

# SOCIAL INSURANCE

..... AND .....

# SOCIAL JUSTICE

SOCIAL SECURITY,  
MEDICARE, AND  
THE CAMPAIGN AGAINST  
ENTITLEMENTS

.....  
EDITORS

LEAH ROGNE • CARROLL L. ESTES • BRIAN R. GROSSMAN •  
BROOKE A. HOLLISTER • ERICA SOLWAY

SPRINGER  PUBLISHING COMPANY

# Social Insurance and Social Justice

*Social Security, Medicare, and the  
Campaign Against Entitlements*

**LEAH ROGNE, CARROLL L. ESTES,  
BRIAN R. GROSSMAN, BROOKE A. HOLLISTER  
AND ERICA SOLWAY**

*EDITORS*

 **SPRINGER PUBLISHING COMPANY**  
New York

**Leah Rogne, PhD**, is associate professor of sociology at Minnesota State University, Mankato. She is the coordinator of Minnesota State, Mankato's Applied Sociology program and former interim director of its Gerontology Program/Center on Aging. She is a founding member of Concerned Scientists in Aging.

**Carroll L. Estes, PhD**, is professor of sociology at the University of California, San Francisco in the School of Nursing and founding and first director of the Institute for Health and Aging (1979–1998). Dr. Estes is a member of the Institute of Medicine of the National Academy of Sciences, and she is past president of the Gerontological Society of America, the American Society on Aging, and the Association for Gerontology in Higher Education. She has served as consultant to U.S. Commissioners of Social Security and Congressional Committees on Aging.

**Brian R. Grossman, MSPH**, is a doctoral candidate in sociology at the University of California, San Francisco. He is an instructor in the Health Science Department at San Jose State University and in the Department of Sociology and the Graduate Program in Gerontology at San Francisco State University. He is a project associate with Students for Social Security.

**Brooke A. Hollister, PhD**, is assistant professor of sociology at the University of California, San Francisco. Brooke is the national director and cofounder of Students for Social Security and Concerned Scientists in Aging. She is currently serving as vice chair of the Gray Panther's National Board of Directors.

**Erica Solway, MSW, MPH**, is a doctoral candidate in sociology in the Department of Social and Behavioral Sciences at the University of California, San Francisco. She is a project associate with Students for Social Security.

Copyright © 2009 Springer Publishing Company, LLC

All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the publisher or authorization through payment of the appropriate fees to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, 978-750-8400, fax 978-646-8600, info@copyright.com or on the web at www.copyright.com.

Springer Publishing Company, LLC  
11 West 42nd Street  
New York, NY 10036–8002  
www.springerpub.com

*Acquisitions Editor: Jennifer Perillo*  
*Project Manager: Cindy Fullerton*  
*Cover design: Steve Pisano*  
*Composition: Aptara Inc.*

09 10 11 12/ 5 4 3 2 1

Ebook ISBN: 9780826116154

---

Library of Congress Cataloging-in-Publication Data

Social insurance and social justice : social security, medicare, and the campaign against entitlements / Carroll L. Estes . . . [et al.].

p. cm.

Includes index.

ISBN 978-0-8261-1614-7 (alk. paper)

1. Social security – United States. 2. Social justice – United States.

I. Estes, Carroll L.

HD7125.S585 2009

368.4'300973–dc22 2008054123

---

Printed in the United States of America by Bang Printing.

The author and the publisher of this Work have made every effort to use sources believed to be reliable to provide information that is accurate and compatible with the standards generally accepted at the time of publication. The author and publisher shall not be liable for any special, consequential, or exemplary damages resulting, in whole or in part, from the readers' use of, or reliance on, the information contained in this book.

The publisher has no responsibility for the persistence or accuracy of URLs for external or third-party Internet Web sites referred to in this publication and does not guarantee that any content on such Web sites is, or will remain, accurate or appropriate.

# Contents

*Contributors* ix  
*Foreword by Barbara B. Kennelly* xiii  
*Acknowledgments* xvii  
*In Memoriam: Mr. Social Security: The Extraordinary  
Contributions of Robert M. Ball* xix  
*Introduction: We're All in This Together* xxv

## **PART I: SOCIAL INSURANCE: HISTORY, POLITICS, AND PROSPECTS**

Introduction 3  
**Brian R. Grossman**

1 The Nine Guiding Principles of Social Security 9  
**Robert M. Ball**

2 Social Insurance and the Right to Assistance 15  
**Robert M. Ball**

3 Procession of the Generations: Are We Still Traveling  
Together? 25  
**Malcolm L. Johnson**

4 The Little-Known Origins of the Social Security Act: How  
and Why Corporate Moderates Created Old-Age Insurance 47  
**G. William Domhoff**

- 5** The Medicare Modernization Act: Evolution or Revolution in Social Insurance? 63  
Thomas R. Oliver and Philip R. Lee
- 6** The Future of Social Insurance: Values and Generational Interdependence 95  
Eric R. Kingson, John M. Cornman, and Amanda L. Torre-Norton

## **PART II: WHAT'S AT STAKE**

- Introduction 111  
Erica Solway
- 7** One Nation, Interdependent: Exploring the Boundaries of Citizenship in the History of Social Security and Medicare 115  
Brian R. Grossman, Erica Solway, Brooke A. Hollister, Carroll L. Estes, and Leah Rogne
- 8** Why All Women (and Most Men) Should Support Universal Rather than Privatized Social Security 149  
Madonna Harrington Meyer
- 9** Healthy, Wealthy, and Wise? Challenges to Income Security for Elders of Color 165  
Steven P. Wallace and Valentine M. Villa
- 10** Quality of Life for Communities of Color 179  
E. Percil Stanford, Donna L. Yee, and Edgar E. Rivas

## **PART III: THE ONGOING DEBATES OVER SOCIAL INSURANCE PROGRAMS**

- Introduction 193  
Brooke A. Hollister
- 11** Can Threats to Social Insurance in the United States Be Repelled? 197  
Robert H. Binstock and James H. Schulz

- 12** Social Security Privatization: The Institutionalization  
of an Ideological Movement 217  
**Judie Svihula and Carroll L. Estes**
- 13** A Normative Approach to Social Security:  
What Dignity Requires 233  
**Martha Holstein**
- 14** Public Opinion and Social Insurance: The American  
Experience 251  
**Fay Lomax Cook and Meredith B. Czaplewski**
- 15** Restoring Confidence in Social Security: Our Obligation  
to Future Generations 279  
**Harry R. Moody**

## **PART IV: CRITICAL PERSPECTIVES ON SOCIAL INSURANCE REFORM**

- Introduction 295  
**Carroll L. Estes**
- 16** Social Insurance in Europe 299  
**Alan Walker**
- 17** Pensions in Crisis: Aging and Inequality in a Global Age 319  
**Chris Phillipson**
- 18** Federalism, State Taxation of OASDI Benefits, and the Economic  
Well-Being of Older Americans 341  
**Phoebe S. Liebig and Bernard A. Steinman**
- 19** Social Justice and Tax Expenditures 359  
**Debra Street**

**PART V: TEACHING SOCIAL INSURANCE: CRITICAL  
PEDAGOGY AND SOCIAL JUSTICE**

Introduction 379

**Leah Rogne**

**20** Make History Ground-Breaking by Teaching Essential History:  
Putting Social Security in U.S. History Syllabi 383

**W. Andrew Achenbaum**

**21** Teaching Collaborative Learning and Continuing Education  
Strategies about Social Security and Medicare 399

**Patricia K. Cianciolo**

**22** Beyond Lectures and Tests: Facilitating Applied and  
Interactive Social Insurance Learning Experiences  
in Gerontology Courses 417

**C. Joanne Grabinski**

Epilogue: From the Audacity of Hope to the Audacity of Action 435

**Carroll L. Estes, Leah Rogne, Brian R. Grossman,  
Brooke A. Hollister, and Erica Solway**

**Index 441**

## Contributors

**W. Andrew Achenbaum, PhD**, is a professor of history and social work at the University of Houston.

**Nancy J. Altman** is the author of *The Battle for Social Security: From FDR's Vision to Bush's Gamble* (2005).

**Robert M. Ball**, who first went to work for the Social Security Administration in 1939, served as commissioner of the Social Security Administration under Presidents Kennedy, Johnson, and Nixon. He died January 30, 2008, at the age of 93.

**Robert H. Binstock, PhD**, is professor of Aging, Health, and Society at Case Western Reserve University.

**Patricia K. Cianciolo, PhD**, is a professor in the Sociology and Social Work Department at Northern Michigan University.

**Fay Lomax Cook, PhD**, is director of the Institute for Policy Research and professor of human development and social policy in the School of Education and Social Policy at Northwestern University.

**John Cornman**, a former executive director of the Gerontological Society of America, is a principal with Consultants on Purpose, LLC, formed in 1996 to help nonprofit organizations succeed in competitive, changing markets.

**Meredith B. Czapski** is a doctoral candidate in the department of political science and a graduate fellow at the Institute of Policy Research at Northwestern University.

**G. William Domhoff, PhD**, is a research professor of sociology at the University of California, Santa Cruz.

**C. Joanne Grabinski, MA, ABD**, is president/educator and consultant for AgeEd in Mt. Pleasant, Michigan; lecturer in the gerontology program, Eastern Michigan University; and visiting professor in human development: gerontology at Saint Joseph College in West Hartford, Connecticut.

**Madonna Harrington Meyer, PhD**, is director of the Syracuse University Gerontology Center.

**Martha Holstein, PhD**, teaches health care ethics at Loyola University; professional ethics at Northwestern University; and serves as codirector of the Center for Long-Term Care Reform at the Health and Medicine Policy Research Group in Chicago.

**Malcolm Johnson, PhD**, is professor of gerontology and end-of-life care at the University of Bath in England.

**Barbara B. Kennelly**, president and CEO of the National Committee to Preserve Social Security and Medicare, served 17 years as a member of the U.S. Congress. In 2006, she was appointed to the Social Security Advisory Board by Speaker of the House Nancy Pelosi.

**Eric R. Kingson, PhD**, professor of social work and public administration, is a member of the faculty of the Syracuse University School of Social Work.

**Philip R. Lee, MD, PhD**, is senior scholar in the Philip R. Lee Institute for Health Policy Studies and professor emeritus of social medicine, Department of Medicine, School of Medicine at the University of California, San Francisco.

**Phoebe S. Liebig, PhD**, is a professor emerita of gerontology and public administration at the University of Southern California.

