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The Evolution and history of the Social security act of 1935 with particular reference to the attitude of the American Medical Association

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THE EVOLUTION AND HISTORY OF THE SOCIAL SECURITY ACT OF 1935
WITH PARTICULAR REFERENCE TO THE ATTITUDE OF
THE AMERICAN MEDICAL ASSOCIATION

by

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A. B. Carroll College, 1957

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PREFACE

THE DEBATE OVER MEDICARE

The State Department auditorium was crowded with reporters from the vast news media of the nation and foreign countries. A few minutes after two P.M. on Wednesday, May 23, 1962, the President of the United States, John F. Kennedy, flanked by his press secretary, Pierre Salinger, appeared before the waiting group. The usual respectful silence settled over the room as the President approached a speakers rostrum. "May I have your questions, gentlemen,"\(^1\) signified the chief executive had no prepared statement to read.

The reporters began immediately to vie for attention, for pressing issues of a bewildering variety faced the country. "The refugee problem in Hong Kong;" "Surplus food to Communist China;" "Whether the Army Group in Thailand is equipped with live ammunition" -- were some of the first topics raised.\(^2\) Then Richard E. Mooney, Washington correspondent for The New York Times, caught the President's attention and asked:

Mr. President, could you tell us what you have thought of the American Medical Association's reply on Monday to your proposals - your speech on Sunday about medical care and also could you tell us what sort of reaction you have had so far

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\(^2\)Ibid., p. 16.
in the White House to the two television speeches - yours on Sunday and the American Medical Association's."\(^3\)

Before quoting the President's reply to this question it is necessary to offer some background and explanation to the problem to which reporter Mooney referred.

The term medical care, or 'medicare' as it is sometimes called, has been used to designate a number of programs designed to finance medical care under public authority.\(^4\) Six years ago, in 1956, Congress with the co-operation of the American Medical Association, set up a plan to provide free medical attention for dependents of military officers and enlisted men through private doctors at civilian hospitals. This medicare program pays for up to a year's hospitalization, covers a wide variety of services and even sets maximum doctor's fees.\(^5\) Another plan which would fall under this broad interpretation of the term medical care is the Kerr-Mills Act passed by Congress in 1960, which provides for the Federal Government to match state funds in cases where an individual is unable to provide for his medical obligations.\(^6\)

\(^3\)Ibid.


Certain facts of American contemporary life explain the recent increase of concern over the health needs of our older population. This accounts for the interest in medical care of the aged at this time. The life span of Americans has lengthened twenty years since 1900. In 1920, only 4.7 per cent of the population were sixty-five years of age or older. In 1962 this figure has risen to 9.2 per cent -- a total population of seventeen million Americans in this older age bracket. Costs of medical treatment and hospital care have also risen. Daily hospital costs have gone up from $9.36 in 1946 to $32.23 in 1960.\(^7\)

Meanwhile, the average income of the aged remain fixed or have declined at the very time they face mounting medical costs mostly due to inflation. Of the 15.3 million individuals sixty-five and over in 1959, fifty-five per cent had annual incomes of less than $1,000 and another twenty-three per cent received less than $2,000. In many cases these people can not meet the high medical costs.\(^8\) A recent survey showed that in eight million families where the head was sixty-five or over, sixty-seven per cent had savings of $2,000 or less.\(^9\) Bearing these facts in mind, it is generally agreed that the nation faces a significant problem in seeing

\(^7\)Campion, op. cit., p. 384.

\(^8\)Ibid.

to it that the aged receive the medical aid they need but find difficult to purchase or provide.\(^\text{10}\)

Several steps have been taken to meet this problem. A recent statement by Frederic W. Ecker, chairman of the Board of Metropolitan Life Insurance Company, pointed out that of an estimated nine million persons aged sixty-five and over, about fifty-three per cent were covered in 1961 by some form of voluntary health insurance.\(^\text{11}\) In addition, the Kerr-Mills Act of 1960 calls for two basic plans to be financed by Federal-State matching funds. Under the first, the states which elect to do so, can pay, as far as practicable under local conditions, medical bills of persons sixty-five and over who are on public assistance rolls. The second plan enables co-operating states to furnish medical assistance to individuals who are not recipients of old age assistance, but whose income and resources are insufficient to meet the cost of necessary medical services. Though the Kerr-Mills approach is available to all states, as of March, 1962, only twenty-three states and two territories had taken steps to implement it. Statistics show that from a theoretical

\(^{\text{10}}\)Campion, op. cit., p. 384.

\(^{\text{11}}\)Nation's Business, op. cit., p. 89.
total of ten million people, less than 75,000 actually received aid under the second provision of the law. This is much less than one per cent.

Yet, taking into consideration the advance made by these private and public efforts to care for the aged, many observers still feel that more must be done to permit all the aged to procure the medical services they require.\(^{12}\)

House Bill 4222 introduced on February 13, 1961 by Representative Cecil King (D., Cal.) and Senate Bill 909 introduced by Senator Clinton P. Anderson (D., N. Mex.) on the same day, is entitled: Health Insurance Benefits for the Aged: Title XVI to the Social Security Act. It has since been referred to as the King-Anderson Bill. Specifically this bill would cover all those individuals age sixty-five or over who are entitled to receive benefits under the Social Security System or the Railroad Retirement Plan — a total of 14.2 million Americans. These persons would be eligible for up to ninety days of hospitalization for any illness, with the patient paying the first ninety dollars; plus up to 180 days of skilled nursing home care following release from the hospital; or up to 240 calls by visiting nurses in lieu of nursing home care; and payment of charges in excess of twenty dollars for diagnostic services by out-patient

\(^{12}\)Campion, op. cit., p. 385.
clinics. The plan would be financed by raising the tax base of Social Security from the present $4,800 to $5,200. Social Security withholdings would be increased one-fourth of one per cent to both employer and employee.

Senator Jacob Javits (R., N. Y.) proposed still another Senate Bill to include an estimated three million elders not covered under Social Security but to be financed by Social Security. He also suggested three other medicare plans — one providing benefits for acute short-term illness; a second offering benefits for long-term illness; and a third authorizing Social Security payments of one hundred dollars a year to a private insurance company. Representative John Lindsay (R., N. Y.) tendered a proposal, suggested originally by New York Governor Nelson Rockefeller, which would modify the King-Anderson Bill by offering a cash option to individuals who want to be insured by a private company. Representative Frank Bow (R., Ohio) introduced H. R. 8721 which would permit tax credits of one hundred and twenty-five dollars annually for each person sixty-five or

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14 Nation's Business, op. cit.
16 Ibid., p. 707.
over who had paid premiums on private health insurance policies. Moreover the Federal Government would be required to make direct payments of up to a similar amount to purchase policies where no taxes were owed. This program would not be financed through Social Security but from general tax revenues.  

In the debate that has taken place regarding all these plans, the basic issue seems to be the method of financing the medical program. More specifically, the focus of attention is on the question of whether these public programs should be financed through the Social Security System already in existence. All parties admit the need; and most recognize that action to some extent must be supplied by public authority. Even the American Medical Association admits the need for a fuller implementation of the Kerr-Mills Law.  

Support for these measures do not necessarily follow strict party lines. The King-Anderson Bill has the full backing of the Kennedy Administration but some Democrats have offered stiff opposition to it. Senator Robert Kerr (D., Okla.) co-author of the Kerr-Mills Act, has described the King-Anderson Bill as a "cruel hoax." On the other

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17Ibid., p. 782.

18Campion, op. cit., p. 382.

hand there has been some Republican support for the King-
Anderson measure, at least in principle, as both the Javits
and Lindsay proposals are basic modifications of this plan.
On May 1 of this year, Nelson Rockefeller, Republican
Governor of New York, commented publicly that the people of
the United States should look to the Federal Government for
a medicare program and that such a program should be set
up on a contributory basis under Social Security.  

However, Representative William E. Miller, (R., N. Y.),
Chairman of the National Republican Committee, characterized
the King-Anderson Bill as "a trick designed to weld seventeen
million people into a voting block . . . bait for infiltrating
senior citizen clubs and turning them into political activist
groups."  

The Bow Bill -- even though introduced by a
Republican Congressman, and devoid of the Social Security
approach -- has been severely critized and rejected by leaders
within his own party.  

Most Democrats in Congress, organized labor, and the
American Nurses Association seem to be the main proponents
of the King-Anderson Bill. The opposition groups for the
most part are the American Medical Association, many Republi-

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21Campion, op. cit., p. 373.
22Ibid.
cans in Congress, the United States Chamber of Commerce, and insurance groups. To show the magnitude of interest in this King-Anderson Bill, some four volumes of testimony totaling 2281 pages have been heard before the House Ways and Means Committee both for and against its adoption. 23

In recent months, however, argument and debate have taken several other forms. President Kennedy, addressing a rally of senior citizens at Madison Square Garden in New York on Sunday, May 20, 1962 - a speech which was viewed nationally on television - likened the need of medicare in the sixties to the need for Social Security during the time of Franklin Roosevelt in the nineteen thirties.

All of the great revolutionary movements of the Franklin Roosevelt administration in the thirties we now take for granted, but I refuse to see this country and all of us shrink from these struggles which are the responsibilities of our times. . .

All these arguments were made against Social Security at the time of Franklin Roosevelt. They're made today. . .

This bill serves the public interest. It involves the public welfare. The Constitution of the United States did not make the President or Congress powerless. It gave them definite responsibilities to advance the general welfare and that is what we are attempting to do. 24


The American Medical Association, the chief opponent of the administration bill, countered the Kennedy speech with a television program of its own the following day, May 21. The program, entitled "Your Doctor Speaks," and costing over one hundred thousand dollars, was an hour long narrated drama in which Dr. Edward R. Annis, a Miami physician, again and again assailed the King-Anderson Bill for its limitations and liabilities.

... a cruel hoax and a delusion. It wastefully covers millions who do not need coverage ... it will undercut and destroy the wholesome growth of private voluntary insurance and pre-payment health programs for the aged. ... It will lower the quality and availability of hospital service throughout our country. ... and will stand between patient and his doctor.

With this background in mind, Reporter Mooney's question at the presidential press conference of May 23, 1962 — as to what the President's feelings were in regard to the A. M. A. telecast and White House reaction to his own speech of some three days before — can now be appreciated. President Kennedy answered as follows:

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Well, I read the statement made and I gathered they were opposed to it. The thing that — what I thought was remarkable was that the language which the American Medical Association used was so similar to the language they used when it opposed and successfully defeated the proposal which President Eisenhower sent up a number of years ago, to provide for reinsurance of private health schemes. That was a proposal — I was on the committee — as a matter of fact that heard it and supported the legislation. The A. M. A. led the fight against it and defeated it.

In addition the A. M. A. was one of the chief opponents of the Social Security System in the Thirties. The line, "a cruel hoax" was used against the Social Security System at that time as they're used today.

... The description of our bill, I did not recognize. Now I think that the American people know quite well what the problem is. There isn't anyone in the United States, who will not have, or who has not already had, a case of a parent who is sick for a long period of time, with the burden falling very heavily either upon them, or their savings or upon their children.

There isn't any doubt that we can take care in this country of those who have no resources. They are treated. We take care of those who are not well off to pay for all of their bills. What this bill would particularly help are those who have some savings and who nevertheless find themselves hard pressed, or their children who have some savings and find themselves faced with large bills which, in the short space of one, two, or three or four months can run up into several thousands of dollars.

So I feel that the A. M. A. may oppose this bill, may not support this bill — but I think the American people will, and I think more and more doctors are supporting it. And I think it is extremely important legislation.

... In my judgment, if this comes to the floor of the Senate, it will pass. If it comes to the floor of the House, it will pass.
And it will serve just as effectively as the Social Security Bill has served us since the Nineteen Thirties. And those who are opposed to Social Security should oppose this, but those who believe Social Security has served this country well - should support this because it is in that tradition.26

Two days following the President's press conference

Dr. Leonard W. Larson, President of the American Medical Association, took exception to some of President Kennedy's remarks and made public a letter he had written to the President.

I note that in your press conference Wednesday afternoon, May 23, 1962 that you made the statement that "the A. M. A. was one of the chief opponents of the Social Security System in the Nineteen Thirties.

I know that you would not give the American people incorrect information about the A. M. A. or any other organization or individual. I am confident that you have not received the correct information about the A. M. A.'s position on the Social Security System when it was under consideration by Congress in the Nineteen Thirties.

The allegation that the A. M. A. opposed passage of the Social Security System was contained in a lengthy list of similar statements which apparently originated with a former Congressman, Eugene D. O'Sullivan (D. - Nebr.). Mr. Sullivan included them in a speech during his unsuccessful campaign for reelection. After his defeat he had his speech printed as an extension of remarks in the Congressional Record. Mr. O'Sullivan apparently got a substantial part of his incorrect information from a speech delivered in the same year by former Congressman Andrew J. Biemiller (D. - Wisc.)

Some ten years later, the A. F. L. - C. I. O. Committee on Political Education reproduced the allegations in a 'political memo' entitled, 'The Forand Bill and the Record of the A. M. A.'

The charge that the A. M. A. opposed the Social Security System is entirely incorrect. The fact is that the A. M. A. never took a position on the Social Security System. The Association testified before Congress on only one section of the legislation, the section concerning the extension of public health services. It should be noted that the A. M. A. testified in support of this section.

I wish to emphasize that the A. M. A. never opposed adoption of the Social Security System."^{27}

These statements by President Kennedy and Dr. Larson indicate clearly that the answer to the question of whether or not the American Medical Association was one of the chief opponents to the Social Security System in the Nineteen Thirties has not been definitely established. It is therefore the object of this thesis, in part, to investigate through historical research, the question of whether the American Medical Association opposed or favored legislation which established the Social Security System and the subsequent proposed amendments designed to broaden the coverage of the original Act of 1935, including suggested plans of health insurance.

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CHAPTER I

INTRODUCTION

The famous European historian, Professor Carlton J. H. Hayes, while lecturing at a midwestern university, was asked what one word might best characterize modern history. His answer, which probably did not excite his audience, was simply "revolution." Professor Hayes did not particularly have in mind the three great revolutions of western civilization -- the American Revolution of 1776, the French Revolution of 1789, or even the Bolshevik revolution of 1917. Rather it engulfed all important change in history, economic, social and religious as well as political. Such a general answer borders on the meaningless unless the significance of specific changes are weighed. If the term revolution is the best single-word description of modern history, then which revolution has been the most important or has had the most far-reaching influence?

