

SOCIAL INSURANCE

**WITH SPECIAL REFERENCE
TO AMERICAN CONDITIONS**

BY

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PREFACE

THIS study of Social Insurance grew out of a course of fifteen lectures given at the New York School of Philanthropy in the spring of 1912; but the material has been considerably extended, rewritten, and brought up to date. It is believed (though perhaps erroneously) that at the time the course was the first American University course to be devoted entirely to the subject of Social Insurance, though the subject has been treated recently in a general way in connection with courses on "Labor Problems" or "Social Reform." Since then courses under this specific title have been announced at several of the more important American universities, and the academic interest in these problems is rapidly growing side by side with the popular movements for accident compensation, widows' pensions, retirement annuities, state life insurance, and so on.

The neglect of this most important branch of social legislation by the American economists, which was very forcibly brought to my attention some ten or twelve years ago, when, as a student in Professor Seligman's seminar, I first became interested in the subject, is fortunately a thing of the past. In all the movements which I have just mentioned, many university professors of economics and social science are most active, and the list of doctoral dissertations in preparation in the various departments of Economics and Social Science, as recently published, for the first time shows many titles devoted to this fruitful field.

It is hoped that this work will be found useful not only to college professors and college students as a convenient introduction to further more profound studies, but that it may prove of interest to the public at large, whose opinions and wishes must in the final analysis influence all coming legislation.

In regard to one problem—that of accident compensation—a good deal of educational work has been done within recent years by the numerous state commissions, and by the still more

numerous writers who popularized the results of their work. But outside of this one branch of social insurance, the general level of popular information is still very low. Quite recently some demand has arisen in many states for the creation of governmental commissions for the investigation of the whole field, and in my opinion the demand is a justifiable one. But as yet even this demand is limited to social workers, or to those who know enough of social insurance to want to know more. To judge from the history of the compensation movement, a certain amount of educational and propaganda writing must precede the creation of commissions.

It is true that several books and official investigations on this subject have appeared within recent years. Not only has the very rapid advance of social insurance measures both in Europe and in the United States within the last three years made most of the publications obsolete to that extent but most of the literature has taken one of two forms: either detailed and painstaking presentation of facts (such as the voluminous Twenty-fourth Report of the United States Commissioner of Labor, extending over 3,000 pages), or popular arguments which try to make a case but fail to convey any substantial information as to methods in use or results already accomplished. It has been my object to steer a middle course, and to give within the compass of one book,—not too large for general use,—both the main facts as to the development of various forms of social insurance up to date, and also the social theories underlying it and the main problems arising out of the movement. Many inquiries from students, social workers, public men, and popular writers convinced me that this was the type of book most needed just at this time.

In addition, I may perhaps venture to claim for my effort some originality of treatment. The traditional way of presenting this subject, in privately published studies as well as in official investigations, in American as well as European books, is by geographic divisions. The laws and institutions of each country are separately treated. While this facilitates the handling of the available descriptive and statistical material, it forces upon the reader a great mass of uninteresting details, and fails to result in—what, from the point of view of the beginner, is the most important feature—a critical comparison of various institutions and methods.

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A praiseworthy effort to break away from this stereotyped method of studying international movements, has already been made by Frankel and Dawson in *Workingmen's Insurance in Europe*. While the larger part of the book is still devoted to separate statements of conditions in individual countries, the most interesting chapters are those which handle general problems. In this study the treatment is entirely by topics instead of countries, and because of this method of treatment a great many questions seem to find a spontaneous answer.

