
PART I

THE EVOLUTION OF PUBLIC-AID PROGRAMS

In the 10 years which preceded the outbreak of the war, the nation had put into effect a large number of measures all of which had the common objectives of increasing the economic security of the individual and maintaining the social stability and values threatened when people lack jobs or income. These programs form the subject-matter of this report.

Chapter I defines the scope of the report and indicates the main problems to be dealt with. The remaining chapters of Part I supply the essential background necessary to a study of public-aid policy. Chapter II presents a brief survey of the economic conditions prevailing in the period during which the greater number of contemporary programs were initiated, while Chapter III gives an account of the evolution of the individual programs and of policy as a whole. Chapter IV contains a brief factual description of the characteristic features of each program as it operated in 1940. Finally, the characteristics of the public-aid population are analyzed in Chapter V.

CHAPTER I

PUBLIC AID: ITS NATURE AND PROBLEMS

The extent of dependence upon socially provided income in our country is not generally recognized. The Nation has prided itself on being a land of unlimited economic opportunity, in which each individual could secure for himself through his own efforts a comfortable, or even high, standard of living. It therefore comes as a surprise to most people to learn that, in any 1 month in the fiscal year 1940, about 6.4 million households, representing some 17.9 million persons, or roughly 14 percent of our whole population, received income under some type of public-aid measure.¹

The year 1940 was not unique in this respect. In any given month, between January 1937 and June 1940, never less than about 4.5 million households in the United States, comprising some 13.5 million individuals, were securing income in this way. This low point of the 3½-year period was reached in September 1937 during the period of greatest business recovery prior to the inauguration of the defense program and at a time of the year in which public aid is usually at a seasonal ebb. The high point was reached in March 1939, when almost 8 million households, representing nearly 24 million persons, were receiving governmental aid. Between January 1933 and June 1940, the number of persons dependent upon socially provided income ranged between about 10 and 22 percent of the population of the country.

These figures give indeed an incomplete picture of the extent to which public-aid measures affected the lives of the population. For in the first place, they relate to specific months only. Most dependent families do not receive aid continuously, and there is a considerable turnover on public-aid rolls. It can be conservatively estimated that, in a year such as the fiscal year 1939, about one-fourth of the population at some time or other derived income from such measures. In the second place, these figures do not include three groups of persons whose livelihood was materially affected by specific governmental aid measures; namely,

¹The programs from which these families derived their income included general relief, old-age assistance, aid to dependent children, aid to the blind, farm security grants, WPA, CCC, NYA, employment on emergency public works, unemployment compensation, old-age and survivors insurance, railroad retirement, and railroad unemployment insurance. The numbers represent a slight overestimate because of the difficulty of completely eliminating cases where a family received aid from two or more programs. For further details and the source of all figures relating to recipients see appendices 9 and 11 below.

workmen's compensation beneficiaries, the low-income farmers who were active borrowers from the Farm Security Administration, and persons who received no other form of public aid than surplus commodities. In June 1940, for example, about 6.9 million households, comprising about 19.4 million persons, were receiving public aid from programs listed in footnote 1. Allowing for some duplication between programs, the figures were probably nearer 6.5 and 18 million respectively. Comparable data on workmen's compensation beneficiaries are not available. However, if the FSA rural-rehabilitation clients and the recipients of surplus commodities only were added, the numbers would be closer to 7.5 million households and 22 million persons.

The Increasing Importance of Public Aid

The years 1930 to 1940 witnessed a vast expansion of governmental activity in providing income to needy or presumably needy persons, which will undoubtedly stand out as a major social development of our times. While it is not too much to say that prior to 1930 no other industrial country had made so little provision for public aid, it is equally true that in no other country has so much been achieved in the course of 10 years.

The total number of persons dependent on socially provided income during the decade of the twenties is unfortunately not available. However, it was apparently so insignificant that the comprehensive report on recent social trends, inaugurated by President Hoover in 1929 made no attempt to indicate its size and devoted only cursory attention to the public programs providing for dependent persons.² It is inconceivable, in view of the figures cited above, that the problems associated with loss or inadequacy of private income could have been so summarily dealt with 10 years later. The growth in public provision for the economically insecure can be more clearly seen from the increase in expenditures devoted to this purpose. In the fiscal year 1913 the total governmental expenditures for public-aid programs amounted to approximately \$21,000,000, and by 1932 they had only risen to \$208,000,000.

