SOCIAL BUDGETING

BY

W. R. WILLIAMSON

Wordsworth said, over a century ago, most plaintively.

"The world is too much with us; late and soon,
Getting and spending, we lay waste our powers:"

To-day, also, much of the strain of life comes from our anxious concern as to how we can get maximum income and as to whether our expenditure of this income will yield us the maximum in satisfaction.

Modern life recently seemed to Charlie Chaplin a thing of high speed, of senseless mechanization. It seems to others like an orderly game of bridge.

In playing bridge we could conceivably leave the cards face down upon the table as dealt to the four players, each blindly in his turn playing a card. Actually, one player has half the cards in the pack under his control, and each of two other players who are partners know where half the cards lie and control one-fourth. The remaining player looks on. All have knowledge as to the make-up of all four hands if they have bid "in a scientific fashion." All know the specific values of all the cards.

In this major task of earning a living and spending the earnings, there is an increasing possibility of playing our cards with some knowledge as to their generally accepted or probable values. There is not quite the symbolic symmetry of the four suits and the simple scale of values now running from deuce to ace (once, I suspect, from ace to king), but we can get a working knowledge as to many of the tricks, and we can create partnerships which greatly increase the effectiveness of our play.

One of the most fundamental partnerships is the family. In most families money is earned outside the home, and supplementary work is done within the home. The latter determines the effectiveness with which the dollar income can be utilized. Modern life can reduce drudgery or substitute new drudgeries for old, but no review of the game can ignore the importance of the apparently unpaid work which is done within the home by some of the partners, even by the wage earner himself in his spare time. The man whose wife is a poor partner may find life on any income difficult. The efficient partnership will jointly manage on almost any income.

"The gainfully employed," a group which a few years ago seemed to number about 50 million persons in the United States, required, it was felt, enough income to support the 125 million persons in the total population. On the average each wage or salary earner was responsible for the financial needs of 2½ individuals. The national income has recently been said to be 60 billion dollars, or, for this 125 million population we are discussing, approximately $40 per month per capita. Similarly, without very clear definition, our national wealth has been estimated as 300 billion dollars, or about $2,400 per capita. If these amounts were shared by only the 50 million gainfully employed, the per capita income would be $100 monthly, the per capita wealth $6,000 per year gainfully employed. The difference in these per capita sums may well be the difference between a six-spot and an ace. The breadwinner in the average family (earning the average income), earns $100 a month; his share is $40, that of the rest of his family, $60.

Similarly, the wage earner cannot claim that he *supports* his wife or gives her an allowance. He has agreed to a partnership into which each contributes quite different types of essential services. He could say that she is entitled to her share of his income and that he is entitled to his share of her services. When there are children, they have certain responsibilities and certain privileges. Both the wife and the earning partner are responsible for the training of the children to give them suitable apprenticeship so far as may be possible, with the limited knowledge of the future which can be derived from the past. The children make demands upon available funds as well as upon supervision. While there *is* a wide range of family income and property, yet many a family lives upon such sums as have been here determined. The continuity in the receipt of this income is subject to interruption, but for many the income is still commonly regarded as generally dependable. One man supports himself alone; another has a wife and six children. Either, in his lifetime, may have a wide variation in his successive family responsibilities. It is still somewhat constructive to consider for a while not the most exceptional men of large fortunes or the equally nontypical, exceptional men of practically no income and large family, but to consider instead the average, the ordinary mortals of whom there are so many more and whose problem it is to live upon the limited but moderately sizable family earnings.

It is assumed that the entire family income is all *earned income,* wages, salaries, commissions or bonuses, with no interest or dividend payment included. In considering the population as a whole one may presuppose that payments of interest or dividends are made to one set of individuals at the expense of another set, and that the transactions involved do not add anything to the aggregate buying power of the community. The per capita share of such "earned income" averages about $1.30 per day, or only a little beyond 5 cents an hour of elapsed time. Our 60 billion dollar a year national income has been widely cited. If, instead of spreading the wages over all elapsed time for the entire population, we recognize the convenience of dividing these wages among the gainfully employed per hour of effective work, a 40-hour work week would seem to result in a real return of pay of 50 cents an hour to each of the 40 per cent of the population classified as wage earners. Whether, therefore, the real rate of compensation is 5 cents or 50 cents an hour depends upon how thoroughly we socialize our wage bill.

