ADAPTING PROGRAMS OF SOCIAL WELFARE TO A CHANGING POPULATION

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I SHOULD like to preface these remarks by saying that social scientists are still too lacking in conviction about the importance of so-called theoretical considerations. Abstract academic findings often have far greater practical importance than immediate palpable facts. This question of adapting programs of social welfare to a changing population is a good example of the sterility of separating theoretical analysis from practical measures. I think that the most important measures for meeting social welfare problems have their rational roots in the problems of population. It is not even a question of "adapting programs" but rather of constructing and creating them out of the significant happenings in population change.

A further premise upon which these remarks are based is that the most important area of social welfare is that which lies in the realm of economics. This is not to deny that there are other problems of social welfare, but to say that they are either corollary or of lesser significance or less pressing.

The reason why prosperity is not "just around the corner," why it *can not* be just around the corner lies chiefly in the population changes and in the field of technology, the two reacting upon each other, and creating the economic conditions of the present.

The principal socio-economic problems of which the general public is conscious and about which a great deal is heard from one or another combination of interests and articulate groups are:

1. That there is too much unemployment in industry, and that the income of the agricultural population is too low.

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2. That opportunities for investment are restricted and thus the expansion of economic activity (sometimes called prosperity) prevented. Generally speaking, the Government is held responsible for this stagnancy.

3. That welfare services are getting too expensive: the nation cannot afford them; therefore resistance is offered to social security, relief, national health programs, improved school systems, etc., etc.

A system of social welfare measures cannot be both effective and permanent unless it takes full account of the difficulties implied in these three major economic complaints. I do not pretend in what follows to present new facts or even new relationships, but merely to emphasize that a social welfare system for this country must relate itself both to these economic complaints and to the underlying population facts that largely determine the underlying conditions of our economy.

I would put it as an axiom that growing economic activity depends upon growing consumer power. The consumer power can be either national or foreign; it can be either quantitative, that is, larger amounts of the same things, or qualitative, that is, an increase in standards of consumption. The practically continuous increase in basic prosperity of the United States may be reasonably understood in the light of its history of consistently increasing population, that is, consumer power together with the known rise in standards of living. It would be a natural inference, therefore, that if population increase is retarded and increase in consumer power diminishes, prosperity is also likely to be slowed up. This major change in population trend has actually taken place, and the check in expanding consumer power has arrived. It has been more pronounced in fact than it might have been because of the abnormal increase in production associated with the World War. This slowing down in the growth of national consuming power might not have had the pronounced retarding effect on prosperity if foreign markets had proportionately increased. That, however, has not happened and expansion of production with its associated increase in investment opportunities has not occurred. It is, therefore, reasonable that something more than a temporary decrease in prosperity should set in.

And here is where the second major factor in population—the change in age distribution—comes in. The proportion in the population within the productive age has changed between 1870 and 1930 from 55.7 per cent to 63.4 per cent.[2] Proportionately, therefore, the same body of consumers has a larger body of producers to supply their needs. Relatively this is the same thing as if the consuming power had actually been reduced. Had the productivity per worker decreased proportionately, this result would not have followed; but as we know, the unit productivity has, on the contrary, greatly increased in both industry and agriculture, and therefore the reduction of consuming power relative to producing power is further accentuated.

But, again, this larger group in the productive age might not have been drawn into actual production, and so all might still be well. They might still be only consumers, even though in the productive age group. Actually, however, the number of gainfully employed *has* increased both absolutely and relatively: absolute numbers from twelve million in 1870 increased to forty-eight million in 1930; proportion in population increased from 32 per cent in 1870 to 40 per cent in 1930.[3] Thirty-two per cent means, on an average, 3.1 consumers for one gainfully employed, including the earner; 40 per cent means 2.5 consumers for one gainfully employed, including the worker, a reduction in ratio of consumers to producers of 20 per cent, to say nothing of increased productivity. Theoretically this might mean, and to some extent it does mean, an easing of the burden: for 2.5 people can more easily be supported

[2] Hurlin, R. G. and Givens, M. B.: Shaping Occupational Trends, a chapter in RECENT SOCIAL TRENDS IN THE UNITED STATES. New York and London, McGraw-Hill Book Company, 1933, p. 276.

[3] *Ibid.*, p. 271.

on the income of one person than can 3.1. That assumes, however, that the earner works and receives wages with the same regularity in 1930 as in 1870. By way of answer, we have had a growing unemployment trend for over two decades. With constriction of market and greater productivity of worker, employment shrinks, and the fewer dependents of an unemployed person have a harder time than the more numerous dependents of an earner. What expansion of activity can be expected when the relative number of consumers is decreasing? A great deal might still have come if the standard of living had risen sufficiently to add to the consuming power and if the purchasing power had similarly kept pace with this increasing capacity to consume. But purchasing power is derived from employment and farm income, and we see that the rate of employment has been consistently diminishing while farm population income compared with farm population has for similar reasons also been decreasing.

