How Minnesota Adopted Workers' Compensation

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The adoption of workers' compensation in the 1910s represents a significant event in the economic, legal, and political history of the United States. Workers' compensation legislation is one of the major tort reforms of this century, shifting liability for workplace accidents from negligence liability to a form of shared strict liability. The legislation marked a radical shift in how employees received compensation for the wage losses and medical expenses arising from industrial accidents. Whereas post-accident benefits were unpredictable and relatively meager under the negligence liability system, compensation for workplace accidents was much more certain and generous under the new regime. Contemporary reformers and subsequent social and labor historians hailed the legislation as the first instance of social insurance in the United States (Ely 1908; Eastman 1910; Conyngton 1917; Lubove 1967; Weinstein 1967; Goldin forthcoming). Further, compensation laws in many states expanded the roles of legislators and administrative agencies, while diminishing the influence of the courts in settling disputes between employers and their workers over workplace accident compensation.

Although most of the social insurance programs that exist today were at least proposed during the Progressive Era, only workers' compensation gained rapid support and adoption across the country. Within a decade forty-two of the forty-eight states had adopted compensation legislation; by 1921 only Arkansas, Florida, Mississippi, Missouri, North Carolina, and South Carolina had yet to enact a law. As Harry Weiss (1966) noted, "No other kind of labor legislation gained such general acceptance in so brief a period in this country" (575). Employers, workers, and insurance

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The Independent Review, v.II, n. 4, Spring 1998, ISSN 1086-1653, Copyright © 1998, pp. 557-578

companies all anticipated gains from the introduction of workers' compensation. Employers could pass some of the costs of the higher post-accident compensation on to workers through wage offsets (Fishback and Kantor 1995). Moreover, under the new regime employers could predict their accident costs with more precision, and workers' compensation produced less acrimony than the traditional negligence system. Risk-averse workers, despite "buying" the higher benefits, benefited because they faced problems in purchasing their desired amounts of private accident insurance early in the twentieth century. The switch to workers' compensation left them better insured against workplace accident risk, and the laws enabled the insurance industry to expand its coverage of this risk (Kantor and Fishback forthcoming).

Several changes in the workplace accident environment in the early 1900s combined to pique these groups' interest in establishing workers' compensation. Workplace accident risk rose, state legislatures adopted a series of employers' liability laws, and court decisions limited employers' defenses in liability suits, all of which combined to substantially increase liability insurance premiums. By 1910 the worsening workplace accident liability crisis had led many employers to favor workers' compensation. At the same time, increasingly powerful labor unions shifted their focus from reforming the negligence liability system to fully supporting workers' compensation. Our econometric analysis of the legislative decisions to adopt workers' compensation across the United States confirms that the degree of the "liability crisis" in each state was an important determinant of the adoption of workers' compensation (Fishback and Kantor forthcoming).

Although a broad-based coalition of different interests supported workers' compensation, in some states the passage of the legislation required great efforts. The intense political debates over the legislation in the early twentieth century concerned not so much the law's adoption as the specific form it would take. Aspects such as industry coverage, the size of firms to be covered, the level of wage benefits, the maximum allowable benefits, medical and hospital coverage, the waiting period, the means of insuring, and the provisions for conflict resolution evoked contention because they determined how the income generated from the law's adoption would be distributed. As the distribution of political power among the interest groups with a stake in workers' compensation legislation varied across the United States, so did the laws that ultimately emerged from the political process. The U.S. Bureau of Labor Statistics (1917) concluded that "no two laws are alike. . . . The laws are distinguished more for their dissimilarities than their likenesses" (56).

To illustrate the diversity of the laws, we list in table 1 several key aspects of each state's law. The benefit index is the ratio of the present value of fatal-accident benefits (computed using a 10 percent interest rate) to average annual manufacturing earnings in the first year the law was in effect. The ratio ranged from a low of 1.4 in Georgia to a high of 5.4 in Oregon. Some states compelled firms to join the workers' compensation system, whereas others allowed firms to choose. Firms that opted out of the

Table 1:
Characteristics of Workers' Compensation Laws in the United States, 1911–1948

State	Year Enacted	Benefit Index[h]	Type of System	Method of Insurance[e]	Method of Administration
California	1911	2.695	Compulsory[g]	Competitive State[i]	Commission
Illinois	1911	2.346	Compulsory[g]	Private	Commission[j]
Kansas	1911	2.496	Elective	Private	Courts
Massachusetts	1911	2.280	Elective	Private	Commission
New Hampshire	1911	3.000	Elective[b]	Private	Courts
New Jersey	1911	2.186	Elective	Private	Commission
Ohio	1911	3.130	Compulsory[g]	State	Commission
Washington	1911	3.987	Compulsory	State	Commission
Wisconsin	1911	3.333	Elective	Private	Commission
Maryland[f]	1912	2.441	Compulsory	Competitive State	Commission
Michigan	1912	2.280	Elective	Competitive State	Commission
Rhode Island	1912	2.280	Elective	Private	Courts
Arizona	1913	2.790	Compulsory	Competitive State	Courts
Connecticut	1913	2.473	Elective	Private	Commission
Iowa	1913	2.406	Elective	Private	Arbitration Committees
Minnesota	1913	2.406	Elective	Private	Courts
Nebraska	1913	2.674	Elective	Private	Commission
Nevada	1913	3.097	Elective	State	Commission
New York[f]	1913	4.321	Compulsory	Competitive State	Commission
Oregon	1913	5.364	Elective	State	Commission
Texas	1913	3.117	Elective[c]	Private	Commission
West Virginia	1913	3.659	Elective	State	Commission
Louisiana	1914	2.406	Elective	Private	Courts
Colorado	1915	2.346	Elective	Competitive State	Commission
Indiana	1915	2.406	Elective[a]	Private	Commission
Maine	1915	2.280	Elective	Private	Commission
Montana[f]	1915	2.886	Elective	Competitive State	Commission
Oklahoma	1915	[d]	Compulsory	Private	Commission
Pennsylvania	1915	2.406	Elective	Competitive State	Commission
Vermont	1915	1.732	Elective	Private	Commission
Wyoming	1915	2.483	Compulsory	State	Courts
Kentucky[f]	1916	3.296	Elective	Private	Commission
Delaware	1917	1.996	Elective	Private	Commission
Idaho	1917	3.170	Compulsory	Competitive State	Commission
New Mexico	1917	2.280	Elective	Private	Courts
South Dakota	1917	2.202	Elective	Private	Commission

