

CHAPTER III

THE EVOLUTION OF POLICY AND PROGRAMS, 1930-1940

The decade from 1930 to 1940 witnessed far-reaching changes in the provision for the economically insecure population. The widespread unemployment and increasing economic insecurity described in the preceding chapter revealed the inability of private and existing public agencies to grapple with a problem of such magnitude. During this period the Federal Government assumed a substantial share of financial responsibility for certain public-aid programs and expanded its influence over standards and policies. At the same time, the responsibility of State governments increased markedly. Another feature of the period was the development of numerous and diversified forms of aid. These changes form the subject matter of this chapter; they will be preceded by a brief picture of the provisions for public aid which existed in 1929 and of the major developments during the decade.

Relief Prior to 1930

In 1929, it is estimated, 76 percent of all relief in the United States came from public funds. Relief agencies under private auspices existed almost exclusively in cities, and probably not more than 400 of the larger municipalities in the country had private relief agencies of any importance. Most of the public relief came from local sources and was administered under the provisions of State poor laws¹ by a variety of governmental units: namely, counties, townships, cities, villages, and even smaller poor districts.² Some aid was given by States or localities or both to certain categories of persons in need, in the form of pensions for the aged and blind poor, needy veterans, and mothers who were unable to support their dependent children.

Local Public Relief

In general it may be said that in the public mind, if poverty was not a misdemeanor, it was at least a very

¹ Most of these poor laws were survivals of old statutes based upon colonial laws which incorporated the general principles of the English Poor Law of 1601. Under these laws, local units of government were responsible for providing public relief, but they extended such relief only to persons having legal settlement in the local unit. For a discussion of the poor laws see Abbott, Edith, "Abolish the Poor Laws," *The Social Service Review*, VIII (March 1934), 1-16.

² An analysis of the poor laws on the State statute books during 1932 and 1933 showed that in 24 States the counties were exclusively responsible for poor relief; in 18 States the counties shared the responsibility in varying degree with townships, cities, or villages. In five New England States responsibility for poor relief was vested in towns, and in Rhode Island in towns and cities. (Compiled from Brown, Lucy Williams, *Poor Relief Laws: A Digest*, Chicago, American Public Welfare Association, 1934.)

reprehensible situation. It was conceded that unavoidable misfortune sometimes results in the fact that "worthy" persons are forced to ask for public aid, but a stigma was attached to the receipt of all relief, whether by "worthy" or "unworthy" persons. It was therefore deemed conducive to economy and public morality to make relief so disagreeable to the recipient that he would be persuaded or forced to devise some means of self-support in order to remove himself from relief lists as soon as possible. This deterrent policy was conceived also as a stern warning to those on the borderline of dependency to practice thrift and keep out of the pauper class.

Several devices were used to make relief as difficult of access and as disagreeable to the recipient as possible. Among them were the designation of persons dependent on public aid as paupers, the denial of certain rights of citizenship to persons on relief, the denial of relief to persons who could not meet the legal-settlement provisions of State poor laws, the dispensing of relief chiefly through almshouses, and the practice of making relief grants smaller than the lowest wages the recipient could possibly earn.

To be eligible for public aid in many States, it was necessary for the applicant to declare himself completely destitute by taking the "pauper's oath" that he had no property, income, or resources and consequently was entirely dependent upon the public for subsistence.³ Not only was the applicant required thus to brand himself publicly as destitute, but he could be prosecuted for falsification or withholding information on resources, with the penalty, in some States, of imprisonment upon conviction. Furthermore, in the constitutions of 14 States, relief recipients were deprived of the right to vote and to hold office.⁴

The denial of relief to persons who could not satisfy legal-settlement requirements⁵ caused a considerable

³ At least nine States had definite statutory provision for the taking of such an oath. (Heisterman, Carl A., and Keener, Paris F., "Further Poor Law Notes," *The Social Service Review*, VIII (March 1934), 43-49.) Provisions requiring execution of such oaths existed in some State poor laws as late as 1938. (See Kurtz, Russell, ed., *The Public Assistance Worker*, New York, Russell Sage Foundation, 1938, pp. 66-72.)

⁴ Heisterman and Keener, *op. cit.*, p. 43. In 4 of these States the loss of franchise was limited to paupers receiving institutional aid.

⁵ Legal-settlement provisions of the State poor laws limit the financial responsibility of governmental units to the care of dependent persons who fulfill certain residence requirements. In addition to stipulating length of residence necessary to acquire settlement in a State and/or local unit, such provisions usually deal with the period of absence in which a person may lose settlement, the removal of nonresidents, regulations against the transporting of unsettled poor, and various conditions

amount of suffering. Discrepancies in the periods necessary to gain or lose settlement in the same State and differences in the periods set by various States caused confusion and distress, since settlement could be, and often was, lost in one State before it was gained in another. As a result, large numbers of destitute people were denied relief and shifted back and forth between towns, counties, and States.⁶ Periods of residence required to gain settlement for poor-relief purposes in 39 States having such provisions ranged in 1930 from 6 months or less in 11 States to periods of from 3 to 10 years in 8 States. Settlement could be lost in periods of absence ranging from 90 days to 5 years in the 19 States which had such provisions.