Most historians would reply, without hesitation: the Industrial Revolution. Professor James T. Shotwell, for example, considered the Industrial Revolution as the "tour de force" of modern history.

\[28\] Ibid., March 17, 1954, p. 11.
It has brought into existence a vast working population, embodied in iron and steel drawn from mines and forests, from steam, gas, electricity by the mysterious genius of the human brain. It has transformed the face of nature and the life of the entire world. These are not mere economic facts. They form the largest and most wonderful chapter of mankind. What is the Renaissance or Reformation, the empire of Charlemagne or Caesar, compared with the empire of the mind and industry, which has penetrated the whole world, planting its cities as it goes, binding the whole together by railroad and telegraph until the thing we call civilization has drawn the isolated communities of the old regime into a great world organism; with its afferent and efferent nerves of news and capital reaching to its fingertips in the markets of the frontier? A nickel spent for thread in Uganda sets the spindles going in Manchester. Fellaheen by the Nile might be starving because the cigarette factories are building marble palaces for their owners on the banks of the Hudson.29

Professor Harry Elmer Barnes has characterized this revolution as "the most momentous economic transformation in history." Briefly he defined it as: "the replacing of hand tools by power driven machines, and the accompanying changes which took place in agriculture, industry, trade, and transportation."30

Almost all the historiographical conflicts over the Industrial Revolution (the term itself is open to question) revolve about the question of its rapidity. Was it properly a Revolution or Evolution? Did it commence in


30Ibid., p. 292.
the late eighteenth century quickly reaching a climax in the mid-nineteenth, or do the roots of the change stretch back to the sixteenth century and continue forward well into the twentieth? Have older historians of the Industrial Revolution over-emphasized the textile economy and thereby drawn a distorted and romanticized version?\(^{31}\)

Briefly there are two schools of thought. One version, fairly discredited, can be summarized in a paragraph. Society in the mid-eighteenth century was overwhelmingly agricultural. Most progressive developments had taken place in the towns or had mainly affected the town classes. If feudalism and serfdom had been undermined and wiped away in many rural areas, even here the technique of agriculture and the customs of everyday life had changed slightly. The masses traveled little. The civilization of the mid-eighteenth century showed many remarkable advances when compared to the state of affairs in the year 1000, but as far as material culture is concerned, it was still very rudimentary. Yet this eighteenth century Europe was on the brink of an economic spectacle, heretofore never envisioned in its entire history -- the Industrial Revolution. Various inventors developed new techniques,\(^{31}\)

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particularly in textiles, which in a matter of decades resulted in a vast urbanization movement. The factory system replaced domestic manufacture. All the evils of this new capitalism -- slums, unemployment, child labor, strikes and so forth -- plagued first England and then the rest of western civilization in the nineteenth century.  

Professor Herbert Heaton has composed the most devastating critique of this interpretation. This viewpoint completely discredits the traditional ideas of Arnold Toynbee which were summarized in the preceding paragraph. Professor Heaton's revisionist theory can be condensed with the following three generalizations:

(1) Steam and textile machines did not break in on an almost unchanging world of small scale slightly capitalistic enterprise. (2) The rate of technical change was lento rather than allegro for a long time. It took decades or even generations to transform old industries and build up new ones. (3) The social and economic "evils" were not new; they were not as black or as widespread as is usually asserted; their causes were often due to special or non-economic factors; and they were in no small measure offset by a substantial improvement in the real wages and living standards of a large part of the wage-earning population.

Heaton continued his critique by asserting that recent historical research has proven that significant changes

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32 Barnes, op. cit., pp. 292-301.

in the methods of production, scientific inquiry, and inventive curiosity took place during the fifteenth century as well as the eighteenth. Furthermore, the period between 1760 and 1830 was dominated by twenty-six years of the emotions and strains of the French Revolution and the Napoleonic wars, and sixteen more (1815-1830) were filled with the task of readjustment after the war. Therefore there could be little tolerance of mutterings of social discontent or organized protest during those years. There was little time to think of domestic problems. 34 Heaton also added that "the thing that was new and revolutionary was not the 'evils', but the discovery that they were evils." 35

Yet even Heaton, of course, conceded that significant -- if not revolutionary or dramatic -- changes took place. 36 These changes, effecting all phases of western civilization, most naturally elicited a set of theoretical explanations. This thesis does not pretend to be an exposition of either the so-called Industrial Revolution nor the theories which accompanied the facts. However, the story of the Social Security Act must be contained within a valid historical framework, and for this purpose a brief outline is indeed

34 Ibid.
35 Ibid.
36 Ibid., p. 628.
necessary.

As the industrial changes became evermore apparent, one inevitable question was posed by contemporary philosophers and intellectuals. What part does government play in this economic eruption? It is a problem still posed and still argued today, particularly in the United States.

Fundamentally, three answers have been offered. In brief, they may be summarized as follows: (a) government should not participate at all in the economic life or structure of a nation (laissez-faire); (b) Capitalism should be eradicated and the political structure should own and control the entire economy (socialism); (c) Government should act as a participant and regulator of the nation's economy, somewhat acting the dual role of impartial umpire and good samaritan. The latter has no single-phrase descriptive title, but suggests the contemporary American system.

The first solution to the question of governmental intervention, came in the form of an economic philosophy

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38 Freidrich L. Small, Contemporary Economic Theories (Chicago, 1958), pp. 77-98.
entitled "laissez-faire" capitalism. The author credited with its initiation, Adam Smith, laid down its principles in a book printed in 1776 entitled, *The Wealth of Nations*. In his opening statement, the Scotch economist asserted the fundamental position from which he extracted his entire thesis: "The annual labour of every nation is the fluid which originally supplies it with all the necessities and conveniences of life which it annually consumes." Therefore the increase of wealth is directly proportional to the skill, dexterity and judgment with which that labor is applied. A division of labor results. With an industrial and business climate to assimilate this working force, Smith next examined the ideal relationship between a government and the economy of a country:

No incitement to the attention of the sovereign can ever counterbalance the smallest discouragement to that of the landlord. The attention of the sovereign can be at least, but a very vague and general consideration of what is likely to contribute to the better cultivation of the greater part of his dominions. The attention of the landlord is a particular and minute consideration of what is to be the most advantageous application of every inch of ground upon his estate. . . . The principal attention ought to be to encourage both of the landlord and of the farmer; by allowing both to pursue their own interest in their own way, and according to their own judgment; by giving to both

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the most extensive market for every part of their produce, in consequence of establishing the easiest and safest communications both by land and by water, through every port of his own dominions, as well as the most unbounded freedom of exportation to the dominions of all other princes.  

The ideal solution then lies in the almost complete separation of government and the economy. Furthermore, according to Smith, the problems which are created by changes in the conditions and standards of the business world can be solved by the natural laws of economics and not through government forbearance. If this is done the result will be a utopian economic climate.

Armed with the weapons of intellectual proof of Smith and the later Manchester School, and complemented by the physical impetus of inventions in modern machinery, steam and electric power, the revolution marched on, enveloping all. It soon became evident, however, that the by-problems were not being solved within the confines of economic laws — at least not to the satisfaction of everyone. Mass production and spreading competition simply served to multiply the problems. Employers regarded the worker as just another machine in which to measure input and output, with little if any regard for his natural rights as a member of society.

\[^{40}\text{Ibid.}\]
\[^{41}\text{Ibid.}, \text{pp. 392-401.}\]
\[^{42}\text{James M. Clark, \textit{Preface to Social Economics} (New York, 1936), pp. 121-128.}\]
Industrial growth was phenomenal. Inventions and discoveries continued to multiply. But the laboring forces were exploited. Long hours, low wages, and unsafe working conditions, along with child labor, were but a few of the problems, the solution of which could not be found in the writings of Smith and his followers.

Thus, proposed solutions came in the form of new philosophies and systems which were perhaps perfect on paper, but otherwise unproven. All the solutions had one thing in common -- they were anti-capitalistic. First, in point of time, were the "utopian socialists."\textsuperscript{43} Henri de Saint-Simon propounded a theory he called "collectivism," whereby the State would control the means of wealth, distributing it to all the people depending upon their needs.\textsuperscript{44} Robert Owen organized a group he called the "associationists" which advocated the elimination of competition for profits and wages and all society could aid one another through non-competitive association.\textsuperscript{45} Dozens of other varieties of "socialism" crowded the theoretical market place of mid-nineteenth century Europe: Proudhonism, Christian Socialism, Malthusianism, etc.

\textsuperscript{43} Frank Amandus Neff, \textit{Economic Doctrines} (Wichita, 1946), pp. 107-108.
\textsuperscript{44} Ibid., pp. 110-111.
\textsuperscript{45} Clark, \textit{op. cit.}, pp. 138-140.
and so forth.\textsuperscript{46}

But perhaps the greatest attack upon the giant fortress of laissez-faire came in the person of another economic theoretician, Karl Marx. The son of middle-class parents, Marx was born near Treves in Southeastern Germany in 1818. He had his early education in Germany, but later went to France where he became interested in the writings of Sismondi and Saint-Simon.\textsuperscript{47} In 1848, with the help of a friend, Friedrich Engels, he wrote The Communist Manifesto, which attacked the peaceful, gradual economic evolution to an utopian type of socialism. The ideologies that Marx and Engels emphasized were later to be the economic foundation of Soviet Russia. This idea stressed the political power of the working class. The means of production must all be transferred to the State.\textsuperscript{48} A later work, Capital, spread the fame of Marx and Engels even further. Historical in its basis and analytical in its method, it too provided an exposition of capitalism and showed how adversely the system affects the workers because of the condi-

\textsuperscript{46}Neff, op. cit., pp. 128-146.

\textsuperscript{47}Paul J. Glenn, The History of Philosophy (St. Louis, 1952), pp. 257-259.

tions created by a class struggle:

The history of all existing society is the history of class struggle.

Free man and slave, patrician and plebeian, lord and serf, guildmaster and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on uninterrupted, now hidden, now open fights that each time ended, either in a revolutionary reconstruction of society itself, or in the common ruin of the contending classes.

The modern bourgeois society that has sprouted from the ruins of feudal society has not done away with class antagonism. It has but established new classes, new conditions of oppression, new forms of struggle in the place of old ones.

One epoch, the epoch of the bourgeois possesses, however, this distinctive feature; it has simplified the class antagonisms. Society as a whole is more and more splitting into two great hostile camps, into two great classes directly each other; bourgeois and proletariat.

Although the early reaction to Marx and Engels was one of protest and disinterest, conditions among the laboring classes continued to worsen. Worker groups began to band together to discuss their common plight and try to improve their conditions. Some, of course, adopted the Marxian philosophy. But others who did not adhere to these doctrines or beliefs were certainly alerted at least to the problems and conditions of the laboring masses by this

49 Barnes, op. cit., p. 343.
50 Glenn, op. cit., p. 136.
51 Ryan, op. cit., p. 139.
industrial metamorphosis. Among the latter group were some leaders of government who realized that the future was not far off when the laboring man would form the basis of a powerful political assemblage which might even threaten existing forms of government.52

Early demands by labor for improvement of conditions and other benefits fell upon deaf ears among employers and government. But as labor became more organized and received the backing of humanitarian groups, governments began to initiate social reform designed to eliminate some of the abuses of the worker.53

Limiting child labor, minimum safety standards in factories, a maximum hour day, are a few of the examples of early labor reforms.54 It is true that this early legislation helped to improve working conditions, but very little if anything had been done to provide security for the workers and their families -- security in the form of insurance for injury received while on the job, sickness insurance, as well as disability and old age benefits. If the employer did not provide some benefits of this description,

52Ibid., pp. 141-144.
53Barnes, op. cit., pp. 410-144.
54Ibid.
it was soon felt that the government must do so.\textsuperscript{55}

The first example of government relief, although not specifically connected with the industrial rise, was the Poor Laws Reform Act passed by Parliament in England in 1834. It was an embodiment of the Utilitarian principles of Jeremy Bentham (the greatest good for the greatest number), to prevent pauperism among the lower classes by providing relief for the poor, the aged and the sick. It did not enjoy a great deal of success, since many abuses crept in, but it provided the impetus for future legislation of a similar kind.\textsuperscript{56}

Soon other countries began to provide for social relief to their working classes. The particular phase of this evolution that this thesis is concerned with is that of providing old age assistance to workers and their families when the head of the family is no longer able to continue in his or her job because of age. This is more commonly called Social Security, and is generally divided into two basic types.

The first is called compulsory-contributory and provides a system whereby the employer, employee, and the government

\textsuperscript{55}Arthur Birnie, \textit{An Economic History of Europe} (New York, 1930), pp. 456-479.

contributes varying amounts, depending upon the wages of the employee, to be set aside for future disbursement to the employee when he reaches a certain age. The second plan is called non-contributory, a straight old age pension system. It provides for care and economic assistance for the aged who are unable to provide for themselves. It usually includes all persons regardless of their prior livelihood, and totally financed by the State. Of these two plans the former or compulsory-contributory was the first to be adopted on a nation-wide scale in providing a system of Social Security. The country was Germany and the year was 1889.

GERMANY

It is true that because of agitation in other industrial countries such as France, England and Austria, scattered plans were inaugurated by private industry and trade unions much earlier than the eighteen eighties. But in Germany the first nation-wide Social Security plan was inaugurated. First, in 1883, a sickness and maternity insurance system for workers was established. Under it the government paid

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58 Ibid.
60 Ibid.
a fixed amount for maternity cases of worker families and paid benefits in case of worker illness. In 1889, under the leadership of Bismarck, the program was augmented to include invalidity, old age and death benefits.

By 1911 the German law was made compulsory for all manual workers and those other wage and salaried persons whose annual income did not exceed 2,000 marks ($476.00). The obligation to insure began with the seventeenth year and the eligibility for pension began at the age of seventy. In 1916 the age was lowered to sixty-five. Contributions to this insurance system were made by the state, the employer and the employee. The State was made responsible for the administration of the plan and also paid a fixed sum each year toward every pension. The employer and employee made equal payments weekly depending upon the wages of the employee. The average monthly pension paid in 1891 was about 124 marks ($30.00). The figure had risen to 180 marks ($45.00) by 1917.

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61 Ibid., p. 298.
62 Ibid., p. 298.
63 Ibid., pp. 299-301.
65 Ibid.
In providing this plan for the German workers, the "Iron Chancellor" hoped to stem the tide of German socialism and to continue the evolution of the German State as envisioned in the writings of the philosopher Johann Gottlieb Fichte. 66

FRANCE

For more than half a century France had experimented with voluntary and subsidized old age insurance, but without much success. Finally, in 1910, France was the first country to follow Germany's example, and adopted a national compulsory system of old age insurance. 67

By 1915, the act had been broadened to provide that all workers and peasants earning less than 3,000 francs ($579.00) must take out old age insurance. The insuring of a person could begin at the age of twelve. However, workers employed by industries which provided a comparable insurance plan were not obliged to join the government plan. The contributions to the fund were of three types depending on

66 Glenn, op. cit., pp. 183-188.
the age and sex of the insured person: adult males paid nine francs ($1.34) per year; adult females six francs ($1.16) per year; and minors under eighteen years of age paid four and one half francs ($0.87) per year. The employer was required to duplicate this contribution and was also made entirely responsible for the entire payment of the premiums. He therefore could deduct the workers share from his wages and would receipt it by a system of special stamps which were affixed to the employees pay envelope.

