

INTERVIEW 1

DATE: November 5, 1968
INTERVIEWEE: ROBERT M. BALL
INTERVIEWER: DAVID G. McCOMB
PLACE: Commissioner Ball's office, HEW, Washington, D.C.

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M: Mr. Ball, first of all, I'd like to fill in your biography. According to my information, you were born in New York in 1914, New York City. Is that right?

B: Yes.

M: You were educated at Wesleyan, got an A.B. degree in 1935 and an M.A. degree in 1936. Is that correct?

B: That's correct.

M: Your major was what--economics?

B: For the master's degree, it was. Actually as an undergraduate, I was a major in English literature.

M: That would explain some of the books you've written then.

B: I really haven't written full-length books. I've written a lot of reports and articles and things of that sort, but I am still looking forward to the chance to write the first full-length book.

M: Also according to my data, you began work for the Social Security Administration in 1939.

B: Yes. In the beginning of 1939 in January. The act was actually passed in 1935 but they didn't start to hire people in any significant numbers until [1937]. Well, there were a few people in 1936 but it was about

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1937 when fairly large numbers of people in the old Social Security Board began to be hired. I came in January of 1939.

M: May I ask you what you did between 1936 when you finished your master's degree and 1939?

B: Yes, I had a variety of jobs. I was in department store work for Stern Brothers Department Store for a while and I worked at a junior college and I worked on a weekly newspaper. Those were the main things.

M: But then you went into social security. Have you been connected with the Social Security Administration ever since then?

B: Well, I've been connected with the social security field ever since then, but I was actually out of the government for a period of time. I began, as I indicated, in early 1939 at really the lowest level, you might say, of the administrative rung out in the field organization of the old Bureau of Old Age and Survivors' Insurance. I was a Grade 3, what they called a field representative, and that paid at that time \$1,620 a year. But that's the job that was then and still is where people are rather expected to move on up into supervisory positions, assistant managers of district offices, managers, and so on. I had a career like that in the field organization up until about 1942, as I remember, and then I came into the central office of the social security organization where I was in a variety of jobs up until 1947.

In 1947 I went to work with the American Council on Education in a training project that Karl de Schweinetz and I organized, which was in the social security field. It was directed at two groups. We were interested in organizing seminars and other training for the very top

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people operating either state programs or federal programs of social security, unemployment insurance, and the welfare programs. Then the other group were university teachers who had some responsibility for teaching in the field of social security, usually as only part of a larger course such as in general economics or labor economics or welfare. We organized training for those two groups.

(Interruption)

M: You had just explained to me about your work with the American Council on Education.

B: Yes, I had the date on that wrong. It was earlier than that; it was probably about 1945. I think I said it was 1947 when I went. Actually in late 1947 I left that position, on leave, in order to be the staff director of an advisory committee on social security to the Senate Finance Committee, a committee that was headed by Edward Stettinius with Sumner Schlichter as associate chairman. I stayed with that for over a year and then came back to government.

I came back to a social security job in government in late 1949 and have been there ever since. I came back as an assistant director of the Bureau of Old Age and Survivors' Insurance and then at the beginning of the Eisenhower Administration, during the transition period, I was acting director, having for a short time been the deputy director of the bureau. Then I was in that job as deputy director up until 1962, when President Kennedy appointed me commissioner of social security. That was the first time I had a job that was outside the civil service

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career service. This position of commissioner is a presidential appointment with confirmation by the Senate.

M: Did Kennedy pick you because of all your experience in social security?

B: Yes, it was as a career appointment. He made several from the career ranks in different parts of the government. The Secretary at that time was Abe Ribicoff and I had of course worked closely with him from the position of deputy director and he recommended to the President that I be made the commissioner.

M: I'd like to get in now some of the milestones in the major development in social security. Of course, there is the enactment of the original act and your early work in it as a field representative. One question about that. Back in the late 1930s when you began your work, did you find any difficulty in acceptance of the social security idea from the people you worked with?

B: Well, yes, there was. In 1939, there was a considerable feeling on the part of many employers that social security really wasn't a good idea. One of my jobs was to call on employers for various purposes. The employer fills out a quarterly social security return and gives the name and account number and wages of each individual employee. The accuracy of that reporting and making sure one gets the right account number and gets an account number for everybody is the key to the whole record-keeping system. When an employer was not doing a good job in this respect, we used to make calls on them and talk with them about the program and about things that they could do better to help in its

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administration. I would say that it was among a minority, but it was very true that there was some hostility to the program then, which by now I would say has almost completely disappeared.

M: You don't run into any kind of trouble now?

B: Almost none at all of that type. There was a time there at the very beginning--a little while before I came even--when there was a feeling on the part of many employers that the Social Security Act was going to be declared unconstitutional. Many weren't at all cooperative with the administration during that time.

M: Was there any resistance or opposition by the worker involved?

B: No, I wouldn't think there was very much opposition by the employee covered under the program. You will remember that in the very beginning the coverage extended only to people in industry and business and that the deductions from wages were only 1 per cent of earnings. Certainly my impression was that social security had the strong support of the individuals covered under the program. Now, I'm sure there were exceptions since the American system covered everybody up to at least \$3,000 earnings. That is, it covered even a man who had a very, very large salary--it covered the first \$3,000 of his earnings. I am sure that some of them were not really favorable to the program, but I don't remember any real resistance on the part of the employees.

M: And at the present time resistance has fairly well died off.

B: Well, certainly there is no broad resistance to the idea of social security any longer in this country. There are differences of opinion about what should be done next. There is some feeling on the part of

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some people that they don't want to pay any more contributions toward social security, but I would say that it's just a tiny minority that wants to make any fundamental changes in the approach of the program. The last major politician to speak on this subject I think was Senator Goldwater in the 1964 campaign, and I doubt if anybody ever again in a national campaign would allow himself to get in a position where he could be interpreted by people to be against the social security idea.

M: Is it correct that neither political party, Democrats nor Republicans, has made an attempt to repeal or to cut back social security programs? Now, they might not want to advance it, but they would not want to cut it back.

B: I think that's true as a generalization, meaning the whole party. There were some specific situations that I remember around 1948 where the Republicans took a position on some coverage interpretations that would have eliminated several hundred thousand people from coverage--typically salesmen--but this wasn't a fundamental attack on the program. It was a relatively narrow issue. I think the closest thing to an attack on the program by any major segment of either political party took place at the time the Eisenhower Administration came in on the part of now Senator Carl Curtis, who at that time was a member of the Ways and Means Committee and was appointed chairman of a subcommittee on social security. He conducted rather extensive hearings. I remember I was on the witness stand for several days in a row. I would say his general approach was to discredit the kind of social security program that we had. He was leading, I believe, toward a program which would have paid the same

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amount to everyone and a fairly low amount to everyone and without regard to contribution. My impression was that he favored a kind of a very inexpensive Townsend approach of oh, thirty dollars a month, say for everyone--not a contributory system but out of general revenues or from some other kind of financing.

Now that didn't really get anywhere. I don't know just why it was. There was a complicated series of reasons, I'm sure, but President Eisenhower himself had come into office without expressing any support for social security at all during the campaign. In fact he made one speech, I remember, in which he said that if you really wanted security, the best place to get it was in prison. That was in relation to some discussion of social security. So, we really didn't quite know what to expect.

And then there was these hearings that were certainly hostile hearings by Congressman Curtis in the Congress. I think also leading to some hostility toward the program at the beginning of the Eisenhower Administration was just the fact that the Republicans had been out of office for so long that they came in with a great feeling of suspicion about existing programs--if they had not been involved in setting them up, they were considered New Deal programs to be looked at with great suspicion--and, also, a great suspicion of the bureaucracy, a great suspicion that most of the people in the higher levels of the civil service at least were probably loyal to the previous administrations as individuals and not capable of making a transition toward another political point of view.

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Now gradually this changed. I would say over the period of the first year. Mrs. Hobby, for example, who was at that time the Federal Security administrator and later became the first secretary, began with these reservations both about programs and about people. And it was only by working with her closely over a considerable period of time that her attitude changed and that of other people changed. She set up quite early in the Eisenhower Administration a group of consultants on social security and the first members of that group that were picked were by and large critics of the existing plan. They tended to be people who not necessarily wanted to get rid of it entirely but who were relatively negative about the program. Under the pressure of some publicity and some push by labor and other voices in the community, she agreed to extend the group to include some public members that were more favorable to the program, and some labor representation. That group proved very helpful in shaping the attitude of the Eisenhower Administration the first year and bringing it toward a much more favorable attitude toward the program. This group ended up by recommending very good improvements in social security. They recommended particularly extension of the coverage of the program to groups not then covered like farm workers and farm operators and self-employed people and so on. In fact that was their main assignment in the end--to deal with the coverage question. But that was an interesting period. Carl Curtis, whom I referred to, actually attended those meetings and as time went on, Marion Folsom who was the under secretary of the treasury, attended the meetings. Marion Folsom for many years had been a very good friend of the social security

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program and one of the major advocates of social security from the business community. He was a very helpful influence in this group as were many others as time went on.

