

JENNIFER KLEIN

The Politics of Economic Security: Employee Benefits and the Privatization of New Deal Liberalism

Since the late nineteenth century, American employers have relied on a program of welfare capitalism to deflect incursions into the workplace from the regulatory state or organized workers. Welfare capitalism encompasses social welfare benefits and health, safety, or leisure programs offered through the workplace—programs established and directed by the employer. In periods of labor upheaval and political social reform, American firms have relied on workplace social welfare as a private, managerial response to political pressure from the state and workers—particularly when workers sought to use the state to improve working conditions and guarantee economic security. Where or when employers no longer faced these threats, managers reasserted their control over the terms of work, compensation, and security. Out of this conflict emerged a public-private welfare regime, heavily tilted toward private sources and based on the exclusion of those who most needed economic assistance. Any narrative of the American welfare state, therefore, belongs within the century-long story of welfare capitalism.¹

The New Deal was a watershed in American political culture and political economy, establishing both a set of structural relationships between business, labor, and the state and a set of ideological expectations that governed their interactions. As a result of New Deal legislation, the national government, for example, would directly intervene in financial, agricultural, housing, energy, and labor markets. The state entered the formerly insular employment realm and compelled employers to pay minimum wages, old-age pensions, and unemployment compensation and to recognize unions and maximum-hours restrictions.

The federal government's new role in economic security matters had a ripple effect among community and economic institutions. With the passage of the Social Security Act, labor unions and community groups sought ways of building on its foundations, organizing local residents both to demand expansions of government income support and to build institutions that could provide social services. The late 1930s and early 1940s would be a period of innovation and creative experimentation in health-care projects, perhaps more so than in policy formulation, as trade unionists, leftists, African Americans, rural residents, women's auxiliaries, and physicians experimented with economic security programs that would have developed a base of security independent of employers. Subsequent historiography, by picking up the story in 1945, has missed the vitality of this earlier period.¹ Yet it was the New Deal's promotion of security that impelled labor to seek new health benefits for its members—not the War Labor Board and not wartime tax breaks.

The social welfare institutions that such activists and community members hoped to construct would have been nonprofit organizations distinct from both employer welfare plans and commercial insurance policies. Contrary to political science arguments that have projected labor's late twentieth-century positions on private health plans back into this earlier period,³ organized labor did not initially share the corporate design for firm-based health benefits. Even after World War II, organized labor promoted health programs that could have transcended the limits of firm-based collective bargaining and broken the links between benefits and the firm. Moreover, organized labor hoped to use the power of the federal government to bolster these efforts and provide resources, thus firmly connecting citizens to an expansive welfare state. In the political culture of the New Deal order, *security* entailed an explicit element of public power.

This story, of course, is more than one of unions and health plans; likewise it is a broader story than the determinative agency of professionals (physicians) or the state and the character of the state's institutional apparatus.⁴ While the state is capable of independent action, we still have to consider how the state is bound up within a network of relationships among economic institutions (business firms and financial intermediaries), labor unions, and service institutions. Elsewhere I have written about the development of commercial group insurance and Blue Cross and the intersection with legislative bills for national health insurance.⁵ This article attempts to show how

relationships between business, labor, and the state determine social welfare regimes and labor's compensation. Rather than a story of "Truman versus the medical lobby," the politics of security involved a political struggle between business and labor; commercial insurers and nonprofit, community- or labor-controlled means of social provision; the state; and private capital. These relationships, of course, shift over time, and as the balance of power tips toward different players, a new set of political options becomes possible. In order to explain the passage or defeat of social policies and the structure of particular public and private social welfare benefits in the United States, therefore, it is necessary to examine the balance of power in the political economy.

The temporary balance of power struck by any given reform era ignites real political struggles. In the 1940s, the federal government played an essential role in labor-management bargaining; state power made possible the presumptive postwar "labor-management accord." For the same reason, from the moment of the "accord's" inception, American corporations fought aggressively to sever the links between the state and workers. If the National Labor Relations Act (Wagner Act) and the Social Security Act challenged employers' prerogatives over the conditions, compensation, and security of employment, how was it that the political struggles that then ensued between business, labor, and the state could turn this result around, enabling business instead to use the state to insulate and control such ostensibly public matters? In the 1950s, corporate leaders reconstituted the balance of power between business, labor, and the state. They could not restore the political economic order of the pre-Depression era. But in the 1950s, business interests were able alter the role of the state in industrial relations politics, and in fact to use it to sustain an increasingly insular, private, firm-centered definition of security.

From midwestern cities to southern towns, to West Coast industrial and construction sites, doctors, unions, employers, and consumers began developing health-care programs in the 1930s that would enable patients to pool the risks and costs of sickness and injury, thus bringing medical care within the reach of more people. Labor activists, as new supporters and constituents of the welfare state, also actively participated in the movement for health security. In the late 1930s, in the era of the Popular Front, this perspective was represented by a broad coalition of community-oriented activists, from leftists, who called for health cooperatives to serve work-

ing-class families, to business unionists, who asked employers to deduct private insurance payments from wages. Many of the programs that labor activists hoped to build stressed provision of services for all who needed them, over cash indemnification for costs incurred by the worker. Labor and New Deal reformers viewed security against sickness as a matter of class justice, equality, and a citizen's right to social security.

In the summer of 1938 the Roosevelt administration sponsored a National Health Conference in Washington D.C. More than 150 activists attended, representing labor unions, farmers' groups, medical societies, hospital associations, social workers, government agencies, women's organizations, and philanthropic foundations. The community activists who came from both farm communities and gritty industrial cities tended to be women. The CIO unions, such as the United Auto Workers (UAW) and the Steel Workers Organizing Committee, were represented largely by women activists. Community labor activists such as Florence Greenberg, formally representing the Steel Workers Women's Auxiliary, demanded not only compulsory health insurance but also housing projects, programs of popular health education, early detection and prevention of syphilis, tuberculosis, pneumonia, and cancer, well-enforced occupational hazards laws, and inclusion of African Americans and Mexicans. Greenberg along with Eve Stone, of the UAW-CIO Women's Auxiliary, Elizabeth Johnstone, of the Women's Auxiliary of the Amalgamated Association of the International Steel and Tin Workers, and Harriet Silverman, of the People's National Health Committee (PNHC), also asked for government support in creating community health centers that would service "diagnostic, preventive, and curative needs." These women were leftist, Popular Front activists; they ratified the New Deal welfare state project and sought to build a broader base for working-class security and power.⁶

The Health Conference, as well as the Social Security Act and New Deal more generally, further stimulated a grass-roots health security movement. Activists began designing, constructing, or participating in community health programs. In Chicago, Florence Greenberg's hometown, trade unionists and social welfare reformers pursued two strategies for health security. First, the activists who attended the Health Conference formed the Citizens Committee for Adequate Medical Care, of which Greenberg became vice chairman. The committee held a mass meeting in Chicago to discuss health security, drawing representatives from AFL and CIO unions, Hull

House, YWCA, YMCA, National Negro Congress, the Chicago Association of Medical Students, and Chicago's Non-Partisan Labor League. The Committee for Adequate Medical Care mobilized for promoting the passage of national health legislation but also improving the health facilities in Chicago and making them accessible to African Americans and the working class. In 1939 the committee began agitating for Cook County Hospital to establish outpatient clinics in working-class neighborhoods. Committee activists held conferences with officials of the hospital, the Cook County commissioner, and the City Council's Committee on Health.⁷ Harriet Silverman, executive secretary of People's National Health Committee, an organization that drew together Dr. Louis Wright of the NAACP and A. Philip Randolph, women from the Women's Trade Union League and YWCA, progressive physicians and trade unionists on its board, helped set up activist chapters in cities such as Cleveland, Philadelphia, Pittsburgh, and New York.⁸

Second, unions and other organized groups in cities like Chicago, Milwaukee, Cleveland, Berkeley, Los Angeles, and New York launched a process of education, experimentation, even enrollment, in local health plans. The Chicago Teachers Union began an extensive study of health issues and insurance for medical services in the fall of 1938. The Teachers Union and the Chicago Post Office Clerks' Union chose to enroll in a prepayment plan with the Civic Medical Center, a private group practice clinic. Based on a service model (rather than an insurance indemnity model), subscribers paid a fixed monthly or annual fee and in return received full medical services and an annual full physical examination. Members could also select their own personal physician from the staff of the center; the physician would then refer them to specialists.⁹ In Milwaukee, workers joined a similar program, the Milwaukee Medical Center. As was the case in Chicago, many of the members came from white-collar unions or organizations: postal clerks, teachers, and office workers, workers with steady year-round incomes.¹⁰

While calling for disability and health insurance to be added to the Social Security Act, William Green and American Federation of Labor (AFL) staff instructed union activists on the differences in various health plans sprouting up in many communities. Beginning in 1936, Green argued for the importance of group medical practice and health centers in pooling costs and producing economies that seemed to make possible a greater level of services for working families.¹¹ Prior to the war, Green urged unions to seek out plans that

gave the union a voice in administration, or at least in the structure of benefits.¹²

Health security defined a relationship between citizens and the New Deal, not employees and employers. During this period of ferment and experimentation in the late 1930s, unions and employee groups decided, independently of employers, to subscribe to a health plan. On the whole, they were not part of a process of collective bargaining. Unions decided health security was a service they wanted to obtain for their membership. Setting up “Social Security Committees,” they researched the available options, established contacts with local plans, and signed contracts directly with the local health plan. Moreover, during this period the labor movement promoted ideas that would meet the problems of the working-class *community*, even if they did not have the resources or political strength to carry them out.¹³ Unlike earlier forms of union self-help or mutual-benefit fund, these group health programs and health centers had the potential to become community, social service institutions. Allied with other groups in the community, health activists intended to construct programs that rested on a broader view of health and health care than just reimbursement for part of the costs of technologically-intensive hospital care. Labor, New Deal, and leftist health activists supported community rating: every one in the community who belonged to a medical or hospital service plan paid the same rate, a community rate, so that those who were healthier helped subsidize those who needed services more often. Community members shared the costs of sickness. Other group plans relied on progressive, graduated membership fees, with dues based on a percentage of family income. In this initial phase of health insurance activism, the labor movement saw health security as a two-tiered project: federal government subsidy for insurance nationally and group practice plans at the community level.¹⁴ Community residents in Greenbelt, Maryland, a New Deal planned town, formed not only the Greenbelt Health Association group medical plan, but followed this up by starting the Prince George’s County chapter of PNHC to press for federal health policy.¹⁵ In this historical moment, the politics of security was based on a set of relationships between a wide range of community activists, community organizations, and an activist state.

