

American Unemployment Insurance Schemes of the 1910s:

J. R. Commons, J. B. Andrews, and I. M. Rubinow

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In the early 20th century before the New Deal, a change took place in labor relations in the United States which was substantial enough to cause chronic unemployment. The purpose of this paper is to examine American thinking on social security during the 1910s, particularly the specific issue of what type of unemployment insurance was needed in the United States and, from a historical standpoint, to compare American ideas with those of European countries during the same period. The focus here is on two daring plans: the prevention of unemployment and the compensation for unemployment.

Through labor legislation, John R. Commons and John B. Andrews devised a plan to make both employer and employee responsible for creating a reserve to be used for unemployment compensation. They found a system for unemployment insurance funds that was maintained and administered by only a few progressive firms which was worth emulating. They recognized the significance of these firms' method and sought to have other employers compelled to adopt the bold new ideas by introducing them through labor legislation. Afterwards, their plan was called the "Wisconsin plan."

I. M. Rubinow's scheme was designed to improve the living standard of workers and channel

public subsidies into an unemployment insurance fund. His design for unemployment insurance was based on statistical data on the unemployment rate and workingmen's wages. Rubinow believed that the problem of unemployment could be solved by instituting compulsory unemployment insurance, which would be, in effect, a partial redistribution of wealth through government intervention. Later, Rubinow's ideas would become the theoretical core of the Ohio plan.

In short, the features of those schemes of Rubinow's and Commons and Andrews's differed in the range of intervention to the system design by the government, but each pointed out the necessity of compulsory insurance, respectively. On examining the specific historical context, I argue that the New Deal social programs of the 1930s were not the result of attempts first initiated to handle the myriad of problems arising at a time of mass unemployment during the Great Depression; rather, they had origins which had developed from the controversy and debate on institutional social security and unemployment insurance that ran through the economic discourse of the 1910s and that, in fact, paved the way to the fruition of those systems in the future.

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