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THE CHANGING ROLE OF AMERICA'S VETERANS

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Preliminary. Please do not cite or quote without checking with me first. This essay provides an historical background for understanding the statistics on veterans that will appear in the millennial edition of the *Historical Statistics of the United States*. The views expressed herein are those of the author and not necessarily those of the National Bureau of Economic Research.

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ABSTRACT

This essay provides an historical background for understanding the statistics on veterans that will appear in the millennial edition of the *Historical Statistics of the United States*. It describes changes in the number of veterans, and in the benefits provided by governments to veterans, from colonial times to the present. It then discusses in broad terms how political and historical forces shaped the form and amount of benefits provided to veterans, and how the programs created for veterans in turn influenced the evolution of other government programs.

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Introduction

Veterans have played an important role in the economic and political life of the nation since colonial times, and during and after the nation's major wars, the best way of caring for veterans and of rewarding them for their services became major political issues. This chapter provides the historical background for understanding the historical statistics concerning America's veterans. In general terms, veterans are simply former members of the armed forces, "those who served." But in the American context, especially after major wars, there is another distinction that is important. In the past the United States relied on a small professional force that was augmented during wars by large numbers of volunteers or draftees. When the war was over, the programs and facilities designed to care for disabled and retired professional soldiers could not be expanded easily to take care of the needs of citizen soldiers. Instead, new programs and facilities run by special veterans agencies were created. Most of the statistics shown here, although not all, refer to programs originally created for these temporary members of the armed forces, "citizen soldiers," rather than the professionals. In recent years, with the introduction of the all-volunteer system of armed forces, the importance of this distinction has diminished.

The data on veterans presented here consists of two types: (1) data on the number of veterans by age and by period of service, (2) data on the benefits that have been awarded to veterans whether in cash or kind -- medical care, domiciliary care, and so on. The nature and limitations of the data will emerge from the historical narrative, but a few general remarks on the quality of the data will be useful to have in mind from the start. As is often the case, the amount and quality of the data improves as one moves forward in time. Considerable information about veterans from the colonial and antebellum periods can be found in government documents, but has rarely been assembled by scholars. Some of the unique problems associated with these

periods – the important role of land grants, for example – will be discussed below. The Civil War also presents problems for the chronicler of America’s veterans primarily because the incomplete information about the number of people serving in the Confederate forces, their subsequent histories, and the scattered records of the southern states concerning aid to confederate veterans.

Beginning with the Union veterans of the Civil War, however, the records of the Commissioner of Pensions (founded in 1833 it became the Veterans Administration in 1930 after consolidations with other agencies) combined with data collected by the military services, and in more recent decades by the Bureau of the Census and other government agencies, provides an accurate record of how the national government has rewarded its veterans. Inevitably, many things remain uncounted. Many laws, for example, gave veterans preferences in hiring, and many employers have acted on this principle even when not compelled to do so. Comprehensive estimates of the value of these preferences have not been made. In addition, certain categories of aid to veterans have been subject to manipulation. Often the amount of benefits received by a veteran depended on whether a disability suffered by the veteran was found to be service-connected or non-service connected. So the breakdown in the tables based on this distinction, although highly accurate with respect to ex-post decisions, do not reflect the division that would be made by an impartial observer. Nevertheless, the data presented here, especially the broad totals, provide an accurate record of how the United States has rewarded, or in some cases failed to reward, its veterans.

From Colonial Times to the Civil War

The colonial system of veteran’s benefits was derived from the British system.

Legislation passed during the Elizabethan era (the 1592-93 session of parliament) provided

relief for the crown's soldiers and sailors who had become sick or disabled while serving. In the English North American colonies legislation passed in Virginia in 1624 would have provided for medical care and maintenance of disabled soldiers, but this legislation was not ratified in London. As a result, Plymouth Colony in New England earned the credit for being the first to pass veteran's legislation that went into effect. This law, passed in 1636 to encourage service in the Pequot war, provided for the public maintenance of disabled soldiers. Similar legislation was passed in other colonies throughout the colonial era. A Maryland law of 1678 is notable because it provided pensions for the widows and dependent children of soldiers killed in military service, as well as relief for disabled soldiers.

Given the colonial tradition, it was naturally assumed that the new state governments and the Continental Congress would provide benefits for soldiers and sailors disabled during the Revolutionary War and for their widows and orphans. In August 1776, Congress adopted the first national pension law. It provided half pay for life for soldiers and sailors incapable of earning a living as a result of wounds suffered War for Independence. After the war, considerable pressure was brought to bear to increase the pensions and liberalize eligibility. In 1818 a service pension, meaning one that required military service but not a service-connected disability, was finally signed for Revolutionary officers and men "in need of assistance." This law was revised repeatedly. In 1820 concerns about the federal budget led to the striking of many

pensioners from the rolls. But the law of 1823, passed in more prosperous circumstances, restored many pensioners.

The demand made by Continental Army officers for annual half pay for life contingent solely on service until the end of the war, a demand based on the policy in the British army, was far more contentious than pensions for soldiers suffering from disabling injuries or in need of financial assistance. George Washington, although dubious at first, became a strong advocate of half pay when resignations at Valley Forge threatened the very existence of the army. In 1778, Congress promised seven years' half pay. And in 1780 this allowance was extended to the widows and orphans of officers, who died during the war. As the end of the war neared, the officers became increasingly concerned about the willingness and ability of Congress and the states to finance their pensions. At Newburgh New York, the site of the so-called "Newburgh Conspiracy," Washington himself was forced to address his officers, when the idea that the army should not be disbanded until Congress addressed its financial needs gained headway. Finally, in March 1783, Congress passed the Commutation Act. In lieu of half pay for life, the officers were offered five years' full pay in government securities bearing six- percent interest. There was considerable opposition to the act, based partly on fiscal considerations, and partly on the distinction between the officers and the enlisted men, who were offered only one year's pay.

As many of the officers had feared, the Confederation failed to pay even the interest on the Commutation bonds. The Society of Cincinnati formed in 1783 by ex-officers after the end of

the war and before the army disbanded, was the first of America's veteran's organizations. Its goals were to continue the ties formed during the war and to pressure the government to fulfill the pledges made to the officers. Although the Society was initially feared as a threat to democracy, the decrease in the number of surviving officers and the requirement that membership pass through the eldest son led to a gradual decrease in the influence wielded by the Society in the postwar era.