These types of programs continued to germinate as America shifted its focus to war. Thus before and during World War II, community groups were engaged in local experimentation—in building citizen-based, or citizen-responsive, institutions at the local or even

regional level. By picking up the story of private employee benefits during or after World War II, the breadth and vitality of these earlier experiments has been lost, as has their connection to the Social Security politics of the New Deal. Instead, the more accurate question to ask is how the evolution of New Deal political economic relationships and the fashioning of a more permanent industrial relations regime during the war had an impact on the politics of security.

A key institution in the construction of the postwar collective-bargaining regime was the National War Labor Board. It has become a truism that the War Labor Board instigated the spread of pecuniary fringe benefits, such as group insurance and pensions, but this is not really an accurate reading of the board's actions. Between 1942 and 1945, the NWLB issued a mixed bag of rulings on employee welfare benefits. The board's overriding imperatives were to limit strikes, keep war production running smoothly, and contain inflation. In general, the WLB took a rather conservative position regarding insurance benefits, contending that it would not order something that "would be a distinct innovation in the industry." In a 1942 case involving employees of the Strand Baking Company, the board also indicated that it would not endorse health insurance where "the work is not characterized by extraordinary hazards." Yet even when petitioning employees subsequently made the case that they worked under particularly hazardous conditions, as in the case of munitions workers at U.S. Cartridge Company, the board denied their request for a compulsory insurance plan. These cases set a precedent that the board adhered to throughout the war: it would not order establishment of an insurance or other benefit plan in a dispute case. The board frankly reaffirmed this position in the Basic Steel Cases in 1944 and the U.S. Rubber Case 1945.¹⁶ Nor would the board take on the role of the union's heavy in forcing employers to liberalize existing group insurance plans. When employees of the Philadelphia Transportation Company petitioned the board to improve an already existing company pension plan, the board ruled that it would not order changes in existing pension plans.¹⁷

There was, however, a second group of cases in which the WLB consistently ruled in labor's favor: compelling management to guarantee already existing benefits. The board was willing to order companies that did provide insurance benefits to maintain them for the duration of the war. From 1943 on, the board ruled that companies could neither alter nor abolish their existing insurance, sick leave,

or pension plans. Late in the war, the NWLB went a step further, ordering employers to include sick leave, disability wage plans, and group insurance in labor-management contracts, arguing that these aspects of the employment relation belonged in written contracts.¹⁸

These types of cases had several rationales. New Deal ideology supported the notion of industrial rights and economic security as essential components of citizenship. New Deal legislation, from the Wagner Act to the Social Security Act to the Fair Labor Standards Act, had conferred rights on American workers, as well as corresponding duties on employers to participate in the new framework constructed to promote workers' security. Within this milieu, the board on some level enforced the New Deal right to security—even if it took a rather circumscribed form. On the one hand, the board declared that “employers have no greater legal or moral obligation to pay insurance premiums for their employees than to pay their food, rent, or clothing bills.”¹⁹ If, however, employers had made the decision to provide such benefits, they would have to follow through on their promises—at least in making sure the plan continued to exist. Arbitrary managerial power in this case was no more acceptable than spontaneous job actions by workers. At the same time, the board's first priority was to keep war production going. On the most basic level, board members sought to preserve the status quo in a workplace so that employees would not get disgruntled, walk out on strike, and interrupt production. In return for workers' subordinating their interests to the imperatives of unlimited production, the state would enforce their rights; unions would not have to do so through self-help.²⁰

For the legal theorists and industrial relations experts who sat on the NWLB, workers' rights would be based upon the specific language in a contract, and the contract would function as a “constitution” or “‘a basic statute for the government of an industry or plant.’” An overriding faith in contractual procedures infused the War Labor Board's rulings on welfare benefits (as well as many other issues)—an ideology that would gain coherence after the war as “industrial pluralism.” Board members believed that by routinizing interactions between management and workers through collective-bargaining contracts and through bureaucratic grievance procedures established therein, they would construct a dependable, rational system of industrial jurisprudence, hence eliminating labor-management strife. With a collective-bargaining contract in place, Archibald Cox wrote, “the rule of law would be substituted for absolute authority.”²¹

This emphasis on contract as a marker of equality between labor and capital is the most important legacy of the NWLB. By sending unions the message that disputes should be settled by establishing contractual features, rather than through workplace activism or grassroots political pressure, the War Labor Board encouraged an increasing reliance upon collective bargaining. As unions began to focus on getting social security demands included in a labor-management contract, as a demand extracted from management, the labor movement began to move away from the independent health projects initiated prior to the war. Labor-liberal support for social security through community projects and national policy aimed to compensate for the uncertainties of the employment relationship, as well as the arbitrary control over security exerted by employers prior to the New Deal era. The emphasis on social security benefits obtained through collective bargaining would, in the long run, refocus health security on the employer and what the employer was willing to provide.

After the war, the links between security, industrial relations, and government policy that were an essential part of New Deal liberalism became increasingly attenuated. Health security instead became part of a resurgent welfare capitalism, as employers sought to check the growing assertiveness of labor, the intrusion of the state into labor relations, and what manufacturers perceived as “politicized bargaining.” Insurance companies, also responding to the newly legitimized imperatives of security, helped employers impede national-level or industry-level bargaining and rejuvenate welfare capitalism.

Insurance companies too were compelled by the politics of security. Within a year after the Social Security Act’s passage, commercial insurers came to see federal Social Security as a great boon to the “security business.” Social Security “helped make the nation security conscious,” touted Equitable Life’s Vice President William Graham.²² Insurance executives instructed their agents to incorporate the new Social Security program into their sales strategies, emphasizing that federal old-age pensions would meet only the barest of subsistence needs. In the late 1930s and 1940s, insurers marketed group pensions, hospital, surgical, and medical policies to build on the security foundations laid by the federal government and indeed promoted such private policies as “supplemental social security.”²³ Commercial insurers primarily sold health coverage in the form of group insurance: a single policy sold to an employer to cover all employees under one group risk factor. The employer is the only

legal policyholder. Commercial insurance policies were based on a cash-indemnity, fee-for-service payment scheme.

During the early years of the war, insurers stepped up their efforts to sell their wares, especially their newest lines, hospital, surgical, and disability coverages. Companies like Metropolitan, Aetna, Prudential, and Equitable made it easier for employers to put a program in place swiftly before “getting the employees and perhaps the unions’ approval.” As local unions were rapidly enrolling in Blue Cross, insurers allowed employers to pay the first month’s premium, announce that the policy had been put in place, and then let employees “sign up.”²⁴ The large insurance companies also set up payroll-deduction systems to cover the policies. Just as the first version of the Wagner-Murray-Dingell bill for comprehensive public health insurance appeared, the insurance trade press and associations urged companies to “keep up with the social planners.”²⁵ These efforts soon bore fruit: the number of persons covered by commercial hospital insurance increased from 1 million before the war to 8.5 million by 1944.²⁶

These changes were significant for several reasons. First, they allowed the perpetuation of a unilateral approach to employee benefits, just as unions were demanding a negotiated one. Second, when unions brought grievances over fringe benefits to the War Labor Board, the board rarely ruled in the union’s favor if the plan had already been unilaterally implemented by the employer. And ultimately, they helped establish, or in many cases reinforce, close relationships between insurers and employers. Such exclusive relationships would persist after the war had ended and complicate collective bargaining over insurance when unions made their big push for benefits in the late 1940s.

At the end of the war, insurance companies faced potential competition, then, not only from the state, in the form of legislative proposals for national health insurance, but from a set of quasi-public, labor-oriented health-care programs.²⁷ Since insurers did not provide the medical services, and in fact had no relationship with service providers in these early years, they had to make sure that hospital service plans and physicians’ medical plans did not shut them out. They had to preserve room for themselves as third-party indemnifiers. Blue Cross, an alliance of hospitals, dominated the market in most locales.²⁸ If insurers were to gain any clout, they would have to represent large groups of potential patients. They needed an alli-

ance that would serve as a bulwark against the service providers' alliances.