It goes without saying that the book is primarily a summary, not an original investigation. The field is so tremendously large that there are hundreds of problems, investigation of which would require books of equal size. Nevertheless, it is not altogether a compilation of secondary material collected by others. Outside of a deep uninterrupted interest in the subject for over ten years, I was fortunate enough to have had the exceptional opportunity of devoting my entire time for three years to the preparation of the Report of the United States Commissioner of Labor, already referred to, on Workmen's Insurance and Compensation Systems in Europe. Of the eleven chapters of that report (devoted to eleven countries), all of the three chapters on Italy, Russia, and Spain, and about one-half of that on France were prepared by me; and those on Belgium and the three Scandinavian countries were prepared under my direction and editorial revision. While the remaining three chapters on the most important countries, Austria, Germany, and Great Britain, were prepared by my colleagues and good friends, Dr. H. J. Harris and Mr. L. D. Clark—the problems and materials of the entire report were so fully discussed by all the three co-workers, that each one may claim first-hand knowledge of them. I felt at liberty, therefore, to draw freely from the voluminous report, without repeatedly quoting the source, and without the fear of being accused of literary plagiarism.

This may also explain the paucity of references to original sources which were carefully studied and digested in connection with the preparation of the larger report.

The exacting student will perhaps object to this absence of footnotes and a bibliography. It was my intention to prepare such a bibliography, but it had to be given up for

considerations of both time and space. The literature on the subject, especially in foreign languages, is enormous, and in view of the rapid additions to existing legislation in all industrial countries, calling forth a good deal of argumentative, controversial, and explanatory writing, is growing at a tremendous rate. Under the circumstances a careful and fairly comprehensive bibliography would require a volume. On the other hand, small bibliographies may be obtained without any great difficulties. It seemed preferable, therefore, to give up the effort to prepare a bibliography, instead of which a very brief bibliographical note has been appended, where the most important sources for further study are briefly enumerated for the benefit of those who might desire to pursue the subject. In fact, I believe that in dealing with any large subject within the compass of one book, a bibliography of bibliographies is perhaps all that should be attempted.

And finally, while the book is admittedly a brief summary of things as they are, I felt no obligation to refrain from stating my own preferences in the premises. It is futile to try for absolute impartiality in dealing with matters of social policy. It cannot be achieved without paying the heavy price of colorlessness and dullness. On many problems connected with the subject of social insurance I plead guilty to very definite views. I would not miss the opportunity of doing this bit of propaganda, which I consider no less important than the effort to impart accurate information.

I am under great obligations to Professor Henry R. Seager and Professor Samuel McCune Lindsay for furnishing me the opportunity to deliver the course of lectures at the New York School of Philanthropy, without which stimulus I doubt whether I would have commanded sufficient energy to snatch from a busy New York existence the time necessary for the preparation of this work.