There is an abundance of data on these happenings in agriculture, most of them easily available in several publications of the National Resources Board.

If social welfare is dependent primarily on economic welfare, and if welfare measures are to be adjusted to these implications of population change, what measures might be rationally consistent with this movement? Recalling that the proportion in the older age group is increasing and in the younger age group decreasing, one might propose:

1. That the producing power be gradually concentrated in the group, say 20 to 55, leaving those under 20 and over 55 relatively as consumers. This would imply:

   a. A modified apprenticeship training prior to the age of 20.

   b. Gradual demobilization of employment beginning about 55, and accelerating to 65, through changing of hours, shifting of occupations, and recognizing superannuation in some cases to be equivalent to eligibility for old-age insurance.

2. Reduction of hours and increase of wages in the producing ages

(20 to 55), so as to spread employment, and distribute and maintain purchasing power.

3. Reorganization and replanning of occupational distribution, by shifting certain blind-alley types of occupation to the age group 50 to 65 as adapted to reduced earning capacity; creating part-time employment in the ages 50 to 65 with appropriate retirement adjustments; excluding the age group, 20 to 50, except among the handicapped, from these selected occupations.

4. Equalization of income among the rural and urban workers through wage and price adjustments and through removing as low-wage competitors, the aged and young workers.

And here is where the specific welfare programs come in, through the development of an educational system suited to the cultural and leisure time requirements of such a civilization, and of health and welfare services adapted to the changing population groups.

Of course, in any such plan which is unavoidably interwoven with population changes, we should have to answer certain questions, also implicit. For example:

Do we wish to counteract the recognized population changes by far-reaching measures that would keep the population increasing indefinitely, or until such time as we have discovered ways of restoring the producer-consumer ratio that had made increasing prosperity possible? These changes would have to be substantial to make a difference. They would involve supplementation of family wage, premiums on large families, bonus for additional children, etc. We would also have to decide whether this increase, which presumably is for purposes of maintaining the tempo of economic advance, is to be applied to all consumers, Negro as well as white, Indian, Mexican, foreign-born, as well as native.

Do we wish really to give economic equality to Negro and white, to agricultural and industrial worker, to manual and white-collar workers?

I should like at this point to pass over the second economic complaint relative to the restriction in possibilities of investment, and first consider the complaint about the expensiveness of welfare services. Here we deal with welfare as representing activities occasioned by lack of income or other handicaps, or by the increasing standards of educational and cultural life. Continuing again on the assumption that the population trend, both as to age distribution and as to the numbers, is likely to continue as outlined, and adding a further assumption that readjustment of wages and hours may not be sufficient to adjust productivity to employment, welfare services would have to be regarded as:

A way by which reasonable living on relatively low income can be made possible and more equitable, since services would be distributed in accordance with need rather than in accordance with earning power and would therefore interfere but slightly with the conflict in wage adjustment between employer and employee. In this conflict the consuming power of one worker compared with another does not enter, and each worker is an equal competitor and collective bargainer with his fellows. Through welfare services rather than through wages, then, the large family of a low-wage earner would be assured of as decent standards as would be the larger earner in a smaller family. The welfare services involved in this concept would include public housing, public medical care, extensive recreation programs, a far-reaching educational system.

They would mean making possible the exclusion or partial exclusion from competitive employment of the young age group, the old age group, and that indeterminate age interval in which productivity decreases and either shift of occupation or part-time employment might be reasonable.

Welfare service might be regarded also as an expanding area of employment, a market for absorbing particularly suitable personnel and an opportunity for expenditures on equipment, maintenance, etc.

These services would represent one of the ways of raising the standard of living which would constitute part of the qualitative increase in consumption power, and multiply the commodity called "services" apace with stable commodities and other "visible" products. Much of the welfare program for children, youth, the aged, mothers, and the chronic ill would come in this category.

They would constitute a stabilizing influence on the financial structure by the consumption of products through public expenditures, which are less subject to violent fluctuations than is competitive business. In other words, it is true that welfare services, especially when conceived in a comprehensive way *are* expensive. As "commodities" they reflect a higher level of living for individuals and social groups. Their purchase, through tax payment would draw upon the capital-labor economy as a sort of fixed charge. But these services seem to be also a *way out* of the impasse created by the ever-widening ratio between producing power and consuming power of other economic commodities. The absolute amounts expended on these services at the present out of the national income are almost negligible (as shown by Mr. Nathan's charts—reproduced in Social Security Bulletin). They must expand in the interest of economic solvency as well as in the interest of the clients to be served.