In 1791, under the new federal government, provision was made for paying the Commutation Bonds as part of the general funding of the debt. In the meantime, many officers had parted with their bonds at bargain prices, and so began a long campaign for relief. Success did not come until 1828 when full pay for life was granted to surviving officers, noncommissioned officers, and soldiers who had served until the end of the war. In 1832 pensions were authorized on the basis of two years service. The eligibility of widows and orphans continued to be an issue. The Widows Pension Act of 1836 pensioned widows who were married at the time of the Revolution to men who would have been eligible for a service pension under the Act of 1832. In subsequent years the requirement that the marriage date from the Revolution was gradually eased and eventually eliminated.

In addition to the pensions paid in cash, veterans of the Revolution received warrants for western public land ranging from 100 acres for a private to 1,100 acres for a major general. This was a standard policy of British and Colonial governments. During the Revolution the

government had even offered land to Hessian soldiers who deserted from the British forces. In all, warrants for over 9.5 million acres were awarded to veterans of the Revolution. Warrants were also issued to veterans of the War of 1812, the Indian Wars, and the Mexican War. During the Revolution the warrants were for land in certain designated western tracts (perhaps to provide protection for the frontier), but during the Mexican War transferable warrants to 160 acres of any part of the public domain were offered to men volunteering for service. These were essentially cash grants at one remove.

Warrants for almost 73.5 million acres had been issued by 1860. The value of the land transferred through veteran warrants has not been determined. Valued at \$1.1 per acre (a small discount from \$1.25, the price at which much of the public domain was sold) the total would be about \$81 million, \$1.8 billion in today's money. The settlement of these claims became a major political issue in a number of states, Tennessee in particular. Close to 40 percent of the arable land in Iowa (the state with the highest percentage) was transferred on the basis of veteran warrants. Many of the warrants, once they were made transferable, were sold to speculators. This led to considerable criticism of the warrant system, and was another reason, along with the declining amount of suitable land, for its abandonment. Nevertheless, the cash-like system adopted in the Mexican War provided an important precedent for the use of land grants to finance the land grant college system and the transcontinental railroads. O'Callaghan (1954) and Oberly (1990) provide details on the land grants.

Although land grants were by far the most important form of in-kind aid provided to veterans, there were also attempts to provide more direct forms of aid. In 1798 a tax was levied on seamen to provide funds for hospital care, and in the event of a surplus, for the construction of hospitals. This system was extended to the navy the following year. Eventually, a system of naval hospitals was constructed including facilities on the East Coast and the Mississippi. In 1834, a home was established for old and disabled naval personnel, and in 1851 with part of the money won by General Winfield Scott in Mexico, a home for old and disabled soldiers.

In some important respects the evolution of monetary pensions for veterans of the Revolution was repeated for veterans of the War of 1812, the Mexican War, and the Indian Wars. Initially pensions were established only for invalids, or their widows and orphans. Then pressure gradually mounted for pensions based on service alone. Eventually, service pensions were granted, but so many years after the conflict, that they were, in effect, old-age pensions. The service pension for the War of 1812 was established in 1871. The rules were liberalized in 1878: the required service was reduced to 14 days, and the requirement for widows that the marriage date from the War was eliminated. Service pensions for veterans of the Mexican war were first granted in 1887. Service pensions for veterans of some of the Indian Wars, as they were known, such as the Black Hawk War, and the Seminole Wars, were not granted until 1892. Subsequent legislation liberalized the requirements, increased the benefits, and pensioned veterans of other campaigns against Native Americans.

From the Civil War to World War I

The sheer magnitude of the Civil War, along with the growing prosperity in the postwar North, meant that the veterans of this conflict would play a far different role in postbellum America than had the veterans of earlier conflicts. About 9.0 percent of Americans (North and South) participated, and about 1.4 percent died in service. The nearest parallel was the Revolution, when about 7.4 percent of Americans participated, and .1 percent died in service. The other wars were even smaller. Comparable figures for the War of 1812 are 3.4 percent, and .02 percent, and for the Mexican war, .4 percent, and .1 percent.

Figure 1 shows the number of veterans per 1000 Americans beginning in 1865 and continuing to the present. The lower line includes only Union veterans of the Civil War. The upper line includes a makeshift estimate of the number of Confederate veterans. Estimates of the number of soldiers and sailors who served in the confederate forces are subject to a wide margin of error, and there are no estimates of the number of surviving Confederate veterans in the postbellum era. Here I simply took the ratio of Confederate survivors of the war to Union survivors (.47) and applied it to the number of union veterans in subsequent years to get an estimate of the number of Confederate veterans. Most likely mortality at younger ages would have been higher for Confederate veterans than for Union veterans because of lower standards of living in the South, lower payments to veterans, and a less favorable disease environment. So this procedure probably over-estimates the number of Confederate veterans. Nevertheless, the main point, the important political and economic role played by veterans of the Civil War is evident. The number of veterans per 1000 Americans was close to 80 at the end of the Civil War, a number not surpassed until World War II.

In 1862, soon after the outbreak of the Civil War, Congress passed legislation providing pensions for disabilities caused by the war, and pensions for widows, orphans, and in some cases – a new feature -- dependent mothers and sisters. This was the basic law in force until 1890. In addition, in 1865 Congress authorized the establishment of a "National Asylum" for Disabled Veterans. (The Asylum in Washington D.C. was renamed the National Home for Disabled Volunteer Soldiers in 1873; colloquially it became known as the "Old Soldiers Home.") Facilities had been established earlier for soldiers and sailors in the regular armed forces. But these had been relatively small affairs supported by contributions from the soldiers and sailors and from naval prizes. The scale of the Civil War recommended a new agency.

To receive a pension some disability that could be traced to the war had to be demonstrated. Inevitably, pressure grew to liberalize the rules and their administration. The Grand Army of the Republic (G.A.R.), an association of union army veterans formed in 1866, became a formidable lobbying force on behalf of the veterans. Success in increasing benefits, however, varied with the state of the federal budget (surpluses were good for the veterans), with the party in power (Republican Congresses and administrations were good for the veterans), and with the proximity to elections. Lawyers who specialized in winning pensions for their clients, it must be admitted, also became effective lobbyists for more generous pensions.

The amount of money transferred to Union veterans is shown in figure 2, which traces the total amount spent by the Department of Veterans Affairs and its predecessor agencies, and the amount spent on compensation and pensions, per \$1000 of GDP from 1869 to 1998. (The figures on total spending, and spending on compensation and pensions, were drawn from table [SSG.B.6](#).