²Of a total of 1,541 pages, only 105 were devoted to social work and public welfare. Of these only 49 dealt with public-welfare activities, and much of the text was devoted to functions other than the provision of income and aid to dependent persons. (*Recent Social Trends in the United States: Report of the President's Research Committee on Social Trends*, New York, McGraw-Hill Book Company, Inc., 1933.)

In 1940 the country was spending no less than \$4.5 billion on public-aid programs, and in the previous year the total was even higher, \$4.9 billion.³

Whereas in 1913 and 1923 public-aid expenditures constituted less than 1 percent of all governmental expenditures, by 1933 they had increased to 6.5 percent and in 1939 to 27.1 percent. Expressed in terms of per capita expenditure, there has been an increase from \$0.22 in 1913 to \$0.57 in 1923 to a peak of \$37.89 in 1939. A corresponding trend is observable when public-aid expenditures are placed in relation to national income produced.⁴ In the two earlier years, relief expenditures were equal to 0.1 percent of national income produced; but in 1939 they equalled 7.1 percent.

The Changing Character of "Relief"

Statistical information about public-aid activities does not fully reveal other, but equally significant, developments. Although in the public mind the word "relief" is still applied somewhat indiscriminately to all the measures concerned with the provision of income to needy or presumptively needy persons, the scope and content of these measures are vastly different from those of the relief measures of the years prior to 1930. Within the compass of programs still popularly regarded as relief measures, the country was by 1940 providing for the continued education of thousands of young people and giving vocational guidance and education to many others. It was adding to its economic wealth by the provision of roads, schools, and other public buildings and equipment and conserving its natural resources by constructive and protective work on forests and rivers. Community resources were being enriched by new recreational facilities, and the health of the Nation was being improved by expanded nursing and medical services. Professional assistance was being made available to many groups of the population in the solution of their economic and social problems.

There has also been a significant change in the nature of the provision made for the economically insecure population. The concept of eligibility for socially provided income has undergone a radical change. Public thinking, as expressed in legislation or in the policies of administrative agencies, has come to interpret the term "need" more and more broadly. In many parts of the country and in many programs, governmental assistance is now available long before the

individual has become utterly destitute. Through the social insurances indeed the country has openly accepted the policy of utilizing the powers of government to increase the security of persons whose need is only presumptive. By assuring a certain minimum income to covered workers in specified contingencies, the social-insurance measures aim to prevent beneficiaries from falling into the destitute class through unemployment or the disability of old age. And although the groups covered by insurance programs are, in the main, so defined as to embrace a class almost wholly dependent upon income from earnings, it is undeniable that the laws cover some persons for whom an interruption to earning would not inevitably involve recourse to some form of public aid.

Equally important is the fact that the measures taken by government are no longer confined to providing the bare essentials for physical existence. Constructive and preventive measures play an increasingly important role. In particular, loss of income on account of unemployment is today recognized as creating a need for much more than material subsistence. It is now seen to call for assistance in securing new employment, which may range all the way from placement services and retraining and reconditioning for private employment to the provision of work opportunity by government itself.

Finally, a growing appreciation of the relationship between dependency and ill health, both physical and mental, and recognition of the superiority of preventive to palliative measures have led to another type of expansion of the activities of "relief" agencies. For it is evident that services of this type cannot normally be purchased by the public-aid population to an extent that would be socially desirable. Hence, many public agencies have developed a wide range of health and advisory services which aim to make the recipient more capable of self-support and, even more broadly, to make him a well-adjusted member of society.

The combination of constructive and preventive measures with the function of providing maintenance for those without private incomes is, of course, not new in principle. Some of the better-organized and more progressive relief agencies had developed constructive and preventive services long before the last decade. Emphasis upon this aspect of the problem of dependency has indeed been a major contribution of the private relief agencies. Nevertheless it is probably true that, with certain noteworthy exceptions, in the country as a whole constructive and preventive measures played a relatively minor role in the activities of the public agencies and that the change of emphasis that has occurred during the last 10 years is one of kind rather than of degree.

³ These figures relate to expenditures on all programs listed in footnote 1 above and also include governmental costs of workmen's compensation. For source of all figures relating to expenditures see ch. X, table 63, and Appendix 19.

