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8 Coalition Formation and the Adoption of Workers' Compensation: The Case of Missouri, 1911 to 1926

Shawn Everett Kantor and Price V. Fishback

8.1 Introduction

The Progressive Era laid the groundwork for many modern economic regulations. To understand the origins of the progressive regulations we must recognize that the legislation often involved a complex set of regulatory proscriptions. To say that a group categorically favored one type of regulation over another would be mistaken, because changes in key aspects of the proposed regulatory environment might have substantially altered its economic impact on the group. As a result, major battles were not always fought over regulation, *per se*, but over the particular form the legislation would take. Changes in the components of the regulation might have either slowed or sped its adoption, as the coalitions realigned based on their expected gains from the alternative proposals.

The Progressives also pushed to give voters a greater voice in government policy through referenda that often changed the form and timing of regulation. Interest groups could form cohesive winning coalitions when decision making was limited to the legislature. If the laws also had to meet the approval of voters in a referendum, then the features of the propositions had to change to win a broader constituency. The adoption process might have taken longer, not only because it required an extra step, but also because large numbers of voters may

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have been concerned about the consequences of regulatory reform. In this paper we examine how the changing features of regulation and differences in the political decision-making process influenced the alignments and realignments of coalitions on one of the leading Progressive Era reforms, workers' compensation laws.

Workers' compensation marked a radical shift in the way that employees were compensated for the medical expenses and wage losses that resulted from industrial accidents. Whereas accident benefits under negligence liability were quite unpredictable, under workers' compensation all workers injured "out of or in the course of employment" were compensated, with fault no longer an issue.¹ Further, the average payments to injured workers under workers' compensation were often substantially higher than the averages received by those receiving some positive amount under negligence liability. Moreover, the probability of being compensated was much higher under workers' compensation than under negligence liability. For these reasons scholars have generally considered workers' compensation to be the first instance of large-scale social insurance in the United States (Ely 1908; Eastman 1910; Conyngton 1917; Lubove 1967; Weinstein 1967).

The laws were adopted rapidly across the United States in the 1910s. Within a decade forty-four states had adopted compensation legislation, and by 1930 only Arkansas, Florida, Mississippi, and South Carolina had yet to enact a law. As Harry Weiss (1966, 575) noted, "No other kind of labor legislation gained such general acceptance in so brief a period in this country."

Each state's law varied with respect to the type of industries and workers that were covered, maximum and minimum payouts for lost wages and death, the timing of the payments, the coverage of medical expenses, the number of waiting days before benefits would commence, what organizations would provide the insurance, and what legal body would adjudicate conflicts within the system. Table 8.1 lists several key aspects of each state's law in the order in which they were enacted. The benefit index is the ratio of the present value of death benefits (using a 10 percent discount rate) to average annual manufacturing earnings in the year the law passed. The ratio ranged from a low of 1.41 in Georgia to a high of 5.36 in Oregon. Some states compelled firms to join the workers' compensation system, whereas others allowed firms to choose, although those that opted out of the system forfeited the three common law defenses under the traditional negligence liability system. Some states required companies to insure through monopolistic state funds, others offered the option of either a state fund or private insurance, and still other states relied exclusively on private insurance carriers. The method of administration varied as

1. In many states, however, agriculture, domestic service, casual labor, and public service were excluded from the compensation laws. Sometimes specific industries were excluded. For example, Maine excluded logging, Maryland exempted country blacksmiths, and Texas excluded cotton ginning. For a more comprehensive summary of the exemptions across the United States, see BLS 1918, 58.

Table 8.1 Characteristics of Workers' Compensation Laws in the United States

| State | Year of Enactment | Ratio of Benefits to Annual Earnings | Compensation Elective/Compulsory (private employment) | Method of Insurance ^a | Method of Administration |
|-----------------|-------------------|--------------------------------------|---|----------------------------------|---------------------------|
| CA | 1911 | 2.695 | Compulsory | Competitive state | Commission |
| IL | 1911 | 2.346 | Compulsory | Private | Commission |
| KS | 1911 | 2.496 | Elective | Private | Courts |
| MA | 1911 | 2.280 | Elective | Private | Commission |
| NH | 1911 | 3.000 | Elective ^b | Private | Courts |
| NJ | 1911 | 2.186 | Elective | Private | Commission |
| OH | 1911 | 3.130 | Compulsory | State | Commission |
| WA | 1911 | 3.987 | Compulsory | State | Commission |
| WI | 1911 | 3.333 | Elective | Private | Commission |
| MD ^c | 1912 | 2.441 | Compulsory | Competitive state | Commission |
| MI | 1912 | 2.280 | Elective | Competitive state | Commission |
| RI | 1912 | 2.280 | Elective | Private | Courts |
| AZ | 1913 | 2.790 | Compulsory | Competitive state | Courts |
| CT | 1913 | 2.473 | Elective | Private | Commission Arbitration |
| IA | 1913 | 2.406 | Elective | Private | committees |
| MN | 1913 | 2.406 | Elective | Private | Courts |
| NE | 1913 | 2.674 | Elective | Private | Commission |
| NV | 1913 | 3.097 | Elective | State | Commission |
| NY ^c | 1913 | 4.321 | Compulsory | Competitive state | Commission |
| OR | 1913 | 5.364 | Elective | State | Commission |
| TX | 1913 | 3.117 | Elective ^d | Private | Commission |
| WV | 1913 | 3.659 | Elective | State | Commission |
| LA | 1914 | 2.406 | Elective | Private | Courts |
| CO | 1915 | 2.346 | Elective | Competitive state | Commission |
| IN | 1915 | 2.406 | Elective ^c | Private | Commission |

(continued)

Table 8.1 (continued)

| State | Year of Enactment | Ratio of Benefits to Annual Earnings | Compensation Elective/Compulsory (private employment) | Method of Insurance ^a | Method of Administration |
|-----------------|-------------------|--------------------------------------|---|----------------------------------|--------------------------|
| ME | 1915 | 2.280 | Elective | Private | Commission |
| MT ^b | 1915 | 2.886 | Elective | Competitive state | Commission |
| OK | 1915 | — ^c | Compulsory | Private | Commission |
| PA | 1915 | 2.406 | Elective | Competitive state | Commission |
| VT | 1915 | 1.732 | Elective | Private | Commission |
| WY | 1915 | 2.483 | Compulsory | State | Courts |
| KY ^c | 1916 | 3.296 | Elective | Private | Commission |
| DE | 1917 | 1.996 | Elective | Private | Commission |
| ID | 1917 | 3.170 | Compulsory | Competitive state | Commission |
| NM | 1917 | 2.280 | Elective | Private | Courts |
| SD | 1917 | 2.202 | Elective | Private | Commission |
| UT | 1917 | 2.732 | Compulsory | Competitive state | Commission |
| VA | 1918 | 1.982 | Elective | Private | Commission |
| AL | 1919 | 2.050 | Elective | Private | Courts |
| ND | 1919 | 4.761 | Compulsory | State | Commission |
| TN | 1919 | 2.291 | Elective | Private | Courts |
| GA | 1920 | 1.407 | Elective | Private | Commission |
| MO | 1925 | 2.903 | Elective | Private | Commission |
| NC | 1929 | 3.218 | Elective | Private | Commission |
| FL | 1935 | 3.207 | Elective | Private | Commission |
| SC | 1935 | 2.748 | Elective | Private | Commission |
| AR | 1939 | 3.524 | Compulsory | Private | Commission |
| MS | 1948 | 2.538 | Compulsory | Private | Commission |

Sources: The details of the laws at the time of passage come from BLS 1917, 1918, 1921, 1926b, and the session laws of the states that passed workers' compensation after 1930. For the years prior to 1927, the average weekly wage was calculated as average weekly hours times hourly earnings from Paul Douglas's series (series D 765 times series D 766 in U.S. Bureau of the Census 1975, 168). For years after 1927, the average weekly wage is from the BLS series (U.S. Bureau of the Census 1975, 169–70 series D 802).

Notes: The ratio of benefits to annual earnings is calculated based on the national average weekly wage in manufacturing. Given the weekly earnings, we calculated the present value of the stream of payments allowed by the workers' compensation statute using continuous discounting and a discount rate of 10 percent. The worker was assumed to have had a wife aged 35 and two children aged 8 and 10. In some states, there was an overall maximum payment that was binding. We assumed the families were paid the maximum weekly amount until the time that the maximum total payment (not discounted) was reached; therefore, time in the discounting formula in those states was equal to the maximum total payment divided by the weekly payment. In Nevada, New York, Oregon, Washington, and West Virginia, the payments were for the life of the spouse or until remarriage. We assumed that the spouse lived thirty more years without remarrying. Payments to dependents were stopped when they reached the state's defined age of adulthood. Finally, the present value of the stream of benefits was divided by annual earnings, which was defined as the average manufacturing weekly wage times fifty weeks.

^aCompetitive state insurance allowed employers to purchase their workers' compensation insurance from either private insurance companies or the state. A monopoly state fund required employers to purchase their policies through the state's fund. Most states also allowed firms to self-insure if they could meet certain financial solvency tests.

^bEmployees have option to collect compensation or sue for damages *after* injury.

^cMaryland (1902), New York (1910), Montana (1909), and Kentucky (1914) passed earlier laws that were declared unconstitutional. Maryland also passed a law specific to miners in 1910, while New York passed an elective compensation law and a compulsory compensation law in 1910. The compulsory law was declared unconstitutional, but was passed in 1913 after the state constitution was amended.

^dCompulsory for motor bus industry only.

^eCompulsory for coal mining only.

^fOklahoma's law pertained only to nonfatal accidents. Fatal accident compensation was handled according to the traditional rules of negligence.

well. Several states continued to rely upon the courts to resolve disputes between workers and employers, although most states created commissions to administer the program.

Previous historical analyses, some based on state-level case studies, have attempted to explain the adoption of workers' compensation in different states, but they neglected to consider how the same interest-group pressures that determined the passage of the laws influenced the specific nature of the legislation ultimately enacted.² As both theoretical (e.g., Stigler 1971; Peltzman 1976; Becker 1983) and empirical (e.g., Hughes 1977; Olson 1982; Alston and Ferrie 1985, 1993; Libecap and Wiggins 1985) research on interest groups has shown, the relative strength of the competing groups has an important effect on the types of regulations enacted and on the specific forms that they take. We focus on the adoption of workers' compensation in Missouri to explore the reasons Missouri's law took the form it did and to identify which political conditions in the state facilitated or hindered the passage of the law.

