

## INTRODUCTION

IN A COUNTRY as wealthy as ours, the chief factor limiting the further development of the system of unemployment benefits is the community's apprehension of something called "abuse"—a term that varies widely in meaning depending on the user of the word and the context in which it is used. It stretches from the case of the man who deliberately lies in order to receive both wages and benefits simultaneously to the man who honestly but mistakenly thinks that he is serving not only his own good but also that of the community by drawing benefits for "a while longer," until the right job turns up. As used, the term embraces everything between the most hardened criminal activity and the most plausible economic optimism. Between the two extremes are many degrees and distinctions which are not always clear in the mind of the community. But the whole problem is grasped vaguely, and when the community shrinks from further extending the system of unemployment benefits, it is usually because it questions whether there might not be so much "abuse" accompanying the extension as to offset its gains. When a proposal is made to liberalize eligibility requirements, or to increase the benefit-wage ratio, or to lengthen the duration of benefits, a line dividing those who will favor and those who will oppose the suggestion can usually be drawn beforehand by ascertaining how much claimant abuse they think there is in the existing system. That is the first sense in which this is a "study in limits": it is a study of that which chiefly limits the community's willingness to make provision for the unemployed out of a common pocketbook. Logically, the term abuse extends to abuse by taxpayers (who put in too little) as well as by claimants (who take out too much), and widespread tax-evasion would act as a further limit on the community's willingness to expand the program. In practice, however, it is only the community's apprehension of claimant abuse which exerts a significant limiting effect.

One way to meet this apprehension of abuse is simply to ignore it. But this is also to ignore the ages-old dispute over the relative merits of a communal over an individualistic economy and to ignore the preference of great civilizations for a system of private rather than of communal control over property.

The ideal of meeting need out of a common pocketbook is a great and good goal for society to have. It is a typical characteristic in descriptions of perfect communities. Plato's *Republic* has it, and More's *Utopia*. As applied to the needs of the unemployed it would incline us to provide the unemployed man with one hundred percent of his lost wages for as long a time as he cannot find other suitable work and to let him be the judge of what is suitable.

That ideal can be translated into action, however, only within the bounds of human nature as it exists at a given time and place, limited by ignorance and malice. The amount of existing abuse is the measure of that limit. Some knowledge of the measure enables the community to judge more intelligently where it ought to place the limit.

Such knowledge also enables society to extend the current limit, for detailed knowledge of abuses enables society to cure them by specific improvements in administration instead of by general restrictions in legislation. This, indeed, should be the community's chief purpose in investigating the problem of abuse. To refuse to investigate is to act irresponsibly. But to investigate in the hope of finding some justification for cutting appropriations for unemployment benefits is to be blind to the grandeur of the ideal of communal living. To investigate in order further to liberalize is to act wisely.

At present there is little information on the amount and characteristics of abuse in unemployment benefits. Furthermore, until recently there has been little effort to obtain such information. In the United States there has not been a single investigation comparable in thoroughness to the several that England, for example, has made of its system of unemployment benefits. The only general study of the problem in this country is the present inadequate one.

#### THE RECONVERSION PERIOD

The study of abuse in unemployment benefits must always be in terms of a particular period and its particular economic characteristics. The very definition of abuse must be in terms of those characteristics, especially those relating to the demand for and the supply of

labor. One's final judgment of the amount of abuse must rest largely on one's understanding of those characteristics. That is the reason for the considerable, and perhaps tedious, amount of "background" material included in the present study.

The reconversion period was the period selected for study here, assuming that reconversion extended from VJ Day through 1947. This was an especially good period for the purpose. In the reconversion the inducements for workers to abuse the system were greater and the ability of the administration to prevent such abuse was less than in any period we are likely to see again. It is probable, therefore, that the reconversion period produced the maximum amount of abuse that we need fear (under the present system). If so, we have in the experience that valuable social tool, the limiting case. That is the second sense in which this is a study in limits.

The reconversion was also the period of greatest public interest in the problem of abuse. It was then that the public charges of abuse were most numerous and most vehement. The degree of public concern is epitomized in the award of the 1946 Pulitzer prize to the *Baltimore Sun* for a series of articles on that theme. The articles were declared to represent "the most meritorious public service rendered by an American newspaper during the year."

#### COURSE OF THE INVESTIGATION

The order by which the investigation proceeds reflects the successive steps by which this investigator himself approached the problem. It seemed best to retain that order. The average reader will probably feel the same needs and in the same order.

