

Oasis

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**They Let
Their Fingers
Do The Talking**





Conditions in poorhouses for the care of aged dependents helped spur early attempts to create old-age pensions.

SOCIAL SECURITY began in the United States in 1935. TRUE or FALSE? One might argue that this statement is both true and false. The Social Security Act was enacted in 1935, creating the Federal social security system. But “social security” had its beginnings many years before.

Early efforts to provide for some form of social security in the United States began after the Civil War with the growth of the fraternal movement. John Upchurch of Pennsylvania started the movement in this country when he founded the Ancient Order of United Workmen in 1868.

American fraternal societies—including such orders as the Odd Fellows, the Foresters, and the Eagles—usually provided death benefits to member families. These societies were purely voluntary and unregulated by Government.

The movement spread fast. The National Fraternal Congress, organized in 1886, had enrolled 85 national fraternal orders by 1914. By that year, the affiliated societies claimed 5½ million members and \$7 billion of insurance in force.

Many fraternal societies were criticized sharply by State insurance officials for unsound practices. Societies often underassessed their members and then had trouble discharging their liabilities.

Were The Feds First In The Social Insurance Field? No

Supporters of fraternalism called it the -true spirit of voluntary co-operation in American life. They maintained that such voluntary savings made social insurance run by the Government unnecessary.

On the other hand, social insurance-then sometimes called workingmen's insurance-had its strong supporters as well. They maintained that voluntary efforts such as those of the fraternal societies were inadequate to provide social security. They wanted responsibility moved to the public sector.

(Those wishing to read further about the clash between the ideology of voluntarism and the philosophy of social insurance can read "The Struggle for Social Security 1900-1935" by Roy Lubove. This interesting book can be obtained from the SSA Library at headquarters or from your local library.)

The foremost advocate of social insurance was Isaac Rubinow, who came to this country from Russia in 1893 at the age of 18. After becoming a doctor, he treated the poor in New York City. His awareness of the "horrible circumstances" in which the poor-especially working class women with children but without husbands-tried to survive made him a lifetime advocate of social insurance.

Rubinow left medicine to study political science. Later he occupied a series of Government positions, including U.S. Commissioner of Labor. He viewed social insurance as the logical response to the income maintenance problems and suffering inherent in a wage-centered industrial society.

Social insurance substituted "social, cooperative provision for individual provision." The main burden was transferred from the individual to the group. It differed from private insurance by requiring participation by employers and/or the State. This was needed, Rubinow claimed, because the average worker couldn't afford private protection against loss of earnings due to accident, illness, unemployment, old age, and death.

Social security systems were established in Europe decades before

any State in the United States adopted such measures. France was the first nation to begin government insurance with its National Old Age Insurance Institution in 1850. It was, however, voluntary and directly related to contributions. Almost no workingmen could afford to take part; instead, the upper middle class made exclusive use of the plan.

Germany became the first nation to establish a real social insurance system. Prime Minister Otto von Bismarck, the "Iron Chancellor," fearing the rapid spread of socialism among German workers, introduced comprehensive social insurance legislation in 1881. This led to national health insurance in 1883, accident insurance in 1884, and retirement and disability insurance in 1889.

This series of compulsory and universal programs was the bellwether for social insurance in Europe. Other nations, including Austria, Hungary, Norway, and Luxembourg, soon adopted the same method of compulsory insurance. In 1910, France adopted compulsory old-age insurance.

A number of other countries began noncontributory old-age pensions based on need (like our SSI program) around the turn of the century. In Britain, a prison sentence disqualified one for 10 years, as did habitual drunkenness. Deserting one's wife or husband made a person ineligible for 4 years in Australia or New Zealand. Some other nations required that the recipient be of good moral character.

In the United States, individual States began sporadic moves toward social security after 1900. In 1902, Maryland created a State cooperative insurance fund to grant \$1,000 to the worker's family in each fatal industrial accident. The act was declared unconstitutional 2 years later.

In 1908, Massachusetts passed a law authorizing employers to set up, voluntarily, workers' compensation schemes. But the law remained a dead letter, as almost no employers volunteered. On May 30, 1908, Congress passed a limited accident compensation act to protect some Federal employees.

Other efforts to enact social security legislation were made in various States and in the U.S. Congress in the first two decades of the 20th century. The Massachusetts legislature considered several pension bills from 1903 on, but none became law.

In 1909, Representative Wilson of Pennsylvania prepared a bill for pensions of up to \$120 a year for the needy aged. The bill died in a House committee. Senator Harry Lane of Oregon introduced a bill in 1916 to grant old-age pensions of from \$1 to \$4 a week to needy U.S. citizens age 65 or older. This bill also died in committee.

In 1911, a milestone was achieved in mothers' pensions. Illinois enacted the first State-wide measure for widowed mothers and children. Eighteen more States did the same by 1913. These benefits were not insurance; instead, they were based on need like the current AFDC program.

Mothers' pension programs came about partly as a result of the many cases where juvenile court judges were forced to remove children from poverty stricken homes. Their mothers, often without any income, couldn't support them.

E. E. Porterfield, judge of the Kansas City Juvenile Court, argued in 1911 that a child "should never be taken away from a good mother. If the poverty of the mother forces her to neglect her child, the poverty should be removed and not the child."

