions to the capital of the community, which is one of the conditions creating the demand for labor.

It is along these lines that individualists would direct the car of progress. And they see no reason for assigning any limit to the resulting improvement in the condition of the world's workers. Wages may become higher and higher. Out of their larger earnings wage earners may save and contribute an ever larger proportion to the capital

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of the community. If the corporate form of industrial organization continues to grow at the expense of other forms, the time may come when the distinction between wage earners and capitalists will entirely disappear. All those engaged in gainful occupations may be employees of corporations. All may at the same time, either directly or through their savings funds, be stockholders in these same corporations. Something like this is the millennium to which individualists look forward.

As a picture of the future, this millennium compares favorably with other forecasts. The fault that I have to find with it is not that it presents an impossible ideal, but that it ignores certain tendencies which, unless corrected, render its realization impossible. The tendencies I refer to may be summed up in two statements. First, there is little or no evidence that wage earners are becoming more provident in their habits. Second, their failure to make provision for the future is a cause serving constantly to recruit the mass of unorganized, unskilled workers whose lack of standards and unregulated competition oppose the progress of wage earners all along the line.

Are the mass of wage earners becoming more provident and forethoughtful in their habits? My

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contention is that they are not, and that changing industrial conditions are making saving more difficult rather than easier. In the past it is clear that the principal motives to saving in the United States have been desire to own land, which has appealed to the agricultural population, and desire to own homes and the tools and implements of production, which has appealed to town dwellers. The desire to own land is still a strong incentive to saving in some sections of the country. Where land is abundant and cheap, the farm hand has constantly before his mind the possibility of becoming a farmer. To attain this he will make great sacrifices. Having acquired land, equally strong motives to further accumulation, to buy agricultural tools, stock, and ever more land, present themselves. Thus the wage earner is transformed into the capitalist. This process has been repeated over and over again in the United States, and we have our 5,000,000 or more independent farmers as a result. Unfortunately, the sections in which land is abundant and cheap are narrowing every year, and signs are not lacking that we are coming to have a permanent class of agricultural wage earners comparable at many points with the wage earners in cities.

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The change for the worse is even more conspicuous as regards city dwellers. However it may be in small manufacturing towns, it is clearly not possible nor desirable for the wage earners in large cities to own their dwellings. They have become tenants, and the strongest of all motives for saving has passed for all time out of their lives. The motive for saving, to acquire the tools and implements of production, is even more remote from the calculations of the present-day workman. The machines, factories, railroads, and steamships of modern industry are far too costly to be owned by the men who operate them. They of necessity are supplied by capitalist-employers who look to their employees only for the labor force necessary to make them efficient.

And the conditions of modern industry have failed to supply motives for saving sufficiently strong to take the place of these that are gone. It is true that saving is still necessary to provide for the rainy day, for loss of earning power due to illness or accident or old age, but against these needs is the insistent demand of the present for better food, for better living conditions, for educational opportunities for children. This demand is not fixed and stationary. It is always expand-

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ing. In my profession, it is a common pastime to attempt to compare the cost of living of the country college professor with that of his colleague in the city university. To speculate, for example, whether \$3000 a year at Amherst will go as far as \$5000 a year at Columbia. Such comparisons are quite idle. One consequence of our living together in cities and daily observing the habits of those better off than we are is that we are under constant pressure to advance our standards. This pressure affects the wage earner quite as much as it does the college professor. Both, when confronted with the problem of supporting a family in a modern city, find the cost of living, as Mark Twain has said, "a little more than you've got."

Against this tendency of current expenses to press against income, fear for the future is all too weak a check. The average individual is an optimist. He does not expect to be out of employment, to be ill, to be injured in his work, or even to grow too old to work. Desire to provide against these contingencies is feeble in comparison with the desire to live better in the present. That this is true is admitted by nearly every one who has attempted to make a study of the expenditures of wage earners at close range. Two such studies

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have recently been made in New York City, and both bear out my contention. The agencies that are most constantly resorted to by wage earners who save for future needs are industrial insurance companies and savings banks. Mrs. More, who collected evidence in regard to the budgets of 200 representative wage-earning families in New York, reports that 174 out of the 200 families, or 87 per cent, carried some insurance.¹ This is impressive, but she goes on to explain that: "The insurance money invariably goes to meet the expenses of the funeral or of the last illness. The larger the policy, the finer the funeral." That is, industrial insurance among the families she studied was, as a rule, merely another name for burial insurance. Dread of the pauper's grave is a motive strong enough to induce saving among nearly all wage earners, but insurance is rarely resorted to for any other purpose. Mr. Chapin, who studied the expenditures of 318 New York families, arrived at similar conclusions.² Only 18

¹ Wage Earners' Budgets: A Study of Standards and Cost of Living in New York City. By Louise Bolard More. Henry Holt and Company. New York, 1907. pp. 42-43.

² The Standard of Living Among Workingmen's Families in New York City. By Robert Coit Chapin, Ph.D. New York, Russell Sage Foundation Publication, 1909. pp. 191-197.

