

The Problem of Economic Security

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President Roosevelt, in his message to Congress on June 8, 1934, stressed particularly the importance of security in modern society.

"Among our objectives I place the security of the men, women and children of the Nation first.

"This security for the individual and the family concerns itself with three factors. People want decent homes to live in; they want to locate them where they can engage in productive work; and they want some safeguard against misfortunes which cannot be wholly eliminated in this man-made world of ours.

"The third factor relates to security against the hazards and vicissitudes of life. Fear and worry based on unknown danger contribute to social unrest and economic demoralization. If, as our Constitution tells us, our Federal government was established among other things 'to promote the general welfare', it is our plain duty to provide for that security upon which welfare depends."

I. Factors making for insecurity

This insecurity of the individual and his family which is so characteristic of modern industrial life, is steadily becoming more intensified. We cannot count upon the passage of time or automatic economic readjustments to solve the problem for us, since the following basic factors in industrial society are making for ever-greater insecurity:

- (1) The relative decline of self-sufficient agriculture;
- (2) The steady growth of the division of labor, interdependence of markets and the price system;
- (3) The increasing rapidity of change in all phases of our economic system.

It is incenseivable that any of these developments can be arrested of even seriously modified. Nor would we wish to modify them if we could. Change is, after all, a necessary adjunct of progress. Individual initiative, progress and change are synonymous with the best in American life as we have known it, and they contain the most precious values of our free western civilization. But the opportunities of this free society have, in the midst of our complex and increasingly interdependent economic organization, been matched by concomitant risks and instabilities which are intolerable for those individuals who bear the brunt of dislocations, which are extremely costly for our society and which are fraught with danger for those institutions we so highly prize. The basic economic problem which faces us at the present time is how to maintain maximum freedom in our economic life and also provide security for the individual and his family.

II. Broad lines of approach to economic security

There are two fundamentally different, but supplementary, approaches to this problem:

- (1) The forces of economic change must be subjected to a greater degree of control and direction in the common interest; and
- (2) The inevitable dislocations of socially desirable progress must be cushioned for individuals and groups by means of an integrated program for economic security.

The first of these related lines of action is, of course, exemplified by the Recovery program of the Administration, which offers great promise for the development of better ways of guiding organized business enterprise and agriculture in this country.

With reference to the second approach, there has, of course, always existed in this country some provision for absolute dependency and need. In local communities and in the various states there have grown up, throughout the years, systems of poor relief, of free hospitals and of other institutions to provide in a limited way for the most urgent cases. However, it was not until this Administration that the Federal Government accepted any responsibility in this field. One of the first steps taken by the Administration was the provision for nationwide unemployment relief on a reasonably adequate basis with liberal grants of funds provided by the Federal Government.

This represents the beginning of an integrated program for economic security. But there is need for something more. The President has clearly indicated the necessity for developing a unified and far-reaching program of protection for the individual and his family by means of an interrelated system of social insurance and relief, a system which will provide for increased employment opportunities and more reasonably assured family income, as well as the relief of destitution.

III. The hazards

This program of protection must be based upon the nature of hazards and misfortunes to which individuals, families and economic groups are now subject in this economic system of ours. The following are generally accepted as the major hazards of life:

(1) Unemployment--the lack of opportunity to earn an income by productive work. Although this hazard is usually considered as a single risk, it is by no means as simple as this. The loss of a job, and with it the loss of family income, is the basic factor, but the circumstances surrounding that loss are of several kinds. There is unemployment which is due to the seasonality of industry and business. There is also what is called cyclical unemployment, which strikes the Nation during intervals of business depression. Different still, though often associated with the other two, is technological unemployment--the permanent displacement of individuals because of industrial or occupational changes. Usually this type of unemployment is associated in the popular mind with machinery and mechanization, but it is much broader than that. Then there is intermittent unemployment due to the inability of employers accurately to gauge market conditions. Likewise, there is unemployment existing at all times which can be ascribed not so much to any of the preceding causes as to the inability of the individual worker to find the job which may be waiting for him.