Table 1:
Characteristics of Workers' Compensation Laws in the United States, 1911–1948 (Continued)

State	Year Enacted	Benefit Index[h]	Type of System	Method of Insurance[e]	Method of Administration
Utah	1917	2.732	Compulsory	Competitive State	Commission
Virginia	1918	1.982	Elective	Private	Commission
Alabama	1919	2.050	Elective	Private	Courts
North Dakota	1919	4.761	Compulsory	State	Commission
Tennessee	1919	2.291	Elective	Private	Courts
Georgia	1920	1.407	Elective	Private	Commission
Missouri	1925	2.903	Elective	Private	Commission
North Carolina	1929	3.218	Elective	Private	Commission
Florida	1935	3.207	Elective	Private	Commission
South Carolina	1935	2.748	Elective	Private	Commission
Arkansas	1939	3.524	Compulsory	Private	Commission
Mississippi	1948	2.538	Compulsory	Private	Commission

Notes

[a] Compulsory for coal mining only.

[b] Employees have the option to collect compensation or sue for damages *after* injury.

[c] Compulsory for motor bus industry only.

[d] Oklahoma's law pertained only to nonfatal accidents. Fatal-accident compensation was handled according to the traditional rules of negligence.

[e] Competitive 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.

[f] Maryland (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. 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.

[g] The initial laws in Ohio, Illinois, and California were elective. In 1913 these states established compulsory laws.

[h] Accident benefits as percent of annual earnings. The ratio is based on the first year in which workers' compensation was in effect, which in some cases means the year following enactment.

[i] California established its competitive state fund in 1913.

[j] Illinois' law was administered first by the courts, then by a commission starting in 1913.

Table 1:
Characteristics of Workers' Compensation Laws in the United States, 1911–1948 (Continued)

Sources

The details of the laws come from U.S. Bureau of Labor Statistics Bulletins (BLS 1917, 1918, 1921, 1926) and the session laws of the states that passed workers' compensation after 1926. The type of system and the methods of insurance and administration are those enacted within the first few years of the passage of the law. Some early states, such as California, Illinois, and Ohio, changed their decisions about these issues within two to four years of adopting the law. The method of administration changed in a number of states after the industrial-commission movement developed.

The present value of fatal-accident benefits as a percentage of annual earnings was calculated based on the national average weekly wage in manufacturing. 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 the years after 1926, the average weekly wage is from series D-802 in U.S. Bureau of the Census 1975, 169–70. Given the weekly earnings, we calculated the present value of the stream of payments allowed by the workers' compensation statute using continuous discounting and an interest 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 an overall maximum payment was binding. We assumed that 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 30 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 50 weeks.

system forfeited their three common-law defenses under the traditional negligence liability system. Some states required employers to insure through a monopoly state workers' compensation fund, and others offered the option of either a state fund or private insurance, but the majority of states relied exclusively on private insurance carriers. The method of administration also varied. Several states continued to rely on the courts to resolve disputes between workers and employers; most created new bureaucracies to administer the program. The data in the table do not depict, of course, the changing parameters of the laws over time.

In this article, we seek to provide insights into how workers' compensation was adopted, how its features were determined, and how it was amended. Because a cross-state quantitative analysis cannot capture the nuances of the political process within each state, we use a case-study approach here, exploring the intricacies of the political debate and how the interaction among various interest groups determined the course of this landmark legislation. We focus specifically on Minnesota for several important reasons.

First, the level of benefits in the state increased dramatically after the law was first enacted in 1913. By the end of 1913, twenty-two states had adopted a workers' compensation law, and Minnesota's benefits ranked nineteenth, only 3 percent higher than the benefits in the lowest-ranked state. By 1921, however, Minnesota workers had become much better off in both absolute and relative terms. Expected accident benefits relative to income increased 32 percent from 1913 to 1921; of the forty-two states with workers' compensation in place by the end of 1921, Minnesota ranked tenth in accident benefits. A Minnesota worker earning the national average wage had expected benefits 108 percent greater than the expected benefits in Colorado, which had the lowest benefits in 1921 (Fishback and Kantor 1995, 722–23).

Second, both organized labor and employer groups actively engaged in Minnesota politics during the 1910s. In building a majority coalition to first enact workers' compensation, these groups had to compromise. But the increasing generosity of the state's law through the 1910s owed much to organized labor's growing political power.

Finally, a strong progressive movement within the dominant Republican Party significantly changed the nature of Minnesota politics in the late 1910s. The Non-Partisan League, a populist coalition of organized labor and farmers, sought radical socioeconomic reforms, including monopoly state insurance of workers' compensation risk. To understand more fully the transformation of Minnesota's workers' compensation law, we must consider the political environment in which the debate among workers, employers, and insurers occurred.

