...And the pursuit of national health: the incremental strategy toward national health insurance in the United States of America

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Citation for published version (APA):
For the New York and Wisconsin intellectuals, the Roosevelt administration promised new challenges and exciting opportunities. Wilbur Cohen, twenty-one at the time, would later remember: "Young people were coming from all over the country, streaming into Washington to join the crusade for the New Deal." When walking through DC at night, one could see the lights burning in the offices where new plans were designed and memos were written. "There was a real impact, in that you felt that you were doing something for the American people, something so much bigger than yourself, ... something that was so important and so vast and so far reaching and so significant and so meaningful that you were glad to be a participant in this kind of experience."

In a 27-page memorandum entitled "Social Security and Public Welfare in the United States," I.S. Falk expressed his view on the Roosevelt administration in similar rhetoric: "The President's courage and vision and his New Deal gave heart to the people, and fifteen months of vigorous action have lifted us, almost by our boot straps, from the depth of despair." Harry Hopkins had first requested Edgar Sydenstricker to write the memorandum, but since he had recently suffered from a heart attack and was confined to the hospital, Falk had taken up the assignment. The request was undoubtedly prompted by President Franklin D. Roosevelt’s wish to collect advise and recommendations for the establishment of the Committee on Economic Security (CES). In his message to the Congress of June 8, 1934, President Roosevelt had presented his intentions “to undertake the great task of furthering the security of the citizen and his family through social insurance.” Within the coming year, the Roosevelt administration would design a system of economic and social security, “national in scope,” to provide the “men, women and children of the Nation” with a “safeguard against misfortunes which cannot be wholly be eliminated in this man-made world of ours.”

Up to 1934, the New Deal programs had predominantly been concentrated on providing immediate relief to the suffering population and on securing economic recovery. However, it had never been the intention of the Roosevelt

1 Interview with Wilbur Cohen by James Sargent, 18 March 1974, Columbia University Oral History Collection (microfilm edition, Roosevelt Study Center), 22-23.
administration to establish a system of permanent relief. The New Deal relief programs were temporary, and could therefore be experimental. The Social Security Act, on the contrary, would establish a permanent system that needed broad political and popular support. Through incremental reform, as the Roosevelt administration assumed, social insurance would eventually replace the need for relief. Roosevelt believed that dependence on public assistance was as addictive as a drug and should be avoided when possible. While public assistance relieved poverty after it had stricken, social insurance would prevent poverty in the future. Also, social insurance was believed to maintain the self-reliance and dignity of the citizen. Public assistance, on the contrary, was burdened with stigma.\(^4\)

In the memorandum, Falk presented a broad outline of a social insurance program that would provide for unemployment insurance, a national health plan, national health insurance, accident and disability insurance, old age pensions, and industrial accidents insurance. Not surprisingly, national health insurance played an important part in Falk’s outline. Falk denied that there was a lack of sufficient resources. Not the supply of health care, but the way it was paid for, was the main problem. “Insurance against the costs of medical care is the greatest single need in improving the health of the American people and assuring everyone the benefits of modern medical service.”\(^5\)

Within two weeks after Falk sent the memorandum to Harry Hopkins, President Roosevelt announced the establishment of the CES. Chaired by secretary of labor Frances Perkins, the CES consisted of four cabinet members and the federal emergency relief administrator, Harry Hopkins.\(^6\) That same day, Roosevelt told Hopkins to make a trip to Europe as soon as possible to study the social insurance schemes of England, Germany, Austria, and Italy. As Roosevelt added, “in view of the steady grind you have had, I think that the sea trip will do you a lot of good.”\(^7\) To what extent Hopkins used Falk’s memorandum remains unclear, though timing suggests that there must have been some influence. Hopkins made his request on May 16, three weeks before Roosevelt’s message to Congress. A week after the message, Falk sent the memorandum to Hopkins, less than two weeks before the establishment of the CES. In addition, the content of the memorandum closely corresponds with the early working papers of the CES staff.\(^8\) However, CES executive director

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7 Roosevelt to Hopkins, 29 June 1934, Hopkins Papers, box 96, FDR Library.
8 As Falk wrote in the accompanying letter to the director of the FDR Library when sending the library a copy of the memorandum, 27 February 1977: “I have no
Edwin Witte never mentioned the memorandum, not even in his classic *The Development of the Social Security Act*. As Falk explains: “This is something you won’t find in Ed Witte’s book because he didn’t know about it.”

**THE COMMITTEE ON ECONOMIC SECURITY**

The task of creating the CES structure and selecting personnel to conduct the studies was given to Arthur Altmeyer, assistant secretary of labor and head of the CES technical board. Altmeyer was a Wisconsin man and a strong believer in the Wisconsin Idea. Back in 1919, he had written the study “The Health Insurance Movement in the United States” together with John R. Commons. Over the years, he had become more focused on labor policy, particularly unemployment insurance. He was known to be a man “not given greatly to humor,” though he was, in the words of social security expert Eveline Burns: “an attractive male, but we’re talking social security.” More important, secretary of labor Frances Perkins had a strong faith in Altmeyer and trusted his decisions almost unconditionally.

According to Falk, Altmeyer went to visit Sydenstricker in the hospital to see if he would be interested in the position of CES executive director. Sydenstricker declined the offer. With his failing health he could not take up such a great responsibility, but he did agree to lead the studies on national health insurance. At a staff meeting of the Milbank Fund, John Kingsbury explained that Frances Perkins did not want Sydenstricker as executive director, because with him as “the spear head of the whole works” health insurance would become top priority, while she favored unemployment insurance. Harry Hopkins had already left for Europe, but if he had not,
Kingsbury concluded, "Mr. Sydenstricker would have been selected." Altmeyer remembered it quite differently. Even though Harry Hopkins had suggested Sydenstricker as candidate, he was soon to agree with Altmeyer that Edwin Witte was the best man for the job. Like Altmeyer, Witte was a pragmatic idealist. His background as the legislative librarian of Wisconsin, his contribution to the drafting of state labor policy, and his encyclopedic knowledge of social economics, made him the ideal executive director who could "do a very rapid research, taking advantage of existing materials and existing expertise, rather than engaging in a long drawn out research project following byways that a person of any academic or research nature usually is prone to do."  

Edwin Witte was, in the words of his colleagues, "a kind of dumpy man really," though "under a surface of rather ponderous form, he was very sophisticated and a witty and agile person." He did not believe in impracticable ideas, but wanted immediate solutions which could be enacted into law. As executive director, Witte officially had no great political power, but together with Perkins and Altmeyer he formed a powerful force within the CES. He decided which topics would be discussed first. He designed the agenda. Throughout the period when the Social Security Act was being developed, the Perkins-Altmeyer-Witte triangle was very influential in the shaping of policy recommendations to President Roosevelt. As Witte's biographer Theron Schlabach explains: "Witte's position [as CES executive director] cast him as something of a broker between the various formal, informal, and conflicting groups, so that he felt deeply the tensions of personalities and ideas that no organization could have fully avoided. But he also had the satisfaction of being more than a mere technician or executive, for he helped chart the actual policy decisions."  

During August and September 1934, Sydenstricker and Falk worked for the CES as staff members heading the studies on "risks to economic security arising out of ill health." However, when protests from the medical profession started to reach the Milbank office, the Fund's president Albert Milbank decided that the connection with Washington needed to be dissolved. The

13 "Minutes of a Stated Meeting of the Board of Directors of the Milbank Memorial Fund," 26 October 1934, Kingsbury Papers, box 42, Library of Congress.

14 Interview with Falk, 28 July 1965, 88; Interview with Arthur J. Altmeyer by Peter A. Corning, 3 September 1965, Columbia University Oral History Collection (microfilm edition, Roosevelt Study Center), 3-4.

15 Interview with Eveline M. Burns by Peter A. Corning, 10 February 1965, Columbia University Oral History Collection (microfilm edition, Roosevelt Study Center), 31; Interview with Falk, 28 July 1965, 88.

16 Theron F. Schlabach, Edwin E. Witte: Cautious Reformer (Madison: State Historical Society of Wisconsin, 1969), 102-103. Schlabach quotes Wilbur Cohen as stating that if Perkins, Altmeyer, and Witte were in agreement, a decision was "ninety-eight percent won."
financial situation of the Milbank Fund depended for a large extent on the funding from the Border Milk Company, manufacturer of substitute mother’s milk. The Border Company could be an easy target for a boycott by the medical profession. Sydenstricker and Falk had already drafted their resignation letter to Witte, but the CES did not want to see them go. After some consideration, Albert Milbank agreed to loan the two researchers to Washington, yet only on two conditions: Sydenstricker and Falk would not be on the federal payroll and the CES would down-play the connection with the Milbank Fund by merely referring to Sydenstricker as Chief Statistician of the Public Health Service (PHS). Witte reluctantly accepted. This arrangement placed Sydenstricker and Falk in a separate position, almost as an isolated entity, to the other experts of the CES. They were even physically separated, as they continued to work in their New York office, only coming down to Washington for staff meetings and to present their work.