⁴ National income produced rather than national income paid out has been selected for the purposes of comparison because of the difficulty of securing reliable indices of national income paid out for the earlier years. (See table 63.)

The Meaning of "Public Aid"

So significant a broadening of governmental functions in regard to the welfare of the economically insecure and of the concept of the social problems created by economic dependency suggests the undesirability of continuing to designate these many-sided activities by the term "relief," with its traditional association of restricted economic aid granted to a small section of the population rather generally regarded as less competent or worthy than their fellow citizens. But the discovery of a satisfactory substitute for this term, broad enough to embrace so diverse a series of governmental activities, yet not so broad as to include all public programs concerned with social welfare, is no easy task. Nevertheless it seems possible to distinguish among these many programs a *group of measures which have as a major purpose a common objective; namely, the direct alleviation of demonstrated or presumptive individual need created by absence or inadequacy of private income.* Such measures, which form the essential subject matter of this report, will be designated by the term "public aid."

This definition of public aid obviously brings within the purview of the study all measures involving direct payments (in cash or kind) to individuals or families, based upon a demonstration of the economic need of the individual or family. It includes therefore, in addition to State and local direct relief effective before, during, and after the operation of the Reconstruction Finance Corporation loans and the Federal Emergency Relief Administration grants to States, such special measures as the transient and drought relief programs operated by the FERA and the Farm Security Administration, the subsistence grants administered by the latter agency, and the special public-assistance measures developed both before and after the Social Security Act (hereinafter referred to as the special public assistances). The definition clearly includes the work programs administered by the WPA and by State and local relief authorities. Finally, it obviously embraces the distribution of surplus commodities under the program of the Federal Surplus Marketing Administration, including the food-stamp plan.

In all these measures an essential condition for the receipt of aid is that the applicant satisfy the authorities in his individual case that he is in need within the meaning of the law. In most cases the determination of need involves the application of a "needs test," a detailed investigation of the needs and resources of the applicant and his dependent family or household. Such a method of determining eligibility, however, differs only in degree from that which adopts

a rather more general measure of need such as an income test. Since the application of such a test is merely a more approximate method of assessing need, programs determining eligibility in this way call for consideration in a study of public aid. In other words, the definition given above embraces also the NYA student and out-of-school work programs and the CCC. Indeed, for a considerable period applicants of both the latter programs were investigated by the local relief agencies who applied a detailed means test.

The definition of public aid in terms of measures having as a major purpose the direct alleviation of demonstrated or presumptive need created by absence or inadequacy of private income also brings the social insurances within the purview of this study. For not only does their existence affect to a significant degree the amount of dependency that would otherwise have to be provided for by the programs listed above, but also their coverage embraces in principle a group for whom loss or impairment of current earnings or earning power would probably result in a need for other income. Furthermore, all these programs call for an exercise of governmental authority either for administration or to ensure the continuous availability of funds (through the collection of earmarked taxes or by subsidies from public funds), and the motivating force behind this use of governmental power is clearly a concern for the economic security of the groups covered. Hence, in addition to the programs which provide for persons whose need is determined by the application of a needs or income test, this study will deal also with unemployment compensation, old-age and survivors insurance, and the special unemployment and old-age insurance programs for railroad workers. Workmen's compensation is included in this study to only a limited degree, largely because there is a dearth of comparable data on the operation of State programs, and also because the financing of these measures is still largely in the hands of private organizations.

Similarly, the rehabilitation loans to needy and low-income farmers now administered by the Farm Security Administration clearly fall within the scope of the study, although they differ from the majority of the measures hitherto listed in that they are in principle repayable.⁵ They evolved from a purely relief measure (under the Federal Emergency Relief Administration program) as a more appropriate method of providing public aid to the farming group and were originally extended only to relief clients.

⁵ It should be noted, however, that although the principle is not often enforced, assistance given under general-relief programs and old-age assistance may in some States be legally recovered from recipients or their estates.

On the other hand, certain measures to which the word "relief" has occasionally or popularly been applied are excluded by the definition of public aid given above. Thus the Agricultural Adjustment Administration payments to farmers, although frequently referred to as farm relief, do not fall within the purview of this study. The AAA program is essentially one providing a subsidy to individuals in order to sustain a particular industry. The selection of persons to be aided is one likely to favor the least rather than the most needy, and the distribution of payments bears little relation to the actual or probable needs of the recipient. Similarly, the tenant-purchase program of the Farm Security Administration, although similar in some respects to its rural-rehabilitation program, falls outside the scope of this study. For the basis of selection among applicants makes it clear that the program is one devised for persons who are good risks for a long-time program for promoting ownership of family-sized farms, rather than a public-aid measure as the term is here used. Nor will special attention be paid to Federal pensions to veterans, for the basic principle on which they are awarded is service rendered in the armed forces rather than the need of an individual.