Such a simple division of our income or of our property is purely fictitious. The rapid development of insurance coöperation to broader and broader fields, by means of which expected losses may be recognized and their devastating effect reduced, is, however, an effort to approach such simple division. The death of the family wage earner might be regarded as the natural termination of his family responsibilities, as well as of his life. The fear of income cessation at death and the sense of responsibility for the family are so strong that men insure themselves for fixed amounts payable as lump sums or as stated incomes to their families during the continuance of certain conditions. The wage earner, in his family relationships and in his community relationships, can provide for the possibility of death and can so order his commitments that when death occurs he may meet loss by the specific, reasonable payments which have been arranged for in advance through the insurance company. Life insurance contracts can provide for such members of his family as still require support—children until they reach maturity, the widow while she is still caring for her children, and parents past the age of earning their own living. Men contribute yearly premiums out of their incomes to share with their dependents after death.

The basis of insurance is coöperative provision of funds in the face of contingent possible loss. Possibly 1 per cent of our wage earners will die within a year. The contribution of 1 per cent of yearly income to a common fund should presumably, therefore, result in the ability of the insurance carrier to pay one year's income to the estate of each decedent.

A catastrophic termination of wages may also occur through the incidence of invalidity following sickness or an accident so severe that all subsequent gainful employment seems impossible. In the event of such catastrophe, the wage earner must recognize the cost of his medical care as well as his loss of income. If his wife becomes permanently disabled or invalided, the loss of her services to the family, together with the cost of her medical care, must in some way be met. Frequently, the remaining members of the family divide among themselves the duties customarily exercised by the invalid and thus avoid financial expenditure for carrying on her activities. When children are ill, most of the interruption is in unsalaried schooling rather than work interruption. Since their contribution to household work is slight, the mother can customarily accept this additional responsibility without any noticeable financial adjustment.

Wages may terminate as a result of loss of an income-producing job in old age, which is possibly a special case of invalidity. In this case the physical impairment of the workman is not always the dominant factor. The attitude of the employer in estimating his employee's working capacity and the further general point of view of society as to the wisdom of indefinite work in the very advanced years of life may be more important factors.

Pension plans have frequently determined a retirement age at which old age was assumed to begin. This has variously run from as low as 50 years of age to as high as 70, the most common age probably being 65. Once a man regards himself as a pensioner at the age of 65 he probably expects to maintain this condition for the rest of his life. In the case of either invalidity or old age, the necessity for a life income to the ex-wage-earner is apt to run for many years. His income may have to be supplemented by an income for the support of any dependents for whom he is responsible so long as they remain dependent.

The customary effects of sickness or accident are simply wage interruptions for a limited period, commonly no longer than a two weeks' vacation period, with the distinction, however, that the costs of medical care, hospitalization, nursing, and drugs must be borne at the same time that the loss of wages has occurred. These costs will exist not only when sickness strikes the wage earner, but also when the wife employed in the home and any of the children are ill.

Even as with sickness and accident so also with unemployment. It may be either temporary or chronic. The inability to secure work when one assumes himself both able and willing to work is probably to a considerable degree due to personal qualities of the individual. It is also to a large extent due to the rhythm of growing confidence and increasing alarm which seems to mark the pulse of our modern economic system. The man who is a miner depends not only upon the availability of minerals to be mined, but customarily also upon a strong, functioning corporation organized to remove the minerals from the soil. The store clerk, willing as he may be to work, is commonly dependent upon the complementary willingness of a given employer to engage his services. The termination of employment because of slack work is of little consequence in boom times when many other positions are available; it is very serious in times of depression when new positions are difficult to find.

Death, invalidity, old age, accident, sickness, and unemployment, may all leave the wage earner without an earned income and may add costs of medical care into the bargain. The responsible man must consider not only himself but those commonly called dependents, for whom he desires the availability of small sums of money in times of income loss. It seems reasonable that a workman should be expected to assign values to these contingencies comparable to the indices in the pack of playing cards, and that he should anticipate meeting these contingencies either alone or coöperatively. Insurance assumes wide coöperative effort. It estimates that past incidence of contingencies should furnish guidance for current provision. Could we assume a national survey of some very simple benefits to the whole population, a crude illustrative tabulation of some of the costs, stated as percentages of the national income, might run as follows:

(1) Death.—Drawing somewhat freely from British experience we might deduce the existence of 3 million widows and 1,500,000 children under the age of 16 whose husbands and fathers had been among the 40 per cent employed but are now dead. Should the 3 million widows each receive $25 a month, or approximately 60 per cent of the $40 per capita income of the entire population, these 3 million widows would secure $900,000,000 of income yearly. The 1,500,000 children, granted, let us say, $10 a month each, would add $180,000,000 of income, bringing the total annual requirements up to $1,080,000,000, or less than 2 per cent of the national income of $60,000,000,000. Deferring consideration of the adequacy of these sums or even their social necessity, we can recognize that against earned income there might be an annual charge for this category of recipients amounting to 1.8%

(2) Invalidity.—The duration of disabilities following sickness and accident varies widely. When the duration is short the disability is considered to be "temporary." When the duration is long it is frequently called "permanent" disability or "invalidity." Since at its inception the ultimate duration seems indeterminate, it seems reasonable to consider the first three, six or twelve months as "temporary," and the subsequent period as "permanent," or a period of "invalidity." We will here link the provision of the costs of medical care with the grants for temporary disability and will assume invalidity benefits of $25 per month to the wage earner, of $20 a month to his "non-gainfully-employed" wife, and $10 a month in behalf of each child under the age of 16, such benefits to be dependent upon the continued disability of the wage earner alone. Ignoring much of the wealth of experience that should induce caution, these combined outlays we will very crudely estimate at 2.5%

(3) Old Age.—We can possibly assume that each wage earner when he reaches old age is responsible for the support of himself and about ⅔ of a dependent. Should $25 a month go to the wage earner, $20 a month to his wife if she is

not a wage earner, and $10 to each child under the age of 16, we might find some 4 million ex-wage-earners who with their 2⅔ million beneficiaries might require some $1,600,000,000 per annum, or approximately........2.7%

(4) Temporary Disability.—Including cash benefits to the wage earner for himself and his dependents and the cost of medical, dental, and eye care to himself or any member of his family as well as maternity benefits (including such costs during the period of invalidity), we might have, in addition to the costs of cash grants at invalidity, a figure of $2,700,000,000, or........4.5%

(5) Unemployment.—Unemployment, like disability, may be either temporary or chronic. The load of unemployment is subject to too many shaping factors to warrant accurate estimates of its weight. Although it is acknowledged that in recent years a very large number of individuals have been seeking employment but have been unable to find it, the difficulties of valuing this factor follow immediately from the fact that family partnerships affect the situation. Whenever some special circumstance forces large groups from the 60 per cent of those not gainfully employed into temporary employment, they tend to consider themselves thereafter as no longer members of the 60 per cent group of coöperating partners but as members of the 40 per cent group of wage earners. When a financial recognition is accorded to the fact of unemployment, the transfer of 10 per cent of the 60 per cent, or 6 per cent of the whole, to the 40 per cent would add 15 per cent to the available employees without creating any additional employment by this transfer. Let us assume very arbitrarily that 5,000,000 who would like to be gainfully employed are out of work and that the family dependents include 3,000,000 wives and 4,500,000 children, whose monthly benefits will run respectively $25, $20, and $10. The yearly outlay approximates $2,760,000,000, or........4.6%
The total budget adds up to........16%

In dealing with these illustrative budgets against the national income each estimate has been extremely arbitrary. The catastrophe is but carelessly defined. The benefits have been determind as flat amounts. The administration, so closely affecting costs, is not discussed. National income, the denominator, is said to have been cut in two from 1929 to 1933.

The impact of one type of benefit cost upon another is sometimes an impressive factor. Traditions such as the half-pay basis of grant, the universal availability of relief, the individual retention of rights to money "deposited" instead of "contributed" cannot be ignored. A comprehensive analysis follows rather than precedes such a brief discussion as this. These figures of possible costs totalling 16% of national income must be regarded as inadequate for meeting all the necessary costs which arise from the various catastrophes when relatively unimportant factors add to costs. Their payment, too, would seem to impinge upon accepted living standards when such living standards have been determined so as to use up the entire earned income without recognizing catastrophes. The costs will be recognized as superficially low by certain students of Social Security accounting. The amount of benefits contemplated in most cases will not be sufficient to tempt those who have already risen to self-sufficiency to court the catastrophe which must precede the receipt of the benefit. If the benefits can be held down to these sums they will frequently require supplementation through borrowing, through friendly assistance, or through personal thrift programs.