The postulate that public welfare services will have to expand far beyond their present scope, and that this expansion is as much an inevitable corollary of population change as it is an expression of welfare interest, renders the subject of investment difficulties pertinent to this discussion. For it is perfectly true that the kind of expanded social welfare program that we are talking about cannot be financed on the current philosophy of the place of capital in the system of distribution. Curiously enough, we do not hear much about lack of income for purposes of consumption in the higher income brackets or in general by those whose livelihood comes in returns from capital. The cry is rather that that part of the income obtained from profits which is not consumed, but is available for investment, cannot be reinvested for further profits. It is assumed that profits have a dual function of making possible high consumption standards and of making possible further profitable investment. The latter notion seems to be held quite independently of the former. I recognize that this is not the place for debating questions of a purely economic nature. The reason for including this point, however, lies in the fact that of all economic factors so often debated as bearing on this point, the effect of population is the only one that is consistently disregarded. The fact that investment for profit implies a consumer as well as producer is considered as something abstract and irrelevant as within the realm of pure economics and of practical politics, but not of practical economics.

In a recent syndicated article over Mr. Babson's signature, he makes reference to the sixteen billion dollars tied up in private capital which is kept from giving work to eight million unemployed, by implication through pure perversity. Disregarding for the moment the obvious fact that the breakdown occurred prior to the present Federal administration, this sort of analysis leaves entirely out of consideration the order in which products can be consumed: the fact that foods are already produced in overabundance, but cannot be distributed, that dwellings to meet mass demand are not recognized as suitable investment for private capital, and that there is no shortage in luxury products to meet the consumption needs of the upper brackets.

To come back to the main problem, it would seem clear that the social welfare program discussed here can be made possible only by fundamental reorganization of the distribution system. We may regard the present distribution in a simplified form as consisting of three parts, each seeking to expand so as to occupy a larger proportion of the total distribution. One of these is the return to capital, another the return to labor, the third, payment to government for protection and public services. The principal struggle between capital and labor can be interpreted as a pressure of these two divisions into each other's territory. The past few decades have presented a widening of the third division or belt—that part of economic distribution which goes to the government in taxes for public services and of course for public welfare services. The program of increased social services is predicated on the theory that this third belt will continue to be an increasing factor in the system of distribution, absorbing portions of the return to both labor and capital. At this point, the lessons from population change do not automatically give the answer as to whether the cost of services should draw principally from labor or chiefly from capital. That becomes a question of philosophy and theory of government. Fascist and Socialist interpretations will give different answers. If it is true that purchasing power ought to be maintained or increased, then it would follow that public services must draw more extensively on the portion that now is the return to capital. If, moreover, that part of the return to capital which is not consumed but is waiting for reinvestment remains stagnant, then presumably the cost of social services must come in large part from this uninvestable capital either directly, or through some system of taxation.[4] The point I am trying to emphasize at any rate is that the difficulties of capital investment are also bound up with changes in population, with the associated facts of our socio-economic structure, and with the place of welfare services in our economy.

This persistent dwelling upon theoretical considerations rather than tackling the simple question of how to adapt programs of social welfare to changing population has been, as you realize, deliberate. These fundamental problems are, I think, from a practical point of view, of far greater importance than specific suggestions. They do, of course, imply certain specific proposals but I regard these as deriving their validity, their practicality, and their permanence entirely from whatever truth there may be in the theoretical considerations that lie behind them. A social welfare program adapted to these considerations would include then, by way of a brief resume, some such items as the following:

1. A continuous program of Federal public employment.
2. Completion of a system of social insurances including those of old age, the extension of unemployment insurance, etc., to all occupations, and the development of insurance against loss of income from sickness.
3. A reorganization of the educational and vocational program which by a combination of schooling and apprenticeship, would keep all persons under 20 out of the field of employment competition.

[4] It actually does, to a large extent, come from this source at the present through purchase of government bonds. The change in the proportion of sources of bank profits as between commercial loans and government bonds since 1929 is more than suggestive of this.

4. An organized plan for the demobilization of and special employment opportunities for the age group from 55 to 65, or even 70.

5. A reorganization of the entire system of taxation which would make possible:

a. Taxing where taxing capacity exists,

b. Expenditure where services are needed,

c. A concentration of taxation under the Federal Government in such a way that the issues raised as between services and economic system can become clear-cut and intelligible for discussion.

6. Administrative reorganization of relations between Federal, State, and local governments so as to make possible the correlation between employment, social insurance benefits, and welfare services, regardless of State and local boundaries and in full recognition of the fact that intra-national migration requires far-reaching administrative adjustments.