The Political Economy of Workers' Compensation in Minnesota

As early as 1892, the Minnesota Bureau of Labor Statistics (1893, 117–55) encouraged legislation to guarantee workers injured on the job some wage replacement, regardless of fault. Organized labor, on the other hand, pursued a strategy in which they hoped to eliminate first the fellow-servant defense, then the assumption-of-risk defense, and finally the contributory-negligence defense (Minnesota House 1909, 10–11). By 1905 Democratic Governor John A. Johnson (1905, 12; 1907, 42; 1909, 36) was supporting labor's attempts to abolish the fellow-servant defense. In response, the legislature eliminated the fellow-servant defense for railroads operating within the state, although manufacturing employers managed to retain their common-law defenses until Minnesota adopted a workers' compensation law in 1913 (U.S. Bureau of Labor Statistics 1914, 1100). By 1908 the Minnesota State Bar Association (MSBA) had joined the lobbying effort to curb the employers' defenses, creating a special committee to investigate workers' compensation as an alternative (letter from William McEwen to William Hard, 12 October 1909, in Minnesota Department of Labor and Industries records).

Feeling the increased pressure to eliminate their common-law defenses, a group

of eleven employers met in December 1908 to form the Minnesota Employers' Association (MEA Minute Book, 14 December 1908; *Minneapolis Journal,* 18 December 1908). The MEA argued that workers' compensation would provide injured workers with quick remuneration without expensive litigation, while keeping the employers' accident costs stable. Further, they suggested that organized labor, the MSBA, and employers join in presenting a unified argument before the legislature.

In January 1909 George M. Gillette, president of the MEA; William McEwen, Minnesota's commissioner of labor and secretary-treasurer of the Minnesota State Federation of Labor (MSFL); representatives of various railroad brotherhoods; and Hugh Mercer, chairman of the MSBA's special committee on workers' compensation, met and reached a consensus regarding their united course of action. The group petitioned Governor Johnson to ask the 1909 legislature to fund a nonpartisan commission to present workers' compensation proposals to the 1911 legislature (Minnesota House 1909, 13–14; MSFL 1909, 20–21; MEA Minute Book, 11 January 1909; *Minneapolis Journal,* 25 and 28 January 1909). The members of the group favored workers' compensation on the grounds that

> shifting the financial risk as a certainty upon the employer, like other expenses of the business, and relieving him of the hazardous uncertainties and expenses incident to present methods of defense, would leave both parties and the State in reasonably satisfactory condition without imposing upon the employer that degree of taxation which would either tend to drive industries from, or keep them out of, this State as a result. (Petition 1909, 3)

Gillette and McEwen further agreed to channel the efforts of employers and organized labor to secure workers' compensation through the proposed commission, while organized labor would no longer seek to amend the employers' liability laws (Minnesota House 1909, 20).

The governor then appointed McEwen, Gillette, and Mercer to the commission established by the legislature. As the MEA president, Gillette saw accident reduction as one of the motivating factors producing the mutual cooperation between employers and their workers. Labor spokesman McEwen (1911) staked a relatively conservative position: "True progress will consist in the equilibrium between obtaining the greatest benefits for the largest number of injured workingmen and affecting the least injury to industry" (168). "You must never kill the goose that lays the golden egg; don't do anything to injure capital" (Minnesota House 1909, 15; MSFL 1910, 22). Despite agreement about the gains from establishing workers' compensation, the commission fractured over the details of the proposed legislation. McEwen and Mercer developed a majority report, and Gillette offered an alternative bill.

McEwen, Mercer, and Gillette agreed on the waiting period and most of the benefit parameters but differed over several substantive issues. McEwen and Mercer proposed a bill that would have made workers' compensation compulsory for all em-

ployers. Gillette (1911a) argued that a compulsory law would be unconstitutional; instead, he suggested that Minnesota follow the lead of other states and make the law elective while penalizing employers who opted out of workers' compensation by stripping them of the three common-law defenses. McEwen and Mercer sought full medical coverage for the first two weeks of injury, up to $100. Gillette claimed that no matter how minor the accident, hospitals and doctors would prescribe treatment to extract the full $100 benefit; therefore, he proposed that the employer be required to furnish only "reasonable medical and surgical first aid." To limit the employers' costs further, Gillette wanted to cap their total liability for a single accident at $50,000. Finally, he recommended that employees contribute 20 percent of the cost of the insurance, not to exceed 1 percent of the workers' wages (Gillette 1911b; *Minneapolis Journal,* 12 and 17 February 1911; *Labor World,* 24 February 1911).

Workers' compensation did not fare well in the 1911 legislature, not only because of divisions among interest groups but also because of disagreements within the groups. On the employers' side, the MEA (Minute Book, 14 December 1911) decided not to support Gillette's version of the bill because of "diversity of opinion on the subject." A similar split developed within organized labor. McEwen discovered that his own advisory group of fifty labor leaders was dissatisfied with the benefits in the bill that he and Mercer had proposed (*Labor World,* 4 March 1911; MSFL 1909, 21; *Minneapolis Journal,* 5 February 1911). McEwen argued that the best strategy was to get some form of workers' compensation and amend it later to obtain higher benefits, but the MSFL refused to support McEwen's bill unless the benefits were raised. The railroad brotherhoods, in 1911 and 1913, wanted to keep the status quo, as they were doing relatively well under the common law (*Labor World,* 25 March 1911).

Yet another bill, pertaining to dangerous industries, was proposed by organized labor's legal counsel, Minnesota Supreme Court Justice Thomas D. O'Brien. His bill gave workers the choice after they were injured between accepting workers' compensation and pursuing a negligence claim against the employer, who could not invoke assumption-of-risk and fellow-servant defenses and was allowed only a modified version of the contributory-negligence defense (*Labor World,* 8 February 1911; *Minneapolis Journal,* 23 February 1911). The employers ardently opposed this bill (*Minneapolis Journal,* 24 February 1911), under which they still would have had to pay workers' compensation benefits to the vast majority of injured workers, no matter who was at fault, and also would have had to pay large sums to defend themselves against workers seeking higher benefits through a negligence suit.

