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W. S. Schaper  
Chairman

Edgar E. Robinson

Henry J. Fletcher

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THE DEVELOPMENT OF CIVIL PENSIONS  
IN THE UNITED STATES.

A THESIS SUBMITTED TO THE  
FACULTY OF THE GRADUATE SCHOOL OF THE  
UNIVERSITY OF MINNESOTA

BY

MILTON CONOVER

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE OF

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THE DEVELOPMENT OF CIVIL PENSIONS IN THE  
UNITED STATES.

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**Chapter I.**

**The Definition and Nature  
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## Chapter I.

### The Definition and Nature of Civil Pensions.

In the past two decades there has been a growing movement for the establishment of civil pensions in the United States. Like other American social developments, this movement is an outgrowth of a social institution which had its beginnings in the congested countries of the ancient world.

In the United States the civil pension movement has achieved many of its ends. Many municipal governments and some state governments have instituted pension systems for their civil service employes. Some branches of the national civil service have been likewise favored. State allowances have been provided for indigent mothers. Old-age relief systems have been adopted. Various plans for state social insurance have been considered. Churches have supplied sustentation funds for their clergymen. Railroads have arranged deferred pay annuities for their superannuated employees. Banks and corporations have organized retirement funds. Industries have inaugurated systems of workingmen's insurance. Service annuities have been proposed for the United States Postal Department, and retirement plans have been urged for the general civil service.

All of these systems are kindred. They are the outgrowth of the same kind of social and economic problems. All of their aims are practically the same. But the forms and their working principles are various.

Consequently, the modern uses of the term pension have been conflicting. Much controversy has been the result. This has proved to be a great obstacle to the civil pension systems movement.

Certain retirement systems have been furiously opposed with much prejudice largely because they were styled pensions. Charitable old-age relief has been opposed in court on the ground that it was a gratuity and that it was therefore repugnant to the state constitution. Other pensions have been demanded on the assumption that pensions were a wage and therefore the pensioner had a contracted right to them. Service annuities have been opposed because they were regarded as a gratuity. In short, a powerful modern movement has been checked through a disagreement as to what is the inherent nature of a pension.

In attempting to justify the several modern definitions of the term by accepting the original definition, difficulty is at once encountered. This is because the term has been so promiscuously<sup>u</sup> applied in its ancient sense as well as in its modern uses. It is therefore necessary to determine its present meaning before a satisfactory consideration can be given to any phase of the whole field of modern civil pensions.

In its history the term has been employed in a sense implying a kind of wage or salary, a gratuity, a charity, a sum to be used for personal maintenance. Often, if not usually, it has been used to imply a combination of two or more of these meanings. As a result, the modern definition retains a trace of these various implications, although the term has become so differentiated that each particular use signifies its own particular meaning.

Even in its ancient use the word pension lended itself to loose construction. Combining the Latin originals, pendere, to weigh out; pensio, a paying; and the claim of some etymologists, pendeo, to depend; the term was soon employed to signify a special

kind of payment as a gratuity or as a benevolence which was to be used for personal maintenance. It was quite evident that such gratuity payments were in vogue even in ancient Persia. It is recorded in the Apocrypha that Darius "commanded to give to all that kept the city, pensions and wages."<sup>1</sup> Anotators claim that the term as here used means "allotments of land" which "would provide them with a dwelling in addition to their rations or wages."<sup>2.</sup>

But a later recorded "case of a pension granted by authority"<sup>3</sup> is one which was conferred largely out of consideration of benevolence as well as for economic reasons. It was given in 451 A.D. to a member of the see of Antioch who had been ejected from that see and "allowed an annual sum from the revenues of the see sufficient to keep him from want, and that his claims might not be a cause of disturbance in future years."<sup>4.</sup> Many of the other early ecclesiastical pensions were given from gratitons and benevolent motives. They were " granted from ecclesiastical personages" not only for the benefit of the "clergy who were disabled <sup>by</sup> of sickness or old age" but also " to bishops who had been (driven) from their sees, or forced to resign them through bodily infirmity"<sup>5.</sup>

So pensions as a special kind of payment were early established as a prominent characteristic of civilized institutions. Later they were looked upon as a consideration for merits other than military or ecclesiastical. They were granted as a kind of

1. Apocrypha 1. Esdras 1V. 56.
2. Ibid. Dr. Henry Woce edition.
3. Smith and Cheethan -Dict. of Christian Ambiguities. V.2 P. 1617.
4. Ibid.
5. Ibid.

honorary salary to courtiers and to literary men. In this way the purposes of such payments soon became perverted. Dr. Samuel Johnson was thereby inspired to define pensions as "an allowance made to any one without any equivalent. In England it is generally understood to mean pay given to a state hireling for treason to his country."<sup>1.</sup>

From the various uses that were made of the term throughout Europe in the medi<sup>a</sup>eval and the early modern periods, it is apparent that until the Nineteenth century, pensions were usually considered as a form of gratuity or of charity. The idea of pensions being stipulated as a wage in a contract seems not to have been germane to its nature.

The gratuity pension, however, may have had the effect of a quasi-contracted<sup>va</sup> term. It must have had practically all the effect of a wage in America when "the Act of August 26, 1776, of the old Congress promised pensions to soldiers and seamen who might be disabled in the War;"<sup>2.</sup> and when the Act of May 15, 1778 promised half pay for seven years after the end of the war to all commissioned officers who should serve until the end of the war."<sup>3</sup> Eighty-five years later the idea of pensions as a wage as well as a gratuity and charity was manifested in an Act of Congress which was approved on July 14, 1862. At this time "general provision was made for the payment of pensions to invalids in the war of the Rebellion or to the widows and orphans and mothers and minor<sup>children</sup> sisters of such as might die or be killed in the line of duty."<sup>4.</sup>

So it is difficult to accept in toto the definition which is implied by some of the European usages if it is admitted "the whole system of pensions as considered by foreign nations, is

Note: For references see next page.

partly based on false grounds, their list extending to the landed rank and station, while in this country it includes only those to whom the government is indebted for its very existence and stability."

But about a decade before the American law of July 14, 1862 was passed, pensions were frankly recognized in Europe as a wage. In 1853 a law was passed in France regulating the matter of compensation of civil officers by pensions.<sup>2.</sup> That law provided for a superannuated allowance for civil officers who were sixty years of age and who had served thirty years.<sup>3.</sup> The principle of the French system was soon adopted in Germany and in England.<sup>4.</sup>

But by this time the term had become somewhat differentiated. Various kinds of pensions were recognized. Some were pretentionally a form of wage, some of charity, and some of gratuity. Those civil pensions of Europe above referred to were plainly a kind of salary, although they were not based on a contract.

Contrariwise, in deciding the case of Walter et al v Cotton et al,<sup>5</sup> in 1856, the United States Supreme Court held that "The pension is undoubtedly a bounty of the Government, and in the hands of an administrator of a deceased it would not be liable to the claim of creditors xx" The pension was thus very different in nature from a wage in that it was non-transferable.

In 1882, Justice Woods upheld the decision of <sup>in</sup> Walter v. Cotton when he declared in United States v. Feller<sup>6.</sup> that "no pensioner

References;

Page 4.

1. Johnson's Dictionary
2. Boviers Law Dictionary P. 2553.
3. Ibid.
4. Merrills American and English Cyclopedia of Law. 285.

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1. F.J. Goodnon's Corperative Adm. Law V. II P. 74.
2. Ibid.
3. Ibid.
4. Ibid
5. 19 How 388
6. 107 U.S. 68

has a vested right to his pension. Pensions are the bounties of the government, which Congress has the right to give, withhold, distribute, or recall, at its discretion."

Here of course, reference is made entirely to the nature of those United States military pensions which were donated by the free-will of Congress and which were not paid in compliance with an agreement between the soldier and the Nation before the pensioner's enlistment as was done in the case of some of the Revolutionary pensioners. Likewise those pensions are of a very different nature from those which are stipulated as a wage in the contract of an employee or granted as a partial compensation to a public officer.

In direct antithesis to Justice Wood's definition, it has been contended that a pension may be a legitimate term of an ordinary common law contract. For instance, when a soldier enlists in the Army under existing laws which provide for a pension to retired or wounded soldiers, it is held that he may acquire a legal vested contractual right to such pension. In advancing the contractual theory of pensions, Eckstein says; "Viewing then the enlistment of a soldier as a contract, and bearing in mind the fundamental principle that all law in force at the time of making such contract enters into and forms a part of it, then, of necessity, a pension per se is a contract, and though Congress has the power to confer higher grade of pension on a discharged soldier than that belonging to him as a right, it cannot take from him one jet or tittle of what is his by reason of the Contract."<sup>1.</sup>

1. Eckstein, A History of the Law of Pensions.

Thus, we have the soldier considered as being in a much stronger legal position to demand his pension as a compensation than is a public officer whose right to either pension or other compensation is not "a contractual right, since the official relation is not a contractual relation. If the right to compensation (or pension)<sup>1.</sup> exists at all it exists as the result not of a contract or by virtue of any service rendered to the government but because the law has attached the compensation (or pension)<sup>2.</sup> to the office,"<sup>3a.</sup> and "in some cases pensions or superannuation allowances are included within the compensation."<sup>3.</sup>

So if we accept these views we accept the former, as a contractual obligation on the part of the government, the latter as a payment paid by the Government through public policy, but in both cases the pension is regarded as a payment for services rendered.

And statesmen are coming to accept the use of pensions as a term of contract in civil negotiations. Speaking in the United States Senate in 1915, Senator Boies Penrose of Pennsylvania, while defending his proposal to place the classified Postal Service in the civil pension system declared that he deemed "that some such pension as this (the pension provision) is in any way in the nature of a gratuity or a gift"<sup>4.</sup>

Andrew W. Mc Kee, president of the U.S. Civil Service Retirement Association, avers that "By unanimous vote the term pension as being inadequate or subject to wrong interpretation, has been eliminated. We recommend as a substitute 'service annuity'.

1. 2. The parentheses ~~are~~<sup>are</sup> mine.

3. a. F. J. Goodnow. Comparative Administrative Law. V. II P. 68.

4. Ibid. P. 73.

5. Congressional Record. 3d. Sess. Cong. Page 4478.

Our opinion is that the latter is to be paid as a form of compensation for continuous service over a period of several years and is to be paid upon careful pre-arranged and understood conditions. That the entire cost of service annuities should be contributed by the company as part of the annual coat of labor. That this is to be the compensation to which the employee is entitled in addition to his wages, for rendering continuous and satisfactory service throughout his term of employment.<sup>1.</sup>"

It might not be just to presume that this definition is an effort to re-name a term which because of the long prejudice on the part of the American people might prevent the popularity of the pension scheme, for civil officers and employees. Obviously such a system would be radically different from the purely gratuitous pensions. Also, it is clearly quite as much a pension plan as are those previously considered. Besides being a deferred pay such a "service annuity" would be more than a mere wage. It contains the original element of gratuity—gratuity for long and faithful service. The fact that it "is to be paid upon careful pre-arranged and understood conditions" does not render it any less a pension. Many of the Revolutionary War pensions, and many of the Civil War pensions were paid on pre-arranged and understood conditions.

Then too, this plan is quite similar to the compensation pension plans of England, Germany, and France.

1. Congressional Record. 63rd. Cong. ed. Sess. P. 4478. From a paper on superannuation read before the Committee on Reform in the Civil Service.

But President Mc Kee's definition is valuable as a standard definition of a certain type of modern civil pension. It explains the vast distinction between the ancient conception of an un-systematic gratuitous pension and the modern pension schemes. His conception of a civil pension harmonizes quite gracefully with that of Mr. J.P. Crowley of the English Treasury. This authority holds that "a modern pension is as much a payment for undoubted services as salary or wages, the difference being that pensions are paid in respect of past, salary or wages in respect of present, services. "<sup>1.</sup>

A clear compromise definition between these conflicting extremes may be established if the ~~if the~~ definition of the U.S. Court of Claims should be accepted. That tribunal states that "a pension is a periodical allowance of money to a person, partly in the nature of a gratuity and partly ~~as~~ payment for benefits conferred; payment because it is supposed to be in consideration of previous services rendered, for which the compensation before made was inadequate in proportion to the benefits received and the ability ~~of~~ the nation to pay. It is partly-~~only~~ partly- in the nature of a gratuity, and this because it is not founded on contract and can not be demanded as a legal right until the government has ~~acknowledged~~ its moral obligation and made the grant."<sup>2.</sup>

But each one of these definitions makes the term pension an inadequate one for a general survey of the modern pension movement as a whole. This is true largely because the ancient idea of charity seems to have been eliminated from their conception of the term. It is rather mysterious why the element of charity,

Note: For references see next page.

or civil benevolence, should be excluded from these definitions. Although used to signify a human attribute, the term charity is commonly used to indicate civil relief of poverty. This may not be necessarily the result of sentimental humanitarianism, but rather that of a civil obligation. Some authorities deny that a pension is based on this human quality of charity. Some pensions are not. But one needs only to read the Congressional Record almost at random to observe that this human quality is strongly appealed to when a revision or development of the military pension system is under consideration; or, when special private pension acts are being proposed. From the very beginning of the American military pension system the element of charity was prevalent. The first pensions were not awarded as a gratuity to all those who had rendered great service, but only to those who had been rendered a probable subject for charity in doing that service. Thus the term pension still retains some of the elemental significance of the original Latin pendeo, to depend. This is particularly obvious when the military pensions are extended to the dependent relatives of a wounded veteran, especially those provided for in the Dependent Pension <sup>Act</sup> ~~Bill~~ of 1890.

The inclusion of this idea of charity is indispensable to an exact consideration of the modern civil pension movement as a whole. Some of the most recent civil pension developments are

References; page 9.

2. From Congressional Record 62 Cong. 2 Sess. P. 1075.
1. J.P. Crowley in Palgrave's Dictionary of POL. SCIENCE P. 89.

primarily and almost entirely governmental schemes for the relief of the poverty stricken classes. The old-age pension system as was adopted in England in 1908, the similar system as was proposed in the American Socialist Party platform in 1912, and the system as was outlined in the Sherwood Bill which was introduced in the Sixty-fourth Congress on January 5, 1916—all provide for the charitable relief of old age men who have an insufficient income and who are unable to perform manual labor. The element of gratuity and of wages are clearly not primary considerations if they are secondary or even tertiary. It has been suggested in England <sup>1.</sup> that the old age pensions are not entirely charitable because the pensioner has during his life time contributed toward his own pension by paying the various taxes to the Government. These contributions are, however, obviously very indirect because the old age pension system was not established there until 1908 and the taxes during the preceding years were not levied for the pension appropriations.

The same principle of civil charity is basically predominant in the Mother's pensions systems which have been adopted by the various cities and states. This plan provides for the financial relief of the mothers who are unable to provide for the proper comforts for their minor children. It has been suggested that this kind of pension is largely a gratuity, because that element exists from the fact of the pensioner's motherhood. This is undoubtedly true. Here the element of gratuity may exist just the same as moral gratuity exists in the social mind for all

that is good in man and nature. But if gratuity is sufficient reason per se to warrant a pension, then all mothers would be entitled to such gratuity irrespective of their needs. But as yet no governmental pension has been authoritatively granted on that principle. Pensions are granted as a gratuity, but presumably, only when there is a view to the personal maintenance of the pensioner. This is suggested by the French definition which states that a pension is a "sum which one pays for board and lodging."<sup>1</sup> In the instance of the Mother's and the old age pension systems, that view to maintenance is plainly a charitable one.

It may be contended that the old-age and Mother's pensions are improperly denominated, that they are not entirely pension plans and should not be classified as such. Nevertheless, it must be emphasized that these pension proposals are inseparable from the general modern pension movement. The problems which they present are the result of the same kind of social and economic conditions as those which gave rise to the other kindred pension systems. The Government must consider that problem in much the same light in which the other superannuation problems are manipulated.

Again, it may be argued that some of these problems are solved by a system of compulsory insurance, which does not contain the remotest suggestion of a gratuity, or a wage, or a charity. It is merely a system which requires the individual to take out an endowment.

But here, again, is a plan which arises to meet the same kind of a social and economic problem as do the other pension plans. It is essentially different from any other form of insurance just

1. See next page.

as an ordinary pension is different from any other kind of a wage, a salary or a gratuity. It is the effort on the part of the Government to protect the individual from financial dependency in his old age, just as any kind of a pension is granted as a form of insurance against poverty. Hence, all pensions are a kind of insurance and all governmental systems of compulsory social insurance may just as truly be said to be a kind of pension.

At any rate it may be repeated that these problems of benevolence and compulsory insurance are so involved in the modern pension movement because of the fact that they arise from a kindred social and economic problem and demand the same kind of a solution from the same kind of a political body that it is practically impossible to exclude them from consideration of the pension movement as a whole no matter how they may be termed.

Therefore, a definition must be formed that will admit the charitable pension systems and the pension systems which may be placed on an actuarial basis. In the light of these pension considerations such a definition is not difficult to compose. It may consist merely of a select combination of the original meanings and of those which have been formed by modern usage. This selection implies that a pension is a regular allowance granted to a person for that person's maintenance or the maintenance of one or more persons dependent on the pensioner.