Without overemphasizing the differences between the “schools” of New York and Wisconsin, it is fair to say that Sydenstricker and Falk represented a different intellectual and ideological voice within the CES. Even though they saw themselves as objective and scientific, Sydenstricker and Falk were ideologues who genuinely believed in the righteousness of their objective. Altmeyer and Witte, products of Wisconsin state government, were more pragmatic. While the first two tried to achieve what was best, the latter limited themselves to what was possible. As a result, Altmeyer and Witte placed a stronger emphasis on unemployment insurance and old-age pensions as solutions to the problem of economic insecurity. However, the preference of Altmeyer and Witte could not temper the drive of Sydenstricker and Falk. As CES counsel Thomas E. Eliot, drafter of the economic security bill, remembered, “the staff’s strongest unit was the small group developing recommendations for health insurance.”

THE CES POSITION ON NATIONAL HEALTH INSURANCE

From the start, the CES showed a duality toward national health insurance. In his message to Congress of June 8, 1934, President Roosevelt had clearly spelled out what he considered of highest priority: “Hence, I am looking for a

17 Falk to Sydenstricker, 2 October 1934, Falk Papers, box 42, folder 220, Yale Library. Includes draft of the letter of resignation from the Committee on Economic Security.
18 Sydenstricker to Falk, 3 October 1934, Falk Papers, box 42, folder 202, Yale Library; Witte to Sydenstricker, 6 October 1934, Records of the CES, box 16, National Archives; CES, “Information Primer: The Committee on Economic Security,” Records of the CES, box 1, National Archives.
sound means which I can recommend to provide at once security against several of the great disturbing factors of life – especially those which relate to unemployment and old age."20 Nevertheless, the very presence of Sydenstricker and Falk led the AMA to assume that the CES would recommend national health insurance. In the Journal of the American Medical Association, editor Morris Fishbein denounced Sydenstricker as “completely antagonistic to the medical point of view.” Fishbein concluded that the medical profession would not consider itself to be “adequately represented” in the CES studies “if Mr. Sydenstricker is the only authority on what constitutes proper arrangements for medical care.”21

In actual fact, the CES cabinet members were far from unified on the issue. As Sydenstricker soon found out, “Perkins favors unemployment insurance first, Hopkins favors health insurance first, [and] both [Henry] Wallace and [Henry] Morgenthau fear any program that will hurt or scare or alienate business.”22 A majority of the CES was reluctant to include national health insurance, which was a sign for Witte to be cautious. Witte himself had seen signs that perhaps “the time is ripe for the passage of health insurance legislation in this country,” but he was far from being convinced.23 Since Witte was so hesitant, Sydenstricker realized he needed to circumvent Witte if he wanted his drive for health insurance to be successful. Therefore, he approached surgeon general Thomas Parran to ask him if he would talk to Roosevelt in favor of health insurance. Sydenstricker also told Falk he would try “to hold Witte away” from Ross McIntire, Roosevelt’s personal physician. “The most important thing now of course is to get health insurance – or medical care – or surgical care and health – into the President’s program.”24

Little is known about Roosevelt’s personal views on the issue of national health insurance. What is known is based either on his public statements (mostly written by others but revised by himself) or on hearsay. Roosevelt hardly discussed the topic directly with the policymakers involved, such as Sydenstricker and Falk, but used mediators, including Ross McIntire, Thomas Parran, and Harry Hopkins. Also, rumor had it that Roosevelt’s actions were

20 Roosevelt, “Message to the Congress,” 8 June 1934, Public Papers, 291, emphasis mine.
22 Sydenstricker to Falk, 3 October 1934, Falk Papers, box 42, folder 220, Yale Library.
24 Sydenstricker to Falk, 20 September 1934; Sydenstricker to Falk (by phone), 21 September 1934; Sydenstricker to Falk, 25 September 1934, Falk Papers, box 42, folder 220, Yale Library. In the secondary literature, Roosevelt’s personal physician Ross McIntire is sometimes (incorrectly) referred to as McIntyre. This can lead to confusion as Marvin McIntyre was Roosevelt’s personal secretary.
strongly influenced by his friend Harvey Cushing, a highly respected brain surgeon whose daughter Betsey was married to Roosevelt's son James. Other sources have suggested that Roosevelt was either "cold about health insurance," or favored such a program but recognized the political obstacles.  

When, in Witte's words, "telegraphic protests poured in upon the President" (most of them sent by the state medical societies), the already weak position of national health insurance was further undermined. Prompted by a *New York Times* article which had incorrectly stated that Sydenstricker and Falk headed the committee on health insurance, state medical societies started a write-in campaign to protest against Sydenstricker and Falk who were "Doctors of Philosophy, and not MD's," representing "biased and colored and perverted" opinions. Only Witte seemed to be taken aback by the telegrams. "I would not be very much worried about these protests," Sydenstricker told Witte, "unless you feel that Falk and I are the wrong people to head this study. If they are protesting against us, that becomes a question for you and the Committee to consider." As long as the medical profession was merely objecting to national health insurance in principle, Witte had "nothing to be seriously worried about." Sydenstricker did have the CES technical board on his side. At a meeting in September, the board decided that a health insurance program was "equally important ... and equally feasible at this time" and "should not be regarded as being a third or fourth item in a general program for economic security." 

To counter the opposition of the medical profession, Sydenstricker suggested the creation of the Medical Advisory Board, in which the views of the doctors could be represented. Once the president had invited a couple of physicians to join the board, opposition could be expected to cease. Sydenstricker wanted the medical profession to know that it had been his suggestion to create the Medical Advisory Board. In this manner, the hostile attitude that the medical profession had shown toward him personally could be softened, as it would suggest that he sincerely wanted the physicians' cooperation. Sydenstricker proudly told Falk that it had become generally known who had suggested the creation of the Medical Advisory Board. "Even

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25 Michael M. Davis to Odin W. Anderson, 30 April 1958, Falk Papers, box 1, folder 23, Yale Library.
26 *New York Times*, 13 October 1934; Robert Emmet Walsh to Frances Perkins (open letter), copy enclosed in Sydenstricker to Witte, 5 November 1934; Dr. Benjamin Bernstein to Witte, 13 October 1934, Records of the CES, box 2, National Archives.
27 Sydenstricker to Witte, 24 October 1934, Records of the CES, box 16, National Archives.
the Surgeon General is spreading the news! I understand he laid it thick on Dr. Fishbein recently.”

But Edwin Witte remained worried. Strong opposition to national health insurance could trigger opposition to the entire Social Security Act. Moreover, Witte feared that “the President would feel disgusted with the whole matter,” and abandon social security altogether. But, as he was told by Ross McIntire, “the President knew that the American Medical Association would stir up opposition and ... there is no way of appeasing that crowd.” In other words, unlike Witte, Roosevelt was neither surprised nor intimidated by the strong opposition. Once the members of the Medical Advisory Board had been selected, Perkins finally released a statement to the press in which she corrected the New York Times article by stating that Sydenstricker and Falk merely headed the study of health insurance. Moreover, she pacified the medical profession by promising that the CES would also consult with the AMA Bureau of Medical Economics and any other professional association that needed to be heard.

By this time, Witte seemed to be convinced that, despite the “considerable ferment among the doctors,” the AMA was willing to cooperate. The creation of the Medical Advisory Board had eased the tension between the AMA and the Roosevelt administration, enabling, as Witte believed, the “growing minority” of those physicians favoring health insurance to “make its voice heard.” Witte finally gave in and told Perkins, less than three weeks before the Conference on Economic Security, “I certainly believe that we cannot dismiss health insurance at this time without being entirely satisfied that it cannot be put into operation on a compulsory basis in the near future.”

THE NATIONAL CONFERENCE ON ECONOMIC SECURITY

At the National Conference on Economic Security held in Washington, DC, in November 1934, an entire Round Table Session was devoted to national health insurance. “My idea is not to have a debate,” as Sydenstricker told Witte, “but a

29 Sydenstricker to Falk, 3 October 1934, Falk Papers, box 42, folder 202, Yale Library.
30 Witte to Sydenstricker, 24 October 1934, Records of the CES, box 16, National Archives.
33 Witte to Perkins, 26 October 1934, as quoted in Daniel S. Hirshfield, The Lost Reform: The Campaign for Compulsory Health Insurance in the United States from 1932 to 1943 (Cambridge, Massachusetts: Harvard University Press, 1970), 47. I have not been able to locate this letter in the Records of the CES.
quiet, friendly discussion of the cardinal points involved." The discussion needed to be balanced to avoid the impression that the Round Table on Medical Care was "hand-picked" in favor of health insurance. The task to find physicians in favor of health insurance proved to be difficult, as not many had publicly given their support, while the opponents were extremely vocal. Michael M. Davis was sure to be in favor, as he worked closely with Falk on the writing of the CES report. At the last moment, the name of Dr. Henry A. Luce was included, as Sydenstricker and Falk believed that he would be at least favorable to the principle of social insurance.

By stating in his opening speech "Whether we come to this form of insurance soon or later on," Roosevelt promised reformers that national health insurance would someday be enacted, but at the same time reassured opponents by suggesting that no drastic action would be taken. "We cannot work miracles or solve all our problems at once. What we can do is to lay a sound foundation on which we can build a structure to give a greater measure of safety and happiness to the individual than any we have ever known." Witte had suggested to include a statement that Roosevelt would only recommend legislation which would "preserve the independence of the physician," but Roosevelt merely expressed his appreciation of the accomplishment of the medical profession and stated that the system he envisioned would "enhance and not hinder" the "remarkable progress" of medicine. Roosevelt added that he did not know "whether this is the time" for extensive federal legislation, either for national health insurance or for old-age insurance. "ROOSEVELT BARS PLANS NOW FOR BROAD SOCIAL PROGRAM; SEEKS JOB INSURANCE ONLY" ran the New York Times on its front page. Ambiguity dominated Roosevelt's message, prompting one Washington columnist to question "The Mystery of the President’s Speech, or Does the English Language Mean Anything?"