The question whether the concept of public aid should embrace also emergency public works is less easy to answer. For, while other motives (such as the desire to implement a governmental spending program in what were believed to be the interests of economic recovery) played an important role in the development of the emergency work projects of the Public Works Administration, public concern over the serious consequences of loss of employment by large numbers of workers was an equally powerful stimulus to action. Traditionally also, emphasis upon the role of expanded public works as a relief medium substituting for private employment in periods of depression preceded, and may outlast, considerations based upon "pump-priming" theories.

On the other hand, since 1933, employment on public-works programs has only to a limited degree been restricted to persons who could prove that they were in need. Moreover, as the program has developed, it has become increasingly difficult to draw a line between those public works which were, and those which were not, undertaken solely because of a concern over loss of income due to unemployment. A certain proportion of the work which has been carried out through emergency public works represents construction that would normally have been carried out by public authorities. In other words, part of the expenditures on public works must be regarded as a subsidy from the Federal Government to State and local governmental units, rather than as a program for meeting

loss of income on the part of workers. In practice, it is impossible to distinguish between the two types of public-works program. Moreover, the data concerning the financing and operation of these measures are not available in a form that permits of comparison with other programs. Hence, while at appropriate points in this report reference will be made to the existence and maintenance of emergency public-works programs, it is impossible for technical reasons to present so detailed an analysis of their operation and administration as is given for other programs, such as the WPA, whose public-aid character is unquestionable.

All of the programs which have so far been listed are primarily concerned with the economic needs of those for whom they provide. Even the youth programs, in which need for employment and training is an essential eligibility condition, in practice have also either restricted eligibility to those in economic need or have given preference to such persons. Yet it is evident from the previous discussion of changing concepts of "relief" that public policy has already recognized that the problem created by loss or inadequacy of income is not solved merely by the provision of the physical essentials of life. From this point of view, therefore, all of the vast range of community services, such as health, education, recreation, housing, and occupational guidance and adjustment, can be regarded as forms of public aid. All of these measures are in essence meeting the needs, broadly interpreted, of those with inadequate incomes or no incomes at all. Some of them indeed are provided only to the recipients of public aid or made available in connection with the provision of public aid. On the other hand, many of them, such as health, education, and recreation services, are not in principle so restricted.

It is obvious that a comprehensive evaluation of all social services thus broadly interpreted would be an ambitious and lengthy undertaking. In this study, therefore, *special attention will be given only to those social services rendered in direct association with the making of payments to individuals selected on the basis of demonstrated or presumptive need.* It will, of course, be necessary on occasion to refer to the existence of the more generally available social services or those administered by non-public-aid agencies and to the problems to which existing arrangements for the provision of these services give rise. But they will not form part of the core of public-aid measures which are the primary object of detailed study in this report, and they will receive no extensive treatment.

The selection for intensive study of measures concerned with meeting need due to loss of jobs or inadequacy of income is suggested by two major con-

siderations: first, the desirability of limiting the scope of the study; and second, the imperative necessity of analyzing the effectiveness and adequacy of contemporary social provision for these basic needs. Accordingly the discussion in the pages which follow will be primarily concerned with the following programs operating in 1940:

I. Employment programs:

Work Projects Administration.
Civilian Conservation Corps.
National Youth Administration.
Public employment service.
Rural-rehabilitation loans (Farm Security Administration).

II. Public assistance:

Special public assistances:
Old-age assistance.
Aid to dependent children.
Aid to the blind.
General relief.
Farm security grants (Farm Security Administration).

III. Social insurances:

Old-age and survivors insurance.
Railroad retirement insurance.
State unemployment compensation.
Railroad unemployment insurance.
Workmen's compensation.

In discussing these currently operating programs, reference will be made at appropriate points to programs no longer in operation which played important parts in the development of public aid, chiefly in the years prior to 1935: relief under the poor laws; State pensions for special groups; State and local emergency relief under loans from the Reconstruction Finance Corporation and grants from the Federal Emergency Relief Administration; and the Civil Works Administration.