**Harry R. Moody, PhD**, is director of academic affairs for AARP.

**Thomas R. Oliver, PhD**, is associate professor of population health sciences at the University of Wisconsin School of Medicine and Public Health. He also serves as associate director for health policy at the University of Wisconsin Population Health Institute.

**Chris Phillipson, PhD**, is professor of applied social studies and social gerontology at Keele University, UK.

**Edgar E. Rivas, MS, MPP**, is a portfolio manager for AARP's Office of Diversity and Inclusion in Washington, DC.

**James H. Schulz, PhD**, is professor emeritus of economics at the Florence Heller Graduate School, Brandeis University.

**E. Percil Stanford, PhD**, is the chief diversity officer of AARP and professor emeritus at San Diego State University.

**Bernard A. Steinman, MS**, is a researcher at the Andrus Gerontology Center and a doctoral candidate at the Davis School of Gerontology at the University of Southern California in Los Angeles.

**Debra Street, PhD**, is an associate professor and director of graduate studies in the Department of Sociology at SUNY-Buffalo and faculty fellow of the University at Buffalo Regional Institute.

**Judie Svihula, PhD**, is a research scientist at the Institute on Aging, University of North Carolina at Chapel Hill. She is a fellow of the NIH-NIA funded Carolina Program for Health and Aging Research at the Institute.

**Amanda Torre-Norton** currently serves as the research associate for the evaluation of Project Home, conducted by the Cornell Institute for Translational Research on Aging (CITRA).

**Valentine M. Villa, PhD**, is a professor of social work at California State University, Los Angeles, and adjunct associate professor at the UCLA School of Public Health, Department of Community Health Sciences, and senior researcher with the UCLA Center for Health Policy Research.

**Alan Walker, PhD**, is professor of social policy and social gerontology at the University of Sheffield, UK.

**Steven P. Wallace, PhD**, is professor at the UCLA School of Public Health, vice-chair of the Department of Community Health Sciences, and associate director of the UCLA Center for Health Policy Research.

**Donna L. Yee, PhD**, is CEO of the Asian Community Center (ACC) in Sacramento, California, a nonprofit organization that serves older adults.

## Foreword

*We can never insure one hundred percent of the population against one hundred percent 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.*

—President Franklin D. Roosevelt upon signing  
the Social Security Act, 1935

Poverty-ridden old age. It is hard to imagine our not-so-distant past when many Americans faced old age without income, assets, or even the basic necessities of life. In 1935, more half of the nation's elderly were poverty stricken. Today, this sad part of our history is gone. Far fewer American seniors live in poverty or are denied access to medical care thanks to social insurance programs like Social Security and Medicare. Though benefits are modest, the programs are a lifeline for millions of families. Like other risk pools designed to insure individuals against physical and material losses, social insurance continues to provide income protection for workers and their families, retirees, and the disabled.

Unfortunately, many conservatives and private market advocates ridicule social insurance as an archaic system of government hand-outs. Over the years, opponents of social insurance have fomented intergenerational warfare, pitting the young against the old in an effort to erode support for Social Security and Medicare among those unfamiliar with the programs' many virtues. In fact, the Social Security system reflects the ways in which the generations are interdependent. The system contributes to the well being of Americans by providing a foundation of retirement income that permits seniors to live in dignity and independence. In addition to retired worker and spousal benefits, wage earners receive insurance protection for themselves and their families if they should become disabled or die.

Through economic crises, natural disasters, and wartime, America's social insurance programs have remained reliable constants in a changing world. These are *not* the antiquated and archaic programs portrayed by those opposed to any government social insurance role. In fact, quite the contrary is true. Social insurance programs showcase the best of what government *can* do for its citizens and create a lasting compact between our citizens and their government.

In January 2007, Kathleen Casey-Kirschling applied for Social Security retirement benefits. Although thousands of people apply for benefits every day, this one single act is notable because Casey-Kirschling is the Nation's unofficial "first baby boomer." Her retirement begins a new era in American history—one in which our government's ability to support generations of retirees will be tested as never before.

The fact is, baby boomers are no different from anyone else; there are simply more of them than the age cohorts before and behind them. And it will take them at least 2 decades before they have all left the workforce. This will create a long-term funding gap for Social Security, but it does not create an insurmountable crisis. Baby boomers are not a well-kept secret. They did not creep up on us like thieves in the night. The bulge in that generation has been working its way through society ever since they were born. When they needed schools, this country built them. When they needed housing, this country helped finance them. Their work through the years helped build the economy that we see today.

Now, they are on the doorstep of retirement, and some economists would like us to think this is an unexpected surprise that will plunge us into economic chaos and leave Generation X and those following behind in poverty. This could not be further from the truth. As a result of the changes that were enacted in 1983, Social Security will remain solvent until the youngest of the boomers is nearly 80 years old. Even without any changes at all, Social Security will pay all but about 25% of benefits thereafter.

Still, conservative economists and their supporters use the myth of boomer-generated catastrophe to fuel their unrelenting assault on the two enduring icons of the New Deal. It is clear that those of us who believe in the value of social insurance cannot afford to become complacent about the future.

Although many believe the battle against privatization has already been won, we must remember that millions of dollars still flow into the

think tanks and conservative policy offices that support Social Security private accounts. We also must remember that Medicare is already well on its way to privatization. The Medicare Modernization Act of 2003 created a prescription drug benefit that is only available through private insurance companies. The legislation also created massive subsidies for Medicare Advantage, private health care sold to seniors under the umbrella of the Medicare program, where insurance companies receive an average 13% more per beneficiary than it would cost the federal government to cover those same seniors in traditional Medicare. And 2008 Republican Presidential nominee Senator John McCain, a strong supporter of private accounts, called Social Security's fundamental structure "a disgrace" (Denver, July 7, 2008) and named a long-standing champion of privatization, Martin Feldstein, as his surrogate spokesperson on the issue.

Proponents of privatization have spent years quietly planting the seeds of their propaganda in the press and in the public. President Bush frequently used words that fed the scare tactics of the privatizers—claiming the program will be "bust" or "flat broke" soon. Arguments such as these simply feed young people's belief that Social Security will not be there for them when they retire. What they do not fully understand is that the financial world they face is much riskier than that of previous generations, and they will absolutely need a guaranteed Social Security benefit and a program to cover their medical expenses when they reach late life.

In this book, Carroll Estes and her associates have gathered some of our leading scholars on social insurance to tell the story of the role of these programs in our country. They tell us how Social Security and Medicare came into being in the United States, discuss the ways the programs support economic and health security for all Americans, and emphasize especially how socially marginalized populations are affected by current policy and proposed changes. They discuss the politics involved in the debates about social insurance reform and suggest a variety of strategies to make reasonable changes to ensure the future viability of social insurance programs.

As I write this foreword, it is the 73rd anniversary of President Franklin D. Roosevelt's signing of the Social Security Act, and the fundamental promises we made to one another are under concerted attack. Now, more than ever, we must tell the story of how social insurance programs have assured basic economic and health security for millions of

Americans and how we can continue to fulfill the vital commitments that have made us a strong and caring nation. This book is a must-read for anyone who cares about these goals.

*—BARBARA B. KENNELLY is the president and executive director of the National Committee to Preserve Social Security and Medicare. She served for 17 years in the U.S. House of Representatives from the state of Connecticut.*

# Acknowledgments

The editors of this book first want to thank the authors who contributed to this volume for their dedication to research and teaching on social insurance.

We are especially grateful to Marilyn Hennessy of the Retirement Research Foundation and Bill Novelli, Betsy Sprouse, and Harry Moody from AARP for the support they have given to our work on social insurance, and to Paul Vandeventer and Community Partners, who have provided us with a nonprofit administrative home for Concerned Scientists in Aging and Students for Social Security. Additionally, we would like to thank Pamela Larson from the National Academy of Social Insurance, and Barbara Kennelly, Maria Freese, and Sandy Wise of the National Committee to Preserve Social Security and Medicare, who provided support and technical assistance regarding multiple policy issues.

We are grateful for the assistance and guidance of fellow members of Students for Social Security and Concerned Scientists in Aging, especially Melissa Shoshone Bartley and Marilyn Oakes Greenspan for their preliminary research on teaching social insurance.

We would like to thank our colleagues at the Institute for Health & Aging and the Department of Social & Behavioral Sciences at the University of California, San Francisco for their support, guidance, and assistance. In particular, Patrick Fox, Wendy Max, and Regina Gudelunas, were instrumental in arranging access to office space, phone lines, and printing facilities for the UCSF editors.

We also thank Minnesota State University, Mankato's College of Social and Behavioral Sciences and Department of Sociology and Corrections for their assistance and especially Karen Purrington and Kelsey Kruse for their administrative support.

And special thanks to our editor, Jennifer Perillo, and all the staff at Springer who tirelessly pushed this volume along.

Leah Rogne wants to acknowledge the support and encouragement of her family: Fred, Janos, Leslie, Beth, Kaja, Amara, and Sonja. She would like to give special thanks to her parents, Leslie and Katherine Rogne, for their ongoing dedication to a world in which people care about one another.

Carroll Estes would like to express her dedication of this work to her daughter, Duskie Lynn Estes, and her granddaughters, Brydie and MacKenzie. She would also like to dedicate this work to all future generations who will benefit from the nation's rededication to its vital and vibrant social insurance programs.

Brian Grossman would like to express his deep gratitude to Malcolm Haar, the man with whom he shares his life, for his emotional support and his services as a late-night proofreader. Brian thanks his family for their willingness to talk about the importance of this work: Linda and Henry Grossman; Sharon, Jason, Jake, Max, and Char Moses; Gail, Bob, Matthew, Haley, Alex and Kaitlin Haar; and Bernice Rothschild. Brian is also thankful to those family members who are no longer living but whose lives have been an inspiration: Rosie Grossman, Gertrude Marks, and Margot and Eddie North.

Brooke Hollister would like to dedicate this book to members of Students for Social Security and Concerned Scientists in Aging, who, since 2004, have tirelessly contributed to intergenerational efforts to educate the public on and advocate for the preservation and expansion of social insurance programs.

Erica Solway would like to acknowledge her grandparents, Leatrice Brawer, Bernie Brawer, Joan Brawer, Etta Solway, and Paul Solway, for their enduring love, encouragement, and support.