The afternoon session of the Round Table Conference on Medical Care was opened by Dr. Livingstone Farrand, president of Cornell University and director of several international health surveys. Farrand addressed the "certain phases of this problem of sickness to which we all agree," referring to the

34 Sydenstricker to Witte, 5 November 1934, Records of the CES, box 2, National Archives.
35 Witte to Sydenstricker, 23 October 1934; Sydenstricker to Witte, 30 October 1934, Records of the CES, box 16, National Archives.
problem that “a very large portion of the population of the United States does not receive adequate medical care.” Even though Farrand assumed that his observation was “perfectly obvious,” the Round Table Conference proved him wrong. Three of the four papers presented questioned the existence of “the problem of medical care,” and definitely doubted the need for the federal government, or anyone else outside of the medical profession, to discuss the issue, let alone to define it as a problem.\(^{39}\)

To the surprise of Sydenstricker and Falk, Dr. Henry Luce did not come out in favor of national health insurance, but in fact literally quoted the official standpoint of the AMA, claiming that medical care should be controlled by the medical profession alone. The next two speakers, Dr. Nathan Van Etten and Dr. George Follansbee, emphasized Luce’s point that the doctor-patient was sacred and that no outside interference could be tolerated. “The War to make the world safe for democracy failed. Democracy is on trial. Dictatorships of various colors are now dominant,” as Van Etten exclaimed. “America must step carefully to avoid ‘isms’ that are keeping European nations in constant fear of explosion. Regimetation is the parent of ‘isms.’ A threat of bureaucratic domination must be opposed. Self-respect must be preserved by maintenance of quality or services regardless of material awards.” Also Follansbee, chairman of the AMA’s judicial council, recognized that many Americans did not receive the medical care they needed, but, as he claimed, “they do not want it.” National health insurance, or in fact any other form of governmental intervention, was unwanted, as “our health is our private concern, just the same as our politics, our religion, our property, our morals, and our habits are.”\(^{40}\)

The only speaker in favor of national health insurance, Michael M. Davis, could not balance the discussion, which had become a forum of opposition. Davis, director of the Julius Rosenwald Fund, was after all a well-known advocate of national health insurance and was working closely together with Falk in the drafting of the CES health insurance plan. Harvey Cushing started the round of remarks by stating that he was “very disturbed” about the fact that Livingstone Farrand and Michael M. Davis had preceded him in the conference, as they “have been engaged in discussing this subject for many years ... [and] of course have the matter very glibly on their tongues.” Cushing implicitly accused the lay reformers of propaganda, which was confirmed by his remark “figures don’t lie, but liars still figure,” suggesting that the amount

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40 “Proceedings ... The Round Table Conference on Medical Care,” 14 November 1934, Records of the CES, box 4, National Archives.
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of data Michael Davis had presented was misused to promote a national health insurance program.\footnote{Proceedings ... The Round Table Conference on Medical Care,” 14 November 1934, Records of the CES, box 4, National Archives.}

At the Round Table Conference, the issue of group practice – which had dominated the discussions surrounding the CCMC report – seemed to have disappeared. This time, the discussion solely considered the desirability of national health insurance, highlighting the conflict between the lay reformers and the medical profession. The words of reformer Homer Folks in favor of national health insurance enhanced this impression: while the practicing physicians denied the existence of inadequate medical care and opposed any measure which would intervene in their work, the social workers and academics claimed that the figures did not lie and that a solution to the problem of inadequate access to medical care was desperately needed. The polarization within the medical profession reappeared, however, with a statement by Dr. Stuart Roberts, who bitterly criticized the obstinate position of the AMA. When in 1932 he had signed the CCMC majority report, Roberts had been, as he claimed, condemned by the editorials in the Journal of the American Medical Association. The medical profession’s obstruction had to stop, Roberts argued: “Now this American Medical Association, we doctors of America, are on trial in this room this afternoon. If we obstruct and reason and dally, we are going to receive the contempt of the American people, and we will rightly deserve it.”\footnote{Proceedings ... The Round Table Conference on Medical Care,” 14 November 1934, Records of the CES, box 4, National Archives.}

During the course of the conference, Edwin Witte and Frances Perkins decided that, even though there had been developments which may have suggested that health insurance could be politically feasible, it had become clear that it was “unlikely (and probably unwise)” to enact health insurance without the support of the medical profession. In her speech at dinner that evening, Perkins granted the Medical Advisory Board an extension of time.\footnote{Witte, “Suggestions for a long-time and an immediate program for economic security,” 15 November 1934, Records of the CES, box 4, National Archives; “Address of Miss Frances Perkins, Secretary of Labor, before the national Conference on Economic Security: The Task That Lies Ahead,” 14 November 1934, Records of the CES, box 3, National Archives.} This meant that health insurance would not be included in the economic security bill of January 1935. By postponing the deadline, one controversial element of the recommendations was moved forward to further discussion. After the extension of time had been giving, the AMA leadership admitted to Witte that they had pressured Dr. Henry Luce to change his position on health insurance. Edwin Witte and AMA president Bierring came to a gentlemen’s agreement. The AMA would keep a low profile on the issue of health insurance.
(which predominantly meant curbing the activities of editor Morris Fishbein), as long as Witte would do all he could "to get the Milbank people to soft-pedal their propaganda." 44 Witte’s acceptance of the gentlemen’s agreement did not only strengthen Sydenstricker’s belief that Witte was giving in to the pressure of the medical profession, but also his suspicion that Witte himself did not favor national health insurance.

The cooperation of the medical profession pleased Edwin Witte, who announced that “the American Medical Association, which has been attacking the Committee, apparently has changed its attitude and is now working with us.” 45 At the first informal meeting of the Medical Advisory Board after the conference, the AMA leaders accepted Edgar Sydenstricker’s moderate recommendations, which merely stated that the problem of inadequate medical care needed to be studied. However, the medical profession’s cooperation had slowed down the process and isolated national health insurance from the other social security programs studied by the CES. The deadline for the final conclusions on the study of medical care was moved up to March 1, 1935. Even though Witte was pleased with the AMA’s cooperation, he realized that the AMA was not intent to change its official position on national health insurance. As he wrote to CES cabinet member Henry Morgenthau: “I believe that the American Medical Association will now ‘lay off’ in its attacks on this committee. By this I do not mean that the officials will change their position on health insurance, but I believe that there will be no more complaints that our Committee is unfair.” 46

THE DECISION TO POSTPONE NATIONAL HEALTH INSURANCE

Both Arthur Altmeyer and Edwin Witte would later claim that it had been their original belief that national health insurance would not be immediately included in the Social Security Act. 47 But the decision to postpone national health insurance was not made until the Conference on Economic Security, after Roosevelt’s ambiguous opening speech and after a disappointing first meeting of the Medical Advisory Board. Frances Perkins and Edwin Witte’s decision to postpone national health insurance meant that the health segment of the economic security bill would be limited to the extension of medical care

44 Harvey Cushing to Witte, 26 November 1934, Records of the CES, box 2, National Archives.
45 Edwin E. Witte, “Report by the Executive Director on the progress of the work of the Committee on Economic Security,” 24 November 1934, Records of the CES, box 5, National Archives.
46 Witte to Henry Morgenthau Jr., 20 November 1934, Working Papers of the CES, box 1, National Archives.
in the form of grants to the states for public health services, maternal and infant care, and vocational rehabilitation.

According to historian Daniel Hirshfield, Sydenstricker subsequently made a personal appeal to Roosevelt for support, sometime in December 1934. Since Witte had been the one to conclude that national health insurance would not be politically feasible, Sydenstricker needed to circumvent him and go straight to the president. More likely than a personal appeal, however, is that Sydenstricker and Falk had an informal meeting with Ross McIntire and admiral Cary Grayson. During this meeting, held at the Cosmos Club with Witte also present, Sydenstricker complained that too little attention was given to the national health insurance segment of the CES studies. Press releases and articles in the New York Times initiated by the administration were predominantly focused on unemployment insurance and old age pensions. As Sydenstricker wondered, “Why is it not equally possible to have some release on our own program also?” More public acknowledgment would make the administration stronger in its dealing with the medical profession and it would clearly show that the CES had not yet given up on the issue.

Sydenstricker’s strategy apparently worked as the December issue of Paul Kellogg’s Survey Graphic included articles by Edgar Sydenstricker and Frances Perkins on the inadequacy of medical care, suggesting that national health insurance could provide a solution. In addition, Michael M. Davis, Sydenstricker, and Falk appeared in the radio program “Doctors, Dollars, and Disease.” This revived public action on behalf of national health insurance endangered the gentlemen’s agreement between the AMA and the CES. As AMA secretary Olin West wrote to Witte, “It would hardly seem reasonable to expect those who believe that the best interests of medicine and the best interests of the public will not be served through the adoption of sickness insurance legislation to remain mute in the existing situation.” Even though Witte was able to restore the peace, it was clear that the gentlemen’s agreement was not a very solid one.