Lastly, there is unemployment which may be ascribed to what can be called "personal" factors, to maladjustments and unfitness on the part of the individual. It seems probable that the complex organization of industry and business is making it more and more difficult for individuals to adapt themselves to the necessities of the job. It seems beyond question that the business depression is having a disastrous effect upon the skill, morale and work habits of a large part of our industrial wage earning population. These people will need not only relief for the duration of

their unemployment, but also education and rehabilitation in order to make them capable once more of productive work.

(2) Another great risk is that of old age and invalidity.

Age first makes itself felt for the wage earner in declining wages or salary, still later in loss of the job, in change of occupation, and, eventually in complete unemployability. There is no avoidance of this basic risk which touches rich and poor alike and is for all classes of population absolutely inevitable. This may or may not be coupled with chronic illness and invalidity requiring constant care and attention. Likewise, invalidity may come before old age and decrease the wage earning capacity of the worker while still leaving him a burden to his family throughout the years. Accidents which cripple for life, illnesses which destroy the worker's occupational skill, these are things which may strike at any age. Some provision must be made to care for the family of wage earners whose ability to work has been destroyed.

(3) Industrial accidents and occupational diseases. The toll is great and shows a tendency to increase, in spite of safety measures undertaken by private and public agencies.

(4) Sickness. Although only temporary, sickness is one of the most serious drains on the wage earning family's standard of living. In unforeseen circumstances and at uncertain periods the wage earner is struck down by illness or accident which temporarily destroys his income producing powers, which forces his family to serious expenses, and which may lose him his job with consequent later unemployment.

(5) A number of miscellaneous related hazards afflict the non-wage earning members of the families. Among these are widowhood, orphanhood, resulting from the death of the wage earner of the family, the risks of maternity, the birth of blind and crippled children, and illnesses of all kinds. Security of the family cannot exist until these are provided for.

We have, in the past, as stated by President Roosevelt, attempted to solve these problems in piecemeal fashion. For the so-called "poor" we have provided "poor relief" which has taken various forms. Most States have instituted widows' pensions in preference to putting the children in institutions and forcing the widow to become a wage earner. All except four States have workmen's compensation acts which attempt in varying degrees to compensate the injured worker and his family for his loss in wage earning capacity. More than half the States have old age pension laws. One State has an unemployment compensation act which has just gone into effect. In the present emergency the Nation has not hesitated to spend billions in unemployment relief for all those who are in need.

The significant point in connection with all these attacks on the problem is the fact that protection has been provided by what the social workers call "categories." When need has become sufficiently urgent we have done something about it, but always in the form of meeting that particular need, often in very strictly limited fashion. There has been no broad unified program of providing protection and relief against all the insecurities whatever they may be. However, we are now coming to recognize that a primary objective of Government should be the elimination of insecurity. If we adopt this new point of view, it becomes necessary

at once to develop an integrated program which will insure that no need arising from insecurity shall be left unmet because there are gaps in the line of defense. What then are the minimum essentials of such an integrated program?

IV. Integrated program of security

1. Development of work opportunities in private employment.

The first move must be to reduce the whole problem to a minimum by providing a maximum opportunity for gainful employment. A large proportion of these integrated problems solve themselves when the family wage earners have access to full employment at reasonable wages. How can this best be provided?

(a) The most obvious step in this direction is the full clearance of jobs and available workers through a nation-wide, coordinated system under the U. S. Employment Service. There is little need for unemployment of a frictional nature to exist in our business organism, and it will not exist when we have given our labor market mechanisms as much attention as we have given our commodities and stock markets.

(b) Along with an employment service there must be provision for vocational guidance and training, so that workers' aptitudes and skills may be developed and utilized to the fullest extent. This includes a program of retraining and rehabilitation for those workers who

have been "dispossessed" because of industrial and occupational changes.

- (c) Sometimes the best adjustment of workers to work opportunities requires the relocation of populations and/or the development of the natural resources of a whole region; e.g. subsistence farming program and the TVA.
- (d) The regulation of child labor and hours of labor increases and distributes job opportunities in a more socially desirable fashion.
- (e) When regular credit sources are inadequate, loans to farmers and business men through agencies financed in whole or in part by the Government are another means of providing work opportunities in private employment.