Missouri's enactment of the legislation was by no means typical, but it is the state's atypicality that makes it a rich testing ground for how interest groups aligned with respect to the various components of the workers' compensation proposals. Missouri was among the first ten states to express interest in workers' compensation legislation but the sole one of the ten not to pass a workers' compensation law by 1913 (Clark 1925, 602).³ The Missouri legislature finally passed a compensation law in 1919, but the law was struck down in a voter referendum in 1920. The Missouri General Assembly adopted a different version of workers' compensation in 1921, but that too was struck down by the voters in a 1922 referendum. Organized labor put an initiative referendum on the ballot in 1924 that offered a completely different set of parameters, but the voters rejected this plan as well. Finally, in a 1926 referendum voters accepted the workers' compensation law enacted in the 1925 session of the legislature.

The drawn-out legislative and electoral processes in Missouri provide a unique opportunity to investigate how competing interest groups helped shape the different features of the proposed workers' compensation legislation in the state. Our focus on Missouri's workers' compensation experience confirms Stigler's (1971) conclusion that small, homogeneous interest groups use their political influence to shape the regulatory environment. Whereas organized labor, employers, or damage-suit attorneys made up a small fraction of the electorate, they wielded considerable strength in proposing legislation, framing the public debate, and exploiting the political process for their own advantage.

2. For state-level case studies see Asher 1969, 1973, 1983; Castrovinci 1976; Tripp 1976. For empirical studies on the determinants of the passage of the law, see Pavalko 1989; Fishback and Kantor 1991; Buffum 1992. For general nonempirical studies see Lubove 1967; Weinstein 1967.

3. When Governor Herbert S. Hadley appointed a volunteer compensation commission in 1910, only Connecticut (1907), Illinois (1905), Massachusetts (1905), Minnesota (1909), New York (1909), and Wisconsin (1909) already had commissions in place. Montana, New Jersey, Ohio, and Washington joined Missouri in establishing commissions in 1910.

A further advantage of concentrating on Missouri is that, unlike most states, the electorate voted directly on the workers' compensation issue. Since Missouri voters cast ballots on four different laws in the 1920s, we can examine how voting behavior changed in response to the different features of the proposals. Further, we have been able to identify situations when the legislature voted on key aspects of workers' compensation, such as state insurance or raising maximum allowable death benefits, that voters also considered. These data allow us to examine differences in the effectiveness of interest groups inside the legislature and in the referenda process. The election returns allow us to examine more effectively how well the statements and actions of union leaders and legislators represented the interests of their constituents.

8.2 Coalition Support for Workers' Compensation

The battle over workers' compensation in the early twentieth century was more than a question of whether to adopt the law or not. Instead, the debate in most states centered on the specific form the law would take. Workers' compensation received wide-ranging support from a variety of disparate interests that expected to benefit from the law. What industries would be included, how many employees a firm needed before it was required to insure, the level of benefits, the waiting period, the means of insuring, and the provisions for conflict resolution, however, generated bitter dispute because they determined the extent to which income would be redistributed—from employer to worker, from employer to employer, from worker to worker, or from employer and worker to insurance companies or lawyers.

Although composing a relatively small segment of the population and voting electorate, unions, employers, insurance companies, attorneys, and state officials critically influenced the adoption of workers' compensation and the particular form the laws took. At the legislative level these groups wielded far more power than their numbers would suggest, and they generated concerted opposition when their interests were directly threatened. Labor and employer representatives and state labor officials, for example, were appointed to commissions designated to investigate workers' compensation and to draft bills for the legislature's consideration. In essence, legislators entrusted those parties with a direct stake in the law to control the flow of information. Control over the agenda, in turn, provided particular interest groups the opportunity to steer the public and legislative debates in their favor. Damage-suit lawyers and some union groups in the Missouri case were able to slow the law's passage by exploiting their state constitutional rights to the initiative and referendum mechanism, which provided for voter ratification of legislative acts.

One of the main shortcomings of previous historical research on workers' compensation is that the statements of labor or employer representatives, like the American Federation of Labor or the National Association of Manufacturers, have been taken to reflect the beliefs of all members. Yet the intensity of

interest in workers' compensation laws and specific aspects of the laws probably varied greatly. Injured workers' postaccident compensation rose sharply with the adoption of the legislation, but offsetting effects in the labor market, which have been previously ignored, might have led to differences in the intensity of workers' attitudes. Fishback and Kantor (1993a) found that semiskilled and unskilled workers experienced a wage reduction after the adoption of workers' compensation, potentially large enough to cancel the expected gains from higher postaccident benefits under workers' compensation. Wage offsets for more highly skilled and unionized workers, however, were much smaller. Therefore, skilled workers could anticipate higher monetary benefits from the shift to workers' compensation and thus had a greater stake in the legislation.⁴ Similarly, skilled workers had an interest in designing the law with high benefit ceilings in order to maximize their returns from the law. Lower-skilled and thus lower-paid workers had little direct interest in high maximum death benefits because their wages would not have been subject to the ceilings and would have adjusted downward in response to the generous benefits.

Workers' attitudes might have differed in intensity along other lines as well. Large numbers of workers had little interest in workers' compensation because it had little bearing on their employment. Agricultural workers, domestic workers, and those in small firms were generally excluded from coverage under workers' compensation.⁵ Further, many workers were in firms and industries where accident risk was very low.

Even among organized labor, which historians claim had the greatest interest in adopting workers' compensation, there were conflicts over the appropriate strategy to provide injured workers with more generous accident benefits. In Illinois the unions fought over whether workers' compensation or stripping employers of their three common law defenses was the best way to proceed (Castrovinci 1976). In Missouri unions split over the optimal political strategy for obtaining their most desired law: either get workers' compensation passed immediately and fine-tune it with amendments later or get all the desired features up front to avoid a prolonged struggle.

The conclusion that employers categorically accepted the idea of workers' compensation, which is also a central theme in the historical literature, fails to consider the different interests of various types of employers. Weinstein (1967)

4. If unskilled workers were risk averse, they still might have anticipated gains from the workers' compensation law, despite the reduction in their wages. In essence the wage reduction was akin to paying a premium for accident insurance. It seems reasonable to presume that skilled and unskilled workers had similar levels of risk aversion, such that skilled workers would have gained more from the passage of the law than unskilled workers because the skilled workers did not experience the same reduction in wages.

5. Of the employed in Missouri in 1920, 30 percent were in agriculture. Agricultural workers represented a large fraction of the percentage employed in many counties because the mean across counties was greater than 53 percent. Domestic workers were 8.7 percent of the employed. Less dangerous occupations in the professions, clerical occupations, and trade accounted for another 25 percent (Bureau of the Census 1923b, 50).

and Bale (1987) argue that businesses used workers' compensation to preempt political organization by labor. Employers, it is also claimed, supported workers' compensation to render accident payments more stable in the face of randomly fluctuating negligence awards. As state legislatures began stripping employers of their common law defenses, the National Association of Manufacturers and many state business organizations saw workers' compensation as a way to stem the tide of more frequent and larger jury awards to injured workers (Lubove 1967; Castrovinci 1976; Kent 1983; Tripp 1976). Further, employers criticized insurance companies for paying out only 25 to 40 percent of their liability premiums to injured employees, while the remainder went to litigation costs, administrative costs, and insurance profits (see Buffum 1992). Overall, workers' compensation was expected to reduce the animosity between workers and employers as the adversarial relationship generated in negligence suits was replaced with the guarantee of relatively generous accident compensation.

The type of workers a firm hired, however, was likely to temper its general support for workers' compensation. Although employers of unskilled and semiskilled labor may have been able to pass the cost of the new law onto their workers, employers of skilled and unionized workers could not (Fishback and Kantor 1993a). All else constant, we might expect that employers of the latter class of workers had mixed views on the compensation issue, and if they did support the legislation, they would have pushed for smaller benefit percentages and/or benefit ceilings. Even if some employers could anticipate a wage offset, the lowering of wages in response to an increase in benefits raised the likelihood of worker protests, giving all firms an incentive to lobby for the lowest level of benefits possible.

Employers may also have fought over experience rating, as firms with better safety records would have subsidized more hazardous firms if the rating system were incomplete. On the other hand, safer firms may have pushed for workers' compensation as a means of imposing added insurance costs on their more hazardous (in terms of accidents) competitors (see, e.g., Bartel and Thomas 1985).

The specifics of workers' compensation bills immediately caught the attention of a variety of numerically small, yet politically powerful, interest groups. Insurance companies actively supported the introduction of workers' compensation, possibly because they anticipated an increase in their accident insurance business (Fishback and Kantor 1993b). They strongly opposed the introduction of state insurance funds, however, particularly monopoly state funds that would have completely eliminated their ability to write workers' compensation policies in a state. Damage-suit attorneys actively opposed systems that reduced the role of the courts in adjudicating compensation disputes. In fact, twenty years after workers' compensation had been enacted in most states, attorneys continued to deride the administrative systems and called for administration by the courts (Dodd 1936, 62).

Bureaucratic agents, such as state labor department officials, had an important role and a vested interest in the passage of workers' compensation. These officials often participated in the writing of the bills, which gave them the ability to focus the debate on particular issues. This agenda-setting power could have been particularly critical as the attitudes of labor departments tended to vary across states from pronoun to probusiness. No matter what their ideological bent, however, bureaucrats may have sought to expand their political influence, which gave them an interest in supporting administrative hearings and state insurance funds (Borcherding 1977).

Agricultural interests also played a role in shaping workers' compensation. Interstate empirical studies show that the law's adoption rate was slower in more agricultural states (Pavalko 1989; Fishback and Kantor 1991). Alston and Ferrie (1985, 1993) claim that large-scale southern farmers opposed many social welfare reforms because the legislation would have weakened their paternal relationships over their workers. Nearly all workers' compensation bills tried to appease agricultural interests by excluding agricultural workers from coverage. Farmers' views on workers' compensation, however, may have been largely shaped by their role as taxpayers. Purely on taxation grounds, agriculturalists, along with other taxpayers, were likely to oppose compensation bills that might have led to increased taxation. In particular, issues that generated heated debates were proposals to establish state insurance funds and provisions for creating a relatively large bureaucratic agency to administer the program. The state fund raised taxpayers' concerns that the fund would become insolvent, leading to a taxpayer bailout.⁶

8.3 The Path to Workers' Compensation in Missouri

The central role that influence groups play in shaping the adoption of any type of regulation is aptly characterized, if not caricatured, by the adoption of workers' compensation in Missouri. Employers, labor union representatives, and damage-suit attorneys exercised substantial influence over the entire adoption process. Each group offered its own bills to the Missouri General Assembly, lobbied legislators, fed them information for the debates, and once the legislation was passed, used the referenda and initiative process to subvert any legislative actions that were contrary to their interests. How these highly organized and influential groups, with their considerable economic and political resources, influenced the legislative process and popular support for workers'

6. While no losses had been incurred by state funds by 1934, Dodd's (1936, 551–52) descriptions of state funds suggest that voters had reason to worry that tax revenues would be tapped to support bankrupt state insurance funds. Washington and West Virginia, for example, sometimes found it necessary to make loss payments in warrants rather than in cash. Many funds were not on a safe actuarial basis, and deficits developed in funds for a number of industries. Dodd (552) claimed that no injured employee would be denied benefits from a state fund because, "if a state fund . . . were unable to meet its obligations, the interested groups in the community would almost certainly have sufficient political strength to obtain payment from the public treasury."

compensation in Missouri demonstrates that a better understanding of the political-economic origins of workers' compensation can be found in the details.

