

CHAPTER Bf

Social Insurance and Public Assistance

Editor: Price V. Fishback

Associate Editors: Joan Underhill Hannon, Melissa A. Thomasson, and Stephen T. Ziliak

INTRODUCTION

Price V. Fishback

Social welfare spending is a broad category that includes provisions for maintaining health, income, and welfare in good times and bad. The category covers a wide range of types of spending: assistance to the poor; social insurance expenditures in programs such as Social Security, unemployment insurance, and workers' compensation; private purchases of health and life insurance; and direct expenditures on health care and education. Decisions on social welfare spending are made both by governments through public programs and by individuals in their private decisions about how much to spend on charity, insurance, education, and their own health. Prior to the twentieth century, social welfare spending was largely the responsibility of individuals, extended families, and cities and towns. In consequence, we have only limited and scattered quantitative evidence on the extent of public assistance programs, and we know relatively little about the share of private spending devoted to the general category. Our sense is that social welfare spending was a smaller proportion of overall spending in the eighteenth and nineteenth centuries than in the twentieth century. Certainly, the extent of public programs was much smaller. Much more research needs to be done before we can develop a comprehensive picture of the nature of social welfare spending prior to the 1920s.

As the American economy developed, more centralized layers of government began to accept responsibility for public programs for social welfare spending. For example, during the nineteenth century towns and later states began to develop educational programs for children, while in the Progressive era in the late nineteenth and early twentieth centuries, state governments began establishing workers' compensation and mothers' pensions programs. The federal government became more heavily involved

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with social welfare spending during the Great Depression, and the levels of social welfare spending both public and private have expanded rapidly since. The rise in federal activity has also led to expanded efforts to collect data on social welfare activities. Most of the evidence on social welfare spending at the national level has been collected and developed by the Social Security Administration, which was formed in the 1930s. Thus, we have a relatively comprehensive picture of social welfare spending from approximately 1929 to the present. We have several goals in this chapter: first, to provide in one place a consistent set of time series over a long period that show the extent and nature of public assistance available in various cities and states in the nineteenth century; second, to give a sense of the nature of both public programs and private spending described by the social welfare statistics of the twentieth century; third, to examine long-term trends in social welfare spending in the context of changes in the economy; and finally, to warn users about features that may cause peculiarities in the data.

PUBLIC ASSISTANCE: COLONIAL TIMES TO THE 1920s

Stephen T. Ziliak with Joan Underhill Hannon

The category of social welfare expenditure called public assistance includes all types of noncontributory, tax-financed payments of relief to the poor. Payments of public assistance are made sometimes in cash and sometimes in kind, both to the poor who reside in households and to the poor who reside in institutions. For example, the present-day "food stamp," had it been in circulation from colonial times to the 1920s, would be counted here as public assistance in kind. Until the 1920s, all payments in cash and in kind were called

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