The Problems of Public-Aid Policy

No attempt will be made in this report to present a detailed analysis of the operation of any one public-aid program considered as an independent entity. Many such studies have already been made and are readily available.⁶ Because of the close interrelationship of the various public-aid measures and the somewhat piecemeal manner in which they have developed, it is more important at the present time to consider

the functioning of the entire range of public-aid measures. *The emphasis of this study, in other words, is upon the problems of policy raised by the simultaneous operation of a series of programs.* These measures require the cooperation in varying degrees of different levels of government and are often financed on different principles. But all of them are concerned directly or indirectly with the needs, broadly interpreted, of the economically insecure. From this point of view it is evident that any study of our existing complex of public-aid measures must deal with a number of questions of major national importance. Some of these are occasioned by the increase in magnitude and scope of the public-aid problem. Others arise from the fact that there are so many programs, embodying different, though related, philosophies and objectives. The character of these basic questions can be briefly indicated.

Growth of the Need for Public Aid

The fact that so large a proportion of the population secures income from other than private sources and the sharp contrast which the last 10 years have presented in this respect to earlier years constitute a serious challenge to thought in an individualistic and democratic society. The challenge is the more acute when it is recalled that by 1939 the physical volume of goods and services produced in the Nation had regained its 1929 level. The continued dependence of so large a proportion of the population on socially provided income cannot fail to raise the question whether this is due to a temporary or even permanent failure of our economic system to provide adequate opportunities for the individual to secure a livelihood by participation in the normal processes of production. Or is it possible that during the last 10 years measures have been adopted which make it all too easy for those in whom the spirit of independence is weak, to live at the public expense? Or does the change mean that the Nation is at last tackling more adequately a problem which existed prior to 1930 but was then ignored? Are there, and were there even in the days of so-called prosperity, large sections of the population who, because of low earnings, uncertainty of employment, or physical disability, live at a level far below what we like to think of as the American standard?

Security and Work Opportunity for the People

The primary impetus to the development of public-aid programs has been a concern for the welfare of the people. The increasing extent and diversification of public-aid provision reflect the desire of the Nation that all individuals in a free society should participate in the opportunities for self-development and enjoy-

⁶ The annual reports of the governmental agencies concerned with the administration of individual programs and other periodic reports contain general and specific information on the various public-aid programs. (See ch. XV below.) References to reports and studies presenting detailed analyses of the operation of the individual programs are given in ch. IV, where the main characteristics of the programs as they operated in 1940 are briefly outlined.

ment of the good things of life which are made possible by our vast potentialities for production.

It has already been pointed out that the development of programs which aim to do more than provide a bare subsistence for destitute persons is a measure of the growing understanding of the social implications of economic insecurity. Yet the more numerous the programs and the finer the distinctions between them, the greater are the problems of coordination and the greater the possibility of confusion and misunderstanding on the part of needy persons, administrators, and the general public. This is especially likely to be the case when, as has in fact happened during the last 10 years, new measures are applied to meet unforeseen emergencies and a vast structure of social services is built up to a large extent on a piecemeal basis.

Mere multiplicity of programs is in itself no cause for concern. Indeed it would be surprising if a unitary system could be devised to provide for all the different types of persons seeking governmental aid and to meet the diversity of situations which account for the loss or inadequacy of their private incomes. Nevertheless, it is of the first importance to know whether, as a consequence of this expansion and diversification of forms of public aid, we are achieving what must always be a basic objective of public-aid policy—to meet need where it occurs and as long as it occurs. Have the eligibility requirements of the different programs been so coordinated as to ensure that no person is denied aid because of a failure to satisfy the requirements of any one program? Or, failing such coordination, is there any general underpinning of the various programs to provide adequately and as long as their need continues for those who do not fall into any of the special groups? Are there some persons or groups of persons who receive no governmental aid, however great the degree of their destitution? Has the undoubted improvement in the provision made for certain types of needy or presumably needy groups been at the expense of others?

The mere acceptance by a public-aid agency of responsibility for a specific individual does not ensure that the basic problem of maintenance is thereafter solved. The level of living afforded those who are recipients of public aid varies greatly from program to program. Two vital questions immediately arise: Is the level of living afforded by the least adequate of these programs consistent with the maintenance of minimum standards of health and decency? To the extent that the beneficiaries of the different programs are maintained on different levels of living, is there any social or economic justification for this variation in treatment?