These moves toward social security were hampered by fierce opposition. Many State courts, and especially the U.S. Supreme Court, were hostile to social legislation of all kinds. Many laws enacting social programs, however innocuous, were declared unconstitutional.

Samuel Gompers, the foremost U.S. labor leader in the late 19th and early 20th century, was an arch foe of social insurance. He was highly suspicious of intellectuals or "barnacles" who supported such ideas to "dominate the labor movement with panaceas or destroy it."

Gompers, who was born in England, believed the worker had to

take care of himself and not rely on employers or bureaucrats. He thought that compulsory social insurance would "make class distinctions greater and destroy the worker's institutions.

Gompers called on the labor movement to protect itself against "Socialists and their cohorts," and refuse to allow "government agents and spies into the homes and lives of the workers." (Most labor unions later supported social insurance.)

Some opponents of social insurance appealed to antiforeign prejudice. The American Association for Labor Legislation, founded in 1906 to press for social insurance and other social reform, was labeled "Made in Germany" during World War I. This was especially effective as Germany was then America's enemy.

Opponents charged that supporters took their guidance from foreigners and were trying to subvert the unique American way of life. Other epithets thrown at supporters of social insurance included "Pro Bolshevik" and "Pro I.W.W." (Industrial Workers of the World). This campaign was largely responsible for defeating health insurance legislation from 1915 to 1920.

By 1920, some observers thought that the social insurance movement was faltering. But population and life expectancy trends gave the movement new life with rapidly increasing numbers of the aged. In 1850, only 2.1 percent of the U.S. population (or about 350,000) were age 65 or over. By 1920, 5.7 percent (or about 6 million) were aged.

At the same time, industrialization spurred the movement of people to urban areas. No one on the farm was forced to retire at age 65. There were always chores for the aged to do. But in factories, increasing numbers of workers had to retire at age 65.

For a majority of workers, wages were too low to save for old age. Only a tiny minority had private pensions. Most people who were not forced to retire worked as long as possible, in fear of being forced into a poorhouse.

Conditions in poorhouses or

almshouses were often bad. Estelle Stewart, in a Bureau of Labor Statistics Bulletin in 1925, wrote that "dilapidation, inadequacy, and even indecency" were common in the poorhouses.

Among the inmates she said, "insanity, feeble mindedness, depravity, and respectable old age were mingled in haphazard unconcern. There is no sadder chapter in American social history than the callous neglect in dehumanized poorhouses for the care of aged dependents."

Old-age pensions became a leading issue in the 1920s. Joining Isaac Rubinow as a leading advocate for old age security was Abraham Epstein, also born in Czarist Russia. Epstein, much younger than Rubinow, became director of research for a Pennsylvania commission on old-age pensions. Backed by the Pennsylvania Federation of Labor, Epstein made that State a laboratory for social security. In 1921, he drafted the first model old-age pension bill. Although not enacted, the bill stirred interest in the issue nationwide.

On March 5, 1923, Montana enacted a compulsory old-age pension law, the first that was to stand the test of constitutionality. In the same year, Pennsylvania and Nevada passed similar laws, but Pennsylvania's law was declared unconstitutional in 1924 and Nevada's was made optional in 1925.

In 1926, Abraham Epstein organized the American Association for Old Age Security (later the American Association for Social Security). He edited a magazine, *Social Security*, and continued to press for social security legislation in books and in hundreds of articles and speeches. As far as is known, he was the person who coined the term, "social security," which since has become known throughout the world.

Opponents continued to fight tooth and nail against the old-age pension tide. The Pennsylvania State Chamber of Commerce, for example, charged that pensions were an "insidious experiment in paternalistic government which would sap the self-respect and destroy the

moral fiber of thousands of people.

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But by the mid-1920s, quite a few States were considering old-age pensions. Eleven States had enacted such pension laws by 1928, and 19 more States did so from 1929 to 1933. Nearly all these plans were compulsory.

Although most States had non-contributory old-age pensions on their books by 1933, relatively few individuals were actually receiving pensions. At the end of 1933, only 125,000 people were drawing old-age pensions averaging \$227 a year. Beneficiaries of the old-age pension systems were only 1/3 of 1 percent of the population in the States involved—less than 10 percent of the aged.

The pressure for more adequate protection for the aged population led inevitably to efforts in the Federal Government to enact national social security legislation. These moves, spurred on by the Great Depression, resulted in the Social Security Act of 1935.

Two other landmark Federal laws providing income security were enacted before the Social Security Act. In 1920, the Civil Service Retirement Act was passed. Major amendments to this Act were passed in 1930, setting up the civil service retirement system under which most civilian Federal employees are covered today.

The Railroad Retirement Act became law in 1934. This Act provided for a tax on railroad employees and employers, paid into the Federal treasury. The Government agreed to pay annuities and other benefits to retired workers.

Many issues in social security remained to be debated in future years and decades. The most important of these was whether the major thrust of social security legislation should be towards "welfare" or earning-related "insurance" to prevent dependency.

But the great debate over whether Government had any role in trying to provide income for families when earnings cease was essentially over by 1933. Most States had answered "yes!" □