

Before the Welfare State?

Guest: David T. Beito

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David Beito is a professor of history at the University of Alabama and the author of *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890-1967*.

WOODS: As I mentioned in the introduction, you've written numerous books, but it was this work where I first became familiar with you, because back in the 1990s I read some of the papers that eventually turned into this book. And the book is *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services 1890 to 1967*.

What's so valuable about this book is not only the rich texture and detail that you're providing here, but you are filling in a very important gap: what did people do before there was a welfare state? I think the reigning assumption is they just keeled over and died. And you show there was a whole world out there, a whole parallel universe, where people arranged their affairs and provided for themselves, and for each other.

So, first of all, how did you come upon this topic? Because you came upon all kinds of interesting sources and records that I'm not sure most people were aware even existed.

BEITO: Well, I was thinking of looking at philanthropy, the history of philanthropy, and I was talking to Tom Palmer of the Institute for Humane Studies, and he said, "You ought to read this book about British fraternal societies, or British friendly societies."

It was done by a guy named David Green. I read this, and then there was some similar work that he did on the Australian friendly societies, to the American counterparts of fraternal societies, and they did all these things. They had health care, and provided this low-cost social welfare system through mutual aid.

And I thought, well, gee, I wonder if there is anything like this in the United States. I just looked at a few encyclopedia entries and saw an indication, yes, we did have these organizations in the United States, and I looked deeper and deeper into it and found an array of social welfare services covering everything from unemployment insurance to orphanages to homes for the elderly to hospitals, and I dove right into it.

It was really quite remarkable the extent to which historians have ignored this topic. So, it provided me an opportunity, which is great for historians, to be a trailblazer simply because there was a neglected topic.

WOODS: And these days when there are so many historians, and so many people getting Ph.D.s, and people are writing about tiny little slivers of history that are of interest only to specialists, to be able to blaze a trail on a topic that would be of interest to the general public, and certainly, obviously, of interest to libertarians, is a tremendous opportunity.

When we talk about fraternal organizations, what do we mean? What are examples of fraternal organizations? What were their primary functions?

BEITO: Well, these groups you see all around you today, but they are really much reduced, and they mostly now just serve as social clubs, and these groups, like the Elks and the Oddfellows, the Knights of Pythias, and a lot of the immigrant groups—virtually every immigrant group would have a fraternal society—Sons of Italy, various Jewish organizations, black organizations—in fact, the role these groups played among blacks, I think, has been shamefully ignored. If anything, these groups were biggest among blacks in the United States, bigger than among whites. Yet, it's part of that history that's not written about.

What would they do? They had a ritual. They were supported through membership dues. They were very decentralized to lodges. Sometimes they would have thousands of lodges added throughout the United States.

And they would have a social function, certainly. This was often in the community where the dances were, where sporting events were, sometimes where the bars were, would be the lodge.

But they also used this as a method to provide for mutual insurance, social welfare services, including health insurance, orphanages. It wasn't charity. And it wasn't governmental relief. It was something different. In fact, they rejected the label "charity." They said, "We are mutual aid; reciprocity." You might be giving aid one day, and you may be receiving it another. But it is certainly the benefit of membership.

WOODS: Now, today, when you talk to somebody in a fraternal organization, he'll talk about his fellow lodge brothers. Even if they haven't met yet, they feel like they have a special kind of connection. So, is it this kind of psychological aspect that knits everybody together? You would think that people would need to be in families, or in immediate face-to-face neighborhood situations, to be engaged in mutual aid. How big are these lodges?

BEITO: Well, this is why we sometimes hear these terms as historians—community, fraternity—and they really are different things. Community is something that, I think—you can define these things any way you want—but I would associate community as something geographical, where you do have these kinds of people in your neighborhood. Your friends, right? People you associate on a day-to-day basis.