A 5-year moving average of GDP was used, except for the beginning and ending observations, in order to abstract from sharp cyclical fluctuations in GDP.) In the 1870s spending on Union veterans amounted to about \$3.5 per \$1000 of GDP, almost all in the form of compensation for death or disabilities caused by the war.

The Arrears Act of 1879 was an important victory for advocates of more generous pensions. Prior to this law a veteran's pension began when he was added to the rolls, no matter how long after the original disability was incurred. Under the Arrears Act pensioners could have their cases reopened and be awarded the amount of pension due from the time they incurred their disability to the time they were placed on the rolls. The law also covered veterans whose eligibility for a pension would be recognized in the future. Substantial amounts were awarded under the Arrears Act, and the incentive to apply for a pension was increased substantially. The effect of the Arrears Act on the level of pension payments can be observed in figure 2.

As can be seen in figure 2, Civil War pensions and benefits reached a peak relative to a five-year moving average of GNP in the early 1890s at a figure of over \$10.00 per thousand dollars of GNP. This was nearly 30 years after the end of the fighting, when many of the surviving veterans were in their 50s. The contrast with World War II, when spending relative to GDP reached its peak in the immediate aftermath of the war and then trended downward, is evident.

Despite lobbying by the veterans and their allies, the ultimate goal of many of the veterans, a service pension, was long in coming, as it was for veterans of earlier wars. In 1887, while signing legislation granting service pensions for Mexican War veterans, President Grover Cleveland, a Democrat, vetoed a similar measure for veterans of the Civil War on the grounds that they were still too young. Three years later, however, Congress passed the Disability Pension Act of 1890, understandably signed by Republican President Benjamin Harrison. This Act, although nominally a disability law, came very close to meeting the demand for a pure service pension. Under the Act of 1890 the mere existence of a disability was sufficient for a pension, it wasn't necessary to show that the disability had resulted from military service. Eligibility was not limited to the poor, and the service requirement was simply 90 days and honorable discharge. Since the Commissioner of pensions was given some discretion under the law when it came to fixing individual pensions, the policy of the commissioner became a major political issue. Pressure for more liberal pension benefits continued, and in 1904 Republican President Roosevelt issued Executive Order 78, which defined age itself to be a disability, creating an authentic service pension. Thus the service pension came 39 years after the end of the Civil War, the same period that veterans of the Mexican war had to wait, and a bit shorter than the 44 year wait of veterans of the Revolution, and the 56 year wait of veterans of the war of 1812. Between 1865 and 1905 the number of Northern Veterans of the Civil war, to put the

figure in a somewhat different perspective, declined from 1,830,000 to 821,000. (Series SSG.B.2.4)

Under the 1904 executive order pensions started at age 62 and the amount awarded increased at ages 65, 68, and 70. Subsequent legislation broadened and codified the idea behind Executive Order 78. The law of 1912, for example, included a schedule of pensions ranging from \$13 per month for a man aged 62, who had served only 90 days, to a maximum of \$30 per month for a man aged 75, who had served for three years. The rules with respect to widows were also gradually eased, so in the end it became possible for a young woman to marry an aged veteran of the Civil War and thus to secure a pension throughout of her adult life.

The liberalization of the Pension system in 1890 was the result of a number of factors: the precedent established by earlier wars (a factor often neglected by historians), lobbying by the Grand Army of the Republic, lobbying by the pension lawyers, increasing sympathy for the veterans as they entered middle age, and the bitter political struggles between the Democrats and the Republicans – the Republicans who controlled both houses and the presidency in 1890 relied on the overwhelming support of the veterans — were all important. But the state of the federal budget also played a role. The federal budget had been in surplus for a number of years prior to 1890. Taxes could be cut, but this would have meant cutting the tariff, which would offend powerful business interests, or cutting the alcohol and tobacco taxes, which would offend anti-drinking and anti-tobacco activists. The close association between the surplus, the tariff, and

pensions for veterans of the Civil War was a reprise of events in the 1820s involving veterans of the Revolution. Various schemes for increased spending were floated, but liberalizing the pension emerged as the plan with the greatest political payoff. [Skocpol (1992, 1993) and Holcombe (1999)].

The liberalization of the Civil War Pension system helped to offset the decrease in the number of veterans and their widows. The dollar amount paid out in Civil War pensions actually peaked in 1921, 56 years after the end of the war. The Union pension system eventually covered a substantial fraction of native-born northern men and their survivors. By 1900, according to Dora L. Costa, (1998, 197), a leading authority on the Civil War Pensions, “21 percent of all white males over the age of 55, were on the pension roles” and "The average pension paid to Union Army veterans from 1866 to 1912 replaced about 30 percent of the income of an unskilled laborer, making the Union army pension program as generous as Social Security retirement benefits today."

The Civil War Pension System, as a number of prominent scholars have argued, was America's first national welfare system. (Skocpol 1992) At the turn of the century liberal reformers, such as Isaac Max Rubinow (1913), hoped that as the number of veterans and their survivors declined, “room” would be created in the Federal budget for a general old-age pension and other welfare-state benefits. (As a share of the Federal Budget, veterans spending reached its peak, 43 percent, in 1893. In 1914, on the eve of World War I, payments to veterans accounted

for 25 percent of the budget.) Conservatives, on the other hand, hoped that the unsavory reputation of the Civil War pension would discourage welfare experiments. The pension system was often perceived, with some justice, as a system rampant with abuses, such as the “pension marriages” mentioned above, and as a system that debased national political life, as both parties sought to buy the votes of the pension recipients. A number of states created welfare benefits for women and children prior to 1929, but it was not until the 1930s that a national social security system was established. Although the establishment of a national system was mainly a product of the Great Depression, it also owed a great deal to the Civil War pension. As Baack and Ray (1988) showed, the Civil War pension educated congressmen about the political benefits of old-age pensions, and was a focal point for the development of special interests that could lobby effectively for benefits.

Civil War veterans were not awarded warrants for land. But their military service was counted toward the residence requirement of the Homestead Act. Civil War veterans were also given preference in hiring by the federal civil service, and by many states. Military service, moreover, was a valuable help, although not a requirement, for those seeking political office. No estimate of the monetary value of these privileges is available.