Insurance companies found that ally among large corporate employers, unionized and nonunionized. By 1946, large manufacturers were quite receptive to the message. These employers wanted to restore the managerial prerogatives they saw under attack from both the New Deal state and unionized workers. They took unionism in basic industry as a given, but they wanted to take the offensive—both ideological and economic.²⁹ As *Business Week* advised executives, “Management, for the first time, is faced with a broad social demand—the demand for security,” a feature story opined. “But if management does not use it wisely, the worker is likely to transfer his demands from the bargaining table to the ballot box.”³⁰ Employers had to quell these demands, first, without bringing in the state and, second, without expanding the power, authority, or moral legitimacy of the unions. Whether a redistributive social policy would be realized through social insurance or the Wagner National Labor Relations Act or other corporatist means, it had to be stopped.

Despite compromises organized labor made during the war to maintain its collaborative relationship with the Democratic Party, with the onset of postwar reconversion many union activists intended to push for social-democratic corporatism in industry and an expansion of New Deal social rights.³¹ The labor movement emerged from the war with economic power that also was explicitly political. Basic employment decisions from wages to time shifts to compensation had been decided in public venues with the participation of state actors. The question was: how, or to what extent, could labor use New Deal and wartime political structures to transform economic relationships and realize labor's broader economic security goals?

The first bold, comprehensive, and visible move was taken by the United Mine Workers. During the first postwar bargaining round, John L. Lewis demanded that coal operators finance a health and welfare plan. Determined to show that he was not beholden to “a corporate state and all its manifestations,” and that the pro-Democratic party CIO was headed down the wrong path, Lewis put a union-run, private social security program at the center of his postwar bargaining goals. When the Coal Operators balked, Lewis took the bituminous coal miners out on strike on 1 April 1946. Invoking the War Labor Disputes Act, President Truman seized the mines after six weeks of work stoppage. With the mines now officially under the jurisdiction of the Interior Department, the Secretary of the Inte-

rior took a seat at the negotiating table. The federal government would now be responsible for settling each of the demands presented by the union, including a health and welfare fund.³²

Secretary of the Interior Julius Krug was ready to make a deal where the mine owners were not. Truman and Krug consulted with the Social Security Administration on the issue of a union-run health and welfare fund. The Social Security Administration's Bureau of Research and Statistics provided technical assistance in designing the union-run welfare program. On 29 May, Krug and Lewis signed a contract, which included a medical and hospital plan, a retirement fund, and provisions for coordinating the two.³³ For Lewis, the most important element was that of union control. With pressure from the Truman administration, the mine owners would pay for a union Welfare and Retirement Fund, financed by a royalty assessed on the amount of coal extracted by union workers. The union would control the fund by controlling two of the three plan trustees. The owners conceded: it would be the union's fund.³⁴

Thus although Lewis set out to prove the UMW's independence from the New Deal state, his success in winning his goals certainly owed a great deal to the intervention of the state and sympathetic government officials. The Social Security Administration and the Public Health Service recruited staff for the UMW program. Physicians, public health experts, and industrial health experts came from the Public Health Service and the Farm Security Administration, which had run rural medical programs during the 1930s and World War II. The settlement also included the stipulation that the federal government would conduct a comprehensive survey of the available medical services and health-care needs of miners and their families. Federal surveyors visited mining towns and mining camps inspecting the actual workings of the company doctor system, testing the claims of coal operators that they were taking care of their employees. Here was a direct and threatening intervention of the state into the employment relation.³⁵

Although the UMW programs would not dispense benefits until the end of the 1940s, and wrangling over the details continued for several years, labor leaders were impressed by what Lewis and the UMW had done. Lewis might not have won precisely what he wanted, but CIO leaders perceived it as a victory on union terms. It appeared that the UMW had extracted resources from the coal operators that would be shifted into a true workers' security program, a program in which Lewis and his advisers could experiment. They

would implement the ideas and practices of group-practice medical centers and service plans; and they could build medical services that served community needs. Moreover, the settlement was industry-wide. Neither CIO nor AFL unionists intended to abandon their support for an expanded welfare state, but they had the sense that Lewis had shown a way in which labor could build on the collective-bargaining regime fashioned by the NWLB and make it part of the broader politics of security. At the first postwar convention of the CIO in November 1946, CIO leaders resolved to include social security programs in their collective-bargaining demands.

After the war, labor health experts maintained a vision of health security linked to communities, not employers. According to this model, labor health experts envisioned a not-for-profit community plan in which a board of trustees, or a nonprofit foundation, contracted out for services. Public members and labor representatives would have representation on the board, as well as health professionals. As presented in the United Auto Workers' model in the late 1940s, groups of physicians, working in cooperation with hospitals, would sign a contract with a UAW/community board of trustees. The payment scheme would be based on capitation. The board of trustees would also run other social security programs, such as rehabilitation, unemployment compensation, and old-age benefits. This was no mere insurance contract. CIO and AFL leaders shared the same ideas about model health plans. Invoking models such as the Group Health Insurance Association of Puget Sound, the Arrowhead Health Association in Minnesota, Greenbelt Health Association in Maryland, Nelson Cruikshank, the A.F. of L.'s leading spokesperson on health insurance noted, "these progressive programs are going in the direction we in the labor movement want to go." They offered "local, consumer-controlled, comprehensive medical services."³⁶

Moreover, while these were community-based programs, labor saw health security as a public project with permeable boundaries between the state and voluntary institutions. In trying to offer health services, trade unionists regularly called on the expertise of the Social Security Board. Unions interested in setting up health and pension programs or enrolling in health insurance sent proposals to I. S. Falk at the board for review.³⁷ Throughout the 1940s, staff of the SSB Bureau of Research and Statistics assessed the merits and drawbacks of available private health insurance plans and recommended group practice plans.³⁸ In turn, the AFL and CIO sent their social

insurance experts around the country in the 1940s and 1950s to educate people on the possibilities for organizing prepaid, group-practice plans in their communities. Throughout the 1950s, organized labor pressed Congress for federal subsidies to construct community-based group health plans and facilities.³⁹

While ideally labor and health activists hoped that national health insurance would eventually provide a financing mechanism for these programs, more immediately some CIO unions focused on the idea of employers paying a flat percentage of payroll over to the union. Following the path laid by John L. Lewis, the union would then use these funds to build an independent health, welfare, and retirement program. In 1946, the UAW instructed all locals to demand a social insurance program based on a straight employer contribution to the union of 3 percent of gross earnings of employees.⁴⁰ At this moment, it looked like the UMW model might be viable for other unions in various regions. The initial postwar demands for health and pension plans, then, were envisioned as independent programs that took a percentage of payroll and put them in to union-run, or union-determined, social service programs. This strategy did, in an important sense, attempt to shift power relations within the industry; it was intended to take security out of the realm of personnel policy, out of the realm of welfare capitalism.

Structured in this way, employers and the National Association of Manufacturers (NAM) interpreted the demands of the UMW and UAW as a fundamental challenge to managerial prerogatives. First, employers characterized this type of plan as a tax upon industry. Second, as the NAM charged, "not only do these plans represent a heavy payroll burden, but they go right to the heart of management's relations with employees by driving a wedge which tends to make the employee feel that his bargaining agent is more sympathetically concerned with his well-being than is his employer."⁴¹ Moreover, business leaders saw these type of welfare demands as having political ramifications. As the NAM charged, "This tax . . . is for the 'economic protection' of the mine workers, according to the demand. . . . It would take little ingenuity to construe 'economic protection' to mean political activity, since economics and politics have definitely become partners."⁴² To business, this strategy smacked of European-style corporatism and "politicized bargaining." The link between union power and the federal government would have to be severed. Facing John L. Lewis on one side and Harry Truman's Fair Deal on the other, employer associations sought to accommodate these dual

threats by developing a more sophisticated form of welfare capitalism to compete with the state and the unions.

For employers, the unilateral purchase of commercial group insurance offered one key to containing union power and union political goals. Amid the postwar strike wave, commercial group health sales surged, after which steady growth lasted for the next three decades. Between 1945 and 1947, the number of persons covered by commercial group hospital and surgical insurance doubled, rising from 7,804,000 in 1945 to 14,190,000 in 1947. Group accident and sickness insurance (disability wage) covered 9.5 million workers by 1948.⁴³ Unionized companies, such as General Motors, Ford Motors, Republic Steel, U.S. Rubber, Standard Oil, U.S. Steel, Socony-Vacuum (Standard Oil), General Electric, International Harvester, and Westinghouse—all longtime policyholders with Equitable, Metropolitan Life, John Hancock, and Aetna—expanded their existing group policies to include coverage ranging from minimal disability to hospital-surgical plans. Inland Steel contracted with Equitable for the full complement of group life, disability, accidental death and dismemberment, hospital, and surgical insurance. In fact, by mid-1947, over half of the employees in basic steel had group hospitalization insurance. Nonunionized companies, especially consumer goods industries with relatively stable employment patterns, purchased the most full-scale health insurance packages. Johnson & Johnson, Kodak, UpJohn Company, Bristol Meyers, The Borden Company, Colgate Palmolive, and Pillsbury Mills installed hospital, surgical, disability, and even limited medical insurance plans.⁴⁴

The majority of these new group health insurance sales represented employer modification of existing policies—without union input or union revision. The major firms in steel, rubber, auto, electrical, and oil industries repeatedly rejected union requests to negotiate over the actual substance of the benefits.⁴⁵ A 1950 survey by the Conference Board found that about one in three contracts provided for either new or revised group insurance plans. In the face of New Deal demands for social entitlements, these companies clung to an older tradition that defined health benefits as “gratuities given by employers to employees.”⁴⁶