2. Direct provision of work opportunities by the Government.

For many years past, conference have been held on the subject and recommendations made for the dovetailing of public works with private industry in such a way that not only would unemployment be alleviated during depression times but the course of the business cycle profoundly affected. However, little had actually been accomplished along this line, and it is significant that, when the present depression began, appropriations for public works throughout the United States declined rapidly along with expenditures of private industry. Even the Federal Government at first restricted its public works expenditures.

When the present Administration took office, one of the first moves which was made was for the development of a large-scale Federal public construction program in the form of Public Works. When this seemed too slow in getting under way, an emergency program of Civil Works was instituted. The Civilian Conservation Corps represents another form of this plan. However, there was no opportunity for proper timing or proper planning. This whole field needs to be explored from several points of view:

- (a) The possibility of projecting far into the future a program of socially desirable and well-timed Government work which would provide large-scale opportunities to the unemployed, and thereby keep gainful employment in this country at a uniform minimum level.
- (b) The possibility of integrating a public works program with unemployment compensation so that the benefits could be increased to those who worked on public projects
- (c) The possibility of fully utilizing the aptitudes and skills of the working population. This necessity has already been mentioned in connection with private employment opportunities. However, it may be possible to carry on public works in such a way as to facilitate the retraining and rehabilitation of the workers dispossessed of their old skills.

3. The social insurances. Despite all efforts that may be attempted at direct prevention, a minimum volume of unemployment is likely to persist. Provision must be made for this eventuality and for all of the other hazards affecting the family income. The next line of defense must be an interrelated, thoroughly coordinated system of social insurance. The basic principle which must be applied here is that the workers and their families shall have, at the first impact of disaster, the right to some regular income provided on a contractual basis, an income which is theirs without question, provided they have performed their part of the bargain. Regardless of how the funds are raised in these social insurances, whether by contribution of the workers themselves, by employers, by the Government, or by any combination of these three, the distinguishing feature of social insurance is that the benefit payments belong as a right to all qualified applicants. This requires no plea of poverty and no loss of self-respect. Among the more important of these social insurances are the following:

(a) Unemployment compensation. The outstanding factor in connection with unemployment compensation is the assurance of a limited income for a limited period of time to the worker's family. The theory is that this limited protection will provide sufficient time for the worker to find another job and to make these readjustments which will be necessary. Only one State has enacted an unemployment compensation act.

(b) Old Age. For many years in this country the only provision made for old age and invalidity was the County Poor Farm or almshouse. Within recent years twenty-eight States have instituted old age pension systems, making provision for limited payments to destitute aged persons. In some professions such as teaching, and in the Civil Service, retirement systems have been established which provide for pensions to the employed at the age of retirement. Voluntary plans are still more important than State old age pensions so far as total benefit payments are concerned. Lastly, the ordinary commercial insurances have been specializing in offering endowment policies and annuities to individuals seeking to provide for their old age. The present situation, however, is that the overwhelming majority of aged persons are wholly dependent upon their friends and relatives or upon the community. There is nowhere an adequate provision for this hazard in our economic system.

(c) Workmen's compensation. All except four States now have workmen's compensation acts. These afford a modicum of protection against the loss of income due to industrial hazards. However, most of the acts do not adequately compensate the injured workman and his family for the consequent wage loss, especially in the case of major permanent disabilities and death.

(d) Health. The only provision which has been made for health in this country is that of medical care by private physicians and hospitals, or free care for those who can demonstrate their inability to pay anything. Some medical care is more or less automatically

provided for injured workmen under workmen's compensation. Otherwise, health insurance has been, for all practical purposes, totally absent in the United States. Certain sick benefit plans have been initiated by labor unions and by some employers. Medical care provided by hospitals and groups of doctors, financed by regular periodic payments, have been experimented with in various parts of the country.

During the present depression, for the first time, health has been recognized as a concern of the public authorities in granting relief, and allowances for medical treatment are now being made by the FERA along with grants for food and shelter. However, these allowances are made only upon proof of destitution.