We all express our gratitude for the pioneering efforts of two of our most significant mentors and visionaries, the late Maggie Kuhn, cofounder of the Gray Panthers, and the late Tish Sommers, cofounder of the Older Women's League (OWL). They transformed our understanding of the intergenerational, structural, and global interconnections upon which the foundations of social insurance and social justice must be built. Their courage and actions continue to inspire and guide us.

# In Memoriam: Mr. Social Security: The Extraordinary Contributions of Robert M. Ball

NANCY J. ALTMAN

*This book is dedicated to the memory of Robert M. Ball, who died on January 30, 2008, at the age of 93. Ball has been called the spiritual leader of Social Security (Bethell, 2005) and was a key architect of and champion for the development of the Medicare program. In this essay, Nancy Altman, author of The Battle for Social Security: From FDR's Vision to Bush's Gamble, outlines the influence Ball had on Social Security and Medicare in the United States, both as a Commissioner of Social Security under Presidents Kennedy, Johnson, and Nixon and as a lifelong advocate for social insurance programs in the United States. (Eds.)*

On January 30, 2008, when Robert M. Ball died, every single American, young and old, rich and poor, from every walk of life, and from every ethnic background, lost a tireless advocate. From the age of 24 until nearly his last breath, just short of his 94th birthday, Ball spent most of his waking hours dedicated to the successful pursuit of safeguarding and improving Social Security.

As a result of his 7 decades of dedication to Social Security, he is more responsible than any other person, living or dead, for all the good that Social Security does. He is more responsible than any other civil servant or presidential appointee, than any chairman of a congressional

committee, than any president—more than Lyndon B. Johnson, more even than Franklin D. Roosevelt himself. Ball, more than anyone else, is responsible for the:

- 13 million seniors and 1 million children that Social Security currently lifts out of poverty (Sherman & Shapiro, 2005);
- 34 million seniors who are able to live with dignity, as a result of a guaranteed income and the independence that accompanies that guarantee (Social Security Administration, 2008a);
- 4 million widows and widowers who are able to maintain financial independence after the loss of a spouse (Social Security Administration, 2008a);
- 7 million Americans who receive Social Security benefits because their paychecks have been lost as a result of a serious disability (Social Security Administration, 2008a);
- 3.1 million children of deceased, disabled, and retired workers who receive Social Security benefits each month and another 3.4 million children who, while not receiving benefits themselves, live in the homes of relatives who do (Lavery & Reno, 2008);
- 164 million workers and their families who are currently insured by Social Security against the risk that they and their families might one day lose the security of their paychecks as a result of disability, old age, or death (Social Security Administration, 2008b).

Ball possessed an extraordinary and unusual set of strengths that allowed him to make such remarkable and far-reaching contributions to his fellow Americans. Throughout his life, he was a man of strong principles. At the same time, he worked hard to understand the views of others. He possessed a gentle spirit and warmth, with a light-hearted sense of humor. He was even keeled, rarely succumbing to anger or frustration. And his mind was razor-sharp. These qualities made him a natural and gifted negotiator—indeed a born master of the art.

Ball was able to bring people around to his position in a way that made them believe that they were getting *their* way. As a young man of just 31, he saved Social Security—the first of many times, throughout his life. In the late 1940s, more than twice as many senior citizens received means-tested welfare as received Social Security, and the average welfare payment was substantially larger than the average Social Security benefit. When politicians wanted to help their constituents, Social Security was not on their radar screen; the program was largely ignored.

Consequently, its benefits were not keeping pace with either inflation or increasing standards of living. Social Security was in danger of withering away.

In 1947, President Harry S. Truman and the Republican-controlled Congress agreed to establish an advisory council to study and make recommendations about the program. Ball became the Council's executive director. Through his astute and careful stewardship, the Council, which consisted of 17 distinguished members, representing a wide range of views, issued a report calling for the immediate expansion of the program. In 1950, Congress, which had by then fallen into Democratic hands, enacted the recommendations—a piece of legislation labeled by historians as a “new start” for Social Security (Berkowitz, 1998; see, also, Senate Finance Committee Report No. 1669, to accompany Social Security Act Amendments of 1950, 81st Congress, 2d Session, at 7 [“In order to have such a “new start” average wage, the individual . . .”])

I personally witnessed a more recent example of Ball's skills as a master negotiator. In 1982, Ball was appointed to serve on the bipartisan commission established to solve Social Security's then-projected deficit. He became the *de facto* leader of the Democratic members and the representative of then-Speaker of the House, Thomas “Tip” O'Neill. I was the assistant to the commission's chairman, Alan Greenspan. That very successful commission today is frequently mentioned by prominent political leaders as a model to cope with Social Security's current projected deficit. I can attest, as a first-hand observer, the commission only succeeded because of Bob Ball. It would not have succeeded without him.

In addition to being a master negotiator, Ball was a highly skilled and extremely pragmatic administrator. Perhaps the best testament to his extraordinary abilities and extensive contributions is this: Having first been appointed Commissioner of Social Security by President John F. Kennedy in 1962, and reappointed by President Lyndon B. Johnson, this unabashedly liberal Democrat was reappointed yet again, this time by President Richard M. Nixon. Though Ball never concealed his liberal political views, President Nixon wanted to make sure that this important program ran smoothly, which meant keeping it in the hands of the most capable administrator around.

Ball's biggest and most complex administrative responsibility may have been the implementation in 1965 and 1966 of the just-enacted Medicare program, legislation that he helped draft and shepherd through Congress. Ball had the task of ensuring that Americans aged 65 and over

had insurance to cover costs for services delivered by 6,600 hospitals, 250,000 physicians, and 1,300 home health agencies.

Adding to the complexity was the enactment—just the year before—of the Civil Rights Act of 1964. Hospitals could participate in Medicare only if they complied with the Civil Rights Act. Most southern hospitals at that time were racially segregated. The interaction of these two revolutionary changes in national policy effectively forced racially segregated hospitals throughout the south to integrate their hospital beds and staffs immediately. In a setting that involves the bathing of patients and other intimate details of life, generations-old policies and practices, based on deep-rooted racial prejudice, had to be changed overnight—and Ball was responsible to ensure that it was done.

Under Ball's leadership, Medicare got off to an incredibly efficient and successful start. In 1966, *The New York Times* reported about Medicare's first day, "The Medicare program, affecting Americans over 65, got off to a smooth start today. Some 160,000 patients already in hospitals from Guam to the East Coast and Puerto Rico automatically became Medicare eligible . . . Others were admitted during the day" (Schweck, 1966).

It is instructive to compare Ball's monumental achievement to the administrative nightmare produced a few years ago, in the implementation of the relatively simple job of adding one new benefit for prescription drugs to Medicare, an already smoothly running program. Here is what *The New York Times* reported about the new drug benefit's inaugural day: "[P]harmacists say beneficiaries may initially experience delays and frustrations as the promise of the new program is translated into practice. Tens of thousands of people who signed up . . . have yet to receive the identification cards that will permit them to fill prescriptions promptly at retail drugstores" (Pear & Freudenheim, 2006).

Unlike the implementation of the entire Medicare program, which involved thousands of hospitals, hundreds of thousands of physicians, and thousands of home health agencies, the implementation of the prescription drug benefit involved around 250,000 pharmacists and around 55,000 pharmacies nationwide. Moreover, Congress gave the Bush Administration over 2 years to do the job (Medicare Prescription Drug, Improvement, and Modernization Act of 2003). In contrast, despite the difficulty of the task, Congress gave the Johnson Administration less than a year to have Medicare up and running (Social Security Amendments of 1965). Moreover, unlike Ball, his counterparts today had the benefit of the information age, with its widespread computer technology, e-mail, faxes, and cell phones.

Ball, always scrupulous to avoid undeserved credit, would have said that the drug benefit scheme was poorly drafted, making implementation very difficult. If pressed, he might acknowledge that he had been responsible for the drafting of Medicare, had helped shepherd it through Congress, and had made sure that it could be implemented. Even then, Ball would be demonstrating undue modesty. Those of us not so reticent about his accomplishments know that his enormous talent, meticulous attention to detail, prodigious hard work, and devotion to public service are the primary reasons for the difference in results.

Perhaps Ball's most important contributions came in the area of policy development. Although the common stereotype is that as people age they become rigid and inflexible, this was decidedly untrue of Ball. He remained, until his death, an extraordinarily forward looking and imaginative thinker. In addition to his skills as a master negotiator and administrator, his flexible, inventive mind, together with his deep understanding of Social Security's philosophical underpinnings, and his hands-on experience with the program's operational side made him a policy genius. The plan he developed to eliminate Social Security's current deficit is a perfect example (see Altman, 2005). As was true of all Ball's policy contributions, his proposal is exceptionally sound policy and brilliantly astute politics. If the president and Congress are smart, they will quickly enact the plan, and resolve Social Security's financing for the foreseeable future. That would be a fitting, posthumous capstone to Ball's illustrious career.

Ball did not think of himself as religious and he had little interest in organized religion. Nevertheless, this minister's son embodied the most important spiritual lessons that religion teaches. He was extremely compassionate, particularly for the plight of the poor. He was extraordinarily generous with his time and energy—life's most important and scarcest gifts. He would spend endless hours with anyone interested in Social Security. He willingly reviewed manuscripts of anyone writing in the field, and he always did so with meticulous care and insight. Even when he had read a draft of a long article three or four times, he would always find something more, a new suggestion or insight he could contribute, which always strengthened the piece.

He possessed a deep respect for all fellow humans. Although he was born 5 years before women were granted the right to vote, he was a feminist to his core. He was completely devoid of prejudice. Indeed, in the months leading up to his death, he was genuinely thrilled at the idea that there might be an African American or female president of the United States. Moreover, he treated children with the same respect he treated everyone else.

Like those called to a ministry, he was devoted to the betterment of others, in his case, through Social Security. From the moment he first received the call, at age 24, he remained faithful to that calling until he took his final breath just 2 months shy of his 94th birthday.

Ball truly left the world better than he found it. He was a giant who cannot be replaced. But he left a vital legacy in the form of an organized and trained professional cadre. Knowing that he would not live forever, he conceived, organized, and nurtured the National Academy of Social Insurance, established in 1986. Today, the organization boasts a membership of more than 800 of the nation's leading experts on Social Security. Moreover, Ball personally inspired and educated hundreds of followers, now experts in their own right, who together must try to do a fraction of the good that this one man did single-handedly in preserving, strengthening, and expanding Social Security.