It should be noted too that the conditions surrounding the receipt of public aid vary from program to program. In some cases socially provided income is available as a right, and its amount can be precisely calculated in advance by the applicant. In others, assistance is granted only after the applicant undergoes an intensive test of need, and its amount depends in large measure upon the discretion of the administrator. Public aid in certain parts of the country is still available only at the sacrifice of self-respect. Some programs give the applicant the right of appeal; others do not. In certain programs the applicant receives a sum of money over whose disposition he has complete control; in others he receives assistance in kind or in grocery orders, and the range of his personal freedom is correspondingly limited.

To the extent that the different programs embody different social philosophies as to the proper treatment of needy persons, it is important to know whether this difference reflects a stage in development, a failure to adjust some of our older institutions to changes in public thinking, or whether there is some logical justification, in social and economic terms, for the simultaneous application of different social philosophies. In other words, does our present combination of public-aid measures represent an orderly system, of which it can be said that the role played by each program has been determined by a careful weighing of the implications of providing one type of assistance as compared to another? Have we any assurance that the persons supported by each program are in fact those, and only those, for whom social and economic considerations suggest that program to be peculiarly appropriate?

The unemployed worker needs, as our public-aid programs have recognized, much more than mere physical maintenance. He requires, and is entitled to, the opportunity to earn a living. In view of the vital character of this need, it is of the first importance to determine the extent to which it is being met by our public-aid programs. Is work available to all those willing and able to work but unable to secure private jobs? What is the character of the public work available? Is it calculated to maintain skills, work habits, and morale? Are the conditions of employment such as to command the respect of the worker and to call forth his full potentialities?

Public policy has recognized the special needs of young unemployed workers by the development of special programs for them. Here again the Nation should know whether the character of the provision made is well calculated to meet the special needs of this vitally important group. Do all unemployed

young people benefit from one or other of the youth programs? Are they directed to the programs most likely to be of advantage to them in preparation for the responsibilities of adult life?

Economic and Financial Problems

The economic and financial consequences of the dependence of so large a proportion of the population upon socially provided income are also of national importance. So long as these payments to the dependent group constituted an insignificant or unknown proportion of governmental expenditures, relatively little public attention was paid to the methods by which they were financed. But during the last 10 years governmental expenditures for public aid have become an important item in our national economy, and their economic implications can no longer be disregarded. Because public-aid expenditures have now become so large, the methods of disbursement and financing of these funds have significant repercussions upon the economic life of the nation. For not only do public-aid payments benefit the immediate recipients; they permeate the economy, and their spending and responding influence the tempo and nature of production, as well as the incomes of different sections of the community. It is important to know whether our public-aid programs have resulted in putting otherwise idle funds to work at stimulating employment and increasing the national wealth, or whether they have impeded the course of recovery by maintaining unduly high wage rates and weakening the incentives toward self-support. Since it is possible under certain conditions for government spending to raise the national income, we need to know whether some types of expenditure are more effective than others and whether public-aid expenditures have been of this type.

On the other hand, if these expenditures and their financing result merely in an encroachment upon the share of a fixed national income which is available for private spending, those whose private incomes are reduced by the necessity of contributing toward the maintenance of others may well ask government for an accounting. For the citizens from whose incomes these payments are ultimately derived have no direct or immediate control over the spending of these or any other tax funds. Judgments as to value received cannot therefore be made as in the course of private spending of income. The average citizen may properly inquire whether these expenditures have resulted in any return to the community in the form of valuable goods or services or significant, nonmaterial values, such as enhancement of morale, so that he can determine whether that return is worth the price that has been paid for it.

The effects on the ultimate objectives of public-aid policy of different methods of financing so large an expenditure item are also far-reaching. For if the funds to support the economically insecure are drawn in large measure from taxes which fall upon the low-income groups of the Nation, the major objective of public-aid policy may be frustrated. Although some groups may be given a measure of greater security, the security of even larger sections of the population may be rendered precarious. We need to know whether our methods of financing public-aid programs have been of this character.