M: In this instance then, it would seem that the Republican Party accepted the bureaucracy?

B: Yes, as time went on.

M: They came to trust it.

B: Yes, out of the recommendations of that consultant group and I might say the fact that the Curtis investigation or hearings did not dig up anything that was at all sensational. This growing confidence all combined with perhaps the most important factor of all--the fact that social security was a very sensible program and a conservative way of going about the problem. The idea of having people contribute toward their own protection and having their protection grow out of work is basically conservative. I think that gradually became clear and as a matter of fact the Eisenhower Administration in the amendments of 1954 accomplished important advances in the social security program.

M: This brings up two more points. Both the amendments in this question. Is it important for the success of social security to have people contribute to it rather than just have it funded by the government and paid, say, to the worker? Is it important that the person feel involved so it's a kind of insurance policy or something like that?

B: Yes, I think it's really very important. I don't think that the paying is the absolutely most fundamental thing, but I think it's very important. Let me say what I mean by that. Unemployment insurance is a

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social insurance program, too, and in the United States workers do not contribute specifically for unemployment insurance. But nevertheless the eligibility for the benefit grows out of the work that they do. You get unemployment insurance only because you work and have a work record and the payment is to partly make up for the loss of earnings when we can't get a job. But the employer bears the full cost.

I believe that really the most fundamental characteristic is to have the benefit related to employment, and you could do that in Old Age and Survivors and Disability and so on. But the contribution underlines and emphasizes the fact that this is a matter of right which growing out of work also emphasizes. But the contribution in addition makes that very clear not only to the worker himself--that this is his and he has a stake in it--but to legislators and to Congress and to the public in general. I believe that unemployment insurance would have been a lot better in the United States if workers had contributed to it. As it is, state legislators say, "Oh, well, that's the employer's business. He pays for it all and we'll listen to the employer lobbyists. We won't listen to the union lobbyists. We'll listen to the employer lobbyists because he's paying for it."

So I would think that this idea of people contributing toward it specifically in an earmarked way is very important but the most fundamental thing is that the protection should grow out of work that people do.

M: Do you think that this has a beneficial psychological advantage, say, to the person that has to accept this for his own survival?

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B: Yes, I do, and it's a factor of stability in the institution. If you had benefits paid for entirely out of general revenues, for example, it would be subject much more to the possibility--in tight budget periods--of being cut back. It would be always subject, in my judgment, to the danger of the introduction of some kind of an income or means test--people saying if it's going to come out of general revenues, what's the point of paying it to people who already have a lot of money. It gives it just a different character and separates it entirely from a relief or assistance or a welfare approach to have the right to benefits grow out of work and out of contribution. Now that doesn't mean that you couldn't have some general revenue funds in the program paying part of it, as is done in the Medicare program where the voluntary part of the Medicare program half the cost is paid by the government and the individual pays the other half. I'm not saying you have to pay exactly what it's worth on the one hand or that you have to pay the whole thing. But the fact that there is a contribution and a work record, I think, is absolutely fundamental to the way people look at their rights under the program and to the way others view the program and to stability. It is important in establishing rights--making sure you're going to get benefits ten years from now and a generation from now because people have contributed and because they have worked for it.

M: This would also bring up the idea that social security has a certain economic impact as well. When a person retired gets a check periodically, this is going to contribute to the economy.

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B: Yes, one of the important things that has happened in the last fifteen or twenty years is the stabilizing effect that comes from having the group in the population that would otherwise be most vulnerable to swings in the economy have a steady income that can be counted on. I think this is a very important factor. We pay one out of every eight Americans a check every month under the federal system of Social Security. These are the people who in the absence of social security would be most subject to a shrinkage in purchasing power under adverse conditions.

M: Is the idea of tying social security payments to cost of living workable?

B: Yes, I think it's completely workable and very desirable and both major political parties--as a matter of fact, I guess the [George] Wallace party, too, in the election campaign of 1968--advocated this change. In several European countries they have been doing this for some time; in fact they have been going further than that and taking into account increases in wages. Now in the United States we have always kept the benefits up to date with rising prices and done somewhat better, but by legislative change and therefore with a built-in lag--I think that's the big difference. The worst was a long spread from the changes of 1939 effective in 1940 up until the 1950 amendments, without any significant changes in benefits. Then there was a big lag from 1958 until the 1965 amendments with no general across-the-board benefit increase. When they finally did make the changes, they were more than enough to keep up with the price changes that had taken place in the meantime, but of course all the older people and others on social security had

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been suffering during those years as prices went up and their benefits stayed the same.

M: Your organization--your administration--has no flexibility in that realm?

B: No, it's all a matter of law.

M: It's all a matter of statute.

B: Yes. The proposal is to really do two things. I think you need to make the benefits more responsive to rising earnings prior to a person coming on the rolls, like relating benefits not to a career average but to, say, a high five or a high ten. When people first draw their benefits, it's related not to earnings back fifteen or twenty years ago but typically to a recent period of earnings, so you're paying a benefit that's partially making up for what they had been living on as their wages. Once that's done, then I would think it would be very important that the purchasing power of that benefit not be allowed to deteriorate and do that automatically so that there isn't this built-in lag that comes from having to go to Congress and get a law changed. I believe that's going to happen.

M: We'll probably return to these trends at the last part of the interview, but now to retreat a little bit and take up these amendments that were passed in 1954 and 1955.

B: Maybe we ought to fill in some of the things that happened before that. I got really into the major amendments of the Eisenhower Administration before pointing out that the original Federal social security program was entirely an old age benefit act. In other words, it was just a

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retirement benefit and it was limited in coverage. There were no dependents' benefits even. You didn't even pay a wife or children and so on. The first big thing that happened were the amendments of 1939. When I came to work for social security in the early part of 1939, we were operating under the original 1935 act and that would not have paid monthly benefits until 1942 and would have paid quite low benefits. The idea was that these benefit amounts would have built up very gradually over the years ahead.

The 1939 amendments did several things. It added a whole new branch of social insurance; it added survivors' benefits so you paid the widow and children when the man died. It paid a wife and children of a retired man; in other words it added dependents' benefits, put an emphasis on the family as an economic unit not just the worker. And it speeded up the payments so that they started in 1940 instead of 1942. Also the amendments tilted the whole schedule of payments so that somewhat higher benefits were paid in the early years, and they did this by basing the benefits on average earnings, rather than on lifetime earnings. Under the original act you accumulated what you paid in more like a savings account until in the very long run benefits built up to a maximum of eighty-five dollars a month, but at the beginning they were only going to pay about ten dollars a month. So the amendments speeded it up in terms of the date of first payment; they also paid higher amounts in early years. Those were the main effects of the 1939 amendments.

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Then there was a long period in which the country really paid very little attention to social security legislation; really nothing happened in legislation of any significance between these 1939 amendments and the 1950 amendments. There was some consideration of legislation. The Social Security Board used to submit annual reports to the Congress and advocate very progressive changes--extension of coverage and higher benefits amounts and disability insurance, but nothing happened. In 1946, if I remember correctly, the Ways and Means Committee set up a big staff study on social security that collected a lot of very useful information. But again nothing significant happened.

Then the Senate Finance Committee in 1947 set up this advisory group that I referred to earlier that I was staff director of, and they made a lot of very important and useful recommendations that were incorporated into legislation over the whole next decade. The first effects of their recommendations were the 1950 amendments. Some of their recommendations, though, didn't get adopted until late in the 1950s but this was kind of a blueprint for the advance of social security. The Congress kept passing the recommendations a few at a time as the years went by.

The 1950 amendments were very major amendments. They extended coverage to significantly large numbers of additional groups. They raised the benefits more than 70 per cent in average level--that's not quite as much as it sounds at first because there had been a rise in prices all during the 1940s and no changes in social security benefits. We came into the 1950 period with the social security benefits so low as to be quite meaningless. They averaged about twenty-two dollars or twenty-three

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dollars a month and were going to a very small number of people, too. It was a very slowly growing program. Only about 20 per cent of the people over sixty-five were eligible for benefits in 1950. Now the 1950 amendments really following the recommendations of the advisory council in large part did similar things to 1939 in respect to benefits. They speeded up the payment of reasonably adequate benefits even more and reduced the eligibility requirements that older people had to meet before they could get the benefits and, as I say, extended coverage very significantly.