To maintain full control over benefit plans, employers also turned to legislative remedies to defuse state-backed collective bargaining. Business interests had been circulating blueprints for revising the Wagner National Labor Relations Act throughout the first half of the 1940s. Their proposals focused on prohibiting unionization of

foremen and supervisory employees, industry-wide bargaining, the closed shop, and boycotts. After the United Mine Workers won its union health and retirement program, revisions of the NLRA (what would become the Taft-Hartley Act) came to include restrictions on union trust funds and welfare funds. Additionally, executives, such as Charles Wilson of General Motors, called for a provision explicitly excluding welfare and pension benefits from collective bargaining. Given that collective bargaining was supposed to offer the sure road to industrial peace, Congress was not about to pass such outright bans. Congress did, however, include in the Taft-Hartley law a requirement that employers had to share equally in the administration of any welfare or retirement plan. Unions could not run them independently. Preventing union control of social security for American workers clearly became an essential component of curbing union power. With the Taft-Hartley Act, employers had improved the climate within which they could restore welfare capitalism.⁴⁷

In the wake of the Taft-Hartley Act, the role of the New Deal state in collective bargaining began to contract. At the close of the decade, the Truman administration intervened to help end a steel industry strike, but the outcome here would be different than in mining. The United Steelworkers had gone on strike because big and medium-sized steel companies refused to negotiate over social insurance plans and pensions. Reiterating an earlier National Labor Relations Board and Appeals Court ruling, Truman's Presidential Fact Finding Board in steel now ordered the companies to acknowledge health insurance, pensions, and other welfare benefits as subjects of collective bargaining under the NLRA. Steel industry leaders were furious; once again, it seemed, the state had foisted upon them "mandatory bargaining." One U.S. Steel executive referred to this corporatist-type outcome as "the virus of big unionism." Yet whereas in mining, the state helped settle and enforce the content of the negotiations, in this case the Presidential Board's ruling distinctly paved the way for the state's withdrawal. The parties were sent back to the bargaining table, where liberals assumed they would now bargain as equals. With this ruling, the Truman administration believed it had established equilibrium and therefore the state no longer had a role.⁴⁸

Formally, the NAM dropped its public position that "no legal obligation" existed to negotiate collective agreements over health insurance, pensions, and welfare. Yet within the increasingly insular realm of bargaining, what employers now touted as "free collective

bargaining,” managers created an alternative set of institutional arrangements to tip the balance of power. First, negotiations would be at the level of the individual company, subsidiary, or, in many cases, a singular plant. Second, employers would secure a monopoly on information by subscribing to commercial group insurance contracts. Under a group insurance contract, the employer was the only legal policyholder, and thus for the most part unions had little access to the exact terms of the insurance plan—especially premiums, costs per person, and dividends. Insurance companies sold policies that management could dominate—firm by firm, even plant by plant. Seeking a competitive advantage over Blue Cross, insurers offered to “tailor” policies to meet the particular needs of each employer. The purchaser of a group plan could pick and choose exactly which services it did and did not want included and the amount of an employee’s contribution.⁴⁹ Because the insurer dealt directly with the employer, unions or employee representation councils were further disadvantaged because they never knew just how much the premiums actually cost. Thus unions could not know just what wage or fringe benefits had been sacrificed for the health benefits. As IUE negotiators complained, throughout the 1950s, in the case of General Electric, which had Metropolitan Life coverage, “the employees never have had a complete report, don’t know how much Metropolitan keeps in retentions, what the exact costs were, how much commission or fees brokers get, whether or not improvements could be made for the same cost.”⁵⁰ The channeling of dividends earned on the policies held with major insurers like Metropolitan Life and Equitable obscured the true costs and benefits as well. Since the corporation was the legal policyholder, dividends officially belonged to management. Companies like Westinghouse explicitly stated in their social insurance contracts that dividends would be used to reduce the company’s (not the workers’) contribution to the insurance plan. Moreover, as the Office Employees International Union found, such dividends were not used to improve the plan’s coverage or benefits.⁵¹ Another selling point was the employers’ premiums would be based on the medical history and medical experience of their individual firm. Consequently, persons who lived in the same city or who worked in different plants of the same company could pay varying rates for insurance coverage. Lane Kirkland, then a social insurance expert with the AFL-CIO, commented that “experience rating raises a wall of isolation about each covered group.” Labor saw with frustration that through both decentralized bargaining and commercial group

insurance, management advanced “commercial insurance principles” over “social insurance and medical care principles.”⁵² Together, insurers and employers became partners in defining security and sustaining welfare capitalism.

In the case of new contracts signed in auto and steel, General Motors, Ford Motors, and U.S. Steel did terminate their old group insurance plans and added Blue Cross. Yet for all the fanfare that surrounded these landmark contract settlements, labor did not get what it wanted. The contracts of the 1950s offered segments of the working-class increases in real income and social benefits. But the UAW’s comprehensive workers’ security program was shelved—permanently. These large, oligopolistic firms refused to hand over a percentage of payroll to union-run social welfare programs. The Treaty of Detroit, the 1950 contract signed between GM and the UAW, gave workers raises, COLA, pensions, and various health coverages. GM would pay only half the health insurance premiums; it would not let the union participate in the selection or administration of the plans or be informed of the financial and underwriting arrangements. These facts did not change during the 1955 round of negotiations. Each round of bargaining from that point on would revolve around raising the group insurance amounts, the number of hospital days, additional procedures. But the social welfare provisions in fact represented a significant retreat from labor’s and health-care reformers’ vision of security.

Nor could most unions follow in the footsteps of the powerful UAW. In most sectors, such as electrical manufacturing, unions could not penetrate the links between their employers and commercial insurance companies. Employers unilaterally chose the carrier, perpetuating the same group insurance policies that they had had since before World War II, in some cases since before the New Deal, but offering some new benefits each year. From plant to plant or town to town, benefits ended up being widely divergent, especially where local unions were weak.⁵³

Tailoring, undisclosed information on costs, experience rating, dividends returned to management, and financial relationships between insurers and employers reinvigorated postwar welfare capitalism. Over 90 percent of group insurance policies were written for single employers or their subsidiaries. Labor union plans or multiple-employer associations held about 7 percent of all group policies. Independent group practice plans accounted for 2–3 percent. This private, employer-based welfare system linked health insurance to

steady employment in a particular firm. Insurers and employers implemented health plans that specifically fit the demands of management in industrial relations, rather than the actual health needs of the population. By the 1960s, 79 percent of Americans had hospital coverage; about 60 percent of Americans under the age of sixty-five had medical expense benefits, but about half of that group had coverage against physician's care in the hospital only. Of all the benefits paid out by insurance companies, only one-third went into surgical, medical, and dental care. As unions such as the UAW concluded, "the mere buying of group insurance does not mean a health security program."⁵⁴

Overall, labor-management contract benefits remained closer to employment compensation and managerial employment policy than to a genuine workers' health security program, not to mention a national health-care program. Not only could collective bargaining not substitute for national social policy; it could not succeed in meeting most of its immediate goals without the real, active backing of the New Deal state.⁵⁵ Collective bargaining, once such a hopeful idea among liberals at mid-century, failed to extend the New Deal social security project. As the state receded, not only did organized labor lack the power at the bargaining table to translate private plans into secure workers' rights. By the mid-1950s, Democratic liberals had neither the ideological commitment nor the political weight to use the state to recast private plans as matters of public security and public interest.

The Politics of Private Security

In the late 1950s, liberals put the final stamp of ratification on the private, employment-based insurance system. Liberal Democrats, heirs of the New Deal, accepted a rather altered role for the federal government in workers' economic security issues. It was not simply that the state would not participate in industrial relations issues anymore. The state instead would facilitate employers' control of private security through welfare capitalism and public policy would, for the most part, supplement the gaps in private coverage.⁵⁶ An extensive round of Senate hearings on many of the shortcomings of private employee benefits would, ultimately, fully legitimize this system in the name of "free" collective bargaining.

While large employers, particularly in noncompetitive industries, for the moment accepted a contained form of collective bar-

gaining in unionized sectors and higher wages and social welfare obligations in manufacturing generally, this by no means represented a firm social compact. An increasingly militant alliance of mid-size firms, usually in more competitive markets, southern textile companies, and California agriculture opened a new round of industrial battles insisting that “no opportunity should be overlooked to get present law changed to remove the legal obligation to bargain over employee benefit plans.”⁵⁷ As Cold War red-baiting waxed and waned, a vigorous attack on corruption and racketeering in the labor movement and the purported ascendant, authoritarian power of the labor “bosses” increasingly occupied Congress.⁵⁸ As part of this pattern, the Senate Committee on Labor and Welfare convened yet another corruption investigation in 1954—one specifically targeted on union welfare funds.