For the skilled workman faced with the succession of employment at varying rates of pay, of periods of unemployment resulting from four of the five classifications above, and eventually of death which creates new needs for his family, the assurance that 16% of his current income would give him rights to a small money provision for himself and his family partnership upon which he could depend ought to seem more satisfactory than the expenditure of that 16% of income upon consumption goods which are not necessities with subsequent dependence upon relief. The traditional attitude of self-reliant workers has been that they can earn wages sufficient for all these contingencies. They have frequently failed to value these contingencies and to provide for them in their personal budgets.

Among the possible situations the following life history may serve as a typical example: A young man starts work at the age of 20, marries at the age of 25 a woman of 23, has children born at his successive ages 28 and 30, terminates his employment at 65 and lives to 80. His wife dies at 75. He supports each child for twenty years. He works from 20 to 65, with five years out because of depressions, illness, accidents. He is financially responsible for 60 years of his own life, 52 years of his wife's life, and 40 years of his children's lives. Thus, there is a total of 152 life-years to be provided for by 40 years of work. Per year of work he furnishes $3\frac{4}{5}$ life-years of support. The progression of his responsibility runs by the number of individuals 1-2-3-4-3-2-1. Such an individual *may* find an increasing income rising to its maximum when he is responsible for four people and quite possibly shrinking thereafter. It is even conceivable that, with this considerable margin in responsibility, the French method of family allowances might help to smooth out this progression of added costs by a slightly varying income. Ignoring such a possibility, however, and accepting the actual life history as indicated here, the workman will at age 50 be responsible for only two individuals. If he has met his maximum responsibilities from current income, he will then have sufficient funds released by the termination of provision for the two children to enable him, over the 15-year period, to make sufficient savings so as to support himself and, most of that time, his wife on a definitely smaller monthly income.

The working men with whom this discussion is concerned include not merely skilled wage earners and common laborers but those workers who enter the various professions. The problem of individual budgeting remains one of our most compelling studies. The major reason for all forms of thrift is preparation for changes in responsibilities and for future terminations of earned income at various times and in various situations. The individual cannot know with any exactness the timing and extent of his personal liability to these five contingencies outlined above, and he is almost inevitably forced either to a completely random and speculative provision or to a niggardly reduction of his living standards to achieve safety—possibly the choice between a prodigal carelessness or a coöperative recognition of these contingencies. He may share either with a small or with a large group of his fellow men, looking toward a practical working minimum provision under all these contingencies.

Personal thrift programs have not seemed particularly well fitted to the role of providing against such catastrophes as death, automobile accidents, or fire hazard. The coöperation of insurance through the fraternal organization or the commercial life company, through the services of the automobile insurance company, or the fire insurance company, provides a medium for coöperation of a straightforward sort. Life insurance, with the increasing hazard of death, has added in its development of level premium a banking element under which personal equities bulk high. This method of operation is very important in the sale of individual policies and with the use of individual selection methods, with the deferred benefits so important in ordinary life insurance. When such a cross-section of the community can be insured under a group life policy, a simpler method of purer insurance without individual cash equities is used by the same companies which sell level premium ordinary life insurance. Individual deferred annuity policies are very largely banking as they are developed to-day. It seems conceivable that a coöperative group could view an insurance so broadly that the entire population might be simultaneously covered with social budgeting as part of the general tax program adequate to such fundamental needs in such reasonable amounts as have been here set down.

It is impossible to map out the progress of civilization into the next century. It would require full understanding to give adequate but not redundant advance provision. When he does not make advance provision, the workman to-day frequently expects and receives the succor of relief measures. Since he may be subject to such relief assistance, he must, as a responsible citizen of the community, contribute his share to relief, whether actual or prospective, when he himself is earning income. An extension of the insurance technique which has done so much in life insurance, accident and sickness, and workmen's compensation, could enable the citizen, who must in any event contribute to relief costs, to share both in liability to benefits when one of these contingencies occurs and in liability to taxes when his income permits him to contribute instead of to receive. The reason for insurance is a recognition of need and a crude collective provision in recognition of such need.

The advance in understanding of aggregate possibilities has been very marked in the last few decades. The coöperation of the many is gradually replacing chance-taking, which too often resulted in loss for most of the participants.