And fraternity is a concept, I think, that transcends geography. And, so, you're a member of the Oddfellows, right? You feel a sense of fraternity with fellow Oddfellows throughout the country. And when you move—let's say you move from Philadelphia to San Francisco—but what often happened in the nineteenth century is you would take a transfer card with you from your home lodge, you would join immediately with the Oddfellows in another city, and you would get the benefits of fraternal membership.

So these groups really kind of saw themselves as surrogate families in some sense, and you have this language of family, brotherhood and sisterhood, and fraternal societies included women's organizations. That's the term they used as well.

WOODS: Now tell us about how health care was part of this. Now, obviously, health care was much less sophisticated in those days than it is today, but nevertheless, one of the features of lodge membership included a kind of rudimentary health insurance. How did they work that out? And what did that consist of?

BEITO: Well, you've got to understand that part of this was because we did not have our current system, which heavily subsidizes insurance provided through employers. That really started in a big way in World War II, with tax exemptions for fringe benefits, or the state, which, of course, started to some extent earlier. These two sources.

So in an era where there wasn't really that kind of discrimination, a lot of the health insurance was purchased by the individual, and the main source of health insurance—say turn of the last century—was fraternal insurance. The way they would do it was the lodge would hire a doctor, and they would pay him a fee, based on the size of the membership. So, let's say you had a thousand members in the lodge, that doctor would get a thousand dollars a year.

The doctors would often compete for these lodge contracts. And they would have elections where the members of the lodge would choose the doctor they wanted to be their lodge doctor. And, they would be paid a certain flat fee. This would include medicines. It would include house calls.

And then you had a lot of lodges, even more commonly, before this, that would provide cash sick benefits. So, if you were sick, the lodge would pay you a certain stipend each week that you were sick, and they would send members over to your house to make sure you were sick, that you weren't cheating the organization. And that was an advantage they had dealing with what you would call moral hazard today. They would actually investigate these claims—more than just investigation, they would send the sick committee over to help you out, if you needed help.

And then later, a lot of these organizations started to get more elaborate. They started to build hospitals. And, some of the black organizations in the south had some white, quite well financed hospitals that provided health insurance, provided hospital care, at very low rates, through this kind of cooperative approach.

WOODS: Now you say here in the book that, in the 1920s, maybe one out of three adult men would have been a lodge member, which is an astonishing figure—and, when you add that to the number of people who were members of churches, which presumably also, in extreme cases, would provide various charitable services, you see various voluntary ways in which people took care of themselves.

Now, when it comes to the fraternal societies, though, in addition to the medical care aspect, what other benefits did people get? Did you get, for example, help with burial, if there was an unexpected death, or was there something akin to unemployment insurance?

BEITO: A standard feature would be burial insurance, sometimes it would be quite a lot; it would be far more than the cost of the burial. But that was usually the core that would be providing that. Most organizations did that. And then they would piggyback on top of that other services including the sick benefits that I described to you, including the hospitals.

One of the groups that did that, which I thought particularly fascinating, was a black organization called the Knights and Daughters of Tabor, which had been formed in, like, the 1870s, by freed slaves. Apparently they'd been originally a slave resistance, an attempt to foment a slave revolt in the 1850s. These guys got together again in the 1870s and they formed this group.

Well, in Mississippi, they built a hospital. They built it brick by brick during the great depression, and it was the leading hospital for blacks for many years in the Mississippi delta. They would provide health care for something like eight dollars a year. You could get thirty days of hospital care at the Taborian hospital. And, if you were to figure out what that would be now, I'm not even sure what it would be, but it would be less than one hundred dollars a year.

Most of the members of this organization were sharecroppers, were people under the poverty line. No governmental money, and it was considered very good health care. Their interns were doctors from McGarry Medical School, so they were well-trained physicians.

WOODS: This seems like a good time to backtrack a bit and talk about the way in which the fraternal societies seem to have played a more substantial role in the history of American blacks than of whites, as you say.

BEITO: Native whites anyway.