Then that brings us up to the relatively minor amendment in 1952, which was just another across-the-board benefit increase of 12 1/2 per cent, and then the major amendments of 1954 which were recommended by the Eisenhower Administration. These were really the major contribution of the Republican administration to the whole development of the program.

Then we can go on to the next if you like.

M: Seemingly then, there is increased interest in social security with the decade of the 1950s.

B: Yes, in fact the program was so stymied up till then that I think there was a real question of whether the method of social insurance was going to survive. There were a lot of people that were saying in effect "this program is doing so little, there are so few people getting paid and the amounts are so low that maybe what we ought to do is scrap the system and go for flat benefits out of general revenues or a means test program that could be effective right away." It was the advisory council of 1947-1948 and the amendments of 1950 that I think really settled the issue

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that we were going in this country in the direction of sticking with contributory social insurance as our major reliance. And we've never faltered from that path since that time. It's hard to remember now but in looking back on it, I'd say that just prior to 1950 there was a real question if we were going to go that way.

M: Then that 1947 Senate Advisory Committee and what came out of it is crucial to the development of the social security system today?

B: I believe so, yes.

M: Incidentally in that 1947 development, did Lyndon Johnson play any role?

B: Not any significant role. That committee actually was appointed by the Senate Finance Committee at a time when the Republicans were in control of the Senate. Senator [Eugene D.] Millikin of Colorado was the chairman of the Finance Committee and the membership really had quite a conservative cast. Of course there were labor representatives and others but by and large, I'd say it started with quite a conservative cast. I think it is evidence really that the contributory-wage-related-social-insurance idea is a persuasive idea to impartial and objective people who go into the program that they [the Council] came out unanimously on a very large number of recommendations for improvement.

M: Well, Johnson did not enter the Senate until 1948, so he would not be in on that particular committee. And I would suppose as a freshman senator he would not be in a position to really be too important in the development in the late 1940s.

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- B: And in the 1950 amendments. So much of the work of the Congress is done by the committees, of course. Really the people of influence in the development of social security congressionally have usually been on the one hand either members of the Ways and Means Committee or members of the Senate Finance Committee, though not exclusively. There have been some significant contributions by individuals from outside those committees but that is of course the tendency.
- M: You said that this social security and the improvements in it that came out of the late 1940s was a persuasive idea. Is there any particular reason why it should be persuasive at this point in time? Why should this concern come at this time?
- B: I think it's more why it took us so long to discover it. The whole concept of social insurance, of people paying something out of earnings while they have them to make up for a loss of those earnings under specified conditions when they don't have them, grew out of quite a long history of self-help movements in European civilization. Some of the very early beginnings were in the medieval guilds. There are very interesting historical records of small groups--at times only ten or fifteen people--who would each put in some money from their earnings that would pay specified benefits under conditions where a member lost a limb, say, in a street brawl or if a man died, payments would be made to his widow. Then there's a long history of what are called "customary funds" in the mining areas of Europe where the particularly hazardous occupation of mining would develop a tradition in which employers would make a contribution to a fund, principally, frequently

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from the gleanings that were left over after the coal was mined, or whatever mines they were had been mined, for the easy part. The workers were allowed to take the rest and put the proceeds from that into a fund to take care of widows and orphans and their old age and that sort of thing.

And there was a movement in the early trade unions toward self-help--the friendly societies and, you know, orders like the Woodmen of the World, and Royal Oak, and various kinds of fraternal organizations and friendly societies. There was a long period of voluntary self-help organization essentially on this same principle of making up for earnings that are lost and people banding together to accomplish this on the basis of payments based on their work and based on their contributions. Now that was universalized and made compulsory in the latter part of the nineteenth century, beginning in Germany and spreading until today social insurance of this kind exists in just about every country in the world that has any significant industry. Frequently it exists to the extent that a country has industry even though it may be primarily an underdeveloped country. It's not something that can be applied in a completely primitive economy obviously. I'm vice president of the International Social Security Association and at the moment the association has well over eighty member countries that have a social insurance system. Now this concept, as I say, was made universal and compulsory and backed by government--either government actually doing it or government establishing a law and then working through existing mechanisms of

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friendly societies or trade unions or whatnot as they frequently did in Europe.

We were somewhat late in coming to this in 1935. It was obviously precipitated by the disaster conditions of the Depression where we were looking for ways of preventing a recurrence of people being without income in such periods. Social insurance is essentially a way of preventing poverty, a way of doing things ahead of time to keep poverty from happening. So I think it was natural that it should come into being in the Great Depression, and many of the ideas really were researched from European experience.

Now, I think the neglect of the program during the 1940s--I'm getting around to your question in rather a long way--is explainable largely in terms of the interest in the war and the lack of push for social legislation of hardly any kind during that period. Also the fact is that the Old Age Survivors program really didn't come about as a result so much of widespread public demand and public understanding as it was a proposal by the executive branch that met a need and was accepted without great public debate. Interest in it built kind of slowly. Now, really I think it's hard for us to remember, I would say, as late as ten to fifteen years ago certainly, if a United States senator wanted to quote, do something for the old people, close quote, as a political point that he wanted to make, he would advocate five or ten dollars more as an old age assistance payment, not improving the social security program. There were more people getting assistance than there were insurance and it was better known, and it's only been in the last ten or fifteen years

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that social security has had the universal support and understanding that it now has. It's the fact that everybody knows somebody who is getting it--it now covers just about everybody--that has just changed the situation completely in the last ten or fifteen years.

M: Well, now are the 1954-1955 amendments important in this?

B: The 1954 amendments were very important amendments. Just to highlight the situation, I'd say the important amendments to social security have been 1939, 1950, 1954 which extended coverage and increased the benefits and had kind of a beginning toward disability, a freeze provision in disability. It's really a waiver of premium if you became disabled.

Then the 1956 amendments were very important in picking up that freeze provision of the 1954 amendments and making it into a cash benefit program. And in passing, let me say that that was passed over the opposition of the Republican administration. In 1954 they have a right to a lot of credit for recommending those 1954 amendments.

But the other advances that were made in social security during the Eisenhower Administration were more in spite of the administration than because of it. They really fought the 1956 amendments, the disability part, I mean--of adding disability on a cash basis. That was opposed. And then the 1958 amendment--I'm getting off a little bit--I wouldn't include the 1958 amendment as one of the major amendments, but it was a general benefit increase that was not really proposed by the Eisenhower Administration. They went along with it reluctantly. The initiative there was really with the Democrats in the Congress and then the administration went along with it.

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So to get back on the point of the major amendments, I'd say 1939, 1950, 1954 and 1956 because it added a new branch of social insurance cash disability. Then 1965, you have to go all the way up to 1965 for another real major one and that's the Medicare program and the major benefit increases at the same time. If you put 1965 and 1967 together, these two groupings of amendments in the Johnson Administration constitute together, I would say, the most important advances in social security since the 1939 and 1950 amendments.

M: What was the trouble in 1956? Why did the administration oppose it?

B: Well, the cash disability program was opposed very strongly by the insurance industry, by the American Medical Association which felt it was an entering wedge to socialized medicine just as they felt that Medicare later was. Now they didn't spend the money to defeat disability insurance that they did Medicare. They didn't feel quite as strongly, but they felt strongly and they were fighting it and they were opposing it. And I would say just about--you know, business and groups that tend to be conservative were all opposed to it. The arguments against disability insurance that were made went very substantially to the difficulty of determining disability--the administrative difficulty. They said it was a very subjective matter and there was fear that there would be a runaway program in costs; that everybody who applied you'd have to pay because it was very hard to determine whether he was really disabled, and there had been quite bad experience in the administration of disability programs when private insurance tried to sell it. They lost a lot of money in the late 1920s on the disability insurance programs that they

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sold. Now there were specific reasons why they did lose money that didn't apply to the government program but nevertheless that experience was trotted out as a major reason against it.

Now, I don't want to imply that there isn't some truth to these points. Disability is a much more difficult program to administer than old age or death. It's harder to tell whether a person is disabled than it is to tell whether he's eligible for a benefit by reason of his age and having retired, or by reason of his death. There are disagreements about borderlines cases, but I would say it's only in about ten per cent of the cases where there is a real problem and where reasonable men can differ, and that never seemed to us a reason not to try to do the job in an area that is so important to people. Now, it was a very close fight.