## REFERENCES

- Altman, N. J. (2005). *The battle for Social Security: From FDR's vision to Bush's gamble*. Hoboken, NJ: John Wiley & Sons, pp. 297–309.
- Berkowitz, E. (1998). The transformation of Social Security. In S. Sass & R. K. Trieste (Eds.), *Social Security reform* (p. 25). Boston: Federal Reserve Bank of Boston.
- Bethell, T. N. (2005). Roosevelt redux: Robert M. Ball and the battle for Social Security. *The American Scholar*, 74(2), 18–31.
- Lavery, J., & Reno, V. P. (2008). *Children's stake in Social Security* (Social Security Issue Brief No. 27). Washington, DC: National Academy of Social Insurance.
- Medicare Prescription Drug, Improvement, and Modernization Act of 2003. (2003, December 8). Part D drug program. Pub.L. 108–173.
- Pear, R., & Freudenheim, M. (2006, January 1). As new drug plan begins, stores expect bumps. *The New York Times*, p. Front page.
- Schweck, H. M., Jr. (1966, July 2). Medicare is off to smooth start: No overcrowding reported. *The New York Times*, p. Front page.
- Sherman, A. (2005). *Social Security lifts one million children above the poverty line*. Washington, DC: Center on Budget and Policy Priorities.
- Sherman, A., & Shapiro, I. (2005). *Social Security lifts 13 million seniors above the poverty line: A state-by-state analysis*. Washington, DC: Center on Budget and Policy Priorities.
- Social Security Administration. (2008a). Monthly statistical snapshot. Washington, DC: Author.
- Social Security Administration. (2008b). Social Security basic facts (Press Office Fact Sheets). Washington, DC: Author.
- Social Security Amendments of 1965. (1965, July 30). Pub.L. 89–97.

# Introduction: We're All in This Together: Social Insurance, Social Justice, and Social Change

**CARROLL L. ESTES, LEAH ROGNE, BRIAN R. GROSSMAN, ERICA SOLWAY, AND BROOKE A. HOLLISTER**

*President Roosevelt in his message of June 8, 1934, to the Congress placed “the security of the men, women and children of the Nation first.” He went on to suggest the social insurances with which European countries have had a long and favorable experience as one means of providing safeguards against “misfortunes which cannot be wholly eliminated in this man-made world of ours.”*

—(Secretary of Labor Perkins, February 25, 1935)

*The convergence and interaction of liberating forces at work in society against racism, sexism, ageism, and economic imperialism are all oppressive ‘isms’ and built-in responses of a society that considers certain groups inferior. All are rooted in the social-economic structures of society. . . . All have resulted in economic and social discrimination. All rob American society of the energies and involvement of creative persons who are needed to make our society just and humane.*

—(Kuhn, 1984, pp. 7–8)

*Social justice exists in inverse proportion to serious harm and suffering. When social change designed to minimize serious harm is accomplished in a sustained way then social progress can be said to have occurred.*

—(Doyal and Gough, 1991, p. 2)

Although “social insurance” is hardly a common household term in the United States today, social insurance programs such as Social Security,

Medicare, and Workers' Compensation are the foundation of economic and health security in this country. These programs provide for elders, younger people with disabilities, survivors, children, women, minorities and, indeed, all persons in the United States. By spreading the risk over a large pool of people, social insurance offers protection against devastating health care costs and protection against loss of income from such events as the death of a parent or spouse, the acquisition of a disability, or retirement.

## WHAT IS SOCIAL INSURANCE?

There are diverse programs around the world that can be described as social insurance, and they all share two important characteristics: (1) they are government-sponsored insurance programs that protect citizens from predetermined outcomes that negatively impact their ability to participate in society (e.g., loss of income or loss of health); and (2) they have a communal orientation that considers the entire population, rather than just the individual, when identifying and mitigating risk (DeWitt, 2003). Unlike other forms of social support, social insurance programs do not use means testing (maximum income limits) to determine eligibility. Ideally, social insurance programs are funded by everyone and offer benefits to everyone.

As a concept, social insurance originated in the late 19th century when, in response to the effects of the Industrial Revolution on the German people, German Chancellor Otto Von Bismarck introduced a number of policies, including health insurance (1883), workers' compensation (1884), and compulsory old-age insurance (1889) (DeWitt, 2003) to safeguard his people from financial ruin. From a global perspective, the United States is a relative newcomer to social insurance. In 1911, Wisconsin was the first state to enact workers' compensation legislation, and other states followed suit until all states had such programs by 1959 (U.S. Department of Labor [US DOL], n.d.). It was not until 1935 that old age insurance (in the form of Social Security) was enacted by the U.S. Congress. Nearly 20 years later, in 1956, disability insurance was added to the Social Security program (Social Security Administration [SSA], 2005). Despite the introduction of the Medicare social insurance program for the elderly and Medicaid (not a social insurance program because eligibility depends on a person's income) in 1965 (Center for Medicare and Medicaid Services [CMS], 2006), the United States remains the only

industrialized nation without some form of guaranteed health care for the population as a whole.

Social Security is the best-known social insurance program in the United States. Although it is arguably the most successful social program in American history, business and neoliberal interests in the United States have engaged in a concerted, decades-long campaign to undermine confidence in Social Security, especially among young people. Those favoring fundamental restructuring of the Social Security system have been largely successful in convincing many of the country's young people that Social Security will not be there for them when they retire. As a result, younger Americans are more likely to believe that "radical changes" are necessary, if not the only type of reform that will work (Cruikshank, 2003). Likewise, Medicare has come under attack, and claims about its economic instability have fueled efforts in Congress to restrict payments to beneficiaries and providers and to dismantle its fundamental social insurance principles.

## **Intergenerational Solidarity Under Siege**

Clearly, threats to the programs that provide economic and health security affect Americans of all ages and generations. Retirement security and a solution to the potentially devastating costs of health care in later life are family and societal concerns, not just the concerns of old people. However, older persons are more directly dependent upon the substance of and changes in state policy emanating at the federal level than are most other age groups. This is because the economic and health security of elders is built upon retirement arrangements and the provision of medical and other old-age benefits that are guaranteed and secured through the nation state. Each of these systems is influenced by the strength and dominance of vested political, economic, and sociocultural interests in the U.S. nation state and in countries around the globe.

Separate from and in addition to the particular groups of individuals who are placed at greater risk, attempts to privatize and demolish state programs that guarantee health and income security threaten the larger ideal of social solidarity in the United States. Steeped in the neoliberal ideology of the "individual ascendant," these encroachments on social insurance programs ignore, downplay, and invalidate the interdependence of self and society (Twine, 1994) and recast multigenerational cooperative efforts to work together toward common social goals as unfair, antagonistic arrangements of exploitation. The result of this framing,

of course, is the production of a constrained set of opportunities for action to address these injustices. Additionally, the consequences ripple further, providing both a political distraction from the truly exploitative nature of late/modern/global capitalism and an illusory cultural reflection of the United States as a nation of individuals rather than a nation of people working together collectively for the common good.

Increasingly, since the presidency of Ronald Reagan, the role and responsibility of the state has become contested as pressures have mounted on the state to roll back the social insurance gains of Roosevelt's New Deal and subsequent decades. Debates about the sustainability of entitlements and the responsibility of the state for upholding the historic social contract of Social Security and Medicare reflect the growing tension between the rising demands and increased power of market forces *versus* the diminished strength of those acting in the public interest in seeking to preserve and enhance the safety and security of all persons in the United States.

## **Ageism and the Attack on Social Security and Medicare**

Ageism is a significant force that is manifested both structurally and ideologically. Structurally, ageism influences the agenda setting, formation, and implementation processes surrounding public policy. Ideologically, ageism bolsters the imagery of elders as undeserving persons who do not deserve the benefits that they have earned and paid for over many generations. Ageism is pernicious in its social and individual consequences (Butler, 2006; International Longevity Center-USA [ILC-USA], 2006; Estes & Portacolone, 2008). On the individual level, ageism extracts a high cost in terms of damaged self-esteem and diminished sense of personal control. In its contemporary form and at the collective structural level, ageism may be defined as the denial of basic and civil rights of elders (ILC-USA, 2006).

Familiar signs of ageism in policy debates are found in the crisis rhetoric that plays off the name-calling epithets of elders as Greedy Geezers, a "demographic tsunami" that the nation cannot afford, and as an undeserving lot who drain U.S. resources needed for capitalist development and productivity (*ergo*, profit) in the global economy. The name-callers have captured center stage, successfully employing the conservative think tanks and the media in framing its messages of the inevitability of "demography as destiny" and the construction of "apocalyptic demography" (Robertson, 1999). This portrayal runs directly counter

to Friedland and Summer's (1999; 2005) evidence that "demography is not destiny."

This new ageism becomes a powerful tool of the New Right in its fight against social insurance and the U.S. welfare state. Blatant and subtle ageism and scare tactics around it are vehicles employed by finance capital and the U.S. state under multiple guises to privatize welfare states around the globe (Estes & Phillipson, 2002). If elders are conceived of as "the other," then threats to elders' well-being are not seen as current or potential threats to oneself, and programs benefiting elders are seen as fundamentally unfair to other generations. The demographic politics of ageism serves as an instrument of the interests of global financial capitalism and the global interests of a powerful medical industrial complex, obscuring the real forces driving the privatization debate.

### **The Interdependence of Social Insurance Versus the Independence of the "Free Market"**

According to Estes, Biggs, and Phillipson (2003), older people in both the United Kingdom and in the United States have benefited from a commitment to interdependence as opposed to individualism, and a state policy that values "shared (as opposed to individual problem solving and responsibility)" and "pooling risks through social insurance (as opposed to individual risks)" (p. 141). In recent decades, however, the public discourse about the welfare state in general and about social insurance in particular has become increasingly negative, portraying successful and long-popular programs like Social Security and Medicare as failures (Marmor, Mashaw, & Harvey, 1990). An ideology of individualism that extols both the economic and moral superiority of the "free market" has come to dominate the policy debates. Alternative visions for programs based on interdependence and collective responsibility are devalued and ridiculed as outmoded and unsustainable.

The result is a move from a long-standing public commitment to intergenerational solidarity to an effort to "*responsibilize* a new senior citizenry to care for itself" (Katz, 2003, p. 26). Such efforts may be understood as part of the larger challenge to social justice and human rights for all citizens of the world. The major beneficiaries of this new climate of individualism (or what has been called the "ownership society") are the corporate members of the capitalist system. The interests that stand to gain most from privatization of social insurance programs are the private insurance industry, banking and investment interests, and the highly

profitable medical industrial complex (see Estes, Biggs, & Phillipson, 2003; and Cruikshank, 2003).