The developments of the last 10 years have also left the country with a series of programs that embody very different financial principles. Some are entirely financed by Federal funds; in some the funds are provided solely by the smallest units of government; while yet others involve the financial participation of two or three levels of government. The precise division of costs varies from program to program. Again, certain programs require contributions from the group of potential beneficiaries; others do not. Some of them involve the accumulation of reserves or deficits, while others are financed on a year-to-year basis. Some depend upon earmarked taxes; others derive their funds from the general tax revenues.

The average citizen may well ask whether there is any reason for the operation of these diverse principles. Are the methods adopted dictated by the peculiar requirements of the different programs, or do they merely reflect the emergency conditions under which many of the programs were developed? Where fundamentally similar programs are financed on different principles and especially where these involve different degrees of subvention from larger governmental units, it is important to discover whether the varying financial arrangements have resulted in the over- or under-expansion of some programs in relation to others.

The participation of larger units of government, and especially of the Federal Government, in public-aid financing has been in response to the urgency of need and the inadequate or restricted financial resources of the smaller units of government. These subventions from larger units of government, and in particular the Federal Government, differ from program to program, and the relative importance of the different programs has varied from one part of the country to another. The resulting distribution of financial responsibility for all forms of public aid between the three levels of government may not necessarily be one which makes it possible for all areas to provide adequate security without at the same time throwing a disproportionately heavy burden on local taxpayers. Thus the extent to which existing financial arrange-

ments result in an intergovernmental distribution of total costs that corresponds to differences in need and in economic and fiscal capacities calls for investigation.

Administrative Problems

A further group of questions relates to the administrative implications of the end product of 10 years of change and development. A series of independent agencies operating different public-aid programs has been created. Furthermore, over and above the local units which as a rule administer general relief, a new set of administrative structures has been created, some of which are purely Federal and others purely State, while yet others involve the administrative cooperation of more than one level of government.

The very number of agencies operating public-aid programs intensifies the need for a logical and workable demarcation of functions, and for adequate provision for coordination of policy and for administrative cooperation. Are these requirements met today? Is there any machinery operating at the different levels of government to ensure orderly coordination of policy? In so far as there are many independent agencies administering specific programs, is there any assurance that their spheres of action are functionally clear cut? Are too many agencies performing identical functions or dealing with the same groups of people? Have we so organized the machinery for administering public aid as to reduce to a minimum the inconvenience to applicants or to the general public and in particular employers, whose cooperation in supplying information is essential? Is the organization one which permits and promotes evaluation of the strengths and weaknesses of public-aid policies with a view to coordinated planning in the communities and in the Nation as a whole?

The very fact that the Federal Government now plays so significant a role is itself a challenging development. Does the assumption of new functions by the Federal Government imply that public aid is now a national problem? Does it mean that we have committed ourselves to policies that can be effectively administered only on a Federal basis? Or have other factors, which in recent years have induced an extension of Federal action, precipitated a degree of Federal assumption of responsibility for public-aid programs which can be justified neither by underlying economic or fiscal considerations nor by the objectives of contemporary programs?

Certain programs involve Federal supervision and some measure of control, the nature of which varies from one program to another. Are these differences in the nature and degree of control the result of historical accidents, or are they explicable in logical

terms? What is the effect upon the efficiency of State and local administrative units of the convergence upon them of the requirements of so many different agencies from a higher level of government?

Many of the Federal agencies operate programs which intimately affect both the extent of the general-relief burden falling upon States and localities and the amount of administrative work to be performed at the local level. To what extent are changes in Federal policy made in the light of these considerations? Do our new programs impose additional administrative work and unpredictable burdens on the older established agencies, such as the local general-relief offices and the employment offices, and have the resources of these agencies been correspondingly increased?

Finally, the broadening of the objectives of public-aid policy and the increasing scope of the measures have resulted in programs which can be administered only by highly competent personnel. Are the methods of recruitment and selection of administrative staffs such as to ensure the appointment of persons of demonstrated ability? Are the conditions of work such as to attract competent persons to make public-aid administration a career? And further, as the programs have come to touch the lives of millions of families and individuals, has the general public any way of appraising these activities and of making its appraisals effective? The administration of programs of this scope would seem to call for the enlistment of citizen participation. To what extent do citizens contribute to the day-to-day functioning of these measures, either in an advisory capacity or through assisting in appropriate types of administration?