The age when one was to be pensioned was sixty. Pensions could also be drawn, however, at fifty-five with an appropriate deduction. The amount of the pension was based on the number of contributions made and the age of the insured. In order to obtain the maximum pension, thirty payments were required. It could be reduced to twenty-eight for all those who performed at least two years of military duty; and in the case of women, one annual payment was deducted for the birth of each child. The State also contributed to each pension one hundred francs ($19.30) annually.68 By 1916 there were 1,158,326 persons receiving pensions under this act.69 The original law was continually being amended to give broader protection and by 1920 it was

68 Ibid.
69 Epstein, op. cit., p. 310.
considered to be the most liberal of its kind in Western Europe.

AUSTRIA

The Austrian system differed from most other compulsory schemes in that instead of being a system of working class insurance, the initial Austrian legislation of 1909 was established for the middle class and salaried persons. Under this plan only the following classes were compelled to insure:

(1) Employees working in Austria, who have the character of officials by virtue of their position; (2) Those engaged in duties of a preponderately intellectual nature, both of which groups must have at least a total annual income under one and the same employer of 600 krone ($121.00); (3) Those engaged in the management of works or departments of works; (4) Supervisors over the work of other persons; and (5) Those serving on the staffs of offices and counting-houses.

Other particulars of the plan resembled both the French and German models. It also should be noted that as early as 1854 the Austrian government had a compulsory old age pension fund for government mining employees. The state paid one-half of the contributions to that fund.

70 Ibid.
71 Ibid., p. 281.
72 Ibid.
CHILE

In 1911 a law was enacted in Chile requiring State railroads to establish an insurance fund for the retirement of incapacitated salaried employees and workmen, and for compensation of persons injured while on the job. The fund from which the claims were paid was made up of the following sources: by retaining the first monthly increase in pay, by deducting five per cent from the employees wages, by the accumulation of fines and penalties and unclaimed pay, and by the government adding $0.54 to every $365.00 receipts. Persons who were fully incapacitated by an accident while working were compensated by the payment of their full wages for the remainder of their lives.74

By 1921, Czechoslovakia, Greece, Iceland, Italy, Luxemburg, The Netherlands, Norway, Portugal, Roumania, Russia, Spain, Sweden and Switzerland all had enacted some type of compulsory-contributory old age insurance.75

The second basic type of old age insurance, the non-contributory or straight old age pension, had its beginning in Denmark.76 As early as 1891 the state was required to

74Ibid., p. 289.
76Ibid., pp. 322-324.
provide economic assistance for older persons as long as they could not provide it for themselves. The nature of the relief included money, fuel, rent, and medical supplies. The amount to be given in money was not specified in the act but "it must be sufficient for the person relieved and for his family, and for treatment in case of sickness." Furthermore, homes were provided for those who could not provide for their own. The entire plan was financed by the state.

GREAT BRITAIN

In 1908, Prime Minister Herbert H. Asquith announced in his budget speech to Parliament the intension of the government to establish an old age pension plan. The law as passed was called the Old Age Pension Act of 1908. Pensions under this law were granted to men and women, married or single, who had reached their seventieth birthday. The conditions also required that the persons had to have resided in the United Kingdom for a period of twenty years, or have been a naturalized British citizen for a similar period of twenty years. The pension amounted to

77 Ibid., p. 325.
78 Ibid.
about $54.00 per year, which could be paid to both husband and wife. By 1919 the original plan had been amended so that persons received payments equal to double the amount of those paid by the original act.

By 1920 Australia, New Zealand, and Uruguay had similar systems of non-contributory old age pensions.

Still a third type of old age insurance was attempted in some countries. It was a voluntary insurance policy that was partially subsidized by the State. Many countries started out with a model of this type but were forced to substitute one of the aforementioned plans.

Belgium was one of the first countries to try such an insurance system. In 1850, The General Savings and Retirement System was created for the purpose of inducing wage earners to provide for their old age by affording them opportunities to save under the protection of the government. In spite of many government devices which tried to increase the number of those insured, the plan was unsuccessful. The people were simply unwilling to accept the responsibility

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81 Ibid.
82 Rubinow, op. cit., pp. 254-261.
83 Epstein, op. cit., p. 266.
of providing for their own care as aged persons on a purely voluntary system. Similar plans were tried in Japan and Switzerland, but both countries experienced similar results -- again the primary reason for failure was the same.

Because the complete evolution of the Social Security Act as it was passed by Congress in the United States will be discussed in the ensuing chapter of this thesis, a brief analysis of some of the earliest attempts at social legislation in America which would compare to the European plans just mentioned will be given. Due to administrative and juristic difficulties, to the confusion inherent in our federal system of government, to our laissez-faire philosophy, and to the hostile attitude of the Supreme Court, the United States had made much less progress than most European states in the matter of social reform by the first decade of the twentieth century. In the matters of protective factory legislation and old age benefits the overall situation was deplorable, especially in the Southern textile industries, where conditions resembled those of the New England states of a century before. Some indi-

\[84\text{Ibid.}, \text{pp. 267-272.}\]
\[85\text{Ibid.}\]
\[86\text{Barnes, op. cit.}, \text{p. 622.}\]
individual states had adopted plans providing for old age insurance, but they were of a voluntary or non-contributory nature. Massachusetts, in 1908, under the leadership of Louis D. Brandeis, created a voluntary system which was partially subsidized by the state government. Individuals could purchase one of five different plans, including straight life insurance. In the first eleven years over 20,000 policies were written.  

A similar plan sponsored by the LaFollette administration in Wisconsin in 1911 lost support when his administration was removed from power. Alaska and Arizona attempted a straight old age insurance system underwritten entirely by the state but the payment and benefits were so small that the program seemed of little value. On a national scale one of the first attempts for old age insurance came in the form of a bill introduced in Congress in 1921 by Senator Charles McNary (R-Ore.), to provide old age pensions on a non-contributory basis. However, the bill never became a law.

\[87\] Epstein, *op. cit.*, pp. 275-278.
\[88\] Ibid., pp. 278-279.
\[89\] Ibid.
\[90\] Ibid., pp. 341-342.
\[91\] Ibid.
By the same token, in the same year, 1921, seventeen foreign countries had programs of compulsory-contributory insurance for the aged; five others had straight old age pension systems; and three more had federally subsidized old age insurance. There is but little doubt that the United States had lagged behind in providing this important part of social reform for its citizens.

92 Rubinow, op. cit., p. 477.
CHAPTER II

THE COMING OF SOCIAL SECURITY TO THE UNITED STATES

When a complete and final history of the evolution of Social Security in the United States is written, it is likely that the fourth decade of the twentieth century will be regarded as the most fundamental period of the entire movement. It is true that this particular aspect of the quest for social justice was old and well established in many parts of the world; it may even be true that other periods were far more fraught with accomplishments of social reform. Nevertheless, there were certain phenomena which developed during the nineteen thirties that mark it as unique. These phenomena were: (A) Under the economic pressures of the depression, the development of a great number of cure-alls for the economic ills of Americans; and (B) what was to be more important in the long run, the achievement of respectability of the Social Security movement on this side of the Atlantic Ocean.

(A) The nineteen thirty movements such as EPIC (End Poverty in California), Share our Wealth, or Technocracy were certainly not the first panaceas ever evolved to cure the economic and social misery of mankind. Indeed, there had been earlier scattered movements in some of the States (as
noted in the introductory chapter). These plans, however, captured the imagination of the people even though the changes they suggested were radical, financially and economically utopian. Some veteran law makers have suggested that this factor influenced opposition groups to Social Security. Yet, from a historical view, many of these schemes and plans gained natural support, and in effect paved the way for the Social Security Act of 1935.

TECHNOCRACY

One of the first plans to gain popular support was Technocracy. In 1932, soon after this particular panacea had been announced, The Literary Digest commented: "Technocracy is all the rage. All over the country it is being talked about, wondered at, praised and damned." Led by Howard Scott, a former engineer for the Muscle Shoals Dam in Alabama, the Technocracy movement actually began in 1920; but it did not gain popularity until the depression years. Other prominent individuals included in the Technocracy movement were Charles Steinmetz, a leading electrical engineer, Thorstein Veblen, a radical economist, and Dr. Richard Tolman, Director of the California Institute of Technology.

94 Literary Digest, December 31, 1932, p. 5.
From 1931-1932 the headquarters of the group was on the campus of Columbia University in New York City.  

The entire system was based on Scott's highly involved and complex Theory of Energy Determinants. Scott in turn seemed to have used the writings of Thorstein Veblen and Frederick H. Soddy, an English scientist, as the basic elements of his theory. The major tenants of Technocracy were threefold: (a) Wealth is the product of energy, human or mechanical, and this wealth should be measured in terms of energy units; (b) The human element in the production of goods has become, because of the Machine Age, of decreasing importance and man's ability to consume the products of industry must not be emphasized to the point of limiting the progress of this industry; and, (c) The price system is obsolete; the debts that people incur are crushing society, preventing the public generally from consuming what they could easily obtain if the debt was invalidated; and gold and silver currency should be replaced with money of "energy units".

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95Ibid., p. 6.

96Wayne W. Parrish, "What is Technocracy? in New Outlook, November, 1932, pp. 13018.


98Ibid.
The solution according to the Technocrats, was a sweeping revolution of the political and economic structure by calling for control of the government by engineers and technicians, followed by the complete abolition of the price system. Industry would be operated by the government for use and not profit. The quality of the products would be limited only by the limit of technical knowledge. Energy units would replace money. Goods would be rated or priced in terms of energy units required to produce and distribute them. Wages also would be determined according to the same energy units. 99

Although the movement seized the fancy of many Americans, and created much heated discussion, it remained for the most part academic. Scott and his followers were scientists and intellectuals and did not have the "political" ability to have their program adopted.

SHARE-OUR-WEALTH MOVEMENT

Another cure-all led by United States Senator Huey P. Long, a long-time political demagogue from Louisiana. The plan was characterized by Long's opponents as "just another of the Bayou King's attempts for votes." 100 Long listed the

99 Ibid.
following objectives in his plan as follows:

1. To limit poverty by providing that every deserving family shall share in the wealth for not less than one-third of the average wealth, thereby to possess not less than $5,000 free of debt.

2. To limit fortunes to such few million dollars as will allow the balance of people to share in the wealth and profits of the land.

3. Old age pensions of thirty dollars per month to persons over sixty years of age who do not have as much as one thousand dollars per year or who possess less than ten thousand dollars in cash or property, thereby to remove from the field of labor in times of unemployment those who have contributed their share in the wealth and profits of the land.

4. To limit the hours of work to such an extent as to prevent over-production and to give the workers of America some share in the recreation, conveniences, and luxuries of life.

5. To balance agriculture production with what can be sold and consumed according to the laws of God, which have never failed.

6. To care for the veterans of our wars.

7. Taxation to run the government to be supported first, by reducing big fortunes from the top, and provide employment in public works whenever agricultural surplus is such as to render unnecessary, in whole or any part any particular crop.  

The program was later amplified to include promises of a job with an income of at least $2,500 per year, a home, a radio and automobile for every family in the country.  


Despite criticisms by leading intellectuals and economists that the plan was economically impossible, the Share-Our Wealth movement spread throughout the country in the form of organized clubs with weekly meetings. It was estimated that by 1935 the membership totaled five million people. Long's assassination in 1935, however, ended the rise of the movement and it soon died out.

UPTON SINCLAIR AND EPIC

In California in 1933, the famous writer and leading exponent of socialism, Upton Sinclair, launched a campaign for the governorship of California. The basis of this campaign was to revolve around the now famous EPIC (End Poverty in California) movement. Sinclair's prior political history included two unsuccessful attempts for the governorship and one for the United States Senate, all on the Socialist Ticket. His EPIC program was outlined in a book entitled: I, Governor of California and How I Ended Poverty. Sinclair published the book a year before the primary election was scheduled in 1934; and, even with the presumptuous title, it soon began to attract statewide and then national attention.

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103Time, October 22, 1934, pp. 13-16.
104Time, April 15, 1935, pp. 35-36.
Briefly the EPIC program could be summed up as a proposal to take the unemployed of the state of California and place them on land which was being taken by the state for back taxes, or upon land which was foreclosed for non-payment of mortgages. The people would be given tools and machinery to provide for their own food. Factories would be set up for the non-farmers in the group so that other necessities could be exchanged for food. The state would finance these operations until the operation became self-sufficient and then the enterprise would become the property of the workers. The state would also provide a system of script to facilitate exchange of products among the system. Three bureaus would be established to initiate the program: CAM (California Authority for Money), CAP (California Authority for Production), and CAL (California Authority for Labor). The basis for production was use not profit -- i.e., similar to the ideas of the Technocrats.

Other measures in the plan included: (a) Repeal of the state sales tax and substitution of a tax on stock transfer at the rate of four cents per share. (b) State income tax beginning with incomes of $5,000 to be graduated until incomes of $50,000 would pay 30 per cent. (c) Increase in the state inheritance tax. (d) Increase in taxes

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106 Ibid., pp. 11-19.

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on private banks and public utility corporations. (e) A constitutional amendment to revise the state tax code. (f) A law providing for a monthly pension of $50.00 to every needy person over sixty years of age who had lived in California three years prior to passage of the law. (g) A similar pension for those blind or otherwise physically incapacitated from earning a living. (h) A pension of $50.00 per month to all widowed women who have dependent children; the pension to be increased by $25.00 per month for each child if there be more than two.

Sinclair completely surprised his political adversaries (Democrats as well as Republicans) by running as a Democrat rather than a Socialist; and even what was more surprising, winning the nomination and polling the largest Democratic vote in the history of California. He easily out-distanced eight other contenders in the 1934 primary election. In the general election that followed, the conservative political forces in California, backed up by a fund estimated to be in excess of two million dollars, successfully defeated

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Sinclair and the EPIC movement. Smear tactics, yellow journalism and other underhanded political pressures seemed to have paved the way for Sinclair's defeat. An unsuccessful revival of the movement was attempted the following year, 1935, in the mayoralty election in Los Angeles. With this defeat EPIC quickly vanished from the American scene.

THE TOWNSEND PLAN

Still another panacea appeared in the market place of economic cure-alls. The movement named after Dr. Everett Townsend, was perhaps the most successful in creating nation-wide attention to the point where national adoption was introduced in Congress in 1935. Townsend was born in Illinois, studied medicine in New York, and late in life became a practicing country physician in South Dakota. The depression forced Townsend to abandon the medical profession and take up the selling of real estate in California. Tradition has it that he came upon the idea for

110 Ibid., October 15, 1934, p. 15.
111 Ibid.
his program after watching two transients eating from a garbage can.\footnote{116} His organization grew from three assistants in November of 1933, to 644 Townsend Clubs by early 1934,\footnote{117} and eventually to 8,000 clubs in 1936.