With such widespread disagreement within the key interest groups, the legislature failed to pass any compensation law in the 1911 session. When it was obvious that workers' compensation would not be enacted in 1911, labor leader McEwen set the stage for later struggles by drafting a bill to amend the state constitution to allow the state to grant itself a monopoly of the writing of workers' compensation insurance. "I do not expect the bill to pass," McEwen admitted, "but . . . some day the state will be

obliged to take up this subject" (*Labor World,* 25 March 1911). At first, McEwen's state insurance bill was endorsed by the Senate Judiciary Committee. Pushed "off their feet" by this endorsement, the insurance companies got the bill referred back to the committee to give "interested" parties a chance to be heard (*Labor World,* 8 April 1911). After being assured by the Judiciary Committee that "most every lawyer in the senate was in favor of such a plan," McEwen waited for his bill to have a public hearing. The hearing was indeed scheduled, but the bill's drafter was not invited to participate. The "interested" parties accommodated by the hearing, it turned out, were employers and insurers who adamantly opposed the legislation (MSFL 1911, 16).

As the 1913 legislative session approached, the MEA proposed a workers' compensation bill that closely resembled New Jersey's law, which had been enacted in 1911 and declared constitutional. Although the representatives of organized labor initially agreed to support the MEA proposal (*Minneapolis Journal,* 1 December 1912), a groundswell of opposition arose within the labor movement. Labor leaders adamantly opposed four provisions in the MEA proposal: authorizing employers to pass on 20 percent of the insurance costs directly to workers; allowing no compensation if the worker was "willfully negligent" at the time he was injured; establishing a lower set of benefits for the dependents of injured workers living outside the United States; and allowing benefits to be paid in a lump sum without court supervision (*Minneapolis Journal,* 3, 8, and 31 December 1912; *Labor World,* 28 December 1912, 18 January 1913; *Minnesota Union Advocate,* 10 January 1913). In addition, they disliked the level of benefits offered in the MEA-sponsored bill. McEwen then testified before a Senate committee that the bill should be amended to raise the maximum weekly benefit from $10 to $15, increase the number of weeks of benefits from 300 to 333, and raise the overall maximum benefit from $3,000 to $5,000 (*Labor World,* 18 January 1913; MSFL 1913, 68).

A marked-up bill that emerged from the Senate Labor Committee eliminated farm labor and domestic servants from coverage, raised the minimum weekly benefit from $5 to $6, guaranteed foreign and domestic dependents the same schedule of benefits, eliminated any insurance contributions by workers, and removed the "willful negligence" clause. The MEA compromised by agreeing to the increased minimum compensation and the elimination of worker contributions but stood firm on the other issues (MEA Minute Book, 28 February 1913). The changes made in the Senate led Gillette to accuse labor representatives of bad faith because, he alleged, both parties had agreed to a law months ago and "now labor wants something else" (MEA Minute Book, 14 March 1913). The MSFL accused Gillette of "duplicity," noting that the group had vehemently opposed the negligence clause from the onset, yet Gillette now claimed that the MSFL had agreed to it (*Labor World,* 1 March 1913). Instead of allowing the labor committee's amendments to delay the passage of workers' compensation any further, Gillette and the MEA finally decided to take no further action to hinder the bill's progress in the legislature (MEA Minute Book, 17 March 1913, 7 April 1913).

Although the MEA and the MSFL had essentially agreed to discontinue their disagreeing, a feud within the labor movement grew more heated as the Senate bill approached a final vote. The MSFL and the St. Paul Trades and Labor Assembly, following McEwen's line of argument in 1911, decided to accept lower benefits in the short term on the expectation that they would amend the law in future legislatures (*Labor World,* 19 April 1913; *Labor Review,* 14 March 1913; Lawson 1955, 217). But the low benefits were opposed by two groups: the railroad brotherhoods (Railroad Brotherhoods 1913, 22), which were concerned that the new law would preempt their rights under the Federal Employers' Liability Acts of 1906 and 1908, and the Minneapolis Trades and Labor Assembly (MTLA), which called the Senate bill "the most outrageous piece of legislation attempted to be passed against the interests of the working people of the state" (*Labor Review,* 11 and 18 April 1913). The Senate ignored the opposition to the bill and passed it unanimously (MSFL 1913, 19; Minnesota Senate *Journal,* 1913, 1156–61).

When the bill moved to the House, "one of the most interesting fights ever witnessed in the legislature" ensued (*Labor World,* 19 April 1913). For six hours Representative Ernest Lundeen, a Republican and avid supporter of labor issues, proposed a litany of labor-supported amendments that effectively served as a filibuster (Minnesota Secretary of State *Legislative Manual,* 1913, 664). Lundeen asked rhetorically, "Isn't it a travesty on justice to ask you to pass this measure ostensibly for the benefit of the workingmen but urged by the big employers of the state?" (*Minneapolis Journal,* 12 April 1913). Lundeen and his supporters secured five amendments to the Senate's bill, but only two significantly affected the compensation that workers would have received if injured: (1) workers disabled for more than 30 days would be retroactively compensated for the first two weeks of not receiving benefits because of the waiting period; and (2) an increase in the medical benefits from $100 to $195. The House had rejected an amendment to raise the medical benefits to $200, but in an effort to shut down Lundeen's attacks on the bill, McEwen orchestrated support for the $195 maximum. Two other important amendments—an increase of weekly benefits from $10 to $15 and the exclusion of all (not just interstate) railroad workers from coverage—failed to pass (Minnesota House *Journal,* 1913, 1624–31; *Minneapolis Journal,* 12 April 1913).