## Critical Gerontology and Public Social Science

This book is an outgrowth of efforts by an intergenerational group of gerontology scholars and students who came together in 2004 to develop and promote an alternative to neoliberal voices on the privatization debate. These scholars founded two groups, Concerned Scientists in Aging and Students for Social Security, with goals to (1) advance evidence-based knowledge concerning the role of social insurance (including Social Security and Medicare) as the foundation of economic and health security for all Americans and (2) provide public information and education with the aim of increasing the number of college and university conversations about social insurance as a universal human right.

Our objective is to expand the debate, which until now has been largely dominated by economists, to include a variety of disciplinary perspectives. The approach taken by participants in this initiative has invoked the frameworks of critical gerontology and public social science. Critical gerontology combines political economy, feminist theory, and a humanistic approach with a particular emphasis on empowerment (Estes & Phillipson, 2007; Estes & Grossman, 2007). From a critical perspective, scholars seek to “criticize and subvert domination in all its forms” (Bottomore, 1983, p. 183) and to examine and unmask the economic and political forces that shape and sustain the prevailing power arrangements and systems of inequality.

Public social science is a professional practice that calls on scholars and students to take their learning beyond the classroom and the scholarly journals to a wider public through critical conversations, civic engagement, and social movements. Expanding on his pivotal presidential address on public sociology at the 2002 American Sociological Association, sociologist Michael Burawoy describes three goals of a public social science:

The first is to empower subjugated communities in their relations to the structures of domination through collaborative relations between professionals and communities. The second goal is to transform common sense, turning private troubles into public issues. The third is to strengthen the legitimacy and power of the activist-professional and the public social scientists within the professional structures they inhabit (Burawoy, 2007, p. 132).

It is with that spirit that this collection of essays on social insurance is offered—to stimulate understanding as well as individual and collective action to support the goal of social solidarity as it is expressed in the fundamental principles of social insurance.

## **ORGANIZATION OF THIS BOOK**

Featuring the voices of some of the most esteemed scholars in the field, this volume reviews the history of social insurance and provides a framework for understanding current policy debates and the moral and economic consequences of potential reform proposals. As attacks on social programs have increased over the last 2 decades, images of intergenerational division have dominated the public discourse. In contrast, the essays in this volume are oriented toward perspectives of intergenerational cooperation, interdependence, and collective responsibility. It is unlikely that people can make informed choices about the future when they are disconnected from the institutional history of the social and political contexts that energized the will of the people to establish social insurance programs in this country.

By filling a gap in our collective memory about the development and evolution of social insurance programs, the chapters may reconnect our consciousness and re-energize our commitments in the United States and in other nations to a larger and inclusive “commons” in which we embrace one another and the members of future generations. Further, an understanding of the basic principles through which national health care is provided for all members of a society, as it is in all other industrialized countries, is intended to advance discussions about the future of social insurance for universal health care for all persons in the United States.

The essays in this volume are organized into five parts. Part I provides an historical perspective on social insurance in the United States and in Europe and reviews the fundamental principles, values, and interests represented in the development of social insurance programs in the United States and abroad. The chapters in Part II are clustered around a discussion of what is at stake for various groups including women, people of color, and the working and nonworking poor. Part III focuses on the current debates about the future of social insurance and examines important aspects of the public discourses around its future. The chapters in Part IV provide critical perspectives on social insurance reform in the United States and Europe and explore economic dimensions of

social insurance programs in the United States that have been largely left out of current debates. In Part V, scholars offer strategies to employ critical pedagogy as a means to empower students and the broader public to become active in society and aware of and informed about the importance of social insurance.

In significant ways, this volume builds on the insights and wisdom of Maggie Kuhn regarding the linkages between and the threats created by the social forces of ageism, sexism, racism, economic imperialism, war, and globalization. Maggie called for the convergence of liberating forces to address “the need for sweeping economic and social change in society” (Kuhn, 1984, p. 6). In the current sociohistorical moment, with a cascading meltdown of financial capital markets, a home mortgage crisis, a spiraling increase in unemployment, we are at a crossroads for social insurance in both developing and developed nations. In the wake of the current crisis, the highly interconnected nature of the global economy underscores the fact that we are indeed all in this together. In putting together this volume, we as editors seek to advance public understanding of social insurance within a framework that promotes a moral commitment to social justice and the awareness of the necessity for collective action and social change to provide for the common good.

## REFERENCES

- Bottomore, T. B. (1983). *A dictionary of Marxist thought*. Cambridge, MA: Harvard University Press.
- Burawoy, M. (2007). Private troubles and public issues. In A. Barlow (Ed.), *Collaborations for social justice: Professionals, publics, and policy change* (pp. 125–133). Lanham, MD: Rowman and Littlefield Publishers, Inc.
- Butler, R. N. (2006). Combating ageism: A matter of human and civil rights. In International Longevity Center-USA (Ed.), *Ageism in America* (pp. 1–5). New York: International Longevity Center-USA.
- Center for Medicare and Medicaid Services (CMS). (2006). History. Retrieved October 29, 2008, from <http://www.cms.hhs.gov/History/>
- Cruikshank, M. (2002). *Learning to be old*. Oxford, UK: Rowman and Littlefield.
- DeWitt, L. (2003). Historical background and development of Social Security. Retrieved October 29, 2008, from <http://www.socialsecurity.gov/history/briefhistory3.html>
- Doyal, L., & Gough, I. (1991). *A theory of human need*. New York: The Guilford Press.
- Estes, C. L., & Grossman, B. R. (2007). Critical gerontology, aging, & health. In K. Markides (Ed.), *Encyclopedia of health and aging* (pp. 129–133). Thousand Oaks, CA: Sage Publications.
- Estes, C. L., & Portacolone, E. (2009). Maggie Kuhn: Social theorist of radical gerontology. *International Journal of Sociology and Social Policy*, 29(1/2).

- Estes, C. L., & Phillipson, C. (2002). The globalization of capital, the welfare state, and old age policy. *International Journal of Health Services*, 32(2), 279–297.
- Estes, C. L., & Phillipson, C. (2007). Critical gerontology. In J. Birren. (Ed.). *Encyclopedia of gerontology* (pp. 330–336). New York: Elsevier.
- Friedland, R. B., & Sumner, L. (1999). *Demography is not destiny*. Washington DC: National Academy on an Aging Society.
- Friedland, R. B., & Sumner, L. (2005). *Demography is not destiny, Revisited*. Washington DC: Center on an Aging Society, Georgetown University.
- International Longevity Center-USA (ILC-USA). (2006). *Ageism in America*. New York: International Longevity Center-USA.
- Katz, S. (2003). Critical gerontological theory: Intellectual fieldwork and the nomadic life of ideas. In S. Biggs, A. Lowenstein, & J. Hendricks (Eds.), *The need for theory: Social gerontology for the 21st century* (pp. 219–243). Amityville, NY: Baywood Publishing Company.
- Kuhn, M. (1984). Challenge to a new age. In M. Minkler & C. L. Estes (Eds.), *Reading in the political economy of aging* (pp. 7–9). Amityville, NY: Baywood Publishing Company.
- Marmor, T. R., Mashow, J. L., & Harvey, P. L. (1990). *American's misunderstood welfare state*. New York: Basic Books.
- Perkins, F. (1935). Social insurance for U.S. Social Security Administration (SSA). Retrieved October 29, 2008, from <http://www.ssa.gov/history/perkinsradio.html>
- Robertson, A. (1999). Beyond apocalyptic demography: Toward a moral economy of interdependence. In M. Minkler & C. L. Estes (Eds.), *Critical gerontology: Perspectives from political and moral economy* (pp. 75–90). Amityville, NY: Baywood Publishing Company.
- Social Security Administration (SSA). (2005). Social Security: A brief history. Retrieved October 29, 2008, from <http://www.ssa.gov/history/pdf/2005pamphlet.pdf>
- U.S. Department of Labor (US DOL). (n.d.). History, 6. Progressive ideas. Retrieved December 12, 2007, from <http://www.dol.gov/oasam/programs/history/monographsafepart06.htm>

**Social Insurance:  
History, Politics, and  
Prospects**

PART  
I

# Part I: Social Insurance: History, Politics, and Prospects

## Introduction

**BRIAN R. GROSSMAN**

*The basic purpose of all forms of social insurance is to replace a sufficient part of that wage income when it is lost as a result of any of these hazards—unemployment, accident, old age, or death of the wage earner—to insure not only that the individual may look forward to protection, but that society as well may be protected against the hazards which it faces. [Italics added for emphasis]*

—Corson (1940)

Spanning over 7 decades, the history of social insurance in the United States begins with the approval of the Social Security program in 1935. However, just 4 years later, amendments were introduced that shifted the scope and structure of the program, moving Social Security from a program in which workers were only eligible to “take out” roughly as much as they had “put in” to one in which workers and their families were viewed as people who had earned the right to access benefits in the face of many of life’s “hazards,” to use Corson’s word. Just 4 years after the program began, Social Security had been transformed into a symbol of interdependence and intergenerational cooperation.

Social Security began as a program based on a “contributory-contractual principle” (Berkowitz & McQuaid, 1988, p. 126). In such a system, laborers would contribute money to the program and upon

retirement, could access money equal to the amount they had contributed. Berkowitz and McQuaid (1988) describe this initial structure of Social Security as a public sector program modeled on private sector concerns. The relatively restricted scope of the U.S. Social Security program at its inception is clear (see chapter 7). However, widespread fears about what the government could do with the large surplus that would accrue under this model of social insurance facilitated the introduction of the 1939 Social Security amendments and an expansion of both services offered and beneficiaries who could claim them (Berkowitz & McQuaid, 1988).

In particular, these amendments expanded benefits to the surviving children of deceased laborers and changed the benefit calculation formula so that older workers could more easily qualify for benefits and that workers who died young would pass on greater benefits to their survivors (Corson, 1940). Under this new model, Social Security contributions became a key way in which then current laborers were connected to people who were retired, the surviving spouses of laborers who had died, or workers with a permanent disability. By drawing the connection between the plight of the individual and the struggles faced by society in the quote above, Corson acknowledged the interdependence of human existence.