Emerging from this ripe political obsession with racketeering, subversion, and criminal conspiracies, the 1954 Senate inquiry on private welfare funds focused exclusively on collectively bargained union health and welfare plans, or jointly managed plans, so-called Taft-Hartley plans. Conducted by a subcommittee of the Committee on Labor and Public Welfare, the hearings sought to expose corruption within the ranks of organized labor. And certainly, the subcommittee found some egregious cases of corruption and wrongdoing, as well as unfortunate instances of mismanagement and waste. Mob-connected welfare-fund consultants and directors in the Laundry Workers Union and Distillery Workers, for instance, embezzled substantial amounts of money and raided funds. Yet some Senators also began to get a sense that problems often “spring from ignorance rather than venality” among union officials and that, in fact, insurance brokers seemed to take advantage of public ignorance of how insurance works. In most of the cases where malfeasance was found, a member of the insurance industry was involved in the wrongdoing. Perhaps the questions to ask pertained more to the conduct of the group insurance trade than a widespread corruption of labor leadership.⁵⁹

So after the Democrats regained the Senate in the 1954 elections and control of the subcommittee shifted to New Deal labor-liberal Paul Douglas, Senator Douglas broadened the inquiry to include employer welfare plans, pension plans, insurance company practices, and other types of employee security programs. After all, as Chairman Douglas now made clear, what the committee was in fact dealing with was a private social security system. Within this private social security system, 91 percent of employee-benefits plans

were employer administered; unions ran about 2 percent of the plans and 6 percent were jointly administered, Taft-Hartley plans.⁶⁰

Through field investigators and hearings, the new Senate inquiry found that “many of the worst abuses involved certain insurance industry practices.” As the market for private health insurance, life insurance, and annuities surged in the 1950s, competition among insurance brokers, agents, and group insurance companies dramatically intensified, and they began using a host of dubious tactics to secure new groups: exorbitantly high commissions, excessive administrative charges, fictitious fees, unequal treatment of policyholders, bribes and kickbacks, and even outright embezzlement of premiums by brokers, sometimes in collusion with management or union officials. Insurance companies as well as brokers and agents retained unduly large shares of the premium payment, sometimes diverting as much 25 percent of the premium into service fees. Insurance brokers would shake down the union by threatening to drop the business. Not surprisingly, as the committee lamented, “the effect of such commission payments was to reduce the dollars available for benefits and deprive employee-beneficiaries of protection rightfully theirs.”⁶¹

By looking at plans that were unilaterally administered by employers, Douglas’s subcommittee was able to consider issues more broadly related to private, employment-linked security than union practices per se. The subcommittee shined a light on practices that would not have been considered illegal or corrupt but that nonetheless seemed to jeopardize workers’ security: the control of dividends, variations in insurance benefits within an industry, the funding of pension obligations, the absence of vesting provisions, the investment of funds, and the lack of substantive union voice in any of these decisions. And obviously forgotten by our current Congress, the committee’s report even criticized the fact that a number of pension plans invested in “the securities and properties of the employing company.”⁶²

The very process of obtaining this information, however, revealed the underlying power struggle over security. When asked to disclose such information to the committee, employers balked. At first, most companies refused to turn over any financial or administrative information about their employee benefit plans, adamantly maintaining that “the costs of these benefits are private business costs, have no relation to employee compensation, and are therefore of no concern to employees or others.” Even companies that

signed union contracts insisted that these are “private company matters.”⁶³ While liberal Democrats countered that tax concessions granted to employers made these matters of “public welfare” and labor’s supporters claimed workers’ rights to security, by now legislators and unions were clearly dealing with private assets cordoned off from unions’ reach. Rights talk notwithstanding, labor did not have the economic or social power at the bargaining table to compel management to treat welfare benefits as such.⁶⁴

Yet, given the legislative remedy that eventually came out of this investigation—the Welfare and Pension Plans Disclosure Act—the state, it seemed, had very little leverage to transform private welfare plans into public security. The 1958 Welfare and Pension Plan Disclosure Act included employers as well as unions but called for only a general summary, rather than full disclosure, of employee benefits plans; it put no requirements on insurance brokers. Summaries would reside at the Department of Labor. If employees thought there was a problem with their welfare or pension plan, they could travel to Washington, look up the report at the Department of Labor, and perhaps take independent action at court. The policy involved no federal regulation, no standard requirements for funding, eligibility, or security of benefits. But as labor’s credibility plunged amid the sensationalist McClellan Committee hearings in 1957,⁶⁵ this was as far as Democrats were willing to go to stand in labor’s corner, for political and ideological reasons.

The disclosure remedy made perfect ideological sense within the framework of industrial pluralism. If bargaining among industrial interest groups kept the self-governing democracy of the workplace on an even keel, writes legal historian Reuel Schiller, then government had only to encourage collective bargaining and ensure its procedural regularity. The state should not intervene directly in disputes or compel particular resolutions.⁶⁶ By the mid-1950s, Democrats of all stripes believed the state should not step in to tip the balance in industrial relations. Disclosure offered a “neutral” intervention of the state that would allow private labor-management arrangements to work better. If each side had the information it needed to make informed decisions during contract negotiations, then firm-based collective bargaining would continue smoothly, the system would provide security for workers, and sources of labor strife would be eliminated. The objective of disclosure was to bring order and stability to labor relations and the private welfare system “without impairing their voluntary or free bargaining character.”⁶⁷

Yet within this politics of “free” bargaining and “labor reform” of the late 1950s, liberal Democrats found they had to navigate within a very narrow channel of political options, one full of potential mines. The McClellan Committee, whose members included Dixiecrats and conservative westerners such as Arizona’s Barry Goldwater, Karl Mundt of South Dakota, William Knowland of California, and Carl Curtis of Nebraska, was preparing its own labor reform bill, the Landrum-Griffin bill. It included disclosure but also heavy-handed government monitoring of union affairs, including union finances, elections, political activities, and individual “rights” vis-à-vis group rights.⁶⁸ The Democrats’ Disclosure Act, then, seemed to offer a safe alternative to the conservatives’ increasingly strident and harsh proposals for labor reform. Labor-liberal Democrats engaged in a delicate political balancing act. They wanted to defend labor, and more important, the private welfare regime that was now necessary to supplement the stalled public welfare state, and yet in the hands of conservatives the possibility of state intervention was now deeply threatening to the labor movement. The best route appeared to be to try to bolster “free collective bargaining,” which nominally offered federal protection of a right to security but with minimal state intrusion. In the end, Congress passed a bill that, while acknowledging federal responsibility for employee security, failed to do either: it did not protect workers and did not prevent passage of the more punitive Landrum-Griffin bill.

Once in place, thousands of groups flouted the disclosure law. Tens of thousands of benefit plans failed to file a statement or report at all, over 25 percent. Those who did file offered only superficial “summary” information about the plans.⁶⁹ Benefits remained within the realm of managerial prerogatives. Private security was a private matter of employment.

The disclosure policy along with the Landrum-Griffin Act narrowed the scope of security even further by defining the reliability and accessibility of private welfare plans as a narrow issue of the individual beneficiary’s procedural rights: if an individual could seek his own remedies he could possibly ensure his own security. The broad class challenge once embodied in the politics security had been winnowed away. Manufacturers and agribusiness leaders had, in an important way, shifted the political configurations of security.⁷⁰

As a result of the corruption controversies, their lack of bargaining power, and the legislative weakness of labor-liberal Democrats, organized labor ideologically accepted private insurance and

welfare capitalism. At this point, many unions made their peace with experience rating. With experience rating, reserves, and experience-based refunds disclosed, unions could see how or where their members benefited from this policy. A few years later, the Social Security Act Amendments of 1965 created Medicare, thereby removing their experience-rating problem by taking the older, sicker members out of the pool and having the state insure them. Turning inward, unions henceforth saw experience rating as another form of employee benefit for their own shrinking constituency. It seemed to give unions some minimal measure of control over the private security benefits that encompassed their members.

Conclusion

Insurers and employers became partners in creating a new definition of private, firm-centered social security. Throughout the 1940s there was still the possibility that the state could promote a set of social welfare institutions that not only would have shifted the balance of power in social and economic relations but also may have promoted a more comprehensive conception of individual and community health. State support for community-run group medical plans would have loosened individuals' dependence on employers and would have helped shift social welfare away from the realm of strict market transactions. Hence, controlling the character of health insurance benefits (and pensions) was bound up with the structure of bargaining itself—the structural relationships of the political economy. By pursuing a strategy of bargaining decentralization in the 1950s, corporate employers had a significant impact on the terms of both private and public welfare.

Under the postwar industrial relations system, management maintained the balance of power at the firm level through control of production, finance, discipline, and plant closure. Management, not the unions, controlled social welfare. As long as business executives faced a countervailing weight—unions or the state—the incentive to bargain upward remained. In the 1970s, the tables turned and bargaining started going in the other direction; “bargaining for security” became a downward spiral of concessions and losses. The community group health programs envisioned amid the New Deal era, or any other extension of health coverage among the population more generally, required a frontal assault on numerous struc-

tures of power and economic relationships. The depoliticized, firm-centered system of industrial relations was incapable of mounting such a challenge. Welfare capitalism was aimed at preserving power relations between owners and workers. It had created islands of security within the economy, with high waters all around.⁷¹

This political economic strategy and welfare capitalism fragmented the political institutional relationships that could have shifted workers' security more firmly into the public realm. ERISA, of course, represented the culmination of the disclosure act struggle, as well as the persistent liberal commitment to a private benefits system. Enacted in 1974, ERISA finally gave employees' vested rights in company pensions, but it in turn exempted self-insured company health plans from state regulations. Private security would, for the most part, remain a private matter of managerial policy. The historical ideological legacy of the American public-private welfare state—that of the basic welfare state, contained and limited, with all other needs met by private sources—continues to dominate policy proposals and legislation up to the present day.