The House passed the workers' compensation bill, with its amendments, by an overwhelming margin of 102 to 6 (Minnesota House *Journal,* 1913, 1630–31). Organized labor had a great deal of support in the House, even though union members constituted a relatively small fraction of each representative's total constituency, averaging only about 1.5 percent of the voting population. (Statistical analysis of the roll calls [available from the authors] shows that raising the union percentage of the voting population in a legislator's district from 1.5 to 3.3 percent raised the probability that he would support the Lundeen amendments by up to 31 percent.) Support for organized labor in the House was not enough, however, to obtain final passage of the

House version of the bill. The Senate did not agree to the House's amendments, and a conference committee was organized. Of the two most important amendments the House enacted, the House agreed to recede from the retroactive benefits for injuries lasting longer than 30 days, and a revised medical-benefits amendment was written. Instead of providing workers with a maximum of $195 in medical benefits over an extended time period, the new amendment provided up to $100 during the first 90 days of the injury, but the courts could order an additional $100 of medical benefits (Minnesota Senate *Journal,* 1913, 1649–53).

The workers' compensation law that Minnesota enacted in 1913 was relatively stingy when compared to the laws of the other twenty-one states that had adopted workers' compensation by the end of the year. Taking into account the percentage of the wage replaced, the weekly and overall maximum benefits, and the waiting period, we have calculated that Minnesota workers' expected benefits under workers' compensation equaled 1.17 percent of their annual earnings. By comparison, the lowest benefits were guaranteed in Michigan and New Jersey (1.14 percent of annual earnings) and the most generous in Washington (2.01 percent) (Fishback and Kantor 1995, 722).

Because the law provided such minimal benefits, the MTLA concluded that "the compensation law really is a joke, if a pathetic one" (*Labor Review,* 25 April 1913). And McEwen admitted that "the new Workingmen's Compensation law falls far short of our ideal . . . yet . . . it was the very best that could have been passed" (MSFL 1913, 36; 1914, 27). However, these benefits substantially exceeded what injured workers could expect under the negligence liability system. For example, whereas the family of a fatal-accident victim expected to receive about half a year's earnings under the negligence system, the Minnesota workers' compensation law provided such a family with 2.4 times the worker's annual earnings with virtual certainty (Fishback and Kantor 1995, 718; Kantor and Fishback 1994, 261).

Although the MSFL (1913) was pleased to finally establish workers' compensation, its officials stated emphatically that "no satisfactory solution to the question of workingmen's compensation can be had except through the medium of state insurance" (68). From organized labor's point of view, eliminating the transaction costs and profits associated with "cold-blooded, profit-hungry" insurance companies would have generated savings that employers and workers could share (MSFL 1913, 37). In 1912 some members of the MEA also had favored a state insurance plan like the one enacted in Washington in the previous year (MEA Minute Book, 2 August 1912). But the MEA eventually decided to give the new workers' compensation law and insurance companies a chance to operate before passing final judgment on whether the state should have been granted a monopoly of writing workers' compensation insurance. The group therefore joined the insurance companies in lobbying against a bill to amend the state constitution to allow state insurance in 1913.

This coalition lacked cohesion. MEA leader Gillette issued an ultimatum to the insurance industry: "My belief is that it would be good policy on the part of the

liability companies not to try to make too much money during the earlier stages of the operation of this law, for I believe such a course would kill the goose." Gillette warned the companies that if complaints against insurers accrued or rates became exorbitant and unreasonable, then "not only in my opinion will Minnesota have state insurance, but it ought to have it" (letter dated 23 April 1913 in MEA records).

Gillette's rhetoric, combined with organized labor's insistence on state insurance and the adoption of monopoly insurance funds in Ohio and Washington, posed a serious economic threat to insurance companies and independent agents operating in Minnesota. Accordingly, in September 1914 a "few stalwart insurance men" formed the Insurance Federation of Minnesota (IFM) to help lobby against a state workers' compensation fund and other state intrusions into the insurance market (IFM 1989, 1).

A state insurance bill introduced in the 1915 Senate received a public hearing, but the Senate's Employers' Liability Committee recommended against passage (Railroad Brotherhoods 1915, 21). Because workers' compensation had operated for only a little more than a year when the 1915 legislature met, legislators sought to clear up some ambiguities in the law and to raise the benefits slightly. In October 1914 the MEA, the MSFL, the Department of Labor and Industries, and mining companies had agreed to amendments increasing the minimum weekly benefit from $6 to $6.50, increasing the maximum from $10 to $11, and giving the Department of Labor and Industries the authority to represent compensation claimants in court when their cases were in dispute (MEA Minute Book, 15 December 1915; *Labor World,* 27 March 1915; Wilford 1930, 3). Unionists' complaints that labor's representatives had not obtained enough in the conference with employers encouraged some labor supporters in both chambers to amend the bill on the floor. Though most of the amendments to substantially increase benefits failed because legislators thought "it was a wiser plan to pass the bill [of previously agreed upon amendments] without material change," a major dispute erupted over the waiting period, set at two weeks in the 1913 act (*Labor World,* 3 April 1915).

Senator Richard Jones, a member of the Commercial Telegraphers' Union and former secretary and president of the Duluth Federated Trades Assembly, and Representative John Gill, a steam shovel engineer, led the fight to reduce the waiting period to one week (Minnesota Secretary of State *Legislative Manual,* 1915, 663, 709). With support from areas with larger unionist populations, the House passed the bill to reduce the waiting period by a vote of 77 to 39 (Minnesota House *Journal,* 1915, 1159–60). As before, winning in the House did not guarantee final passage. The same proposal failed by a vote of 22 to 40 in the Senate (Minnesota Senate *Journal,* 1915, 813). Jones and Gill made another attempt to reduce the waiting period when the omnibus bill of amendments went to a conference committee. Opposed by a majority of the conference committee, Jones and Gill forced another vote on the issue in the

House, but this time they lost by a vote of 51 to 58 (Minnesota House *Journal,* 1915, 1447–51). In the end, the one-week waiting period failed, but the MEA (Minute Book, 15 December 1914) became increasingly concerned with the "growing aggressiveness of the labor organizations."