Reference;

page 12.

1. " Pension- Somme qu'on donne pour être logé et nourri."

Nouveau Larouse - Illustre Dictionnaire Universel  
Encyclopedique.

that allowance being usually paid in consideration of the pensioner's meritorious services to the grantee, but it may be granted as a deferred wage or salary, as a annuity, or as a form of regularly paid charity without reference to any considerations of gratuity, of wages, or of deferred dividend.

But for the considerations of civil pensions exclusively this definition must be narrowed somewhat as a civil pension does not include all non-military pensions. When employing the adjective civil as a limiting modifier of pension, the established usage implies that it is necessary to disregard the broader common law conception of the term which warrants its application to everything in society excepting that which is military or criminal, and to accept Webster's simpler definition which adheres closely to the original civilis, pertaining to a city or state. This would allow the American usage of the term civil pension to concord with the French idea that " in order for one to enjoy a civil pension it is necessary to be a functionary, that is to be nominated and paid directly by the state."<sup>1.</sup>

This limitation makes foreign to the term all conception of the various private pension systems, such as those of the private corporations and industries, and of the various Christian

1. "Pensions Civiles,- Pour jouir d'une pension civil, il faut etre fonctionnaire, c-a-d, etre nomme et retribue directment par l'Etat". - La Grande Encyclopedie.

churches, except in so far as they may be related to the civil pension per se in the way of influence or other manner. In such cases they may be inseparable of consideration.

A civil pension, then, is an annuity paid by a civil government to an employee, to a former employee, or to a subject of that government.

In the United States, civil pensions may be classified in three ways: according to their nature; according to their administration; and according to their working principles.

According to their nature, civil pensions may be subdivided into four classes. They are: the superannuation or retirement pensions, which may also be termed as "regular" (1), or service "pensions;" the disability or "invalidity" pensions; the dependents pensions; and the charitable or "relief" pensions. The first three named are civil service pensions. They are paid with reference to definite service. The last one named is paid in regard to indefinite or indirect service - or as a form of pure benevolence.

The Superannuation pension is one which is paid to an employee on his retirement after a certain number of years of service.

The Disability pension is one which is granted to an employee as a partial compensation for an injury or for a disease which was incurred as an incident to the service.

The Dependents pension is one which is granted to a person who was dependant on an injured or diseased employee.

The Charitable pensions is one which is granted to a

(1). Report on The Pension Funds of the City of New York. p. 4.

person who is unable to maintain an acceptable standard of living by his or her own individual means or endeavors. It is usually either an old-age or a Mother's pension.

In respect to the administration of civil pensions, there are four classes: The National, the State, the County and the Municipal pensions. This classification applies to both the civil service and the charitable pensions with the exception that there is as yet not National Charitable civil pension system.

The National civil service pensions include those which are extended to the Judiciary and to certain semi-military branches of the civil service, and to certain members of the clerical civil service.

The State and the County pensions are theoretically the same as those of the National government. As yet there has been almost no general civil service pension adoption on the part of either the states or the counties.

The Municipal civil pensions are of a mature development. They are adopted very generally thruout the United States. The principal municipal pensions are those provided for: the public school teachers, the firemen, and the policemen. In some cities there are other miscellaneous pensions. In New York there are nine distinct civil service pensions. They are: the three above named pension systems, and, the retirement funds of the Street Cleaning Department, of the City employees (the Grady Fund) of the Health Department, of the College of the City of New York, and of the Supreme Court of both the First and Second Districts. (1).

Classified in respect to their working principles, civil

(1). Report of the Pension Funds of the City of New York.  
p.4.

pension systems are either: straight, contributory, or partially straight and partially contributory.

The straight civil pension system is one which is maintained entirely by the government without any contribution from the employees. The contributory system is one which is supported entirely by the contributions of the employees. The straight contributory pension system is one supported by the combined contributions of the government and the employees. In Germany, the industrial pensions are maintained by the combined support of the Empire, the employees and employer.

The contributory and the straight contributory pension systems may be either compulsory or <sup>untary</sup>volitional on the part of the employee.

The Mother's pensions are on the straight pension plan. The old-age pension systems may be either straight or contributory. The theory of social insurance is based on the contributory system.

These systems are not all matured. Some are still in the experiment stage and some are little more than mere proposals. Some of the systems have been developed locally and some have been developed materially. The more advanced civil pension systems are those which have been adopted by the states and of the local governments. As successful working models, they promise much influence on the National pension policy. Great influence has already been brought to bear on the government for a more extensive civil service pension system and for a charitable old-age pension system. The nature of these national systems are to be akin to those of the local governments.

Chapter II  
The Outgrowth of Civil Pensions  
from Military Pensions.

## Chapter II.

### The Outgrowth of Civil Pensions from Military Pensions.

#### 1. The Historical Background.

The United States is the only great nation that has no pension system for its civil service employees. There are pensions for certain Government officials and employees, but there is no general retirement system for the main body of the civil service.

Until 1899, but little popular attention had been given to civil pensions in America. Kindred subjects had likewise been neglected. Professor W.F. Willoughby writing in 1898 on workingmens insurance, stated that the American public had at that time "manifested but comparatively little interest" in that form of economic administration, and that the American literature on the subject consisted "of a single government report and one or two articles in periodicals."<sup>1.</sup> Seven years later Professor F.J. Goodnow writing on the kindred subject of civil pensions,<sup>2.</sup> stated that outside of the effort that was then being made at Washington, the National Government had apparently never made a systematic attempt "to investigate the matter of Civil pensions," and that the result had been, "that in the same city, as for example, in the city of New York, various pension plans," had been adopted "for the different branches in the civil service."<sup>3.</sup>

That the National Government of the United States as well as the state and municipal governments should, within the last two decades be drifting toward the adoption of various definite civil pension systems after having maintained the *laissez-faire*<sup>policy</sup>

1. W.F. Willoughby: Workingmen's Insurance. P.111

2. F. J. Goodnow, Administrative Law of the United States. P.293.

3. Ibid.

for over a century, is not surprising when the history of pensions is briefly renewed. As in other countries a civil pension theory, no matter how generously humanitarian or how sublimely philosophical, was never put into practice until some social or economical problem demanded a solution which would reveal the harmony of humanitarian philosophy with substancial material progress. In many instances the very problem seems to have given rise to the theory.

Although the pension theories and the pension systems may have been repeatedly perverted from their original purposes, it is plainly evident that throughout all history, the real causes that brought forth the actual working of the pension systems was some social or economic problem. Extending an observation to ancient Persia it is observed that pensions were used by Darius not entirely as spoils of war, but as an inducement for valor and as a means of relief for the valiant who would probably become a social and economic encumbrance to society if they were not officially provided for.

Nor need one deviate from this conclusion on observing that the ancient Roman leaders, Alexander, Severus, and Probus as well as the Lombards offered like inducements to their soldiers. Following up the development of the more complex problems of the more complex political institutions one sees the evolution of a more stable pension system than the mere optional grant of land by an autocrat. "As civilization progressed," says Eckstein, "the soldier, instead of receiving compensation in lands,

obtained stipends, and in his old age, when the period of his usefulness as a soldier had passed, he was taken care of by the master as a debt of gratitude."<sup>1.</sup>

Growing out of this system of military pensions, history reveals the extension of pensions to other public servants as the evolution of social institutions demanded those servants. And despite the vicious perversion of the pensions systems for corrupt political advantage and other illegitimate purposes, the civil pension systems as well as the military pension systems, were extended over all Europe. They became an established organ of political institutions. And according to the acts of the Council of Chalcedon the Church had begun to grant authorized pensions as early as 451, A.D.<sup>2.</sup> That the Church quickly developed a very adequate system of pensions is revealed by the writings of Gregory the Great.<sup>3.</sup>

And as the population became more dense and the social problems became more intense, the pensions were more widely extended. It is observed that even in the Twelfth Century political philosophers were considering the proposal of a kind of state insurance<sup>4</sup> which was not different in principle from the modern industrial and state pensions. But these philosophers evidently extended no immediately definite influence on society, however, unless their influence can be traced to the thinkers of England and Germany in the latter part of the Eighteenth Century.

1. O.G. Eckstein, The History of the Law of Pensions, Page 11.

2. Dictionary of Christian Antiquities, Vol. 2. P. 1617. Smith & Cheatham.

3. Ibid.

4. Suggested in *Rubnovik Social* W.F. Willoughby's Workingmen's Insurance.

At this time we find some statesmen of England grappling with their well developed problem of old age dependency which was probably closely related to the laissez-faire theory. About the same time it is recorded that some political philosophers of Germany were developing the idea of social insurance-not so much as a solution for an already existing problem-but as the inevitable outcome of a new social philosophy which was then germinating in the minds of those who later farthered the German social-democratic movement which was effectively influential in bringing about definite civil pension systems.

Thus, while the American Union was in the process of formation, there was being worked out in Europe two distinct systems of old age relief which were to sometime exert a keen influence on America. One system was largely pathological, and was the result of an existing social problem;the other was preventative,and was the result of a new social philosophy which was so radical that it was not only revolutionary,but revolutionary from the prevalent political philosophy of that time.

But until 1869,the United States had adopted no definite pension system other than the military and naval pension systems. These were the outgrowth of the American pension policy which had prevaled ever since 1636 when " the Pilgrims at Plymouth enacted that any man who should be sent forth as a soldier and returned maigned should be maintained competently by the colony during his life."<sup>1.</sup>

1. W.H. Glasson. "History of Military Pension Legislation in the U.S." Page 12.

This absence of civil pensions in the United States may be attributed to three principle causes. First, there was not pressing old age problem. This condition was largely due to the enormous agricultural and other natural recources of the open west, which fact in turn prevented the rise of any national unemployment or old age dependency problems. Whatever problem of such nature as should arise was largely individual in its nature and was not apt to demand the attention of even the local government authorities. If the individual employees did not succor the dependent, private charity was often sufficient aid. Second, this wealthy condition of the country did not tend to displace the American laissez-faire theory regarding society and social institutions. The social problems being largely individual in their nature, the communistic philosophy which would demand the acceptance of governmental obligation to the individual distress, was not applied. Third, the popular prejudice to civil pensions was an effective hindrance even when they were shown to be conducive to efficient and economic administration.

Consequently, as late as 1890, when the passing of the American frontier was to give rise to the varied problems of a new and intense social and industrial order, the United States had still to experience some repetition of social history. She had still to confront the inevitable problems of social and economic evolution. For assistance in the solution of those she had to look to congested Europe. There she might procure the benefits of over a century of social thought and of varied social

experimentation. Civil pensions were one of the results of that experimentation. But in the United States civil pensions, especially charitable pensions, has not been very widely extended.

Yet, from the time of the formation of the Union there had been forces at work, both internally and externally, that tended toward the establishment of certain forms of national civil pensions, despite the obstacles which such movements would have to overcome. Besides this tendency toward national civil pensions, there was later developed certain internal influences in various states and municipalities that made for the ultimate establishment of state and local civil pensions. These served as working models for the solution of the greater problems which would demand and confront a national civil pension system.

Then, too, there were many corporations and churches to establish pension systems. These likewise served both the Nation and the states as examples of successful operations of a new principle of administrative management.

Apart from these influences of state, municipal, and private corporation pension systems, there were two definite internal forces that made for the development of national civil pensions. The first was the extension of the pension policy from the military pension system toward the civil pensions. The second was the recognition of the civil pensions as a means for improving the economy and efficiency of certain governmental services.

The principal external forces were the influence of the foreign methods of handling social ills on the one hand, and the influence of the new social philosophy on the other. These two forces were <sup>the</sup> dominate when the internal social problems were

developed.

Each of these pension developements will be reviewed in their relation to the preceding developement of the growing problems of which the immature pension systems are an attempted solution, and on which the combined efforts of the various systems may be focused for a lasting solution of the American Civil pension problem, and for a permanent prevention against the occurance of any similar problem.

## II. The Drift to Civil Pensions.

From the Colonial Period until 1869, the general policy of the United States had been to grant pensions only to those who had been subjected to real or probable injury in the armed service. Hazardous service was absolutely necessary to a qualification for a pension. To a very great extent this policy still prevails. This may partly explain the incongruity of the Government in being so excessively liberal in the granting of military pensions and so extensively conservative in granting the civil pensions. The outgrowth of civil pensions from military pensions was fostered by two factors. First, by the extention of the military pensions. Second, by the establishment of the Army and the navy retirement system on the same principles as those on which the proposed civil pensions were to be based.

As the propelling internal influence making for a national civil pension system for Government employees, the military and

the naval pensions are curious in that they have been both contributory and detrimental to the progress of the civil pension legislation. But in spite of the detriment to the enormity of expense arising from the abuse of the military pension policy, the principles of the policy might be said to form to a great degree the basis of the modern civil pensions as well as that of the proposed civil pension systems in the United States. Thus, as the civil pensions of history were largely the outgrowth of an evolutionary military pension policy, the tendency in the United States has been to repeat this phenomenon of social history.

The gradual drift of the United States public policy from purely military pensions to civil pensions is manifested by several specific Congressional enactments which ~~were~~ in themselves<sup>are</sup> largely the outgrowth of the American pension policy as established in several of the Colonies. Aside from this adoption of the military pension policy by some of the Colonies, there seems to have been but little real development of any pension policy during the interval between the adoption of the Plymouth Pension Act in 1636, and the passage of the Continental Pension Act of August, 26, 1776. This is suggested by the character of the latter act. It merely promised "one-half pay for life or during disability to every officer, soldier, or sailor" who should become "so disabled in the service of the United States" as to be rendered "incapable of earning a livelihood."<sup>1.</sup> But through the influence of General Washington, Congress did pass on May 15, 1778. an act which does suggest the necessity of an advanced pension policy, when that

1. Quoted from Glasson Supra. P 15.

body"unanimously voted to all commissioned officers who should continue in the service of the United States to the end of the war, half pay for same years after its conclusion".

In this provision may be detected the germ of a definite retirement system. And in a resolution which was adopted on August 24, 1780, may likewise be observed a definite drift toward the policy of pensioning civil persons. That resolution provided for the extension of the half-pay allowance of this act of 1778, "to the widows, or orphan children of such officers as had died or should die in the service"<sup>1</sup>.

So in these few years of slight stress, is revealed the crude beginnings of the American Pension policy established as the result of acute military and economic need. A peculiar retirement system was being formed and pension payments were recognized for all time, not only as a national gratuity, but as a valid and proper form of wage for inducing men to enter government service. And when future needs sought a means for effecting greater efficiency in other spheres of governmental activity, there was already established as a long standing precedent, a pension principle in one department of government service.

But a later pensions act paved the way for a national policy that would imply the assumption on the part of the government of other duties than the payment of wages and retirement allowances. It assumed the responsibility for the poverty of those who had served the government no matter whether or not they had been injured in that service. This act as passed on March 18, 1818,

1. Glasson. P 16.

provided for a pension of \$20 a month during life for every officer, and \$8 a month during life for every private, who had served at least nine months at any time during the Revolutionary War on the continental establishment whether in the Army or in the hospital service, provided that such person should be, or should become, in reduced circumstances in life and should need assistance from his country for support, and had substantiated his claim to a pension.<sup>1.</sup>

So here was laid down another principle—the principle of indigence—which government employees of the future might look to as a principle that might be quite as applicable to one branch of government service as to another. It was also to be regarded by some later advocates of civil pensions as a principle applicable to the impoverished conditions of all honorable citizens whether or not their life had been spent in some department of the government. On the hypothesis that all honest persons, who have led industrious lives have thereby served the country, future poverty stricken citizens were by some promoters to be considered quite as eligible to a pension as the person who had served the government in a definite government service.

But this very act which seemed to advance a liberal pension theory, was in itself an enormous check to any such progress toward civil pensions which the principles suggested in the provisions of the act would indicate. The passage of the act was followed by an enormous clamor of pension claimants and a startling exposure of wholesale frauds, "men who had never served", says Professor Jenks, "men who deeded away their property in trust, or or gave it to their children, were put on this list."<sup>2.</sup>

1. Calvin, Laws of the United States of America. Vol. 1. P263.

2. J.W. Jenks writing in Palgrave's Dictionary of Pol. Economy. V. 2 P92

Of the 27,948 persons who tried to secure pensions, over 18,000 claimants were successful,<sup>1.</sup> and in a short time the <sup>annual</sup> pension bill increased ~~from~~ about two or three million dollars.<sup>2.</sup> This enormous expenditure for pensions when little or no great economic or social problem seemed to command solution thereby, naturally did not commend itself very favorably to the public either in theory or in practice. Consequently, a nation-wide protest that would be even more radical than that which was brought in opposition to one or two earlier pension acts, was inevitable. This agitation was evidently effective, for two years later the Congress resorted to remedial legislation. On May 1, 1820 it authorized the Secretary of War "to strike from the list of pensioners those who in his opinion, were not in such indigent circumstances as to be unable to support themselves without the assistance of the country."<sup>3.</sup> Hence, the very act that seemed to point the way for pensions in the civil departments - which departments at that time were very small - was itself a detriment to that end. And the abuse of the pension principle as applied to the military service, was already tending to prevent that principle from being applied to the civil departments of government because of the popular prejudice that was thus being fostered for pensions in general.