Yale University

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Notes

1. Generally, the historical work on welfare capitalism fixes this phenomenon in time, seeing it as one point along a modernization trajectory. Welfare capitalist programs proliferated among large employers during the 1910s and 1920s but collapsed during the Great Depression. The modern welfare state supplanted premodern welfare capitalism. See, for example, Stuart Brandes, *American Welfare Capitalism, 1880–1940* (Chicago, 1970); David Brody, "The Rise and Decline of Welfare Capitalism," in *Workers in Industrial America: Essays in the Twentieth Century Struggle*, 2d ed. (New York, 1993); Irving Bernstein, *The Lean Years: A History of the American Worker, 1920–1933* (Boston, 1960), 144–88; Roy Lubove, *The Struggle for Social Security, 1900–1935* (Cambridge, Mass., 1968); James Patterson, *America's Struggle Against Poverty, 1900–1994*, 3d ed. (Cambridge, Mass., 1994); Lizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1929–1939* (New York, 1990). More recently, Sanford Jacoby and Elizabeth Fones-Wolf have shown how welfare capitalism flourished after the New Deal and World War II. Sanford M. Jacoby, *Modern Manors: Welfare Capitalism Since the New Deal* (Princeton, 1997); Elizabeth Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945–1960* (Urbana, 1994); Andrea Tone, whose book covers the Progressive Era and ends in the 1920s, argues similarly that welfare capitalism needs to be seen as a political strategy to counter state expansion. Tone, *The Business of Benevolence: Industrial Paternalism in Progressive America* (Ithaca, 1997).

2. Beth Stevens, "Blurring the Boundaries: How the Federal Government Has Influenced Welfare Benefits in the Private Sector," in *The Politics of Social Policy in*

the *United States*, ed. Margaret Weir, Ann Shola Orloff, and Theda Skocpol (Princeton, 1988): 123–48; Robert Zieger, *American Workers, American Unions*, 2d ed. (Baltimore, 1994).

3. See, for example, Marie Gottschalk, *The Shadow Welfare State: Labor, Business, and the Politics of Health Care in the United States* (Ithaca, 2000).

4. On physicians as a dominant factor in shaping health policy and health system structure, see Paul Starr, *The Social Transformation of American Medicine: The Rise of a Sovereign Profession and the Making of a Vast Industry* (New York, 1982); for an analysis and critique of Starr, see Jennifer Klein, “Open Moments and Surprise Endings: Historical Agency and the Workings of Narrative in Paul Starr’s *The Social Transformation of American Medicine*,” and other essays in “20th Anniversary Retrospective on Paul Starr’s *The Social Transformation of American Medicine*,” *Journal of Health Politics, Policy, and Law* (forthcoming, 2004); For neo-institutionalism, see Theda Skocpol, “Bringing the State Back In: Strategies and Analysis in Current Research,” in *Bringing the State Back In*, ed. Peter Evans, Dietrich Rueschmeyer, and Theda Skocpol (New York, 1985); Theda Skocpol, “The Limits of the New Deal System and the Roots of Contemporary Welfare Dilemmas,” in *The Politics of Social Policy in the United States*; Sven Steinmo and Jon Watts, “It’s the Institutions, Stupid! Why Comprehensive National Health Insurance Always Fails in America,” *Journal of Health Politics, Policy, and Law* 20, no. 2 (1995): 329–72.

5. Jennifer Klein, “The Business of Health Security: Employee Health Benefits, Commercial Insurers, and the Reconstruction of Welfare Capitalism, 1945–1960,” *International Labor and Working-Class History* 58 (Fall 2000): 293–313; idem, “Managing Security: The Business of American Social Policy” (Ph.D. diss., University of Virginia, 1999).

6. Interdepartmental Committee to Coordinate Health and Welfare Activities, *Proceedings of the National Health Conference*, 18, 19 July 1938 (Washington D.C., 1938).

7. Mary Gerstel, “Chicago Committee for Adequate Medical Care,” presented in “Local Initiatives for Organized Medical Care: A Chicago Symposium,” *Medical Care*, vol. 1, no. 2 (April 1941): 164–65; U.S. Congress, Senate, Committee on Education and Labor, *Hearings to Establish a National Health Insurance Program*, S. 1620, 76th Cong., 1st sess., part 3, 2 and 29 June and 13 July 1939 (Washington D.C., 1939), testimony of Florence Greenberg, p. 877.

8. Correspondence of Harriet Silverman, boxes 1 and 2, Group no. 1763, Harriet Silverman Papers, Yale University Manuscripts and Archives. Among its key planks, PNHC called for compulsory health insurance included under the Social Security Act, protection of workers on the job, establishment of people’s health centers, and abolishing discrimination against African Americans. See Silverman, “Increased Social Security for the People,” 1940, folder 11, box 1, and “People’s National Health Committee, Philadelphia Chapter,” folder 9, box 1, Silverman Papers.

9. M. C. Crew and Elmer Daniels, “The Chicago Teachers Union Medical Center Plan,” and Petro Lewis Patras, Chairman, Hospitalization Committee, Chicago Post Office Clerks’ Union, “Search for Health Security,” both in the Chicago Symposium, *Medical Care* (April 1941): 162–64; 159–61.

10. Andrew Beimiller, “Medical Care for Wage Earning Groups,” *American Federationist* (September 1938): 1056.

11. William Green, editorials, *American Federationist* 43 (February 1936): 134–35, and (March 1936): 216, 246; William Trufant Foster, “Hospital Care in the Workers’ Budget,” *ibid.* (April 1936): 390–93; Harold November, “The Security of the American Worker,” *ibid.* (June 1936): 602–15; “From the Executive Council’s Report to the Tampa Convention,” *ibid.* (December 1936): 1258–63; Green, “To-

ward Social Security," *ibid.* (February 1937): 131; Beimiller, "Medical Care for Wage Earning Groups," 1054–59; Editorial, *American Federationist* 43 (June 1936): 578; Alan Derickson, "Health Security for All? Social Unionism and Universal Health Insurance, 1935–1958," *Journal of American History* 80 (March 1994): 1338; Raymond Munts, *Bargaining for Health: Labor Unions, Health Insurance, and Medical Care* (Madison, 1967), 5; David Rosner and Gerald Markowitz, "Hospitals, Insurance, and the American Labor Movement," *Journal of Policy History* 9, no. 1 (1997).

12. William Green to C. O. Van Horn, 20 November 1939, including letter from I. S. Falk to Green; William Green to Ralph Benthien, 29 January 1940; Anthony Pareso to William Green, 11 April 1940; Green to Anthony Pareso, 15 April 1940; Roy Keehn to William Green, 14 November 1940; Green to Keehn, 5 December 1940; Alfred Murphy to William Green, 20 January 1941; Oregon State Federation of Labor to William Green, 26 May 1941; Frederick Mapes to William Green, 9 July 1941; William Green to Mapes, 11 July 1941, American Federation of Labor, "Cooperative Hospitalization and Medical Insurance Plans, January 1940, all in box 3, Series 8E, Mss117A, Florence Thorne Papers, American Federation of Labor Collection, State Historical Society of Wisconsin (SHSW).

13. Elizabeth Faue, *Community of Suffering and Struggle: Women, Men, and the Labor Movement in Minneapolis, 1915–1954* (Chapel Hill, 1991); Annelise Orleck, *Common Sense and a Little Fire: Woman and Working-Class Politics in the United States, 1900–1965* (Chapel Hill, 1995), chaps. 5, 6; Joshua B. Freeman, *Working-Class New York* (New York, 2000).

14. Michael R. Grey, *New Deal Medicine: The Rural Health Programs of the Farm Security Administration* (Baltimore, 1999); Jennifer Klein, *For All These Rights: Business, Labor, and the Shaping of America's Public-Private Welfare State* (Princeton, 2003), chaps. 4–5.

15. *Greenbelt Health Association News* (1 April 1940), file 17, box 1, Harriet Silverman Papers.

16. *Strand Baking Company Case No. 3107-AR* (17 November 1942). The first set of WLB decisions involving employee benefits did not pertain to the wage stabilization issue. *U.S. Cartridge Company Case No. 111-1445-D* (30 November 1943); *Basic Steel Cases, Carnegie-Illinois Steel Corporation et al. Case No. 111-6230-D* (25 November 1944), as reported in National War Labor Board, *Termination Report of the National War Labor Board*, 12 January 1942–31 December 1945, 3 vols. (Washington D.C., 1947), vol. 1, chap. 33, "Insurance Plans." Clarence O. Skinner, Alternate Industry Member, "The Fringe Issues," in *Trends in Union Demands* (New York, 1945).

17. *Philadelphia Transportation Company Case No. 3056-AR* (11 February 1943), in National War Labor Board, *Termination Report*, 1:384; On labor trying to use the state to obtain collective-bargaining demands, see James B. Atleson, *Labor and the Wartime State: Labor Relations and Law During World War II* (Urbana, 1998), 72.

18. *Western Union Company Case No. 2516-CS-D* (18 January 1943); *West Coast Airframe Cases No. 2301-CS-D* (3 March 1943); *Tidewater Oil Company Case No. 111-5206-D* (24 January 1945); *Davis Engineering Corporation Case No. 111-7172-HO* (7 February 1945); *Edison Sault Electric Company Case No. 111-7549-D* (6 March 1945), all in *Termination Report*, 1:384; 2:1190-92.