As a concept, interdependence recognizes that people, so frequently and misleadingly referred to as “individuals,” are always enmeshed in dense sets of social relationships that implicate others in the course and content of the action of their lives. As Johnson (see chapter 3) illustrates, interdependence and intergenerational cooperation simultaneously operate at a number of social levels including within the family; between the family and the state; and across the generations of current laborers and those no longer, or unable to continue, laboring. Although the term *benefits* is used to describe the services provided through social insurance programs, the concept of interdependence allows for social insurance to be revised as providing benefits to society through multiple interconnected channels of self(ves), family(ies), and community(ies). Benefits can then be understood as the aggregate social goods that accrue from the financial contributions of current laborers; the continued financial<sup>1</sup> and social contributions of current beneficiaries; and the enduring

---

<sup>1</sup> One of the other points Corson (1940) makes is that social insurance helps retired workers (and other beneficiaries) retain their “purchasing power.”

structures, social practices, and ideas with which these groups have interacted and to which they have contributed.

By virtue of being part of society, social insurance makes us all beneficiaries. In this way, social insurance in both its historical and contemporary forms represents an active step toward social justice. To the contrary, privatization efforts, even unsuccessful ones, represent a threat to social justice, replacing current levels of security with unknown quantities of risk in the guise of “saving” social insurance programs (Hacker, 2006). Privatization attempts recast the social boundaries of being human, reimagining people as decontextualized, autonomous individuals who need not be encumbered by the yoke of the state or the plight of others in society. Amidst these acrid politics, it can be difficult to discern the historical significance of social insurance programs and the legacy they represent to this generation and to those of the future.

In this first section, the authors revisit the history of social insurance and situate both the present moment for, and the future of, these programs in the wake of actions taken by generations past. In chapter 1, Robert Ball, former Commissioner of Social Security under Presidents Kennedy, Nixon, and Johnson, details the nine principles of social insurance that have helped Social Security to sustain its position as the most popular program in the United States. While reading this chapter, it is worthwhile to consider how these principles differ from those that structure other forms of social protection (see chapter 16).

In chapter 2, Ball provides his own analysis of these differences, comparing the principles that govern social insurance programs and those that operate in social assistance programs. Originally written in 1947, this chapter highlights the symbolic importance and material effects of continuing the social insurance component of Social Security. Ball explains the importance of social assistance programs, but identifies three key distinctions between these two types of programs. Consequently, he concludes that the effectiveness of Social Security as an income security mechanism would be greatly stymied if the program shifted from one that was part social insurance, part social assistance to one that was completely organized as a social assistance program.

In chapter 3, Malcolm Johnson responds to those who are questioning *if*, in fact, we are all still in this together. He addresses literature from around the world to document that, despite recent attempts to frame social policy discussions around intergenerational exploitation

and greed, intergenerational equity is intact. Both across the life course and throughout the passage from one birth cohort to the next, the boundaries of the contract between the generations are continually shifting. Johnson argues that intergenerational cooperation must remain “open to renegotiation” as social, cultural, and economic practices change but that income and health security in old age must continue to be a guarantee.

Chapters 4 and 5 return the focus to the American experience with social insurance, focusing on Social Security and Medicare, respectively. In chapter 4, Domhoff suggests that the role of “corporate moderates,” those business leaders of the 1920s and 1930s who supported Social Security, has been overlooked in the retelling of the history of Social Security. He contends that this lacuna is particularly detrimental as Social Security is currently being characterized as antithetical to business interests. Furthermore, Domhoff points to the potential utility of reclaiming the role of business leaders in the development of Social Security to provide space for a conservative political viewpoint that values this and other social insurance programs.

In chapter 5, Oliver and Lee provide a history of the development of the Medicare program, the “jewel in the crown” of President Lyndon Baines Johnson’s Great Society programs introduced in 1965. The authors detail the changes in Medicare since its introduction, paying particular attention to those arising from the Medicare Modernization Act of 2003. Oliver and Lee are critical of these most recent changes as they signify an abandonment of the basic principles of social insurance. Moreover, the authors conclude that it was only due to a unique confluence of circumstances that these changes were allowed to occur in the first place. Indeed, they remind us it could have been otherwise.

In chapter 6, Kingson, Cornman, and Torre-Norton consider the future of social insurance in the United States by redirecting attention to the values that were reflected in the history of these programs. Although discussions about social insurance are cloaked in technical details and questions of economic efficiency, the authors encourage us to clarify, as a society, which values we wish to see endure. In particular, Kingson and his colleagues identify interdependence (and in particular intergenerational cooperation) as a value that has historically undergirded social insurance programs, is currently under attack in a climate that promotes hyperindividualism, and has the potential to be reestablished as central to the social insurance policy making of tomorrow.

**REFERENCES**

- Berkowitz, E., & McQuaid, K. (1988). *Creating the welfare state: The political economy of twentieth-century reform*. New York: Preager.
- Corson, J. J. (1940). Director's Bulletin No. 35, Reasons for the 1939 Amendments to the Social Security Act. Retrieved September 8, 2008, from <http://www.ssa.gov/history/reports/1939no3.html>
- Hacker, J. (2006). *The great risk shift: The assault on American jobs, families, health care, and retirement and how you can fight back*. New York: Oxford University Press.

# 1

## The Nine Guiding Principles of Social Security

ROBERT M. BALL

*The following is an article written in 1998 by Robert M. Ball, Commissioner of Social Security under Presidents Kennedy, Johnson, and Nixon (see the Dedication in this volume). We had hoped that Mr. Ball, whose service to and advocacy for social insurance spanned 70 years until his death on January 30, 2008, at the age of nearly 94, would contribute an original chapter to this volume. Instead, we share here his classic piece outlining the fundamental guiding principles of Social Security. (Eds.)*

In the midst of the Great Depression, the founders of today's Social Security system took the bold step of establishing a new institution which they expected to be slow-growing but permanent. They wanted to make a decent retirement attainable for millions of Americans who would otherwise become dependent on their families or on public assistance when they grew too old to work or could no longer find employment. They wanted to protect workers' dependents by providing insurance to make the death of a breadwinner more financially manageable. They wanted to put an end to the poorhouse by distributing program income so as to provide at least a minimally adequate benefit for everyone regularly

---

From: Bethell, T. N. (Ed.). (2000). *Insuring the essentials: Bob Ball on Social Security* (pp. 5–10). New York: The Century Foundation Press, reprinted with permission.

contributing. And, foreseeing the inevitability of change—including the eventual need to insure against other major risks such as disability and illness—they sought to design an institution based on sustainable principles.

Accordingly, they took the long view. They gave major emphasis to estimating program income and expenses over a much longer period than was customarily done in other countries, and this is still true today. The time frame of 75 years that is now used for Social Security estimates is much longer than that used in almost all other contexts, from foreign social insurance programs to federal budgeting. The point, then and now, was not to try to pretend that anyone could really know precisely what would be happening in 75 or even 25 years; the point was that the planners of Social Security, in making exceptionally long-term commitments, wanted always to be looking far enough ahead to anticipate necessary improvements and make needed changes in ample time to preserve the integrity of the program.

That approach has served well. The legislation of 1935 and 1939 created the basic design of Social Security, and all major legislation since then can be seen as building on that design: extending coverage to more and more workers, improving the level of protection, adding protection against loss of income from long-term and total disability, providing protection for the elderly and disabled against the increasingly unmanageable cost of medical care, protecting against the erosion of income by inflation, and abolishing all statutory differences in the treatment of men and women.

These and many other accomplishments and adjustments have taken place within a framework consisting of nine major principles. Social Security is universal; an earned right; wage related; contributory and self-financed; redistributive; not means tested; wage indexed; inflation protected; and compulsory.

As with any framework, the stability of the entire structure depends on the contribution made by each part, so it is useful to review these principles and see how they work together.

- 1 *Universal*: Social Security coverage has been gradually extended over the years to the point where 96 out of 100 jobs in paid employment are now covered, with more than 142 million working Americans making contributions in 1997 [153 million in 2000]. And the goal of complete universality can be reached by gradually covering those remaining state and local government positions that are not now covered.

- 2 *Earned right*: Social Security is more than a statutory right; it is an earned right, with eligibility for benefits and the benefit rate based on an individual's past earnings. This principle sharply distinguishes Social Security from welfare and links the program, appropriately, to other earned rights such as wages, fringe benefits, and private pensions.
- 3 *Wage related*: Social Security benefits are related to earnings, thus reinforcing the concept of benefits as an earned right and recognizing that there is a relationship between one's standard of living while working and the benefit level needed to achieve income security in retirement. Under Social Security, higher-paid earners get higher benefits, but the lower-paid get more for what they pay in.
- 4 *Contributory and self-financed*: The fact that workers pay earmarked contributions from their wages into the system also reinforces the concept of an earned right and gives contributors a moral claim on future benefits above and beyond statutory obligations. And, unlike many foreign plans, Social Security is entirely financed by dedicated taxes, principally those deducted from workers' earnings matched by employers, with the self-employed paying comparable amounts. The entire cost of benefits plus administrative expenses (which amount to less than 1 percent of income) is met without support from general government revenues. [*Author's note*: This was true from 1935 until 2000, and the principle of funding Social Security largely from the earmarked contributions of workers and their employers remains desirable for the reasons stated. As of August 2000, however, it appears that in the future Social Security may be financed partially from general revenues, as are many foreign social insurance systems. The Clinton-Gore administration has made such a recommendation, as have several Republicans, including Sen. Phil Gramm (Texas) and Reps. Bill Archer (Texas) and Clay Shaw (Florida). The rationale for this approach, which was proposed in Social Security's early days, is discussed in chapters 17 and 18.]<sup>1</sup>

---

<sup>1</sup> This is the author's note from the original publication. Contrary to what the author suggested might occur, no decision was made to finance Social Security from general revenues and Social Security continues to be funded from payroll taxes, not general revenues. The chapters cited in the author's note refer to chapters in Bethell, Thomas N. (Ed.). (2000.) *Insuring the essentials: Bob Ball on Social Security*. New York: The Century Foundation Press, in which Mr. Ball's article was republished. (Eds.)

The self-financing approach has several advantages. It helps protect the program against having to compete against other programs in the annual general federal budget—which is appropriate, because this is a uniquely long-term program. It imposes fiscal discipline, because the total earmarked income for Social Security must be sufficient to cover the entire cost of the program. And it guards against excessive liberalization: contributors oppose major benefit cuts because they have a right to benefits and are paying for them, but they also oppose excessive increases in benefits because they understand that every increase must be paid for by increased contributions. Thus a semi-automatic balance is achieved between wanting more protection versus not wanting to pay more for it.