WOODS: Okay, because of the immigrant groups.

BEITO: Immigrant groups were pretty extensive.

WOODS: Right.

BEITO: Among native whites, I would say that's definitely the case.

WOODS: So what kind of evidence do we have for this? And what kind of explanation do you suspect would account for it?

BEITO: Well, we have statistical evidence that blacks were more likely to own life insurance, for example, than whites were. The amazing figure, when you consider how dirt poor as you know

blacks were in the early twentieth century—these are people that primarily were living paycheck to paycheck, domestic servants very often, unskilled labor, seasonal work.

Yet, I was just amazed by looking at some studies that were done. City after city, during the Progressive Era—interestingly enough, you can thank the progressives for this because they did these block studies trying to show, “Gee, people don’t have insurance,” and they would divide it by ethnic group and by class, and consistently, 90 percent or more of blacks would own life insurance. Higher than any other group. A significant percentage of that—not all of it, but a significant percentage of that was through lodges.

There were all sorts of commentary from various anthropologists, sociologists that studied it—in fact, Gunnar Myrdal, a Swedish economist, complained. He said this is a problem among blacks. They’ve got too many social organizations. It takes all of their time. They can’t get anything done. They’re always going to meetings all the time. And people would use expressions like blacks were “lodge mad.” And of course, we have satire: Amos and Andy. The great team of Amos and Andy; again, this is done by whites. But, you know, it resonated, including among the very extensive black audience, because the major part of Amos and Andy was the main characters going to lodge meetings, the Mystic Knights of the Sea. This was common at the time.

WOODS: This is a major part, then, of the cultural and economic history of American blacks. Now here comes a fat softball right over the plate, David. Why do you think this aspect of that history is simply ignored, downplayed, not talked about?

BEITO: Well, I think you’ve got a certain template that we call the holy trinity. I think you know what I’m talking about: Race, class, and gender. And historians are sort of forced into that, even if they don’t want to do it, they’ve got to sort of bow down to it to some extent. And you know class—let’s find your organization where the whole point of it is one class trying to fight another class. Well, fraternal societies aren’t of interest. Every fraternal society—black, white, immigrant—that I know, just about every—maybe you could find some weird exceptions—said, “We want everybody to join, and we’re not going to discriminate on the basis of class.” They wanted people—in fact they bragged about it, that you might have a meeting where you had the factory owner as a lowly initiate and the laborer—you know, the janitor in the factory—is the guy who is now presiding over the meeting where he’s trying to join. So it blows that away. But these groups, you find them on every race. You find black organizations, white organizations, immigrant organizations, and they look very much the same. Gender? Well, I suppose some of these are male organizations. But again, if you look among blacks, for example, or a lot of the immigrants, I would argue that among blacks, most members of fraternal organizations, at least a lot of them—I think that actually that is true—are women. So, it confounds the effort that historians like to make to divide people, because these folks don’t act they way they’re supposed to act.

WOODS: Now that is an interesting—I was not expecting that. I like when I have a guest where I get an answer I’m not expecting. That’s good, because I was thinking more in terms of these

lodges, and the type of work that's being done in them, are examples of spontaneous and voluntary institutions, and they don't involve government, which is the normal story of how different groups have advanced or provided for themselves.

BEITO: Well, I think that that is actually—I would rate that highly, although I think historians are a bit more interested in charity, but then again it's often in a negative take of how inadequate it is. But we do have, I think, a lot more work done on sort of a lot of charity societies and charity organizations, but it tends to be very negative. But I think you're absolutely right about that. That that's a lot of it. They're not demanding revolution, right. They're just trying to solve problems. They're not organizing people to overthrow the system. And so a lot of the stories sort of look down on them like, well, gee, why aren't they interested in revolution? You know, that kind of thing.

WOODS: Right.