The impetus for workers' compensation in Missouri came in 1910 when the governor appointed a commission to investigate the workings of the employers' liability system and the feasibility of a workers' compensation law. The commission prepared an employers' liability measure for the 1911 session, which was subsequently killed in the house judiciary committee, and requested that the legislature create its own investigative commission. The general assembly's 1911 commission included legislators from both chambers and citizens representing organized labor, manufacturing, insurance, and financial interests. Since employer and labor representatives could not strike a compromise—labor asking for unlimited benefits and state insurance and employers asking for the exact opposite—no serious legislation was introduced in 1913. The senate therefore appointed another commission that was to report to the 1915 legislature. The commission held months of hearings and travelled to several states and, in the end, proposed that Missouri enact an elective workers' compensation act, establish an industrial commission, provide for private mutual insurance, and impose a 5 percent tax on insurance premiums to support the industrial commission (MBLS 1921, 206). Although the senate proposal received a favorable recommendation from the insurance committee, the whole chamber never acted upon the bill. The Missouri State Federation of Labor (MSFL) and manufacturing interests could agree that workers' compensation in principle was worth pursuing, but the groups could not agree on the particulars of a law. The 1915 session ended with no legislation because the parties disagreed on the levels of accident payments, waiting periods, whether occupational disease should be covered, and organized labor's central goal, state insurance (MBLS 1921, 206).

After two legislative sessions without a compromise with employers, Missouri's main unions began to split. In 1917 both the MSFL and the St. Louis Building Trades Council (SLBTC) presented separate bills before the legislature, and a third measure presented by a group of employers was "refuted by organized labor" (MBLS 1921, 187). With divisions deepening between labor and capital and within labor, the session ended with the legislature far from a compromise compensation law.

Realizing that their efforts to adopt a workers' compensation law favorable to them were diminished if they did not present a united front, the two major organized labor groups tried to reach a consensus at the MSFL's annual convention in 1918. After three days of negotiations with no settlement, the MSFL, the SLBTC, and the Kansas City Building Trades Council (KCBTC) empowered a special compensation committee to draft a bill for the 1919 legislature (MBLS 1921, 188). The special committee not only included representatives from the SLBTC, the KCBTC, and the MSFL, but also the commissioner of the Missouri Bureau of Labor Statistics William H. Lewis and his supervisor

of statistics A. T. Edmonston (188). What became known as the Labor Bill (summarized in table 8.2) contained organized labor's main objectives: a monopoly state insurance fund and generous maximum benefits with no ceiling (204).⁷

In 1919 the house passed an amended version of the Labor Bill, imposing an \$18 weekly maximum but keeping the state insurance feature intact. The house bill was subsequently killed in the senate Workmen's Compensation Committee, and two efforts by senators sympathetic to the MSFL to place the bill on the calendar failed. The senate then passed its own bill (actually a committee substitute bill), which was later adopted by the house and signed by the governor. The senate bill was much more amenable to employers' interests, placing a maximum of \$15 on weekly benefits and eliminating public insurance (compare columns 1 and 2 in table 8.2 for differences in what labor asked for and what was ultimately enacted).

MSFL president Rube T. Wood claimed that when the senate bill arrived in the house "if the bill had been amended by the dotting of an 'i' or the crossing of a 't' it would have been killed by an adverse committee upon its return to the Senate. The only possible chance to pass a compensation law at this session was to pass the substitute through the House without amendment." Wood reasoned that if state insurance and high benefits were not politically feasible, then the goal should be to get the best workers' compensation bill possible and to seek prolabor amendments in subsequent legislation. He assured the SLBTC and the KCBTC that

we [MSFL] stood by the building trades people in a last-ditch fight which almost resulted in the defeat of all compensation measures by the Legislature. We could at any time have obtained the passage of a bill acceptable to the other labor interests of the State, but we fought with the building trades to the last. After the fight had failed and we began a last desperate struggle to get compensation on the statutes, they deserted us instantly and made an open fight on the floor of the House against the passage of the Senate substitute. They were defeated and the bill was passed almost unanimously. ("Compensation Law Pleases Labor Chief," *St. Louis Post-Dispatch*, 29 April 1919).

The building trades adhered to an all-or-nothing strategy, either workers' compensation with state insurance and high maximum benefits or no law at

7. Rube T. Wood of the MSFL claimed that the monopolistic insurance and no maximum payment limit was insisted upon by the SLBTC ("Compensation Law Pleases Labor Chief," *St. Louis Post-Dispatch*, 29 April 1919). The SLBTC's opposition to private insurance is best summarized in statements made by Maurice Cassidy, the secretary of the SLBTC: "Inexperienced persons who would be entitled to compensation will have to deal with trained insurance claim agents, whose reputations for dishonorable dealings are world-wide. After they brow-beat the claimants into accepting what they have to offer, these claim-adjusters, posing as the employers, will get the claimant to sign the settlement papers" ("Defeat the Workmen's Compensation Law," *Trades Council Union News*, 29 October 1920, 6). For the MSFL's views of how state insurance cut transactions costs, see MSFL 1918.

Table 8.2 Comparing Versions of Workers' Compensation in Missouri

| Feature | Labor Bill 1918 | 1919 Act Proposition 14 1920 | 1921 Act Proposition 11 1922 | Proposition 6 1924 | 1925 Act Proposition 1 1926 |
|--------------------------------|--|--|------------------------------------|-------------------------|--|
| Private industries covered | Employer with 5 or more | Employer with 5 or more | Employer with 5 or more | Employer with 2 or more | Employer with 10 or more; under 10 if declared hazardous |
| Private employment not covered | Domestic and farm | Domestic and farm | Domestic and farm | Domestic and farm | Domestic and farm |
| Public coverage | All public employees except employees who reject act | All public employees except officials and employees who reject act | Uncertain ^a | | Covered only if adopted by law or ordinance |
| Burden | On employer | On employer | On employer | On employer | On employer |
| Maximum weekly payment | 2/3 of weekly wage | \$15 | \$20 | \$30 | \$20 |
| Minimum weekly payment | \$8 | \$6 | \$6 | \$10 | \$6 |
| % of weekly wage | 66.67 | 66.67 | 66.67 | 66.67 | 66.67 |

(continued)

Table 8.2 (continued)

| Feature | Labor Bill 1918 | 1919 Act Proposition 14 1920 | 1921 Act Proposition 11 1922 | Proposition 6 1924 | 1925 Act Proposition 1 1926 |
|------------------------------------|------------------------------------|--|--|---|--|
| Waiting period | 0 days | 7 days unless disability lasts 6 weeks | 7 days unless disability lasts 4 weeks | 2 days | 3 days unless disability lasts 4 weeks |
| Maximum medical coverage | \$200 | \$200 | \$250 | \$500, can be extended by exceptional conditions | \$250 unless extended by commission |
| Burial expenses | \$200 | \$100 | \$150 | \$250 | \$150 |
| Death benefit | 300 weeks | 300 weeks | 300 weeks | 312 weeks | 300 weeks |
| Temporary total disability | 400 weeks | 400 weeks | 400 weeks | 400 weeks | 400 weeks |
| Permanent partial disability | 400 weeks | 200 weeks, max \$12 per week | 200 weeks, max \$20 per week | 300 weeks | 100 weeks |
| Permanent total disability | Rest of life | 240 weeks at 2/3; rest of life at 2/5 | 240 weeks at 2/3; rest of life at 1/2 | 2/3 for life | 300 weeks at 2/3; rest of life at 1/4 |
| Source of commission funds | 4% tax on insurance premiums | 2% tax on insurance premiums | 2.5% tax on insurance premiums | 3% tax on insurance premiums | 2% tax on insurance premiums |

| | | | | | |
|-------------------------|------------------------------------|---|---|---|--|
| Nature of commission | 3 commissioners, \$7000 each | 4 commissioners, \$4000 each; secretary at \$3500; medical advisor at \$4000 | 4 commissioners, \$3500 each; secretary at \$2500; medical advisor at \$4000 | 5 commissioners, \$6,000 each, who can employ assistants | 3 commissioners, \$4500 each; secretary at \$2600; medical examiner at \$4000 |
| Insurance | Monopoly state fund | Private or self-insure | Private or competitive state fund | Monopoly state fund | Private or self-insure |

Sources: MSFL bill of 1918: (MBLS 1918–20, 188–204). 1919 law: Clark and Frincke, 1921, 42, 622–38. 1921 law: Missouri Secretary of State 1921a, 425–58. 1925 law: BLS 1926b. Sources for 1924 referendum: “The Amendments Made Plain,” *St. Louis Post-Dispatch*, 29 October 1924, 19; statements by Alroy Phillips, labor lawyer, later on first Workmen’s Compensation Commission, in “In Missouri,” *Kansas City Star*, 2 November 1924; Irene Sylvester Chubb, American Association for Labor Legislation, letter to the editor, *St. Louis Post-Dispatch*, 2 November 1924; Associated Industries of Missouri, “Drastic Workmen’s Compensation Bill Proposed by Organized Labor of Missouri,” bulletin, n.d.

*It is not clear how the 1921 act would have treated public employees. In the title of the 1921 act, the system is claimed to be compulsory for the state, its counties, municipal corporations, and other public employers unless their employees reject the act (425). But when defining employers in the act, the definition specifically excludes the state, county, municipal corporations, township, school, road, drainage, swamp and levy districts, school board, and so forth (428).

all. The building trades and some other union elements, in fact, joined damage-suit attorneys, who clearly had an interest in striking down workers' compensation, in circulating a petition to put the legislative act before the voters in a November 1920 referendum.⁸ The strategy was successful. Voters rejected the 1919 workers' compensation law by a close 52.2 to 47.8 percent.⁹

By 1921 the MSFL, the Associated Industries of Missouri (AIM), and other employer organizations were cooperating for the passage of another workers' compensation law (*Kansas City Star*, 6 November 1922, 5; *St. Louis Post-Dispatch*, 25 March 1921, 33). The act that was ultimately adopted had many similarities to the one enacted in 1919, but added a state fund that would compete with private insurance and raised the weekly maximum benefit from \$15 to \$20 (see table 8.2). The inclusion of state insurance was actually a last-minute floor amendment that, as we show below, was widely supported by opponents of workers' compensation. By 1921 legislators could expect that any legislative act would be challenged in a referendum. Thus, by saddling workers' compensation with state insurance, which voters opposed, the opponents hoped to ensure the law's defeat at the polls.