The Social Security program now beginning to function has started the insurance type of provision for these contingencies, including some of its banking elements. Its success depends upon an extension of the insurance method to a continuously wider field. The employee or the individual workman, after having shared in meeting these contingencies, will be better able to deal with his residual income, thoughtfully and with greater satisfaction to himself, than when he is constantly troubled by the absence of provision for catastrophe.

This insurance concept is presumably not the personal hoarding or banking point of view. The Government's responsibilities are social and must aim at a generally satisfactory nondiscriminatory benefit for the mass of normal wage-receiving citizens.

Private insurance, with its responsibilities for selection, seems unable to achieve sufficient spread to make unnecessary the broad social provision of some minimum benefits. The man whose need is greatest is the one to whom this service is greatest. The higher-salaried man should coöperate to help the other man rather than himself.

These considerations point to a joint coöperative provision aimed to help all to budget—not for an individual provision just right for each, but for some reasonable minimum provision. The better-placed citizen will supplement his basic social provision along the traditional lines of self-reliant additional benefits. Social provision will never really infringe upon the personal prerogative to go beyond the minimum in the way which seems best to the man himself. But he must, the social budgeteer believes, exchange his right to starve or his right to ignore basic need for a shared provision. He must save himself from some of that getting-and-spending agony by adopting a budget.

Insurance has flourished in many fields where it has been possible to expect losses with some degree of regularity. Hence, the insurance carrier could legitimately take the responsibility of exchanging for quite definite premium payments a definite promise of benefit should the contingency occur. In its simplest form, insurance merely spreads the cost of the benefits among those who may be considered as liable to receive them. When it becomes a business rather than a mere coöperative enterprise, benefits and premiums are customarily very carefully expressed in terms of dollars and cents. Into the insurance machinery there frequently enters a large element of investment or banking in the development of level premium life reserves. The limitations of private insurance seem also to require the accumulation of a claim reserve to the extent of the present value of claims pending or in process of payment, and a contingency reserve in recognition of the unevenness of incidence of claims. These reserves are a detail of the limited coverage which constantly contemplates the possibility of closing down the business as to additional insured lives and of being responsible only to the extent of contract terms for those already insured. In level premium life insurance the banking element has become so prominent that there has developed an enormous investment trust under the supervision of state insurance departments. The limitation that the whole machinery must be geared to function in the event of business termination greatly curtails the efficiency of the business organization from the standpoint of social effectiveness. It may indirectly result in too small insurance protection during the youth of the insured lives. It may have resulted in too frequent termination of insurance when premium payment is difficult. It has raised one of the major catastrophes of life to an importance a little out of proportion when the entire series of possible catastrophes is considered. It has, however, a sound accounting base so developed that, when premiums cease, insurance protection is modified equitably.

The value of the life insurance program lies in its crude basing of coverage upon need. The amount of insurance is determined insofar as possible upon a rational basis. In the event of his death, the insured wishes his family to have a certain minimum standard of existence and he aims at that provision. Save for the rather unimportant detail of translating dividends into paid-up insurance additions, he has as much insurance under most contracts after one premium payment as after forty. The banking accumulation method is very largely removed from the determination of death benefits.

Social insurance is the direct recognition by the people as a whole of minimum needs for which funds are to be available when needed. The essence of insurance is to have the cash to pay the bills when the bills are presented. It is not the accumulation of funds against some long-deferred necessity. The bills may be presented, as we have outlined, at persistent intervals to the survivors of the wage earner. They will be presented for the costs of medical care and for a bare living for the whole family whenever the normal wage or salary income has been terminated by invalidity. They will be presented for the bare costs of living for the aged when the wage earner no longer secures for current services a cash return. In the relatively less important case of temporary accident and sickness they will be presented for costs of medical care and for living expenses during the period of interrupted income. They will in short be presented for the costs of living expenses whenever for any reason an earned income is not being secured.

The lesson of insurance is that when we understand catastrophic losses we determine joint methods of securing funds to meet the losses. We provide them through insurance because the banking technique is inadequate for the purpose. Old age might seem to be an exception, but it probably is not. In many, many cases bills for living costs are being presented to the aged. They lack the funds with which to pay the bills. We do not know how great this lack of funds for meeting living costs is, but some reports have indicated that as many as two-thirds of the aged have been unable to meet their entire expenses. The reason for part of this failure to meet expenses is probably the very strong desire to retain accumulated capital to pass on intact to the succeeding generations. A moderately reasonable guess may be that half of the two-thirds, were they willing to gather together their entire resources, turn these resources into cash, and translate this cash into a life income or even into an income adequate for current needs for a term of years, would then be able to meet their bills. If, however, two-thirds do commonly *seem* to be in need of additional funds, it is clear that the banking method of accumulating resources over long periods of time has not satisfactorily provided for old age. It is in accord with reality, therefore, to admit that a large proportion of the aged incur the catastrophe of inadequate resources in old age, and that the hazard of reaching old age without funds might well be brought into the field of insurance provision.