The first obvious need was to define abuse. It was also obvious that what people *thought* was abuse should chiefly determine its definition. When people draw back from social security programs it is because of what *they consider* to be abuses. I felt, therefore, that I had first to find out what people are actually saying about the programs, and what they mean when they speak of "abuse." That would give me the issues involved and realistic definitions and criteria. Chapters I and II represent the fruits of that first line of inquiry.

To come to any solid opinion on these issues would require a detailed knowledge of the conditions of administration and of conditions in the labor market during the period. That became evident at once; so Chapters III and IV were written. When these two were

finished, it was clear that if the study accomplished nothing more it would have marked out the "limiting case" of abuse.

The next step was the inevitable one of sketching against this background the main events and characteristics of the claims series. These were the events and characteristics that had to be explained. When Chapter V had been completed, another limit had been established, a limit on the limiting case. The total amount of abuse could not have been greater than was compatible with this claims history. The mind had a frame within which to work.

Only then did the investigator feel prepared to move on to the specific investigation of the various kinds of abuse. The results of that phase of the investigation are given in Chapters VII to X. The fragmentary nature of these results would have forced an investigator to make a more general investigation even if he had not already done so. The results require much interpretation. Only a judgment based on a thorough knowledge of the details of the labor-market history and the claims history of the period can be trusted with that interpretation.

#### LIMITATIONS OF THE STUDY

The last paragraph hints at a third sense in which this is a study in limits. Many of its conclusions can do no better than indicate in a general way the upper and lower limits within which the answers lie. It cannot measure the extent of abuse with mathematical exactness. Important aspects of the problem are qualitative, and hence not susceptible to exact measurement. Where the problem is quantitative, the necessary data are frequently lacking. The study of abuse in the American system of unemployment benefits is just beginning. Facts are few and scattered, and even principles and definitions are in an embryonic stage. It was inevitable that an early study such as this, which is dependent on the researches of a single individual, should do little more than raise pertinent questions and indicate in a general way the probable answers. This is not only a study in limits but also a limited study.

Nevertheless, it seemed worth while to make the study. The issue of abuse is still vital, hotly debated in State and Federal legislatures and by business and labor groups. The debates go on—the positions being still as widely separated as during the planning period and the same arguments still employed by both sides. There are people in this

country who even now can see nothing good in unemployment benefits, and those who can see nothing bad. When the area of disagreement is so wide and there is so little information by which to narrow it, even an imperfect collection of evidence such as this has value. It marks off more plainly the areas in which it is no longer permissible to make guesses and also those in which it is not permissible to do anything else. It enabled the writer to narrow very much for himself the limits within which he judges the answers to lie. Possibly it will be as useful for others.

The study attempts to take in the national scene. Its conclusions relate to the system as a whole. In applying those conclusions to particular States, consideration must be had for the fact that States differ among themselves and that within each State one local labor market differs from another.

I became acutely aware of that fact when I made a kind of grand tour of the country in 1946. A grant from the Social Science Research Council enabled me to spend the entire year working in unemployment compensation agencies in various parts of the United States. I started from Washington, D.C., moved down through the South to the gulf, turned west through Texas to California, then north along the coast. Turning eastward, I worked my way slowly through the Midwest, into New England, down the Atlantic coast, and back to my starting point, Washington. The impression of heterogeneity gathered from this experience was overwhelming.

Because of this heterogeneity caution is required in going from the general to the particular. The reader will find himself frequently warned against applying the conclusions of this study to any particular State except on the basis of an intimate knowledge of that State. But heterogeneity does not destroy the need for a general view. Especially in the formative stages of a social program, when large decisions must be made (on whatever evidence is available) large studies are in place. The hill-top survey described by this study will be useful to legislators and those who seek to influence legislators, and it is for them that this study has been written.

One of the unwritten textbooks most needed by the modern statesman would be entitled "How to Plan How Much of Economic Life." This study is not a paragraph of that book; it is not directly concerned with the problem of the planned society. Still, it is not totally unrelated

to the problem. As a case study it provides some material for the analyst of social planning. Congress foresaw the danger of transitional unemployment and spent some time during 1944 and 1945 debating and devising measures to meet the danger. The debaters addressed themselves explicitly to the two essential steps of all planning: predicting the future and devising methods to meet it. The debate over alternative plans turned on large, almost grandiose, issues: the right theory and the right cure for business depressions, local independence versus central authority, determination of labor's share in the national income through unemployment compensation, labor's need for the whip of necessity, and so forth. The story of the actual occurrences in unemployment benefits told against the background of that planning debate may not only illumine the particular problem of this study—the validity of the charges of abuse—but also, as a by-product, add to our knowledge of the planning process. The materials of Chapter I at least facilitate such a use of the study.

**PART I**

**THE ISSUE OF ABUSE**