In its opening statement the Townsend Plan followed a similar pattern of condemning the economic conditions of the country.\footnote{118} The solution to the crisis, according to the plan, was the following: All people over the age of sixty, except habitual criminals, would receive a monthly pension of $200.00 for the rest of their life. The person must retire from all forms of gainful employment at this age and the $200.00 must be spent within thirty days, within the boundaries of the United States.\footnote{119} To finance the plan, a two per cent tax would be levied "upon all transactions of whatever nature."\footnote{120} The plan also listed three other objectives:

(1) Increase business and develop prosperity by increasing the circulation of money and buying power around the masses.

\footnote{116}{Ibid.}
\footnote{117}{Townsend National Weekly, June 29, 1936, p. 11.}
\footnote{118}{The Townsend Plan, op. cit.}
\footnote{119}{Ibid., pp. 3-9.}
\footnote{120}{Ibid., p. 10.}

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(2) Give opportunity to American youth and those now under sixty now unemployed by creating jobs.

(3) Give social security and a decent standard of living to our mothers and fathers in their declining years.121

According to the author, benefits of the plan included the abolishment of poor farms and almshouses; the elimination of governmental spending for relief; a tax saving for all the people. It would cost the government nothing to finance because the entire plan would be supported through the "transaction tax." The tax was not on income but more on the national turnover of business; therefore "the rich and the stock market gamblers will bear the brunt of the tax burden."122

Soon the movement acquired nationwide attention and Townsend Clubs appeared in all forty-eight states.123 The purpose of the clubs was to exert political pressure on a local level hoping it would eventually spread to Congress. The movement finally found a leader and spokesman in Congress in the person of Representative John S. McGroarty (D., Calif.), who introduced the movement in the form of an amendment to the Social Security Act in the first session of

121 Townsend National Weekly, June 8, 1936, pp. 2-3.
122 Time, November 28, 1935, p. 34.
the seventy-fourth Congress. Prior to this, when its namesake, Dr. Townsend, had testified before the House Ways and Means Committee regarding the original Social Security Act, The New York Times editorialized: "Dr. Townsend... showed more economic ignorance than knowledge." Even this type of publicity failed to dampen the Townsend Movement. In the following year, 1936, Rep. McGroarty once again introduced the Townsend Plan, this time as a separate bill. A poll by a leading New York newspaper indicated that sixty-five members of Congress now favored passage of the plan and sixty admitted some type of membership in the fast growing Townsend Clubs. The bill again reached the powerful Ways and Means Committee, but before it could come up for discussion, newspaper stories appeared which hinted at fraud and corruption among the Townsend organizations. There soon followed charges that Dr. Townsend and his close

126 Ibid., February 7, 1936, p. 32.
127 Ibid., March 2, 1936, p. 16.
129 Ibid.
associates had dreamed up the entire plan as a get-rich-quick scheme.\textsuperscript{130} Congress quickly voted an investigation by the Ways and Means Committee to "probe and examine Old Age Pensions Organizations."\textsuperscript{131} Weeks of testimony followed. Dr. Townsend vehemently denied both in public statements and as a witness before the House inquiry, that any fraud existed in his organization. It was proved, however, that the organization's newspaper, \textit{The Townsend Weekly}, with a circulation of over 600,000 was the sole property of the directors; and, a closed corporation had been set up by Dr. Townsend called The Old Age Revolving Pension Fund. Tax returns also showed that Townsend's income along with the other directors had increased appreciably as the Townsend Movement had grown, with no other visible means of income to account for this.\textsuperscript{132}

Soon a split among the ranks of the movement took place as McGroarty, Townsend and other high-ranking directors disagreed over future policy of the plan.\textsuperscript{133} The adverse

\textsuperscript{130}\textit{Ibid.}

\textsuperscript{131}\textit{U. S. Congressional Record}; \textit{74}:\textit{2}, pp. 3506-3507.

\textsuperscript{132}\textit{U. S. Congress, Old Age Pensions Plans and Organizations}, Hearings before Select Committee of House of Representatives \textit{75}:\textit{1}, pp. 284-1080.

\textsuperscript{133}\textit{The New York Times}, June 12, 1936, p. 12.
publicity elicited by the Congressional investigation was also instrumental in the demise of the plan. Like the other panaceas of the economic problems of the United States, the Townsend plan commenced to fade into obscurity. This plan was unique, however, as it awakened Congress to the realization that the need for Social Security had gone past the stage of minor agitation groups -- it was a nationwide domestic problem and the American people wanted a solution.

(B) A second phenomena of the nineteen thirties was the gradual establishment of public acceptance and legitimacy of the concept of Social Security. The importance of this phenomena - the respectability of the Social Security in general - cannot be overemphasized. In the hectic twenties, it bordered upon treason to suggest anything was amiss with our way of life as it existed. It was the height of radicalism to suggest that there was any need for a Social Security program other than the one each individual should deem wise or expedient to provide for himself as best he might. Thus the entire movement was felt to be the philosophy of a few wildeyed reds and pinko-philosophers who were at best on the outer edge of acceptability. This was the heritage of American history.

The so-called Industrial Revolution was late in coming to the United States. Again, as in Europe, the controversy
over actual dates exists among American economic historians. It is generally accepted, however, that the Civil War and the Reconstruction period accelerated the tempo of this industrial metamorphosis. And again, similar problems that had faced Europeans some fifty years before, now became apparent on the American scene. First the contemporary philosophers such as Richard Cobden and John Bright (Manchester School) found their way into the American marketplace in the form of Mark Hanna and Roscoe Conkling. As in Europe, the theory of individualism in economics maintained the most prominent position. Soon the evils of European-copied laissez-faire aroused the nineteenth century humanitarians to cry for social reform.

Some states adopted admirable codes regulating the factory system, but others made little if any progress. An anti-child labor amendment to the Federal Constitution was proposed but never passed. State social reform made scant progress until the death of William McKinley put

135 Ibid., p. 461.
136 Ibid., p. 610.
Theodore Roosevelt in the presidential chair. Roosevelt achieved little in the form of positive remedial legislation, but he aroused the spirit of the people in this direction and paved the way for some of the considerable advances which took place during the tenure of Woodrow Wilson.\textsuperscript{137}

The advent of World War I and the eventual participation of the United States saw a temporary halt of the attempts toward social relief as Americans seemed to be more concerned with isolationism versus interventionism than in old age insurance and unemployment. Besides, the production of war materials and build-up of the armed forces provided ripostes to unemployment and low-wage problems.

The conflict over, post-bellum cries of "back to normalcy" ushered in the nineteen twenties and soon the term "roaring" was the descriptive phrase of this new era. All Americans seemed to be riding the waves of what was supposed to be a perpetual economic utopian climate. Surely in those days there were no suffering, no necessity of relief, no need for a comprehensive plan for Social Security. Many Americans believed such optimistic statements as the idea proclaimed by a Harvard professor in 1925:

\begin{quote}
\textsuperscript{137}Rubinow, \textit{op. cit.}, p. 391.
\end{quote}
.. Just what is going on in this country at the present time? Wealth is not only increasing at a rapid rate, but the wages of those we formerly pitied are rising; laborers are becoming capitalists and prosperity is becoming more and more widely diffused. .. We are on our way to become a nation of capitalists.138

Even in 1928, Mr. Lewis E. Pierson, chairman of the board of American Exchange and Irving Trust Company, declared in an interview in the New York Times:

The people of America have more money than they know what to do with. .. There are more millionaires than ever before, but there are fewer beggars. .. Today in America, poverty in the true sense is practically unknown. .. Everybody has money. It is the commonest thing there is. You have it; your neighbor has it -- more money than you ever had before.139

However, the true facts concerning wages in this era of unprecedented prosperity indicate a somewhat different picture. A study of forty-four budget estimates -- made by such groups as the U. S. Bureau of Labor, the National Industrial Conference Board and the California Civil Service -- and a comparison of the needs of the average working-man's family as indicated by these estimates reveal the following facts: In the period 1920-1928 there was no year in which the actual earnings in all industries equaled

seventy per cent of the requirements. In only three years, 1920, 1926, 1927, did earnings reach more than sixty-five per cent of the minimum and in only three other years did the figure reach over sixty per cent. In the years of 1920 and 1921, earnings were only fifty-four and fifty-six per cent respectively of the amounts needed for decent support of a family. In his book, Insecurity, A Challenge to America, published in 1933, Abraham Epstein wrote:

It is safe to conclude... that in the last decade of the nineteen twenties only very few of our workers have earned enough to maintain for themselves and their families a decent American standard of living. The average yearly earnings have in general fallen short even in good times; and during depressions, have rarely exceeded one-half of the necessary amount. They have rarely been able to meet fully the day-by-day expenses of decent living, let alone laying aside any savings against rainy days.

Investigations also showed a chronic unemployment problem existed during this period of pseudo-prosperity. In 1922 the National Industrial Conference Board estimated 1,800,000 were unemployed. By 1927 this figure had risen

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141 Ibid., p. 102.
142 Ibid., p. 104.
143 Ibid., p. 112.
to 2,055,000. In April 1, 1929, before the Wall Street crash, a study made in Philadelphia revealed 10.4 per cent of the wage earners were idle, of which three-fourths were unemployed because they could not find work of any kind. These facts and statistics prove conclusively that the American people deluded themselves concerning their prosperity during the nineteen twenties. The need of social reform under a system of Social Security was still a key domestic problem in the United States. It took the "shock treatment" of the Depression of 1929 to arouse public support as to its importance. Then came "Black Thursday." Some dignity, as well as universal appeal, came to the groups who had been fighting for years under the handicap of being accused of wanting in patriotism.

One of the first and most effective arguments used against the Social Security movements in the United States was the plea that the whole movement was "un-American" and represented a "blind imitation of European remedies" which did not fit the conditions of American life at all. But as economic depression began to invade Europe soon after World War I, it became evident that if similar economic

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145 Leo Wolman, Recent Economic Changes (New York, 1929), p. 478.
catastrophe spread to America, the absence of Social Security would be as "rubbing salt in a deep wound."

Following the depression came many distinct and seemingly unrelated movements in the United States and Canada. All aimed at the same goal -- economic security. They differed perhaps, as to what should be done, what exact program should be adopted, as well as just what constituted security. However, they were all begotten by what Professor Herbert Heaton later called "the seven deadly sins of unrestrained, inhuman industrial capitalism" (factory system, long hours, child labor, exploitation of women, low wages, periodic or chronic unemployment, and slums).

But there was no general agreement on what was meant by Social Security. To the Townsendite, it came to mean a gratuitous pension of $200.00 a month which had to be spent within thirty days. To the social worker it meant enough to eat and a place to sleep for his "cases." To the insurance man it meant the maintenance of income. To the unemployed workman it meant "a job not a dole."

I. M. Rubinow, author of a book published in 1934, The Quest for Security, perhaps came closest to the meaning of

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Social Security when discussed an utopian view of the "American Standard of Living."

Enough food, fuel, clothing, and shelter represent the physiological standard. To this right of existence American democracy adds: the right of enjoyment of life. That means food, fuel, clothing, shelter, not only sufficient in quantity, but also sufficiently high in quality to make the enjoyment of these goods possible. It means the opportunity for comfort, recreation, education. . . .

It may also mean the opportunity to participate in the life of the group. In short, it means the opportunity to enjoy life.150

Early European plans seemed to emphasize that phase of Social Security which would provide benefits to the aged; many, however, also provided assistance in cases of unemployment and on-the-job accidents. But to most people security primarily meant first, a job with a steady income to provide them with more than the bare necessities of life; and second, this income must be sufficient to provide for the unpredictables of life -- sickness, accident, old age, unemployment or even the possible death of the provider. All prior studies of history, according to Rubinow, indicated that the majority of individuals cannot be assured of an income which is able to meet the strains of our capitalistic society. Therefore the underlying force which exists solely for the well-being of all the people -- the government -- must be relied upon to answer this problem.

FRANKLIN ROOSEVELT AND THE NEW DEAL

In her book, *The Roosevelt I Knew*, Frances Perkins, former Secretary of the Treasury during the Roosevelt Administration said: "Roosevelt always regarded the Social Security Act as the cornerstone of his administration, and, I think, took greater satisfaction from it than from anything else he achieved on the domestic front." This remark made by the first woman to hold a cabinet post, perhaps illustrates best the sense of accomplishment Roosevelt felt when he signed into law H.R. 7260, more commonly called the Social Security Act of 1935.

In his annual message to the New York Legislature on January 5, 1931, Governor Franklin D. Roosevelt very strongly urged passage of an old age pension plan. Then as early as April, 1931, Roosevelt called together and formed an interstate commission made up of the governors of Massachusetts, Ohio, Rhode Island, Pennsylvania, and New Jersey expressly for the purpose of deciding on positive legislation to be recommended to the legislatures of their respective states, regarding workmans compensation and unemployment laws. Most of the recommendations resulting

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from this conference formed the basis of the legislation later enacted by these same legislatures.\textsuperscript{154}

Roosevelt's speeches during the election campaign of 1932 continually mentioned the need for positive legislation of a national scope in overcoming the "social backwardness of the United States in social problems."\textsuperscript{155} On October 3, 1932, he stated: "The Constitution gives the Congress the power to provide for the general welfare of all Americans; and, economic security in the form of unemployment insurance, accident and old age assistance involves the welfare of all our citizens."\textsuperscript{156}

His first step in that direction, as President, was the appointment of Miss Frances Perkins to be Secretary of Labor. Miss Perkins had served as Industrial Commissioner for the state of New York during Roosevelt's governorship and had long been associated with the labor movement and social reform.\textsuperscript{157} Prior to her official appointment to this cabinet position Miss Perkins informed the President that she would

\begin{itemize}
  \item\textsuperscript{154} Ibid.
  \item\textsuperscript{155} Speech of Franklin D. Roosevelt as quoted in \textit{The New York Times}, July 7, 1932, p. 12.
  \item\textsuperscript{156} Ibid., October 3, 1932, p. 1.
  \item\textsuperscript{157} Perkins, \textit{op. cit.}, pp. 150-151.
\end{itemize}
attempt the augmenting of an immediate federal program of social reform to "rid once and for all the evils of this social disgrace in the United States." Roosevelt readily agreed that while the immediate problem of the country was economic recovery, social reform was of paramount importance.

Early in 1933, the President encouraged Senator Robert Wagner (D., N.Y.) and Representative David J. Lewis (D., N.Y.) to draft and introduce a bill on unemployment insurance. Roosevelt may have wanted to use this bill as a "feeler" in observing the reaction both in Congress and the public toward legislation of this type. He also felt that in the course of the hearings before the congressional committees, important amendments would be introduced and discussed, and the bill could eventually be rewritten accordingly. The bill was introduced, hearings were held, and the pulse of the Congress and public opinion definitely indicated that the bill was not broad enough, since there were no conditions in it regarding old age assistance. Roosevelt agreed with

158 Ibid., p. 152.
159 Ibid.
160 Rauch, op. cit., pp. 163-164.
161 Ibid.
these criticisms. In fact, at this very time (through the efforts of the Rockefeller Foundation), two prominent Englishmen in the field of social insurance gave a series of lectures throughout the United States emphasizing the practicability of such a Social Security program. The Roosevelt administration endorsed the lecture tour as a vehicle to decrease the fears and doubts of the business world and the more conservative parts of the country.163

But "recovery" was the theme in this first New Deal, and the administration’s first order of business and interest was in such measures as the AAA (Agricultural Adjustment Act) and NIRA (National Industrial Recovery Act). Still Roosevelt did not forget about the need of social reform. In a speech of June 8, 1934, he said:

Our task of reconstruction does not require the creation of new and strange values. It is, rather, the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature.