M: Let me inject this. Did you have anything to do with this legislative fight in 1956?

B: Yes.

M: What was your specific role?

B: I of course was operating as a civil servant, as the deputy director of the Bureau of Old Age and Survivors Insurance, and could take no public position that favored it obviously, because the administration was opposed to it. But I was active within the executive branch prior to the time that a final decision had been made to oppose disability. Marion Folsom was the secretary of the department at that time, and he himself favored a beginning modest type of disability program. He argued within the administration for a limited program. He was concerned about all these

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arguments about the difficulty of administering it and so on, but I remember talking with him about maybe we could start a disability program at age sixty, or make some move in this direction rather than having the administration be completely negative on the establishment of this whole new branch of social insurance.

And of course the way it finally ended up the first year was payment at age fifty--and it was later extended--and not to dependents either at first. It was gradually extended to where it is today, but the original program did have a severe age limitation on it and paid only the worker himself. So I was attempting within the executive branch to influence the administration in the direction that I thought was proper and that is to advocate at least a limited beginning in the program.

M: You concurred then with Mr. Folsom?

B: Well, except I would have wanted it to have gone even further. I was very glad that he would like to try that much, but he could not persuade the President and the Bureau of the Budget to go along with this. I remember that in writing his testimony for the Senate--which was testimony to oppose the disability program which had passed the House; he was going to be the administration spokesman to oppose it--we had a very interesting time developing that testimony. Roswell Perkins, who was assistant secretary for legislation, was a convinced opponent of the disability program and was very much in favor of a very strong unequivocal statement against disability. I was in favor even in testimony that was going to oppose it, for not putting the Secretary in the position of saying "forever I'm opposed to it as completely impossible." It was a

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matter of degree of opposition. I accepted the idea that the administration had decided to oppose it but I wanted to make the opposition more reasonable, I thought, and flexible. It was an interesting experience because the Secretary finally put his chief public information man in charge of the final text of the testimony that he was to make and the three of us--a fellow named Charlie Barrett, who was the information man, and Rod Perkins and myself--stayed up all night drafting this testimony of opposition. And we finished it just exactly in time, with a mimeographed copy handed to the Secretary just as he went out to deliver the testimony. Every word was fought over and finally adjudicated by Barrett as between Rod Perkins and myself--I arguing for the softer word and he for the harsher word each time.

Now of course Rod was a political appointee and so was Barrett for that matter. I was operating from a civil service spot, but that didn't seem to matter at that time. I really think that Folsom himself did not want, in terms of his own reputation for the future, to dig such a deep hole for himself in seeming opposition to the very principle of social insurance, and I think he was glad to have me modify the degree of opposition. Then actually in the congressional consideration, the legislative consideration itself, the issue was very close and the floor leader for the Democrats in favor of disability insurance in the Senate became Senator [Robert S.] Kerr. At the time of the hearings earlier he had seemed opposed to it. He based his opposition, I remember in one hearing that I attended, on the idea that since so much had been made of this involving possible runaway cost, that adding disability to the

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program might undermine the ability of the system to pay benefits to retired people. So it occurred to me and, I don't know, perhaps to others also, that the key to his support might well be the establishment of a separate fund for the disability program so that you could argue that no matter what happened to the disability program it wouldn't interfere with the payments already committed to retired people and to survivors. And whether it was for that reason or any number of other reasons, he did come around to be a supporter of the program after this separate fund idea was added and really took over the job of leading the floor fight for disability insurance along with Senator [Walter F.] George who was the ranking Democrat on the committee. George made a wonderful speech in favor of it on the floor but he was not the sort of person at that time in his career who could take hold of all the tactical and technical problems that were involved. So with the help of the Library of Congress staff and mine, Senator Kerr asked Secretary Folsom for my services to assist in the technical work of getting a program set up and he agreed even though the administration opposed that program. He said it was all right for me to work with them, and so I worked on the drafting of what was to become the law.

I might say we've taken this view in social security over the years--that is, that the executive branch has a responsibility to render technical service in the development of legislation for proposals whether or not we agree with them. The theory being that if it's going to pass we ought to make it as workable and sensible, as administratively feasible as you can even though on a policy level the administration might oppose it.

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M: Well, now did your participation in this and also Secretary Folsom's position get you into trouble with the administration?

B: No. You see, Folsom never on a policy level advocated it and he was not trying to promote it against the decision of the administration. There were just two stages. He argued for it before the decision had been made by the President and then quite separately from that agreed to give technical assistance at a staff level to the Senate of the United States that wanted to do something different from the administration. So there wasn't any basis for real criticism on either what he or I did. There is a careful line to be walked between promotion and technical assistance.

M: Is this kind of technical assistance common?

B: It's common in the Social Security Administration and I would say in the Treasury Department. As far as I can observe, they are always willing to help make a bill or a piece of legislation as technically sound as possible, whether or not they agree with it policy-wise.

M: Did you have anything to do with the work in the Senate on this bill, or on the amendments?

B: Yes. Let me make two points here about the way of working with the Congress, which I think is also again true with the Treasury. It's somewhat unique, and that is, social security legislation and internal revenue taxation legislation are both so complicated and so involved that the Ways and Means Committee, particularly, has always had a tradition of taking the executive branch experts right into its executive sessions and having them work right with the detailed decisions of the committee,

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expressing their views and attitudes as the legislation moves along in executive session.

Senate Finance has not done this to the same extent, but nevertheless has usually done it--not always, but usually. Ways and Means always does it. And therefore we were involved in the executive sessions of the Senate Finance Committee on the disability program and although the Finance Committee did not support it, we were then involved more or less behind the scenes in the development of the floor amendment that became the critical issue on the floor. I can remember incidents in the public hearings on the disability program--no, not the public hearings but the executive sessions in the Senate Finance Committee. I remember Senator Byrd who also was against it, just as the administration was against it, asking me to come up and explain the disability program to the members of the Finance Committee and give the pros and cons on it and to explain why it was good and why it was bad and that sort of thing. I must say I don't think the political officers for the department were too happy with that because they would like to have argued against it rather than have a presentation that I was trying to make objective, but I suspect may have sounded a little more for it than they would have liked.

So we were very much involved in that. The final disability program passed in the Senate by really just one vote. Now that isn't what the record will show. The record will show maybe three votes, but a change in one vote would have made the difference because one of the senators who was done the line in the voting order would have voted the other way, and he would have made the difference. He was voting for the record.

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If one vote had changed against the bill instead of for it, it would have been defeated.

There were a lot of interesting by-plays in that. It was at a time when the ultraconservatives in the Senate were very much annoyed with the Eisenhower Administration. That is, [Joseph] McCarthy of Wisconsin, [George W.] Malone and a couple of others--the extreme right wing. They didn't care anything about disability insurance, but they were inclined to do anything that they could think of that might embarrass the Eisenhower Administration. I was just as sure as I could be of anything, without having a man swear to me that it was so, that McCarthy changed his vote during the roll call on this bill primarily to produce what he thought was going to be a tie. He changed his vote in order to force a tie to force Nixon who was in the chair as vice president to cast his deciding vote against the disability insurance program and highlight his position. He wasn't successful because we got another vote that overcame that and it wasn't a tie and Nixon didn't have to declare himself. But he would have had to vote against it as an administration officer, and it was quite clear that this was what McCarthy was trying to do.

M: Did you work with Lyndon Johnson on this at all?

B: No, I didn't. Whether others did or not I'm not sure. During this period I believe that Elizabeth Wickenden, who was quite close to Senator Johnson throughout his whole career, [did]. She'd known him in the National Youth Administration when they were both in it together. Later she was the Washington representative of the American Public Welfare

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Association and very much involved in social security and welfare legislation all during this period. I believe that she had conversations with him on disability during this period, but there's really nothing I can say about it from my own knowledge.

M: The passage of the disability amendment--is this important for further development such as Medicare?

B: Oh, yes. In social security, let's take just the cash benefit risks first. Looking at it across the world, as I was saying earlier, the fundamental idea is to pay a benefit that partially makes up for income that's lost when people can no longer work. You pay in while you're earning and then [get a benefit] when you don't work. Now, what are the specified reasons? A very large part of low income or poverty is caused in a wage system, when people are out of work because they're too old to work, then you need a retirement program. Their wives and children are poor because the breadwinner in the family has died and you need survivors' insurance. You can't get a job so you're unemployed and that's federal state unemployment insurance. And the other risk for cash payment is being out of work because you're disabled, either short-term or long-term. So this concerned a whole new branch of social insurance. It's not to be compared with an advance like just a higher benefit level in a particular year. It's starting out a whole new institutional branch of social insurance. And that's just what Medicare did. Again if you move from the cash benefit part of social insurance making up for lost income, the other part of social insurance is to insure people against high and unpredictable costs, and the primary one

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is medical care. There are others in the European systems that haven't seemed of great importance to us. For instance, some European systems pay an amount on a marriage or on the birth of a child. I don't mean children's allowance but just at the specific time of a birth. Of course we do have a funeral benefit, but medical care is the big thing when you're talking about insurance against costs.