The rancorous bickering over the workers' compensation system in Minnesota continued into the 1917 legislature, as organized labor sought not only to improve the benefits but also to implement a monopoly state insurance plan. The Department of Labor and Industries in its 1915–16 biennial report (pp. 7–8, 11–41) suggested fifteen major changes in the law. These included an increase in the replacement rate to 66.667 percent (from 50 percent) of the wage, a reduction in the waiting period to one week, the requirement that employers pay for all medical care necessary to cure the injury, and a move to empower the Department of Labor and Industries to replace the district courts in approving settlements and arbitrating disputes. Gillette of the MEA categorically rejected the department's proposals as the work of "theorists and so-called social reformers . . . who have had no experience with employers" (MEA *Weekly Bulletin,* no. 1, 6 January 1917).

Although twenty-one bills were introduced in the 1917 legislature to amend the benefits of the workers' compensation law, only two ultimately became law: a reduction of the waiting period to one week and an increase in the percentage of the wage replaced to 60 percent, subject to a maximum weekly amount of $12. (These benefit increases pertained only to disability cases, not fatalities.) After "spirited debate," labor representatives compromised the increased compensation down to 60 percent of the wage (from two-thirds), and the House passed the bills with only six dissenting votes on each (Minnesota House *Journal,* 1917, 1566–67). The MEA (*Weekly Bulletin,* 15 May 1917) was "somewhat disappointed at the success of our efforts during the past session." Meanwhile, *Labor World* (21 April 1917) claimed that the higher benefits had been "promised" to organized labor in return for its concessions to employers to get the initial law passed in 1913.

Organized labor's most significant accomplishment during the legislative session, however, was to see to it that state insurance received serious debate and attracted a core of legislative support. Supporters of state insurance won a significant victory when the Senate's Employers' Liability Committee recommended passage of the bill. The committee suggested, however, that the bill be referred to the Judiciary Committee for a report on its constitutionality. After the Senate successfully voted to recall the bill from the Judiciary Committee, the committee reported that state insurance, as designed in the bill, would be constitutional (Minnesota Senate *Journal,* 1917, 766–70, 957, 1091–92). "Insurance agents by the score, employers' representatives and others [were] besieging members in an attempt to head off the big drive being made by the labor forces," and "farmers were appealed to in an attempt to prejudice the merits of

the bill in their eyes" (*Labor World,* 10 March 1917, 7 April 1917). The insurance lobby won this round as the Senate voted the state insurance bill down by a margin of 42 to 21 (Minnesota Senate *Journal,* 1917, 1111–12). The supporters of state insurance included a mixture of agricultural interests and organized labor, an early sign of the coalition between the two groups that would contribute to the success of the Minnesota Non-Partisan League in the 1918 elections.

Supporters of state insurance had more success in the Minnesota House in 1917. The bill was originally referred to the Committee on Workmen's Compensation, but by a vote of 9 to 4 the committee members sent the bill to the Judiciary Committee, widely regarded as the "morgue for this kind of bill" (*Labor World,* 8 April 1911; Minnesota House *Journal,* 1917, 718). The next day Representative Thomas McGrath, a lawyer and railroad union member (MEA *Weekly Bulletin,* 6 January 1917, 9), moved to recall the state insurance bill from the Judiciary Committee but leave the committee with the charge of commenting on its constitutionality. The recall motion passed by a relatively slim margin, 68 to 54 (Minnesota House *Journal,* 1917, 765). After the bill was successfully recalled from the Judiciary Committee, it was placed on general orders for future consideration.

In the meantime, the Senate had already defeated its state insurance bill, so the House voted unanimously to return its own bill to the calendar, where it died with the close of the session (IFM 1917, 5). Although the issue was moot, the House Judiciary Committee, by a vote of 7 to 4, belatedly concluded that the proposed state insurance law would have been unconstitutional. The different legal interpretations of the Senate and House Judiciary Committees invited ridicule among champions of state insurance. The divergence of the legal opinions, claimed one, "only substantiates the oft repeated claim that lawyers do not know any more about the constitutionality of a piece of legislation than a layman" (Railroad Brotherhoods 1917, 8).

As the IFM advised its members at the close of the 1917 legislative session, "the fight against state insurance in Minnesota has really just begun" (IFM 1917, 6–7). Between 1917 and 1919 the pressure from organized labor for state insurance increased, as union membership in Minnesota rose 75 percent (Minnesota Department of Labor and Industries biennial reports, 1917–18, 167; 1919–20, 172). But the IFM worried even more about the emergence of the Non-Partisan League, which established state insurance as the first plank of its labor platform while joining forces with the MSFL for the 1918 gubernatorial election (IFM 1917, 6–7).

The Non-Partisan League grew out of the Republican Party and built a coalition of grain farmers, labor union members, and radical progressives that altered the balance of political power in Minnesota. After their candidates mounted strong challenges to the Republican leaders in the 1918 Republican primary and the governor's race in the general election, the Non-Partisans secured 24 seats in the House and 8 in the Senate. The strong animosity that developed between the Non-Partisans and the rest of the Republicans during the 1918 elections continued into the 1919 legislative

session, as the Republicans felt compelled to "beat" the Non-Partisan League (Chrislock 1971, 185; Naftalin 1948, 57). Thus, state-run workers' compensation insurance became not only a battle between organized labor and insurance companies but also a key contest in the Republican fight with the Non-Partisans.