(a) Mothers' and widows' allowances, maternity benefits, etc. The mothers' allowances movement in the United States started earlier than that for old age benefits. Interest in mothers' allowances originated from child welfare. From 1911 on a definite trend toward acceptance of the problem of mothers' pensions by State legislatures and County commissions was in evidence. By 1933, 46 States, the District of Columbia, Alaska and Hawaii, had passed legislation for grants to mothers from public funds. Due, however, to the experimental character of this legislation, and to the haste in framing the bills, the present situation is far from satisfactory. Appropriations are often inadequate to provide for all mothers qualified. Frequently no provision is made for mothers with only one child, or for mothers whose husbands have deserted them, and never for widows without children.

The maternity death rate in the United States is among the highest of the world. This can be attributed in part to the gap in our social insurances which exists in the case of maternity benefits. The income of many workers being insufficient to finance adequate medical care.

(f) Although the problem has as yet received comparatively little attention, there is a large area of need to which the insurance principle has not previously been considered to be applicable. Outstanding among the classes which are invariably omitted from any program of unemployment insurance are the various groups of self-employed, such as small business men and the professional classes. Only when a detailed Census classification is made of our business enterprises, does it become apparent how large a proportion of our productive workers are engaged in business for themselves. These classes are normally exempted from all unemployment insurance systems because of the circumstances under which they receive their income. There is urgent need for a study of this problem looking toward the development of something equivalent to insurance which would be applied in the case of these classes.

Another group in our economic society closely related to the foregoing are the farmers, including under that term horticulturists and all others who make a living from the soil by independent farming operations. To some extent the ordinary commercial insurances (fire, hail, accident, property damage, etc.) provide some protection for the various aspects of farming, but there is no protection for the individual farmer and his family as human beings. What the farmer

cannot, under any circumstances, be placed. A residual amount of medical care or relief, which reaches all who fail to classify for any other type of protection, will have to be provided for.

Just as in the case of insurance, so in the case of relief agriculture presents peculiar problems. The need of farm families for direct relief has often been obscured because of the prevalent idea that the farmer can provide himself with the basic necessities of life. There are even today rural counties in some States where the local government authorities have dispensed with all forms of relief on the theory that there is no need.

V. Basic considerations

In the development of a program of protection against the hazards of modern industrial life, there are certain basic considerations to which careful attention must be given.

(1) The various forms of insecurity have an essential unity from the social as well as from the individual viewpoint. On the side of diagnosis, all involve decline in purchasing power with unfortunate consequences for the economic structure and the stability of social institutions. On the side of treatment an alignment is needed which at once confronts all of these various risks. The coordination of a necessarily diversified attack upon this complex problem requires integrated planning in the allocation of sources of revenue and in administrative procedure. It has been discovered that when the different insurances are not planned together, those

in existence will have to bear some part of the cost of protection against the uncovered risks. Thus, workmen's compensation contains a considerable proportion of unemployment benefits, particularly in times of depression. Likewise, unemployment insurance will be paid for sickness and disability, and old age if it comes into existence first, just as unemployment relief is doing at the present time.

(2) Running all through the entire program there should be features which have a preventive effect, so that the program will not aggravate the hazards it seeks to relieve, but reduce those hazards.

(3) A third consideration is the division of responsibility, both in finances and in administration, between the various governmental units, Federal, State and local. The importance of the Federal Government, especially with respect to leadership and to coordination, can hardly be exaggerated. The inadequacy of the methods used in the past can, in a large measure, be traced to the unwillingness of the Federal government itself to provide a plan and to take the lead in developing it. Nevertheless, the importance of State and local units cannot be overlooked. Politically speaking, the States are still very powerful Government units which cannot be coerced or controlled by the Federal Government, although they can be led. The local bodies have always been the basic units in all relief in this country, and especially in the urban areas. This situation is likely to continue. Certainly, insofar as the administration is

concerned, a good deal of responsibility must of necessity be allocated to the State and local Governments.

To encourage States to cooperate with respect to those problems which extend beyond State borders, certain generally known political devices are available. One is the Federal aid or matching method. Another method is the "drawback" whereby a tax is levied generally and credit given under certain circumstances. State cooperation may take the form of the regional compact, an agreement among two or more States in a given region involving uniform policies and action. With leadership and initiative supplied by the Federal Government, much might be accomplished in this way.