Federal benefits were paid only to veterans of the Union forces. (Except for one: In 1958 Congress pardoned, and provided a pension for the last surviving Confederate veteran.) The southern states, however, provided pensions and benefits in kind for Confederate veterans --

prosthetic devices were a major item in several state budgets after the war. Like their northern counterparts the Confederate veterans organized effectively. Local veterans associations formed soon after the war ended. And in 1889 a national organization, the United Confederate Veterans, was formed from these separate associations. The relative poverty of the South and the lack of certain fiscal resources, such as the tariff, meant, however, that the amount of resources that veterans could expect from Southern legislatures was limited. Exact figures on the amount of benefits paid to Confederate veterans are not available. But it is clear that these benefits were meager compared with the benefits paid to Union veterans and their survivors. One estimate places the total amount spent by the southern states on Confederate pensions at \$350 to \$400 million, perhaps 4.1 to 4.7 percent of what was spent on Union veterans, perhaps 9 to 10.3 percent on a per capita basis. Veterans of the Confederacy were also accorded preferences in hiring and political life in the South because of their veteran status.

The Civil War Pensions left behind an enormous amount of medical records, because a medical disability attested to by a pension office surgeon was a requirement for a pension. Modern computers make it possible to encode and manipulate this mass of data. And as a result scholars have used these records in recent years to analyze the effects of income, wartime stress, and other factors on the health and economic behavior of the veterans. Robert Fogel, of the University of Chicago, has been the leader of the effort to make use of this data. Research based on this data has led to a number of important academic papers and monographs. At the time of

writing, considerable information on the project, and data created by it, was available at the website of the Center for Population Economics, at the Graduate School of Business, of the University of Chicago: <http://www.cpe.uchicago.edu>.

After the Spanish-American War (1898) and the Philippine Insurrection (1899-1902), as they are entitled by the U.S. government, as after previous wars, a number of veterans' organizations were founded to provide mutual support, to affirm the values shared by the veterans, and to lobby for benefits. In 1913 the merger of two of these organizations (which had grown through earlier mergers) produced the Veterans of Foreign Wars, a veterans organization that would continue to play a major role in veterans affairs for the remainder of the century. In truth, however, the veterans of these two wars had an easier time winning recognition for their services in part because of the previous work done by the Civil War veterans. Because the total number of men and women engaged was relatively small, these two wars made a relatively small impact on the number of veterans in civilian life, and on the overall level of federal spending on veterans, as can be seen in figures 1 and 2.

The World Wars

Although America's relatively brief (1917-1918) involvement in World War I would not leave as large an imprint on the structure of the nation's population as the Civil War or World War II, the impact – as shown in figure 1 – was nonetheless significant. In the immediate

aftermath of the war, close to 50 out of every 1000 Americans was a veteran, a level not seen in the United States for decades. While the number of veterans was reminiscent of the Civil War era, however, the structure of benefits created to aid them was very different. It was insurance and medical care, rather than pensions, that became the immediate priorities.

The origins of the current programs for insuring members of the armed forces and veterans can be traced to World War I. Shortly after the war began companies shipping goods to Europe found it hard to get marine insurance at what seemed like reasonable rates. The risks for commercial insurers were very great and very difficult to calculate on the basis of past experience. Under the War Risk Insurance Act (September 2, 1914) the U.S. government supplied marine insurance. When the United States entered the war in April 1917 the opportunity to buy insurance was extended to merchant marine personnel. A more comprehensive measure, the War Insurance Act (Soldiers and Sailor's Insurance Law), was passed a few months later, in October 1917. This law provided compulsory pay allotments for the families of service personnel during the war, compensation for death or disability, medical and rehabilitation services, as well as subsidized term life insurance. The idea was that a soldier would have the peacetime cost of the insurance deducted from his pay, but the government would pay the additional costs of insuring the higher risks caused by the war. The Bureau of War Risk Insurance was created within the Treasury to administer the new system. Over 4 million policies were issued during the war.

The insurance program that emerged from World War I was continued after the war but modified in response to subsequent wars and changing economic conditions. The National Service Life Insurance program was established in 1940 in response to World War II. This legislation was replaced in 1951 by the Servicemen's Indemnity Insurance program. Another program, the Veterans' Special Life Insurance was established a short time later to meet the needs of members of the armed forces serving during the Korean War.

In the early 1950s, private insurers began to complain that competition from the Veterans Administration was unfair, and the industry began to lobby Congress for a new approach. The result was the Servicemembers' Group Life Insurance program (1965) for members of the armed forces serving during the Vietnam conflict and in subsequent periods, and the Veterans' Group Life Insurance (1974) for veterans after separation from the armed forces. Under these programs term life insurance is provided under group plans issued by private insurers, but the government defrays the costs. As a matter of accounting, and following earlier traditions, the member of the armed forces is said to pay for the ordinary cost of insurance through deductions from pay, and the government is said to pay for the extra part of the premium that reflects the additional risks of service in the armed forces. Over time these popular programs have been expanded. The maximum amount of insurance per individual has been raised from \$10,000 in a series of steps to \$200,000 in 1992, and coverage has been extended to members of the National Guard. A

program was also created, in 1971, to provide mortgage protection life insurance to disabled veterans who had received grants for the purchase of specially adapted housing.

A hospital system was also created to provide medical care for World War I veterans. Insurance and the government provided hospital system were new departures in the government's approach to veterans. Previously, veterans had been aided mostly by writing checks based on disabilities or death resulting from service during a war. There had been some expenditure for homes for aged veterans, but quantitatively they were of minor importance. Now, however, more emphasis was placed on in-kind services, and payments earmarked for education.

Part of the explanation for the emphasis on in-kind aid after World War I was the widespread perception that the Civil War pension had been abused, and the hope that in-kind benefits would be harder to exploit. Another factor was the new view about the appropriate role of the government in the economy that had evolved during the Progressive Era. Historically, most Americans had been skeptical about the ability of government bureaucracies to perform efficiently. Now many Americans were convinced that government could provide high quality services at a reasonable cost. The new view of government was especially relevant in the case of medical care because it was believed that veterans would face unique medical problems, "shell shock" for example, that physicians in the private sector would lack the experience to handle properly.