But this abuse was largely because of the system on which the pension policy was based. The pensions were granted through the political influence of the Congressmen and their constituents.

1. J.W. Jenks writing in Palgrave's Dictionary of Pol. Sc. Vol 2 P92
2. Glasson P. 36.
3. Glasson P. 38.

Later many of the private acts which gave special pensions to particular individuals were passed in the same way. This very abuse taught future civil service pension promoters that, unless they could command the same amount of Congressional influence either collectively or individually, their proposed system must be based on very different principles than that of the military pensions. In order to meet with popular approval they must propose a system which would be definite and constant, which would be free from continuous political manipulation, and which would apply in general to all civil servants. There must be no reservation made for individual political favoritism.

Again, this liberality of the Act of 1818 was another step toward the practical adoption of the policy of one of the charitable civil pensions. Old age had evidently been presumed to be sufficient reason for a claim to a pension, and even in the remedial Act of 1820, indigence had been frankly accepted as an ample qualification for regular governmental succor. Later, the principle of old age as a legitimate reason for a pension was evidently recognized in the Act of May 15, 1828, which granted full pay for life "to the surviving Revolutionary officers in the Continental line, who had been entitled to one-half pay for life by the Resolution of October 2, 1780."

~~These additional qualifications for a pension-~~  
These additional qualifications for a pension—old age, and indigence—once recognized in relation to the military pensions, could at once be advanced in behalf of the indigent and the old age persons in civil life, even if they should be considered

1. Glasson P. 40 and Laws of U.S.A.V. Page 48.

apart from physical disability incurred in service. And advancing again, the theory that men in civil departments of government, and also in civil life, likewise give their life in service to the State, the principle of old age pensions might be claimed to be just as applicable to civil veterans as to military veterans. But as long as no real problem of civil servant retirement demanded attention, there was obviously no hope that any theory would be put into practice.

But still the pensions were liberally extended in spite of much popular protest. President Jackson was sincerely in favor of the extension of pensions to others than those already favored by previous acts. In his message to Congress on December 8, 1829, he suggested "a review of the Pension Law for the purpose of extending its benefits to every Revolutionary soldier who aided in the establishing<sup>1</sup>" the American liberty and who was "unable to maintain himself in comfort". Nearly four years after this, on June 7, 1832, Congress did pass an act which provided that all persons who served for a period of at least two years in the Revolutionary War in the army, militia, ~~or~~ naval service, and were, "not entitled to any benefit under the act"<sup>2</sup> of May 15, 1828, he authorized to receive out of any money in the Treasury not otherwise appropriated, the amount of his full pay in the said line, according to his rank, but not exceeding in any case the pay of a captain in the said line<sup>xx</sup>". The Act further provided that all other such persons who served less than two years "but not less than six months shall be authorized to receive x x during his

1. From the President's Message. Senate Documents. 1 Sess 21 Cong. 1829-1830

2. Laws of the United States. Vol. 8. P. 586.

natural life each according to his term of service, an amount granted to the same rank for the service of two years, as his term of service did to the term aforesaid<sup>1.</sup>xxx"

This act extended pensions not only to all officers, non-commissioned officers, soldiers, marines, mariners, and musicians who took a six months part in the war, but also, to the Indian spies. The act was a marked advance toward the pensioning of civilians, although it was made in the face of great political protest. Senator Hayne of South Carolina declared that the bill would pension even the "mere sunshine and holiday soldiers, the hangers-on of the camp, men of straw, substitutes who never enlisted until after the preliminaries of peace were signed."<sup>2.</sup>

This protest, however, was not entirely an objection to the abuse of military pensions. Neither is there much evidence that the people at this time feared that the government would eventually establish a civil pension list as an outgrowth of military pension generosity. The protest which was to make the very term pension obnoxious, and which would tend to make obnoxious any future suggestion of a civil pension list, was based on a political party, or political faction, motive. About the latter part of 1829, the national debt was practically extinguished and the protectionist<sup>3</sup> statesmen feared that the tariff would be reduced. Hence, the effort on the part of the protectionists to maintain a sufficient expense account to insure the advisability of a revenue tariff. And, hence, the opposing effort on the part of the anti-protectionists.

1. Laws of the United States. V8. P 386.
2. Glasson P41. Also in Benton's Debates X 547-555.
3. Glasson P 41.

As Congress thus extended pensions to numerous benefactors whose military service had been almost a nonentity, and as, in so doing, Congress recognized the more liberal qualifications for a pension, the pensions in reality gradually became largely civil in their nature. It was not, therefore, a very great step on the way for Congress to pension civil persons individually for acts of heroism done by them in some war. This custom, Congress established very early in its history. One such act was passed on June 17, 1844 when Congress directed that the Secretary of War be "authorized" and directed to pay Milly, an Indian woman of the Creek nation and a daughter of the prophet Francis, a pension at the rate of ninety-six dollars per annum, payable semi-annually during her natural life, as a testimonial of the gratitude and bounty of the United States for the humanity displayed by her in the war of 1817 and 1818, in saving the life of an American citizen, who was a prisoner in the hands of her people and about to be put to death by them;<sup>1</sup>

According to the same authorities,<sup>2</sup> these special acts are the first acts granting pensions of the nature of civil pensions and until 1869, they were the only national civil pension acts in the United States.

Eleven years after this gratuitous civil pension act, Congress made another great advance in the pension legislation on February 28, 1855. The act passed on that date achieved two points of advantage. First, it aimed at a new object in granting pensions, in that the bill was to be enacted "to promote the Efficiency of the Navy". Second, to provide and establish a scientific system

1. French. The Laws of the United States. Chap. 824. P. 649.
2. David A. Wells and Lustace Conway in Sailor's Encyclop of Pol. Sc P. 1032.

for the retirement of superannuated officers. By this act a board was created to improve the personnel of the naval officers and report on them and to " make a careful examination into the efficiency of the officers"<sup>1</sup> of certain grades and to report those who " shall be incapable of performing promptly and efficiently all their duties both ashore and afloat." Furthermore the act provides "that all officers who shall be found by the said board incapable of performing the duties of their respective offices, ranks, or grades, shall if such finding be approved by the President, be dropped from the rolls, or placed in the order of their rank and seniority at the time, upon a list in the Navy Register, to be entitled the reserve list; and those so placed on the reserve list shall receive the leave of absence, pay, or the parlor pay, to which they may be entitled when so placed, according to the report of the board and the approval of the President~~xx~~" but still be subject to orders of the Navy Department at all times for duty."<sup>2</sup>

This effort for greater efficiency of service struck the very key-note of later movements for retirement pensions in some of the civil branches of the government service. Those movements were not entirely the outcome of the agitation on the part of the employees for insurance against poverty in old age. Like the Act of 1855, there were ardent efforts for greater economy and efficiency on the part of the Government representatives. This development in the Naval service <sup>seemed</sup> as a precedent. As the principles of this naval retirement system were as applicable

1. Chap. CXXVII. St. at Large. Vol. ~~102~~ 616.
2. Ibid.

to the civil service as they were to the naval service, the promoters of civil service pensions had a working model to emulate. But there were so many other developments in the civil service to be made in the way of reform, that it is not surprising that their pension advocacy belated.

By the Act of August 3, 1861, which provided for "the better organization of the military establishment", this naval retirement system was placed on a more scientific basis. By this same act the Army retirement system was first established. The latter was based on the provision "that any commissioned officer of the Army or of the Marine Corps, who should have served as such for forty consecutive years, may upon his own application to the President of the United States be placed upon the list of retired officers"<sup>1</sup> with a regular allowance.

The involuntary retirement plan was also instituted by providing that if any such officers " shall have become, or shall hereafter become, incapable of performing the duties of his office, he shall be placed upon the retirement list and withdrawn from the active service and command and from the line of promotion~~xxx~~" with " the pay proper of the highest rank held by him at the time of his retirement ~~xxx~~ and four rations per day ~~xxx~~ and the next officer in rank shall be promoted to the place of the retired officer according to the established rules of the service. And the same rules of promotion shall be applied successively to the vacancies consequent upon the retirement of an officer."<sup>2</sup> The

1. Statutes at Large V. 12- P. 289.

2. Ibid.

system of retirement for the naval officers as outlined in this same act is virtually the same as that for the Army officers.

On July 17, 1862, an act supplementary to both the Navy and the Army retirement plans placed the systems on a still more progressive basis by making a definite provisions for old age pensions. It stipulated that " when any officer had served forty<sup>1</sup> five years as a commissioned officer, or is sixty-two years old, he may be retired from active service at the discretion of the President."

Obviously, these acts were all in the interest of economy and efficiency, just as later civil pension proposals were in that interest. But they did not provide for the rank and file of the enlisted men. It was not until March 2, 1867, that the retirement system was extended to " every person, who age or infirmity is disabled from sea service, but who has served as an enlisted person<sup>2</sup> in the navy or marine corps for the period of twenty years."

Besides this extension feature, and the inclusion of the old age and infirmity policies, this act involved another advanced principle of pension payments, which was later to be likewise the basis of some of the charitable civil pensions. It was the policy of paying a pension to the claimant in order that he may stay in a private home, instead of having him sent to a public or an institutional home. The accomplishment of this purpose was really the object of the provision, for the benefactor was to receive "a sum equal to one-half the pay of his rating at the

1. Revised Statutes 1244

2. St. at L. V. 14 P. 517.

time he was discharged," if he was elected, "in/<sup>her</sup>new of being provided with a home in the naval asylum, Philadelphia." <sup>1.</sup> Some years later the enlisted men of both the Army and the Navy were to receive the advantages of a regular retirement system which would be operated in much the same way as that already established for the officers.

During the two decades following the Act of March 7, 1867, there was much worth<sup>y</sup> and much vicious military pension legislation in Congress. The year following the Civil War was marked not only by a repetition of the highly honorable pension legislation that was so prevalent in the years subsequent to the Revolutionary War, but they were also stained by a repetition of the flagrantly malicious pension practices which were also in vogue at that time. It is no great wonder, then, that the popular sentiment would not favor a pension system for persons in the civil service as well as for those in the military service.

Nor is it any small wonder that despite the enormous burden of the military pensions that Congress did on May 4, 1882, extend a kind of pension provision to the members of a branch of the governmental service which in its nature, is both naval and partly civil. It was naval in that it was to be granted for injuries received while engaged in hazardous seacraft. It was civil in that the Life-Saving Service is a branch of the civil service. Just as the Army and Naval retirement systems were established for efficiency of service, so was this plan. It was a plan "to promote the efficiency of the Life-Saving Service." <sup>2</sup> It provides that

1. St. at L. V. 24 516.

2. Ibid. V. 22. P. 55.

regular pay during disability should be given to any member of  
the crew of the  
the crew of the Life-Saving Service, or keeper of a life-saving  
station, who should be rendered unfit for the performance of  
his duty by any wound or sickness incurred as a result of his  
service in the line of duty.<sup>1.</sup> In no case, however, was such  
person to be so benefited for a period of longer than two years.<sup>2</sup>

This act also provided a pension equal to the salary of the  
deceased for a period of two years to any "widow and child or  
children under sixteen" of a keeper or member of a crew who  
should "die by reason of perilous service or any wound or injury  
or disease contracted in the Life-Saving Service in the line  
of duty."<sup>3.</sup> On March 26, 1908, another, "act to increase the  
efficiency of the personnel of the Life-Saving Service of  
the United States" extended the pensions of the Act of 1882 to  
the mothers of the deceased.<sup>4.</sup>

Like the original military pension acts, this plan was  
rudimentary and was to extend only to those who should be  
injured in perilous service or to those dependent on one who  
was so imperiled. Nevertheless, it was a great step toward the  
acceptance of the theory that pensions could be quite as  
logically and feasibly applied to the civil service as to the  
military service, even though the latter service were less  
dangerous. It was manifestly established as a means of attaining  
increased efficiency of service by attracting better men into  
the service. It was an advancement toward the adoption of the  
pension retirement policy as a business means of realizing

1. S.L. Vol. 22. P. 55.                      3. Ibid.  
2. Ibid.    4. S.L. 35.: Part L. P. 46.

the maximum of efficiency for the minimum of expense. The economic principle of pensions was soon to vie with the principles of gratuity and of charity, as the dominant reason for a civil pension system.

That the scientific retirement system as established for the Army and the Naval officers proved to make for the best interests of the services may be inferred from the fact that on February 14, 1885, Congress enacted "that when an enlisted man had served as such thirty years in the United States Army or Marine Corps, either as a private or as a non-commissioned officer, or both, he shall, by making application to the President, be placed on the retired list," which was thereby created, "with the rank held by him at the date of retirement."<sup>1.</sup> He was thereafter to "receive seventy-five per centum of the pay and allowances of the rank upon which he was retired."<sup>2.</sup>

A similar act aiming "to reorganize and increase the efficiency of the personnel of the Navy and Marine Corps," was passed fourteen years later, on March 3, 1899. It was almost verbatim to the act of 1885 and it established an equally substantial retirement system for the enlisted men in the Navy.

That the pension system was fast proving its economy *raison-d'etre* was obvious. The applicability of the pension policy to the civil departments was being pointed out. Bills were introduced into the fifty-fourth Congress for civil service pensions. About the same time in 1897, the Secretary of the Treasury devised a

1. S. at L. Vol. 23. P. 305.

2. Ibid.

retirement plan for his own department. But Congress repudiated this growing demand for civil pensions, notwithstanding its increasing favor toward the Army and Navy pension systems. Just six days before the passage of the Navy Retirement Act of March, 3, 1899, Congress passed an anti-civil pension act. This act of February 24, 1899, emphatically prohibited "the establishment of a civil pension roll or any honorary service roll, or the exemption of any of the officers, clerks, and persons in the public service <sup>1.</sup> from the existing laws respecting employment in such service xx".

As the military pension bill increased, the popular prejudice increased. The Spanish-American War had ended just a few months before this anti-civil pension law was passed. While this war did not then promise to seriously augment the national military pension burden, that burden was already staggering. Furthermore it was progressively increasing the financial burden of the Government so consistently that it was a growing obstacle to the inauguration of either a civil service retirement pension system or a charitable old-age pension system.

This rapid growth of the pension burden is revealed by a comparison of figures. The government expenditures on account of pensions for the year of 1798 was \$104,845,33. <sup>2.</sup> In 1898 it was \$148,765,971.26, <sup>3</sup> or 1418 times as great as it was one hundred years before. Thus, in a single century, the annual pension bill had increased over a thousand fold. The pension expenditure <sup>4</sup> between June 30, 1866, and June 30, 1898 was \$ 2,251,555,921.79 .

1. S.L. V. 30. P. 965.

2. Galot's Encyclopaedia of Pol. Sc. Page. 1031. The computation for 1798 was for the calendar year.

3. Report of the Secretary of Interior. 1898. LXVIII.

4. World Almanac 1899. P. 158.

Although the first pensioner of the Spanish-American War did not receive his first pension payment until early in 1899<sup>1</sup>, the military pension list was then increasing every year in spite of the large number of pensioner deaths each year. On June 30, 1898, there were on the military pension rolls 993,714 persons.<sup>2</sup> This was a net gain of 17,700 over that of the previous year.<sup>3</sup>

If the statisticians of 1898 could have exactly determined similar figures for the fiscal year ending June 30, 1915, they would have observed another factor. While there were on the pension rolls in that year only 748,147<sup>4</sup> persons, or 245,567 fewer persons than there were in the fiscal year 1898, the annual military pension disbursements had in a period of only seven years increased from \$148,765,971.26<sup>5</sup> in 1898 to \$ 165,518,266.14 in 1915.<sup>6</sup> That is the annual disbursements for 245,567 fewer persons cost \$16,752,294.88 more from the Government.

Then considering that of these 748,147 pensioners in 1915, nearly one-half of them, or 310,423 of them had never been military men, but were either widows or dependent relatives,<sup>7</sup> the inference is that the national pensions were not only being paid in larger instalments but they were being paid to almost as many civilians as to military personages.

Besides being prejudiced by the civil character of these pensions, the voters of 1898 might have been even more alarmed

1. Computed from Report of Sec. of Interior. 1898 LXVIII.
2. Report of Sec. of Interior. 1898 LXVIII.
3. Ibid.
4. Report of Commissioner of Pensions 1915. P. 16.
5. Same as 2.
6. Same as 4. P. 17.
7. Computed from 4.

if they could have known that the historical grand "total disbursements for pensions <sup>for</sup> ~~for~~ all wars and of the peace establishment to June 30, 1915," would be such that by comparing them with the total disbursements netted by June 30, of the previous year would show a total dispenditure for the fiscal year as follows:

1.	Disbursements to June 30, 1915-	\$4,895,475,637.08.
2.	Disbursements to June 30, 1914-	\$4,729,957,370.65.
		-----
	Total disbursements for 1914-1915-	\$ 165,518,266.43.