In the meantime, the conflict between the AMA and the CES (or better, the Milbank Memorial Fund) turned to a more personal level. Apparently, AMA leaders had spread the rumor that Sydenstricker had been fired, Falk was about to follow suit, while John Kingsbury had been forced to retire. According to Kingsbury, the rumors started with the doctors of the AMA: “Mr. Elwood

48 Hirshfield, The Lost Reform, 53, 66-67. Hirshfield bases this information on personal conversations with Altmeyer and Fishbein. I have not been able to find any written evidence of Sydenstricker’s personal appeal to Roosevelt, nor is it mentioned in any of the relevant oral histories.

49 Sydenstricker to Witte, 7 December 1934, Records of the CES, box 16, National Archives.

50 Olin West to Witte, 18 December 1934, Records of the CES, box 40, National Archives.
quoted Dr. Bierring as saying that Dr. Miller said Mr. Kingsbury is going to spend sometime abroad. Falk and Sydenstricker are going to leave the Fund. Mr. Milbank told Dr. Miller that the health insurance program was going to be dropped and the Fund was going to transfer its interest to the field of medical research.\textsuperscript{51} Sydenstricker took the whole issue lightly, but Kingsbury was certain that the doctors were on a personal crusade to undermine the work of the Milbank Fund. “I cast my eyes about the table and let them rest on Dr. [James Alexander] Miller. His face was certainly in a cloud and he remarked in a voice which Sydenstricker and Falk could not hear at the other end of the table, \textit{I never heard it}. I felt like saying, \textit{You did not hear it, but you started it}.\textsuperscript{52} As long as the rumors were limited to the Milbank Fund, the Roosevelt administration was not alarmed. This changed, however, when Morris Fishbein, at a meeting of the Harlem Medical Association, suggested that Roosevelt’s “socialized medicine” schemes were based on his wife “Eleanor advising the President in night conferences,” while he was being advised by Frances Perkins during the day. That following day, the \textit{New York Times} reported the incident. Harry Hopkins was not amused. “The man who made the remarks \ldots is accepted as [the AMA’s] spokesman. I understand that he has attacked the President privately in the same manner before.”\textsuperscript{53}

Back in New York, the technical board of the Milbank Fund was getting worried by all the commotion surrounding the study of national health insurance. Nevertheless, even though the position of Kingsbury was indeed weakening, the Milbank Fund continued to publicly support Sydenstricker and Falk. Speaking before a group of doctors in Indianapolis on January 27, 1935, Albert Milbank explained the relationship between the Milbank Memorial Fund and the medical profession. “The bogey of ‘State Medicine’ or ‘Socialized Medicine,’ which arises in the minds of many physicians when health insurance is mentioned, is due \ldots to a misunderstanding and misinterpretation of the proposals which have been advanced by the Fund’s staff.” Health insurance would not reorganize but merely finance medical care, as Milbank argued. “Indeed, so far as the doctor is concerned, health insurance is the antithesis of ‘State Medicine’ because it is a system of providing funds from which to remunerate the private practitioners.”\textsuperscript{54}

\textsuperscript{51} Kingsbury to “Miss Cates” (Falk’s secretary), 22 December 1934, Kingsbury Papers, box 41, Library of Congress, Manuscript Division.

\textsuperscript{52} Kingsbury to Kingsbury, “Development of the Fund’s Interest in Health Insurance and an Outline of Certain Happenings in Connection with the Medical Opposition II,” 29 April 1935, Kingsbury Papers, box 42, Library of Congress, Manuscript Division.


\textsuperscript{54} Albert G. Milbank, “The Relationship of the Milbank Memorial Fund to the Field of Health and the Medical Profession,” address presented at the Annual
THE ELEVEN GENERAL PRINCIPLES

Realizing that their health insurance plan would not be included in the economic security bill, Edgar Sydenstricker and I.S. Falk pushed for the inclusion of eleven general principles in the CES report to the president. These eleven principles described a federal-state program of compulsory health insurance which would be optional for the individual states and maintain the medical profession's autonomy. Sydenstricker feared that a total exclusion of national health insurance would imply that the issue was "a rather nebulous possibility in the future," or worse, totally "out of the picture." If the eleven principles were not included, Sydenstricker warned, "then Fishbein and his crowd will say that they were successful in scotching the President's interest in health insurance." 55

Even though President Roosevelt had not objected to the exclusion of national health insurance, he apparently agreed with Sydenstricker and Falk that the eleven general principles needed to be included. Roosevelt mentioned health insurance in his message on the economic security bill of January 17, 1935, but again his message to Congress was ambiguous: "I am not at this time recommending the adoption of so-called 'health insurance,' although groups representing the medical profession are cooperating with the Federal government in the further study of the subject and progress is being made." 56

The eleven principles were based on the three preliminary reports that had been prepared by Edgar Sydenstricker and I.S. Falk. 57 "Insurance against the costs of sickness is neither new or novel," as the CES Report to the President stated. The CES believed that a national health insurance program could only be successful when executed on a strong basis of "sound relations" between the insured population and the medical profession. Therefore, the study of the plan would be continued in cooperation with the Medical Advisory Board and two AMA compulsory health insurance experts, namely Dr. R.G. Leland and Dr. Algie M. Simons. "Until the results of these further studies are available, we

Conference of the County Medical Societies of Indiana in Indianapolis, 27 January 1935, Milbank Memorial Fund Records, box 25, folder 24, Yale Library.
55 Sydenstricker to Witte, 10 January 1935, Records of the CES, box 16, National Archives.
57 Sydenstricker and Falk, "Economic Insecurity Arising out of Ill Health" (preliminary draft), 12-15 September 1934, Records of the CES, box 2, National Archives; Sydenstricker and Falk, "Abstract of a Program for Social Insurance Against Illness" (preliminary draft), 15 November 1934; Sydenstricker and Falk, "Economic Insecurity Arising out of Ill Health" (preliminary draft), 4 December 1934, Records of the CES, box 5, National Archives.
cannot present a specific plan of health insurance. It seems desirable, however, to advise the professions concerned and the general public of the main lines along which the studies are proceeding.  

In the eleven principles, Sydenstricker and Falk avoided the use of controversial terminology, giving thereby suggesting that the principles were extremely moderate.

1. The fundamental goals of health insurance are: (a) the provision of adequate health and medical services to the insured population and their families; (b) the development of a system whereby people are enabled to budget the costs of wage loss and of medical costs; (c) the assurance of reasonably adequate remuneration to the medical practitioners and institutions; (d) the development under professional auspices of new incentives for improvement in the quality of medical services.

The studies of Sydenstricker and Falk were based on the belief that economic risks arising out of illness should be carried collectively, instead of individually. The individual risks could not be calculated, as sickness could hit anyone at any time in different degrees of seriousness. The collective risk, on the other hand, could be calculated, as statistics provided insight into the expected percentage of the population which would become ill, without recognizing the individual possible patient. To rest on a sound financial basis, health insurance needed to be compulsory, meaning that the population covered by the insurance program would be required to participate. The system would only be voluntary for the individual states which could decide whether or not to participate and which part of the population was to be covered. The scope of the insured population needed to be as broad as possible, and, unlike the European programs which were targeted at the (male) industrial worker, the family should be the primary unit. Sydenstricker and Falk, however, wisely deleted the term “compulsory” from the eleven general principles.

2. In the administration of the services the medical profession should be accorded responsibility for the control of professional personnel and procedures and for the maintenance and improvement of the quality of service; practitioners should have broad freedom to engage in insurance practice, to accept or reject patients, and to choose the procedure of remuneration for their services; insured persons should have freedom to choose their physicians and institutions; and the insurance plan shall recognize the continuance of the private practice of medicine and of the allied professions.

3. Health insurance should exclude commercial or other intermediary agents between the insured population and the professional agencies which serve them.

As Sydenstricker and Falk emphasized, national health insurance did not mean the socialization or regimentation of medicine. By guaranteeing the freedom of physicians to choose their own patients, and vice versa, the autonomy of the

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private practitioner was secured. More important, the exclusion of any (commercial) third party and the physicians' freedom to determine their own remuneration gave the impression that private practice was preferred to group practice. In the preliminary reports, however, Sydenstricker and Falk proposed three different methods of remuneration: a) salary based, b) fee-for-service, and c) capitation fee. Physicians supporting private practice would naturally choose fee-for-service. Even though Sydenstricker and Falk did not explicitly recommend any particular method, they clearly presented the system of capitation fee (paid per registered patient) as most efficient, thus a preference for group practice. Again, Sydenstricker and Falk wisely remained silent on such a controversial item in the eleven general principles.

4. The insurance benefits must be considered in two broad classes: (a) cash payments in partial replacement of wage-loss due to sickness and for maternity cases, and (b) health and medical services.

5. The administration of cash payments should be designed along the same general lines as for unemployment insurance and, so far as may be practical, should be linked with the administration of unemployment benefits.