Insurance has certain other qualities which can be briefly stated as follows:

(1) It does not deal with the individual as such but only with a sort of typical individual. It gives a sum of money considered reasonable for general needs but not exactly meet-

ing a specific need. Relief meets specific need as nearly as possible.

(2) In evaluating average need, insurance customarily understates the amount which the insured life would wish to have, since it seems rational to provide a little less for a contingent outlay than is called for by the actual requirement facing the insured life at the moment. This principal is commonly called "co-insurance," the reduction of the cost of the contingent benefit to a point where it will undoubtedly have to be supplemented in some fashion at the time of the catastrophe. It also contains a certain moral implication that there should still be some financial loss in event of a definite catatstrophe so as to make us careful.

(3) The selection of the people to be covered is determined so far as possible by the effort to secure a normal cross-section of those exposed to the risk. In private insurance this selection is largely negative under the action of underwriting, which eliminates those most apt to suffer the risk. It is positive in the campaign waged to transfer men from the uninsured to the insured catagories. For society as a whole the selection is by formula, even as it has been in group insurance. For society as a whole with the authority of the state and the taxing power of the state, great economy is possible if the coverage is comprehensive and simply determined.

(4) The gambling element also exists in insurance. As against the hoarding for future contingencies—the hope that by going without things one wishes to-day he can secure rights to future benefits—an *insurance* plan by emphasizing the negative quality of present abstinence to provide for an eventual satisfaction, suggests a sort of betting proposition which stakes our money on the chance of winning. When the catastrophe does not strike us, we receive no money in return. If the catastrophe arises, benefits out of all proportion to the specific amount of contribution paid are anticipated. One insurance advertisement used to say, "Forty thousand dollars for forty dollars," the odds of one thousand to one. On the other hand, there is the recognition that we all ought to be good enough sports to take the odds and put up the money against the contingency which might on the one hand give us a return of a thousand to one but which in all probability will give us a return of zero for a while. The gambler knows that in most bets he loses his money. In insurance, the betting does not create sweepstakes in excess of the probable need at the time the prize

is won. When the winning horse brings in the purse to a lucky winner, he may have a complete change in living with a brief moment of prodigal expenditure. When the insurance prize is won, it is usually necessary to reduce the customary standard of living to fit the reduced income. The lack of balance, however, between specific amounts paid and specific amounts received as claims will practically always tip the scales either to the contributions or to the benefits side, whereas in ordinary savings one believes that he will have exactly what he has contributed towards his thrift improved only by definite interest accruals.

(3) The belief in a sufficiently wide statistical base to make the insurance program reasonably subject to quantitative analysis is another important characteristic. Commercial insurance is successful in the life insurance field because mortality rates, save for an occasional epidemic, are reasonably uniform year after year. Similarly, when accident and sickness insurance is successfully written, it has limited coverage to those risks which seem fairly predictable. Fire insurance, dealing with millions of separate exposures to fire and in spite of an occasional conflagration, has built up a sufficient predictability so that it can furnish great protection to housedwellers. They can exchange small premiums for very definite reimbursement in case of loss. Old-age protection can be fitted into this picture with respect to current old age, the extent of which can be reasonably though not exactly measured through the medium of the census. Disability, with its factors of mental and economic import, is much more difficult but after considerable additional study it may turn out to be something like life insurance on a term basis. Inability to secure work, once one has been accustomed to the position of independent income earning, has intricate and, so far, baffling frequency distributions. Since, however, society has assumed the responsibility of relief whenever individual income is lacking, society seems responsible for making the best estimate possible as to the extent of each of the influences leading toward ultimate relief outlay, and a statistical approach to unemployment must be attempted even though there may be no immediate evidence that an adequately competent budgeting can be accomplished.