Adding to this:

The " expenses for Pensions Bureau and disbursing office in disbursing pension fund for the fiscal year ending

June 30, 1915. <sup>3.</sup> ----- \$ 1,779,860.00

Total pension expenditures for 1914-15- \$ 167,298,126.35.

And if the pension computators of 1898 had still to estimate for the future, they might have found that there would still be on the pension rolls in 1906 a widow, <sup>4</sup> and in 1911 a daughter, of a Revolutionary War soldier, <sup>5</sup> They might have found, also, that in 1915 there would still be on the pension rolls for the War of 1912 just 134 persons; for the Mexican War, 4,933; for the Indian Wars, 2,832; for the Civil War, 691,606; for the Spanish War 28,912; and for the regular establishment, 19,730 pensioners. <sup>6</sup>

1. Report of Commissioner of Pensions, 1915. P. 18.
2. World Almanac 1915. P. 155.
3. Ibid. 1916. P. 152.
4. Report of Secretary of the Interior 1913. P. 225.
5. World Almanac 1912. P. 162.
6. See next page.

Then by judging from the past records they might have discovered that it was possible that a widow of a Civil War veteran would be still living and still drawing a lucrative pension in the year 2002, and a widow of a Spanish War enlisted man in 2050.<sup>1</sup>

In 1898, it was difficult to ascertain what would be the nation's future wealth and income. The value of the natural resources could not be very accurately estimated. The economic results of the newly adopted imperial policy could not be determined. But the condition of the Treasury at that time indicated that the United States would have no immediate surplus of wealth.

The Government expenditures	
for 1898 were-----	\$532,381,201.35
The receipts were-----	\$494,333,953.75.
	-----
2	
Deficit	\$ 38,047,247.60.

This deficit might further explain why the civil pension policy did not receive sufficient support.

Moreover, if the computators should have assumed that the pension expenditures would never increase in any greater ratio than they did in the century 1798-1898, they could estimate that even at that rate the annual military pension bill for the next century would be appalling. In 1998 it would be \$210,950,147, 246.68<sup>3</sup>. This would mean that in 1998 the military pension bill alone would be over 398 times as great as the total expenditures of the entire national government in 1898-including the pension disbursements and including the extra expenses of the War with

6. Report of Commissioner of Pensions 1915. P. 16. Exhibit 5.

The value of the average pension in 1915 was \$179.12.

1. Figures from the World Almanac 1899. P. 151.

2. Report Secretary of Treasury. 1898. P. ~~111~~ -XXII.

3. Computed from figures previously given.

1.  
Spain in 1898.

Perhaps Congress would have been even more radically opposed to the establishment of a civil service pension system in 1898 if they could have known that the 1898 list of 179,000<sup>2</sup> civil service employees would be increased to 476,363<sup>3</sup> by 1915. Furthermore if they could have had any reason to believe that at some future time the government might extend its civil service to the management of the railroads, telegraphs, and other public utilities, if not to public industries, that belief would not increase the favor for civil service pensions. That is unless Congress at the same time could have seen the greater economic value of efficiency which many of the corporations were even then realizing from a scientifically worked out pension retirement system.

With the assurance of world peace being as doubtful as it was in 1898, to then look ahead one hundred years with a view to determining the probable military pensions bill in 1998; and at the same time to attempt to consider the possible centenary cost of a civil pension system without considering the economic returns of such a system: such a consideration would not enhance the prospects of a civil pension system.

Again, in 1898, there was no very definite pension method unaminously agreed upon. Some bills had been introduced into Congress, but the plans were general. It was not decided among the advocates whether the pension system should be maintained by

1. Computed from figures previously given.
2. World Almanac 1899. P162.
3. 32 nd. C.S.C. Rh. P 190.

contributions from the employees, or whether it should be entirely maintained by the government on the straight pensions plan.

Considering, then, the financial situation as it was in 1898 it was not therefore improbable that the least suggestion of increasing the national expenditures in 1899 by establishing a civil service pension system was repellant to Congress notwithstanding their liberality in the granting of military pensions. Furthermore, if the policy of increasing the national expenses in order to maintain the advisability of a tariff could have been any factor at this time, there was evidently sufficient expenses or sufficient other reasons for the maintenance of the tariff. And if the pension retirement system had really proved its economic efficiency, and had shown that it would, therefore, diminish rather than increase the working expenses of the government, that fact was certainly unrecognized or unaccepted by Congressmen. The Congressional legislation was directly repugnant to any civil service retirement plan. The necessary power to extend the principles of the military and the naval service retirement systems to the civil service was lacking. Organized lay forces and leading Executive Officials, however, were later to press on Congress, much influence for civil pensions.

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**Chapter 111**

**The Military-Civil Pensions**

## Chapter 3

### The Military-Civil Pensions.

In the movement~~s~~ from military to civil pensions, one of the principle steps was the establishment of the military-civil pensions. These were of a military nature in that they were granted for hazardous service. They were of a civil nature in that they were granted to certain branches of the regular civil service.

In each instance, special consideration was given to the military and <sup>the</sup> hazardous character of the service. It has been <sup>seen</sup> that in adopting the Life-Saving pension system in 1882, emphasis was placed on the dangers of that particular branch of the civil service. Just four years after the first anti-civil pension legislation - that of 1899 - Congress passed another civil pension act which was far in advance of the act of 1882.

The act which would eventually favor the Life-Saving Service with a retirement plan aimed "to promote the efficiency of the Revenue-Cutter Service"<sup>1</sup> It commanded that the "Secretary of the Treasury, under the direction of the President" should "from time <sup>2</sup> to time assemble a Revenue-Cutter Service Retiring board xx"

The duties of the board were to examine into cases and report them to the Secretary of the Treasury, who in turn was to lay them before the President for final orders.

Further direction in the act provided "that when any officer in the Revenue-Cutter Service has reached the age of 64 years he shall be either placed upon the retired waiting-orders list

1. S.L. 32:100.

2. Ibid.

or dropped from the service <sup>by</sup> ~~of~~ the President, <sup>1</sup>xxx," and "when a board finds that an officer is incapacitated for active service, and that his incapacity is the result of an incident of service, or is due to the infirmities of age, or physical or mental disability, and not his own vicious habits, and such decision is approved by the President, he shall be retired from active service and placed upon a retired waiting-orders list. Officers thus retired may be assigned to such duties as they may be able to perform in the discretion of the Secretary of the Treasury". xxx And "all officers upon the retired or permanent waiting-orders list at the date of the passage of the act, or hereafter, shall receive 75 per centum of the duty pay, salary, and increase of the rank upon which they have or may be retired. Provided, That no longevity, increase, or pay shall be allowed for any length of service accruing after retirement"<sup>2</sup>

Incorporating some of the elementary principles of both the military and civil pensions, this act completely bridged the gap between them. In Congress, the bill was championed by a majority on the ground that the Revenue-Cutter Service was de facto an armed service and was therefore entitled to the same retirement privileges as were the Army and Navy. Others opposed the measure on the ground that it was purely a civil pension plan and because they believed that if it was adopted for the Revenue-Cutter Service it would establish a civil pension precedent for the other branches of the civil service.

The Senate Committee to whom the bill was referred maintained the former view.<sup>3</sup> They reported "That the Revenue-Cutter Service

1. S-L. 32:100

2. Ibid

3. Senate Report 172. 57 Cong. 1 Sess. Vol. 2.

has earned this consideration (for retirement)<sup>1</sup> will not be questioned by any one familiar with its history covering more than one hundred and ten years of the lifetime of the Republic.<sup>2</sup> xxx While the Cutter Service is, under existing law, a part of the civil establishment, it is and always has been, since the formation of the Government, constantly regarded and treated as a part of the military force of the country. Its vessels are armed cruisers,<sup>3</sup> officered by men bearing the commissions xx of the President.<sup>3</sup> xxx"

" The Service is required by law not only to aid in the protection of the revenue, but to enforce nearly every statute affecting the maritime interests of the country."

" The Service is, therefore, a part of the armed force of the country, identical in character with the naval service, because both are nautical and both are military, and may at any time, in peace or in war, be made one by Executive Order.

" There is not duty performed by naval vessels in time of peace that can not be and has not been performed by vessels of the Revenue-Cutter Service, while in time of war they have taken part with the sister service.<sup>4</sup>"

The House Committee did not come to an unanimous agreement in regard to what was the military and the civil status of the Revenue-Cutter Service. The majority report was even more emphatic than was the Senate report in the claim that the Service was essentially military. ~~The report~~<sup>It</sup><sup>5</sup> stated that " Investigation proves beyond question that in its organization, general features, military character, naval discipline, and duties the Revenue-Cutter

1. The parenthesis is mine.
2. Ibid P.3.
3. Ibid P.5.
4. Senate Report 172. 57 Cong. 1 Sess. Vol.2.
5. House Report 622, Page 3, Vol.3 57 Cong. 1 Sess.

Service is now and always has been constantly regarded as a part of the military service of the Government for both offensive and defensive operations, that it has taken an active and brilliant part in every war of this nation xxx. The history of the Service from its organization in 1790, through all the wars of the nation, is replete with instances of heroism both in peace and in war. The first gun of the Civil War on the Union Side was fired from the deck of a service cutter (the Harriet Lane) and the first gun of the war with Spain at Manila Bay was fired from another (the Mc Cullock)" <sup>1</sup>.

Then in referring to retirement the committee stated that they could " see no reason why, if officers of the Army, Navy, and Marine Corps are thus provided for, the officers of the Revenue-Cutter Service should not be. The latter perform every duty in peace and war that officers of the Navy do. The Revenue-Cutter Service is not a volunteer service, but is an organized regular service just as much as is the Army, Navy, or Marine Corps, and <sup>2</sup> is subject to the orders of the President just as they are."

The minority of the committee, headed by James R. Mann, dissented from the report of the Committee recommending the passage of the bill. In ~~order to help~~ <sup>attempting to</sup> defeat the bill they expounded several reasons that could be advanced for a general civil service retirement pension system if the Revenue-Cutter Service pensions should be established as a precedent. In their report they warned Congress of these points. They claimed that the Revenue Cutter Service was not of a sufficient military character to be granted a pension system. They said, <sup>3</sup> " the only excuse offered

1. House Report 622. -57 Cong. 1 Sess. Vol. 3.
2. Ibid.
3. Ibid.

by the committee in its report for favoring an increase of pay to the revenue-cutter officers and for creating a retired list for such officers is that they may be placed upon an equal footing with officers in the Army and Navy".<sup>1</sup>

They further submitted, "that if serving for a few months during a lifetime as a part of the auxiliary force of the Navy in time of war entitled the revenue-cutter officers to a 40 per cent increase in pay and to the creation of a retired list, the same rule ought to be applied to the light house tenders, the Fish Commission vessels, the Life-Saving Service, the Marine-Hospital Service, and all the others which went to make up the 123 vessels of the Auxiliary Navy."<sup>2</sup>

Contending that the work of the Cutter Service is civil in character, and that it is therefore not sufficiently hazardous to warrant the retirement pensions of the Navy the minority said:

"The principal work of the Revenue-Cutter Service is the boarding of incoming vessels and the examination of their papers/. There is nothing difficult or dangerous about this, nor does it require a high degree of skill or grave responsibility."

This seemed to warrant the minority's prediction that to pension this military-civil service would be to establish a precedent for all the other branches of the civil service. for In warning Congress they stated:

"The bill proposes the commencement of a civil pension list. It proposes to commence this civil pension list at exorbitant salaries. The officers of the Revenue-Cutter Service have among the easiest berths of the Government. In general their work is

1. House Report 622-57 Cong. 1 Sess. Vol. 3.
  2. The Revenue-Cutter Service contributed 13 of these 123 vessels.
- Ibid.

neither arduous nor dangerous. All that can be said in favor of a civil pension list in their case can be said with equal truth in the case of other branches of the public service. The bill proposes to retire all officers in the Revenue-Cutter Service at the age of 64 on a salary of \$2,625 per annum for captains and \$1,890 per annum for engineers.

" There is no greater reason ;" the report continued, "for retiring revenue-cutter officers on account of age than there is for retiring clerks and other officials in all other branches of the Government for the same reason."

This was the very view-point of later civil pension advocates.

In further reputation, the minority report considered the problem of efficiency of service. This was the great problem which the civil service pension advocates were also trying to solve. The report granted that "it is urged that some of the officers now in the Revenue-Cutter Service are incapacitated by reason of age for active duty and that in the interest of the service itself they should be retired in order to get rid of them. This suggestion involves the whole theory of a civil pension list"x

"If it is to become the policy of our government", they warned, "to retire employees on pay because of an age limit there ought to be a general provision of law applying to all branches of the service. To select a particular branch of employment and grant to it this special privilege is an unjust discrimination."

This is the exact point that has been advanced for placing the classified civil service in a retirement pension system.

The problem is to gain ~~as great~~ <sup>the</sup> efficiency in the clerical service ~~as~~ <sup>that now</sup> exists in the armed service. In order to do this it is necessary to provide for the removal of the inefficient superannuated employees. The advocates for the civil service pension may justly raise the same question that is implied in this report, Why favor the military service more than the civil service when efficiency in the latter is of as great importance as is efficiency in the former?

Another contention of the civil pension advocates has been that as employee in the civil service must undergo hardships which are quite as detrimental to the health as are those to which the man in <sup>the</sup> armed service is subjected. If then, pensions are to be granted for hazardous service, the clerk is quite as eligible to them as is the military man.

This idea is also forwarded in the minority report. "If, on the other hand ", it continues, " employees are to be retired on account of the dangerous character of their occupations, then we submit that many other employees of the Government suffer greater dangers than do the Revenue-Cutter officers. The enlisted men in the Revenue-Cutter Service certainly incur as great danger as do the officers, but there is no suggestion in the pending bill that any of the enlisted men shall be retired either on account of age or on account of incapacity incurred in the actual performance of duty.

"The Life-Saving Service, the Marine-Hospital Service, the Railway Mail clerks, the Light-House Service, the Weather Bureau Service, and other branches of the Government service incur as

greater hardships and dangers, and in many cases, greater than does the Revenue-Cutter Service. If the proposed legislation is proper at all, there ought to be no favoritism shown!

Obviously, these civil service pension principles were here advanced as arguments against the passing of the Revenue-Cutter Service Bill. But that bill did ~~not~~ pass and those very suggestions which are in the minority report were <sup>advanced</sup> ~~promoted~~ as arguments for the Government's giving the civil service the same favors as those which it has given to the armed service. Protection from external calamities is insured by hazardous work. Efficiency of internal administration is insured by arduous <sup>duty</sup> ~~service~~. Both are essential to good government. Why should they not receive equal consideration? *is their contention.*

The report advances another argument which suggests the manner in which many of the private and general military pension acts might have been passed. It declares that "to pass this special bill will be notice to all other branches of the Government service that the only way to obtain favors of this kind is by the organization of an active and insistent lobby. We can not believe that Congress wishes to serve such a notice upon the Government employees".

This latter suggestion may have been well heeded, for the later civil pension movements expressly proposed a scientific retirement system. No one branch of the civil service was to receive greater favors than another. No one person was to receive a special pension. In this respect, the civil pensions system would be radically different from the military pension system. The civil

pension system was to be so scientifically constructed that lobbying would be of no avail. Everyone would receive the same relative favors. By this system, much of the popular prejudice against pensions which was brought on by the military pension frauds might be averted.

The passing of this civil pension act of April 12, 1902, plainly opened the way for the establishment of pensions for the clerical civil service. Whether the revenue-cutter pensions were to be granted in consideration of the perils of the service or for the gaining of greater efficiency of service or for both reasons, a valuable precedent for a civil service pension had been established. Many of the civil pension principles which the minority report emphasized had been promoted long before 1902, but this report gave them a new recognition.

Some of the suggestions of the minority report were materialized on January 28, 1915. On that date the pension system which was created by the act of April 12, 1902, was extended to the officers and to the enlisted men of both the Revenue-Cutter Service and of the Life-Saving Service. This was accomplished by the organization of the Coast Guard <sup>which was composed of 3,886 men.<sup>2</sup></sup> The Coast Guard was created "by combining therein the existing Life-Saving Service and Revenue-Cutter Service."<sup>1</sup>

This act further provides that the retirement provisions of the Act of April 12, 1902, "in so far as they provide for the retirement of officers of the Revenue-Cutter Service, are hereby extended to include commissioned officers, warrant officers, and enlisted men of the Coast Guard.

1. S., L. Vol. 38. Part 1. P. 800.

2. Annual Report of the Coast Guard, 1915. P 54.

A commissioned officer, warrant officer, or enlisted man who has served 30 years upon suitable application and as to the commissioned officers upon approval of the Secretary of the Treasury, may be retired from active service and receive 75 per centum of the duty pay, salary, and increase of his grade or rating. Provided that such commissioned officer, warrant officer, or enlisted man may be assigned to such duties as he may be able to perform.<sup>1.</sup>"

Like the Revenue-Cutter retirement bill of 1902, this bill was partly civil and partly military in character. In defending the bill in Congress, its military nature was emphasized. This was evidently done to avoid the objections of the anti-civil pension contingency. Nevertheless, the debate revealed an increased tendency for civil pensions.