The damage-suit lawyers in concert with the building trades councils again forced a referendum. Missouri voters once again struck down workers' compensation by a comfortable margin, 55.2 to 44.8 percent. The lawyers also added an initiative to the ballot that would have abolished the fellow servant defense, substituted comparative negligence for contributory negligence, and left assumption of risk up to the jury (*St. Louis Post-Dispatch*, 6 November 1922, 20; listing of "joker" proposition 18 in *Trades Council Union News*, 13 October 1922). Moreover, if accepted, the initiative would have repealed the 1921 legislative act if both measures passed in the November 1922 referendum (MBLS 1923, 936). Voters, however, soundly defeated the lawyers' alternative (79.9 to 20.1 percent).

By 1923 AIM was claiming that employers' liability was reaching a crisis, with some insurance companies actually pulling out of Missouri. Despite the impetus for workers' compensation, the general assembly failed to enact new workers' compensation legislation in the 1923 session.¹⁰ Lindley Clark (1925, 602) reported in the *Monthly Labor Review* that the chances of legislation were wrecked by organized labor's demands for an exclusive state insurance system. Despite its losses in the legislature, the MSFL managed to put an initiative on

8. After the petition was filed, the Missouri secretary of state, MSFL president Wood, other labor leaders, insurance men, and corporation lawyers who favored the new law instituted court proceedings in the Jefferson City Circuit Court to have the referendum set aside. The lower court sustained their motion. The referendum supporters appealed to the state supreme court, however, which reversed the lower court and ordered the referendum to proceed (MBLS 1918–20, 892).

9. The workers' compensation was supported by the Republican candidate Hyde, who won the election (*St. Louis Post-Dispatch*, 31 October 1930, 4). The Republicans also achieved the "impossible," their first majority in the senate (*Kansas City Star*, 4 November 1920).

10. Associated Industries of Missouri, Bulletin nos. 150 (10 March 1923), 169 (12 September 1923), 185 (11 June 1924).

the November 1924 ballot that included organized labor's demands without compromise: an exclusive state insurance fund and maximum weekly benefit levels of \$30, double the maximum benefits in neighboring Illinois and Kansas.¹¹

AIM and other industry groups actively opposed labor's proposal, sending out 2 million pieces of literature and placing advertisements in five hundred newspapers and magazines.¹² Opponents urged support from a wide range of interests. Since benefits were set so high, they argued that manufacturers would leave St. Louis and Kansas City for neighboring states.¹³ Since labor's proposal would have required firms with as few as two employees to insure, AIM gained support from small business owners who otherwise might not have been directly involved in workers' compensation. Finally, and probably with most success, opponents appealed to the taxpayer, since organized labor proposed setting up an expensive commission of five members with salaries of \$6,000 each, creating a monopoly state insurance fund, and appropriating more than \$4 million to start it (BLS 1925a, 161; "The Amendments Made Plain," *St. Louis Post-Dispatch*, 29 October 1924, 19; *Kansas City Star*, 2 November 1924, 3A). Not surprisingly, the initiative was strongly defeated, 72.6 to 27.4 percent.

Organized labor's sound defeat in 1924 and employers' increasing urgency to adopt a workers' compensation law led to a compromise in the 1925 legislative session (Clark 1925, 602).¹⁴ The 1925 act (summarized in table 8.2) was among the more liberal laws at the time. No other state's accident benefits exceeded the 1925 act's two-thirds of the wage, and its \$20 per week payment ceiling was higher than ceilings in neighboring Kansas and Illinois (BLS 1926b, 23, 26). The generous benefit ceiling put Missouri fifth (tied with six others) among all workers' compensation states, while its three-day waiting period tied Missouri for third among the states (BLS 1926a, 1224; 1926b, 64, 66). Without state insurance, the bill also gained support from the insurance industry. Other aspects of the bill were also designed to build a winning coalition. The number of commissioners was cut, as were their salaries, and public employees were covered under the law only if individual municipalities decided so (BLS 1925b, 1329–30). Thus, the general public's worries about paying more taxes for a larger bureaucracy or an insolvent state insurance fund were assuaged.

Again, the damage-suit lawyers financed a petition for a referendum. The

11. Kansas had a weekly maximum of \$15, while Illinois' weekly maximum was \$14 (BLS 1926, 23, 26).

12. Associated Industries of Missouri, Bulletin nos. 191 (1 October 1924), 197 (12 November 1924).

13. Associated Industries of Missouri, Bulletin no. 177 (13 December 1923).

14. Views on the probability of ever passing a workers' compensation law varied widely at the beginning of 1925. A state labor official saw no reason why a workable workers' compensation law could not be enacted. On the other hand, the *Monthly Labor Review* received reports that the difference of opinion over the nature of the bill was so great that it would be difficult to agree upon a measure to get sufficient support for passage (Clark 1925, 602).

petition drive was also publicly announced under the name of the SLBTC, but there are conflicting accounts of how big a role the SLBTC played.¹⁵ Recognizing labor sentiment for an exclusive state insurance fund and hoping to divide the supporters of the 1925 act, the trial lawyers drew up their own workers' compensation initiative that included an exclusive state fund (Andrews 1926, 266). The lawyers' counterinitiative also contained a clause that would have repealed the legislative act if both propositions passed.

The attempt at subversion was not successful. Organized labor, employers, the major newspapers, press groups, farm groups, the Democratic Party, the Republican Party, and a wide range of other supporters focused efforts on passing the legislative bill.¹⁶ Although the SLBTC still sought exclusive state insurance, it finally relented. Just prior to the referendum, John Barry, president of the SLBTC, urged workers to vote for the 1925 legislative act, arguing, "[E]stablish workers' compensation now, and we can take care of improvement in law as experience justifies demand" (*Trades Council Union News*, 22 October 1926, 1).¹⁷

Voters finally accepted workers' compensation as enacted by the legislature, voting in favor of the legislation 69.0 to 31.0 percent. The trial lawyers were overwhelmingly embarrassed as their counterinitiative lost 20.8 to 79.2 percent (BLS 1926a, 1224). The law went into effect in 1927, administered by a three-man commission composed of Alroy S. Phillips (chairman), Orrin Shaw, and Everett Richardson. The MSFL strongly influenced this first commission. Phillips was a prominent lawyer for the labor movement, and Shaw was the fifth vice president of the MSFL.

8.4 An Empirical Analysis of the Coalition Alignment in Missouri

The use and the threat of veto characterized the adoption of workers' compensation in Missouri. In the legislature and in the referenda, when labor and capital could not agree, the legislation was stalled. After three attempts at compromise, organized labor relented in its demand for state insurance, and employers eased their demand for low benefits. The coalition was solidified, and the lawyers' attempts to subvert the agreement in 1926 was fruitless. The shortcoming of the descriptive analysis of the coalition-building process in Missouri

15. The American Labor Legislation Review reported that the referendum was invoked by the building trades labor group, stimulated and aided by damage-suit lawyers (Andrews 1926, 266).

16. Supporters of the bill listed in an advertisement in the *Kansas City Star* (1 November 1926) included the Democratic and Republican parties, the American Federal of Labor, the Associated Industries of Missouri, Industrial Employers of Missouri, the Missouri Bankers Association, the Missouri Farmers' Association, the League of Women Voters, the Missouri Press Association, the Missouri Retail Merchants' Association, the MSFL, numerous Kansas City union locals, the Kansas City Chamber of Commerce, and numerous groups representing employers, merchants, and professionals. The *Kansas City Star* (31 October 1926, 6A) also editorialized in favor of the legislative version and against the alternative.

17. Another labor slogan was "Sustain the act and then at the first opportunity bring it up to desirable standards" (Andrews 1926, 266).

is that we must infer the interests of large segments of the electorate only as they were filtered through the speeches of business and union leaders. Empirical analysis of the referenda in Missouri offers an unusual opportunity to examine directly how rank-and-file union members, different classes of workers, agricultural interests, and other less vocal parts of the electorate responded to different forms of workers' compensation.

For each of the workers' compensation referenda from 1920 through 1926, we have collected the number of yes votes, no votes, and eligible voters who abstained in the workers' compensation referenda for each of the 115 counties in Missouri. We use a minimum logit chi-square estimation to predict the probabilities that Missourians voted yes or no, or abstained.¹⁸ The estimation procedure regresses the natural log of the ratio of yes to no votes (and the natural log of the ratio of abstentions to no votes) on a series of independent variables (listed in table 8.3) that attempt to explain how voters responded to the major components of the proposed legislation, how various interest groups voted on the propositions, and how the political climate in Missouri affected the voting.

8.4.1 The Influence of Specific Features of the Workers' Compensation Proposals

To determine how voters responded to the different forms of the workers' compensation acts, we pool the referenda on the legislative acts in 1920, 1922, and 1926 and the initiative referendum on the union proposal in 1924 and then include variables that measure the two most widely debated features of the workers' compensation measures: a dummy variable with value one for state insurance and the maximum allowable death benefit (in 1890–99 dollars).¹⁹ By pooling the votes on the four referenda, we can directly test hypotheses about voters' attitudes toward the two main features of the workers' compensation

18. See Maddala 1983, 29–30, for a derivation of the econometric model.

19. We have also estimated separate regressions for each referendum and tested whether there are differences in the responses to the different referenda. Chow tests show that voter responses to each referendum are statistically different from each other. We believe the differences are derived largely from the differences in the features of the initiatives considered. There are other possible interpretations of the differences, however. There may have been path-dependent changes in voting caused by the electorate's experience in previous votes on workers' compensation. Some have suggested that the 1924 referendum was not taken seriously because it was a vote on a labor-sponsored initiative, while the 1920, 1922, and 1926 referenda were on legislative acts. Given the large amount of advertising and public debate against the 1924 initiative, it seems that opponents of the initiative considered it a serious threat. In fact, a higher percentage of the electorate casted ballots on the initiative in 1924 than on the proposition in 1920. The reason why it had little chance in 1924 was not because labor proposed it, per se, but because the initiative had features—monopoly state insurance and very high benefit ceilings—that neither the public nor the legislature would accept.

We did not include the damage-suit attorney propositions (eighteen in 1922 and three in 1926) in the pooled samples for two reasons. First, the propositions were not easily categorized. Proposition 18 in 1922 was an employers' liability proposition and cannot be considered as a standard workers' compensation bill. Proposition 3 in 1926 called for a state fund but was hazily written. Second, the propositions were widely publicized as attempts to cloud the issues with little chance of winning. In fact, neither proposition garnered more than 30 percent of the vote.