Among these objectives, I place the security of the men, women, and children of the nation first...  

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163 Ibid.

164 Thomas H. Greer, What Roosevelt Thought (East Lansing, 1958), pp. 63-64.
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.

... we may well undertake the great task of furthering the security of the citizen and his family through social insurance.165

In a Cabinet meeting held later that month, Roosevelt noted that the Wagner-Lewis bill was still being argued on a committee level; and that it remained doubtful if the bill could be brought to the floor for a vote. This legislation was a "must," said Roosevelt, and had to be passed within the year. However, through the efforts of Secretary of the Treasury, Henry Morgenthau, Jr., and Secretary Perkins, the President was persuaded to agree to Congress' adjourning. The legislators were to be informed that an exhaustive study on economic security would be undertaken during the remaining summer and fall. When Congress reconvened, a full program of economic security would be presented to them for their subsequent approval.166

Thus, on June 29, 1934, Executive Order Number 6757 was issued:


166Perkins, op. cit., p. 280.
By virtue of and pursuant to the authority vested in me by the National Industrial Recovery Act (ch 9048, stat 195) I hereby establish (1) the Committee on Economic Security (hereafter referred to as the Committee) consisting of the Secretary of Labor, Chairman, Secretary of the Treasury, the Attorney General, the Secretary of Agriculture and the Federal Emergency Relief Administrator, and (2) the Advisory Council on Economic Security (hereafter referred to as Advisory Council) the original members of which shall be appointed by the President and additional members of which may be appointed from time to time by the Committee.

The Committee shall study problems relating to the economic security of individuals and shall report to the President not later than December 31, 1934, its recommendations concerning proposals which in its judgment will promote the greater economic security.

The Advisory Council shall appoint (1) a Technical Board on Economic Security consisting of qualified representatives selected from various departments and agencies of the federal government, and (2) an executive director who shall have immediate charge of studies and investigations to be carried out under the general direction of the Technical Board, and who shall, with the approval of the Technical Board appoint such additional staff as may be necessary to carry out the provisions of this order. 167

The committee was quickly organized pursuant to the executive order. The President selected Arthur J. Altmeyer, Second Assistant Secretary of Labor, as Chairman of the Technical Board; and Frank P. Graham, president of the University of North Carolina, as Chairman of the Advisory

Council. To finance the research project, since congressional appropriations were unavailable, Harry Hopkins, the Federal Emergency Relief Administrator and a member of the Committee, made $125,000 available under the broad provisions of his administration. 168

In the weeks and months that followed, during Cabinet meetings, the discussion frequently turned to the progress of the Committee. At one meeting the President suggested using the phrase "cradle to the grave" in describing the type of social insurance he favored. Cabinet members, particularly, Secretary Perkins, warned the President that a policy of this type was much too liberal. Morgenthau agreed, stating that a plan of this type would be almost impossible to finance given the political and economic condition of the country. 169 Hopkins recommended that the relief and social insurance be lumped together in one plan. Roosevelt dissented, as did Morgenthau, Miss Perkins and Attorney General Homer Cummings. They all felt that there should be two separate systems, so that relief appropriations could be curtailed as soon as there was a revival of business and employment opportunities; and that social insurance should continue no matter what the economic conditions of the

169 Ibid., p. 282.
country were. 170

As the Committee continued its investigations progress
seemed to be made, 171 except in one salient area: how to
finance such a program, and do so constitutionally. 172 The
threat of unconstitutionality hung over the heads of the
Committee as frequent newspaper stories of groups opposing
other legislation predicted that the majority of the New
Deal laws would be struck down by the high court. 173 A
solution apparently came, strangely enough, at a social
gathering, attended by Supreme Court Justice Harlem F. Stone
and Secretary Perkins. Miss Perkins had been bemoaning the
uncertainty of financing Social Security program and laughing-
ly remarked to Justice Stone: "Your Court tells us what the
Constitution permits." The Justice replied in a whisper,
"The taxing power of the Federal Government, my dear, is
sufficient for everything you want and need." 174 Secretary
Perkins then discussed the idea privately with the President
who was also determined to have a bona-fide self-maintaining
system, one in which the premiums paid in would be able to
support the benefits paid out. Roosevelt and the Committee

172 Ibid.
174 Perkins, op. cit., p. 286.
then agreed that a system of compulsory standardized contributions was the answer to the problems of the future, but certainly would not solve the immediate crisis of those now out of work or aged or dependent or sick. Furthermore, it was agreed that social insurance must be divided into two separate plans: one for unemployment compensation, and the other for old age assistance. In addition, a relief program must be initiated to help solve the immediate social problems, to be financed through a system of taxation.  

Quickly the Committee decided the question of relief finance. It would recommend to Congress to appropriate matching funds to states that would set up some type of relief program. Regarding the financing of unemployment insurance, however, two schools of thought developed. One side held that unemployment insurance premiums should only be assessed against employers, while another group felt that workers should pay a share of the premiums. The President had stated that "unemployment was a natural risk of industry just as workmans compensation for accident injuries is regarded as part of the cost of doing business."  

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176 Ibid., p. 25.  
177 Perkins, op. cit., pp. 292-293.  
178 Ibid.
question of "merit rating" was presented. Should there be a flat contribution from all employers without regard to a particular industry? Or should there be, as there had grown up in a number of states, a merit rating, allowing contribution from firms with a record of a low rate of unemployment, therefore putting a larger tax on those industries with a high rate of unemployment?¹⁷⁹

Early in October, 1934, Secretary Perkins met privately with the President to discuss the stalemate. She believed that unemployment was a social problem and must be born by as large an area of the community as possible. Furthermore, she pointed out what she felt were the bad features of the "merit system". Industry could retain a badly crippled man at low wages. He would get no compensation, and therefore, the accident cost to the employer would go down while a small employer without the facilities to rehire an injured man would continue to pay a high rating. The most serious defect in the "merit system plan", according to Miss Perkins, might be the refusal to employ a slightly handicapped individual on the theory that if such a person had an accident, the cost of disability would be greater than to a healthy worker. The President sympathized with her arguments but said that the Committee must agree on a positive program, even though it

¹⁷⁹Ibid.
might not be 100 per cent free from defects or not satisfy 100 per cent of the people.

Another problem was whether this unemployment system should be a strict Federal program or with the Federal Government co-operating mutually with the States. Under the Federal-State system, the Federal Government would collect the taxes under its taxing power. It would hold the money for allotment to the States for their payment of benefits. The States, in turn, would have the right and duty to determine their own programs. States that wanted merit rating could have one; those that wanted employee as well as employer contributions, could do so. So the debates continued. Then on November 14, 1934 at the Hotel Mayflower in Washington D. C., a conference was held of all the Committees and Advisory groups as well as the Technical Committee. It included almost 300 experts in all fields of social legislation. The keynote address, delivered by the President, urged that from their deliberations should come a positive program for Social Security:

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180 Ibid., pp. 295-296.
181 Report to the President, op. cit., p. 20.
182 Ibid.
Unemployment insurance must be set up with the purpose of decreasing rather than increasing unemployment. Because of their magnitude, the investment and liquidation of reserve funds must be under the control of the government itself.

For the administration, the states are the most logical units.

At this stage, while unemployment insurance is still untried in this country and there is such a great diversity of opinion on many details, there is room for some degree of difference in methods, though not in principles. That would be impossible under an exclusive national system. And so I can say to you that you have come from all parts of the country that there will have to be a federal law on unemployment insurance, but state laws will also be needed.

There are other matters with which we must deal before we can give the individual the adequate protection against the many economic hazards. Old age is at once the most certain, and for many people the most tragic of all hazards. There is no tragedy in growing old, but there is tragedy in growing old without means of support.

Organizations promoting fantastic schemes have aroused hopes which cannot possibly be fulfilled... they have increased the difficulties of getting sound legislation, but I hope we will be able to provide... a sound and uniform system which will provide true security.

There is also a serious economic loss due to sickness, a very serious matter for families with and without incomes, and therefore an unfair burden upon the medical profession. Whether we come to this system of insurance sooner or later on, I am confident that we can devise a system which will enhance and not hinder the remarkable progress which has been made and is still being made in the practice of medicine and surgery in the United States... In all these tasks you can greatly help.\(^{184}\)

\(^{184}\)Speech made by Franklin D. Roosevelt, as quoted in The New York Times, November 15, 1934, p. 22.
The conference continued for a week, and the reports of many of the technical groups seemed to provide solutions for many of the inquiries of the Cabinet Committee. One problem, however, still persisted: that of Federal or Federal-State co-operation regarding unemployment insurance. Henry Wallace, Secretary of Agriculture, and Secretary of the Treasury Morgenthau, held out for an independent Federal system. On December 9, 1934, the Cabinet Committee agreed to go along with Wallace and Morgenthau, despite Secretary Perkins arguments for a Federal-State system. However, within a day, two other members, Harry Hopkins, the Federal Relief Administrator, and Attorney General Cummins, changed their minds and called Miss Perkins for the purpose of another meeting. In fact, three more meetings were held but the stalemate continued. At a final session held at the home of Miss Perkins on December 27, 1934, and lasting until 2:00 A.M., the question was settled once and for all: it would be a Federal-State system.

Yet the problems were far from over. Many other questions arose. Should the size of the benefits be the

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186 Perkins, op. cit., p. 294.
same for all or should pension benefits bear a percentage relationship to previous earnings? Should the program be universally applied to all workers no matter what industry or livelihood? Should it apply to present wage-earners who are about 45 to 50 years of age? If so, how much should they be paid after only contributing a few years to the system? Again, the big debate came over finance. Would there always be a surplus of funds to pay the benefits? Actuarial estimates predicted that in 1980, when the present twenty year old worker would become eligible for retirement benefits, there would not be funds enough (under the proposed system of financing the program), to pay the pensions. Some members of the Committee felt the solution could be in the form of a congressional appropriation in 1980 to make up the deficit. Secretary Morgenthau opposed this plan or any other which would require a government contribution out of general revenues.

The only alternative seemed to be an increase in the beginning contributions to make up the estimated deficit. Again the problem was taken to the President. He agreed with Morgenthau. "It is almost dishonest for the Congress of the

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Ibid.

Ibid.

United States in 1980 to have to face an accumulated deficit
But we have to have a plan."191 In another speech he said:

The Congress cannot stand the pressure of the Townsend Plan unless we have a real old-age insurance system; nor can I face the country without having devised at this time, when we are studying Social Security, a solid plan which will give some assurance to old people of systematic assistance upon retirement.192

In late November, 1934, a compromise was reached. Rather than make the contributions large in the beginning and thereby frighten the people and Congress, it was agreed that the payments would be small for the first year and then increased rapidly to a higher level in subsequent years. This still would not build the actuarial reserve to the amount needed, but with the interest added to current contributions, the eventual deficit would be eliminated.193

Many groups advocating social reform severely criticized this solution on the grounds that if the Government did not contribute funds in some measure to immediately

191 Ibid.
underwrite any deficit that might develop, its success would be greatly jeopardized. One such group was the American Association for Old Age Assistance. The executive director of this group Abraham Epstein, detailed his fears in a volume entitled: Insecurity, A Challenge to America. 194

Despite these and other criticisms, the Cabinet Committee drafted the compromise, along with the other recommendations, into a seventy-four page report to the President. 195 In his Annual Message to Congress on January 4, 1935, the Chief Executive announced that within the next two weeks he would again speak to the Congress solely on the subject of economic security. 196 In the meantime a draft of a bill was presented to Roosevelt which embodied the recommendations of the Committee. 197 The President approved 198 and used its major points as the basis for his speech to the Congress on January 23, 1935, seven days after the bill was officially introduced in both houses of

194 Epstein, op. cit., pp. 119-165.
198 Ibid.
The speech recommended the following four point plan for economic security: (1) unemployment compensation, (2) old-age security, (3) security for dependent children, widows and crippled children, (4) extension of public health services by matching State funds and increased funds allotted to the Public Health Service for research.

The immediate reaction of both national and foreign newspapers was (in general) one of praise and hope. But what would happen in Congress to the proposals?

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The bill containing the recommendations of the President's Committee had been introduced in the House of Representatives and Senate on January 17, 1935. H.R. 4120 and S. 1130 was entitled: A Bill to Alleviate the Hazards of Old Age, Unemployment, Illness, and Dependency; To Establish a Social Security Board in the Department of Labor, To Raise Revenues and for Other Purposes. It was introduced in the House by Representative Robert L. Doughton (D., N. Car.),

199 U. S. Congress, Congressional Record, 74:1, p. 549.
and in the Senate by Senator Robert F. Wagner (D., N.Y.). The bill received the immediate attention of the House and was referred to the Ways and Means Committee of which co-author Doughton was chairman. The Senate referred its bill to its Committee on Labor and Public Welfare.\textsuperscript{202}

The House Committee began its hearings on the bill on January 21 and continued until February 12—in all nineteen days, 112 witnesses and 1139 pages of testimony were devoted to the subject.\textsuperscript{203} Among those testifying were all the members of the President's Cabinet Committee for Economic Security, high ranking members of the Advisory and Technical Committees, American Federation of Labor president William Green, Abraham Epstein, Dr. Everett Townsend, Samuel W. Reyburn (representing the National Dry Goods Association), Joseph A. Emery (representing the National Manufacturers Association),\textsuperscript{204} as well as representatives from the American Manufacturers Association,\textsuperscript{205} the American Medical Association, American Nurses Association, and still

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{202}U. S. Congress, \textit{Congressional Record}, 74:1, p. 626.
\item \textsuperscript{204}\textit{Ibid.}
\item \textsuperscript{205}\textit{Ibid.}
\end{enumerate}
\end{footnotesize}
other prominent leaders in government, business, social and religious organizations.206

The testimony can be broken down into three main parts: (1) those favoring the bill, (2) those against the bill and any further legislation of this type, and (3) those against the bill because of its limitations. Groups one and two provided the minority of the testimony while the third group, surprisingly, made up the majority of witnesses. Most notable of this third group was the Secretary of the Treasury "who even shocked the other members"206 of the President's Cabinet Committee, when he urged adoption of amendments on stepped-up pension taxes, transference of funds to the Treasury Department, and the exemption of three classes of workers from pensions. Another change that he recommended included the setting up of an independent agency -- called the Social Security Board -- rather than to have control vested in the Department of Labor.207

When, on February 12, 1935, the House Ways and Means Committee adjourned its formal hearings, it was evident

206 Perkins, op. cit., p. 300.
that the bill in its present form would never be accepted. Similar testimony had been presented at the Senate hearings with many of the same witnesses urging similar changes.