A clear distinction was made between economic insecurity caused by wage-loss due to sickness and economic insecurity caused by the costs of medical care. Wage-loss could best be met by cash benefits, and, for the sake of efficiency, inclusion within a program of unemployment insurance was recommended. The provision of medical care, however, should also consist of actual medical services. Sydenstricker and Falk favored health insurance in form of service rather than paying cash with which the insured could purchase medical care. The preference enabled the policymakers to build upon already existing public health services without "socializing" medicine. The extended public health services could be made available in addition to the continuing private practice of medical care.

6. The administration of health and medical services should be designed on a State-wide basis, under a Federal law of permissive character. The administrative provisions should be adapted to agricultural and sparsely settled areas as well as to industrial sections, through the use of alternative procedures in raising the funds and furnishing the services.

Early on, Sydenstricker and Falk had decided that the proposed system of national health insurance should be administered by the individual states. Nation-wide administration would not only be too complicated, it would so also endanger the autonomy of the state legislative. In addition, a federal program could be considered to be unconstitutional by the Supreme Court. However, Sydenstricker and Falk suggested that the federal government should provide guidelines along which the states could develop systems of health insurance. Any plan for nationally initiated health insurance had to deal with the problem of the distinction between the industrial and agricultural states. In most European countries, national health insurance had been targeted at the industrial workers. If, in the United States, a system of health insurance was
restricted to merely wage-earners and contract-laborers, the system would attain a regional character, as it would exclude the (Southern) states which were mainly agricultural. Therefore, Sydenstricker and Falk suggested to leave the question of which portion of the population to be included up to the individual states to decide. However, they did recommend the inclusion of all lower-income and poor Americans.

7. The costs of cash payments to serve in partial replacement of wage loss are estimated as from 1 to 1 ¼ per cent of payroll.

8. The costs of health and medical services under health insurance, for the employed population with family earnings up to $3,000 a year, is not primarily a problem of finding new funds, but of budgeting present expenditures so that each family or worker carries an average risk rather than an uncertain risk. The population to be covered is accustomed to expend, on the average, about 4½ per cent of its income for medical care.

9. Existing health and medical services provided by public funds for certain diseases or for entire populations should be correlated with the services required under the contributory plan of health insurance.

10. Health and medical services for persons without income, now mainly provided by public fund, could be absorbed into a contributory insurance system through the payment of relief or other public agencies of adjusted contributions of these classes.

Again and again, Sydenstricker and Falk emphasized that the costs of the proposed national health insurance system would scarcely exceed the money already spent on medical care. It was mostly a question of redistributing costs, not of finding new funds. In their calculations, Sydenstricker and Falk had estimated that the more people included, the more efficient the system would be. On the basis of the entire population, they concluded that major extension of health insurance coverage could be obtained through only a minor increase of the average American family's annual spending on medical care.

11. The role of the Federal Government is conceived to be principally (a) to establish minimum standards for health insurance practice and (b) to provide subsidies, grants, or other financial aids or incentives to States which undertake the development of health insurance systems which meet the Federal standards.

One of the crucial questions was to which extent the federal government would or should participate in a system of national health insurance. The eleventh and final principle suggested that the role of the federal government would be moderate and limited. In their preliminarily reports, however, Sydenstricker and Falk presented a far more active role of the federal government. The "conditions which may be required" and "further suggestions" gave the federal government a powerful tool to influence state legislation. Only if a state could meet these "guidelines" it would be eligible for federal subsidies.

Even though these eleven principles were backed up by extensive studies, their inclusion in the CES final report did not cause much controversy in Congress. Most attention was given to those programs which were included in
the economic security bill. Only the medical profession took notice of the eleven principles, but merely saw them as a sign of victory. In the *Journal of the American Medical Association*, Morris Fishbein proudly announced that the AMA was the only non-governmental organization which was specifically mentioned by name in the CES report.\(^59\)

**SECOND ROUND WITH THE MEDICAL ADVISORY BOARD**

On January 29 and 30, 1935, the Medical Advisory Board met for a second time to discuss the plans as designed by Edgar Sydenstricker and I.S. Falk. Disagreement immediately arose about the purpose of the meeting. Harvey Cushing objected to the fact that the members were invited to discuss how a system of national health insurance would be operated, not if national health insurance was desirable in the first place. Chairman Sydenstricker made clear that President Roosevelt had asked them to discuss a possible plan for national health insurance, regardless whether or not it would ever be enacted. “As to the merits of health insurance, we could sit here and debate for months.”\(^60\)

Old arguments were repeated throughout the discussion. The majority of the physicians believed that the doctor-patient relationship needed to be protected, while the social scientists called for some form of health insurance. Dr. R.G. Leland and Dr. Algie M. Simons suggested a compromise which could enable a moderate start of health insurance, without a movement toward group practice. They proposed that “all arrangements or contracts for service shall be with individual physicians only.” This point was difficult to discuss, because there existed a false agreement: Sydenstricker and Falk had already reaffirmed the private practitioner’s autonomy in the eleven general principles. Leland and Simons, however, wanted to completely block out the possibility of group practice within a health insurance scheme: “If any groups or organized body of physicians or of physicians and lay managers or assistants is permitted as an organization to enter as a body into the administrative or financial set-up of the system, this will tend to create inequality and discrimination within the system.”\(^61\)

In a second proposal, Leland and Simons suggested the introduction of health insurance for so-called “catastrophic illness” only. When an extremely serious illness threatened the patient’s economic security, the health insurance scheme would provide relief. Even though Sydenstricker and Falk stated that

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such a program was not unsound in principle, they pointed out the difficulties of how to define a catastrophic illness. The physicians on the board, however, supported the Leland and Simons plan. As insurance for catastrophic illness would only be the last resort in extreme cases, it would not interfere with the organization of medical care. Sydenstricker embarrassed Dr. Simons by pointing out that the Leland/Simons plan was similar to the catastrophic health insurance plans of the Hitler administration in Nazi-Germany, which was not "a very high commendation." As Simons admitted, "I tell you it breaks my heart to have to agree with [Hitler], I will admit it, but it only indicates that he seems to be a fairly good politician and it evidently strikes him as the thing that will be popular."62

However, the most challenging of all alternative proposals to Sydenstricker and Falk's national health insurance plan was the "coordinated plan to achieve health security" introduced by surgeon general Thomas Parran. Instead of national health insurance, he suggested, the existing public health services could be expanded to provide medical care to the lower-income population. Measures for the extension of maternal and infant care had already been included in the economic security bill. To extend these measures even further would only be a little step. "If we were to propose medical care as an optional way of meeting this problem of medical care rather than health insurance, we would be obligated, it seems to me, to see that that extension goes far enough to give to the same low income groups a comparable security against the costs of sickness."63 The physicians on the Medical Advisory Board welcomed this proposal, as it could provide an acceptable alternative to national health insurance. Sydenstricker did not denounce Parran's plan, but stated that it should be considered as "complementary" instead of as an alternative. "It doesn't cover the thing as fully as health insurance does."64

Edwin Witte would later claim that, if a vote had been taken, the Medical Advisory Board probably would have voted in favor of national health insurance. However, according to Witte, a vote had not taken place because "those who were close to the inner circle of the American Medical Association" had obstructed the discussion.65 This conclusion is unlikely, as most of the members of the Medical Advisory Board preferred in fact Thomas Parran's plan of extending medical care over Sydenstricker and Falk's scheme of national health insurance. If the members had voted on any plan, Thomas Parran's plan probably would have been chosen as the most desirable scheme. With the exception of Dr. Stewart R. Roberts, all physicians on the Medical Board would eventually sign a "round robin" letter in which they recommended

65 Witte, The Development of the Social Security Act, 186.
that experiments with voluntary insurance needed to be done first, before a compulsory system of health insurance could be established. In the end, the second session with the Medical Advisory Board did not alter the content of Sydenstricker and Falk’s studies at all. As their preliminary report of March 1935 reads: “It is significant that the changes made as a result of these conferences did not require any important alteration in the general pattern of our proposed system of health insurance. We are therefore confident that the general pattern is sound.”

THE ALLEGED INFLUENCE OF HARVEY CUSHING

When in 1930, the president’s son James married the brain surgeon’s daughter Betsey, a warm friendship between their fathers began. Franklin Roosevelt and Harvey Cushing shared the same sense of humor which dominated their correspondence. Even though there was little room for politics in their relationship, Cushing did temper his initially hostile attitude toward the Medical Advisory Board after a luncheon with the president. Also, Cushing’s suggestion that an interdepartmental committee for health and welfare activities be created was welcomed by Roosevelt, who replied, “I’m glad that again your mind runs along with mine.”

Only twice did Cushing write Roosevelt on national health insurance. Commenting on his annual message to Congress of January 4, 1935, Cushing told Roosevelt, “I’m glad you did not stress immediate sickness insurance – though friend Witte seems to be doing so.” As far as Cushing was concerned, more time was needed to experiment on local level. Only then the cooperation of the medical profession could be secured. “This will be necessary to the success of any plan though public health officials backed by the Milbank Fund don’t seem quite to realize this.” In his reply to Cushing, Roosevelt ignored the subject of health insurance. While President Roosevelt seemed to ignore

69 Hirshfield, The Lost Reform, 50. Cushing to Roosevelt, 10 November 1934, Roosevelt to Cushing, 13 November 1934, Roosevelt to Perkins, 13 November 1934, OF 103, box 1, FDR Library.
70 Cushing to Roosevelt, 6 January 1935; Roosevelt to Cushing, 15 January 1935, PPF 1523, FDR Library.
Cushing's complaints, "friend" Edwin Witte was far more susceptible to Cushing's influence than Roosevelt was. After the second, once again disappointing, meeting of the Medical Advisory Board, Cushing sent two similar letters to express his grievances, one to Witte and one to President Roosevelt. As Cushing told Witte, "You are probably aware that the deliberations of the Medical Advisory Committee were controlled by a group of persons who have long been committed to a program of national health insurance." Cushing believed that Sydenstricker had not given serious attention to the proposal of Thomas Parran. As far as Cushing was concerned, the physicians on the board were "appointed merely to act as window-dressing," having been "manoeuvred" into endorsing Sydenstricker's prearranged program. Moreover, Cushing believed that his membership of the board placed him "in the false position before the medical profession of being an advocate of compulsory sickness insurance."  