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per cent of his families carried policies as high as \$500.

It is less easy to determine the amounts saved by wage earners through the savings banks. Mrs. More reports that less than one fourth of her families saved anything, while more than one fourth fell behind. About one half were just able to make both ends meet. Mr. Chapin found that about one third of his families reported savings, but it is significant that such saving was twice as common among the Jewish and Italian families which he studied as among the more completely assimilated Teutonic and American families.

The impression conveyed by these special investigations, that is, that saving through the industrial insurance companies is chiefly for the purpose of meeting funeral expenses, and that saving through the savings banks is exceptional rather than the rule among American wage earners, is confirmed in a number of different ways. Settlement workers who are trying to inculcate habits of thrift by running branches of the Penny Provident Fund report that few depositors are educated to the point of starting savings-bank accounts. Administrators of charitable relief societies agree that wage-earning families whose savings are suffi-

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cient to tide them over prolonged periods of unemployment are quite exceptional. Finally, an observer of the habits and standards of wage earners with unequalled opportunities for forming an opinion, John Mitchell, affirms that "the average wage earner [of to-day] has made up his mind that he must always remain a wage earner."

Industrial insurance companies and savings banks are, of course, not the only agencies for caring for the savings of wage earners. Trade-union benefit funds, friendly and fraternal insurance societies, and benefit departments of corporations also draw together their accumulations. In the aggregate the savings made are large, but the fact remains that the wage earners who save are the exception rather than the rule. The great majority find their incomes all too small to meet their present needs and the needs of their families. The cost of living is a little more than they've got.

The consequence is that when really serious emergencies come, few wage earners' families are prepared to meet them. If this resulted merely in unhappiness and suffering for the families affected, we might content ourselves with present methods of trying to relieve distress as it arises. Industrial accidents, illness, premature death,

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unemployment, and old age, the most serious contingencies to which wage earners are exposed, would excite our pity but need not excite our alarm. But these evils do not confine themselves to the families who suffer directly from them. It is through them — and this is my second point — that the army of unskilled and unorganized casual labor is constantly recruited. How this comes about is only too familiar to workers among the poor. Consider first the consequences of fatal accidents. In the United States there are probably not less than 30,000 such accidents every year. Assuming that in one third of these cases either no family is left or adequate provision is made for the family, we have 20,000 families reduced to destitution by such accidents. This does not mean that that number of families are rendered dependent. Many of them, perhaps one half, face the situation bravely. But more than courage is needed to enable a widow left without resources to bring up her children as they would have been brought up had the father lived. To assume that one half of those who avoid dependency do so without falling into a lower class in the industrial scale than that to which they were born is to be highly optimistic. For the other half and for the

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families that become social dependents, the father's death is a calamity from which the family never entirely recovers. In consequence of these accidents some 15,000 widows and some 45,000 children are added every year to that group of unfortunates who are forced by necessity to accustom themselves to a hand-to-mouth existence. This means competition for work in employments where competition is keenest and wages are lowest. It means that the children grow up without any standard of living or training for earning a living.

If, instead of resulting fatally, the accident merely incapacitates the wage earner for continuing work in his trade, the consequences are almost as bad. In this event he, too, may be forced to seek work in those unskilled employments where earnings are lowest. Some wage earners meet this situation with no loss in independence and self-respect. Many more sink under their misfortunes and in time adopt the standards — or lack of standards — of the casual laborers with whom they have to compete. When we consider the large number of accidents that result in permanent disability, we must recognize that the annual quota that they contribute to the army of the standardless lowest class, is as large, if not larger, than the quota due to fatal

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accidents. In the aggregate, industrial accidents in the United States cause a lowering of standards of living for probably not less than 100,000 persons every year.

Much more serious than accidents in its effect on standards of living is illness. A careful estimate indicates that in the United States not less than 3,000,000 persons are seriously ill all the time. Of these 3,000,000 persons about 900,000 are males fifteen years of age and over. Making the moderate estimate that 500,000 of these are wage earners with families, we get some idea of the part that illness plays in recruiting the army of the disheartened and ineffective. If industrial accidents lower the standards of living of 100,000 persons in the United States every year, it is safe to say that illness depresses the lot of more than 200,000.

It would be impossible to estimate even roughly the number that owe their presence in the army of the standardless lowest class to unemployment and old age. That they run to the tens of thousands no one familiar with the facts will be apt to deny. In the aggregate, I have no doubt that in the United States every year fully 500,000 persons have their chance of living independent and self-respecting lives lessened by the five great misfor-

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tunes to which wage earners are exposed, — accidents, illness, premature death, unemployment, and old age.

