

BOOK REVIEWS

Creating The Welfare State—The Political Economy of Twentieth-Century Reform, Edward Berkowitz and Kim McQuaid, Second Edition, (Praeger, 1988), 243 pages

Reviewer: Kathleen S. McNichol, MBA, CPCU, Risk Management and Insurance Program, LaSalle University

Creating The Welfare State provides an historical account of the evolution of the social welfare system in the United States from the late 1800's to the present. The account describes the contribution of key individuals to the system and traces the creation of many governmental agencies that provided service, and in some cases, still exist to protect people from life contingencies. Worker's compensation and minimum wage laws were at the heart of these early programs. Early programs also included protection for unemployment, flood, vocational training, and infant and maternal health. Ultimately, the nature of these programs was affected by social demographics and world events.

Of special interest to the readers of *JRI* is the role of social insurance, its origins and controversies. During the late 1920's and 1930's many academic exchanges concerning the purpose of social insurance arose. One side argued that social insurance should adhere to the principles of private insurance in that a definite relationship between a company's premium and its risks be established (i.e., actuarial equity). The other side argued that social insurance represented a source of funds that could be used to meet social emergencies. The value in social insurance was that it handled problems beyond the scope of private insurance (i.e., social adequacy). The debate was never formally resolved. Instead, events outside the academic arena forced movement on the issue. As the elderly and their advocates gained political strength, the push was on for an old age pension bill. Social adequacy was viewed more prominently from this perspective.

A strong point of the book is the author's painstaking development of the events leading to the creation of many present day programs. For instance, Berkowitz and McQuaid in referring to passage of the Social Security Act quote a government official, "Congressmen have a very confused idea of what this whole program is about . . . they mix up old-age insurance with unemployment insurance." This same official confided that almost no one

read the technical reports that the staff had prepared but simply acquiesced in the plans of the executive branch for a national social welfare law. This lack of concern for specifics is puzzling given that many important issues were yet to be resolved with regard to this new form of social welfare program. Controversies regarding the role of reserves was one such specific issue. Reserves play a very important role in the commercial insurance mechanism but large reserves in a government sponsored program invite misappropriation. Government may be tempted to spend the money for anything Congress or the President wants. Alternately, benefits may be increased which would burden future generations.

Major events such as the Depression, World War II, and post-war prosperity had significant influence on increasing the role of the federal government in the provision of social welfare programs. In the early 1920's the private sector developed and funded a majority of the welfare programs which existed at the time. The incentive for business to sponsor these programs was the anticipated increases in productivity (and increased profits) associated with these benefits. As demand for these programs grew, government was looked to for increased financial support; however the private sector desired to maintain control. The nation became more dependent upon government involvement in all aspects of life during the years of the depression and World War II. It was then that business began to relinquish control.

As discussion regarding National Health Programs is being resurrected, a view to the history of social welfare programs might provide some direction. Our present situation of fragmented programs and fragmented policies does not seem to meet universal needs. Someone usually falls through the cracks. For a nation with the impressive history of experience in meeting life contingencies, it seems we should be able to find solutions to these needs. Most proposed health care plans currently under consideration rely on continued cooperation between government and business to meet funding demands.

Berkowitz and McQuaid have provided a very captivating account of the history of our social welfare system. This reading lead me to reevaluate my own understanding of the present system. I found the descriptions of the politics that influenced social welfare programs intriguing. Interesting also was the continual reminder that economics motivated the development of early relief programs instead of a concern for employee welfare. "Spend more now to spend less later" was a common slogan used to rationalize spending.

The authors contend that the difference between the first edition of the book and the second edition is that their outlook has matured. They certainly have made this book more comprehensive since they take the reader up to the present. If the recollections of individuals cited can be believed, the book provides insights into how social policy is influenced in this country. Observing the innovative approaches used to meet life contingencies in the past gives hope that viable solutions will be found for our present and future problems. However, the book also makes us aware of the very detrimental effect that politics can have in our attempts to relieve social problems. This

book is recommended for anyone with an interest in the social welfare/social insurance programs. Both academics and policymakers should find this a valuable work in which to invest study time.

Although *Creating the Welfare State* does not provide any specific solutions for today's health care crises, it puts into perspective the "whys" and "hows" of our present system. Programs designed for one era become ineffective as our social structure changes. The relief systems must also change. Today we need to understand that utilization increases costs, and as costs become unmanageable alternatives must be found. We are in such a crossroad. Demand is high, expectations are great, costs are out of control. Can we afford to leave this dilemma to the whims of market place forces? The health and general welfare of our population are at stake. Can we look to the past to learn from our mistakes and benefits from the successes?

Medical Malpractice, Edited by Duncan Yaggy and Patricia Hodgson, Duke University Press, Durham, North Carolina, 1987

Reviewed by: Cynthia L. Gallup (Department of Economics, University of California, Berkeley) and Thomas G. McGuire (Department of Economics, Boston University)

Medical Malpractice is an edited transcript of the Eleventh Private Sector Conference. The conference, held at Duke University in 1986, focused on the current state of the malpractice liability system and possible reforms. Experts in malpractice and health policy complemented the experience of practicing lawyers and physicians, and the insight of insurance and medical groups' representatives. The book contains 19 short, non-technical statements, averaging 3-4 pages by presenters, and the comments of assigned discussants and other participants at the conference.

Following the format of the conference, the book starts with a discussion of both the benefits and costs of the malpractice liability system and then presents recent trends and developments. An exploration of possible reforms comprises the remainder of the book. The reforms analyzed range from relatively minor changes within the existing liability system, such as capping liability awards, to more radical reforms, such as no-fault insurance. Alternative methods of resolving malpractice disputes also received discussion. With Jeffrey O'Connell, the designer of the Moore-Gephardt bill at the conference, the bill received considerable attention. The Moore-Gephardt bill which was not passed, proposed that physicians be able to preclude Medicare patients from suing for malpractice by tendering an offer to pay a patient's economic damages.

The diversity of the discussants constitute one strength of the book. Academics as well as those working within the insurance, legal, and medical fields provide their knowledge and impressions of the malpractice liability system. Patricia Danzon, Robert Brook, and Jeffrey O'Connell especially help guide the reader by providing pithy summaries of the issues at hand. Danzon's four-page statement of the core policy issue in malpractice—finding the right

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