Harvey Cushing's actions infuriated Sydenstricker. During the two-day meeting of the Medical Advisory Board, Cushing had been very cooperative. Complaining to Witte and Roosevelt afterwards was clearly an attempt to obstruct what little progress had been made. When Witte merely sent Cushing a polite reply, instead of a rebuttal, he seemed to have given in to the brain surgeon's pressures. Sydenstricker complained that now the AMA could misuse Witte's words at the upcoming special session of the AMA House of Delegates. Witte did not understand the harsh reaction of Sydenstricker and how his reply could "possibly give encouragement to the enemy." As he explained, "The only other reply that could possibly have been given to Dr. Cushing is virtually call him a liar." Sydenstricker was even more upset when Witte not only sent a friendly reply to Cushing, but also showed Cushing's letter to the cabinet members of the CES. At the meeting of the Cabinet Committee, Sydenstricker brought up the subject so that he could give his side of the story. "We have all seen it" was the only reaction of Frances Perkins, ignoring Sydenstricker's attempt to expose Cushing's misrepresentation. "I felt that I was rather left hanging out on a limb unless I could get the facts of the case stated before the Committee as well as before those who deliberately misinterpreted what happened." 

Roosevelt seemed far less impressed by Cushing's grievances than the CES cabinet members were. Even though he did agree with Cushing that Thomas Parran's proposal to expand "the existing machinery" of medical care was "worthwhile considering," Roosevelt did not go into the alleged
mistreatment of the physicians. Instead he wrote: “Bets was here the other evening – she is an understanding and very wise young lady.”

Perhaps he implied that Cushing should follow his daughter’s example and be wise enough to drop the subject. Whether true or not, Cushing never wrote Roosevelt on national health insurance again.

At the beginning of the Medical Advisory Board’s second meeting, Sydenstricker had reminded Cushing that “the job that the President and the Cabinet have given us” was “to find out under what conditions, if and when health insurance does come, it can best be worked out.” Yet, Sydenstricker and Falk seemed to forget just that. Roosevelt wanted them to design a possible plan which could be used in the future, not a blueprint for legislation to be enacted on short notice. National health insurance was merely one option to Roosevelt. The extension of medical care was another. No one seemed to doubt, including the physicians and lay reformers, that the subsidizing of medical research and facilities would lead to better medical care. Roosevelt’s willingness to consider other options cannot be ascribed to the influence of Harvey Cushing. However, Cushing is to some extent responsible for Witte’s growing fear that national health insurance would undermine the entire Social Security Act.

Historian Daniel Hirshfield has suggested that Cushing’s actions were motivated by his eagerness to become AMA president. This suggestion seems valid, as the meeting of the Medical Advisory Board was immediately followed by a special session of the AMA’s House of Delegates, only the second in its history, solely dedicated to the issue of health insurance. At the second day of the session, January 16, 1935, the AMA’s official position was announced: “The House of Delegates of the American Medical Association reaffirms its opposition to all forms of compulsory sickness insurance whether administered by the federal government, the governments of individual states, or by any individual industry, community or singular body.” Edmund Witte believed that the AMA’s cooperation in the Medical Advisory Board had merely been based on their attempt “to heal the split in the medical profession over this issue.” This suspicion was confirmed when AMA president Walter Bierring sent a letter to secretary of labor Frances Perkins (one day before the special session) in which he stated that: “I am more firmly convinced than ever that any plan

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74 Cushing to Roosevelt, 1 February 1935; Roosevelt to Cushing, 13 February 1935, PPF 1523, FDR Library.
76 Hirshfield, The Lost Reform, 50.
78 Witte, The Development of the Social Security Act, 181.
for the delivery of medical service under federal or state control is not advisable or adaptable for this country at this time."  

By then, the AMA's opposition to national health insurance had become even more fierce. In the *Journal of the American Medical Association*, national health insurance was presented as an un-American menace to the public health, undermining the traditional American values of individualism and self-reliance, resulting in "a different American from those who brought our nation to its present high place among civilized people." In the "Foreign Letters" column, AMA correspondents reported on the European experience with national health insurance, specifically on the programs in Great Britain, France, and Nazi-Germany. According to the London correspondent, the Britons lived under "complete medical Socialism." Even though the insured population seemed to be better off than before the introduction of national health insurance, the system led to an increase of sickness: "That there is a considerable waste of money because so many of the insured like to take medicine, for which they do not have to pay, seems beyond question." Similar stories appeared on the experiences in France and Nazi-Germany. The correspondent in Paris reported that the French social insurance law was not only unsuccessful, but also extremely unpopular among both the physicians and the population. In the same article, an anonymous German surgeon "of international reputation" was quoted: "Our country is like a huge hospital, a community of invalids, where every individual tries to grab as much as possible out of the big indemnity bag into which he pours his contributions." Overall, the European programs were perceived as methods of socialist parties and labor unions to take over the medical profession and even society as a whole, all at the expense of the population. As the *Journal* concluded, "Whence the money for the payment of medical benefit is to come, it can only be from the taxpayer, who in the view of this socialist body is a beast of burden that does not even deserve to be mentioned for the service to be put on him."

The AMA had established a special reference committee to study and propose policies concerning health insurance and state medicine. In its report, which was endorsed by the AMA House of Delegates, the reference committee recommended that the "local medical organizations ... establish plans for the provision of adequate medical service for all the people, adjusted to present economic conditions, by voluntary budgeting to meet the costs of illness." The

79 Bierring to Perkins, 14 February 1935, Records of the CES, box 40, National Archives.


committee was seemingly positive about the eleven general principles of Sydenstricker and Falk, but did state that “so many inconsistencies and incompatibilities are apparent in the report of the President’s Committee on Economic Security thus far presented that many more facts and details are necessary for a proper consideration.”

The reference committee recommended that the AMA Bureau of Medical Economics would continue its study of “model skeleton plans adapted to the needs of populations of various types.” Building on the AMA’s ten principles that had been adopted one year earlier, the AMA House of Delegates encouraged the experimentation by local medical societies in establishing possible systems of voluntary health insurance, as long as they would remain under complete control by the local medical profession. In its attempt to defeat national (thus compulsory) health insurance, the AMA gradually moved from opposing any form of health insurance to cautiously promoting voluntary health insurance. As historian Elton Rayack describes, “The metamorphosis from passionate enemy to reluctant lover had been completed with the threat of compulsory insurance functioning as the catalytic agent.”

The lay reformers saw the recent developments in a different light. As Michael M. Davis wrote to I.S. Falk, “How nice for the AMA to take the ball out of our hands, cover it with tar, and start it rolling ahead during the summer weather!”

**THE UNPUBLISHED REPORT**

By July 1935, the AMA had concluded that the CES report on national health insurance had not been written. But after several preliminary drafts, Sydenstricker and Falk finally submitted their final report to the CES staff. Moreover, a National Health Insurance bill based on their report was being drafted. Sydenstricker realized that getting the report out while the economic security bill was still pending might “gum the works a bit.” He expected, however, that the report would be published soon thereafter, which Altmeyer

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84 Davis to Falk, 10 May 1935, Falk Papers, box 8, folder 132, Yale Library.


86 Draft enclosed with Falk to Davis, 22 March 1935, Falk Papers, box 41, folder 192, Yale Library.
confirmed. As Sydenstricker wrote Falk: “The CES report to the President was signed by all members of the Committee and I understand has been submitted to the President. I gather that it will undoubtedly be published but the President, as yet, has not transmitted it to Congress. I imagine that he has stirred up so much racket over his so-called ‘soak the rich’ tax program, that he doesn’t want to put in any more proposals before Congress just now.” President Roosevelt had told Frances Perkins to file the report in favor of national health insurance, but to refrain from any action until he had decided what to do with it.

On August 14, 1935, President Roosevelt signed the Social Security Act, which included the establishment of the Social Security Board. After Altmeyer had been appointed to the board, he wrote Roosevelt’s secretary Stephen Early to question what needed to be done with the health insurance report. Although he did not underestimate the “dynamite” it contained, Altmeyer did believe that the report described a politically feasible national health plan.

As you know, some of the officials of the American Medical Association are bitterly opposed to what is commonly termed compulsory health insurance which usually includes both cash benefits and provision for medical costs. However, the Committee on Economic Security took all of this into account and believes that it has suggested a practical program which will go far toward meeting such opposition since it separates out cash disability benefits from systems for bearing the cost of medical care.