I. M. RUBINOW.

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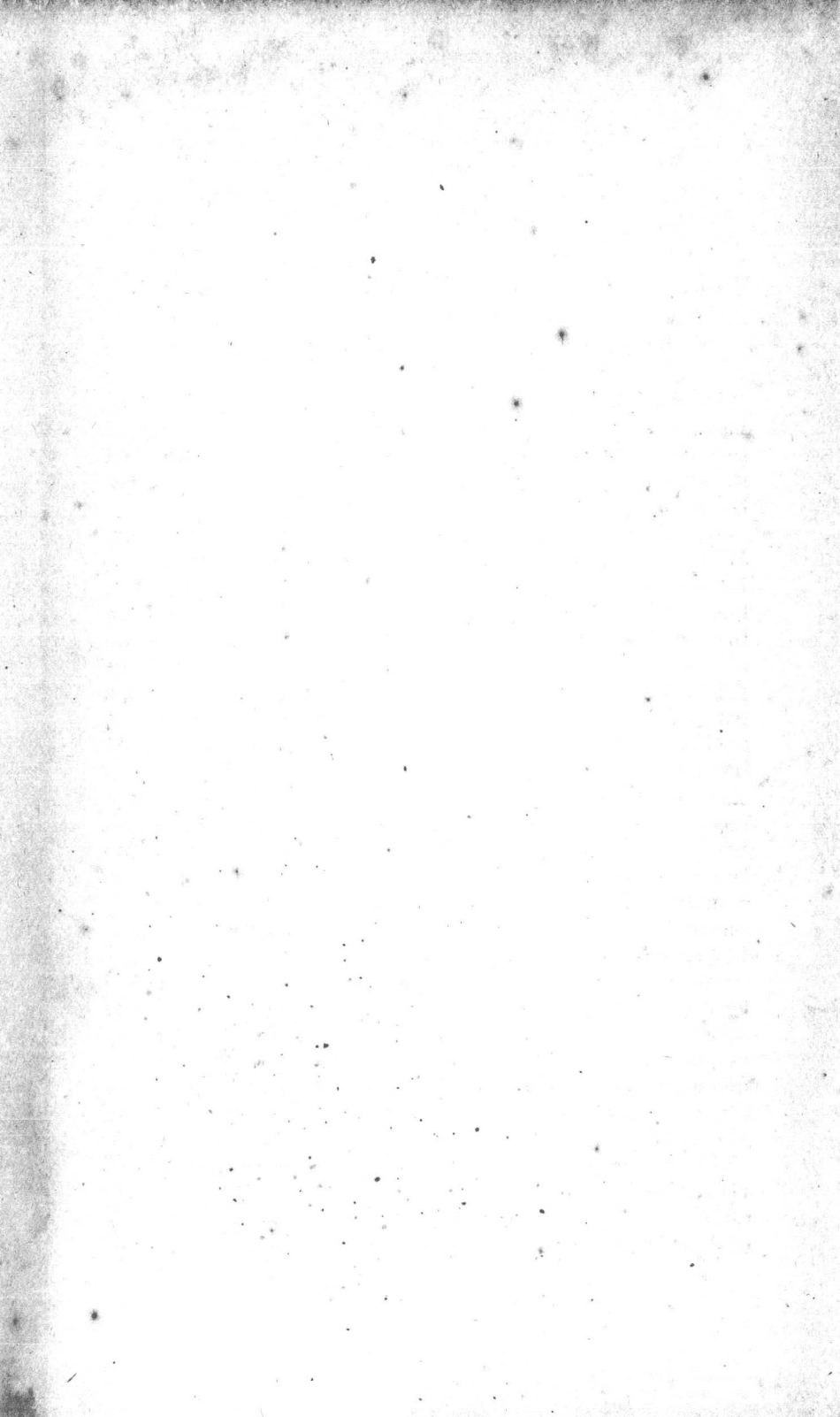
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PART I
INTRODUCTORY



CHAPTER I

THE CONCEPT OF SOCIAL INSURANCE

INSURANCE, the *Encyclopedia Britannica* says, "is a provision made by a group of persons, each singly in danger of some loss, the incidence of which cannot be foreseen, that when such loss shall occur to any of them, it shall be distributed over the whole group."

All insurance, therefore, is essentially a social function. Why, then, this emphasis upon "social insurance" and what features are necessary to distinguish it from other forms? The historical origin of the term within rather recent times from the older one "workingmen's insurance," is sufficiently significant. It emphasizes the fact that social insurance is the policy of organized society to furnish that protection to one part of the population, which some other part may need less, or, if needing, is able to purchase voluntarily through private insurance. That originally only the wage-workers were considered entitled to the protection of this policy, and that within recent times the sphere of this policy in several European countries was extended to include other social classes, and "Arbeiterversicherung" thus became "Soziale Versicherung," is a matter of detail and not of principle. Moreover, it still remains true that Soziale Versicherung is primarily, even overwhelmingly, Arbeiterversicherung.

The term "social insurance" is as yet very little understood by the vast majority of English-speaking nations. The first necessary step, therefore, is not so much a technical definition, as a description, or rather circumscription of the term, and the distinction between social and ordinary commercial insurance may be best emphasized by first indicating the characteristics common to both.

All insurance is a substitution of social, co-operative provision for individual provision. Technically, this substitution of social effort for individual effort, is known as the theory of distribution of losses and the subsequent elimination of risk.