So we've rounded out the program now in terms of every major risk that social insurance usually deals with, but we haven't completed it. We've started in each area. In the disability area we have really a good program of what you might call extended disability. After a six months period payments are made to people who are going to be disabled for at least twelve months. I'd like to see that program now move partly down into a short term illness kind of program. Reduce the six months waiting period to, say, two or three months, and pay people as soon as they're disabled up to the time they recover, and not require that they be expected to be out for twelve months before they get anything.

In Medicare of course we are beginning with only the older population. The question arises of whether it shouldn't be extended at least to the disabled and maybe widows and orphans under social security and maybe other groups in the population. So that was a terribly important start also.

M: It fills in one major area of social insurance.

B: Disability showed that social insurance could work in a semi-medical area. It was dealing only with the payment of a cash benefit to the

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disabled, but nevertheless this was the first contact of the national social insurance program with the medical profession in any significant way. And I must say that--we're talking now of disability--although they fought the program, as soon as it was passed, organized medicine turned around and tried to make it work and were helpful. They worked with us on setting up advisory groups and on the regulations and in doing information work. They still are. The first chairman of the disability advisory group was very important in developing implementing regulations for disability. The chairman was suggested to us by the American Medical Association and he did a very good job, very conscientious, and we repeated the same experience in the Medicare program.

M: So the medical profession then, once it passed, cooperated?

B: Yes. Now, I don't want that last point misunderstood. I don't mean that in the Medicare program the chairman of the council was recommended by the AMA. That was true in disability, but the great majority of the profession accepted the decision of the American people that this was now the law and went to work to implement it in a spirit of helpfulness and cooperation.

M: Well, now that we've been through the disability, then the next major step is the Medicare program.

B: Yes, the 1958 amendments were a series of relatively minor improvements and a general benefit increase, which of course is important, but there wasn't a great deal brand new in them. The most interesting thing about 1958 was that the legislation came at the initiative of the Democrats in the Congress. They are responsible for the benefit increases in the 1958

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amendment. Now that very seldom happens, particularly in a complicated area. It's very difficult in a large congressional system like we have to develop and keep an initiative and pass a bill. Almost always the Congress is a reacting mechanism to executive proposals--rejecting, greatly modifying, and improving, of course, and cutting back or changing in one way or another. But it's hard for Congress to design a program and move it. In 1958 to a very considerable extent the cash benefits amendments were congressional initiative with the administration going along with it reluctantly.

M: This is true also of 1956?

B: Well, 1956--it's true--the only difference I'd like to make is that the cash disability program was kind of ready-made. It had already passed the House once and as far as the House was concerned, it was sort of on the agenda. It was the obvious next thing. And I don't want to make too much of this difference, but they really invented the 1958 proposals with the help of some outsiders. By that time, for instance, Wilbur Cohen was outside the government and could operate as a private citizen, giving advice to the Congress and so on. In fact, one very embarrassing incident happened to me in 1958, Marion Folsom was the secretary then and the administration was not proposing benefit increases and certainly not general across-the-board benefit increases. Cohen was working with Wilbur Mills in the Ways and Means Committee, developing a plan for such an increase. And I had not had any contact whatsoever with Wilbur Mills on this, but when Secretary Folsom went up to see him one day, Mills just had a lapse of memory and referred to all the conversations he had

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had with Wilbur Cohen as if they had been with me. He'd known us to work together for many years. And it was just one of those substitutions of names that occurs, so the Secretary came back and just couldn't understand what I had been up to, but we got that straightened out.

M: Well, now on the Medicare bill--now I'm right, this is the next major one?

B: Yes.

M: Your Social Security Administration has taped, has it now, the progress of this bill, how it evolved, what it has meant, and so forth?

B: Well, we really sponsored a Columbia University Oral History Project that did this. We really had nothing to do with the actual work other than to be the sponsor; it was done entirely by them.

M: What inspired you to do this, incidentally?

B: Well, I have a conviction that a government agency has some responsibility to the recording of history and this was a very important social advance in the United States. It seemed to me that it was necessary that somebody take the initiative and get the history recorded while the people who were intimately involved in the making of the history were still alive and available and their memories were reasonably fresh. I think we really ought to do a lot more of this type of thing and make sure that it gets said like it really is.

M: As I recall, this oral history project on Medicare involved about eighty interviews.

B: I believe that's right, yes.

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M: Is it your impression that this has been fairly thoroughly covered?

B: Yes, it is. My impression is that the people have been very cooperative in the history and that it was possible to interview just about everyone who had either personally been involved or who had a perspective on the fight and the development of the legislation. I know that there are, for instance, several people who were in a position to know exactly what the American Medical Association was doing and thinking who cooperated; there are many congressional members who cooperated; and of course the people from the executive branch who were arguing for it; and from labor. I believe that they have just about everybody in it and I believe they've all talked frankly and honestly about the way they see it.

M: When was this done?

B: It has been done over a period of at least a couple of years and is just winding up now in the fall of 1968. I can't remember the exact date but certainly for the last two or three years before that.

M: Rather than take time on this interview with things that have already been thoroughly covered much more than I could cover in this single interview, I might pass on over Medicare and ask a few questions about the impact of it on your organization. Obviously you are adding a new, what do you call it, branch of social insurance.

B: Yes.

M: And it should have a tremendous administrative impact.

B: Yes, it has. Medicare was by far the most difficult administrative task that was ever added to social security for a variety of reasons. I think that President Johnson called it the--I've forgotten the exact

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quote, but the idea is the greatest civilian effort in government since the Second World War. And I think that's no exaggeration. There was just a fantastic number of difficult things to get done before this program could actually go into effect.

Now, part of that comes from the fact of the great variety of institutions and people that had to work together to make a success of Medicare. You had first of all the twenty million older people themselves and part of the program is voluntary. That is, they had to know enough about the program to decide whether they wanted to pay currently for the doctor bill part of the protection. And we had the tremendous job of getting out information to these individuals in a way that they could understand it, have time to discuss it, and come to a conclusion. I really was amazed at the success of that part of the operation. Over 90 per cent of all the old people in the country signed up for Medicare at the very beginning of the program. I wasn't even sure we could reach 90 per cent of the older people.

In the first enrollment period since then, that percentage has even improved so that today it's between 94 per cent and 95 per cent of all the older people in the country who are signed up for the voluntary part.

M: How do you reach those people?

B: Well, there's a very fascinating story, I think, in that original sign-up job. We started with a good current address, of course, on all social security beneficiaries that we were sending checks to. That left, though, a substantial number of people that had to be reached in a great variety of ways.

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Just before I get to those different ways we used to reach them, let me say that the basic thing that was done was to try to reach people individually by mail on a controlled basis with a follow-up. What we sent them was a punch card with their name and account number prepunched in it and of course a return envelope to us. We enclosed literature describing the plan with their having to take action only by checking either a yes or a no on the punch card. We wanted them to indicate definitely if they didn't want the protection as well as if they did so that we could be sure that they had considered the matter. We didn't know how much follow-up and so on was necessary. Well, basically the approach was based on this punch card and there were several follow-ups on the ones that we didn't hear from, ending up with personal calls when we were able to do it, either by telephone or in person through our district office organizations. So whenever we could get an address we went very far in trying to reach people.

Now, additional addresses that we got over and beyond the social security listing were first of all from the Internal Revenue Service which had fortunately just about that time started to use a social security account number for internal revenue purposes. So we were able to mechanically by computer cross their list with our list and get another million or so people who were not getting social security because they were still working. Since they were working they filed income tax returns. Thus mechanically we reached another large group who were at work, not getting social security cash benefits, but nevertheless eligible to apply for Medicare. Then we had the retirement lists of civil service

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employees of whom many are not covered under social security. We were able to match those lists with the others and get an additional group. We did the same with many state and local retirement systems where they weren't covered under social security.