In outlining the bill Mr. Adamson stated that it contemplated "greater increase in the efficiency of the Life-Saving Service" by "providing a retired list for the men on account of age or after 30 years service" and by "giving the men of the Life-Saving Service longevity pay for re enlistments"<sup>2.</sup> He stated that the bill "does not create nor inaugurate in any manner a civil retired list, as this bill especially provides that the coast guard shall be distinctly a branch of the military forces of the Government."

However, the Coast Guard is organized under the Department of the Treasury<sup>3</sup> and the pension system as established by the act of 1915, is therefore essentially a civil service pension just as was the system which was created by the Act of 1902.

1. S.L. Vol. 38. Part. 1. Page 800.

2. Congressional Record. 63r. Cong. 3 Sess. Part 2. P. 1955.

3. Congressional Directory. P/229.

Yet John H/ Small insisted that the retirement pension system as provided for in the Coast Guard Bill would be strictly military. He said that although a reasonable proportion of the Congressmen favored such legislation, the efforts to create a retirement system "have been met with the objection that they were in the civil service of the Government, that up to this time Congress had provided no form of retirement or pension for any except those enlisted in the Army and in the Navy, and that if we should make an exception in favor of the Life-Saving Service, no matter how meritorious the conditions or the reasons might be, it would open the doors, and we would have an avalanche of other bills to include other branches of the civil service within such provisions of law."<sup>1.</sup>

He then assured the Congress that the men of the Coast Guard "being on a parity with the men in those two branches of the service, in the Army and the Navy, the objections which have been heretofore urged have been eliminated, and no member of the Houses need fear to support this bill because it will open the doors to pensions or retirement fund to any other organization or branch of the Federal Service."<sup>2.</sup>

But Warren North Bailey insisted that the passage of the bill would be an extension of the pension system from the military pension establishment. He also indicated that the principles of granting pensions for hazardous labor could be applied to private services just as well as to the Coast Guard. He said "The bill is

1. Congressional Record 63 Cong. 3Sess. Part 2.P1953  
2, Ibid

widening the pension area. It is creating a new body to be supported in whole or in part out of the Public Treasury. There is no question about the bravery, the self-sacrifice, the hard service of the men affected. But they are not alone in taking risk. The men in mill and mine x x also take risks. They also brave death from day to day, and almost every day in the year. x x Yet who is proposing to put the steel workers, the miners, or the railroad trainmen on the pension rolls in the United States." <sup>1.</sup>

Although many of the private corporations already pensioned their own employees this statement does involve a principle of the old age pensions as it is accepted in England and proposed in this <sup>e</sup> ~~the~~ *United States* country. The principle is that any man who has given his life to industry and is unable to further support himself is entitled to an old age pension. It has been claimed that any one who has been a tax-payer all his life has already contributed to the old age retirement system. In considering the Coast Guard Bill, Oscar Calloway went even further in this regard than did Mr. Bailey. In referring to the rapid progress of pensions legislation from the original military pension provisions to civil pensions, he said that the civil service employees were <sup>now</sup> asking for pensions. Then in warning Congress he declared: " They are going to get civil pensions if you do not turn back. And when they do get it I am going to move that people from one end of the country to the other, as near as I can move it, that every farmer, every washer-woman, every railroad employee, and every other person who has been

1. Congressional Record. 63 Cong. 3 Sess. 6 P. 174.

bearing the burden of taxation through the years xxYou have overworked the soldiers-pension business until you have broken the barriers down and all classes are coming in." <sup>1.</sup>

If this view is correct and the principle of economy is overlooked then another inference may be drawn which would indicate that the abuse of the military pensions was both detrimental and contributory to the civil pensions movement. Congress would not inaugurate a clerical civil pension system. They evidently thought that it would not be economical to do so. On the other hand, they were extending the military pension systems to civil service organizations.

The very arguments that were advanced against the extension of pensions to the semi-military organizations were advanced as arguments for extending pensions to the clerical civil service. Some were carried even farther. Some were offered as reasons for the establishment of old age pensions.

The Coast Guard Bill passed the House by a vote of nearly 3 to 1 in spite of the opposing contention that it would establish a precedent for civil service pensions. While it was demanding the attention of Congress, other activities were in progress for another civil service pension. Just two days before the Coast Guard Bill was passed, a Postal Service retirement system was proposed in the Senate by Senator Boies Penrose.

The Postal Service plan was quite similar in principle and in purpose to the military pensions provisions. Like many previous civil service retirement measures, this proposal failed

of enactment. But <sup>with</sup> ~~until~~ the passing of the Coast Guard Bill on  
1. Congressional Record .63. Cong/3 Sess. Part 2. P. 1968  
2. Ibid. P 1996 . The vote was yeas 212, Nays 79, "Present" 3, not voting 130.

January 28, 1915, the pension policy had finally grown far away from the military service and had drifted far into the civil service. It now remained for Congress to be convinced that a life in the other branches of the civil service is quite as depressing if not as hazardous as a life in the naval or military service, and that a pension system if scientifically managed makes for greater economy and efficiency of service.

These principles would likewise be advanced in support of an old age ~~retirement~~ <sup>pension</sup> system. A great step in this direction had already been taken by the extension of the military pensions to non-military dependents.

Although the military pension burden was such an obstacle to the actual establishment of a regular civil pension system at this time, it may be repeated, that that very obstacle was exemplifying the principle on which is based some of the present day charitable civil pensions. Whether it was scientifically developed or not, the military pension system was being expanded until it was tangent to the circle of the civil charity pensions, if it did not overlay it.

Nearly nine years before the Act of March 3, 1899, -the Act of June 27, 1890, began to benefit persons who had never been in military service. Besides providing for soldiers and sailors, it provided pensions, "to indians, minor children, and dependent parents"<sup>1</sup> By its register of general and special acts, the Congressional Record reveals that practically all the nearer, and sometimes the rather distant relatives of a soldier, may be the recipient of a pension. The element of charity in many instances seems to obscure

1. Statutes of U.S.A. 1 Sess. 51 Cong. P. 182.

the factor of gratuity. That is if the motives for the acts are to be determined only from their face <sup>or</sup> ~~and~~ only from the congressional speeches made in their favor. But not only dependent relatives and friends have been favored by these civil-military pensions. Several old horses were receiving them in 1913.<sup>1</sup> Thus, it is evident that practically every excuse for expanding the circle of military pensions was being utilized, even though it was being extended beyond the sphere of military pensions. Moreover, this was done regardless of popular disapproval, and regardless of Congressional inconsistency in the matter of Civil pensions.

Two years after the Dependent Pension Act, the act of August 5, 1892, admitted to the pension list "all women" nurses who had been "employed by the Surgeon General for six months or more" during the Civil War, and who were "honorably relieved" and who were "unable to earn a support".<sup>2</sup>

This drift from the military pension system to the civil pension advocacy is suggestively crystalized in a statement of Senator Nathan P. Bryan's of Florida. In discussing the Penrose Civil Service Pension Bill in the Senate on February 26, 1913, he stated that, "it points us to a pensioning of the 400,000 civil service employees of the Government, at an expense of \$40,000,000. It points us to the old-age pension bill now pending in Congress, and that idea is borrowed from the war pension list"<sup>3</sup> And in discussing the same bill he also stated that it is surprising that any of the civil service employees should ask for a pension as "those who can connect themselves either by blood or marriage with anyone who ever enlisted in any army in the United States

1. The Army and Navy Register, Oct. 4, 1913. Quoted in the Cong. Rec. June 26, 1914. Cong 63, 2 Sess. P. 11162.

2. U.S. Stat. at L. xxvii P 348

3. Congressional Record, 52 Sess. 62 Cong. P. 4018.

is already on the pension toll." <sup>1.</sup>

This not only implies the culmination of the drift from military pensions to civil pensions, but it likewise implies the counter action—the detriment of that drift to the establishment of a regular civil pension system. The perversion of the military pension policy had been pushed nearly to the limit. The responding public patience was thereby abused. The influential public opinion was consequently prejudiced. Also, many of the civil employees were already pensioned under the military pension provisions.

Besides the drift from the military pensions to the civil pension policy there were the other two forces:— the developement of the civil service pension as a means of procuring economy and efficiency of service; and the developement of the charity pension policy. Both had much initial force apart from that derived from the military pension system.

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1. Congressional Record ,3 Sess. 62 Cong. P.4018.

Chapter IV.  
The Civil Service Pension Movement  
before 1899.

## Chapter IV.

### The Civil Service Pension Movement before 1899.

Besides the extension of military pensions to non-military pensions, there was a separate movement toward civil pensions. This aimed to establish a general retirement pension system for the civil service. Although this movement has not yet entirely achieved its purpose, retirement pensions have been adopted for certain branches of the Government.

It has been seen that the advancement of the military pension movement was not very seriously impeded by any barrier other than the public protest against its expense. This obstruction was easily surmounted because of the political power which actuated the policy. Although the rise of the military pension system was marked by its drift toward the principles which underlie the civil pension policy, it did not remove from the path of the advancing civil service pension movements the numerous obstacles which did effectually obstruct its progress.

Of these many encumbrances which burdened the progress of the civil service pension movement before 1899, there were seven principal ones. They were : first, the small number of employees in the civil service; second, the instability of the civil service owing to the system of rotation in office; third, the varied influences which checked any general civil service reform movement; fourth, the policy of dealing with each dependent employee or subject individually; fifth, the preference for the war veterans in

the civil service, many of whom were already pensioners of the <sup>War</sup> military department; sixth, the fear of an enormous civil pension bill without an equivalent return; seventh the opposition on the part of the civil service employees to certain proposed pension plans.

The forces to overcome these encumbrances were: the economic success of the precedents that were being established in both the civil and the semi-civil branches of the government; the agitation for civil pensions by private organizations, by Congressmen and by the press. The aim of the civil pension was to procure greater efficiency of service by removing the inefficient superannuated, and to insure justice to the employee both young and old.

It is readily observed that these obstructions were not all centered at any one point in the development. Each succeeding obstacle marks a new step of progress. Some of them have never been entirely removed yet.

The first obstacle, that of the small number of employees in the civil service was of little consequence at first. While the service was small and simple there was but little if any idea of an agitation for a pension system. Until the service demanded more employees than was demanded at the beginning of the Confederation it was very easy for the appointing powers to select efficient men. It was likewise easy to keep them in the service without any pension or protection against removal of a succeeding administration.

Then too, the early civil service was composed almost entirely of the wealthy gentlemen. Their positions were practically official,

and the officials were not dependent on salaries.

Again, much of the present day civil service work was then performed by the states. "Prior to the adoption of the Constitution of the United States, the civil service of the Government included no other offices than those appointed by the Congress of the Confederation. The entire civil administration was committed to the Government of the states and the officials appointed by them."<sup>1.</sup>

Even after the adoption of the Constitution and throughout Washington's administration, the civil service was composed of only a few employees.

The National civil service system might be said to have had its beginnings in the Act of July 27, 1789 when the Congress created the Department of Foreign Affairs. This consisted only of the head of the department and the chief clerk. Their duties were<sup>2.</sup> "to regulate the collection of duties." The War and the Treasury departments were soon added. But obviously no pension problem was yet to be developed which would in any way compare with that which had been developed in the Army eleven years before when Congress established the pension system to maintain and to increase the efficiency of the Army officers. Several years had passed before the civil service became a titanic institution of over 400,000 employees organized into nine distinct departments, each directed by a member of the President's Cabinet and extending to every state and territory and to nearly every foreign country.

1. Ninth Annual Report of the Civil Service Commission. P 232.

2. Ibid.

Before the civil service had thus far advanced, it had passed through four distinct periods. Each period culminated in an advance toward the reforms. These reforms in turn culminated in the civil service pension advocacy.

The first period was that prior to 1829; the second was the interior between 1829 and 1865; the third, 1865 - 1883; and the fourth 1883 - 1899. A fifth period might be said to date from 1899.

Developing from a small group of officials, the civil service soon became an organization made up of officials, sub-ordinates, and minor employees. Then came the superannuation problem. In less than a score of years the service had to encounter an old-age problem, which in proportion to the size of the organization, was almost as serious as the one which confronts the civil service to-day. In these few years the service had become so burdened with superannuated employees, that Jefferson epitomized the problem by stating that "Few die and none resign."

Even this early in history, there was a need of some retirement system to solve the old age problem. "The retention of men whose usefulness had passed was due to the fact that it was inhumane to discharge them without adequate provision, which in a country as democratic as the United States was at the time, could not be given except in the form of salary. Thus the civil service became a pension fund for its disabled members."<sup>1.</sup>

When Jackson became president, the civil service contained many clerks who had been appointed by his predecessors. Some "had  
1. C.R. Fish, The Civil Service and Patronage, P. 77.

grown gray in the service of the government, and were so habituated to the routine of their places that, if removed, they were beggar~~ed~~<sup>1</sup> and helpless." The old age problem before 1829 was thus quite similar to the one which was developed after 1883.

This superannuation problem was altered when President Jackson inaugurated the Spoils System of rotation in office in 1829. This system, was operated in one form or another until after the Civil Service Reform Act of 1883. Under it new employees displaced the old ones at every change of the executive administration. In this way, rotation altered the superannuation problem. There was practically no need for a civil service pension then as comparatively few remained in the service long enough to earn one.

But this system did not result in satisfactory efficiency of the service. In the place of old and experienced servants, there could be appointed even older and less experienced servants. Party preference was apt to be the prime consideration in making the appointments.

Thus, even before the Civil War, there were two governmental institutions which were used for the political advantage of the Congressmen. Both came into abuse at about the same time. Both were an enormous expense to the government. Both prevented the development of civil service pensions. One was the military pension system, the other was the civil service spoils system.

1. Paxton, Life of Jackson, Vol. 3. P. 211.

The operation of these two systems also exposes the early incongruity of the American military and civil pension policies. By the one, pensions were granted with excessive liberality. By the other no pensions were possible. This inconsistency was the basis of serious defects of service after the later civil service reforms were established

The civil service reforms were necessary before a civil pension system could be scientifically operated. When the reforms were finally made, the civil pension system was soon regarded as a necessity. It was needed as an adjunct to the reforms.

The pension movement is both supplementary and complementary to the civil service reform movement. The latter acquired its first congressional support in 1853. By March 22, 1853, sufficient popular agitation had been advanced against the spoils system to move Congress to pass its first legislation<sup>1.</sup> for a reform. On that date Congress passed an act which provided for the classification of the clerical civil servants, and provided that "no clerk shall be appointed in either of the four classes until after he has been examined and found qualified by a Board xx"<sup>2.</sup>

In 1865 civil service reform was hastened by the belief that President Johnson was misusing the service for his own personal advantage.<sup>3.</sup> But there were other problems besides political patronage. The old age problem had developed in spite of, if not because of, the Spoils System. By 1865, parts of the public offices

1. Tenth Civil Service Commission Report. p/ 135.
2. Statutes at Large Vol. 10/ P/ 209.
3. Paxton, The New Nation. p. 112.

had become to be considered as little more than places of refuge whether for political party workers or for non-partisans. Other offices were considered by one contemporary writer as " nothing but asylums where the aged and infirm luxuriate, as far as their scanty salary permits, in a kind of official hospital of invalids, constituting a formidable though venerable reserve force of incapacities."<sup>1.</sup>

The spoils system had failed to permanently eradicate superannuation. In 1866, a congressional committee on civil service was appointed.<sup>2.</sup> Five years later Congress passed the act of March 3, 1871. This authorized the President " to prescribe such rules and regulations for the admission of persons into the civil service" as would " best promote the efficiency thereof."<sup>3. In order</sup> In order to procure this efficiency, the President was authorized to appoint suitable persons to conduct inquiries into the fitness of the candidate and to prescribe the duties and to establish regulations<sup>4.</sup> for the conduct of the civil service appointees.

The law soon failed of effect because Congressmen were not willing to surrender their patronage. Congress therefore, refused<sup>5.</sup> in 1874-75, to make the necessary appropriations.

But the reform movement gained ground through the influence of the National Civil Service Reform League which was organized in 1877<sup>6.</sup> . It was a product of the combined efforts of the local<sup>7.</sup> leagues of various Eastern states. Largely as a result of this

1. North American Review Oct. 1867. Vol. 105. P/ 478.

2.

3. S.L. 16 : 514.

4. Ibid.

5. First Civil Service Com. Report. P. 13.

6. Tenth C.S. Rep. P. 136.

7. Young, The New American Government and its Work . PP 580-581.

influence of this organization,<sup>1.</sup> Congress passed on January 16, 1883, an act which created the present Civil Service Commission. It further provided for the merit system in making appointments. The act virtually did away with the spoils system and placed about 13,924 of the 110,000 civil service employees in the classified<sup>2.</sup> civil service.