BEITO: So, that's bad, too, from that standpoint. But I think you're right; that's a key part of it. It's confounding because far more workers go on to lodges—if you're interested in working-class history—than unions, far more. So why don't we look at what the workers actually belong to? Well, I think I've given you some possible reasons why they're not interested. Why historians are not interested.

WOODS: Why does your study end in 1967 in particular?

BEITO: Oh, I don't know. That just seems a little awkward, but what happens, in 1967, is I have a chapter on this Taborian hospital, which, from I guess the standpoint of a libertarian, that outlook has a kind of tragic ending. Well, what happens is it's taken over, along with a competing fraternal hospital, by the OEO—you know, by the Great Society program—and that happens in 1967. Basically, it becomes a rather sad shadow of itself after that, and finally, it closes down. I did discuss a little bit after 1967, but that is sort of the main explanation, because I have a whole chapter on this rich history of health care in the Mississippi Delta, which is where most blacks lived in Mississippi, and what happens to this hospital. And there was another hospital, as well, in Mississippi, that I looked at. There were two—well, three actually—that I look at.

WOODS: Now, it seems to me that you could imagine a libertarian expecting that with the Great Society coming along, and the government taking over a lot of the functions that have been carried out by the fraternal societies, that would be one of the precipitating factors in their decline in this area, but if I remember your work correctly, you sort of suggested it's not quite that simple, that yes, that certainly seems to have played a role, but that the real story is muddier than that. Am I right?

BEITO: Yeah, it's always muddy, and as a historian I think you might appreciate that, that history is messy, and sometimes non-historians trying to get into it want a simple answer. And I think with a lot of things going on, I think in the case of the fraternal societies medical care, you

need to look at the role of groups like the American Medical Association, which engaged in a very ruthless campaign using the state, using the certification and licensing arm of the state, to try to reduce the number of doctors quite successfully in the early twentieth century, including the numbers of black doctors, the numbers of black medical schools, and so forth. One of the reasons why lodge practice survived is you had a big supply of doctors. Well, if you could impose what the AMA called “birth control” on the medical profession, which they were able to do, you make it much more difficult for these lodges to find doctors. In the end, they would wage all-out war on what they called the lodge evil. They would say don’t even consult with lodge physicians; don’t deal with them. You know they’re trying to suppress our fees to levels with a bootblack or a peanut vendor, and we must stop them at all costs. So there was an effort to smash that, I think, definitely that occurs.

In the case of Mississippi, the fraternal hospitals there, I think I have strong evidence that the state regulatory authorities were tremendously destructive, and they were constantly harassing these hospitals with rather petty regulations and things like, “You don’t have enough certified employees. Your ceilings are cane fiber; they can’t be cane fiber, they’ve got to be something else.” And constant harassment. What also does happen, certainly, is the rise of things like Medicare and Medicaid, which end—the third-party payment system. It takes away a lot of the potential patient base because if you’re getting medical care anyway through your employer, or you’re getting it through Medicaid, or you’re getting it through Medicare, and you’re barely getting by, you’re going to sacrifice those dues that you’re paying for fraternal societies. And, of course, I think there are social changes. One could argue that a lot of the fraternal model has to compete with new forms of entertainment that comes along—movies, and that kind of thing. So, I think that that’s a factor, but again, I look at this as an example of how resourceful people are. And I think that, given incentives, people would find new ways to adapt this model to sort of fit changing social norms.

WOODS: Well, David, I can’t tell you how excited I am about this particular work. It came out in around the year 2000—is that right?

BEITO: That’s right.

WOODS: All right. Well, it needs an audience eight gazillion times bigger than whatever the audience was because it’s the sort of question we’re all curious about: “What would people do? What did people do?” And you have given a very substantial chunk of the answer here, and I think this is probably one of the most interesting programs I’ve done. So I’m grateful to you for that. I’m going to encourage people to check out the book *From Mutual Aid to the Welfare State* by David Beito, and we’ll have to have you back on again to talk about another book.