19. *Termination Report*, 1:382.

20. Atleson, *Labor and the Wartime State*, 59. Despite the official no-strike pledge, thousands of job actions erupted during the war. Between 1942 and 1945, seven million workers took part in more than fourteen thousand strikes. In 1943, the number of strikes rose by 25 percent and increased again in 1944. Robert H. Zieger, *The CIO, 1935–1955* (Chapel Hill, 1995), 150.

21. Archibald Cox quoted in Katherine Van Wezel Stone, "The Post-War Paradigm in American Labor Law," *The Yale Law Journal* 90 (June 1981): 1514; Atleson,

Labor and the Wartime State, 55–59; Nelson Lichtenstein, *The Most Dangerous Man in Detroit: Walter Reuther and the Fate of American Labor* (New York, 1995), 181–82.

22. William J. Graham, “Complete Group Protection for Employees: Its Need and the Prospect of Achievement,” 3–4, file 11, box 33b, Acc. 1984-050, William Graham Papers, RG 4, Historical Collection, Equitable Life Assurance Society Archives (hereafter ELAS).

23. *The Spectator*, 24 January 1935; William J. Graham, “Incidental Notes on a Group Annuity Retirement Plan to Supplement Federal Old Age Benefits of the Social Security Act” (address to Milwaukee chapter, National Association of Cost Accountants, file 1, box 18D, Graham Papers, ELAS; N. E. Horelick to Sales and Service Staff of the Group Department, 19 September 1939, file 4, box 35A, Group Insurance Division, Acc. 1984-050, RG 4, ELAS; Graham, “Social Security,” radio address, 17 December 1936, file 2, box 18D, Graham Papers.

24. *The National Underwriter*, 19 March 1943, 2; *The National Underwriter*, 16 July 1943, 6.

25. “\$12.00 Every Thursday,” *Economic Security Bulletin*, National Association of Manufacturers, vol. 5, no. 3 (March 1941), Hagley Museum and Library; “Keeping Up with the Social Planners,” *The National Underwriter*, 1 January 1943, 10.

26. *The National Underwriter*, 5 November 1943; Robert D. Eilers and Robert M. Crowe, eds., *Group Insurance Handbook* (Homewood, Ill., 1965), 65–66; *The Spectator*, September 1946.

27. On compulsory health insurance bills, see, for example, Derickson, “Health Security for All?” JAH; Colin Gordon, “Why No National Health Insurance in the U.S.? The Limits of Social Provision in War and Peace, 1941–1948,” *Journal of Policy History* 9, no. 3 (1997): 277–310; Daniel Hirsfield, *The Lost Reform: The Campaign for Compulsory Health Insurance* (Cambridge, Mass., 1970); Daniel M. Fox, *Health Policies, Health Politics: The British and American Experience, 1911–1965* (Princeton, 1986).

28. *Journal of American Insurance*, May 1947, 5; *National Underwriter*, 9 January 1948, 6, and 13 February 1948, 2. Although Blue Cross was supposed to be an intermediary between patients and hospitals, it increasingly functioned as the advocate of the hospitals. At the end of the war, Blue Cross had 19 million subscribers. *Health Benefit Plans Established Through Collective Bargaining*, Bulletin No. 841, United States Bureau of Labor Statistics, August 1945 (Washington D.C., 1945).

29. Howell J. Harris, *The Right to Manage: Industrial Relations Policies of American Business in the 1940s* (Madison, 1982); Sanford Jacoby, *Modern Manors*; Andrew Workman, “Manufacturing Power: The Organizational Revival of the National Association of Manufacturers, 1941–1945,” *Business History Review* 72 (Summer 1998): 297–317; Nelson Lichtenstein, *Most Dangerous Man in Detroit*, chap. 13; idem, “Taft-Hartley: A Slave-Labor Law?” *Catholic University Law Review* 47, no. 3 (Spring 1998); David L. Stebenne, *Arthur J. Goldberg: New Deal Liberal* (New York, 1996), chap. 3.

30. *Businessweek*, 13 May 1950.

31. Other historians have argued that this moment had long since passed for organized labor. See, for example, Steven Fraser, *Labor Will Rule: Sidney Hillman and the Rise of American Labor* (New York, 1991); Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York, 1995).

32. Derickson, “Health Security for All?” 1345; Lewis quoted in Steven Fraser, *Labor Will Rule*, 563; Munts, *Bargaining for Health*, 30–41; Edward Berkowitz, “Growth of the U.S. Social Welfare System in the Post-World War II Era: The UMW, Rehabilitation, and the Federal Government,” *Research in Economic History* 5 (1980): 236; Melvyn Dubofsky and Warren Van Tine, *John L. Lewis: A Biography* (New York, 1977), 458–68.

33. Berkowitz, "Growth of the U.S. Social Welfare System," 236.
34. Ivana Krajcinovic, *From Company Doctors to Managed Care: The United Mine Workers Noble Experiment* (Ithaca, 1997), 29–38.
35. Berkowitz, "Growth of the U.S. Social Welfare System," 236–37; Krajcinovic, *From Company Doctors to Managed Care*, 54; Starr, *Social Transformation of American Medicine*, 315–18; Moreover, Berkowitz writes that "the UMW sought to shift the financial burden of caring for disabled miners from the private to the public sector by referring all applicants for cash disability benefits and all recipients of emergency medical care to the public program. The greater a miner's disability, the more eager the fund was to have the public program pay for his rehabilitation counseling and training," 240; Krajcinovic, *From Company Doctor to Managed Care*, 33–37, 51–54.
36. National Ford Negotiating Committee, *Ford UAW-CIO Workers Security Program, Part II: Health Security Program*, July 1949, file 5, box 60, Acc. 317, UAW Social Security Department Collection, Walter P. Reuther Library (WPR); Nelson Cruikshank, "Labor Looks at the Problem of Health Services," Statement to the President's Commission on Health Insurance Needs of the Nation, 7–8 October 1952, file: Pres. Commission, box 11, M66-15, Nelson Cruikshank Papers, SHSW. For the United Steelworkers version of this ideal model plan, see Alan Derickson, "The United Steelworkers of America and Health Insurance, 1937–1962," in *American Labor in the Era of World War II*, ed. Sally M. Miller and Daniel A. Cornford (Wesport, 1995): 75; Munts, *Bargaining for Health*, 64–66.
37. Falk to Elizabeth Paschal, AFL, 17 November 1939; Paschal to Falk, 20 November 1939, file: hospital and health, box 3, series 8E, Thorne Papers, SHSW; SSB to Richard Neustadt, 25 May 1940, file: 056.1, box 35, RG 47, Social Security Board Papers, National Archives–College Park, Md.; The United Mine Workers and the United Auto Workers directly consulted with Falk and the SSB in designing their "trade union social security" programs. I. S. Falk to Walter Reuther, 15 October 1946, including a fifteen-page analysis of the proposed UAW plan, file 2, box 46, MSS 789, Wilbur Cohen Papers, SHSW; Berkowitz, "Growth of the U.S. Social Welfare System," 233–47.
38. Barkev Sanders and Margaret Klem, "Services and Costs in a Prepayment Medical Care Plan: Comparison with Other Plans and with the General Population," *Medical Care* (July 1942): 221; Margaret Klem, *Prepayment Medical Care Organizations*, SSB, Bureau of Research and Statistics, memorandum 55 (Washington D.C., 1945).
39. "What the Labor Health Plan Offers You and Your Family," Baltimore, box 5, Cruikshank Papers; Summary of Legislation Relating to Health and Welfare Funds, 9 September 1954, box 5, *ibid.*; Minutes of the Meeting of the AFL-CIO Committee on Social Security, 26 November 1957, p. 3, Box 8, *ibid.*; Executive Council Report, 17 August 1959, Box 8, *ibid.* Representative Wolverton introduced such a bill in the House, HR 7700, in 1954, and Senator Hubert Humphrey introduced a bill, S. 2009, in 1959.
40. *CIO News*, 9 December 1946, 2.
41. NAM, *Industry's View on the Lewis Coal Royalty*, March 1945, box 3, Acc. 1412, National Association of Manufacturers Collection, Hagley Museum and Library (hereafter NAM Collection); Industrial Relations Department, NAM, *Employee Benefit Plans in Collective Bargaining*, 7 June 1946, box 1, *ibid.* The "royalty tax" issue was of far greater importance than even the question of contributory versus noncontributory financing.
42. NAM, *Industry's View on the Lewis Coal Royalty*.
43. Those covered by group surgical insurance increased from 5,537,000 to 11,103,000. U.S. Senate, Committee on Labor and Public Welfare, *Health Insurance Plans in the United States*, Report no. 359, 82d Cong., 1st sess. (1951), 26.

44. *Outstanding American Companies Insuring Their Employees Through Equitable* (New York, 1946), file 5, box 2A, Insurance Affairs/Group Operations, Acc. 82-45, RG 4, ELAS; Robert William Dvorsky, "The Development of Negotiated Health Insurance and Sickness Benefit Plans of the Steel, Automobile, and Electrical Equipment Industries" (Ph.D. diss., University of Pittsburgh, 1956); Derickson, "The United Steelworkers of America and Health Insurance," 74. Sanford Jacoby shows how nonunion companies were willing to spend extraordinary amounts of money on welfare benefits to stave off unionism—often more than they would have had to spend had they been negotiating with a union. See *Modern Manors*, chaps. 2-5.