Although a supplement to the reform movement, the pension movement was correlated with it. Nine months before the Reform Act was passed, Congressman Hazelton had introduced a bill in Congress for a civil pension system. This bill of April 29, 1882 proposed to grant "pensions for injuries incurred in the life-saving, railway-mail, and internal-revenue service of the United States."<sup>3.</sup>

While the bill contained the elementary principle of the military pensions; that of payment for injuries, the Committee's unfavorable report on it embodies two of the principle problems which confront the civil pension advocates. They are : the problem of popular aversion to civil pensions; and the policy of granting individual civil pensions by special acts of Congress.

Regarding the former subject the Committee stated that they were of the opinion that the time had not arrived when exigencies had arisen that made it necessary to recommend the enactment of a law creating a civil pension list.<sup>4.</sup> Since the Reform Act had not yet passed, it is questionable whether many congressmen did yet see any urgent need of the system. But the exigencies were soon to

rise.

1. Young, The New American Government and its Work. PP. 580- 581.
2. First C.S. C. Rp. P. 16. (1884)
3. Congressional Record . 47 Cong. 1 Sess. V. 13. P. 561.
4. House Report. V. 4-47. Cong. 1 Sess. Vol. 2068. pp1112.

Continuing their report the Committee said ;" while opposed to the principle of establishing such a list, the committee do not desire to express an opinion against the propriety or advisability of considering cases that may arise in the various branches of the civil service upon their individual merits, and that the same may be considered by Congress, and passed upon as justice may demand in each particular case at the time of consideration. xx and believing that such worthy and deserving individual cases as may be presented to Congress can be relieved without enacting a general law creating a pension list, your committee respectfully returns the bill to the House with the recommendation that the same do not pass."<sup>1.</sup>

This plan of granting special pensions to individuals is one which the pension advocates did well to avoid . It was en such a plan that some of the civil pensions of England had degenerated into a corrupt recompense for political party workers. It was through this system that the English civil pensions became little less than feudal exactions from the taxpayers. The civil service pension system of England would have been a better model for the United States than their special-acts system.

—It was largely through the consideration of special cases in the military service that the American prejudice to pensions had developed. Through the recognition of individual merits the noble purpose of special military pensions had been viciously perverted. The very Congress to which this adverse report was made granted 216 pensions by special acts. This was 125 percent more

1. House Reports. Vol. 4. No. 2068. 47 Cong. 1Sess. pp 1112.

than the number that was granted by the preceding Congress. Although it was 176 percent less than the number granted by the succeeding Congress. By special acts a later Congress conferred 9,649 pensions. Between March 4, 1861, and March 4, 1915, there was granted 47,398 pensions and increase of pensions through special congressional legislation.<sup>1.</sup>

No matter how meritorious the individual cases might be, the consideration of them would invite lobbying. Under such a system a deserving employee would never procure his hard earned pension without influence in Congress. Yet unearned pensions could be granted through political influence just as feasibly as were many undeserved military pensions.

The committee had not been influenced very favorably by the successes of the European civil service pensions systems. They did not " deem it necessary to enter into a general discussion of the systems of civil pensions of the governments of Europe, in so much as the basis of government under our plan is in many respects different from that of the nations of the old world. On the whole, civil service is based upon the principle of just compensation for voluntary services rendered except in those few cases where the posse comitatus is called upon which is no more frequently done in these enumerated branches of the civil service than in the others."<sup>2</sup>

1. Figures from Report Com. of Pens. 1915. P. 31.
2. House Reports. 47 Cong. 1 Sess. Vol. 4. Report 1112.

But this report was made before the Pension Act of 1883, and the civil service was still exploited in much the same manner as were the military pensions. It was still under the influence of political patronage. After the Reform Act was put into operation, the European pension systems ~~were~~ were quite practicable for America.

It was only five days after the Pension Committee's unfavorable report on the Hazelton Civil Pension Bill, that Congress provided a restricted pension for injured Life-savers.<sup>1.</sup> This was on May 4, 1882. These two actions again illustrated the incongruity of the American pension policies. Congress was radically opposed to civil pensions. But it was ardently in favor of extending them to all branches of the military and naval services and to the semi-naval branches of the civil service, provided that that branch involved hazardous service.

The Civil Service Reform Act of 1883 brought about a need for a continuance of civil service reform. It created a definite need for a civil service pension system. By this act provisions were made for obtaining efficient men and for keeping them in the service. But no satisfactory provision was made for expelling the inefficient men from the service. Consequently these provisions for attracting desirable men into the service were incomplete. The superannuated employees barred the way to advancement. Many young men would not enter the service. Many who did enter would soon leave it. Therefore, it was only a matter of a few years before the superannuation problem would present itself in even greater proportions. The supporters of the Hazelton Bill evidently foresaw this encumbrance to efficiency.

1. S.L. 22: 55.

Aside from the semi-military pensions, the civil pension promoters of 1883 already had ample precedents by which they could profit. On April 10, 1869, the Judicial retirement pension system had been inaugurated. This was the first National civil pension system to be established in the United States. By 1883 it had absolutely proved its worth.

The act established that " when a judge of any court of the United States resigns his office , after having held his commission as such at least ten years, and having attained the age of 70 years, he shall, during the residue of his natural life, receive the same salary which was by law payable to him at the time of his resignation."<sup>1.</sup>

Although this plan is somewhat different in detail from some of those which were later proposed for the classified civil service, the purpose of all of them was identical. The purpose was to procure greater efficiency of service by providing for the retirement of the superannuated and the promotion of the younger men. It was this desire for efficiency and equity that stimulated considerable discussion on Congress as to what was the best possible plan for the realization of the desire.

In referring to the plan which was finally accepted Mr. Sumner of Massachusetts said : " It may effect the retirement of the judges, but it will not supply additional efficiency to the courts. I take it our object is to accomplish both -to give to judges who have earned an honorable retreat what they have earned, and to secure complete efficiency to the courts."<sup>2.</sup>

1. R. S. Sec. 714.

2. Congressional Globe. 41 Cong. 1 Sess. P. 574.

He then suggested a more liberal substitute amendment in which he placed the age of retirement at 65, and the years of service at 12 years for one not yet 65.

The object of the civil service pension movement <sup>ever was</sup> is to achieve the identical results that have been achieved by the Judicial pension system: efficiency of service and equity for the servants.

Shortly after this Judicial pension legislation, Congress granted a pension to Mrs. Lincoln. Later similar pensions were made for Mrs Garfield, Mrs Polk, and Mrs Tyler. <sup>1.</sup> In the Forty-seventh Congress a joint resolution was presented which proposed an amendment to the Constitution to allow pensions for life to the President's on the expiration of their terms of office. <sup>2.</sup> Other civil pensions were proposed in the same Congress. <sup>3.</sup>

In addition to these national precedents to which the pension promoters might refer, there were municipal and industrial pension systems. These were valuable as working models. In 1883, New York, Albany, and Baltimore maintained firemen's pensions. New York, Boston, Buffalo, Yonkers, Cleveland, and Toledo, had policemen's pensions. The next year a retirement fund was established by the Baltimore and Ohio Railroad. <sup>4.</sup> Most of these systems were rudimentary. Like the original civil service reform movement, civil pensions bade fair to develop from local experiments.

The original Civil Service Commission evidently foresaw that the Act of 1883 would give rise to an urgent need for a civil service retirement system. On February 7, 1884, they stated in their

1. Wells and Eustace in Labor. P 1030.

2 & 3. Cong. Record. 47 Cong. 1 Sess.

4. Senate Document 427. 61 Cong. 2d. Sess.

First Annual Report that " The power of removal and its exercise for just reasons are essential both to the discipline and the efficiency of the public service. A life tenure would be indefensible."

But before the agitation for a civil service pension could accomplish very much, another factor had to be recognized. It was the great number of ex-soldiers in the civil service who were already drawing lucrative military pensions. This military element began to increase even before the service had grown very large and before the spoils system had been broken.

Consequently, the civil pension plan for the non-military employees was regarded as unnecessary. This problem has been augmented by Congress. It was the national policy to find employment for war veterans. The civil service was thus nearly filled with former soldiers even though they were superannuated and unfit for the clerical work. Such a policy would make for both the retardation of the civil pension movement and for inefficiency of service.

Yet Congress began the practice quite early. It is not improbable that the practice was prompted by the necessity of finding employment for the veterans, by commendable hero worship, and by the vicious party patronage.

On February 14, 1865, the Committee on Military Affairs and the Militia reported: " That in the opinion of the Committee, it is the imperative duty of the National and State governments to give the preference for appointments in the various civil offices to persons who have been honorably discharged from the military or naval service of the United States, or who have suffered

permanent disability while in the service of the United States, provided they possess the qualifications necessary to properly discharge the duties of such offices."<sup>1.</sup>

The Committee evidently presumed that all the offices would be filled by ex-soldiers for they added " The number of civil offices, however, in the various departments of the government, though large at present bears but a small proportion to the number of persons who have honorably served their country in the field, and who and who have been disabled by wounds, or diseased incurred in the line of duty."<sup>2.</sup>

This recommendation by the Committee was almost entirely embodied in the resolution<sup>3.</sup> which Congress passed on March 3, 1865. Consequently, the civil service was manned almost entirely by war-veterans.

At the time many of the veterans were young and probably competent men. Nevertheless this policy on being carried out rendered the subsequent act of 1883 of but little consequence in procuring specially fit men for the service. Both the Resolution of ~~1865~~<sup>1865</sup> and the Act of 1883 gave rise to a superannuation problem which later became serious.

The place of the soldier in the civil service was made more assuring by the Opinion of the Attorney General which was announced on Junell, 1877. It was then held that any army officer" is not

1. Senate Report. No. 122. 38th Cong. 2d. Sess.

2. Ibid.

3. S.L. 13: 571.

precluded from holding a civil office that does not belong to the diplomatic or consular service. And when he performs the duties of a civil office which he may lawfully hold under and by virtue of an appointment to such office, he is entitled to draw his pay as a retired officer and also the salary provided for the civil office during the period of his incumbency of the latter office."<sup>1.</sup>

Likewise the Act of July 31, 1894, provided that retired officers of the Army and Navy may be appointed to other offices by the President or be elected to public office by the people and receive salary.<sup>2.</sup>

The civil service continued to be operated very largely by military men. Consequently as late as 1906 the civil service was made up largely by superannuated veterans. In Washington alone "there were 1,626 employees over 65 years of age in the departmental service xxx of whom only 127, or less than 8 per cent, entered through examination under the civil service rules."<sup>3.</sup> Of these 127 employees, 44 secured their appointments through the preference granted by the statute which practically made their examination nil or at least virtually non-competitive. Excluding these 44," the number appointed through open competitive examination is reduced to 83, or only 5.1 percent of the total number over 65 years of age. Of the 1,626 employees under consideration, 934 were

1. The Digest of Official Opinions of the Attorney's General of the United States. P.30. -In their Fourteenth and Fifteenth Annual Reports the Civil Service Commission quote this opinion as that of June 11, 1867. This date is obviously impossible because Section 1223 of the Revised Statutes which govern the case was not passed until March 3, 1875.

2. S.L. 28 : 205.

3. Twenty-third C.S.C. Rp. Rp 11-12.

were veterans and 692 were civilians."<sup>1.</sup>

This practically accounts for the origin of the superannuation problem in the civil service. And since so many of the employees were already receiving pensions, there seemed to be but little need for more. As the superannuation increased the efficiency of service increased. Whether an employee entered the service under the Resolution of 1865 or under the Act of 1883, there was no feasible method of dismissing him from the service when he became inefficient.

The position of the non-military civil servant was also made more secure in 1897. On July 27, President Cleveland commanded that "no removal shall be made from any position subject to competitive examination except for just cause and upon written charges filed with the head of the Department or other appointing officer, and of which the accused shall have full notice and an opportunity to make defense."<sup>2.</sup>

While this mandate would tend to prevent the operation of the Spoils system, it would increase the need for a retirement system. Common humanity would obviously prevent the dismissal of an aged employee, especially when he had no military pension.

The superannuated soldier in the civil service presented a different problem. A civil pension without compulsory retirement would not greatly alter his position. His military pension would make his dismissal an easier matter for the authorities as far as charity was concerned. But obviously other factors entered. When

1. Twenty-third C.S.C.Rp. Pp 11-12

2. Amendment to Rule II. 14th. C.S. Rpt. P 133.

anyone became a civil servant through exemption from the examinations he was a subject of favoritism. The history of civil service reform emphasizes the political influence which for a time combated the practical application of the Act of 1883. Those same influences were sufficient to safe guard a civil servant's position.

Yet without providing for a scientific retirement plan, Congressmen still continued to favor the entrance of veterans in the civil service. "Congress has been flooded with bills to make to office easy for the soldier," says Fish: "in one session four such bills were presented to the Senate and thirteen to the House. Reports have been called for, chiefly by the Senate, to show how far the preference already provided for is observed. Bills have passed the Senate to extend the preference to all soldiers honorably discharged : bills have been introduced to extend it to Confederates. Just when such measures were becoming less dangerous because of the age of the veterans of the great conflict, the Spanish War brought new candidates for recognition, and renewed interest in war and warriors, and since then new measures have been presented. President Mc Kinley, without waiting for legislation, properly extended to our new veterans the privileges of the old, but preference is still (1904) restricted to the wounded and sick. And in the classified service of course applies only to those who receive a pass mark. The inclusion of all those honorably discharged would be most unwise, at a time when 300,000 young veterans have just come into existence, but the agitation will undoubtedly continue while there are men in Congress whose sympathy for the soldier and appreciation of the soldier's vote is stronger than their desire for civil service reform. In the past the South

1. The parenthesis is mine.

has on obvious grounds consistently opposed such legislation, but her position can no longer be predicted as she now has Spanish War veterans of her own who might profit by the privileges to be granted. The problem is an open one."<sup>1.</sup>

Thus as long as the soldier element in the civil service is strong, the soldiers influence promises to keep him in the service as under the spoils system. And as long as such influence is thus applied, just so long will the soldier element be an obstacle to the establishment of a civil service pension system. Unless, however, he should realize a greater advantage in the civil pension.

Despite this encumbrance of the aged soldier in the civil service, the civil pension movement has been gaining ground. Before the civil pension prohibition legislation of 1899, the movement enlisted the support of congressmen, of the Civil Service Commission, and of the press, as well as of minor agencies. The movement had been commanding the attention of Congress since 1883. The civil service reform act of that date was only a part of the real reform. In 1883 and thereafter, various bills had been introduced in the congress for a retirement system for the civil service.

One of the best worked out of these was the Crain Bill of January 4, 1888<sup>2.</sup> It provided for "the voluntary retirement upon three-fourths pay for life of all persons who have been employed in the civil service forty-five years continuously, and upon two-

1. Fish, C.H. The Civil Service and Patronage. P/ 239.

2. Congressional Record . 50 Cong. 1 Sess. P. 232.

thirds pay of all who have served thirty-eight years; also, that in the discretion of the head of any department under which any person has served thirty years such person if incompetent to efficiently perform the duties of his position by reason of sickness, injury, or old age, may be retired for life upon half-pay.<sup>1.</sup>"

In reporting this bill, the Committee on Reform in the Civil Service revealed the traditional aversion to civil pensions. They reported that "the passage of this bill would probably lead ultimately to the building up of a burdensome civil pension list unnecessary to the good of the service and unjust to those who bear the expense of the government. The established pay of the employees is supposed to be adequate compensation for the labor exacted by them. It should be so. It seems to be sufficient to secure efficiency and faithfulness in the service so far as compensation can do this."<sup>2.</sup>

The committee seemed to have overlooked the fact that the compensation for a large per cent of the civil service employees was fixed in 1854<sup>3.</sup>, and it has never been changed. It has not been changed yet. It seems that the rise in the cost of living has never altered the pay lists of the clerical employees. Yet the salaries of the judges and the officers of the Army and the Navy have been raised. The salary of the President and of the congressmen has been raised 50 per cent. The law salaries would naturally prevent enthusiasm on the part of the employees to

1. House Report. No. 328. 50 Cong. 1 Sess. Feb. 7. 1888.

2. Ibid.

3. Report of the Committee of One Hundred P. 11.

establish a contributory retirement system.

But aside from the matter of compensation, the pension system had already been a success in producing greater economy <sup>and</sup> efficiency in several of the municipalities, and in some of the larger corporations. Furthermore, if the committee had looked to the perfection of the system as they had been managed in England, France, and Germany since about 1854, they might have been impressed with the relative efficiency of the civil service of those countries. The centralization of the executive department may have been shown to be only one factor in the accomplishment of that efficiency.

But in 1893, the superannuation in the Executive Departments did attract considerable attention from Congress. A joint commission of inquiry was appointed. On investigation they found that there were 17,073 employees in the executive civil service in Washington alone. Of these, 1,416, or 92 per cent were 60 or more years of age. Of these 1,416 employees, there were 288 who were 70 or over, and there were 40 who were 80 years or more.

Between 1884 and 1893, the Civil Service Commission reported but little concerning retirement. Evidently they had devoted considerable attention to the pension systems of other countries, for their report of July 1894 contained surveys of the civil service pensions systems of all the leading countries of the world.