Then we mailed information to every nursing home in the country that we had contact with. So we didn't use only pre-punched cards. We had other applications that a person could fill in his name and account number. Nursing homes particularly had people in them who might not be getting social security and we did not have a name or address on them. We did the same with other institutions--mental institutions, for example. And we had a lot of cooperation from other government agencies. The post office carried signs on the side of the trucks--Medicare deadline of March 1, 1966, I believe it was. Then the Forest Service was alerted and they carried application blanks way back into the mountains for a few hermits and other people that they ran into from time to time. We had a great deal of help from the agricultural department on migrant labor and from the migrant ministry of the church. Many volunteer organizations helped us. Insurance companies were very helpful. They mailed information to their policy holders. Blue Cross Blue Shield helped. This was a massive national effort to alert all the people over sixty-five to the possibility of getting this protection.

Now that was just one thing. We had to get that story across and get them to sign up. Now going along at the same time we had to get the providers of care ready to participate in this program. That meant specifically about seven thousand hospitals in the United States. They

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needed to know enough about it to know whether they wanted to come in. There's no compulsion; a hospital doesn't have to participate, but they have to agree if they participate to accept as full payment the government's method of determining their costs and the payment and they aren't allowed to charge the patient anything beyond that. We had to deal with them on the question of their being willing to come in and getting information to them. They had the right to nominate an intermediary to deal with the government in terms of billing and getting information and administering many aspects of the program. They had to exercise this voting choice, and most of them chose Blue Cross--not all, but most of them chose Blue Cross. There were a half dozen or so insurance companies that were involved in this hospital part of the program, too. Then we had to establish quality standards for participation by a hospital under the regulations and we had to have agreements with state agencies to look at the hospitals and determine whether or not they met the standards.

All of this had to be done along with, at the same time, an application of Title VI of the Civil Rights Act as to whether the hospitals had eliminated discriminatory practices. There were many people, I must say, just before the beginning of Medicare who thought that two big items in the Johnson Administration program, the implementation of Medicare on the one hand and Title VI of the Civil Rights Act, were just on a collision course, and that it just wasn't going to be possible to have in being when the program was due to go into effect participating hospitals throughout the South and also have desegregated facilities. We took the view that we would not accept an intention on the part of

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hospitals in the civil rights area and put them in the program and then later on see whether they were living up to their pledge. We took the view from the very beginning that the hospitals would have to be desegregated before they would start in the program. And this approach was really very successful. In fact one of the really bright chapters in the Medicare story is that literally hundreds and hundreds of hospitals throughout the South in a period of a few months, for the first time in their history made medical care in their hospitals available to blacks on the same basis as to whites. They added Negro doctors to their staffs, and desegregated generally. I don't mean it is perfect even yet, but it was really just a revolution in this area during a few short months before Medicare went into effect.

M: Do you interpret this business about integration in the hospitals and Title VI--do you see it as a by-product of Medicare or an integral part of it?

B: I'd say it's really an integral part of it.

M: Do you think this meshes with Johnson's 1964 Civil Rights Act? They work together.

B: Yes. But I'd say it's also an integral part of the provision of quality care under Medicare. There's no way that you could fulfill the objectives of the Medicare program without integrating the hospital.

M: The two are--

B: --right together.

M: Right together. You can't divide them.

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B: No, not at all, because quality care became available to the Negro population in many parts of the South only with the passage of Medicare. You could have passed the law and put it on the books, but they couldn't have gotten the care--they couldn't get in the hospitals on a basis that gave them quality care without integrating the hospital. Even if there hadn't been a Title VI in the Civil Rights Act, I'm saying, to make Medicare really effective, you would have had to do this. Now, I don't think we could have done it without Title VI, but you wouldn't therefore have had an effective program in parts of the country for a sizeable part of the population. So you just had to do these two things together. They were done. We had several hundred people from the Social Security Administration, several hundred people from the Public Health Service, visiting these hospitals, explaining it to them. We had very good support from the American Hospital Association--I would say from the hospital field generally. They knew that they had been wrong; they wanted to change; and they were really in many, many instances glad to have the government tell them "This is the law--you now have to do it."

There are now only a handful of hospitals that have still held out, largely in the Delta area of Mississippi and Alabama, and even they, one after another, are starting to come into the program. This has just gone on ever since the very beginning. But we began the Medicare program in spite of this requirement and in spite of all the other difficulties with 98 per cent of the general hospital beds of the whole country signed up and covered by the program. It was just that 2 per cent that has dragged on and the number holding out have continued to decline.

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M: Could you have done all this with the use of electronic data processing equipment?

B: No, we couldn't. Now, the things that I've been talking about--a lot of them don't rely on the computers, but many aspects of the program would be absolutely impossible without computers.

M: Could you run your Social Security Administration today without computers?

B: No. It's not only that the costs in manpower would be so great that it would raise questions about feasibility, but you would make so many mistakes. I mean no matter how many times you review human action, there's a residual error in it. And the great thing about computers, once you get them set up right and the programs are right, is that they're so much more accurate as well as fast, in terms of the handling of tremendous amounts of clerical detail. The program is very complicated. Now, I don't mean you couldn't run a social security program, but you couldn't run one anything like this without computers. You couldn't make benefit conversions after legislation in a period of just a month or two as we now do. You couldn't be talking about an automatic cost of living increase for changing the amounts in well over twenty million checks and that sort of thing.

There are many, many other parts to that story of implementing Medicare, and I don't know really how much of it we want to try to get down here. But I'll just touch on one or two other places that show you that this isn't only the old people and the hospitals and the state agencies that had to be involved. There were about one hundred twenty-

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five insuring organizations that we had to select for part of the administration of the two parts of the program. We have a large number of insurance companies and a large number of Blue Shield plans and a large number of--well, most Blue Cross organizations. It was necessary to select among a large number of insuring organizations and decide what territories which were going to have.

Much more difficult was a definition of their role and an assignment of responsibilities and working with them on setting up the whole administrative machinery and developing regulations and policy. Determining how you're going to reimburse a hospital, what are the principles that go into reimbursement, and how do you determine reasonable charges of physicians--what the principles are. And we had, oh, I'd say, maybe twenty work groups with outside people. One of the most successful aspects of the implementation of Medicare was the fact that we brought right into the policy-making knowledgeable people from all over the country. As I say, we had about twenty work groups and maybe twenty or thirty people on each. In each one we isolated major policy issues, such as what are the principles for reimbursement that we should agree on. We'd have on the work group representatives of the American Medical Association, the American Hospital Association, labor, the National Medical Association, specialty groups that had particular problems--radiologists, pathologists, and so on. And I think people understood that their participation was very real; that they had a major chance to affect policy and this did a great deal to get the program off the ground with good policies and also with acceptance on the part of the

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major groups that were particularly interested in or had a stake in the program.

Now, all of these recommendations funneled finally into the statutory Health Insurance Benefits Advisory Council. And they finally passed on their recommendations for basic policy in the regulations, but they benefited of all this other consultation that was going on. That Health Insurance Benefits Advisory Council under the chairmanship of Kermit Gordon, now president of Brookings and formerly director of the Bureau of the Budget, made an immense contribution to the determination of policy and getting Medicare off the ground.

You also had the need to get information to all the physicians in the country. They had things that they have to do in relation to what we developed. A variety of handbooks and information literature and millions of pamphlets were distributed; hundreds and literally thousands of meetings were held to discuss the plan. We had to reorganize the whole Social Security Administration, set up a different kind of supervision-of-the-fields structure. We opened more than a hundred new district offices, and all this was done in about a nine-months period to get this program started. I'm really just touching a few highlights.

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B: Now I don't know what other things you have in mind, but we could now connect President Johnson very closely with some of these matters we have been discussing.

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M: Well, one of the obvious questions about this is--Medicare did not pass under John F. Kennedy, it did pass under Lyndon Johnson; the question is why.

B: Well, I think the most important change was the 1964 election. My own guess is that the absolutely key point in getting the program through was to have Mr. Mills, chairman of the Ways and Means Committee, change his mind. My own feeling is that he never was strongly opposed to the program in principle. I think he had no fundamental philosophical objections to adding Medicare to social insurance. I think he was concerned about a lot of specific things--costs and where it might lead. I believe also that he felt he had a lot of political problems that made it much easier for him to oppose it than to support. But I don't think he had a deep personal conviction that it was a bad idea. The 1964 election came as close to giving a specific mandate for a series of liberal legislative proposals as you could come in our system. Medicare was an issue in the campaign, not only between President Johnson and Senator Goldwater, but it was an issue in many senatorial and congressional elections. The people who were on the Medicare side by and large came out well. I believe that Mr. Mills and the Congress generally read the 1964 election among other things as being favorable to the Medicare program. So that Mr. Mills who is not a man I'm sure, who is going to have anything of a major kind passed over his opposition. He'd much rather take hold of events and lead them and I think he felt that the time had come to do something in the Medicare area. And that

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was more as a result of the 1964 election than any other single event, I believe.