In all these qualities which we have set down as accompanying insurance, social provision must qualify. When the bills are presented they must be paid, and even as the individual must attempt to budget for his various outlays so far as in him lies or he ceases to be an honest man, so society must attempt a similar social budgeting, using so far as possible the tool of insurance. Insurance has worked so well for those with the wisdom, the courage, and the ability to use it that inevitably the extension of the basic concept of replacing the contrast between complete freedom from loss and the impact of terrific loss which one cannot meet, by a definite provision for the probable loss, is being applied in a nation-wide fashion to some portions of the above outlined social insurance program. It does not, in its early development, try to replace very much of the existing private use of insurance, since the customary use of insurance is mainly limited to those people with exceptional earning power, exceptional understanding of contingencies, and ability for straight thinking.

Social insurance administration feels that the debator's attitude, or the missionary zeal which desires unsolved problems for a forum or unconverted heathen as a field of activity, are inadequate as a permanent program. Social insurance aims only at a minimum realization of the problems we are facing, but it requires the coöperation of all; the elimination of the completely unsolved problem and of the completely broken individual are goals. The rights that it builds up are rights jointly agreed upon and not rights which can safely vary for individual cases. The limitations of private insurance when applied to deferred annuities commonly meant that those who at advanced ages knew that they needed the benefit of annuities couldn't get them, and that those who had time enough to buy them were unimpressed with the need because it was so far in the future. Social insurance intends to foot the bills on the minimum economical bases of living, and it is not affected to the same extent by those limitations which deny protection to those who need it most.

The emphasis of this discussion is upon the very tangible extent of the bills for need which are going to be presented, the relative simplicity of universal contribution towards the meeting of those bills, and the straightforward intent to deal with the minimum average need as a suitable approach, instead of reintroducing the limitations of the banking philosophy which at their worst are highly negative and at their best require a generation to make them effective. One point of Wordsworth's sonnet may be that undue preoccupation with the minutiae of earning and disproportionate spending is a nervewracking strain and that any program of getting and spending which loses sight of order, beauty, sincerity is inadequate. We would be enormously aided by the substitution of a simple method of budgeting which helped us to realize that a sizable portion of our gettings must go for these current losses and that they are losses to all of us. We would thus be anxious to earn more for things of definite value; we would be anxious to coöperate for the reduction of these hazards themselves. We would recognize the necessity and even the economy of public-health administration, of constant research leading to the discovery of causes of disease and their elimination, of improved mental sanitation which will substitute an orderly approach to the problem of life for disordered recklessness.

Strangely enough, the preliminary solution seems so simple that seeing these needs we should start to deal with them. The reserve problem may not exist. The reserve is a concept of the limitations of private business. Social insurance is based upon the intent to foot the bill when the bill is rendered. The next step is a fuller realization of the magnitude of the bill. For that step we need definitions of contingencies, simple formulae, and a great deal of unhurried, competent study by those whose knowledge and vision fits them for the task.

The goal of a social budgeting program is probably the coverage of the entire nation. In many older countries social insurance has been class legislation. In the little democracy of Sweden it seems to be a function of citizenship. The size of their benefits seems very small to us, but their analysis of the problem of a nation-wide program presents a comprehensive philosophy. Great Britain is equally cautious in her development of social services and very hesitant to reach final conclusions after nearly three decades of practice. In no other country has the use of life insurance developed so far as in the United States. This popularity of life insurance, with its banking devices, has been most pronounced in shaping the preliminary social insurance measures in the United States. It is one of the major theses of this paper that more help would arise from the more strictly term insurance coverages of group life, automobile insurance, and workmen's compensation than from the banking elements of life insurance. Without a fairly reasonable functioning program promptly in operation, relief costs grow too rapidly. With an adequate term program in operation, the problems of its administration would seem to preclude adding very much to the burden in behalf of posterity. The goal of social budgeting is to pay completely as one goes rather than to leave behind unsettled bills.

When the federal government gives benefits, Congressional appropriations from general revenues meet the bills. So we must understand taxation and the ultimate incidence thereof. Social insurance must be cognizant of the effective work done by relief and public assistance, but it must also guard against the element of demoralization which is apt to accompany the too ready availability of cash relief benefits. It must recognize the merits lying in that courageous caution which is private investment. It must comprehend the scope of the national resources and the individual claims thereto; it must comprehend the national temper and strengthen those elements of assured self-reliance which tend to a higher standard of living. Social insurance must be built upon mature knowledge of the common hazards of modern life. It is social budgeting on the part of an informed citizenship.