Early ordered his secretary Dorothy Jones to tell Altmeyer over the phone that it was an “old report – [and the president] hopes no publicity will be given it. Just forget about it.” On September 25, 1935, Frances Perkins told Altmeyer that the report should not be published at the time, as President Roosevelt wanted “no action in Congress next year.”

At the end of the year 1935, little had happened to the report. John Kingsbury openly criticized the AMA for obstructing the Social Security Act, which had resulted in the exclusion of national health insurance. Morris Fishbein replied harshly, “Mr. Kingsbury talks like a disappointed man who lost his job.” Altmeyer immediately replied by assuring that health insurance was not out of the picture, but refused to comment on Kingsbury’s charge that

87 Sydenstricker to Witte, 14 May 1935, Records of the CES, box 16, National Archives; Sydenstricker to Falk, 23 July 1935, Falk Papers, box 39, folder 133, Yale Library.
89 Hirshfield, The Lost Reform, 59; Witte, The Development of the Social Security Act, 188.
90 Arthur Altmeyer to Stephen Early, 29 August 1935; d.j. [Dorothy Jones] to file, 31 August 1935, OF 1086, FDR Library.
91 Altmeyer to Wilbur Cohen, 29 October 1960, Cohen Papers, box 6, folder 4, State Historical Society of Wisconsin.
the medical profession had killed health insurance. The report itself was never published. On January 14, 1936, Roosevelt forwarded it to the Social Security Board for further study.

By then, President Roosevelt seemed to have come to the conclusion that extending the supply of medical care was preferable over guaranteeing access to medical care. At the dedication of the Medical Center in Jersey City, partially financed by the federal government, Roosevelt proclaimed that "we must do more, much more, to help the small-income families in time of sickness." National health insurance, however, would not be the way to achieve that goal. Speaking before an audience consisting almost entirely of medical professionals, Roosevelt concluded: "The overwhelming majority of the doctors of the Nation want medicine kept out of politics. On occasions in the past attempts have been made to put medicine into politics. Such attempts have always failed and always will fail." Either Roosevelt wanted to please his audience on this special occasion, or he had indeed concluded that extending the supply of medical care meant keeping medicine out of politics.

**HOW DECISIVE WAS THE OPPOSITION OF THE MEDICAL PROFESSION?**

In later years, Edwin Witte would claim again and again that it had been his "original belief" that health insurance was not politically feasible, mainly due to the opposition of the medical profession. This vision became authorized when Frances Perkins wrote in the introduction to Witte's *The Development of the Social Security Act*: "For the sake of passing the Social Security bill, we postponed the introduction of the bill on health insurance as the opposition was so great from the American Medical Association (principally) that it would have killed the whole Social Security Act if it had been pressed at that time."


93 Roosevelt to John G. Winant, 14 January 1936, Altmeyer Papers, box 2, State Historical Society of Wisconsin. Although there is no copy of the final unpublished report in the Records of the CES, copies can be found at the office of the historian of the Social Security Administration, Altmeyer building, Baltimore, Maryland. Additional copies can be found in the Altmeyer Papers, box 2, and the Witte Papers, box 67, State Historical Society of Wisconsin. A "Summary of Major Recommendations on Health Insurance from the Committee on Economic Security to the President" was included in Witte, *The Development of the Social Security Act*, 207-210.


95 Edwin E. Witte, "Compulsory Health Insurance" (1937) in Robert J. Lampman (editor), *Social Security Perspectives: Essays by Edwin E. Witte* (Madison:
However, only Witte, and to a lesser extent Perkins and Arthur Altmeyer, was genuinely taken aback by the opposition of the medical profession. Through their work at the Milbank Fund, Edgar Sydenstricker and I.S. Falk were already accustomed to the medical profession’s attitude. Also Harry Hopkins and President Roosevelt himself had anticipated opposition from the AMA.

As Sydenstricker told Witte, “Of course, the whole trouble is that we are paying entirely too much attention to this group of reactionary physicians who are in control of the American Medical Association.” He was right to point out that the strong opposition to health insurance was limited to a small group of people, even if the majority of physicians was not in favor of health insurance. “I believe that if the Committee on Economic Security took a strong unequivocal stand on health insurance in transmitting the draft report to the President, and if the President would come out in favor of it, although not now proposing legislation, the President would not be put in the embarrassing position of having been licked by a group of doctors.”

Social security expert Wilbur Cohen would later confirm the belief that if in 1935 Roosevelt had wanted to include national health insurance in the Social Security Act, he “could have made a few fireside chats and he could have carried it along.” The AMA leaders were “playing with fire,” as even Witte had to admit: “If they keep on cutting corners they run the risk that the President may tell the American people what he thinks of them.” However, President Roosevelt had more to consider than the opposition of the medical profession alone. Opposition to the New Deal was growing in Congress. In the summer of 1935, Roosevelt told his Hyde Park neighbor Gerald Morgan that he doubted if national health insurance would come up in the next session of Congress: “The latter is exhausted by my suggestions!”

According to historian Daniel Hirshfield, national health insurance failed in the 1930s because of the inability of the Roosevelt administration to achieve public support. “The immediate cause [why national health insurance failed] was the superiority of the political tactics and strategy of the anti-insurance forces. The more fundamental cause was the lack of any broadly based public

University of Wisconsin Press, 1962), 316-317; Witte, The Development of the Social Security Act, 174; Perkins, forward to Witte’s The Development of the Social Security Act, viii.

96 Sydenstricker to Witte, 21 February 1935, Records of the CES, box 16, National Archives.
97 Interview with Wilbur Cohen by Peter A. Corning, 19 August 1966, Columbia University Oral History Collection (microfiche edition, Roosevelt Study Center), 55.
98 Witte to James D. Bruce, 21 December 1934, Records of the CES, box 2, National Archives.
99 Gerald Morgan to Roosevelt, 21 July 1935; Roosevelt to Morgan, 26 July 1935, PPF 277, FDR Library.
feeling that medical care needed a reform as drastic as compulsory health insurance seemed to be.\textsuperscript{100} Undoubtedly, national health insurance would have been more politically feasible if it had been supported by a broad popular movement, as was the case with old-age assistance. "We have to have it," Perkins remembered Roosevelt saying, "The Congress can't stand the pressure of the Townsend Plan unless we have a real old-age insurance system."\textsuperscript{101} Even though national health insurance lacked active popular support, polls showed that the public in principle favored such a program. The assumption that a dominant public philosophy of individualism and self-reliance made enactment of national health insurance impossible cannot be sustained. The same argument could be made for the programs of the Social Security Act which were enacted. Moreover, the Social Security Act also included programs which were not supported by a broad public movement, such as the vocational rehabilitation program.

More important was the lack of support from public interest groups such as labor unions and business. Only a few notable public figures clearly expressed their hope that Roosevelt would enact a form of national health insurance, but these individuals were exceptions.\textsuperscript{102} Those public figures who, in March 1935, were sent a draft copy of the health insurance report, showed a polite interest, but all concluded that the time had not yet come for such a far-reaching program.\textsuperscript{103} Whether or not, as historian Alan Derickson has said of the American Federation of Labor (AFL), the Social Security Act "immediately fostered a desire to add insurance protection for those unable to pay for health care," national health insurance was never labor's top priority. Even AFL president William Green, known to be in favor, considered unemployment

\textsuperscript{100} Hirshfield, The Lost Reform, 61. Paul Starr points out the flaws in this interpretation. Starr, The Social Transformation of American Medicine, 278-279.

\textsuperscript{101} Frances Perkins, The Roosevelt I Knew (New York: Viking Press, 1946), 294. The issue of old-age assistance was pushed by a populist movement, initiated by Dr. Frances Townsend of California, who claimed to have more than a million followers. If enacted, the Townsend Plan would have guaranteed a monthly income of $200 (an enormous amount in 1930s money) provided by the government to all Americans over sixty years old, under the condition that they would stop working and spend all the money. Not surprisingly, the Townsend Plan was extremely popular among the older Americans, placing great political pressure on Congress to enact some form of old-age assistance legislation. President Roosevelt and Franklin Perkins considered the Townsend Plan to be ridiculous, but did not underestimate its political power.

\textsuperscript{102} Walter White to Roosevelt, 24 September 1934; Louis Pink to Roosevelt, 27 September 1934; Worth Tippy to Roosevelt, 5 October 1934, OF 121, box 1, FDR Library.

\textsuperscript{103} The report was sent to, among others, Marion B. Folsom (Eastman Kodak), William Green (American Federation of Labor), and Belle Sherwin (National League of Women Voters). See Falk Papers, box 43, folder 255, Yale Library.
insurance more important. Progressive businessman Marion Folsom of Eastman Kodak believed that the Social Security Act "should be enough for a start." As he would later remember, there were only a few people "pushing" for national health insurance at that time, really nothing "for the medical boys to get excited over." In addition to the general lack of support, national health insurance could also endanger the fragile compromise between the Roosevelt administration and the Southern Democrats. In *The Color of Welfare*, Jill Quadagno argues that a compromise between the Roosevelt administration and the Southern Democrats led to the exclusion of agricultural workers and domestic servants from the Social Security Act. As a result, the industrial workers in the North were included in a relatively comprehensive welfare state, while in the South the majority of the population was excluded. Moreover, since most African Americans were agricultural workers or domestic servants, and not industrial workers, the Social Security Act did not force the Southern states to provide economic security to the black population. If they had been included, as Quadagno implies, the Social Security Act would have never received the crucial support of the Southern Democrats.