Table 8.3 Changes in the Probability of Voting Yes, No, and Abstaining on Workers' Compensation Referenda, 1921–1926

| Variables | Mean (s.d.) | Yes | No | Abstain | Yes-No |
|--|-----------------------------|---------|--------|---------|---------|
| Probability at sample means | | 20.67 | 18.17 | 61.16 | 2.50 |
| Characteristics of the workers' compensation law under consideration | | | | | |
| State insurance {0,1} ^a | | -12.724 | 10.975 | 1.749 | -23.699 |
| Maximum value of death benefit (1890–99 \$) ^a | 2738.17 (893.60) | 2.894 | 3.278 | -6.172 | -0.384 |
| Description of economic coalitions | | | | | |
| % gainfully employed | | | | | |
| In agriculture ^a | 53.493 (17.471) | -1.538 | 1.847 | -0.309 | -3.385 |
| In railroad work* | 2.741 (2.528) | 1.344 | -1.022 | -0.322 | 2.366 |
| In building trades ^a | 3.003 (1.942) | -1.647 | 1.237 | 0.410 | -2.884 |
| Unionized ^a | 4.095 (4.500) | -0.687 | 2.234 | -1.547 | -2.921 |
| Average wages | 816.259 (213.615) | -0.065 | -0.332 | 0.397 | 0.267 |
| Risk measure | 3.422 (2.970) | 0.525 | 0.066 | -0.591 | 0.459 |
| Characteristics of Missouri political climate | | | | | |
| % population black | 3.105 (4.212) | -0.345 | -0.304 | 0.649 | -0.041 |
| % electorate illiterate* | 4.659 (3.034) | -1.970 | -1.929 | 3.899 | -0.041 |
| % electorate voting for major Republican candidate* | 31.529 (9.941) | -0.770 | 0.368 | 0.402 | -1.138 |
| % electorate voting in presidential/senatorial election* | 62.269 (12.158) | -1.552 | 6.301 | -4.749 | -7.853 |
| Interaction terms | Included (see table 8.4) | | | | |
| <i>N</i> | 460 | 460 | 460 | 460 | |

Sources: Election data were obtained from Missouri Secretary of State 1921–22, 270–71, 476–77; 1923–24, 264–65, 281–82, 286–87; 1925–26, 193–94, 421–22; 1927–28, 192–93, 292–95. The eligible electorate is assumed to be males and females twenty-one years and older. Population data were obtained from U.S. Bureau of the Census 1922, 551–70; 1932, 1339–46. Off-year variables were derived using a straight-line interpolation. The gainfully employed variables, except the union one, are from U.S. Bureau of the Census 1932, 1362–70. Because of data constraints, 1930 values were used for all years. The unionization variable was estimated based on 1919 membership data reported in MBLS 1921, 905. The MBLS re-

corded the total number of organized laborers in the state's major cities but gave an aggregate for the remaining towns and cities. We estimated the union membership of these remaining counties based on their share of the total town/city population of all of the remaining counties. We searched the MBL reports from the 1920s and could find only organized labor membership data for 1919; thus, we were forced to use the same set of data for each year. If the percentages did not change across the state over time, then this adds no bias to our overall estimates. Average annual wages are from the U.S. Bureau of the Census 1923b, 777–78. The risk measure is from workers' compensation payouts reported in Missouri Workmen's Compensation Commission 1930, 119–21; 1931, 198–201.

Notes: Voting estimates are derived from a minimum logit chi-squared estimation of the pooled set of election returns. The estimated probabilities are computed by setting each variable at its sample mean and the state insurance dummy variable to zero. The marginal effects reported here reflect the change in the baseline probability resulting from a one-standard-deviation change in the variable under consideration (holding all others constant at their means). The state insurance marginal reflects the change in the probabilities when the dummy variable changes from zero to one.

*See table 8.5 for the significance of the individual variables and their related interaction terms.

*Jointly statistically significant at the 1 percent level.

acts. In addition our analysis includes interaction terms between the state insurance variable and variables representing three of the major economic groups interested in the legislation—agriculture, organized labor, and members of the building trades. Interaction terms were also created between the maximum benefits variable and the same three variables. The interaction effects enable us to identify specifically how each of these interest groups responded to different components of the proposed legislation.

Table 8.3 shows the change in the probabilities of voting yes or no or abstain-ing associated with an one-standard-deviation increase in the value of the inde-pendent variables, with all other variables evaluated at their means. The change in the yes-no spread is the change in the probability of voting yes minus the change in the probability of voting no. The changes in the voting probabilities are computed from the coefficients of the minimum logit chi-squared estima-tion of the pooled election returns.²⁰ The probability changes listed for state insurance show the impact of moving from no state insurance to state insur-ance. Table 8.4 shows the breakdown of the marginal probabilities for the inter-action terms described above.

It is clear that the key parameters of the law led to strong responses from the electorate. Missouri voters clearly rejected state insurance as a feature of workers' compensation. The probability changes in tables 8.3 and 8.4 show that the presence of state insurance in the bill led to strong opposition, shifting the yes-no spread by 23.7 percentage points against the yeses (the no votes were raised by 11.0 percentage points, while the yes votes fell by 12.7). Given that many workers were largely indifferent to workers' compensation, the elec-torate's opposition to a state fund was probably led by taxpayers, who feared an

20. Results are available from the authors.

Table 8.4 Interaction Effects between Features of Workers' Compensation and Key Interest-Group Variables

| | Effect | Yes | No | Abstain | Yes-No ^a |
|----|--|---------|--------|---------|---------------------|
| | State insurance | | | | |
| 1 | Direct effect* | -11.77 | 13.18 | -1.410 | -24.95 |
| 2 | Agriculture interaction | -4.195 | 1.895 | 2.300 | -6.09 |
| 3 | Building trades interaction*** | 2.884 | -2.379 | -0.505 | 5.263 |
| 4 | Union interaction* | 0.357 | -1.721 | 1.364 | 2.078 |
| 5 | Sum of effects | -12.724 | 10.975 | 1.749 | -23.699 |
| | Maximum Benefits | | | | |
| 6 | Direct effect** | 0.814 | 6.315 | -7.129 | -5.501 |
| 7 | Agriculture interaction* | 2.672 | -3.059 | 0.387 | 5.731 |
| 8 | Building trades interaction | -0.937 | 0.276 | 0.661 | -1.213 |
| 9 | Union interaction | 0.345 | -0.254 | -0.091 | 0.599 |
| 10 | Sum of effects | 2.894 | 3.278 | -6.172 | -0.384 |
| | Agriculture | | | | |
| 11 | Direct effect* | -4.213 | 4.909 | -0.696 | -9.122 |
| 12 | State insurance interaction ^b | 0.000 | 0.000 | 0.000 | 0.000 |
| 13 | Benefits interaction* | 2.675 | -3.062 | 0.387 | 5.737 |
| 14 | Sum of effects | -1.538 | 1.847 | -0.309 | -3.385 |
| | Building trades | | | | |
| 15 | Direct effect | 0.178 | 0.696 | -0.874 | -0.518 |
| 16 | State insurance interaction ^b | 0.000 | 0.000 | 0.000 | 0.000 |
| 17 | Benefits interaction | -1.825 | 0.541 | 1.284 | -2.366 |
| 18 | Sum of effects | -1.647 | 1.237 | 0.410 | -2.884 |
| | Unions | | | | |
| 19 | Direct effect* | -1.863 | 3.081 | -1.218 | -4.944 |
| 20 | State insurance interaction ^b | 0.000 | 0.000 | 0.000 | 0.000 |
| 21 | Benefits interaction | 1.176 | -0.847 | -0.329 | 2.023 |
| 22 | Sum of effects | -0.687 | 2.234 | -1.547 | -2.921 |

Sources: See table 8.3.

Notes: The interaction effects listed in this table are from the logit regressions underlying the results reported in table 8.3. The sum of effects of the variables reported here is calculated as the sum of an individual variable's direct effect and the effects generated from the interaction terms. For example, consider the equation $Y = a + b_1X + b_2Z + b_3X \cdot Z$. The marginal effect of variable X on Y is $\partial Y = b_1 \partial X + b_3 \partial X \cdot Z$. In our estimate of the marginal effects, we have set ∂X to be X 's standard deviation and Z as its sample mean. Consider the construction of the effects of changing the maximum death benefits by one standard deviation (rows 6–10). The "direct effect" represents the marginal effects on the voting from changing the benefits by one standard deviation, ignoring any interaction effects (i.e., assuming Z is zero). The agriculture interaction is the interaction effect of agriculture on the benefits variable (the $b_3 \partial X \cdot Z$ term above). Holding the percentage gainfully employed in agriculture at its sample mean, this effect shows the extent to which agricultural interests affected the probability of voting yes or no or abstaining when the death benefits were changed. The same process is used for the interactions between maximum benefits and the building trades and union variables.

^aThe yes-no column is the change in the probability of voting yes minus the change in the probability of voting no.

^bOur estimate of the interaction effect of state insurance on agriculture, the building trades, and unions is assumed to be zero. Since our baseline probability assumes no state insurance (i.e., the dummy variable is set at zero), the $b_3 \partial X \cdot Z$ term becomes zero, because in this case Z is zero.

*Jointly statistically significant at the 1 percent level.

**Jointly statistically significant at the 5 percent level.

***Jointly statistically significant at the 10 percent level.

expansion in expensive state bureaucracy and feared that the state fund might become insolvent and lead to a taxpayer bailout.

Not all voters opposed state insurance, however. Union men and building tradesmen actively supported state insurance features in workers' compensation bills. Table 8.4 shows how specific interest groups altered the impact of state insurance on the voting. The calculations are derived from the interaction terms between state insurance and percentage union, percentage in building trades, and percentage in agriculture described above (see the notes to table 8.4 also). The individual partial effect in row 1 of table 8.4 shows that, in counties with no agriculture workers, building tradesmen, or union members, the presence of state insurance in the bill would have led to an 11.8 percentage point reduction in yes votes and a 13.2 point increase in no votes, shifting the yes-no spread against workers' compensation by 25.0 percentage points. The presence of the mean number of agriculture workers (53.5 percent) increased the opposition engendered by including state insurance in the proposition by pushing the yes-no spread another 6.1 percentage points (row 2 of table 8.4) against workers' compensation. On the other hand, the presence of the mean percentage of union members (4.1 percent) in the electorate diminished the negative impact of state insurance on the yes-no spread by 2.1 percentage points (row 4 of table 8.4), and the presence of the mean building tradesmen (3.0 percent) diminished the negative impact of state insurance on the yes-no spread by 5.3 percentage points (row 3 of table 8.4). The overall impact on the yes-no spread of including state insurance in the workers' compensation proposal is the sum of the components— -23.7 percentage points, as reported in row 5 of table 8.4 and in table 8.3.

