

3

Reading #3 is from Social Insurance: An Economic Analysis, published in 1917 by Robert Woodbury. Woodbury was one of early American “social insurance enthusiasts” alluded to by Rimlinger in Reading #1a, pg. 2.

Basing his account on the examples of Germany and Britain, Woodbury in this selection distills the essence of what social insurance meant at that time. I include the excerpt, because it provides a useful reference point for our discussion next time, when I will describe the conceptual underpinnings of the year-long Structure of Public Psychiatry sequence as a whole.

## SOCIAL INSURANCE



### CHAPTER I

#### THE DEVELOPMENT OF SOCIAL INSURANCE

Social insurance, strictly speaking, is not insurance at all. Insurance involves the distribution of the burden of accident or other loss among persons exposed to risk by means of premiums so measured as to equal the cost. Social insurance is a term applied to government action with reference to the problem of eliminating uncertainty from the income and life-position of workingmen. An accident may cripple a laborer for life and prevent him from earning a livelihood; sickness may cause a temporary or permanent loss of earnings; old age may find him unprepared with savings and unable to support himself. All of these contingencies may be met by insurance voluntarily assumed by persons subject to risk. Legislation designed to lessen uncertainties or fluctuations of income arising from these causes may be termed social insurance legislation. A legislative measure may require workmen to insure themselves against accident or may take the form of imposing upon the employer liability for damages arising from negligence, or, as in workmen's compensation and in accident insurance, the employer may be required to pay specified rates of compensation to injured workmen. Measures requiring or assisting workmen to insure against sickness, invalidity,

#### THE DEVELOPMENT OF SOCIAL INSURANCE

or old age are designed to reduce the fluctuations of income of workmen. It is usual in such legislation to lay a part of the cost on the employer. State old-age-pension schemes represent a bold assumption by the state of responsibility for the aged workman whose income is insufficient. All such legislation falls within the field of social insurance.<sup>1</sup>

The test of the adequacy of social insurance legislation is the degree of completeness with which the legislation accomplishes its object in its special field—the elimination of insurable uncertainties from the income of workmen. The development of social insurance shows a progressive tendency toward greater adequacy. The (limited) liability of employers for damages resulting from negligence has been superseded by workmen's compensation and accident insurance laws applicable to practically all industrial accidents. Legislation encouraging and assisting voluntary insurance has given place to compulsory insurance legislation. The chief obstacles in the way of more adequate protection have been the difficulties of administration and enforcement. But methods have gradually been perfected by which premiums can be regularly collected and the insurance of workmen efficiently controlled.

An important feature of the development of social insurance legislation, though not directly connected with the trend to compulsion and to greater adequacy, is the evolution of the division of the burden of cost. A given division of cost reflects as it were the prevailing concept of equity in apportionment; but where determined by legislative enactment, it may also be regarded as an indication of the political strength of the parties to the division.

<sup>1</sup> Unemployment insurance, maternity insurance, etc., fall within the field of social insurance, but they are not here specifically treated. Unemployment insurance has been only recently developed, and the special difficulties connected with compulsory unemployment insurance are so great and to such a large extent still awaiting solution that it has not seemed worth while to give it a separate treatment.

A brief outline of the development of social insurance legislation in Germany will show more clearly the steps of progress. Germany is selected rather than England, because it was there that the advantages of protecting workmen by social insurance legislation were earlier appreciated. In Germany the spirit of *Misssz-faire* and of individualism was not present to act as a deterrent to such legislation. In Germany, too, were developed those methods of administration which made a compulsory system of insurance feasible.

\* \* \*

In the United States social insurance has gained little actual realization. More has been accomplished in accident compensation than along other lines. In thirty-one states workmen's compensation laws are in force providing for compensation by compulsory insurance of employees or by elective insurance with the alternative of abrogation of the main defenses of the employer under the common law rules. These laws are subject to review by the courts, which may declare them contrary to the constitution of

the state or of the national government. The constitutions of the states have been amended in some cases so as partly to obviate these difficulties. But a decision of a state court declaring a state law void on grounds of incompatibility with the national constitution is not subject to review by the federal courts.

Practically no attempt has been made to secure social insurance against sickness or invalidity.<sup>1</sup> Beginnings have been made in insurance against old age in the case of teachers and of certain government employees.<sup>2</sup> Pensions of the national government take care of aged veterans of the Civil War, but make no specific provision for the aged working-man.<sup>3</sup>

The remarkable spread of the idea of social insurance throughout all the principal industrial countries of Europe and the beginnings of agitation in the United States point to the eventual adoption of the idea in some form. If the results of the system are good, if it is a step forward in social justice, if its advantages are greater than its disadvantages, its introduction into the United States is only a question of time.