The Necessity for Policy Evaluation

Few would dispute either the importance of these questions or the difficulty of answering them. Some of them may indeed be unanswerable. Yet if our democracy is to demonstrate its capacity to handle effectively one of the outstanding social issues of the day, the attempt must at least be made. For the tempo of our times no longer permits us to rest satisfied with the dubious outcome of a policy evolved through years of uncoordinated and uncontrolled experimentation. Any alternative course, however, necessitates an understanding of the nature of the problem we face and the courage to recognize the strengths and weaknesses of our present public-aid policies.

Obviously there can be no ultimately satisfactory solution short of the prevention of economic insecurity. In a very real sense the necessity for public-aid programs is a sad commentary upon our inability to

organize our economic life so as to secure full employment at a level of wages which would permit the individual both to enjoy a high standard of living and to meet interruptions to earning power occasioned by sickness or old age.

Yet while our efforts should continue to be applied to the prevention of economic insecurity, the necessity for meeting the challenge of present poverty cannot be postponed by the hope that preventive action will eliminate the need for this type of governmental activity. Not all causes of dependency are susceptible of preventive action. Loss of earning power due to increasing age can be prevented only to a limited degree, and the proportion of aged in the population is increasing. While preventive action could greatly reduce the incidence of sickness and ill health, only the most optimistic would suppose that losses due to this cause could be entirely eliminated. The same is true of dependency arising from the death of a breadwinner.

Methods of avoiding losses of private income attributable to fluctuations in general economic activity have long been the subject of study and experimentation on the part of students and legislators. Research into the causes of business fluctuations has preoccupied the attention of many outstanding economists throughout the world for several decades. The mounting professional interest in this subject has been equaled only by the increasing variety of the diagnoses offered by these experts and of the remedies they have suggested. During the last 10 years this country, like others, has experimented with a variety of measures having general recovery rather than relief as their objective. Nor have less ambitious preventive measures been neglected. Action looking toward the prevention of industrial and other accidents and measures for the encouragement of stability of employment within individual firms have been characteristic of our more forward-looking States and business concerns for many years. The limited degree of success of many of these efforts to promote full employment and economic stability, together with the lack of agreement among experts concerning the effectiveness of various alternative methods, must necessarily temper any optimism as to the probability of success of similar efforts in the immediate future.

We cannot afford to disregard the national hazard created by the present war, which together with its aftermath, will profoundly affect the currents of our economic and social life. We are today to an increasing degree gearing our economy to the needs of war. Yet even the closer approximation to full employment resulting from the war effort has been accompanied by at least temporary unemployment in civilian industries and those utilizing scarce materials. Moreover,

experience has shown that transference from a war to a peace economy is not effected without difficulty and friction. Whatever the outcome of the war, it seems probable that the pre-war channels of trade will be altered. Adaptation to the post-war world will take time, as will the readjustments after the armament program is curtailed, and during their course the sources of livelihood of many persons will be at least temporarily interrupted. While it may reasonably be hoped that more careful planning for the transitional period may eliminate some of these frictions, it is hardly to be expected that so fundamental a change will be made without serious dislocations.

In an even more immediate sense the war renders imperative a stock-taking of our public-aid institutions. For it is evident that the impact of modern war upon the life of civilians is direct and devastating. Aerial warfare is capable of disrupting and disorganizing the patterns of life of entire communities. The experience of Great Britain has demonstrated the strategic importance of having a structure of well-established and effective social agencies available to meet the emergency needs of entire cities or sections of cities. Elementary prudence requires that we survey our existing institutional arrangements to satisfy ourselves that we are equally well prepared to meet a similar emergency.

In the following pages therefore an attempt will be made to answer the questions raised in this chapter. Obviously in many cases only an approximate answer can be given. Moreover, since this study is concerned with a composite of measures dealing in various ways with a common problem, it was necessary to study their operation as of a specific time. The fiscal year 1940 was selected for this purpose. The effects of the defense program were still relatively insignificant in that year. At the same time the various public-aid measures had reached a stage of development which has not since been substantially changed. Important modifications in individual programs will, however, be noted at appropriate points in the following chapters. Part I of this study will be concerned with the evolution of public-aid programs and will include both a résumé of the economic background in which they developed and a brief account of the character of the various programs as they operated in June 1940. It will also contain an analysis of the characteristics of the public-aid population. Part II will attempt to assess the effect of public-aid programs upon the people concerned. Part III will deal with financial and economic questions, while Part IV will be concerned with administrative problems. Finally, Part V will summarize the findings and present recommendations for future action.