The groups that flatly rejected the legislation did so on the basis of its tax structure and increased federal control over the individual. Industry spokesman rejected the bill with the argument that many industries had private old age pension and unemployment insurance systems and this would be reduplication with more cost to labor and industry.

The House Committee, realizing its dilemma met with the President regarding the fate of the bill. Following this meeting, the Committee took upon itself the task of rewriting the bill. On February 25, 1935, the Committee voted to adopt the Morgenthau amendments: that in regard to old-age insurance, the payroll tax would begin at two per cent; agricultural workers and domestics would be exempt from old-age contributions; and employers with less than ten employees would be exempt from the unemployment tax. Further, the Social Security Board would be an independent agency of the Federal Government, and States could select

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208 Ibid., February 13, 1935, p. 16.
209 Ibid., February 9, 1935.
210 Greer, op. cit., pp. 210-225.
their own members in regard to State Unemployment Boards. Meanwhile, pressure was put on the House Committee to speed up passage of the bill; various substitute plans were tendered; speeches were made by leaders of opposition groups -- all this made it difficult to get the revised bill to the floor for a vote.

Finally, on March 28, 1935, four members of the House Committee took the revised bill to the President. Representative Richard Cooper (D., Tenn.) remarked as he left the White House: "There were no suggestions by the President. He was in complete accord with the new bill." Then, on April 5th the House Ways and Means Committee voted 17 to 10 to bring the bill to the floor with a recommendation to pass. Rumors immediately began that the so-called "gag rule" would be invoked so as to limit debate.

However, Speaker of the House, Joseph W. Byrns (D., Tenn.), opened the bill for discussion, debate and amendment. As was expected numerous amendments were proposed, the most important of which took place on April 9th when

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216Ibid.
217Ibid., April 11, p. 13.
Representative John S. McGroarty (D., Calif.) offered the so-called Townsend Plan. It soon appeared that Townsendites (Democrats and Republicans) in the House were united in an attempt to defeat the Administration's bill. On April 17, the House ended its general debate. The following day, the House voted down some twenty-six amendments, including the Townsend Plan. Finally, on April 19, the revised administration bill (H.R. 7260) passed by a vote of 372-33. Seventy-seven Republicans teamed with 295 Democrats to vote aye; while eighteen other Republicans, thirteen Democrats, six Progressives, and one Farmer-Laborite voted nay.

In the Senate, meanwhile, the original administration bill was deadlocked in committee hearings when the House-approved measure reached the senior body. Soon it was apparent that a similar fight for speedy passage of the bill would develop. The administration fight in the Senate was led by Senator Robert F. Wagner (D., N. Y.), (co-author of the original bill), and the leading opponent of the bill was Senator Huey P. Long (D., La.).

Ibid., April 13, 1935, p. 11.
Ibid., Congress, Congressional Record, 74:1, pp. 5948-5998.
Ibid., pp. 6068-6070.
See thesis: "Share Our Wealth" pp. 4-5.
developed in the form of a statement made on May 3, 1935, by the United States Chamber of Commerce, "condemning the measure for its liabilities to the business world in general and the rapid approach to the socialistic theories which are running rampant in Europe." 222

At this point the Supreme Court declared the Railroad Retirement Act unconstitutional. 223 Thus, the Senate Committee on Labor and Welfare redrafted a section of the original Senate bill (S. 1160), in fear of a similar Supreme Court ruling. 224 Then, on June 3, Secretary of Labor Perkins announced that Attorney General Homer Cummings and other leading legal experts were confident the bill would meet the test of constitutionality. 225 The Senate finally began formal hearings of the bill on June 11, but not until June 19 did the final vote come. However, in approving their original bill by a vote of 76 to 6, 226 the upper house had introduced a few minor and one major change -- the Clark-George Amendment. 227

223 Perkins, op. cit., p. 304.
225 Ibid., June 3, 1935, p. 4.
industries to continue or to begin their own old-age or unemployment insurance system and thereby exempt them from participation in the Federal system. The bill was then sent back to the House. By July 17 the House was in complete agreement with the Senate version of the bill -- except for the Clark-George Amendment, and by a vote of 269-53 insisted the Senate drop the controversial amendment.

The House cause was aided when a letter was made public written by William Green, president of the American Federation of Labor, who denounced the amendment as a plan which would cause only the hiring of older workers so that minimum benefits would be paid upon their retirement. By August 1, 1935, a compromise was worked out in the Senate whereby, after future study of the Clark-George Amendment, separate legislation would be proposed. On August 9, the House passed its amended bill (now known as the Wagner-Lewis Act) and the following day the Senate did the same, withdrawing the Clark-George Amendment. After

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228 U. S. Congress, Congressional Record, 74:1, pp. 9638-9642.
229 Ibid., pp. 11320-11344.
231 Ibid., August 2, 1955, p. 3.
232 U. S. Congress, Congressional Record, 74:1, pp. 12760-13027.

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signing the bill into law on August 15, 1935, President Roosevelt issued the following statement:

Today a hope of many years' standing is fulfilled. The civilization of the past hundred years, with its startling industrial changes, has tended more and more to make life insecure. Young people have come to wonder what would be their lot when they came to old age. The man with a job has wondered how long the job would last. ..

We can never insure one hundred per cent of the population against one hundred per cent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old-age.

This law, too, represents a cornerstone in a structure which is being built but is by no means complete. It is a structure intended to lessen the force of possible future depressions. ..

The law will flatten out the peaks and valleys of inflation and deflation. It is, in short, a law that will take care of human needs and at the same time provide for the United States an economic structure of vastly greater soundness.233

Although the law was now "on the books," a serious defect soon became evident. In order to put the law into immediate effect, funds were needed and Congress had failed to provide these. With this in view, the House passed a deficiency fund bill and quickly sent the appropriations

measure to the Senate. The bill never came to a vote in the Senate as a filibuster by Senator Long lasted until Congress adjourned, thereby leaving the Roosevelt Administration with a Social Security law but no funds to initiate it.234

The President was not licked yet and soon came forth with an answer. He noted that the National Industrial Recovery Act had been declared unconstitutional (Panama Refining Co. v. Ryan; Schechter v. United States),235 and that Congress had appropriated funds for its liquidation. Roosevelt's solution was to employ the workers from the offices of the NIRA and put them to work in the first administration of the Social Security Act.236 Roosevelt also presented another research project to the Works Progress Administration for the purpose of studying the methods to be used in administering the Social Security program.237 Wisely, he first obtained by-partisan support for these measures.238 The following year, 1936, Congress already had appropriated necessary funds to continue and fully implement the law.239

234Perkins, op. cit., p. 305.
236Perkins, op. cit.
237Ibid.
238Ibid.
239Ibid., p. 318.
And, one year later, in May of 1937, the Supreme Court upheld the constitutionality of the law in the case of *Stewart Machine Company v. Davis*, and later the same year, *Helvering v. Davis*. Thus, Social Security in the form of positive national legislation, became a part of the American scene.

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240 Kelly and Harbison, *op. cit.*, pp. 756-768.
CHAPTER III

SOCIAL SECURITY AND THE AMERICAN MEDICAL ASSOCIATION

The previous chapters of this thesis have investigated the background of Social Security movements in nineteenth century European countries to its triumph in becoming the law of the land in twentieth century America. In reaching this pinnacle of acceptance, the scars of battle varied from ideological debate to the specific phases of the all-inclusive program for social reform. Nor did this verbal militarism cease with the passage of the Social Security Act of 1935. Some historians readily agree that it only intensified the combativeness of the participants:

The inroads that socialism has made in these United States is best exampled by the triumph of the recently adopted Social Security Act. Those who fear this loss of individualism will only intensify their efforts to halt any further advances. 

There are also those who feel the present law does not meet the real needs of society, that the law as it now stands represents only a temporary victory on the battlefield and that. . . the war is yet to be won. 241

While one side hoped for a Supreme Court decision of

unconstitutionality, the other was busy planning new amendments of broader coverage including a possible health insurance plan. Again the ranks of opposition rose to do battle against this "cruel hoax," as Social Security was termed by Alfred Landon in his unsuccessful campaign for the presidency in 1936.242

Many organizations, business and professional, as well as social fraternities, religious groups, and veteran and labor assemblages, had definite viewpoints toward the original need and continued implementation of the Social Security Act. This chapter will concentrate on one such organization, the American Medical Association, and its reaction to Social Security; (a) before the act was passed, and (b) during the debates in Congress, and (c) its response to proposals to broaden the scope and coverage of Social Security to include a National Health Plan during the nineteen thirties.

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The formal history of the American Medical Association goes back almost one hundred and twenty years. However,

the history of medical associations in the United States goes back even further -- as in the last two decades of the eighteenth century there were numerous examples of state and even "city" medical associations or groups among our original colonies. A study of these organizations in their fetal history was made by Frances R. Packard in his book, *History of Medicine in the United States*. At one point Packard says, "The most important functions of the district and state medical societies was undoubtedly the granting of licenses to practice, though papers were occasionally read, and topics of interest were discussed, both professional and political." Yet, even in our early history the medical profession took an active part in politics on a state and national level serving in legislatures and other public offices. However, it would be a serious error to consider these early associations as "pressure groups." Their interest in politics was personal and academic, rather than professional.

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244 Ibid., p. 14.

On May 5, 1846, in New York City, a convention was held composed of delegates from "all medical societies and colleges in the Union for the purpose of discussion of pertinent problems of the profession of medicine and surgery."\textsuperscript{246} The following year the organization officially adopted the name of American Medical Association.\textsuperscript{247} Thus was born the largest professional organization of its kind in the United States. Its membership in May of 1962 was listed at 186,000 physicians and surgeons from an overall total of 260,000.\textsuperscript{248}

The early development of the A. M. A. followed a similar pattern found in the early state societies. By 1862 it resolved that all future membership to the organization must be by application through state societies -- the same way state organizations had previously screened potential membership through county societies.\textsuperscript{249} The governing bodies within the national organization were also patterned after the state societies. This policy-making aspect of the A. M. A. evolved from a simple plan of having a council made up of two representatives from each state and territory, to

\textsuperscript{246} Garceau, \textit{op. cit.}, pp. 23-25.

\textsuperscript{247} \textit{Ibid.}


\textsuperscript{249} Garceau, \textit{op. cit.}
the present system, adopted in 1901. In that year a new plan established a House of Delegates, composed of representatives of State societies, elected by them (State societies) in proportion to the medical population of that particular state. Also delegates at large were chosen from the ranks of physicians in Federal services (Public Health Service and so forth) and technical groups allied with the profession. This body was termed the House of Delegates. From this group was elected a president, president elect, vice-president, secretary, treasurer, and general-manager, as well as a board of trustees. The trustees are made up of nine members who were elected for five year terms (only two of these being consecutive) and meet bi-annually. Specific appointments by the trustees include committees, bureaus, and staff appointments in addition to a business manager and an editor of the Journal of the American Medical Association. The House of Delegates also appoints three permanent committees: (1) Council on Medical Education and Hospitals; (2) Council on Scientific Assembly; and (3) the Judicial Council. A speaker and vice-speaker are also elected who will preside at the various meetings and conventions. As can be seen from this organic

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Ibid.
structure the ruling power is vested in the House of Delegates. The permanent headquarter of the Association is located in Chicago, and presently employs in excess of 251800 people.

The paramount quandry which has been debated almost since the beginning of the A. M. A. revolves around the question of how much does the organization reflect the feelings of the individual doctor. As late as 1936, writing in the Labor Legislation Review, Dr. John A. Kingsbury stated:

The rank and file of the medical profession are not in sympathy with their few colleagues who hold medico-political positions in the A. M. A. and who profess to speak for all. . . .

The A. M. A. represents a handful of selfish men who presume to represent the profession.252

Later, an attempt was defeated for national compulsory health insurance, Kingsbury again stated:

The primary opposition to the plan came from the most insidious and irreconcilable of all the pressure groups in the country -- the organized medical politicians and medical merchants under the leadership of the inner circle of the American Medical Association. With this type of internal politics the will of the individual doctor will never be known.253


Other investigations also attempted to prove that the House of Delegates was made up of doctors who had actually a minimum amount of actual practice in their profession. In recent years, the A. M. A., stung by these charges, has gone out of its way to advertise the practical medical experience of the members of the House of Delegates and Board of Trustees.254

Another question at issue is exactly when the A. M. A. began in the practice of applying organized pressure upon legislation on a national scale. There is much evidence that on the state and local level, as early as the eighteen fifties, particularly in Massachusetts and New York) State legislatures were pressured for legislation in regard to licensing, definition of malpractice and so forth.255 By the beginning of the twentieth century, income tax returns have been produced showing definite fees paid to individual doctors and lawyers who represented the interests of the A. M. A. in Washington, D. C. before the national Congress.256 In an editorial, written in 1960, the Journal of the American Medical Association readily admitted the existence of a full time lobbyist program in our national

254Garceau, op. cit., p. 27.
255Ibid., pp. 35-39.
256Ibid., p. 52.
The A. M. A.'s first organized reaction on a nationwide basis to a program of social reform came in 1916.\textsuperscript{258} Prior to this, in 1915, a group of social reformers including Jane Addams, Paul Kellogg, Edward T. Devine, Joseph P. Chamberlain, John B. Andrews and I. W. Rubinow, held a conference in Chicago for the purpose of discussing health insurance. Out of this conference came the slogan which was distributed throughout the country: "Health Insurance -- the next step in social progress."\textsuperscript{259} The movement received the immediate backing of the American Association for Labor Legislation.\textsuperscript{260} The plan itself covered all wage earners receiving over $100 a month. The scale of minimum benefits included, medical, surgery and maternity aid, as well as benefits for lost time and funeral benefits. The cost of the plan was to be borne twenty per cent by the State, the remainder to be divided equally by employer and employee.\textsuperscript{261} The original Committee was successful in

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  \item \textsuperscript{257}Journal of the American Medical Association, July 12, 1960, p. 79.
  \item \textsuperscript{258}Domenico Gagliardo, American Social Insurance (New York, 1949), p. 341.
  \item \textsuperscript{259}Ibid., pp. 342-350.
  \item \textsuperscript{260}Ibid.
  \item \textsuperscript{261}Ibid.
\end{itemize}
getting the plan introduced into several State legislatures, but it soon became evident that the proposed legislation could not satisfy the different conflicting interests and lacked universal acceptance. The participation of the United States in the World War at this same time caused the movement to die a natural death. However, the American Medical Association was one of the first of several national organizations (National Association of Manufacturers, National Convention of Insurance Commissioners) to set up a voluntary health insurance committee to cooperate with the Committee in the overall planning of the program. No available evidence indicates that in 1916 the A. M. A. attempted to abort the plan. On the contrary, the evidence indicates that they mutually cooperated with health insurance groups in its study. However, as the war years passed, a renewed effort by social reformers, commenced for a plan of national health insurance. This time the A. M. A. came out strongly against such a plan. Bitter attacks in the form of editorials by Dr. Morris Fishbein, editor of the Journal of the A. M. A., condemned "the radicalism of a

262Ibid., p. 351.
263Rubinow, op. cit., p. 213.
264Ibid., p. 214.
plan for socialized medicine." Meanwhile, the special committee to study "social insurance" organized by the A. M. A. was discontinued before it completed its findings because it "aroused such violent protests within the profession." Rubinow, in his book entitled *The Quest for Security*, sums up the failure of this initial attempt for Social Security in the form of health insurance:

There was fervent conviction in the righteousness of the cause... and -- there was not unreasonable hope that the working masses would see, and would demand. But the working masses did not see and certainly they did not demand. The opposition did see and it worked intelligently albeit not always honestly.