45. Dvorsky, 32; *The National Underwriter*, 23 April 1948, 1, 23 and 29 April 1949; NAM, Minutes: NAM Labor-Management Relations Committee, 20 March 1947, p. 4, box 3, Industrial Relations Division, Acc. 1412, NAM Collection; "Summary of War Labor Board Decisions Affecting Management Functions," 1945, box 3, *ibid*; "NAM Position with Regard to Employee Benefit Programs," 28 February 1947, box 75, Acc. 1411, NAM Collection.

46. *The National Underwriter*, 27 August 1943, 3; *The Spectator*, September 1943, 64; National Industrial Conference Board, *Company Group Insurance Plans*, Studies in Personnel Policy, No. 112, 1951, p. 48; Albert Handy, "Private Pension Plans and the Federal Revenue Act," *New York University Law Quarterly Review* (1939): 5; Research Memorandum: Employee Rights in Benefit Plans, Arthur L. Berger, Esq., to Jennifer Klein, August 2000 (in author's possession); T. C. Boase v. Lee Rubber & Tire Corp., 437 F. 2d 527 (1970); Jay Conison, "Suits for Benefits Under ERISA," 54 *University Pittsburgh Law Review* 1 (Fall 1992).

47. Harry A. Millis and Emily Clark Brown, *From the Wagner Act to Taft-Hartley: A Study of National Labor Policy and Labor Relations* (Chicago, 1950), 561-68. Taft and Ball quoted from Supplemental Views, *Taft Report*, and *Congressional Record*, 93: 4805, in Millis and Brown, 564-65; Jacob Perlman to Wilbur Cohen, "Growth and Characteristics of Union-Management Health and Welfare Plans," 15 June 1948, file 2, box 46, MSS 789, Cohen Papers. Perlman found that even after the passage of Taft-Hartley "several industry spokesmen asked that the National Labor Relations Act be amended [again] to make it clear that employers are not required to bargain about pension plans and other benefits of a 'social security nature'" (26). On the Taft-Hartley impact on welfare capitalism, see Sanford Jacoby, *Modern Manors*, 200, and Michael Brown, *Race, Money, and the American Welfare State* (Ithaca, 1999).

48. Statement, Enders M. Voorhees, U.S. Steel Corporation, Before the Presidential Steel Board, 22 August 1949; Text of the Presidential Steel Fact Finding Board's "Findings and Recommendations: General Summary," September 1949, both in box 202, Acc. 1411, NAM Collection.

49. "Claims Expense Limitation," n.d., box 3, Acc 1984-050, ELAS; Metropolitan Life Insurance Company, *Tailored to Fit: A Group Insurance Plan Designed for the Employees of Your Company* (New York, 1953), box 19 06 04, Group Insurance, Metropolitan Life Insurance Company Archives; *ibid.*, *Employee Security Founded on Group Insurance Safeguards Employee Morale and Loyalty* (New York, 1952), *ibid.*

50. Joe Swire to Jim Parker, 11 March 1958, and Swire to Gordon Parker, 28 September 1955, file 13, box 2017, Secretary-Treasurer's Office, Swire Files/Correspondence, RG 1, Records of the International Union of Electrical, Radio, and Machine Workers, Rutgers University (hereafter IUE); Dvorsky, 118.

51. *Ibid.*; ELAS Group Insurance Department, *Fifty Representative Examples of Equitable Low Cost in Group Life Insurance: "Our Cost is Your Cost"* (New York: Equitable Life Assurance Society, n.d.) box 3, Acc. 82-45, Policyholder File-Sales Ads, ELAS; "Memorandum to Dave Lasser," 27 February 1957, file 16, box 2109, IUE; Westinghouse Electric Corporation, "Social Insurance Plan for Employees,"

Effective 1 November 1950, file 44, box 6, Conf. Bds and Negotiations/Westinghouse, RG 1, IUE; Office Employees International Union to George Meany, 30 March 1955, file: Health and Welfare, box 11, Cruikshank Papers.

52. It is interesting to note Kirkland's position here, since in the 1980s he served as the rather conservative president of the AFL-CIO. Lane Kirkland, "Service versus Indemnity Plans," paper presented at the Health and Welfare Conference, California State Federation of Labor, Santa Barbara, 22 July 1957, file: California, box 24, Cruikshank Papers. In 1955 Blue Cross covered 50,000 persons for hospitals coverage and 39,000 for surgical, so it did continue to be a considerable competitor of the commercial companies.

53. Klein, *For All These Rights*, chap. 6.

54. Health Insurance Association of America, *Source Book of Health Insurance Data* (New York, 1959, 1963, 1965, 1967, 1972–73, 1980–81); Ford UAW-CIO, *Workers Security Program, Part II: Health Security Program*, 1949, p. IV-1, WPR Library.

55. The story of private pensions essentially mirrors that of health insurance. As with health insurance, the labor movement at first sought entirely independent pension funds. After losing on this issue, they often supported the idea of a jointly-run board of trustees, equally staffed by management and labor. Most corporations managed to block even this goal, for as management saw it, pensions involved the investment of *company* assets (not workers' compensation) over an extended period of time. Even the United Automobile Workers had to make significant concessions and accommodations to managerial control. Throughout the 1950s and 1960s, union demands for access to pension plan information and control were fiercely resisted and denied by management. As with health insurance, unions or workers' representatives usually had to depend on employer-provided cost estimates, budget and forecasting, and benefits formulas. The ground rules of welfare capitalism remained in place: employers maintained control over benefits formulas, final eligibility rules, long-term service requirements for vesting, and how the pension would be funded. Employers' discretion in pensions extended not only to benefits but to investment of the pensions reserves as well. Teresa Ghilarducci, *Labor's Capital: The Economics and Politics of Private Pensions* (Cambridge, Mass., 1992), 23–24, 29–30; Steven A. Sass, *The Promise of Private Pensions: The First Hundred Years* (Cambridge, Mass., 1997).

56. On the use of tax policy to buttress welfare capitalism, see Brown, *Race, Money, and the American Welfare State*, part II, and Christopher Howard, *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (Princeton, 1997).

57. NAM, "Review of Position on Collective Bargaining of Health, Welfare and Pension Plans," Action of Collective Bargaining Subcommittee, 23 June 1952, box 105, Acc. 1411, NAM Collection. These firms included Kohler, Thompson Products, Cone Mills, Lone Star Steel, Sears Roebuck, and Timkin Roller Bearing Company—also key players in campaigns for right-to-work laws. See Nelson Lichtenstein, *State of the Union: A Century of American Labor* (Princeton, 2002), 138.

58. David Witwer, "Westbrook Pegler and the Anti-Union Movement," paper delivered at the Organization of American Historians Conference, Los Angeles (April 2001); Rick Perlstein, *Before the Storm: Barry Goldwater and the Unmaking of the American Consensus* (New York, 2001), chap. 2.

59. U.S. Department of Labor, *Legislative History of the Welfare and Pension Plans Disclosure Act of 1958, as Amended by Public Law 87-420 of 1962* (Washington, D.C., 1962); William J. Isaacson, "Employee Welfare and Pension Plans: Regulation and Protection of Employee Rights," *Columbia Law Review* 59, no. 1 (1959): 104.

60. U.S. Senate, *Welfare and Pension Plans Investigation: Final Report of the Committee on Labor and Public Welfare Submitted by its Subcommittee on Welfare and Pension Funds Pursuant to S. Res. 225 and S. Res. 40*, 84th Cong., 2d sess., 16 April 1956, 2, 54, 136. The subcommittee included another labor-liberal, Senator James Murray of Montana. The committee itself was staffed by Democratic liberals, including Murray, Herbert Lehman, Pat McNamara, and John F. Kennedy.

61. *Legislative History*, 14; 45–49; *Senate Final Report*, 7; Isaacson, “Employee Welfare and Pension Plans,” 103–4.

62. *Senate Final Report*, 158–59.

63. *Ibid*, 7, 158–59.

64. *Ibid*, 54.

65. Stebenne, *Arthur J. Goldberg*, 160–63; Lichtenstein, *The Most Dangerous Man in Detroit*, 348–49.

66. Reuel Schiller, “From Group Rights to Individual Liberties: Post-War Labor Law, Liberalism, and the Waning of Union Strength,” *Berkeley Journal of Employment and Labor Law* 20, no. 1 (1999): 6, 8–9.

67. *Senate Final Report*, p. 8.

68. Stebenne, *Arthur J. Goldberg*, 160–63, 441. These senators supported a national ban on the union shop.

69. *Legislative History*, 91–95; Isaacson, “Employee Welfare and Pension Plans,” 124; Sass, *The Promise of Private Pensions*, 192–93.

70. On Landrum-Griffin and the substitution of individual rights over group rights, see Schiller, “From Group Rights to Individual Rights.” Tax recodification occurred simultaneously with the Disclosure Act hearings and the McClellan Hearings. The new code made permanent some of the wartime tax breaks and added others. It included a formal exemption of health and accident benefits and sick pay and a new tax credit for retirement income. The tax code would be structured to sustain that political settlement: private benefits, private welfare state supplementation. Julian Zelizer, *Taxing America: Wilbur Mills, Congress, and the State, 1945–1975* (New York and Cambridge, 1998), 93.

71. Klein, “Managing Security,” 506.