These 500,000 persons, or many of them, are the recruits that prevent the army of standardless workers from growing smaller in this land of opportunity. And the presence of this army seems to me to constitute an insurmountable obstacle to the realization of the individualist's millennium. Skilled workers, by developing standards that they adhere to in good times and in bad and by organization, are able to advance their wages. It is of them that we usually think when we say that wages are rising. Unskilled and unorganized workers show no such capacity. They are at the mercy of the law of supply and demand. When demand for labor is active, as at present, more of them find work, and their earnings are higher than in periods of depression. But inveterate habit leads them to expand their expenditures as their earnings increase. They always live from hand to mouth. From their ranks employers can always recruit their labor force when those a little higher up in the labor scale strike to improve their condition. Unemployment finds them without savings, and soon reduces them to the position of social dependents.

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It is these facts that seem to me to make the program of individualism little better than a program of despair. By relying upon it we have made little real progress toward exterminating poverty. So far as I can see, we can hope by its means to make little real progress in the future. If we accept it, we must either blind our eyes to the facts about us, or else follow the early English economists in looking upon subsistence wages for the lowest grade of laborers as a part of the order of nature, and finding our consolation in the increased number and the increased comfort of the higher groups of wage earners and of the propertied class.

I, for one, am unwilling to accept either alternative. I believe that we shall devise means for exterminating poverty as we have devised means for exterminating other evils. The failure of wage earners to provide, each for himself, against the contingencies that I have specified — accidents, illness, premature death, unemployment, and old age — is to my mind merely proof that collective remedies must be found and applied to these evils. The program of social reform, which is explained in detail in the chapters which follow, deals mainly with these collective remedies. In brief outline, it consists in protecting wage-earning families

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which have developed standards of living from losing them, and in helping wage-earning families without standards to gain them. The first end is to be accomplished by making obligatory for wage earners exposed to industrial accidents, illness, premature death, unemployment, and old age, adequate plans of insurance against these evils. The second, by withdrawing from competitive industries the lowest grade of workers, the tramps and casuals, and giving them the benefit of industrial training in graded farm and industrial colonies, from which they shall be graduated only as they prove their ability to be independent and self-supporting.

I can hardly ask you to accept this program until I have explained and defended it in detail. I do, however, ask you to approach it with open minds, and that you may do so I feel that I must here consider a general objection that is always urged against proposals of this kind. The mere suggestion that collective provision for future needs be substituted for individual provision seems to many thoughtful persons to be fraught with danger. Experience has taught them that in their efforts to improve the condition of the poor they must be constantly on their guard against pauperizing those

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they are trying to help. Giving people things that they ought to work to get is a form of charity that they justly regard with suspicion. To such persons the same reasons that have made "mere relief" a byword among intelligent social workers may seem to apply to plans for substituting collective provision for the future for individual thrift and forethought. Is it wise or safe, they ask, to abandon present efforts to induce wage earners to provide voluntarily for their future needs and to make such provision on their part obligatory? Will not this tend to make them even less provident and less independent than they now are? The answer to these questions seems to me to turn upon the sort of future needs that it is proposed to provide against. If the need is one that the wage earner clearly foresees as certain to arise, then I should be the last person to wish to relieve him of responsibility for meeting it. If, for example, we were discussing means of helping wage earners to pay their rent, I should say the only safe means are measures designed to increase their energy, ambition, and efficiency. Only in extreme cases should a need of this sort be met by outside help. But the future needs we are considering are not of this sort. Many wage earners go through life without being

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the victims of industrial accidents, without serious illness, never lacking for work, and not living long enough to become superannuated. These are all risks to which wage earners are exposed, not certain needs which they can clearly foresee. The average wage earner does not believe that he will be overtaken by any of these evils. He is an optimist. He believes in his luck. It is easy to make him see that collective provision for these needs is desirable, because he knows that others are unlucky. It is not easy to convince him that he personally should insure himself against them, because he thinks that he personally is immune. For contingencies of this sort to which all are liable, but which many escape, collective provision seems to me not only desirable but necessary. So long as we do not interfere with the individual's personal responsibility for meeting the needs which he knows he will experience, — needs for food, clothing, shelter, etc., — making collective provision against the risks to which he is exposed should not undermine at all his spirit of independence and self-help. On the contrary, by increasing his sense of security, such provision should strengthen the motives that he has for saving. For it is not true that those who are most prone to save

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for future needs are those whose needs are most urgent. No class in the community is so improvident as vagrants who never feel sure of to-morrow's dinner. No class is more provident than the self-made millionaires whose provision for future requirements already exceeds the dreams of avarice. As security of property is the indispensable condition to the accumulation of capital in a community, so, I believe, security of income is indispensable to developing among wage earners the habit of looking ahead and making provision for those future needs that can certainly be foreseen. One justification of the program of social reform that I advocate is that it will foster providence and forethought by insuring wage earners against those interruptions to the steady flow of their incomes which now so frequently occur. The program may go too far or it may not go far enough, but it certainly is not open to the objection which we apply to indiscriminate relief. It still leaves the individual the arbiter of his own destiny in the all-important business of earning a living. And it does not supersede but only supplements those other efforts that we must continue to put forth to strengthen and elevate individual standards of living and standards of efficiency.