Now President Johnson worked very energetically on this. It's easy to say after the fact that events, you know, are kind of inevitable. That's the occupational disease of historians, I guess. They have to interpret events afterward as arising from basic causes. But as you're going through it, it all seems very close. It seems that it could have happened just as well the other way and I think frequently it could have. There was a lot of effort and a lot of energy put into accomplishing the passage of Medicare. Throughout his entire administration, President Johnson has strongly and actively and personally supported every single advance in the social security program, and has taken a very deep personal interest in it, including the administration of the program. There's nothing that has seemed helpful and desirable for the program that he hasn't been willing to go way out of his way to support.

M: What kind of interest does he have in the administration of it?

B: Well, let me just give you two examples in Medicare. Just before he even signed the Medicare bill--just after it had been passed, he responded to a request of the American Medical Association to come in and meet with him, because I'm sure he saw this as an opportunity to get the program off to a start that would make it possible to do a good job. Here was the group who had fought for ten to fifteen years against the legislation and it was very important that the medical leadership turn around and support the country in its decision. The President just did a fantastic job in that meeting with them that I attended in being

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persuasive with the leadership of the medical profession. He did not try to sell them a program that they of course had opposed, but he made them feel his interest and support for the medical profession and developed a reciprocal feeling on their part toward him and his administration. He made them recognize that this was not going to be administered in a way that would be damaging to them. I would say that he must have worked with them for a full hour of intimate conversation that was extremely effective.

M: Was he persuasive?

B: Very, very persuasive, and I think they all responded very well. Part of his persuasiveness was in the fact that he made it clear to them that they had a channel to him, and that he wasn't going to let bureaucrats like me or Wilbur Cohen kick them around. I think they got the feeling that the President was their president, too, and that they might have lost the battle, but that he wasn't taking advantage of it at all, and that their interests were going to be taken into account and protected. He just made them, I think, feel good about the whole thing. It was the whole top leadership of the American Medical Association who were present. The only other people there beside the President were Secretary Celebrezze and the new Secretary-designate who hadn't yet been sworn in, John Gardner, and Wilbur Cohen and myself and I believe Doug Cater.

Then after signing the bill and just prior to the effective date of the legislation, he convened a conference at the White House. This was the leadership of the entire medical profession, plus the hospital

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administrators, nurses, insurance company representatives, labor and everybody that I have mentioned before being involved in this thing, he had them at the White House and made a very good talk to them about the program. Then I made a chart talk to the whole group about what we'd been doing about implementing it and bringing them up to date. And the congressional leaders were there and this did a lot to set a good atmosphere for the people who were going to have to pull together to make this complicated program work well.

Within the administration, not just in Medicare but whenever you came to disagreements as you always do in developing proposals for the next step, on another matter, I remember in the 1967 amendments the question was how high a benefit increase were we going to recommend. You could have recommended a 10 per cent across-the-board-benefit increase without any additional financing just because the payrolls had risen enough so the old contribution rates produced a surplus in the fund. Within the administration there was really strong support for just a 10 per cent increase. As I remember it, the Council of Economic Advisors and the Bureau of the Budget, probably others, probably the Treasury--I'm just not sure of that at the moment--tended to favor holding it down to 10 per cent, whereas Secretary Gardner and Wilbur Cohen and myself for HEW very much wanted to recommend a 15 per cent increase. We thought it was important that the general level of these benefits be gotten up as fast as we could reasonably do it.

Well, I think it was really always clear that the President favored the higher amount but this was finally decided on a ride that the

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President took by helicopter from the White House over to Baltimore where he was attending an awards ceremony for social security employees. Secretary Gardner rode with him and was working with him on the last stages of the speech that he was to give at the awards ceremony. The speech included his program for social security next steps, and this had not been revealed at all to the public yet. He used this occasion to recommend the future steps and he came down on the side of 15 per cent. He made the speech in Baltimore including the larger amount and made a lot of other very good recommendations, too. And I might say that's the first time that a president of the United States ever came to the social security headquarters in Baltimore. He addressed a crowd of maybe fourteen thousand or fifteen thousand, most of whom were employees and their families. It was in part to congratulate the organization on a successful implementation of the Medicare program and to use the occasion to recommend these new advances in social security.

But I really can't think of a sound recommendation that he hasn't been willing to pick up and push for the improvement of this program. I think he feels very strongly about the importance of doing a better job for the income maintenance needs of older people and widows and orphans and disabled people and I'm sure he considers the Medicare program one of the major achievements of his administration.

M: In your experience is it unusual for a president to take out time to address a group of, say, social security workers like he did in Baltimore?

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B: Yes, it is, and it's particularly so if they're not in Washington. Now it's one thing to drop around at the State Department from the White House for maybe a career award that can be done very quickly, but it's quite unusual to go outside the city for such a ceremony.

M: Does this sort of thing have a favorable impact on your employees?

B: Oh, yes. It was a very exciting day for them and for me and for social security. It did a lot of good.

M: Was the major significance of the 1967 amendments then the increase?

B: Yes, that's the major thing. If you take the 1965 and 1967 amendments together on the cash benefit side it was an increase of 23 per cent in benefits in those two amendments. The addition of Medicare is the equivalent now of about a twenty-two dollar a month increase in the value of protection. Those two things together are more than a 50 per cent increase in the value of social security benefits. It's not just the across-the-board increase that's so important but it was possible also in these amendments to increase the amount of earnings that are counted for social security purposes, raising the earnings bases to \$7,800. That makes possible a much higher maximum in benefits because more earnings are counted. In these two amendments maximum benefits for a retired worker went from \$127 in the old law to \$218 in the new law. Now, that's obviously a lot more than a 15 per cent increase. Also many important changes were made in the structure of the program and additional whole categories of beneficiaries brought in by these two amendments. One was to extend the benefits for children beyond the age of eighteen up to the age of twenty-two as long as they attended school.

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Several hundred thousand such children are now receiving benefits.

Disabled widows were covered for the first time by the 1967 amendments.

So although I guess I'd say that benefit increases were the most important, there are other very important changes beyond Medicare in the 1965-1967 amendments. It's just that Medicare was such a tremendous thing and had been so controversial, it overshadowed the other amendments. But if it weren't for Medicare, you'd still consider the 1965-1967 amendments one of the great periods of advance in social insurance.

M: Where do you go from now? What's in the future for social security?

B: Well, I expect that President Johnson is going to make important recommendations for the improvement of the program before he leaves office, and the Vice President has advocated changes that are very significant for the future. Just to tick off a few important areas, I think that the level of benefits is still a very important matter. They're significantly below what they should be and once we get them up to a reasonable level, then I think they ought to be kept there by an automatic device of attaching the benefits to the cost of living index. I think there ought to be a structural reform in the computation of benefits moving from a career average to a high five or a high ten years of average earnings.

I think in the disability program that we ought to start paying for part of the short-term risks by reducing the waiting period from six months to two or three months and by dropping the prognosis of having to be disabled for twelve months, so you pick up as soon as a person is totally disabled until he goes back to work. And I'd like to

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see also in disability a more realistic definition of what constitutes disability for the older worker. I think the way the program operates now is pretty good for the middle-aged or younger worker, but we disallow claims now at age fifty-five or sixty, a person has a kind of a theoretical capacity to work even though no employer will realistically give him a job. He may be disabled so that he can't do anything that he has done in the past. So for the older worker I'd like to turn to what is really closer to being an occupational definition.

In the Medicare program, certainly the program ought to be extended to the disabled beneficiaries the same as the aged beneficiaries, and I would think the next step in the scope of the coverage might well be the coverage of prescription drugs outside the hospital. All of these are kind of next-step ideas. They're things one can do further on down the road.

M: Would you go so far as what is called quote, socialized medicine, unquote, for everybody?

B: If socialized medicine has a meaning as a defined term, I think it should be applied to systems like the British where it's a national health service. It's not an insurance program, but the doctor in effect works for the government like a school teacher does and supplies a service. I think that is then a socialized service. The Russians have it, too. I would really doubt whether the United States is going to go in that direction for the whole population. We have it for veterans to a certain extent today, but I think one of the big issues in the next ten years is really whether the voluntary approach that we use

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today for workers--voluntary Blue Cross Blue Shield, private insurance collective bargaining plans--is going to do an effective enough job. It may. I think the real issue is, will that be made effective enough or will people turn to an extension of the Medicare program down into the working age population with these voluntary plans being supplementary. I just don't have a view on which way that's going to go yet.