After World War I, as after earlier wars, pressure began to build to reward veterans more generously, and to include those who had not suffered disabilities as a result of their service. The American Legion founded by members of the American Expeditionary Forces in 1919 was especially effective in lobbying for a “bonus” for veterans. The point was made that the enlisted men, who had served for a dollar a day during the war, had suffered from wartime inflation and deserved compensation. Congress finally agreed, and in 1924 a “bonus” was awarded, but one that was not scheduled for payment until 1945. Although veterans could and did borrow against the security of their adjusted service compensation certificates many veterans joined a campaign in the early 1930s for an early payment of the bonus in order to alleviate the distress caused by the depression. In 1932 thousands of veterans (estimates run from 15 to 40 thousand) converged on Washington to demand immediate payment of the bonus. Most of the veterans returned home after the Senate failed to pass a measure providing for immediate payment. A small group, however, remained and eventually was driven out by federal troops commanded by General Douglas MacArthur. A second Bonus Army came to Washington in 1933, after Democrat Franklin Roosevelt replaced Republican Herbert Hoover, but again no legislation was passed. In 1936, however, Congress finally passed legislation, over a presidential veto, providing for immediate payment. The amount of the bonus finally paid was substantial given the depressed incomes of the day. The bonus can be seen as the sharp peak in figure 2. From a Keynesian perspective this is just what the economy needed. In his classic study of fiscal policy in the 1930s

E. Cary Brown (1956, p.863) concluded that there were only two years, 1931 and 1936, in which fiscal policy (combining all levels of government) was markedly more expansionary than it was in 1929, and that in both cases it was due to payments to veterans.

In some ways World War II gave the veteran more prominence in American society than he or she had ever had before. As can be seen in figure 1, the number of veterans per 1000 persons rose to a height that exceeded even the level reached immediately after the Civil War. Overall, the military participation rate during World War II reached 11.5 percent, compared with 9.0 percent in the Civil War. The difference between the wars was the death rate. Deaths from combat, disease, and other service related causes during the Civil war amounted to 1.4 percent of the 1865 population. The comparable figure for World War II was .3 percent of the 1945 population. The unity of the nation, the clear-cut victory over the Axis, and the return to prosperity, assured that the United States would do well by the veterans of World War II. The result was a large number of innovative programs.

Planning for World War II veterans began during the war. The Postwar Manpower Committee reported to President Roosevelt in June 1943 proposing a number of benefits for veterans. The report was influenced by the perception that demobilization had gone badly after World War I, by the Wisconsin Educational Bonus Law of 1919 (which had provided tuition, a subsistence allowance, and other benefits for disabled veterans attending vocational schools, high schools, or colleges), and by recently passed Canadian legislation. These examples were

brought home to the Congress through the lobbying efforts of the veterans organizations, the Veterans of Foreign Wars and the American Legion. The landmark legislation that finally passed Congress in 1944, the Servicemen's Readjustment Act, has been known ever since by its popular name, the GI Bill of Rights.

The GI Bill provided a wide range of benefits including; health care; mustering out pay; job placement; unemployment insurance; loans to buy a home, farm or business; reemployment rights and other employment preferences; and educational benefits. The bill reflected a variety of concerns, but the fear that the veterans would return to find the depressed economic conditions of the 1930s, that they would go from battle lines to bread lines, gave special urgency to the bill, and there was little opposition.

The revolutionary education title provided tuition, fees, and subsistence support. The Veterans Administration determined who was eligible, the veteran chose the school, and the school determined whether the veteran would be admitted. The schools had to be accredited, but the act specifically denied the federal government any control over the schools that were accepting veterans. College enrollments boomed after the war, partly as a result of the GI Bill. The peak year was 1947 when 1.7 million veterans were enrolled in higher education, making up about 71 percent of the student body. The impact of the student loan program on the structure of federal spending on veterans can be seen in figure 2. A large gap opened up between total

spending and spending on compensation and pensions: while the total reached unprecedented levels, the latter was remained at levels comparable to those reached after the Civil War.

As figure 3 shows, enrollment in colleges and universities remained high and continued to grow long after students supported by the GI Bill and its extensions ceased to be a major factor in total enrollment. Evidently, the often-made claim that the GI Bill was the major cause of the vast expansion of higher education in the United States after World War II cannot be taken at face value. (Stanley 2000). The decision to stress education in the Bill simply reflected a widely shared underlying faith in education, a faith that earlier in the century had led to the expansion of America's high schools. Nevertheless, the GI Bill deserves some of the credit for the postwar expansion of higher education. Despite complaints that some veterans were just in college for a good time, most veterans acquitted themselves well, overcoming fears that the expansion of higher education would reduce quality. And, especially on the East Coast, the training programs introduced during the war, and the large number of veterans who entered immediately afterwards, forced once genteel liberal arts colleges to learn how to provide higher education for a mass constituency. There would have been more resistance to the postwar expansion of higher education had the way not been paved by the veterans.

The Postwar Era

In terms of sheer numbers, World War II gave the veteran an unprecedented prominence in American life. As figure 1 shows, the number of veterans per 1000 Americans reached more

than 130 as a result of World War II. As this percentage declined, it was reinforced subsequently by veterans of the Korean Conflict, Vietnam War, the Persian Gulf War, and other conflicts. As a result, the number of veterans per 1000 persons in the United States was still higher at the end of the twentieth century than it had been in the immediate aftermath of the Civil War.

The Korean War GI Bill, the Veterans' Readjustment Assistance Act of 1952, was similar in many ways to the World War II legislation. The education title of the Korean War bill was, however, somewhat less generous than that of the World War II bill. The 1952 Act, for example, limited educational or vocational training to 36 months, while the 1944 Act permitted training for up to 48 months. Reduced fears of widespread unemployment, and a perception that some veterans had unfairly exploited the original GI Bill, may account for the difference.

The Vietnam GI Bill was passed in 1966, and in some respects its education title was less generous again than the education title in the 1952 GI Bill. One would certainly reach this conclusion if one compared education benefits with current wages. A number of factors may account for the difference in benefits, including the unpopularity of the war and the military's opposition to a program that would compete with its own education programs. The Vietnam Bill, however, did provide benefits for those who served between Korean and Vietnam conflicts. Initially, the number of veterans taking advantage of the Vietnam era provisions was disappointing. But within a few years, partly in response to an increase in benefits, utilization of the education provisions increased and became comparable to the usage of the World War II benefits. Although educational benefits were substantial, subsequent research showed that serving in Vietnam was a disadvantage in the long run. (Angrist 1990). Draftees ended up

earning 15 percent less, other things equal, than men who did not serve. The reason may simply be that the men who served lost time that they could have spent developing their skills and advancing their careers in the private sector.