In the House, after four hours of floor debate on a state insurance bill, the representatives agreed to an amendment to allow nonprofit mutual companies or interinsurance exchanges to compete with the state fund. This watered-down state insurance bill won by a comfortable 78-to-48 margin, with strong support coming from legislators in districts with greater unionization and greater support for the Non-Partisan League in the Republican primary (*Minneapolis Labor Review,* 14 March 1919; Minnesota House *Journal,* 1919, 789). Representative Asher Howard, who opposed state insurance in the 1917 legislature but supported it in 1919, captured the feeling that many legislators no doubt shared: "If you want to prevent the seats of this House from being filled by Socialists and Nonpartisans you have got to play fair with the workingmen and the farmers" (*Minnesota Labor Review,* 14 March 1919).

The House state insurance bill moved to the Senate, where the "legislative contest was very intense and the feeling engendered was extremely bitter" (Lawson 1955, 353). The Senate Committee on Workmen's Compensation, by majority report, substituted the House bill for the Senate's and recommended passage. Three senators in the minority, however, offered their own report, substituting the Senate state insurance bill with another bill that would have created a workers' compensation industrial board and empowered the commissioner of insurance to regulate workers' compensation insurers (Minnesota Senate *Journal,* 1919, 972–75). This minority report was rejected by a vote of 31 to 35. The majority report—to substitute the House's bill for the Senate's—failed to pass as well, with the vote deadlocked at a 33 tie.

The next day, when the House bill itself came up for consideration, the *Minneapolis Labor Review* (4 April 1919) claimed that the "Minnesota State Senate wrote another chapter of treason to the people and fidelity to privilege." Senator Charles R. Fowler, a lawyer who represented insurance interests, introduced an amendment that would have allowed employers to insure their workers' compensation risks in "any company, association or other insurer authorized to write such insurance in this state" (Minnesota Senate *Journal,* 1919, 1147–48; Minnesota Secretary of State *Legislative Manual,* 1919, 749; *Labor World,* 15 April 1911). The Fowler amendment passed by a vote of 34 to 32. The amended bill was unsatisfactory to organized labor because the primary reason for allowing the state to operate as a monopolist was the belief that state insurance could be offered at lower cost than private insurance. The MSFL urged that the amended bill be defeated, which it was by a vote of 9 to 57 (Lawson 1955, 353; Minnesota Senate *Journal,* 1919, 1148–49).

Supporters of state insurance made one last attempt to resurrect their cause after this defeat. The following day the chairman of the Committee on Workmen's Compensation made a motion to reconsider the House state insurance bill, but the recon-

sideration lost by a vote of 35 to 30 (Minnesota Senate *Journal,* 1919, 1345). With that, state insurance died in the 1919 legislature.

When we performed statistical analyses on the state insurance roll-call votes in the Senate (available from the authors) none of our measures for the relevant interest groups and Non-Partisan influences had a statistically significant effect on how the legislators voted. This finding surprised us because state insurance had become such a central issue for organized labor and the Non-Partisan League. Possibly, state insurance became a bargaining chip in negotiations over a broader set of issues. The IFM (1919) suggested that "[state insurance] was made a political issue, and the interests of the insurance men were used as trading stock for political expediency, or to secure votes in favor of or against other measures pending in the legislature" (45). Labor claimed that a "two percent beer bill was used as a club" against them in the Senate (*Labor World*, 12 April 1919). Further, Robert Asher (1973, 29–30) suggests that there was logrolling between Republicans who wanted to kill an iron ore tax and legislators who wanted state insurance.

Although organized labor lost in its strongest chance to obtain state insurance, unionists did not leave the 1919 session empty-handed, as their long-term pressure for higher benefits continued to meet with success. The wage replacement percentage was raised to two-thirds of the wage up to a maximum of $15 per week for both nonfatal and fatal accidents, and employers were required to pay injured workers' full medical expenses. In 1920 Minnesota's benefit parameters were among the highest in the United States, a substantial improvement from their ranking near the bottom in 1913.

At the end of the 1919 legislative session, organized labor formally prolonged the legislative debate over state insurance by successfully lobbying for the creation of an interim legislative commission charged with investigating state workers' compensation insurance. William McEwen, writing in *Labor World* (19 April 1919), refused to concede defeat, vowing: "It is going to be a fight to the finish and the next election will be determined on the question of state insurance." It now appears, however, that labor's best chance of obtaining state insurance had been missed in the 1919 session. Labor's hope for enacting state insurance lay in their Non-Partisan coalition with agricultural interests, but the Non-Partisans' attempt to win over the Republican Party in the 1920 primary elections for state offices failed, as it had in 1918. Changing the outcome in the Senate was likely to be the more formidable task because all senators were elected to four-year terms in 1918, which meant that the Senate's composition would remain the same through 1921. Meanwhile, the turnover in the House of Representatives slightly favored the opponents of state insurance, as twenty-seven of the representatives voting for state insurance and only twenty of those voting against the bill did not return to the 1921 legislature (Minnesota Secretary of State *Legislative Manual,* 1921, 176–77). Such turnover on both sides of the issue meant that if state insurance was to pass again in the House, the job of assembling a coalition would have to begin anew.

What put a halt to all discussion of a state monopoly of workers' compensation insurance in Minnesota was the outcome of the Senate's and House's interim commission investigations of workers' compensation and state insurance. When they were formed, both commissions appeared to have majorities that supported state insurance, as three of the five members of the Senate commission and four of the five on the House commission had voted for state insurance in 1919. After jointly hearing testimony from representatives of the MSFL, the MEA, and the IFM and from officials in ten other states about the operation of their state funds and industrial-accident commissions, the majorities in both interim commissions decided against a state insurance fund.