The other workers' compensation feature that sparked heated debate in Missouri was the maximum level of death benefits. As shown in tables 8.3 and 8.4 (row 10), higher death benefits sparked a strong interest among voters. A one-standard-deviation increase in the maximum benefits caused a 6.2 percentage point drop in abstentions. The intensified interest that the increased benefits produced, however, was equally split between yeses and nos. The same one-standard-deviation change in death benefits caused the yes-no spread to fall by only 0.4 point. Voters may have believed employers' claims that high benefit levels would cause them to leave Missouri for low-benefit states, such as Kansas or Illinois. Working voters may have thought this factor outweighed the benefits because their wages were too low to hit the compensation ceilings. The agriculture partial effect on the impact of maximum benefits (rows 7 and 13 in table 8.4) suggests that agricultural interests supported higher benefits in workers' compensation. Why farmers supported more generous compensation is perplexing. Their support may be a throwback to the political connection between farmers and labor during the Populist Era.

8.4.2 Voting of Economic Interest Groups

In addition to opposing state insurance, voters in agricultural counties also opposed the general idea of workers' compensation, although the opposition was not overwhelming. A 17.5 percentage point increase in the percentage employed in agriculture would have led to only a 3.4 point drop in the yes-no spread. Farming interests were a strong force in Missouri politics throughout the 1920s, with most counties having more than half of their workers engaged in agriculture.²¹ All of the workers' compensation proposals, however, excluded agriculture from coverage, which might be why farmers and farmworkers were largely indifferent to the legislation.

A key benefit of the analysis is that we can show how rank-and-file union members stood on the debate between the MSFL and the SLBTC leaders over the proper way of passing a workers' compensation bill. As noted earlier, the MSFL sought to pass any workers' compensation bill and to fine-tune the bill later. The SLBTC wanted a workers' compensation bill only if it contained state insurance and high benefits. The analysis of the percentage of workers in unions and the percentage in the building trades suggests that the rank-and-file sided more with the SLBTC than with the MSFL. When there was no state insurance in the proposition, a 4.5 percentage point increase in the percentage union (one standard deviation from the mean of 4.1 percent) led to a shift in the yes-no spread against workers' compensation of 2.9 percentage points (row 22 of table 8.4). Similarly, a one-standard-deviation increase in the building trade percentage of 1.9 points was associated with a 2.9 point shift in the yes-no spread against workers' compensation (row 18 of table 8.4). When state insurance was included in the proposition, building tradesmen shifted to favoring workers' compensation, while the rank-and-file union men's opposition to workers' compensation diminished. With state insurance included, a one-standard-deviation increase in percentage building trades pushed the yes-no spread in favor of the bill by 0.5 percentage point. The one-standard-deviation increase in percentage union pushed the yes-no spread against workers' compensation by only 0.7 percentage point.²²

Union members and building tradesmen were such a small percentage of the electorate that they were unable to shift the popular vote by much. But these results indicate that a significant percentage of the union rank-and-file must have opposed workers' compensation when state insurance was not included. When the percentage employed in unions rose by one standard devia-

21. The value of farm products represented about 104 percent of the value added generated in all manufacturing pursuits (Bureau of the Census, 1923b, 50; 1923a, 777). Agriculturalists had an influential voice in the state legislature as well. In 1925, for example, 67 of Missouri's 150 representatives (or about 45 percent) reported their occupation as either farming or livestock raising (Missouri Secretary of State 1925, 110–12).

22. These changes in yes-no spreads with state insurance included in the proposition are not listed in tables 8.3 and 8.4 because they start from a different baseline assumption. The baseline in tables 8.3 and 8.4 is state insurance equal to zero, while the baseline for these marginals for building trades and unions assume a baseline with state insurance equal to one.

tion (or 4.5 percentage points), their percentage of the voting population would have risen by about 2.9 percentage points.²³ That 2.9 percentage point increase in the union share of the voting population was associated with a reduction in yes votes by 0.7 point and an increase in no votes of 2.2 points, or a shift in the yes-no spread against workers' compensation of 2.9 percentage points. That the change in the yes-no spread roughly matched the rise in the union's share of the electorate suggests that the vast majority of union workers opposed the proposition without state insurance. Many of the rank-and-file might have considered an employers' liability bill with the elimination of the three defenses as a superior choice. Missouri voters actually considered such a proposition when they voted on the damage-suit attorneys' alternative proposition 18 in 1922. The same 4.5 point increase in the union percentage of the employed pushed the vote in favor of that proposition by a statistically significant 1.1 percentage points.²⁴

The percentage of railroad workers is included because the leaders of the railroad unions were said to be active supporters of the MSFL position on workers' compensation. Only railroad workers involved in intrastate commerce had a direct interest in the Missouri legislation, however. Railroad workers involved in interstate commerce would have gained nothing from a state workers' compensation law since they were covered under the Federal Employers' Liability Act of 1908. Although railroad workers had little stake in Missouri's compensation law, the results indicate that they followed the MSFL in supporting workers' compensation insurance. A one-standard-deviation change in the percentage in the county working for the railroad caused a statistically significant 2.4 point increase in the yes-no spread.²⁵

Skilled, high-wage workers might have offered stronger support for workers' compensation, because these groups did not experience wage offsets as a result of the law's passage (Fishback and Kantor 1993a). In addition, workers in more dangerous jobs might have benefited more from the legislation than those in relatively safe jobs.²⁶ Variables that attempt to capture the effect of

23. In both 1919 and 1929 the ratio of the population employed to the population aged twenty-one and over was approximately 0.64.

24. The 1922 proposition 18 regression results are available from the authors.

25. There may be some overlap between railroad workers and union workers; the correlation of percentage union and percentage railroad in the sample is 0.675. Our conclusion that the railroad workers overwhelmingly supported workers' compensation needs to be tempered because union members tended to oppose the legislation.

26. The view that workers in more dangerous jobs would benefit more from workers' compensation than workers in safer jobs holds under the following conditions. If there were no wage offset caused by the rise in postaccident compensation, then workers in more dangerous jobs would gain more from the switch than workers in less dangerous jobs, as long as $p_d U_d > p_s U_s$, where p is the probability of the accident and U' is the marginal utility of the income level associated with the accident for workers in dangerous (d) and safe (s) jobs. In other words, the workers in more dangerous jobs gain more as long as the higher risk of their jobs is not more than offset by greater risk aversion on the part of workers in safer jobs. To the extent that there is a wage offset from the rise in postaccident compensation, the comparison becomes more complicated. We can say that, if both sets of workers are risk neutral, the worker in the more dangerous job gains more than the

these two economic coalitions on the voting do not bear out our predictions. The average annual manufacturing earnings per employee in a county affected the voting in a small and statistically insignificant way. It may be that an alternative measure, the percentage of workers above a certain wage, would be a better proxy, but data for such a variable are unavailable at the county level. Our measure of accident risk in each county is the average workers' compensation payout per eligible worker in 1929 and 1930.²⁷ Counties that had relatively higher workers' compensation payments in 1929 and 1930, however, did not add any significant support for the law's adoption.

8.4.3 The Influence of the Political Climate on the Referenda

Party politics played some role in the furor over workers' compensation in Missouri. Although the Democrat and Republican parties actively supported workers' compensation in national platforms and Missouri Republican governor Hyde consistently supported the legislative propositions in 1920, 1922, and 1926, Republican voters tended to oppose the legislation. Increasing the percentage of the electorate voting for the major Republican candidate in each election by 9.9 percentage points (one standard deviation from the variable's sample mean) caused a statistically significant decrease in the yes-no spread of 1.1 points.

Voter turnout was one of the critical determinants of the passage of workers' compensation in Missouri. Because all of the workers' compensation proposals were lengthy and not easily summarized in a paragraph on the ballot, voters were no doubt confused. The choices in 1922 and 1926 were further complicated because there were two contradictory propositions dealing with workers' compensation on the ballot. Table 8.5 presents summary statistics of the voting for the four separate workers' compensation referenda. One striking feature of the turnout figures that indicates the confusion that voters faced is the difference between overall turnout at the polls and the percentage voting in the workers' compensation referenda. For example, of those voters who were already at the polls in 1920, 38.2 percent failed to cast a vote on the compensation issue. Abstentions among those who came to the polls fell over time, however.

worker in the safer job with no wage offset, but the advantage for the worker in the more dangerous job narrows to zero when there is a full wage offset. Employers in more dangerous industries similarly would support some form of workers' compensation if they could anticipate reduced labor strife and incomplete experience rating of compensation insurance, although they were likely to support lower benefit levels. We limit our discussion of employers in this context because they were such a small percentage of the electorate and we anticipate that their influence was greater in the legislative voting.

27. The risk variable is imperfect because it comes from a time period after the voting process was completed, and some counties may have had an unusual experience in 1929 or 1930. The latter concern is lessened since we are using a two-year average. These workers' compensation data probably represent the best proxy for accident risk across counties because the manufacturing census did not provide detailed information on occupational mix at the county level, as it did for the state level.

Table 8.5 Summary Statistics of Voting in Workers' Compensation Referenda

| Variables | 1920 | 1922 | 1924 | 1926 |
|--|-------|--------|--------|-------|
| % electorate voting for president/senator | 72.24 | 55.45 | 69.95 | 53.60 |
| % electorate voting yes on workers' compensation | 12.23 | 11.19 | 8.36 | 27.60 |
| % electorate voting no on workers' compensation | 21.79 | 23.91 | 38.33 | 13.89 |
| % electorate abstaining in workers' compensation referenda | 65.98 | 64.89 | 53.31 | 58.51 |
| % voters casting ballot for president/senator, but abstaining in workers' compensation referenda | 38.22 | 20.34 | 23.25 | 12.11 |
| Estimated probabilities ^a | | | | |
| Voting yes | 16.10 | 8.52 | 9.62 | 21.37 |
| Voting no | 19.64 | 22.93 | 39.46 | 14.38 |
| Abstaining | 64.26 | 68.55 | 50.92 | 64.24 |
| Yes minus no | -3.54 | -14.41 | -29.84 | 6.99 |

Sources: See table 8.3.

^aThese probability estimates are based on the regression coefficients underlying table 8.3. We have set all variables, except year-specific ones, at their sample means. The characteristics of the workers' compensation laws and voter turnout, however, were set at their actual values for each year.