... A combination of employers, insurance companies and the medical profession -- three large and well organized groups -- the manufacturers' association, the Chamber of Commerce, the National Civic Federation, the various national and state medical societies, the A. M. A. -- that was a strong alliance, rich in resources. It was bound to win. It won.

The Federal Maternity and Infancy Act of 1921 (the Shepard-Towner Act) under which funds were granted to the States for maternal and child health work, gave an important impetus to State and local activities in this

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field of social reform. During the period of the operation of the Act (up until 1929), nearly 3,000 permanent prenatal and child health centers were established.\textsuperscript{269}

The American Medical Association opposed passage of the Shepard-Towner Act in 1921, and proposals to renew that legislation in 1931.\textsuperscript{270} The association's hostility, as officially stated, rested on several grounds: that the activities had been wasteful and unproductive of results, that federal subsidies to the states and consequent federal influence over state health departments were bad, and that in any case such an activity should not be administered by a lay bureau.\textsuperscript{271} The association also condemned the act as "tending to promote communism."\textsuperscript{272} It was "an entering wedge for State medicine,"\textsuperscript{273} in providing for Social Security of the country.

In 1927, a group called the Committee on the Costs of Medical Care was set up by the Hoover Administration.\textsuperscript{274} The Committee was made up of forty-eight individuals representing private medical practice, public health administration, social sciences, and social workers. Its budget

\textsuperscript{269}\textsuperscript{ Ibid.}, p. 169.
\textsuperscript{270}\textsuperscript{ Ibid.}
\textsuperscript{271}\textsuperscript{ Ibid.}
\textsuperscript{272}\textsuperscript{ Falk, \textit{op. cit.}, pp. 212-213.}
\textsuperscript{273}\textsuperscript{ Ibid.}
\textsuperscript{274}\textsuperscript{ Gagliardo, \textit{op. cit.}, p. 345.}
exceeded nearly a million dollars over a five year period and its findings were printed in twenty-eight reports, twenty abstracts, fifteen miscellaneous contributions, fifteen supplementary publications of collaborating agencies -- almost a library in itself -- in fact over 10,000 pages of publications. The majority report of 150 pages was signed by thirty-five; a minority report was signed by nine physicians; a second minority report was signed by two dentists; and two individual dissenting opinions were signed by lay members of the group.\textsuperscript{275}

The majority of the Committee favored medical and hospital care insurance, on a voluntary basis, until adequate experience could be developed to serve as a sound basis for compulsion. The Committee did not consider the matter of cash benefits to offset in part wage losses, as that was outside the scope of its assignment. It approved coordinated group medical practice organized around health centers. It recommended that the cost of medical care for veterans, soldiers and sailors, the indigent, certain of the institutionalized, and the tubercular and mentally diseased should be borne by the State. And it favored government grant-in-aids to provide doctors, nurses, and hospitals

\textsuperscript{275}Medical Care for the American People (Final Report of the Committee on the Costs of Medical Care), (Chicago, 1932), 240 pp.
in thinly populated and poor regions. The minority report of the Committee on the Cost of Medical Care was backed by the A. M. A. in condemning the recommendation for a voluntary health insurance plan, as well as a compulsory system:

It seems clear, then, that if we must adopt in this country either of the methods tried out in Europe, the sensible and logical plan would be to adopt the method to which European countries have come through experience, that is, a compulsory plan under government control.

However, it ought to be remembered that compulsory insurance will necessarily be subject to political control and that such control will inevitably destroy professional morale and ideals in medicine.

The recommendations of the majority report precipitated little if any positive steps in the field of remedial legislation on a national basis. However, some observers felt that with the advent of Franklin D. Roosevelt, a complete program of Social Security would be forthcoming.

Roosevelt, however, in his first year of the presidency occupied his Administration with "recovery" rather than

276 Ibid.

277 Medical Care for the American People (Minority Report), op. cit., p. 277.
But in June of 1934, in a speech to Congress outlining his first year accomplishments and proposals for future legislation he commented:

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

This security for the individuals and for 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; they want some safeguards against the economic misfortunes of unemployment, old age and accident and illness which cannot be wholly eliminated in this man-made world of ours.279

Even Roosevelt's indirect reference to health insurance precipitated the House of Delegates to issue a set of principles which were adopted at their June, 1934 meeting:

... The committee does not recommend any plan, but has abstracted the following principles and suggests that they be followed by all constituent bodies of the American Medical Association as bases for the conduct of any social experiments that may be contemplated by them:

First: All features of medical service in any method of medical practice should be under the control of the medical profession. No other body or individual is legally or educationally equipped to exercise such control.

278Perkins, op. cit., p. 277.

Second: No third party must be permitted to become between the patient and the physician in any medical relation. All responsibility for the character of medical service must be borne by the profession.

Third: Patients must have absolute freedom to choose a duly qualified doctor of medicine who will serve from among all those qualified to practice and who are willing to give service.

Fourth: The method of giving the service must retain a permanent confidential relation between the patient and a "family physician."

Fifth: However the cost of medical service may be distributed, the immediate cost should be borne by the patient if able to pay at the time the service is rendered.

Sixth: Medical Service must have no connection with any cash benefits.

Seventh: Any form of medical service should include within its scope all qualified physicians of the locality covered by its operation who wish to give service under the conditions established.

Eighth: Systems for the relief of low income classes should be limited strictly to those below the "comfort level" standard of income.

Nineth: There should be no restriction on treatment or prescribing not formulated and enforced by the organized medical profession.  

A few weeks later, President Roosevelt established his famous Committee to Study Economic Security. After


281 See thesis pp. 63-64.
five months of organization and study, the group met in
Washington, D. C., to formulate a policy to be presented
to the President. The key-note address to the group
was given by the President on November 14, 1934. In
regard to health insurance he commented: "There is also
the problem of economic loss due to sickness . . .
Whether we come to this form of insurance soon or later
on, I am confident that we can devise a system which will
enhance and not hinder the remarkable progress which has
been made and is being made in the practice of the professions
of medicine and surgery. . . ."

In a speech before a convention of Phi Delta Epsilon
held in New York on December 30, 1934, Fishbein commented
on the speech of the President:

The medical profession should be left to settle
its own problems but if the doctors do not keep
the public's good in mind, the government will
be justified in taking control of health matters.

Most of the problems of social security have been
created by medicine. By saving lives, medicine
has caused congestion in cities, which had lead
to new diseases. By increasing the span of life,
medicine has created the problem of care of the
aged.

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The health problems can be solved by those doctors who have the facts. Beware of haste by the government in dealing with the problems of health insurance and care of the aged.284

On January 17, 1935, Senator Robert Wagner (D., N.Y.), and Representative Robert Doughton (D., N. Car.), introduced the famous Social Security Act (S. 1160; H.R. 4120) into their respective legislative hoppers.285 This act, built around the recommendations of the President's Committee on Economic Security, included no specific plan for a national health plan among its proposals for unemployment insurance, old age pensions and other social reforms. But Title IV, section 402, states:

The Social Insurance Board shall have among its duties, the duties of . . . 

(a) Studying and making recommendations as to the most effective methods of providing economic security through Social Insurance, and as to legislation and matters of administrative policy concerning old-age insurance, unemployment compensation, accident compensation, health insurance and related subjects.286

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286 U. S. Congress, Senate, Congressional Record, 74:1, p. 551.
In the title of the original bill was the phrase: A Bill to Alleviate the Hazards of ... Illness ... The House Bill was referred to the Ways and Means Committee, and Chairman Doughton began hearings immediately upon request of the President.\(^{287}\) The first reaction of the A. M. A. came on January 31, when Dr. Walter Bierring of DeMoines, Iowa, representing the Association, spoke in favor of the bill -- especially in regard to the section on appropriations for research to the Public Health Service.\(^{288}\) Following his formal statement, Chairman Doughton questioned Dr. Bierring:

Doctor, are you supporting the bill as it is, without the suggestion of amendment or modification?

Dr. Bierring replied: From my knowledge of the needs of the country, I would say it should be supported.

Chairman Doughton: Do you have any changes or anything else in mind that would held the bill?

Dr. Bierring: No sir, I do not.\(^{289}\)

\(^{287}\)See thesis pp. 75-76.


\(^{289}\)Ibid.
Soon after this, however, the House of Delegates of the A. M. A. called a special meeting for "the purpose of extended investigation of the Wagner-Doughton Bill." This was the first special session called by the House of Delegates in sixteen years. The meeting was held in Chicago on February 16-18, 1935. Finally, a report was drafted by a special committee headed by Dr. Harry Wilson of Los Angeles. The report condemned any form of compulsory sickness insurance, and specifically criticized the maternity benefits, care for infants, and Federal-state co-operation in the field of Public Health:

The House of Delegates deplores and protests those sections of the Wagner Act which place in the Childrens Bureau of the Department of Labor, the responsibility for the administration of funds for these purposes . . .

The House of Delegates condemns as pernicious, that section of the Wagner Act which creates a social insurance board without specification of the character of its personnel to administer functions essentially medical in character and demanding technical knowledge not available to those without medical training.

The House of Delegates also condemns the title of the Act, and the section which sets up future study for the problems of social security which is broad enough to include a national program for health insurance.

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When on April 4, 1935, Chairman Doughton introduced a revised bill (H.R. 7260) which eliminated the original words mentioning illness and the section referring to future study of health insurance, Doctor Fishbein editorialized in the Association's Journal: "The elimination of those words, however, would hardly be more than a gesture for the board would still be charged with the duty of studying and making recommendations to determine 'the most effective means of providing economic security through social insurance' broad enough to include health insurance.\(^{293}\)

A bitter foe of the American Medical Association and its attempts to dispel the idea of health insurance was Raymond Moley, then editor of the magazine Today. In an editorial written in the April, 1935, issue he said:

> Health insurance is not included in the revised bill. A violent controversy on the subject is raging in the medical profession, and the government is wisely refraining from any action until public sentiment, one way or the other, shall have crystallized. The A. M. A. has won temporarily but the pulse of public opinion may change this victory into defeat. In any event provisions for old age and unemployment benefits are the major parts of the program and can immediately be put into effect.\(^{294}\)


The A. M. A. Journal rebutted Mr. Moley's article in the following editorial:

The statement of Mr. Moley is, of course, subject to criticism, that a violent controversy is raging in the medical profession. This is not true. The opinion of organized medical profession as expressed by the membership of the American Medical Association through their House of Delegates was unanimously opposed to compulsory sickness insurance on either a Federal or state basis. If, however, the Congress and the President are waiting for public sentiment to corrupt and crystallize, the medical profession must realize that the forces of propaganda in behalf of sickness insurance are multiple and wealthy, and the medical profession must take far more interest in this matter and extend itself to the utmost if its views are to be brought forth satisfactorily before the American people.

Meanwhile, as the debates moved from the Ways and means Committee to the Floor of the House, the House of Delegates of the A. M. A. held their annual meeting in Atlantic City, New Jersey, on June 10, 1935. The Bureau of Economics of the Association strongly reiterated their earlier stand on the question of health insurance. And during the final session of the 1935 convention, a resolution was adopted which had been recommended by the Bureau stating: "The American Medical Association will

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oppose the Federal Administration's attempts to incorporate any form of health insurance in the Social Security Act."\textsuperscript{296}

At a similar convention of Canadian physicians and surgeons, Dr. John A. Kingsbury, former Director of Charities for the City of New York, spoke to the group:

I do not hesitate to say that the A. M. A. has used every trick known to politicians and political organizations to prejudice the public and persuade the elimination of health insurance within the framework of the Social Security Act . . .

They have sought to use personal influence on those in high places, have spent tens of thousands of dollars in public campaigns of mis-information, have spread false rumors and resorted to scurvy attacks of personalities.\textsuperscript{297}

Even after the bill was signed into law by President Roosevelt, Kingsbury continued his blistering attacks on the A. M. A. Speaking before a luncheon meeting of the American Association for Labor Legislation, on December 27, 1935, he said: "The defeat of the social insurance movement within the Social Security Act was the result of the medical politicians and merchants under the leadership of the inner circle of the American Medical Association.\textsuperscript{298}

\textsuperscript{297}Ibid., June 18, 1935, p. 18.  
\textsuperscript{298}Ibid., July 28, 1935, p. 12.
The American Medical Association replied in the form of a statement made by its president Dr. Charles A. Olin: "The policies of the American Medical Association are defined in its House of Delegates, composed of duly elected delegates representing state and territorial medical associations of the United States. The medical associations stand behind its House of Delegates." And Dr. Morris Fishbein commented: "Dr. Kingsbury talks like a man who just lost his job."^300

Following passage of the Social Security Act by Congress in early August of 1935, Dr. Fishbein again commented in the Journal:

The Social Security is now law. Until it is declared unconstitutional, by the courts, or repealed by a new Congress, physicians should co-operate in good faith to carry it into effect. The act does not refer to health insurance. However, it does authorize the Social Security Board to investigate and report concerning social insurance, and under the authority the board can investigate and report on health insurance, there is no immediate intention to do so as far as this office has been able to learn.^301

The same day President Roosevelt signed the Social Security Act into a law he issued the following statement:

In view of the passage and signing of the Social Security Bill, there is increasing necessity for better co-ordination of the health activities of the federal government. I am therefore

^299 Ibid.
^300 Ibid.
creating at this time an interdepartmental Committee to give attention to this subject.

As members of this Committee, I have selected the following Government officials; Josephine Roche, Assistant Secretary of the Treasury, chairman; Oscar Chapman, Assistant Secretary of the Interior; Myron F. Wilson, Assistant Secretary of Agriculture; Arthur J. Altmeyer, Second Assistant Secretary of Labor.

I am directing this Committee to include within the scope of its work not only health activities, but closely related welfare activities as well. As its immediate task, I am instructing the Committee to assume responsibility for the appointment of special committees to be composed of physicians and other technically trained persons within the government service to study and make recommendations concerning specific aspects of the government's health activities.

I am confident that this procedure will facilitate the consummation of a series of appropriate cooperative agreements between the various departments of government. I am also hopeful that in this way, we can eventually bring about a complete coordination of the government's activities in the health field.302

With this statement of the President the A. M. A. again became alerted for possible legislation which might propose the establishment of a health or illness insurance plan. But a speech by President Roosevelt at the dedication of the Jersey City Medical Center did much to calm their fears:

302 The Public Papers and Addresses of Franklin D. Roosevelt, op. cit., vol. 4, p. 436.
Let me, with great sincerity, give the praise which is due to the doctors of the nation for all they have done during the depression . . . devoting themselves without reservation to the high ideals of their profession.