The majority in the Senate interim commission reported that the best means of providing "fair" insurance rates for employers and ensuring the prompt payment of claims lay in regulating compensation insurance rates and in creating an open field for competition in the business of insuring such liability (Minnesota Senate 1921, 10). Accordingly, the majority reports of the interim commissions proposed legislation that would enable the state insurance department to regulate workers' compensation insurance and would allow mutual insurance companies to write compensation insurance. They also proposed that an industrial commission replace the courts in administering workers' compensation. The proposed legislation was easily enacted in the 1921 legislature, with perhaps one or two dissenting votes in each chamber. Meanwhile, the state insurance bills died in committee.

The 1921 legislature was willing to augment the administrative powers of the state, but the ultimate goal was to improve the functioning of the workers' compensation system. Further, legislators were willing to expand the scope of the state's regulation of the insurance industry. In the end, however, the legislators were not willing to substitute public for private enterprise in the provision of workers' compensation insurance.

Conclusion

The case study of Minnesota illustrates common themes that we have also found in cross-state studies of workers' compensation. Employers, workers, and insurers all supported the general concept of workers' compensation, but harsh debates occurred over specific features of the law. Employers and workers battled over the amount of benefits and whether workers would retain the right to choose to sue under negligence liability after they had been injured. Organized labor and insurers battled over state insurance of workers' compensation risk, with employers taking both sides in the debate. As in other states, the presence of political reform movements played an extremely important role in the state fund decision. When the Minnesota Non-Partisans became powerful in the late 1910s, they aided the labor unions, nearly pushing state insurance through the legislature.

The Minnesota case study teaches several general lessons about the development of public policy that cannot be examined effectively in quantitative studies of a large number of states. First, most legislation is complex, with multiple attributes, each of which might determine a group's support or opposition. Workers' compensation involved benefit levels, decisions about private versus state insurance, the right to choose between a lawsuit and guaranteed compensation, and a host of other issues. Public opposition to a workers' compensation bill often meant opposition to specific benefit levels or the choice between private and state insurance, not opposition to the general concept of switching to no-fault liability.

Second, the choices made by legislatures are framed by special-interest groups in ways that cannot be determined by examining just the final version of the law. In Minnesota, lobbyists representing unions offered their ideal bill and employer groups offered theirs. The legislators then worked out a series of compromises, determined in part by the political strength of the various interest groups.

Third, the structure of the legislature is extremely important in determining the ultimate nature of the law. The membership of the committee to which a bill is assigned determines both the composition of the bill that will come out of the committee and whether it will be put to a vote. Because both houses of the legislature and the governor have veto power over legislation, opponents of extreme versions of a bill may allow it to pass one house for political expediency, anticipating that it will be amended or struck down by the other house. In Minnesota, the House tended to be more supportive of the unions' agenda for workers' compensation, whereas the Senate was influenced more by employers and insurers. The bills that came out of the two houses reflected these influences. The ultimate form of the law by necessity represented a compromise between the two houses and the groups they championed.

Fourth, the disputes between interest groups over specific features of bills can delay the adoption of universally beneficial legislation. Disputes over the details of the workers' compensation bill in Minnesota delayed its adoption by two years. Similar disputes slowed the adoption in Missouri by almost fifteen years. The impact of these disputes cannot be adequately captured by looking at the level of benefits eventually adopted by the legislature. We must also know the benefits proposed by various interest groups and the trade-offs that legislators made in the process of enacting the legislation.

Fifth, attitudes toward proposed legislation often vary within seemingly cohesive interest groups. Minnesota labor unions took opposing sides on the passage of workers' compensation even when they agreed that workers' compensation constituted an improvement over the status quo. Similar disagreements also arose in Missouri and Illinois. Close inspection shows that the unions were fighting not over the general issue of workers' compensation but over the optimal strategy to get the features of workers' compensation that the unions most desired. Typically, one side took the stance that passing a basic bill without state insurance and with lower ben-

efits was necessary to get workers' compensation enacted, and then it would be relatively easy to amend the bill to obtain the greater benefits. The other side argued that the optimal strategy was to seek every desired feature when workers' compensation was first introduced, on the grounds that amending the bill would be extremely difficult. The Minnesota case study shows that in examining the positions of interest groups, it is often not enough to establish that the new legislation would improve on the status quo. It is also important to consider the groups' estimates of the feasibility of amending the legislation later.

Sixth, examination of voting behavior by legislators shows that on specific issues legislators respond to their constituents. However, focusing on their constituents alone does not give a complete picture of the factors influencing how legislators vote. Some voted their own self-interest. But many became members of political movements with a broad agenda. Analysts who ignore these political movements run the risk of misunderstanding the process by which the laws were adopted.

Finally, a major law often evolves by legislative tinkering after its initial adoption. The Minnesota law went through substantial changes after its initial adoption in 1913. The initial benefits were relatively low, but union leaders succeeded in obtaining substantial increases in benefits through subsequent amendments. Similarly, the issue of a state fund was not settled with the passage of the original law. Unions continued to press for a state fund, and they nearly achieved their goal in 1919. In general, the adoption of legislation only starts a process of change, as interest groups with a stake in the legislation continue to apply pressure to shape the intricate details of the law to fit their own preferences.

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Acknowledgment: This research has been supported by National Science Foundation Grant No. SBR-9223058. Responsibility for the interpretations and shortcomings of the paper remains ours.

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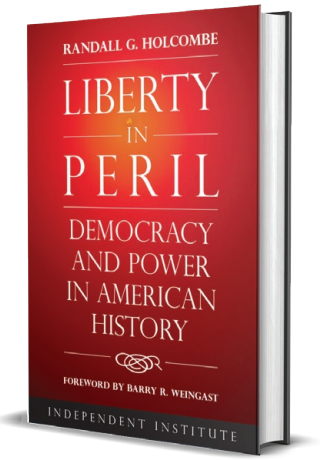

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