In the 1924 presidential election year, only 23.3 percent of the voters already at the polls failed to vote on workers' compensation, and in 1926 the percentage fell to 12.1 percent.²⁸

The most striking feature of the turnout data in table 8.5 is that over 50 percent of the electorate did not cast a vote on workers' compensation in any of these elections. This finding is similar to many voting studies and suggests that large segments of the eligible electorate were either indifferent to the legislation or found the cost of voting too high relative to expected benefits. It should not be surprising that a large segment of the electorate was indifferent to workers' compensation. Agricultural workers and domestic service workers were excluded from coverage, many others worked in relatively safe environments, and many unskilled workers might have expected a wage offset when workers' compensation benefits rose (see Fishback and Kantor 1993a). The question remains whether this indifference benefited the opponents or supporters of workers' compensation.

To answer the question, we include in the regression the percentage of the electorate that voted in the major election of the year (presidential elections in 1920 and 1924 and senatorial elections in 1922 and 1926). The results show that one of the main reasons workers' compensation finally passed in Missouri was that low voter turnout gave the advantage to the supporters of workers'

28. The turnout may have been influenced in part by the number of blacks and illiterates in Missouri counties, particularly if they were disfranchised. As found in numerous voting studies, higher numbers of black and illiterate voters were associated with more abstentions in this analysis. The abstentions appeared to be equally divided among yes or no voters, such that the yes-no spread was largely unchanged when the percentages black and illiterate rose.

compensation. There appears to have been a class of voters who were marginally opposed to workers' compensation, perhaps because of the uncertainty associated with radically switching legal regimes. These voters may have been uncertain about the consequences of a complex bill and thus feared the potential costs of changing the status quo. If these voters were already at the polls on election day, the marginal cost of casting a vote against workers' compensation was negligible. These voters were not willing, however, to expend the time to make a special trip to the polls just to vote in the workers' compensation referendum. Thus during low turnout years, such as 1922 and 1926 (non-presidential election years), workers' compensation benefited because many of these voters who were marginally opposed to the legislation stayed at home. The regression analysis suggests that, if the percentage of the electorate voting in the major election (presidential or senatorial) increased by 12.2 percentage points (one standard deviation), then support for workers' compensation would have dropped by 7.9 points. Such a shift was large enough to swing the election against workers' compensation. If we set the variables in the analysis at their sample means and assume no state insurance, the model predicts that workers' compensation would win, with yes votes exceeding no votes by 2.5 percentage points. A one-standard-deviation change in the percentage of the electorate at the polls (12.2 percentage points) would have translated into a defeat for workers' compensation, with no votes exceeding yes votes by 5.4 percentage points.

A summary of the analysis suggests workers' compensation finally passed in the voter referenda because of two key reasons: the elimination of the state fund from the proposition and low voter turnout.²⁹ Most of the other factors in the analysis remained largely unchanged throughout the period. Table 8.5 shows the predicted probabilities of yeses and nos for each referendum, based on the features of the proposition and the mean percentage voting in the major election in that year; the remaining variables are set at their means. Clearly, the presence of a state fund in the propositions contributed greatly to the losses in the 1922 and 1924 referenda. The simplest way to show this is to compare the results in 1920 and 1924, both presidential election years with similar turnouts. The predicted probability of no votes exceeded the predicted yeses by only 3.5 percentage points on the 1920 proposition with no state fund. The presence of the state fund contributed to the predicted nos exceeding the yeses by 29.8 percentage points in 1924, a shift of 26.3 points against workers' compensa-

29. One might argue that, since the legislation passed because a relatively large group of voters who were marginally opposed to the law refused to vote, there may have been future movements for repeal. Once workers' compensation was enacted into law, however, it is highly unlikely that the state legislature would have sought to repeal the law. After all, the legislators were in favor of the legislation; it was the voters who had killed it in the previous years. Moreover, those voters who were marginally opposed to workers' compensation certainly would not have been willing to expend the resources to get it repealed. The costs associated with organizing an initiative-based repeal movement probably would have swamped any of the marginal benefits these voters would have received from overturning a law that they only half-heartedly opposed.

tion. A decomposition of the difference in the yes-no spreads between 1920 and 1924 shows that 72.2 percent of the 26.3 percentage-point shift toward voting no can be attributed to the switch to a state fund.³⁰

The dramatic contribution of low voter turnout to the final passage of workers' compensation is shown by comparing the results for 1920 and 1926. The 1920 and 1926 bills both had no state insurance and offered similar benefit ceilings in real terms. Yet the predicted nos exceeded the yeses by 3.5 percentage points in 1920, while the predicted yeses exceeded the nos by 7.0 points in 1926, a net shift of 10.5 percentage points in favor of workers' compensation. The key difference between the two years is the dramatic decline in turnout from 72.2 percent of the electorate in the presidential election of 1920 to 53.6 percent in the senatorial election of 1926.³¹ A decomposition of the 10.5 percentage point change in the yes-no shift suggests that 86.2 percent of the change is attributable to the difference in voter turnout.³²

8.5 Legislative Activity

The analysis of the referenda allows us to examine the voting on specific aspects of workers' compensation in the legislature from a different perspective. Comparing the legislative votes with those from the referenda illuminates more directly how much more influence specific interest groups had at the legislative level than at the grassroots level. Further, we can identify situations in which legislators voted strategically on certain features of the bill to enhance or harm its chances in the referenda.

Although a variety of workers' compensation laws were proposed in the Missouri legislature, very few ever came to a vote. The legislative votes on the final versions of workers' compensation bills are generally uninformative about the specific support for various features of the legislation. Since the final bills represented a set of compromises and included several different compo-

30. We calculated the decomposition by reestimating the probabilities in 1920 assuming there was state insurance, leaving all other factors the same, leading to a yes-no spread of -22.6 percentage points. We then subtracted the estimated yes-no spread for 1920 based on no state insurance of -3.5 (see table 8.5). The difference of 19.1 percentage points was 72.2 percent of the 26.3 -percentage-point difference between the predicted yes-no spreads in 1920 and 1924. If we recalculate the decompositions by starting with the 1924 estimated probabilities and eliminating state insurance, the switch to state insurance explains 104.9 percent of the difference in the predicted yes-no spreads for 1920 and 1924.

31. Similarly, opposition to the propositions with state insurance was less in 1922 than in 1924 in part because the senatorial election of 1922 had substantially lower turnout than the presidential election in 1924. Decompositions suggest that 64 or 76 percent of the difference in the yes-no spreads between 1922 and 1924 is attributable to the differences in voter turnout.

32. The decomposition was similar to the one reported in note 30. We recalculated the predictions for the yes-no spread in 1920 using the turnout for 1926 and compared them to the predictions for 1920 in table 8.5. An alternative decomposition using 1926 as the base year and using the turnout figures from 1920 suggests that 102.9 percent of the 10.5 -percentage-point difference in yes-no spreads is attributable to the difference in turnover.

nents of workers' compensation, an analysis of the final roll call votes would mask how legislators responded to particular features of the proposed bills. Fortunately, there were two important votes on amendments to bills that dealt exclusively with the two key issues we examined in the referenda voting: maximum weekly benefits and state insurance.

In 1919 Representative N. T. Cave proposed an amendment to house bill 79 that would have raised the maximum weekly death benefit from \$18 to \$21. The amendment was struck down 47-75-17-3 (yes-no-absent-absent with leave). The second vote was a proposed amendment to house bill 73 in 1921 in which the house voted in favor (77-52-2-11) of Representative William P. Elmer's proposal mandating that employers insure through a state insurance fund. The house's amendment was tempered by a later senate amendment that allowed forms of private insurance, which the house subsequently adopted in the final 1921 act.

We estimated logit equations for both roll call votes as a function of the legislator's political party, occupation, and committee memberships. Pressures from his constituency are captured by the same county-level variables used in the referenda analysis, as well as how his constituents voted in the workers' compensation referendum in the following year (for the 1921 state insurance regression, we also included how constituents voted on the trial lawyers' joker proposition #18). The marginal effects of a one-standard-deviation change in each independent variable, holding all others at their sample means, are presented in table 8.6.

One major difference between the referenda and legislative voting is the influence of organized labor. In the referenda the rank-and-file supported state insurance but offered only lukewarm enthusiasm for higher benefits. Clearly, the Missouri unions wielded far more influence in the legislature than in the electorate. In the referenda union members were such a small part of the electorate that a one-standard-deviation increase in their percentage of voters could not shift the voting spreads by more than 2 or 3 percentage points in favor of state insurance or higher benefit ceilings. In contrast a one-standard-deviation shift in unionization increased the probability that a legislator would vote in favor of higher benefits by 32.8 percentage points and in favor of state insurance by 14.2

Another key difference between the legislative voting and the referenda is in the strength of employers and small groups of highly productive workers or workers in dangerous industries. In the referenda analysis the average wages and risk variables both had very small impacts on the voting for workers' compensation, primarily because the variables represent groups that were a small percentage of the electorate. In the legislative setting, however, the employer and worker groups were countervailing influences. Workers in high-wage or risky jobs were likely to support higher benefits and state insurance, whereas their employers would have sought the opposite. The legislative voting, holding unionization constant, suggests that the influences of employers and workers

Table 8.6 Marginal Probability Estimates of Voting for Higher Maximum Benefits and State Insurance Scheme: Missouri House, 1919 and 1921

| Variables | 1919: Raising Maximum Benefits from \$18 to \$21 | | 1921: State Insurance | |
|---|--|---------------------|-----------------------|---------------------|
| | Mean (s.d.) | Marginal Effects | Mean (s.d.) | Marginal Effects |
| Estimated probability of voting yes at sample means | | 54.32 | | 78.29 |
| Personal Characteristics | | | | |
| Agriculture Committee member | 0.113 (0.317) | -29.27 | 0.113 (0.317) | 0.121 |
| Commerce and Manufactories Committee member | 0.077 (0.268) | 17.14 | 0.077 (0.268) | 20.35* |
| Life Insurance Committee member | 0.077 (0.268) | 13.14 | 0.077 (0.268) | 13.31 |
| Labor Committee member | 0.077 (0.268) | 13.212 | 0.077 (0.268) | 16.86 |
| Workmen's Compensation Committee member | 0.077 (0.268) | 3.894 | 0.077 (0.268) | -60.43* |
| Democrat | 0.472 (0.501) | 11.13 | 0.275 (0.448) | -62.01* |
| Farmer | 0.394 (0.490) | -37.19* | 0.345 (0.477) | -2.242 |
| Lawyer | 0.338 (0.475) | -16.65 | 0.268 (0.444) | -1.810 |
| Description of Economic Coalitions | | | | |
| % gainfully employed | | | | |
| In agriculture | 43.811 (25.552) | 19.63 | 43.811 (25.552) | 14.50 |
| In railroad work | 3.279 (2.580) | -11.25 | 3.279 (2.580) | -18.23*** |
| In building trades | 3.684 (2.268) | 14.885 | 3.684 (2.268) | 13.60 |
| Unionized | 6.219 (6.922) | 32.76* | 6.219 (6.922) | 14.24** |
| Average wages | 856.742 (211.264) | 5.982 | 856.742 (211.264) | -0.763 |
| Risk measure | 3.425 (2.714) | -2.088 | 3.425 (2.714) | 2.150 |
| % population black | 4.140 (4.405) | -10.87 | 4.203 (4.566) | -2.954 |
| Characteristics of political climate | | | | |
| % population illiterate | 4.360 (2.818) | 7.695 | 4.360 (2.818) | 8.314*** |
| % voting yes on 1920 workers' compensation proposition | 14.321 (6.716) | 11.376 | | |

(continued)

Table 8.6 (continued)

| Variables | 1919: Raising Maximum Benefits from \$18 to \$21 | | 1921: State Insurance | |
|---|--|---------------------|-----------------------|---------------------|
| | Mean (s.d.) | Marginal Effects | Mean (s.d.) | Marginal Effects |
| % voting yes on 1922 workers' compensation proposition | | | 12.387 (4.317) | 1.588 |
| % voting yes on 1922 "joker" proposition | | | 5.977 (1.853) | 10.22*** |
| <i>N</i> | | 122 | | 129 |

Sources: The 1919 roll call vote is from Missouri House 1919, 3–6, 74–76, 627, and legislator's personal characteristics are from Missouri Secretary of State 1919–20, 87–90. The 1921 vote is from Missouri House 1921, 3–6, 51–54, 631–32, and legislator's characteristics are from Missouri Secretary of State 1921–22, 79–81. For all other variables, see table 8.3.