In 1973 the United States ended the draft and established an all-volunteer armed force. The movement toward an all-volunteer force was driven partly by the desire to implement libertarian political principles, and partly by the hope that ending the draft would reduce antiwar activities and reduce domestic dissension. Although changes had been in the works for some time, the establishment of an all-volunteer force significantly altered the role of veteran's benefits. Historically veteran's benefits, although occasionally legislated with an eye on current recruitment, had mainly been a reward granted ex-post by a grateful nation for service performed during a war (and by politicians anxious to curry favor with a powerful interest group). But with a volunteer army, veteran's benefits became a recruiting tool designed to help fill the ranks.

In the late 1970s, as soaring inflation cut the purchasing power of the wages of the average enlisted person's income, it became increasingly clear that significant financial incentives would be needed to fill the ranks with higher quality personnel. In 1977 Congress passed the Post-Vietnam Era Veterans' Educational Assistance Act. The Act instituted a system of federal matching funds for personal expenditures for education. But it was not utilized as much as had been hoped. In 1984 Congress passed a new measure, the All-Volunteer Force

Educational Assistance Program to provide a permanent system of benefits and to make service in the armed forces more attractive. The title was later changed to the Montgomery GI Bill - Active Duty Educational Assistance Program, in honor of G.V. "Sonny" Montgomery Democrat of Mississippi, who served on the House Veterans Affairs and Armed Services Committees. It provides cash grants for education based on service and financial contributions made while on active duty, and continues to be the basis for educational aid for veterans. Most of the veterans who make use of this program attend colleges or universities. Research by Angrist (1993) showed that these programs did encourage veterans to attend school, and did increase their long-run income, although whether this effect offset the loss of experience in the civilian labor market is an open question.

Increased understanding of the physiological and psychological problems faced by veterans has repeatedly produced additions to the list of benefits and services provided veterans. In 1979, responding to the concern that Vietnam veterans were not receiving sufficient help adjusting to civilian life, the Veterans Administration set up a group of centers specially designed to help Vietnam veterans with post-traumatic distress disorder, alcohol and drug dependency, and similar problems. In 1988, in response to disclosures about service people's exposure to nuclear testing during the early cold war era, Congress passed the Radiation-Exposed Veterans Compensation Act that provided for veterans suffering from disabilities caused by atomic radiation. A long drawn out battle, one that involved considerable criticism of

the Veterans Administration, concerned the payment of compensation and provision of medical care for health problems caused by the use of Agent Orange as a defoliant in Vietnam. The Veterans Administration responded by gradually adding to the list of disabilities that it considered to have been caused by Agent Orange. Finally, in 1991, Congress passed the Agent Orange Act creating the presumption that a range of disabilities were linked to the use of herbicides in Vietnam, and should be treated as service related disabilities.

Prompted by these and related concerns the Department of Veterans Affairs has continually devoted resources to basic medical research. Although a small part of total spending on medical programs (less than 3 percent in recent years), this area has become a source of pride for the Department of Veterans Affairs, especially in 1977 when two scientists from the Department, Rosalyn Yalow and Andrew Schally, shared the Nobel Prize for Medicine with Roger Guillemin for their work on peptide hormones.

Although veterans benefits have long been one of the major items in the federal budget and the veterans administration one of the largest federal employers, it was not until 1989 that the agency was made the fourteenth cabinet level department. A year later in fall 1990 the United States launched operation Desert Shield to block further expansion of Saddam Hussein's Iraq. In January 1991 Operation Desert Storm was launched, the beginning of the Persian Gulf War, which drove Iraqi forces out of Kuwait. In the following month Congress passed the Persian Gulf Conflict Supplemental Authorization and Personnel Benefits Act, which declared the Persian

Gulf conflict to be a war for the purposes of determining eligibility for veterans benefits. At the time of writing the current rules and regulations governing the payment of veterans benefits, and recent statistics on the number of veterans in civil life by age and period of service, expenditures of the Department of Veterans Affairs, and so on could be found at the website of the Department of Veterans Affairs: www.va.gov.

Conclusion

After America's wars, especially the Civil War, World War I and World War II, America's veterans were at the center of the national stage. Politicians from both major parties listened intently to the millions of veterans and vied for their support. The veteran's organizations, such as the Grand Army of the Republic for Union Army veterans of the Civil War, The Veterans of Foreign Wars, the American Legion, and other organizations, played an important role focusing and maintaining the influence of veterans. But these organizations were not the source of the veteran's influence. Ultimately, it was the moral debt that Americans knew they owed the veterans, those former citizen soldiers, and the sheer weight of numbers that told. The result was a series of laws establishing veterans benefits, laws that created major precedents for the welfare state: the Civil War pension for Union veterans, insurance and hospital care for World War I veterans, and the famous "GI Bill of Rights" that provided educational, housing, and other benefits for World War II veterans. Liberals have cited the Civil War pensions as a

form of old-age pension, and wondered why it took the United States so long to enact social security; conservatives have cited the educational benefits provided to GIs after World War II as a successful example of educational vouchers, and wondered why educational vouchers provoke so much opposition. Supporters and opponents of socialized healthcare point to the Veterans Hospital and Medical care system, the nation's largest, as an example of what could or would happen if health care were socialized.

In the post-World War II era, however, the role of veterans changed. The smaller scale of the wars between 1950 and 1991, the deep divisions over Vietnam, and the establishment of the all-volunteer armed forces meant that there were fewer veterans in society, and that they spoke with distinct voices, and in the long run that meant that veterans would have less weight in political deliberations. A more mundane consideration, the need to provide an attractive package of benefits to men and women planning a career in the armed forces, would determine the type of benefits won by veterans. The future role of America's veterans is as impossible to predict as war itself.