- 5 *Redistributive*: One of Social Security's most important goals is to pay at least a minimally adequate benefit to workers who are regularly covered and contributing, regardless of how low-paid they may be. This is accomplished through a redistributive formula that pays comparatively higher benefits to lower-paid earners. The formula makes good sense. If the system paid back to low-wage workers only the benefit that they could be expected to pay for from their own wages, millions of retirees would end up impoverished and on welfare even though they had been paying into Social Security throughout their working lives. This would make the years of contributing to Social Security worse than pointless, since the earnings paid into Social Security would have reduced the income available for other needs throughout their working years without providing in retirement any income greater than what would be available from welfare. The redistributive formula solves this dilemma.
- 6 *Not means tested*: In contrast to welfare, eligibility for Social Security is not determined by the beneficiary's current income and assets, nor is the amount of the benefit. This is a key principle. It is the absence of a means test that makes it possible for people to add to their savings and to establish private pension plans, secure in the knowledge that they will not then be penalized by having their Social Security benefits cut back as a result of having arranged for additional retirement income. The absence of a means test makes it possible for Social Security to provide a stable role in anchoring a multi-tier retirement system in which private pensions and personal savings can be built on top of Social Security's basic, defined protection.

- 7 *Wage indexed*: Social Security is portable, following the worker from job to job, and the protection provided before retirement increases as wages rise in general. Benefits at the time of initial receipt are brought up to date with current wage levels, reflecting improvements in productivity and thus in the general standard of living. Without this principle, Social Security would soon provide benefits that did not reflect previously attained living standards.
- 8 *Inflation protected*: Once they begin, Social Security benefits are protected against inflation by periodic cost-of-living adjustments (COLAs) linked to the Consumer Price Index. Inflation protection is one of Social Security's greatest strengths, and one that distinguishes it from other (except federal) retirement plans. No private pension plan provides guaranteed protection against inflation, and inflation protection under state and local plans, where it exists at all, is capped. Without COLAs, the real value of Social Security benefits would steadily erode, over time, as is the case with unadjusted private pension benefits. Although a provision for automatic adjustment was not part of the original legislation, the importance of protecting benefits against inflation was recognized, and over the years the system was financed to allow for periodic adjustments to bring benefits up to date. But this updating was done only after a lag. Provision for automatic adjustment was added in 1972.
- 9 *Compulsory*: Social Security compels all of us to contribute to our own future security. A voluntary system simply wouldn't work. Some of us would save scrupulously, some would save sporadically, and some would postpone the day of reckoning forever, leaving the community as a whole to pay through a much less desirable safety-net system. With a compulsory program, the problem of adverse selection—individuals deciding when and to what extent they want to participate, depending on whether their individual circumstances seem favorable—is avoided (as is the problem of obtaining adequate funding for a large safety-net program serving a constituency with limited political influence).

In the middle of the Depression, it took courage to enact a system based on these principles. The Depression was a time of enormous and immediate needs, but Social Security was designed to be a slow-growing tree, one that could not provide much shelter in the near term. The point, however, was that, once grown, it would be strong enough to weather bad times as well as good.

A contributory retirement system takes a long time to develop since by definition, those who are already retired are not eligible for benefits. Fifteen years after the program was set up, only 16 percent of the elderly were receiving benefits, and it was not until the 1950s that politicians began to see much advantage in championing Social Security improvements. And it was only in the 1960s, three decades after enactment, that Social Security began having a major impact, paying benefits that were high enough and universal enough to significantly reduce poverty among the elderly, the disabled, and the survivors of beneficiaries. After the amendments of 1972 further increased benefits substantially and provided for automatic inflation protection, Social Security fully assumed the role planned for it, as the all-important base of a multi-tier retirement system in which private pensions and individual savings are added to Social Security defined protection.

The importance of that role would be difficult to exaggerate. Today Social Security is the only organized retirement plan—the *only* assured source of retirement income—for fully half of the total workforce. And it is the base upon which all who are able to do so can build the supplementary protection of pensions and individual savings.

Social Security continues to be the most popular and successful social program in America's history because its guiding principles enable it to work exactly as intended: as America's family protection plan.

## DISCUSSION QUESTIONS

- 1 What are the three tiers of the U.S. retirement system? According to Ball, what role does Social Security play in this system?
- 2 Approximately what are the administrative costs of the Social Security program, according to Ball?
- 3 Ball says that Social Security is not “means tested.” yet the program is “redistributive.” Discuss the reasoning for and significance of these two guiding principles of Social Security.
- 4 How and why, according to Ball, did founders take the “long view” to the development of the Social Security system? How have the guiding principles Ball presents contributed to the longevity and success of the program?

# 2

## Social Insurance and the Right to Assistance

ROBERT M. BALL

*The following is an excerpt from a chapter written by Robert Ball (see the Dedication) and originally published in 1947. Ball outlines the differences between social insurance and social assistance as methods of income maintenance. His purpose was to highlight the inappropriateness of shifting the United State's Social Security program from a joint social assistance/social insurance model to one that was structured solely on social assistance. Ball argues that such a move would be problematic for three reasons. In contrast to social insurance programs, social assistance programs (1) provide income maintenance on the basis of need rather than work performed, (2) rely on a means test to determine eligibility that results in a divisive split between those with more and those with less, and (3) offer benefits that raise people to at most, a minimum standard of living. (Eds.)*

### **SOCIAL INSURANCE AS AN EARNED RIGHT**

Each one of these points is in direct contrast to the social insurance approach. Social insurance payments are made to individuals on the basis of

---

From: Bethell, T. N. (Ed.). (2000). *Insuring the essentials: Bob Ball on Social Security* (pp. 5–10). New York: The Century Foundation Press, reprinted with permission.

a work record and are part of the reward for services rendered. Typically, the worker makes a direct contribution to the fund, but even if he does not “pay for his insurance” through an earmarked contribution which covers the cost of the risk, he earns the right to it through work. The insurance is part of the perquisites of the job. As in a private pension plan or group insurance, the question of who pays the cost is of the highest importance, but it is not the crucial one in determining whether there is an earned right to the payment. There is little hesitation in transferring to a payment for which one has worked all the feelings surrounding an earned right regardless of whether there has been a deduction from wages. Such a payment is a reward—something to be proud of—just as savings or high wages are. Private pensions, group insurance, and social insurance all belong, along with wages and salaries, to the group of work-connected payments, and it is this work connection, the fact that it is earned, which gives social insurance its basic character.

Public assistance in selecting people for payment because they are in need rests on an entirely different kind of right—the right to a minimum standard of living based on membership in a civilized community. As stated by Karl de Schweinitz (as of 1947) in *People and Process in Social Security*:

The principle of self-help [in social insurance], however, is dominant. The individual is entitled to insurance by virtue of what he has done. Insurance is a positive experience. It is a measure of a person’s success in the labor market. This is much more evident in old age insurance than in unemployment compensation, but the contrast in this respect between all forms of insurance and public assistance is marked.

In public assistance the inherent factors are negative rather than positive. Entitlement is based not upon what the individual has done in payment or in work but upon his lack of any such resource. It is founded upon his need, upon what he has not. The individual applying for insurance points to the record of his wages. The applicant for assistance states that he is unable to maintain himself. The right to insurance is based on contributions which the prospective beneficiary has made in money or in work. The right to assistance is founded on the individual’s kinship in a common humanity recognized by a community which has undertaken to see to it—and registered the fact in statute—that none of its members shall suffer if they are in need.

Although the fact that social insurance is an earned benefit does not depend on the employee contribution, this contribution does have great value in social insurance, private pension schemes, group insurance, and

the like because it dramatizes the worker's direct interest in the fund. It makes it clearer to him and other people, as well, that he should have a real say in the planning and protection of the system from either undue liberalization or restriction. The contribution gives stability to the system by emphasizing both the earned right to the insurance and the proprietary interest of the worker in his benefit. To accomplish this it is of course not necessary that the entire cost of the benefit be paid for by earmarked contributions or that the benefit amounts be in direct proportion to the worker's own contribution. The basic character of the insurance as a work-connected payment remains, regardless of whether some groups are given a greater return for their money than others. In this respect, social insurance is similar to minimum-wage laws, which intervene in the "free play of economic forces" and insist that some people be paid higher wages than they would otherwise be able to get. The minimum wage and the "weighted" insurance benefit are earned payments, even though the amount is not what would have resulted from "free competition."

As an earned right, social insurance, unlike public assistance, is an integral part of the economic incentive system. Under social insurance, security is earned through work and is additional remuneration for working, while public assistance provides benefits without reference to work. Equally important, in social insurance the incentive to earn and save throughout one's working life is protected because any additional income, large or small, may be used to provide a higher standard of living. On the other hand, a private income from savings, since it must be deducted from the benefit, makes no difference in the total income of the public assistance recipient. In practice, it is true, even an income which has to be supplemented by public assistance may have real value in making the recipient feel less dependent, but it is the failure of public assistance to give the same satisfaction per dollar as an earned payment which makes this so. In strictly economic terms, a person who has little hope of accumulating enough to make him entirely ineligible for assistance has no reason to strive for a private income.

Even in New Zealand, which allows fairly substantial exempt amounts before reducing benefits, there is concern about the effect of the income test on incentives. It is recognized that the system works counter to general economic incentives for those who have any possibility of securing incomes above the exemption, for above this amount the benefits are larger the less one has been able to earn and save. The very liberalizations which make the receipt of a "means test" benefit in New Zealand less subject to stigma than anywhere else in the world intensify the danger

that such benefits may weaken the desire to secure a private income above the amount which allows one to get a full benefit.

Partly because of the stigma attached to the receipt of public assistance in the United States, it is to be doubted that very many people deliberately avoid efforts at earning and saving in order to be eligible for a benefit or in order to get a higher benefit. However, the fear that a generous program administered in the spirit of right might be an inducement to some to work and save less is one of the reasons the community is reluctant to accept the full implications of a right to assistance and a standard of health and decency for assistance payments. Although incentives are a complex of many powerful motives in addition to the economic, no system of production can afford to ignore the relation of money payments to economic contribution. There are many faults in our present system of monetary incentives, and behavior contrary to the best interests of the community is frequently induced, but this fact argues for a closer connection between contribution and award, not for ignoring incentives in the provision of security. Some benefits must be paid on a "means test" basis, but it is important from the standpoint of economic incentives that primary reliance be placed on earned payments made without regard to need.