M: Well, if it did go in that way, would you want such an organization placed within the Social Security Administration, or would it better to have a separate public health service?

B: No, if it's going to be a social insurance program, that is, where your eligibility is determined by your wage record and contributions in the past, it would make sense to do it through social security. Otherwise you have a duplicating series--a group of offices and wage records and that sort of thing. We already have a considerable sharing of responsibility, you might say, for the health aspects of the insurance program with other parts of the department, with the Public Health Service, for example, working very, very closely with us. The service had really the major role in setting up the quality standards for institutions that had to be met before the institutions could come into the program. For the medical aspects, we have to look for major assistance in other places. But for running the program administratively and making the whole thing work, I think social security would be the best place to have it.

M: You could extend Medicare without too much difficulty?

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- B: Oh, I wouldn't say without too much difficulty. There are major administrative problems still in Medicare, although I think it's going much better than anyone had a right to expect. But to a considerable extent it's more of the same. It's just very big and the problems could be worse. But anybody else would have to take it up from the beginning and there would be lots of duplication and no point in it.
- M: Do you foresee or would you like to see any kind of different funding process for social security? Like general revenues?
- B: Yes, I think that there is going to need to be some general fund financing in social security in the long run. Now, I would favor for example in the Medicare program putting the two parts together and dropping the voluntary aspect of the physician coverage. It seems to me that there is great merit in the basic idea that you pay while you are working and then after you retire you have paid-up insurance and don't have to continue to pay when your income has dropped because of retirement. As you know, people now pay four dollars a month out of their reduced income for the doctor bill coverage. Hospital insurance is set up on a prepayment basis. If you combine the two, then I would favor applying the principle of general revenue sharing the cost for the whole combined program. At present it just pays half of the doctor bill insurance. If you put the two together, then I'd have general revenues pay half the cost of hospital insurance as well, and put those two together. If you did that, you wouldn't have to increase the contribution rates that are scheduled in present law for the Medicare program beyond the combined rate of 1.3 per cent. In other words it's scheduled now to go up

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considerably above that, and you could actually save for the cash benefit program the equivalent of about one-third per cent of payroll which could be used for cash if you made this other change.

Now I would also like to see the earnings base, the \$7,800, raised significantly in the future. I'd like to have it go up to, oh, \$15,000 or so in a series of steps which would get us about back to the place where we were when the 1935 act was passed, as a proportion of total earnings. That change would give additional income to the program. I'm not anxious to increase the contribution rates. I think we could maybe go a little further than we are, but not a great deal.

Now, if you've done those things and you get some additional funds just out of increasing payrolls as time goes on and you still want to increase benefits even further than you can from current sources of financing, then and at that point I think you ought to have some general revenue funding, too. To my mind I'd never want it to overshadow the employer-employee financing, but I think we could have some general revenue financing without it being a problem.

M: Can you see Medicare as being an anti-poverty device?

B: Oh, yes. Social security as a whole and Medicare too are very major anti-poverty programs. In fact, I think they are the major anti-poverty programs. Because of the cash benefit program we keep about ten million people out of poverty by that device alone. In other words if it weren't for social security, there'd be ten million more people below these very low definitions of what constitutes poverty. In the same way in Medicare

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a lot more people in the aged group would have to turn to assistance or charity for help if it weren't for Medicare.

Now the program isn't solely an anti-poverty program. It's a program that serves as a base for the economic security of people at all levels, but it does, as part of its accomplishment, prevent a very large amount of poverty and I think we could do more in that respect. That's why I'd like to see the benefit level higher and some of these other changes that I've suggested.

M: Here's a miscellaneous question. Does it bother you to see the widespread use of the social security number as an identification device? Not just for social security but insurance and schools and so forth.

B: The use of the social security number for non-social security purposes has got a lot of angles to it and we're about to set up a national advising group of representatives and outstanding citizens to help us determine our future policy in this regard. I don't object to its widespread use per se; I think that's quite helpful to people. If they're going to have five uses for numbers and it's going to be required, it's better to have one than five. Maybe they could learn it and keep track of it. So at least as far as government use is concerned, we favored the Internal Revenue Service not establishing a whole new numbering system for income tax; it would just get all mixed up. We'd keep getting the revenue numbers and they'd keep getting the social security numbers. But the problem that is of concern to me is the confidentiality aspects. One has to keep these two issues, I think, quite separate. We have always taken the view that even if other people

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used our numbering system that we would never reveal to them any identifying information. If they give us a number and say who is this person, we won't give it to them. They have to take the responsibility for dealing with the individual and getting the number from him, working with him. Now the reservation that I have in looking down the road is whether the social security number--if it became a universal identifier--whether the pressures for breaches in the confidentiality aspects greatly increase. There is some danger of building up a system of government following people in all the aspects of their lives with a dossier on each individual that then becomes available to somebody or other sometime, and that would frighten me.

M: For example in your proliferation of information about Medicare, you went to the Internal Revenue Service to get addresses based on social security numbers. Now, this was obviously an administrative aid for you. There was, I would guess, no invasion of privacy over something like that. But how much further can you go before you do cross the privacy lines?

B: Well, as I say, these are important questions and many people have proposed to us for example, that social security numbers should be issued to everybody at birth and then become the basis for whatever records are established throughout life--schools, draft, et cetera--making it possible for all of this to be brought together. I must say I have a lot of concern about going in that direction. That's why I'm going to ask for a high level citizens advisory group to go into this whole question of the relation of a universal numbering system to confidentiality;

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of its relation to the protection of privacy for the individual and see where we go from there.

M: One other question which concerns the Department of HEW as a whole. In the past HEW has been criticized by people like Ribicoff as being almost ungovernable. It's so big, so ponderous, there are so many independent agencies or semi-independent, either through their own personnel or through statute, that it's almost impossible to govern. Is this true today?

B: Oh, I think it all depends on what you conceive of as the role of a secretary and how much governing a secretary is supposed to exercise over these agencies. I think that the secretary's function is not to try to run the Social Security Administration or administer the social security program. I think his function is that he does his job best when it relates to the future of that program in terms of legislative change and of evaluation of how I'm administering the program, and if I'm not doing it well getting somebody else. I don't think the fact that there are a group of agencies with different missions is really the major problem, because the whole government has to shape up hierarchically to the President. I don't think you help matters too much by having more of them report to him, that is, more report to the President. It's easier for a secretary to keep his finger on broad policy issues and control a group of agencies like HEW than to have even more departments going on to the President.

Now, within HEW there are a significant number of areas where there is enough mutual interest to make this collection a reasonable one to me.

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We are in health, for example, now that we're in Medicare. It's convenient to be in the same department. It wouldn't be impossible to coordinate with health if they were an independent department. I do not believe that for cooperation and coordination, we necessarily have to have someone sitting over the two organizations whose job it is to coordinate. Most of the coordination in the launching of the Medicare program came about because the Social Security Administration went out of its way to bring the Public Health Service into all the deliberation and sought its help. It wasn't because somebody was sitting over the two agencies saying "Now you two have to work together." It's a recognition of the need for self-coordination that does more than anything else.

So I guess what I'm saying is that HEW is a reasonable enough collection of programs with some mutual interest. I think the problem would arise only if somebody tried to make them more unified than is reasonable. There are some types of secretaries who would think that because they were grouped together, that he had a responsibility for making them behave the same in their different areas and not give enough free delegation. I think that's much more the problem than what Ribicoff is suggesting--that the trouble is that they're too diverse. I don't see that. I don't think it really is that big a problem.

Now on the other hand I think it could also be done a different way. I don't think it would be a great disaster either if, say, the Office of Education became a department. There are inter-relations between the Office of Education and Welfare, between the Office of

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Education and Health, very little with us, but there are inter-relationships there. But my gosh, we have tremendous inter-relations with the Internal Revenue Service. They collect contributions for the whole social security program. It isn't necessary therefore to be in the same department. I think really a lot more is made of these organizational matters and a lot more emphasis put upon the essentiality of certain kinds of groupings than is justified.

M: Well, I thank you very much for the interview.

B: Thank you. I enjoyed it. I hope I don't have to read all that.

[End of Tape 2 of 2 and Interview I]

GENERAL SERVICES ADMINISTRATION
NATIONAL ARCHIVES AND RECORDS SERVICE

Gift of Personal Statement

By Robert M. Ball

to the

Lyndon Baines Johnson Library

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