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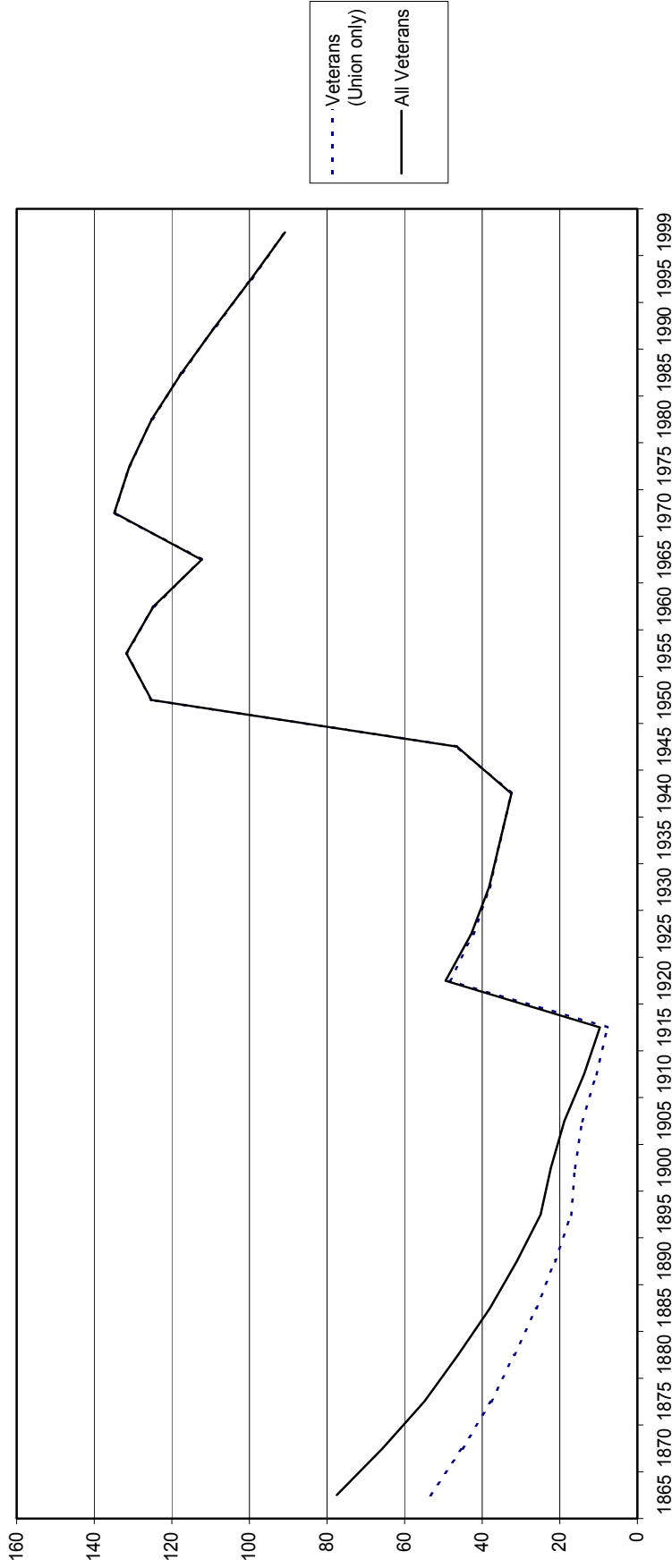
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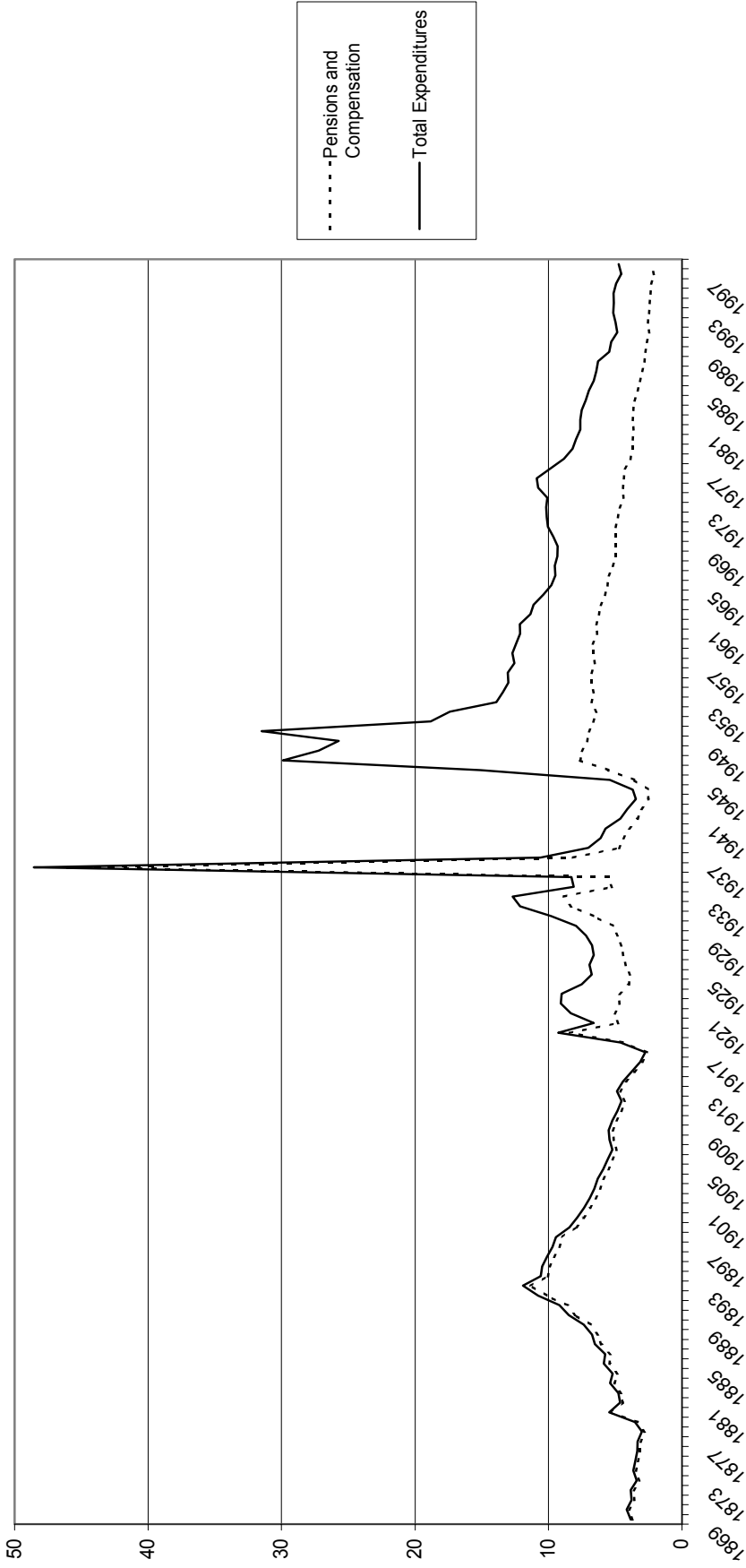
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Figure 1
The Number of Veterans Relative to the Total Population, 1865-1999
(Veterans Per 1000 Persons)