## **SOCIAL INSURANCE IS FOR ALL WHO WORK**

Second, social insurance does not divide the community into two groups, putting those with enough money to support themselves in one group and those without enough money in another. It is true that certain foreign systems still have something similar to this in that they cover only lower-paid workers so that a certain class distinction does exist, but this is on the way out, and it never carried with it the same feelings as did a distinction based on a direct means test. In this country, of course, no coverage limitations based on income have ever existed. Thus, as in the case of a private pension plan, individuals of varying wage levels and varying standards of living receive payments from the same program. The low-paid wage-earner, the poor man without possessions, receives payments through the same mechanism as the highly paid salary worker or executive. There is none of the feeling in such a social insurance program, as there tends to be in assistance, that this program is for the "poor" or the "unfortunate," with all that such an attitude implies. It is not one part of the community caring for another, but the community

meeting a universal need. Everyone has a stake in his earned pension and insurance benefits.

## **SOCIAL INSURANCE SUPPORTS A VARIABLE STANDARD OF LIVING**

Finally, social insurance has as its purpose not only the maintenance of a minimum standard of living as set by the community but the underpinning of a higher-than-minimum standard of living for a large proportion of the workers under the program. This is inherent in the fact that it pays without regard to other resources, whether or not the benefits alone would allow a higher-than-minimum standard.

There is no question, for example, but that even the very low benefits of the present old-age and survivors insurance program enable many people to live at a standard considerably above what the community would consider a reasonable minimum for a “means test” program and that others who receive the payment would be able to live above such a minimum even without the benefit. This is not an accident of clumsy design but a major purpose of social insurance. As in the case of a private pension, one objective is to help people to have enough income not merely to be free from want, or to bring them up to a community minimum, but to help them to secure the economic bases for happiness and contentment. It is a program not only for the poor but for whoever is in danger of suffering a major reduction in living standards. It is a program of preventing destitution, as well as curing it.

Actually, there is nothing about social insurance to prevent payments which in themselves are more than enough to maintain minimum standards. Social insurance could never pay as much as the more liberal private pension systems, but it is by no means bound to pay only an amount will give the content of a community approved minimum applicable to all. The question is one of what the nation can afford and of how much of the national income we want to put into such benefits—not one of principle. When many current proposals would provide family benefits under old-age and survivors insurance as high as \$120 a month and when some state unemployment insurance systems already pay over \$100 a month to single persons, we are no longer dealing in community-determined minimums; many people in the community will have lower incomes than these and yet not be entitled to benefits under any program. When we combine this fact with the rough generalization that those who are

entitled to the highest benefits are those who may be assumed to have the most income from other sources, since they had more to save from, it is clear that social insurance is not just another way of doing the same job that public assistance sets out to do.

A major purpose of social insurance is to keep people from having to apply for assistance, but it also performs for others who would not have been eligible for assistance under any circumstances the very valuable service of helping them to live above the community minimum. This objective would be unfair, discriminatory, and completely inappropriate in a program based upon need, but it is both right and proper in a program based upon work and earnings. Under a system of relating benefits to past wages, high benefits may be paid to highly paid wage-earners and the incentive system actually strengthened thereby, just as it is strengthened by differential payments in wages or in a private pension or disability system. There is little danger that the wage-earner will prefer the benefits to work, in those parts of the program where this is a factor, as long as his benefits are considerably below what he can earn while working. It is necessary to limit benefits for all to an amount below what the least skilled can earn only in a flat-benefit program.

## DIFFERENCES IN TRADITION

These three important differences between social assistance and social insurance are inherent in the very nature of the two programs. They derive from the right to one being based on need, and the right to the other being based on work. Equally important at the present time and for a long time to come are differences in the two programs which are not inherent but which result from differences in origin and traditional attitudes toward the two programs. It is with respect to these differences that the concept of a right to assistance is making revolutionary changes.

One of the most striking contrasts between assistance and insurance in the United States at the present time is that what is freely conceded in the case of insurance requires a bitter, never completely won struggle in public assistance. For example, the right of the recipient to spend his benefit without restriction has seldom been questioned in the case of insurance but is a continual struggle in public assistance. In the same way, discretionary payments designed to enforce a code of conduct on the recipient different from that required of the rest of the community are not a problem in insurance. Yet, public assistance is carrying on a

constant struggle against a tradition which used the payment as an excuse to reform or control the individual. There are probably many people who would still agree with Lewis Meriam (1946) when, speaking of those public assistance recipients whom he considers unable to manage their own affairs, he says:

In such cases, the recipients of the benefits should be subject to the supervision of competent, professionally trained, public employees, and payments should be contingent upon suitable use and application of the public funds provided. . . . It seems reasonable to conclude that payment of public funds for persons whose need results from their personal limitations should be sufficiently contingent to make it necessary for the recipients to comply with minimum standards (Meriam, 1946, p. 867).

He is not speaking here, of course, of those who have been judged mentally incompetent under legal procedure but of people who have a way of ordering their lives which he considers undesirable and whose behavior he considers evidence of “personal limitation.” This doctrine means, in effect, that to obtain minimum security an individual would have to give up freedom of action and submit to the dictates of others on how he should conduct his life in those essentials where other citizens are allowed to make their own decisions.

Leaving aside the question of whether such supervision is practical, whether in this way you can really get people to act the way you want, an equally important point is that making security contingent on the surrender of personal integrity and freedom of action is exactly what we want to avoid in a democracy. This issue goes to the heart of the central political problem of our time—how can people obtain economic security in a way which preserves individual freedom and human dignity? How can we avoid the false dilemma, beloved of totalitarians, of having to choose between a means of livelihood, on the one hand, and freedom on the other? There is little danger of the control of one person by another if the right to security is an earned right. It continues to be a danger in assistance as long as any important section of public opinion holds the traditional attitude, championed by Mr. Meriam, that a public assistance payment is not the recipient’s own but a contingent gift from public funds.

Another important difference between the two programs, at present, is that the community frequently limits the amount of funds available for public assistance in such a way as to make a mockery of the concept of a

right to a minimum standard of living. No feeling of contractual obligation to supply that minimum exists in fact, whereas a feeling of obligation to supply the amount written in the law does exist in social insurance. This is irrespective of whether the legal right to the two types of payments is equally strong.

Public assistance has arrived at the concept of right by way of a long, hard road. Its history is a combination of repression and punishment, on the one hand, and of humanitarian paternalism, on the other. While its worst features have been based on the idea that the individual was at fault and needed chastisement to make him better or that relief had to be made as unpleasant as possible or people would all refuse to work, equally destructive of the concept of right has been the paternalism which held that what the individual needed was reformation and help. Punitive or humanitarian, public assistance suffers from a history and tradition in which one group or class does something either to or for another.

Social insurance bypassed this tradition both of punishment and paternalism. Its origins are not in the poor law or in the voluntary activities of the wealthy and educated to improve the lot of the poor.

Its origins are in the sturdy efforts of self-reliant workmen to do things for themselves—in the sickness and death funds of the medieval guilds, the friendly societies, the fraternal orders, and the trade-unions. It borrows much from private pension plans and from private insurance and from a tradition of protective labor laws, frequently forced on an unwilling state by the power of workers' organizations. Here is no giving of one class to another but the development of institutions by those who are to benefit from them. Social insurance is firmly fixed in a tradition of self-help and earned right. Therefore, while assistance, in implementing the idea of right, must struggle to establish new attitudes, social insurance finds these attitudes ready-made.

To make use of these ready-made attitudes and to avoid the struggle which attends the reformation of an old tradition is highly important in social planning, now at least as important as preserving what is inherently different about the insurance approach. Part of the value of the contribution by the worker in social insurance and part of the value of connecting the benefits closely with the wage record lie in using the techniques which are readily identified with the tradition of self-help, with its accompanying freedom of action and freedom from the necessity of feeling grateful. They make doubly clear to all that this program has no connection with the tradition of the poor law.

## CONCLUSION

There are, then, in spite of important similarities, very significant and real differences between public assistance and social insurance. From the standpoint of freedom, democratic values, and economic incentives, social insurance is greatly to be preferred wherever there is a choice. It is important that, through an extension of coverage and an increase in social insurance benefits, it be made clear that public assistance is not a rival to the insurance method but a supplement to it, performing the residual task that will always exist for a last-resort program that takes responsibility for meeting total need. The goal of a progressive Social Security program should be to reduce the need for assistance to the smallest possible extent and at the same time to enforce it as a legal and moral right, with an administration free from the controls and the humiliations and irritations of “poor law” procedures.

In attaining this goal, there is much to gain from the association of social insurance with assistance in the Social Security system. The fact that both devices are necessary, although different parts of a common program, reinforces the concept of assistance as a right. Insurance tends to be administered in the spirit of right, naturally and without question, and, through association, public assistance moves closer to an administration which is as firmly based in law and regulation and is as devoted to equity and definiteness as is insurance. The concept of public assistance as part of a broader Social Security program addressed to the total problem of income maintenance is important in the struggle to eliminate those undesirable features of assistance which are the result of tradition. There is no danger of assistance becoming too attractive and taking the place of social insurance, providing social insurance is made to fill its proper role. Quite the contrary, there is a long fight ahead to make assistance merely endurable in a democratic state. Assistance is never something to look forward to, since like a life-raft it performs the function of rescue and is the accompaniment of disaster—at its best, it is a necessary evil. Social insurance, on the other hand, can be a positive good, and in the preventing of disaster and in helping a family to maintain an accustomed standard of living is to be likened more to the devices and regulations which protect the safety and comfort of passengers and reduce the need for life rafts. As long as men value self-reliance, the alternative of earning one’s security through work will be preferred to payments made because of need.

## DISCUSSION QUESTIONS

- 1 What are the fundamental differences between social insurance and social assistance, according to Ball?
- 2 What are the reasons Ball gives that both systems of income maintenance—social insurance and social assistance—are necessary?
- 3 Select an example of a social insurance program and an example of a social assistance program. Create a poster with four sections: (1) Explain the social insurance program you selected and use Ball's article to justify why it is a good example of a social insurance program; (2) Explain the social assistance program you selected and use Ball's article to justify why it is a good example of a social assistance program; (3) Explain how your social insurance program would look different if it were a social assistance program; and (4) Explain how your social assistance program would look different if it were a social insurance program.

## REFERENCES

- Ball, R. M. (1947, September). *The Social Service Review*, 21(3), 331–344.
- De Schweinitz, K. (1948). *People and process in Social Security*. Washington, DC: American Council on Education.
- Meriam, Lewis. (1946). *Relief and Social Security*. Washington, DC: Brookings Institution.