In 1895 one member of the Commission, W.D. Foulke expressed the

1. The systems considered were those of: England, France, Germany, Switzerland, Holland, Belgium, Sweden, Norway, Italy, Austria, Russia, Turkey, Bavaria, Brazil, British India, Canada, Great Britain, Japan, Persia, Morocco, and Peru. The systems of the most important of these countries were considered in greater detail in the Twenty-first report.

2. 16th. Rp. C.S.C. P. 14-15.

3. Proceedings, Nat. Civ. Sev. Ret. Assow. 1895. P. 79.

need of some remedy for the superannuation problem. He said:

" The problem to be solved is therefore to prescribe by some general system of rules an easy and sure method of discharging the incompetent, of providing for the superannuated and of maintaining the service in the highest state of efficiency. Part of this question can be solved, it is true, by a civil pension list."<sup>1.</sup>

He also realized the obstacles which would have to be combated in establishing such a system. " But if we imagine," he continued, " that a civil pension list will, within the life of this generation, be approved by the American people let us speedily undeceive ourselves. The present pension rolls, men think, are long enough. The country will not add them. Not one man in <sup>ten</sup> ~~ten~~ would vote for it. The sentiment of gratuity to our soldiers cannot be stretched far enough to embrace those in the occupation of civil life, no matter how long continued or meritorious their service."

The pensions <sup>system</sup> had been stretched, however, to the semi-military services and to many non-military persons. But the system was not extended entirely for sentimental reasons. The Acts were made for the improvement of service efficiency. If the populace could have believed that the civil service was in need of greater efficiency just as well as those hazardous services which directly protect "life, liberty, and the pursuit of happiness," then the 1895 advocates might have been more optimistic.

In 1897, the Secretary of the Treasury made his unsuccessful attempt to inaugurate a retirement plan. It was in the form of an honorable service roll. This roll was to include those who were 70 years or over, if their age had impaired their efficiency. These

1. Proc. N.C.S.R.A. 1895. P.78.

who were transferred from the regular service roll would be practically demoted if they were not retired. In either case they would receive a stipend of not more than \$900 a year.<sup>1.</sup>

This plan ,however, did not meet with much favor in Congress. They feared that it would be the beginning of a civil pension list. Accordingly they passed the act of February 24,1899,which positively prohibited the establishment of a civil pension list<sup>2.</sup> or an honorary service roll.

This prohibition was embodied in a special clause in an appropriation act. It was afterwards inserted in several other acts. In the long debate on the Appropriation Bill, there was but very little discussion on the civil pension clause. It seemed that Congress was really of one mind in regard to civil pensions. A statement of Mr. Bailey reveals the continued antagonism to both the Civil Service Law and the consequent civil pension proposal. In referring to the former he said: " I would object to the law if it were fairly and faithfully administered, because it proceeds upon the idea that when a man is once appointed to public office in the United States he shall enjoy the office throughout his natural life. x x x if the civil service law continues on the statute books of the United States for twenty years it will be followed by a civil pension list, and that itself is objection enough to the system."<sup>3.</sup>

1/ 16th. C.S.C. Rp. P. 15.

2. Ibid.

3. Cong. Record. 55 Cong, 3 Sess. P. 481.

The applause which he received would imply that Congressmen were aware that the Civil Service Law had already created a need for a civil pension law.

Despite this aversion to a civil pension law there was already in Congress a growing favor for civil pensions. On December 16, 1897, Mr. Tawney introduced a bill the provisions of which showed a great advance in the development of an efficient pension plan. It provided for both voluntary and compulsory retirement, and for the creation of a fund for the maintenance of the retirement system.<sup>1</sup>

This was the first national civil pension bill to attract any great attention from the press of the country. Until 1898 there was never an article on the subject of national civil pensions published in any standard American magazine. The next month after the Tawney Bill was introduced, the North American Review contained a short comment on the subject. This article also emphasized the necessity of complementing the Civil Service Law with a civil pension law. It claimed that "The extension of the Civil Service to officers not as yet included is inevitable and will not be long delayed, but the system will not be logically completed until Congress shall pass a retirement law providing annuities for superannuated and disabled employees. There is a strong and growing sentiment in the House favoring such a law, and considerable progress in framing a satisfactory bill was made during the last session of the 54th. Congress. No one has yet been bold enough

1. Cong. Record. 55 C. 2 Sess. P. 233.

to suggest that the government should contribute to the necessary fund; the prudent legislator, evidently believing that he attains the furthest limits of generosity when he grants the Civil Service clerk permission to insure himself against the needs of age or permanent ill-health. Of several bills for this purpose considered by the House Committee on Reforms in the Civil Service in the late Congress, that of Representative Tawney, of the First Minnesota District, was the best, and a sub-committee, of which Mr. Tawney was chairman, went into the subject thoroughly and held several meetings and public hearings.<sup>1.</sup>"

But this bill was confronted by another obstacle. Many of the civil employees were opposed to it. Nearly six hundred workers petitioned against a retirement system. At the same time cliques were being formed within the departments in order to assert their influence for a retirement system. The employees now composed a powerful army. It was presumed that the bill would "become a law as soon as the interested employees pretty unanimously demanded it."<sup>2</sup> But they were divided. Some servants wished to accept a contributory plan. Others believed that their salaries were too low to warrant the advisability of such a plan. Congress would not support a straight pension plan. From this time there was to be much controversy as to a plan that would be at once satisfactory to Congress and to the employees.

By June 1898 the Civil Service Commission had made a thorough investigation of civil pensions. Their report was favorable to

1. North American Review for January. 1878 V. 166 Pp 124-5.
2. Ibid Page 125.

some kind of a system of retirement and of promotion as a means of attaining greater efficiency of service. They insisted that "when an employee's efficiency entitled him to promotion, the regulations should require that he be promoted as soon as opportunity arises for his advancement. If he falls below the standard of efficiency fixed by the regulations, whatever the cause, he should be reduced in grade or his services entirely dispensed with, as may be thought best for the interests of the service. Under the old patronage system the superannuation of an employee and the consequent impairment of his usefulness as a rule did not result in reduction or removal unless he was unable to muster sufficient influence to retain his position <sup>1.</sup> xxx"

" The adoption of suitable rules to regulate promotions and re reduction will, it is believed, in a large measure prevent the filling of responsible positions by superannuated employees, for when position and salary are determined solely by reference to fitness, responsible positions with large salaries will no longer be filled by persons who have been rendered inefficient by age, physical disability, or other cause. The charge that the merit system means life tenure must necessarily lose its force when, by the operation of suitable regulations, tenure in the service, as well as entrance thereto, is determined solely by fitness. When such regulations which are required by the civil service are in successful operation, the question of life tenure will have become a dead issue."<sup>2.</sup>

Thus, before the passage of the Civil Pension Prohibition Law

1. 15th. Rp. C.S.C. P 18.

2. Ibid 18-19.

of 1899, the civil pension movement had overcome many obstacles. The civil service had grown into a monster organization of over ~~100~~<sup>178</sup> employees. The instability of the service due to the rotation in office had been remedied considerably. The civil service reform movement effected the Reform Law of 1883 which created a greater need of a pension law. The policy with dealing with each individual dependent employee had not yet become a vicious custom notwithstanding a Committee recommendation. The problem of the war veterans in the civil service had at least received serious attention. Civil pensions had been established for the Judiciary, the President's widows and for the semi-military branches of the civil service.

In these sixteen years since 1883, the number of municipal pension systems had increased 644 per cent, excluding the teachers' pensions. Before 1899, thirty-one cities had instituted policemen's, and thirty-six had instituted firemen's, pensions. The principal cities of nine different states had established teacher's retirement funds. In three of these, viz., Massachusetts, Connecticut, and New Jersey, state teacher's funds had been developed.<sup>1</sup>

Since 1883, the National civil service pension movement had been advanced by many authorities on the subject. The Civil Service Commission had persistently urged the adoption of a retirement plan. Many employees were beginning to favor it. Despite the fear of lobbying and of enormous expenditures, the movement had gotten a gripping hold on Congress, and it had begun to enlist the ardent support of the standard press.

Greater progress was realized after the Anti-Civil Pension Act of 1899.

<sup>2</sup> *Waldman, 1900.*

1. Computed from Senate Document 427, 62 C. 2d Sess.

CHAPTER V.

THE CIVIL PENSION MOVEMENTS AFTER 1899.

## Chapter V.

### THE CIVIL PENSION MOVEMENTS AFTER 1899.

For the great difficulties it had combated before 1899, the National civil pension movement was noteworthy. For its greater progress along with kindred pension movements, it was even more phenomenal after 1899.

In the years subsequent to the enactment of the Anti-Civil Pension Law of 1899, publicists began to realize that the problem of superannuation in the civil service demanded immediate solution. Administrative <sup>officials</sup> urged the creation of a retirement system. Private authorities pleaded it. Influential employees formed the Civil Service Retirement Association for the purpose of creating sentiment among the employees that would compel it. The rapid development of Municipal and Corporation pension systems showed that other organizations were working for greater efficiency. The public press awoke to the situation. Public sentiment was stirred. Consequently, Congress was moved.

But there were still obstacles to be overcome. There was much controversy among the advocates as to what was the best possible retirement plan. There was a pressing need for more of the education of public opinion that <sup>would</sup> force congressional support. The prejudice to civil pensions that was natured by the enormous pension bills had to be subdued.

The superannuation problem itself was the greatest argument for a retirement system.

The Civil Service Commission had long been aware of that problem. Prior to 1899, they had emphasized the necessity of its

solution. In their annual report of 1899, they gave voluminous <sup>space</sup> consideration <sup>to the</sup> to the needs for a retirement system. But there easy efforts were of but little avail.

The National Civil Service Reform League, which had been so influential in their support of the Reform Act of 1883, made a thoro investigation of the superannuation problem in 1900. On December 4, of that year they resolved that "the principles of Civil Service Reform in no way countenances any tenure of office other than during the continuance of merit and fitness."(1).

Yet under the merit system the service had become burdened with superannuated clerks who were unfitted for proper service. The League disclaimed, however, any advocacy of Civil service pensions as a part of the merit system. They avowed that the merit system did not contemplate such pensions any more than did the spoils system. But they had considered various plans that had been proposed for the eradication of the superannuation problem. Among the half-dozen radical remedies which they had studied were:

I. A civil pension list.

II. A retirement fund to be made up by deductions from salaries. (2).

Each of these diverse plans was later embodied in conflicting bills in Congress. The League, however, recommended a "system requiring life insurance on the deferred annuity plan by all employees during probation, as a prerequisite to final appointment, the policies to be non-assignable and in government control." (3)

(1) Rep. of Special Committee. Natl. Civil Ref. League 1901.

(2) Report 1901-p 2.

(3) Report 1901. p. 15.

The need of some one of these specific plans was more strikingly realized in 1906. In March of that year, President Roosevelt directed the Civil Service Commission to investigate the superannuation of employees in the departments at Washington who were over 65 years of age.

The Commission found 1,601 employees over sixty-five. By adjusting their salaries to the estimated value of their efficiency, they estimated that the total annual loss due to superannuation in Washington alone was as follows: (1).

Age	Number	Quantity of work on basis of 100	Average salary	Salary adjusted to work performed.
60 to 70	948	\$81.7	\$1,253	\$1,024
70 to 75	435	78.4	1,220	956
75 and over	218	72.1	1,156	841

Total salaries .....\$1,973,580.50

Salaries adjusted to work on the basis of a thoroughly efficient employee .....\$1,570,000.00

Apparent loss thru lack of efficiency due to superannuation ..... 403,580.50 (2).

But this was a mere suggestion of what was the total annual loss to the government thru superannuation of the departments outside of Washington. In 1912, President A. W. McKee of the Civil Service Retirement Association estimated that the work that was being done by the 6,500 superannuated employees then in the service at large, could be done by one half that number of young men. He averred that the Government was annually losing approxi-

(1). 23d Rept. Civil Service Commission 1906, P-

(2). This subtraction is mine.

mately \$1,200,000 thru superannuation. (1). Less conservative authorities estimated the loss at about one million dollars more. The loss would obviously increase every year.

Again, other startling conclusions could be drawn from other phases of the situation. The old aged employees prevented the promotion of the younger employees. This rendered the service unattractive to but few men who could succeed in other employment. The government was annually spending money for the examination of applicants. Yet in 1907, the Civil Service Commission claimed that "nearly 30 per cent of those who" were "offered appointment from the eligible register decline when their names are reached, and about 10 per cent withdraw from the register. (2).

Thus, not only was there much waste of money for examinations, but there was difficulty in obtaining the most efficient men.

Furthermore, many of those who actually entered the service did not remain long enough to become efficient. The Commission added that "the proportion of separation exceeds 10 per cent annually in the departmental service, and in some branches of the services rises to 25 per cent."

Six years after this report President McKee claimed that in a space of eight years, 91,000 employees had voluntarily resigned from the civil service. (3).

These facts indicated that the Merit System had not achieved all that was desired. There was still rotation in office, which was quite as injurious to the service as was the Spoils System.

(1).Address before the National Civic Federation  
1912.

(2). 24th Report. P 5.

(3). Postal Record. Vol. IV. p. 80.

In the latter the employees had at least a spirit of pride in the Administration. They were content and loyal, even if they were otherwise inefficient. The civil service reform was obviously still incomplete twenty-five years after the Reform Law went into effect.

It was of course impossible to determine the exact loss to the Government thru the incompetency of the superannuated, thru the unnecessary number of salaries, thru the useless expense of an excessive number of examination, and thru the inefficiency of the unstable recruitments. But some of these losses were felt long before the commission investigation of 1906. The immature pension plans before 1898 promised to reduce some of them. Later plans promised greater results. No matter how keen the controversy over the respective merits of the contributory and the straight pension plans was, the controversialists were agreed that a pension system would promote a great contrast in the condition of the service.

They were fairly well agreed that in general a civil pension system would:

1. Relieve the service of the inefficient;
2. Attract young men into the service by providing greater opportunities for promotion;
3. Execute the same amount of work with less men and consequently less expense;
4. Acquire greater efficiency from all employees, because loyalty would be stimulated by justice, continuity in the service would warantee expert skill, and because there would be no loss of energy thru discontent or thru fear of an indigent old age.

After 1906, civil pensions were regarded as a necessity by many officials. They were then confronted by the problem of convincing the public and the Congress of the necessity of them.

About the time that President Roosevelt ordered the investigation of 1906, Secretary of War Taft strongly recommended civil service pensions. He believed that either the system of retirement which the corporations maintained, or that which was operated for men of the Army and Navy would be applicable to the civil service. (1). Other officials likewise recommended civil pensions.

After Mr. Taft became President, he annually recommended retirement of civil servants in his messages to Congress. In doing so, he was conscious not only of the problems of superannuation, but of the difficulty which confronted the adoption of pensions. In 1901, he stated that he was aware of the "strong feeling in both Houses of Congress, possibly in the country, against the establishment of civil pensions, and that this has naturally grown out of military pensions." Nevertheless, he was "strongly convinced that no other practical solution of the difficulties presented by the superannuation of civil servants could be found than that of a system of civil pensions.<sup>2</sup> This was evidently the opinion of President Taft's cabinet, also. Every member reported in favor of civil pensions.

About this time, twenty-one business and professional men of Washington formed themselves into an association "for the purpose of endeavoring to increase the pay of Federal employees and to secure, if possible, legislation for the retirement of those who were superannuated or disabled." (2).

This society soon admitted many members of national reputation who lived in various parts of the country. They then

- (1). Report of Committee of 100. p. 53/
- (2) Report of Commission of 100. p. 1.

organized as the Committee of One Hundred. The Committee would not attempt to draft any particular civil pension plan. Nor did it try to bring before Congress any pension bill. Their purpose was to leave these details to Congress. It apparently recognized the impossibility of the passage of such a bill until public sentiment was in favor of it. The main devotion of the Committee was "to the education of public sentiment to the necessity of some adequate and fair system of retirement of Federal employees who have grown old and grey in the service, and after long and honorable service are no longer able to provide for themselves." (1).

The investigations of the Committee revealed the precarious financial status of many of the departmental clerks and their urgent need of either an increase in salary or of a pension system.

In 1911, political scientists devoted great attention to the superannuation problem. The American Academy of Political and Social Science gave special consideration to it. In addressing this society, Secretary of the Treasury Franklin MacVeagh said:

"It is high time and most important that a retiring allowance should be established for the civil service of the Federal Government. The Federal Government itself absolutely needs it. We hear all this current talk about economy and efficiency. We can go a certain length; I have gone a certain length, but I am tied up as everybody else is in any effort really to produce economy and efficiency, economy through efficiency, by lack of a retiring allowance for the civil service servants ..... It is necessary not only to the Government to have a retiring system, but it is fair and necessary

(1). Report of 100. p. 9.

to the clerks and employees themselves." (1).

Discussion was then given to the need of more favorable public sentiment. It was realized that there was no wide or great general interest demanding action from Congress.