Notes: Voting estimates were derived from a logit estimation. The estimated probabilities were computed by setting each variable at its sample mean and each of the personal characteristic dummy variables to zero. The marginal effects reported here reflect the change in the baseline probability resulting from a one-standard-deviation change in the variable under consideration (holding all others constant at their means). The personal characteristic marginals reflect the change in the probabilities when the dummy variables change from zero to one.

*Statistically significant at the 1 percent level.

**Statistically significant at the 5 percent level.

***Statistically significant at the 10 percent level.

were balanced on the two issues under consideration, as the marginals of the average wage and risk measures are all statistically insignificant.

A similar story might be told about the political role of railroad interests. In the referenda voting, where employers would have had little impact, railroad workers tended to support the MSFL's stated position on workers' compensation. In the legislature, however, where railroad employers were likely to exercise more influence, more railroad employment was associated with opposition to higher benefits and state insurance, two issues that the unions clearly supported. Railroad employers were likely to oppose increased benefits because some of their workers were included under the Missouri legislation. Alternatively, if their workers were engaged in interstate commerce and thus not covered by the law, then railroad employers might have opposed the amendment because higher benefits in other sectors may have forced them to pay higher wages to attract workers.

The difference in the legislative voting in 1919 and 1921 suggests that the introduction of the referendum after 1919 led to a dramatic increase in strategic voting. In the 1919 vote on higher benefits, legislators had little reason to anticipate that workers' compensation would be subject to referenda; therefore,

they could vote as if they had the final word on the issue, subject to the approval of the governor. After the 1920 referenda the whole process had changed, and legislators could anticipate that the voters would again be the final arbiters on the status of workers' compensation. The vote on state insurance in 1921 became much more of a strategic vote. Opponents of workers' compensation voted for state insurance to try to saddle the workers' compensation bill with a feature that would have led it to its demise at the hands of the voters. Supporters of workers' compensation, on the other hand, had an incentive to scuttle the amendment.

Since legislators tend to seek membership on committees in which they have an interest (Shepsle 1978), we would expect that members of the Workers' Compensation Committee were likely to push for the compensation law. These committee members, in fact, displayed strong, statistically significant opposition to the state insurance floor amendment, which indicates that they considered mandatory state insurance to be a potential spoiler. The referenda results indicated that Democratic districts tended to give slightly more support to workers' compensation than Republican ones. The Democrats' statistically significant opposition to state insurance is consistent with this finding. In fact, the disincentive to include state insurance in the workers' compensation bill would have been obvious to anyone listening to the contemporary debate or who had rational expectations about the referenda voting, which clearly indicated the electorate's opposition to state insurance.

Opponents of workers' compensation, alternatively, had a clear incentive to adopt the state insurance provision. The roll call analysis reveals that members of the Committee of Commerce and Manufactories, dominated by five farmers, strongly supported the state insurance amendment in 1921. The voting seems to have been an attempt at subversion because agricultural interests in the referenda voting opposed both state insurance and the general concept of workers' compensation. Similarly, legislators were more likely to favor state insurance if their constituents supported the damage-suit attorney's joker proposition 18, which would have weakened an employer's common law defenses and repealed the legislature's 1921 law.

8.6 Conclusions

Workers' compensation laws across the United States were similar in that they all changed the liability rules governing workplace accident compensation and they shifted the burden of insuring accident risk from workers onto employers. Each state, however, enacted a unique set of rules to accomplish the same final objective. Workers' compensation laws across the United States had varying levels of accident benefits, covered different injuries, excluded different industries, resolved conflicts differently, and provided a distinct means of insuring within the system. The Missouri example shows that these features of the law are what determined the types of coalitions that formed to support or

oppose the law. How the laws were written also determined how quickly a majority coalition could be assembled for final enactment of the legislation.

The interest groups with the greatest stake in workers' compensation supported the general idea, but actively opposed specific features that were contrary to their interests. Most employers supported workers' compensation as long as there were limits on the benefits they would have to pay out. Alternatively, skilled and unionized workers sought higher benefit levels. Insurance companies saw workers' compensation as an opportunity to expand their coverage of workplace accident insurance, but bitterly opposed the introduction of state insurance. In Missouri voters and agricultural interests also joined the opposition to state insurance. Interest groups in each state, therefore, had to piece together a political compromise in order to enact workers' compensation, and the result is substantial variation in the laws across the states. Based on the Missouri case study, we might speculate that in states with stronger and more unified unions, benefits were more generous, while in states with a weak insurance industry lobby, state insurance was more likely.

The history of workers' compensation in Missouri also demonstrates that uniform support among even narrow interest groups cannot be assumed. Many scholars have used the statements of union leaders to represent the views of all workers on the compensation issue. Close examination of the Missouri experience suggests that workers varied in their support of the legislation based on their union status, skill, and the riskiness of their jobs. Further, rank-and-file union members did not always vote in support of their leaders.³³ The split between the major union groups in Missouri illustrates that interest groups compare bills not only with the status quo, but also with possible alternatives. The SLBTC, for example, sometimes opposed workers' compensation laws that may have improved on the status quo because it incorrectly anticipated that a law more beneficial to its members was easily within reach.³⁴ The split between Missouri's labor groups contributed to the state's delay in adopting workers' compensation and may have stymied their attempts to get written into the law the provisions that benefited them most, such as higher benefit levels. Missouri's unions' failure to coordinate successfully contrasts with New York's experience in which unions were strong and unified and were able to negotiate relatively high accident compensation and a form of state insurance (Wesser 1971).

Even if agreements were reached within and across interest groups, the political negotiations over workers' compensation in Missouri were further complicated when the referendum process required interest groups within the majority legislative coalition to consider the interests of those outside the coalition and the electorate as a whole. Missouri voters, for example, were adamantly

33. Ashenfelter and Johnson (1969) make a similar point about differences in the leaders' and rank-and-files' interests in calling strikes.

34. Castrovinci (1976) finds that some Illinois unions behaved similarly.

opposed to the state insurance component of workers' compensation. Although Missouri labor unions strongly supported state insurance and might have been able to write the provision into law at the legislative level, as long as the median Missouri voter was against it, the unions were forced into compromise.

The Missouri case offers especially valuable insights into the impact of political institutions on the development of regulation. Once legislators could anticipate that a referendum was likely, opportunities increased for voting strategically. Opponents tried to weigh legislative acts down with amendments that would have made the workers' compensation proposals less palatable to voters. The increased use of the referendum and petition in modern times suggests that analyses of legislative voting, at least at the state level, are less likely to show the true interests of constituents on key aspects of legislation.

When political decisions are placed in the hands of voters, building and sustaining winning coalitions becomes more difficult. A large proportion of the Missouri electorate had little stake in workers' compensation because as workers they were not covered by the legislation or did not face significant accident risk in the workplace. Further, many of the voters who were not directly affected by workers' compensation in their own personal economic calculations may have voted against it in the referenda because they were uncertain as to how the complex propositions would have changed the status quo. Some may have feared higher personal costs, possibly in the form of lost jobs or higher taxes. Such voters may not have cared enough to make a specific trip to the polls to vote down workers' compensation, but would have voted against it if they were already at the polls voting on other issues. In fact, workers' compensation stood a greater chance of defeat during presidential elections, when voter turnout was highest.

A detailed analysis of how workers' compensation was adopted in Missouri suggests that agricultural interests played a more important role in the development of workers' compensation than previously thought. In nearly every state, supporters of workers' compensation tried to limit the opposition of agricultural interests by excluding agricultural workers from coverage. Even then, agricultural counties in Missouri opposed workers' compensation, and legislators representing agricultural interests tried to lower the odds of passing workers' compensation at the legislative and referenda levels by attaching amendments that would increase opposition to the bills. This pattern of agricultural opposition extends to other states as well, as recent empirical studies of the adoption of workers' compensation show that agricultural states were slower to adopt the legislation (Pavalko 1989; Fishback and Kantor 1991). Agricultural voters had little to gain from the legislation, and were obviously concerned about the potential effects of radical legal reform.

The political process of adopting workers' compensation in Missouri offers an ironic lesson for progressive reformers. The Progressives supported both workers' compensation and the broader use of voter referenda in the early

1900s. In many states the legislatures passed workers' compensation laws at about the same time they expanded the role of the referendum (Ranney 1978, 70). Had the passage of workers' compensation laws followed the expansion of the referendum, as it did in Missouri, workers' compensation laws across the United States might have taken a much different form. Progressives believed that, by involving ordinary voters in the political decision-making process, regulations would better reflect the interests of those people with a direct stake in the outcome. But complex laws like workers' compensation often faced opposition in the electorate because the proposed changes were great and voters had little information with which to form expectations. In addition, the referendum process provided opponents of legislation with the opportunity to veto laws that were inimical to their interests. Strong opponents of the legislation who lost in the legislature, like the damage-suit attorneys and SLBTC in Missouri, succeeded in forcing the issue to a popular vote. Because a relatively large proportion of the voting population had little stake in the outcome and had concerns about the new law's potential economic effects, regulatory change was slowed. The more extreme components of the legislation, such as generous benefits, state insurance, or an expanded bureaucracy, had to be weakened or eliminated in order to win voters' support. The Progressives' push for broader voter representation might have undermined some of the key economic reforms they sought.

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