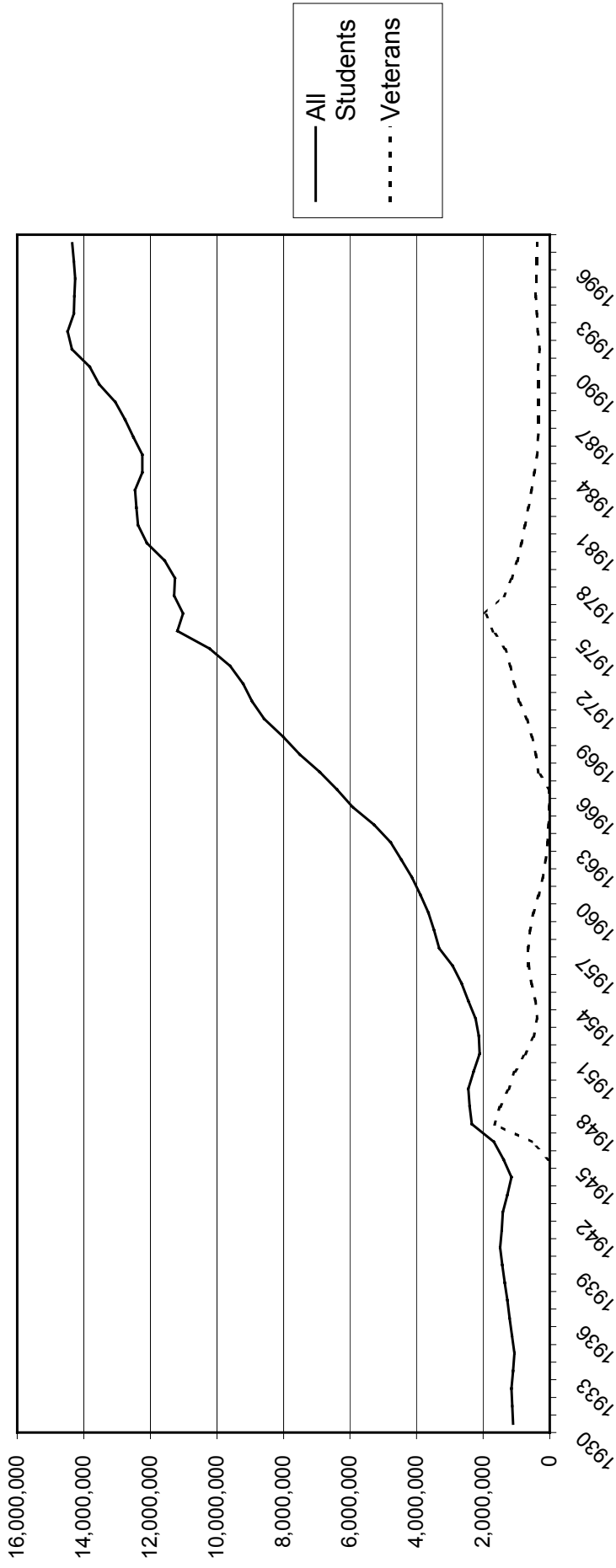
Sources: Veterans (Union only), series SSG.B.1.1. Confederate veterans were estimated by multiplying the number of union veterans, series SSG.B.2.4, by .468 an estimate of the ratio of Confederate to Union forces. Population, *Historical Statistics* (1976), series A6, A7, and *Statistical Abstracts of the United States*.

Figure 2
Veterans Benefits Relative to GDP, 1869-1998
(Dollars per \$1000 of a 5-year moving average of GDP)



Note: The peak during the 1930s is the Veteran's bonus. See the text.
 Sources: Total Expenditures, 1869-1959, series SSG.B.5.1; 1960-1998, series SSG.B.6.1. Pensions and Compensation, 1869-1959, series SSG.B.5.2 plus SSG.B.5.9; 1960-1998, series SSG.B.6.8. GDP, 1869-1929 (GNP), Christina D. Romer, "Prewar Estimates of GNP Reconsidered: New Estimates of Gross National Product 1869-1908," *Journal of Political Economy*, 97 (February 1987), pp. 22-23; 1930-1958, *Historical Statistics* (1976), series F1; 1959-1998, *Economic Report of the President*.

Figure 3
The Number of Students Enrolled in Higher Education Under GI Bills



Sources: Veterans, Table SSG.B.19, the sum of series 2,6,10,15, and 16. All students in higher education, *Statistical Abstract of the United States*, various issues.

Chronology of Important Events in the history of veterans in the United States	
1636	To encourage service in the Pequod war, the Plymouth colony provides for the maintenance of disabled soldiers, the first veteran's benefits in an English-speaking colony.
1776	The Continental Congress promises pensions to officers and soldiers disabled in the course of service.
1778	The Continental Congress promises half pay for seven years for officers who serve until the end of the war.
1780	The Continental Congress promises half pay for seven years for the widows and orphans of officers who die in service. This is the nation's first provision for widows and orphans.
1783	The Commutation Act. The Society of Cincinnati is founded, the nation's first veterans organization.
1828	Full pay for life granted to surviving officers, noncommissioned officers, and soldiers who had served until the end of the war.
1865	National Home for Disabled Volunteer Soldiers established.
1879	The Arrears of Pension Act
1890	Disability Pension Act of 1890
1913	The Veterans of Foreign Wars is formed from the merger of smaller organizations of veterans of the Spanish-American War and the Philippine Insurrection.
1917	Legislation authorizes the issuance of life insurance policies to members of the armed services
1921	The Veterans Bureau established to consolidate veterans services into one agency.
1936	Congress passes legislation (over President Roosevelt's veto) providing for immediate payment of the World War I bonus.
1944	President Roosevelt signs the "Servicemen's Readjustment Act of 1944" commonly known as the GI Bill of Rights. (Public Law 346, passed unanimously by the 78th Congress), offering home loan and education benefits to veterans.
1965	Servicemembers' Group Life Insurance. Subsidized term life insurance purchased from private insurers.
1973	The United States institutes an All Volunteer armed force. Veteran's benefits become an important incentive for recruitment.

1977	Rosalyn Yalow and Andrew Schally, scientists at the Veterans Administration, receive the Nobel Prize for Medicine.
1989	The Department of Veterans Affairs (VA) was established.