. . . The Medical profession can rest assured that the Federal Administration contemplated no action detrimental to their interests.

The action taken in the field of health, as shown by the provisions of the Social Security Act which deal with health and these provisions, received the support of understanding doctors during the hearings before the Congress. The American Medical Association came out in full support of the Public Health provisions. . . .

This in itself assures that the health plans will be carried out in a manner compatible with our traditional social and political institutions. . . .

On occasions in the past, attempts have been made to put medicine into politics. Such attempts have always failed and always will fail . . . .

Government . . . will call upon doctors of the nation for their advice in the days to come.303

Following this speech by Roosevelt, the official reaction of the Association was again written by Dr. Fishbein in the Journal:

"The meaning of these words should be clear to all . . . ."

of our profession who read them. They seem to signify that the voice of organized medicine has been heard and appreciated in the executive branch of our government."\(^{304}\)

By 1937, the Interdepartmental Committee was organized to the extent of appointing the Technical Committee on Medical Care. Its purpose was "to review the governments' participation in the health services of the nation and to submit recommendations on Federal participation in a national health program."\(^{305}\) The Technical Committee began a National Health Survey -- an inquiry covering 800,000 families, and 2,800,000 people. Its first hand census was supplemented by reports from physicians, health officers, and institutions providing health care. It provided an index not only to the prevalence of disabling illness for the population as a whole but according to age, sex, occupation, family income, living standards, and size of community. These factors were weighed in relation to mortality rates and also in relation to the extent of medical care received by the sick and the

\(^{304}\) \textit{Journal of the American Medical Association}, October 19, 1936, p. 1226.

\(^{305}\) \textit{The Nation's Health} (Activities of the Interdepartmental Committee to Coordinate Health and Welfare) (Washington, D. C., 1939), p. 3.
availability of hospital facilities. 306

The central fact demonstrated by the National Health Survey was that with poverty goes not only a higher rate of sickness but a deficiency of medical care. Moreover, this correlation was not only proved for the group on relief but for struggling families above the level of relief. 307 With these facts in mind the Technical Committee prepared to present their findings and recommendations to the National Health Conference to be held in the summer of 1938.

Early in July of 1938, Miss Josephine Roche, Assistant Secretary of the Treasury and Chairman of Interdepartmental Committee, issued the call for a conference to be held later that month in Washington D. C., for the purpose of "discussing all the findings of the Committee and Technical Committee in order that the public might be informed of the condition of the health and welfare of the nation." 308 She also invited the President to give the opening speech. In a letter to her he regretted his inability to attend, but added significantly: We cannot do all at once everything that we should do. But we

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306 Ibid., pp. 10-11.
can advance more surely if we have before us a comprehensive, long-range program, providing for the most efficient cooperation of Federal, State, and local governments, voluntary agencies, professional groups, media of public information, and individual citizens."  

The Conference began on July 18, 1938, and lasted for three days. There were some one hundred and seventy-seven participants engaging almost every phase of human activity. The Technical Committee made five recommendations, three of which were to be integrated into the Social Security Act. The recommendations were: (1) Expansion of general public health services; (2) expansion of health facilities; (3) medical care of the medically needy; (4) a general program of medical care; (5) insurance against loss of wages during sickness. The first three items were to be spread over a ten year period with the Federal government providing one half of the needed revenue.


310 The Nations Health, op. cit.

311 Ibid., p. 13.

312 Ibid.
The American Medical Association was represented at the Conference by six doctors including its president, Dr. Irvin Abell, as well as Dr. Morris Fishbein, the fiery editor of the Journal. Dr. Abell led off the first afternoon of discussion with remarks to the effect that the medical profession was fully cognizant of the economic problems in the field of health and welfare that were presently facing the nation. He cautioned the group, however, that in providing the proper program for their solution, "we should not endanger those characteristics which our nation has been noted for in its past history -- that individualism and free enterprise are the primary assets of a free people." He also noted that the Association he represented was completing an "exhaustive and painstaking study" of the need of medical care and the method for its provision in each county in the United States. He concluded with:

If this conference could develop a plan under medical control which would continually have the support, advice, and approval of the physicians of this country for a better distribution of physicians, so as to provide for

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medical care of the indigent and near indigent people where it found necessary under plans locally approved, State by State, it will have accomplished a great deal... for the preservation of the lives and liberties and the happiness and effectiveness of our people. 314

Dr. Fishbein in his remarks to the group on the last day of the Conference painted a grim picture of the Technical Committee's recommendations. He challenged their purpose as well as their conclusions:

You are essentially a healthful people. Your death rates and your sickness rates compare favorably with those of any other nation in the world, regimented or unregimented. The problem of medical care is not the most pressing problem of the American people. Let us concern ourselves first with the question of food, fuel, shelter, and a job with adequate wages.315

Following the National Health Conference, the third special session in the history of the A. M. A. was held in Chicago on September 16 and 17. Each recommendation by the Technical Committee was assigned to a separate A. M. A. committee for study. The result was "an approval of the theory that the problems referred to by the Technical Committee existed but disapproval of the means and methods to solve them." On the final day of the session the House of Delegates approved a resolution to appoint a committee of seven physicians to "confer and consult with

315Ibid., p. 59.
Federal officials as to the method to be used.  

The A. M. A. continued the attack on the recommendations of the Conference with criticisms in the form of editorials in its Journal. In September 23, 1938 edition, to select but one example, it argued: "The practice and administration of medicine in the United States has long been best provided from the confines of the profession itself. A national health plan as was recently suggested could only upset and delay the progress of all medicine in the future."

These views were brought to the attention of President Roosevelt on several occasions. On January 16, 1939, in a personal interview with the President, Dr. Abel stated the case of the A. M. A. most forcefully: "The Association disagrees with the Interdepartmental Committee's recommendation that all states develop a compulsory health insurance plan. Our opposition is based upon the fact that the results of our complete health studies in those countries which tried it out inevitably results in the lowering of quality of medical care."

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316 Ibid.
One week later President Roosevelt transmitted the following message to the Congress:

In my annual message to Congress I referred to problems of health security. I take occasion now to bring this subject specifically to your attention in transmitting the report and recommendation on national health prepared by the Interdepartmental Committee.

The health of the nation is a public concern; ill health is a major cause of suffering, economic loss and dependency; good health is essential to the security and progress of the Nation.

The objective of a national health program is to make available in all parts of our country and for all groups of our people the scientific knowledge and skill at our command to prevent and care for sickness and disability; to safeguard mothers, infants and children; and to offset through social insurance the loss of earnings among workers who are temporarily or permanently disabled.

The Committee does not propose a great expansion of Federal health services. It recommends that plans be worked out and administered by states and localities with the assistance of the Federal grant-in-aid. This is a flexible program.

The recommendations of the Committee offer a program to bridge a stream by reducing the risks of needless suffering and death, and costs and dependency, that overwhelm millions of individual families and sap the resources of the Nation.319

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On February 28, 1939, Senator Robert F. Wagner (D., N.Y.), introduced into the Senate of the United States a bill (S. 1620) entitled: *A Bill to Provide for the General Welfare by Enabling the Several States to Make More Adequate Provision for Public Health, Prevention and Control of Disease, Maternal and Child Health Services, Construction and Maintenance of Needed Hospitals and Health Centers, Care of the Sick, Disability Insurance, and Training of Personnel.* The bill soon came to be called the Wagner Health Bill. The battle once again shifted to the Senate.

The first attack by the A. M. A. again came in the form of an editorial in the Associations' *Journal*, March 11, 1939. The tone of the criticism was engendered in the opening lines: "Much secrecy surrounds its (the bill) preparation and development. Apparently up until its introduction even Mr. Wagner and his staff were not sure as to what the bill would include." The editorial continued its verbal counterattack condemning as needless expense "beyond what is needed" and "duplication of health services already provided" in other legislation. But

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322Ibid.
the biggest objection of the A. M. A. was: "... it proposes to put State health officers in a commanding position as far as the dispensing funds, subject only to Federal approval." Dr. Fishbein in conclusion termed the extreme vagueness "in the light of the vast sums of money to be dispensed and the great powers conferred on certain Federal officers in the control of the spending" as the underlying feature which the American people would reject wholeheartedly."

In the annual meeting of the American Association for Social Security, on March 7, 1939, Dr. Fishbein reaffirmed the position of the A. M. A. in its fight against the Wagner bill. He blamed social workers in cases where indigent workers and their families were not given proper medical care. Two days later, at a banquet in Chicago, he again scored the bill: "Compulsory health insurance is another insidious step toward the breakdown of American democracy and a trend toward a system fascistic or communistic in character. It will result in the deterioration of the quality of medical service, and

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323 Ibid.

324 Ibid., p. 982.

the destruction of the initiative of the individual doctor.\textsuperscript{326}

The annual convention of the American Medical Association was held in St. Louis on May 14-17, 1939. The entire convention revolved around the question of the Nation Health Program. A committee headed by Dr. Walter Donaldson was selected to completely examine the bill and on the final day submit the results of their findings as well as any recommendations that the committee might care to voice. The Donaldson Committee suggested twenty-two proposals which were approved by a voice vote of the convention. These proposals included the following items:

- The Wagner Health Bill does not recognize the resolutions adopted by the House of Delegates of the American Medical Association in September, 1938.

- The Wagner Health Bill does not safeguard in any way the continued existence of the private practitioner who has always brought to the people the benefits of scientific research and treatment.

- This bill proposes to make federal aid for medical aid the rule rather than the exception.

- The Wagner Health Bill insidiously promotes the development of a complete system of tax supported governmental medical care.

- The Wagner Health Bill provides for supreme governmental control; federal agents are given

\[\text{\textsuperscript{326} Ibid., March 19, 1939, p. 8.}\]
authority to disapprove plans proposed by individual states.

The American Medical Association would fail in its public trust if it neglected to express itself unmistakably and emphatically regarding any threat to the national health and well being. It must therefore, speaking with professional competence, oppose the Wagner Health Bill.327

After the bill was introduced into the Senate, it was referred to the Committee on Education and Labor. This Committee appointed a special subcommittee headed by Senator James E. Murray (D., Mont.), to begin hearings.328 The hearings began on April 27, 1939 and lasted eight days. Witnesses included representatives of business and industry, labor leaders, clergymen,329 as well as six doctors representing the American Medical Association. Among the latter was Dr. Arthur W. Booth, the new president, Dr. Morris Fishbein, the editor of its Journal, and Dr. Walter Donaldson, chairman of the committee which had drafted the measure opposing the bill at the Association's recently completed convention.330

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327 Journal of the American Medical Association, June 3, 1939, p. 2296.
329 Hearings Before a Subcommittee of the Committee on Education and Labor, United States Senate, 76:1, 656 pp.
330 Ibid.
Also sitting in on the hearings, not as an official member of the Senate Committee, however, was the author of the controversial legislation, Senator Robert Wagner (D., N.Y.).

As expected, the Association's representatives denounced the proposed legislation with the purple rhetoric that had characterized both the proceedings of their convention and previous editorials in their Journal. Phrases such as "totally vague," and "socialized medicine" soon peppered the recorded proceedings of the A. M. A.'s testimony. The last witness, Dr. Fishbein, when asked to summarize his feelings "for the sake of time" by Chairman Murray, answered: "That too will take time."

The hearings over, the subcommittee reported back on August 4, 1939, to the Senate in the form of Senate Report No. 1139:

... the subcommittee, having studied the bill, held numerous public hearings, and accumulated a large volume of testimony and supplementary information, reports that it is in agreement with the general purposes and objectives of this bill. However, the subcommittee wishes to give this legislation

331 Ibid.
333 Ibid., p. 501.
additional time and study and to consult with representatives of lay organizations and of the professions concerned.

The subcommittee intends to report out an amended bill at the next session of Congress.

Troubled by the recommendation of the committee, the American Medical Association in the interim proceeded to draft an eight point Federal Health Plan. It was to be introduced in the form of a bill at the next session of Congress. The plan was made public on October 23, 1939:

1. Establishment of an agency of the Federal Government under which shall be co-ordinated all health functions of the federal government exclusive of the Army or Navy.

2. Allotment of such funds as the Congress may make available to any state in actual need for the prevention of disease, promotion of health and care of the sick upon proof of such need.

3. The principle that the care of the public health and the provision of medical service to the sick is a local responsibility.

4. The development of a mechanism for meeting the needs and expansion of preventive medicine, services with local determination of needs and local control of administration.

5. The extension of medical care for the indigent and medically indigent with local administration of needs and local administration.

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(6) In the extension of medical services to all the people, the utmost utilization of qualified medical and hospital facilities already established.

(7) Continued development of the private practice of medicine, subject to such changes as may be necessary to maintain the quality of medical services and to increase their avail.

(8) Expansion of public health and medical service consistent with the American system of democracy.\textsuperscript{335}

But by late December of 1939, a revisionist viewpoint toward the Wagner Act had been taken by President Roosevelt. At a press conference he noted what he termed the bill's greatest deficiency — the matter of the Federal government matching State funds.\textsuperscript{336} The richer States could afford to appropriate the largest sums and receive a similar amount from the federal government; while the poorer States who really needed medical aid would only be able to raise a negligible amount to be in turn matched by Federal funds.\textsuperscript{337} The bill did not pass. The decades of the thirties came to an end. Two of the

\textsuperscript{335}\textit{The New York Times}, October 23, 1939, p. 10.

\textsuperscript{336}\textit{Ibid.}, December 28, 1939, p. 1.

\textsuperscript{337}\textit{Ibid.}

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three major phases of Social Security had become the law of the land; but the third, a National Health Plan, was still a subject of debate.

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The evidence and research presented in this thesis, as to the question of whether the American Medical Association opposed Social Security in the nineteen thirties, suggests that the answer remains a problem of semantics. There is no evidence that the A. M. A. either opposed or supported the Social Security Act of 1935 -- except in the area of public health appropriations, which the Association supported. However, the overall question is not answered yet. The idea of social security began as a panacea to cure the evils of nineteen and twentieth century industrialism. These evils presented themselves in many different forms: unemployment, on the job accidents, old age dependency, insufficient medical care for workers and their families, yet they all had one thing in common -- they deprived the laboring man of a guarantee to become and remain self sufficient in providing the necessities of life to his family as well as himself. To deny any one of the phases of legislation designed to provide security in any one proven area of needed reform
more or less denies the overall principle. Therefore, taking into consideration the broad meaning of Social Security, which most certainly was meant to include a national health insurance program, the American Medical Association most assuredly did fight this phase of the Roosevelt plan of social reform — particularly through the acid pen of Doctor Morris Fishbein and the *Journal*; and publicly by speeches, resolutions and frequent conventions of members of its House of Delegates.
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