Quadagno's argument can also partially explain why national health insurance was not included in the Social Security Act. Racial inequality, so carefully circumvented in the Social Security Act, could reenter the discussion through national health insurance. While the AMA vigorously opposed national health insurance, its African-American counterpart, the National Medical Association (NMA), recognized that national health insurance could improve the access to medical care for the relatively poor black population. The National Association for the Advancement of Colored People (NAACP) shared this view. In 1934, NAACP secretary Walter White urged Roosevelt "to stress upon the coming Congress the need of health insurance."

The social security policymakers, however, did not perceive race to be a decisive issue. They argued (and sincerely believed) that the exclusion of agricultural workers and domestic servants had been a practical decision. As Edward D. Berkowitz explains, "Unlike large industrial employers, farmers [and housewives], according to a popular prejudice that the Social Security planners did not challenge, kept poor records of their payroll, and in many

105 Interview with Marion B. Folsom by Peter A. Corning, 9 June 1965, Columbia University Oral History Collection (microfilm edition, Roosevelt Study Center), 44.
107 Walter White to Roosevelt, 24 September 1934, OF 121, box 1, FDR Library.
cases hired live-in help, which meant that part of the laborer’s income took the form of room and board.”

Edgar Sydenstricker and I.S. Falk also ignored race in their design of a “universal” national health insurance program. In their studies they stated that the calculations were based on the costs of the “average white American family.” The non-white population, described as the “more limited insured” and “atypical in its composition,” could be included in the general program. However, in the end the African Americans were excluded from the national health insurance plan in the same manner as they were excluded from the Social Security Act. In the final report Sydenstricker and Falk had to conclude that “certain groups of persons” such as “farmers and farm laborers, domestic servants, [and] employees of small establishments” were difficult to include in the system. “Such persons may not be required to be insured by law, but should be admissible to insurance on a voluntary basis if within the income limits specified.”

Aftermath

In November 1935, Edgar Sydenstricker told the technical board of the Milbank Fund that, once Falk had finished his studies in December, their work on national health insurance would be finished. Even though everyone agreed that the work done so far was of great importance, further strategies were not clear. According to the physicians on the board, James Alexander Miller and John Wyckoff, further studies should be done under the auspices of the medical profession, merely financed by the Milbank Fund. New York reformer Homer Folks, on the contrary, believed that national health insurance was too important to be left entirely to the medical profession. Falk, finally, said that national health insurance was perhaps too controversial to handle, and the board agreed that the Milbank Fund should focus on its other, smaller and less controversial, projects.

Edgar Sydenstricker was extremely disappointed by the CES’ failure to recommend national health insurance. In articles and presentations he criticized the Social Security Act for being inadequate and continued to promote the CES eleven principles on medical care. Emphasizing that his views “should not be interpreted in any way as reflecting the view of the

111 “Minutes of the meeting of the Technical Board,” 14 November 1935, Milbank Memorial Fund Records, box 11, folder 79, Yale Library.
Committee on Economic Security," Edgar Sydenstricker called for an extension of the Social Security Act to include a comprehensive program of national health insurance.\textsuperscript{112} Edwin Witte, on the contrary, had come to the conclusion that the federal government should leave the whole issue to the medical profession: "I am willing to let the profession decide what it wants to do about health insurance, but I urge the doctors to see the realities of the situation." As Witte believed, if the medical profession would continue to do nothing, American medical care would drift toward socialized medicine. Therefore, action was needed: "What the medical profession decides should be done will be given great weight by the American people, but if it offers nothing constructive, present trends will probably continue and be accelerated."\textsuperscript{113}

While Sydenstricker and Witte seemed to have given up on the issue, Falk continued to study national health insurance. He spent the summer of 1935 in Europe doing research for his book \textit{Security Against Sickness}. This study corresponded for a large extent to the CES final report. In his study, Falk blamed the medical profession for the failure of national health insurance. "Not uncommonly, the mention of health insurance raises in the minds of medical practitioners the bogey of ‘state medicine’ or ‘socialized medicine.’ This fear rests upon a misunderstanding of the relation of medical practitioners to health insurance." As Falk believed, the medical profession failed to realize that national health insurance was "not a system of medical practice," but instead "a system of paying the costs of sickness through budgeting and prepayment."\textsuperscript{114} Falk dedicated \textit{Security Against Sickness} to Edgar L. Sydenstricker, who, at the age of fifty-five, had died in 1936, a year after national health insurance had been excluded from the Social Security Act.

Even though national health insurance had been excluded from the Social Security Act, the newly established Social Security Board continued to study the issue. The Social Security Board was an independent federal agency under the supervision of the president. This independence made the Social Security Board relatively autonomous in pursuing its strategies of strengthening and extending the social security system.\textsuperscript{115} When I.S. Falk was asked to head the Bureau of Research and Statistics, the research division of the Social Security


\textsuperscript{113} Witte, "Compulsory Health Insurance" (1937), in Lampman (editor) \textit{Social Security Perspectives}, 321.

\textsuperscript{114} I.S. Falk, \textit{Security Against Sickness: A Study of Health Insurance} (Garden City, New York: Doubleday, Doran, & Company, 1936), 359. These words are almost identical to the earlier cited words of Albert Milbank, "The Relationship of the Milbank Memorial Fund to the Field of Health and the Medical Profession," address presented at the annual conference of the County Medical Societies of Indiana, 27 January 1935.

Board, the studies of national health insurance within social security could be continued. "I have been appointed Principal Medical Economist by the Social Security Board and am asked to report to Washington on the first possible day," as Falk proudly told John Kingsbury on Thanksgiving Day, November 26, 1936. Before going to Washington, Falk wanted to meet with Kingsbury to discuss the broad outlines of a national health plan. "I am hoping little or nothing will be said about my appointment for a while - at least until I can get the broad outlines of the program [Walton] Hamilton and I have in mind under way before any concerted opposition makes itself felt in high quarters."\(^{116}\) Perhaps surprisingly, his appointment caused less controversy in Washington, DC, than Falk had anticipated.

**Conclusion**

Even without national health insurance, the enactment of the Social Security Act was fundamental in the development of the American federal welfare state. The success of the Social Security Act tended to overshadow the defeat of national health insurance. Paul Douglas' one-paragraph account in his study *Social Security in the United States: An Analysis and Appraisal of the Federal Social Security Act*, published in 1936, is characteristic of how "the omission of health insurance" was generally depicted:

No proposal was advanced by the committee for health insurance. This was the result of four sets of factors. In the first place it was thought this would overload the program. Secondly the full details of a proper plan had not been generally worked out. Public sentiment moreover had not yet been deeply aroused in favor of it. Finally the opposition of the leaders of the American Medical Association and of most state associations was intense, bitter and persistent. Grants for public health work were proposed, however, as a forward step.\(^{117}\)

Even though the AMA's opposition to national health insurance has influenced the outcome, there were more compelling reasons for the Roosevelt administration to prefer the extension of medical care over the inclusion of a national health insurance program.

From the start, the Roosevelt administration and the CES were in principle favorable toward national health insurance. Edwin Witte's later claim that national health insurance had always been considered to be of lesser importance cannot be sustained. The choice of Edgar Sydenstricker and I.S. Falk as main participants in the study on medical care clearly indicates that national health insurance was a serious option. Both Sydenstricker and Falk, through their work with the Committee on the Costs of Medical Care and at the


Milbank Memorial Fund, were publicly known for advocating national health insurance. More important, all throughout the studies, the CES had repeatedly approved the preliminary reports presented by Sydenstricker and Falk. It was never questioned if national health insurance was preferable, only whether it was politically feasible.

Nevertheless, both President Franklin Roosevelt and the CES (Frances Perkins and Edwin Witte in particular), soon placed a higher priority on unemployment compensation and old-age pensions. Due to this preference, the Roosevelt administration was less likely to put on a fight for national health insurance. The decision to drop national health insurance from the immediate CES program, taken right after the disappointing first meeting of the Medical Advisory Board in November 1934, was relatively easy. Only Sydenstricker and Falk, as main draftsmen of the health insurance proposal, were extremely upset by the CES’ surrender to the medical profession. The opposition of the AMA convinced the CES cabinet members that national health insurance would endanger the entire Social Security Act. Even though Roosevelt himself was not intimidated by the opposition, he had no compelling reason to deviate from the CES recommendations. Even without the opposition of AMA, the inclusion of national health insurance would have made the Social Security Act more controversial. Extending the supply of medical care seemed a far more preferable option. Moreover, President Roosevelt believed that through incremental reform, national health insurance could be added in the future—after a sound system of social security had been established and after federal investments had extended the medical care which national health insurance was supposed to pay for.

Before President Roosevelt became president, the advocates of national health insurance worked for private organizations. With the establishment of the Social Security Board, the intellectuals of the Wisconsin school and the Milbank Memorial Fund had become the social security policymakers of the federal government. Even though national health insurance had been excluded from the Social Security Act, social security policymakers such as I.S. Falk and Wilbur Cohen were now able to continue their efforts of expanding the social security system. To them, the establishment of a national health insurance program seemed to be just a matter of time.