Despite the efforts on the part of officials and of interested citizens, it was difficult to arouse effective public sentiment. The enormous military pension expenditures were ever before the tax-payers. To a certain extent, civil pensions were regarded as a means for the restoration of political privilege. Attempts to re-name the term were of no avail. The public press was in many instances either silent <sup>about civil pensions</sup> or adverse to <sup>them</sup> ~~civil pensions~~.

Some of the standard periodicals, however, had begun to advocate them shortly after President Taft sent his first message to Congress in 1909. Notably among them were The Independent and The Nation.

On September 8, 1910, the editor of The Independent suggested the consistency of granting civil servants the same equity that was granted the military servants. He stated: "The officers of the Army and Navy are retired on three-fourths of their highest pay on attaining a certain age, or on becoming physically disabled. Why should not the employees of the civil service receive as equitable a treatment at the hands of the Government as the men of the Army and the Navy in time of peace? Surely disablement by tuberculosis in the postal service is as unfortunate as infection by typhoid at an army post." (2).

(1). Annuals of the American Academy.  
Vol.38; p. 3.

(2). The Independent. Vol. 69; p.547.

Here again is implied the necessity of hazardous service for a qualification for a pension. And here again, is suggested the logic of the extension of pensions from the military to the civil service. In the same editorial the writer insisted that "the Pension Bureau in the Department of the Interior should be reorganized into a Bureau of Retirement and Insurance." If this were done, then both the military and the civil pensions would probably be granted on the same principle, and the pension extensions would be complete.

In 1911, The Nation which had so ardently opposed civil pensions in 1899, emphasized the need for President Taft's plan. It maintained that "The evil of superannuation steadily grows worse. We doubt if any previous Administration found the evil so great as has Mr. Taft's..... Every cabinet officer has found his department clogged by aged or physically incapable clerks who stand in the way of greater efficiency, and above all the greater economy upon which Mr. Taft has set his heart." (1).

In the same year President Taft appointed a Commission on Economy and Efficiency. This body made a detailed investigation of the civil service <sup>with</sup> ~~until~~ a view to finding a means for improving the economy and efficiency of the Administration. On completing their research, the Commission urged a retirement system for the civil service employees.

To their report was added two retirement bills which had recently been introduced in Congress. They were the Gillett and the Hamill bills. They were introduced on February 28, 1910 and May 9, 1911 respectively. The Gillette bill had been presented in

(1). The Nation. Vol. 93;p. 182.

1909. Since 1880 many bills proposing civil service retirement had been introduced in Congress. But no bill had ever been reported out of the Committee until the Gillett bill was so reported on February 27, 1909. (1).

Each of these bills invited much discussion because each embodied a retirement plan that conflicted with that of the other. Likewise, each promised to reduce the expenses of the Government and to better the condition of the employees. The Gillett bill proposed a contributory retirement system. The Hamill bill proposed a straight pension plan.

The contributory plan provided for the deduction from the salaries of the employees an amount that would be sufficient with interest thereon at three and one-half per centum per annum, compounded annually, "to purchase from the United States ..... an annuity, payable quarterly, throughout life, for every such employee on arrival at the age of retirement.....equal to one and one-half per cent per annum of his annual salary," for every year of service between the "date of the passage.....and the arrival of the employee at the age of retirement."

The ages of retirement were to be sixty-five and seventy years, depending on the nature of the employee's duties.

Three kinds of payments were provided:

1. An annuity payable quarterly to the retired employee throughout life.
2. A life annuity with the provision that if the annuitant should die before he had received in annuities an amount equivalent to the deductions from his salary plus the interest thereon, the balance should be paid to his legal heirs.
3. A payment in one sum equivalent to the amount of

(1). H. R. 2227. 60 Cong. 2d Sess.

the employees savings on separating from the service before the age of retirement. Should he so leave after six years of service, he should also receive the accrued interest. (1).

After July 11, 1920, retirement was to be compulsory. Those who were already seventy years were to be retired within a few months after the act should be passed.

The Hamill bill provided that employees in the Civil Service who were sixty years old and who had served thirty years could retire with a pension equal to 50% of their average salary for the five years next preceding retirement. Those who were sixty-two years and who had served twenty-five years could retire on 45% of the same average. Those who were sixty-five years and who had served twenty years could retire on 40% of that base. All must retire at seventy years. (2).

The supporters of each of these bills gained much confidence in their respective plans from their study of the successful municipal pensions. Both the contributory and the straight pension plans had been operated for city employees. Investigation of the city pensions was evidently deemed necessary by the Senate. Just eleven days after the Gillett Bill was introduced the Senate passed a resolution directing that the Department of Commerce and Labor should collect "information on the subject of foreign and domestic retirement plans for employees of government civil service and in the service of industrial and transportation corporations." (3).

The success of the foreign plans had already been thoroly

- (1). Bill H. R. 9242. 62d Cong. 1st Sess.
- (2). Bill H. R. 22013. 61st Cong. 2d Sess.
- (3). Senate Dec. 424; p. 2. 61st Cong. 2d Sess.

investigated and reported by the Civil Service Commission. The municipal pensions had been developing in the United States ever since 1857, when the New York pension system was instituted. By the time that the Civil Service Reform Act of 1883 had passed Congress, there were eight cities maintaining civil pensions.

Altho still in the experimental stage their success commanded the study of efficiency experts in other cities. When the National civil pension prohibition act passed in 1899, thirty-one cities operated policemen's pensions, and thirty-six maintained firemen's pensions, while teacher's retirement funds had been instituted in the principal cities of nine states. (1).

This showed that since 1883, the number of pensions systems for the policemen had increased 170 per cent; that for the firemen 80 per cent; and that for the teachers 69 percent. (2).

By the time that the pension problem commanded the interest of Congress in 1910, eighty-four cities had policemen's and eighty-five had firemen's pensions. The teacher's pensions had been adopted by the principal cities of twenty-two states. (3).

A little later, county civil service pensions were provided for in Pennsylvania and Massachusetts.

In 1911, Massachusetts adopted a civil service pension system for state employees. While no other state followed her example, eight states had by 1916, established pensions for their Judiciary. (4).

- (1). Computed from Senate Dec. 427. 61st Cong. 2d Sess.
- (2). Computed from *ibid*.
- (3). Computed from *ibid*.
- (4). Address of William R. Wilcox before the National Civic Federation. 1916.

Thus the American public had before them many successful examples of civil service pensions. All of these systems had been implanted for the same reason for which the National Civil Service pensions had been proposed. That reason was the necessity of gaining efficiency of service by eliminating the superannuated and by insuring fair treatment for all the employees.

Besides the local government pensions, there were many railroad<sup>s</sup> and industrial pensions which statesmen studied. In 1910, twenty-two railroads maintained retirement systems for their employees (1). All but three of these were created since 1899, By 1912, five more were created. The aggregate number of persons employed in these railroads was approximately 800,000, (2), or nearly twice the number employed in the entire National Civil Service.

Nearly all of the greatest American industries had created retirement pensions by 1912. Among the most developed systems were those of the American Telephone and Telegraph Company, the American Sugar Refining Company, the International Harvester Company and the Standard Oil Company. (3). Both Harvard and Yale Universities maintained them, and the Carnegie teacher's pensions had been widely extended.

In 1912, the total number of persons in the service of all the American corporations that maintained a pension system would aggregate 1,000,000 employees. (4). Adding to this the 800,000 railroad employees, it is observed that approximately 1,800,000 or

- (1). Computed from Senate Dec. 427; 61st Cong. 2d Sess./
- (2). A. W. McKee in the Postal Record Vol. XXV; p. 80.
- (3). Ibid.
- (4). A. W. McKee in the Postal Record. Vol.25; p. 80.

over three and one-half times the number of employees in the United States Civil Service were working for corporations that maintained pensions.

In a measure at least, this may have explained why so few employees remained in the Government service. The enormous military pension <sup>expenditures</sup> bill of 1898 may explain why the congressmen of 1899 were so radically opposed to civil pensions; but the superior economic success of the corporations which maintained pensions may partially explain the later contrast in attitude.

The private pension movement was not confined to the commercial enterprises. The Christian churches began to adopt them. The Catholic Church had granted pensions early in its history, and the Moravian Church had maintained a system since about the middle of the Eighteenth century. Most of the other clerical pension plans, however, were developed in the Twentieth century along with the municipal and the corporation systems. The largest systems were those of the Methodist Episcopal, Protestant Episcopal, and the Presbyterian Churches. The working principles of these three <sup>systems</sup> churches were quite similar to those of the corporations, and in 1910 the aggregate number of ministers was over, 32,000. (1).

Thus, all of these pension plans; the municipal, the state the industrial, and the ecclesiastical, were largely of a Twentieth century development. The whole pension movement was evidently the outgrowth of a new theory of administrative management. It was a parallel development of parallel plans for the employees of institutions of extremely divergent purposes. All

(1). World Almanac. 1911. p.521

achieved their greatest development after 1899, and all were to be invaluable exemplars to Congress.

Excepting the Judiciary pensions, most of the municipal and state plans were contributory. Most of the industrial and church plans were straight. These two plans were to give occasion for much controversy among congressmen, among actuaries, and among laymen, after the Gillette and Hamill bills were introduced in Congress in 1910 and 1911 respectively.

The Gillette contributory retirement bill was largely the result of the efforts of Herbert D. Brown of the Department of Commerce and Labor. (1). In 1903, Mr. Brown made a deep study of the superannuation problem and a thoro research of the retirement systems of England and the Colonies. He perfected a plan which in 1905 was brought to the notice of Congressmen Tawney and Gillette (2). The adoption of the plan was recommended by the Keop Commission in 1907, and President Roosevelt embodied their recommendations in a special message to Congress. In 1909, and again in 1911, the Gillette bill received a favorable committee report. (3).

The Committee members with the various other authorities advanced several arguments in favor of the contributory pension system. Some of the principal ones follow:

1. It would be inexpensive to the Government.
2. It would be actuarially sound, and could without great difficulty be either abandoned or merged with another plan without working injustice to anyone.
3. Every employee would get all that he paid into the fund even if he left the service before he reached

(1). H. R. 1081; 61-2  
(2,3). Senate Doc. 745; p. 1.61-3, and  
Review of Reviews. Vol. 40; 720  
(3). H. R. 1081; 62-1.

the retirement age. In case of death his legal heirs would receive his savings.

4. No one would profit at the expense of another.
5. No one could have a vested right to his position.
6. No chief would need to hesitate to expell an inefficient employee for fear of bringing him to want.
7. Public sentiment would not long oppose such a saving's plan.
8. Contributory pensions would thus benefit both the service and the employees. (1).

The supporters of the straight pensions system claimed that their newer plan was an evolution from the contributory system. They claimed that straight pensions would produce even greater benefits for both the individual and the Government.

In objecting to the contributory plan they offered many contentions:

1. It would require deductions from extremely low salaries.
  2. The contributory plan is not a real pension plan at all. It is merely a compulsory saving's bank and annuity plan. It is little more than an effort to appease those who demand pensions with out satisfactorily yielded to those demands.
  3. Such a plan is a derogatory reflection on both the employees and the service. It implicitly states that an employee is incapable of attending his own personal affairs, but that he is entirely capable of attending the affairs of the Government.
  4. The rate of interest would be lower than the employee could receive from other investments.
  5. The employees would suspect the motives of the government in conducting a saving's bank, and they would
- (1). This, and the immediately following tabulation was summarized from a variety of sources; principally the Congressional Record, Postal Record, House Reports, and the Report of the Economy and Efficiency Commission.

suspect political demoralization of the banking service.

6. The ease with which the employee could get a cash sum on resignation would be a constant incentive for him to leave the service.

In support of the straight plan they further reasoned:

1. There would be but little ultimate expense to the Government because the positions vacated ~~of~~ superannuated men would be filled by lower salaried young men. Furthermore, the number of employees would be reduced since one young man aspiring for promotion would perform the same amount of work that two superannuated men could do.
2. It would require no deductions from salaries. Hence, the government would not be accruing interest at the employees expense.
3. It would be actuarially sound. Practically all of the newly established municipal, industrial, and ecclesiastical pension systems are working on the straight pension plan. Germany has a straight pension system, the success of which is established. For fifty years England maintained a straight pension system. In 1909 it was placed on an actuarial basis, but the Government paid the contributions for the employees. (1)
4. The pensions would be operated on the "sliding scale," the rate being determined by the length of service and the average salary.
5. More loyalty would be gained for the service thru the straight pension plan, because the pension might be looked upon as either a "deferred pay," or as a gratuity for long continued service. It would not be regarded as a mere life insurance endowment or annuity.

The advocates of the contributory system had many objections to the non-contributory plan. They insisted that:

1. The plan would be a great expense to the Government. It would be virtually raising the wages of the employees.
2. It would not be a success in an elective Government. On the part of those in power there would be a constant tendency to lower the age of retirement, to extend pensions to new classes of public servants, and to grant allowances to the dependent relatives

(1). H. B. 1081. 61-2.

of a deceased pensioners.

3. It is actuarially unsound. It had been a failure or it had been unsatisfactory in every country where it had been tried.
4. The salaries would be adjusted to the cost of the pensions. Hence, they would be low.
5. Those who did not remain in the service until the age of retirement would not receive all that was due them. Men might die and leave in destitution their widows and their children.
6. Common charity would prevent the chiefs from expelling the inefficient before their age of retirement.
7. Pensions would be looked upon as a right. Hence, the right of expulsion would be questioned by the inefficient.
8. The public sentiment would not support a straight civil pension.

Despite the arguments that had been made in favor of a National Civil Service pension, despite the great progress that other kindred pension movements had made, and despite the growing public favor which civil pensions were beginning to receive, both the Gillette and the Hamill bills failed to pass. Influential men supported each, and influential men opposed the other. Consequently the pension movement was thwarted, and the conflict was continued.

While advocating a straight pension system for the Postal Service in 1915, Senator Boies Penrose affirmed that he was "convinced that the only practical system was a system of flat, straight, direct, retirement and pension." (1). He maintained that "the evolution from the contributory plan to the service pension system is gradually coming to be realized, and the straight retirement and pension at the expense of the Government and without contribution from the employees is the only one that will in the end

(1) H. R. 63d Cong. 3d Sess. p. 4476.

prove satisfactory. (1).

In order to persuade the Senate that " the most recent systems adopted <sup>or</sup> of the great corporations of the country have evolved beyond this contributory plan" and had adopted the straight pension system, he submitted a list of these corporations. This compilation showed that twenty-five of the twenty-seven railroads pension systems were of the straight plan. Practically all of the industrial systems were straight. The municipalities were also adopting the straight plan. He showed that eight of the teacher's, eleven of the firemen's, and twelve of the policemen's pensions plans were straight.

Other pension advocates had made a minute study of the industrial pensions in 1911. A Senate document contained a detailed discourse on the subject <sup>by</sup> of Herbert D. Brown. He stated, "Undoubtedly the reason why railroads and other corporations are disposed to favor the straight pension fund rather than any contributory plan with a fund in any way controlled by the employees, is that it helps them to approximate the establishment of military discipline among their subordinates. They look on a pension as a useful kind of strike insurance. For fear of forfeiting his pension, the employee, like the soldier, will sacrifice much of his personal liberty, including his right to strike for better wages or shorter hours. (2).

Mr. Brown further contends that the straight plan might work with a corporation and fail in a government. The industries are ~~industries~~ operated for dividends. Each foreman is responsible

(1). Ibid. p. 4478.

(2). Senate Doc. 745. p.57. 61-2.

for the output of his subordinates. He must insist upon efficiency. Whereas, in the civil service the subordinates are not usually engaged producing commodities. The chiefs would be more lenient on the subordinates, as there would be no product to stimulate strictness.

This argument was embodied in the report of the Commission on Economy and Efficiency. In the same report was published a message to Congress by President Taft. In this message the President emphatically urged the adoption of the contributory pension plan. But evidently Congress was still undecided as to what was the best <sup>system</sup> for the retirement of Civil Service employees.

The national government has been much slower in the adoption of civil pension than have many of the states. In 1911, the Massachusetts Legislature adopted a "system of compulsory old age insurance for state employees on a contributory and co-operative basis."

Charitable pension movements have made even greater progress in the states than have the service pension movements. Since 1910, twenty-eight states have adopted pensions for indigent Mothers. (1). Arizona and Alaska, have adopted pensions for the impoverished old-aged persons. (2).

Thru the ~~the~~ nation-wide Twentieth Century movement, stretching from conservative Massachusetts to progressive Alaska, congress may get be influenced. With the success of these local and private pensions, whether municipal or state, industrial or ecclesiastical, commercial or charitable, it is <sup>possible</sup> favorable that individualism may yet be modified. Thru the influence of the local

(1). World Almanac, 1916. p.168.

(2). American Labor Legislation Review Dec. 1915

pension movements, thru the influence of the national civil pension movement, and thru the drift of policy from the military pensions, Congress may yet yield in harmony.

This is typified in the spirit of a recent Senate bill <sup>14</sup>~~(1)~~, which proposed to establish a pension for the Head of the Civil Service in consideration of his official position as Commander-in-chief of the Army and Navy.

(1). S. 840; 64 Cong. 1st Sess.

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