The poor laws of two-thirds of the States contained, as late as 1937, provisions which required that, before relief was given, relatives who had "sufficient ability" should be called upon to support poor persons. If they refused to do so they were liable to prosecution.⁷

According to the provisions of the poor laws, almshouse care was in 1929 the basic legal method of providing for paupers of all ages and sexes. In less than half the States outdoor (noninstitutional) relief was authorized as of equal importance; in about one-third it was named as a secondary method; and in the poor laws of 10 States it was not mentioned at all.⁸

In the States where outdoor relief was granted, payments given in many localities ranged from \$2 to \$5 a week for a family of five. In some places they were as low as starvation grants of \$3 per month.⁹ The usual method of making these grants was to give relief "in kind," either orders on merchants for groceries or fuel or the articles themselves, such as packages or

which the person must meet during the period of residence while he is gaining settlement. It has been pointed out that "from a social viewpoint, the most important provisions regarding the gaining of a settlement within a county or State are those which fix the length of time of residence necessary to entitle a poor person to poor-relief from such county or State." (Heisterman, Carl A., "Statutory Provisions Relating to Legal Settlement for Purposes of Poor-Relief," *The Social Service Review*, VII (March 1933), 97.)

For an account of the residence requirements existing in 1930 see Heisterman, Carl A., *Memorandum on State Statutory Provisions Relating to Legal Settlement for Purposes of Obtaining Poor Relief and to the Local Financial Responsibility for Such Relief With List of Legal References*, U. S. Department of Labor, Children's Bureau, Washington, 1931.

⁶ Hirsch, Harry M., *Our Settlement Laws, Their Origin, Their Lack of Uniformity, Proposed Measures of Reform*, Bulletin No. 1, State of New York, Department of Social Welfare, 1933, *passim*; Heisterman, Carl A., "Removal of Nonresident State-Poor by State and Local Authorities," *The Social Service Review*, VIII (June 1934), 289-301; and Williams, E. A., "Legal Settlement in the United States," in *Monthly Report of the Federal Emergency Relief Administration, August 1 Through August 31, 1935*, Washington, 1935, pp. 25-40.

⁷ See Abbott, Edith, "Poor Law Provision for Family Responsibility," *The Social Service Review*, XII (December 1938), 618.

⁸ Brown, Josephine C., *Public Relief, 1929-1939*, New York, Henry Holt and Company, 1940, pp. 9-10. "In several States the laws still provided for the letting of contracts for the care of the poor, and a few of them even yet authorized the indenture or apprenticing of children."

⁹ *Ibid.*, p. 16.

baskets of food, second-hand clothing, bedding, and loads of wood or coal.¹⁰ The giving of relief in kind was based on the theory that if paupers were given cash they would waste money or spend it unwisely. However, relief was occasionally given in cash or by check. In fact, prior to 1930 a number of the better organized and financed relief agencies gave most of their aid in cash.

The "work-test"¹¹ was used to some extent, but there was little work relief in the present sense of the term.¹² In all instances where relief was given, applicants were required to pass a means test,¹³ but standards of eligibility ranged from the requirement of complete destitution to a policy which made generous allowance for capital assets and even for income. In general, standards were most restrictive in public outdoor relief agencies, higher in programs for special categories of needy people, and highest in certain private agencies.

Medical relief consisted as a rule of provisions made for the sick poor by small annual part-time stipends paid to city and county physicians and by hospital care at public expense. Public hospitals were rare outside of the larger cities. In the smaller communities, local governments provided a minimum amount of hospitalization for the poor in private hospitals, usually by paying for their care on a per capita per diem basis.

Although in several of the largest cities of the country in 1930 there was no public outdoor relief whatever,¹⁴ approximately 40 cities had established public welfare departments in which more or less well-

¹⁰ During the early years of the depression many agencies resorted to the use of "commissaries" for the distribution of relief in kind. At these depots, bulk goods, chiefly food and clothing, were issued on order as specified by the relief agency. Most public relief agencies, however, used "vouchers" or "disbursing orders" on grocers, landlords, etc., which provided that certain goods be furnished to the client and the bills presented to the relief agency by the dealer for payment. Where the commissary system had been in operation, it was gradually abandoned and disbursing orders or vouchers were substituted. This plan, with modifications which permitted varying degrees of freedom of choice in the selection of food and clothing items, became the principal method through which relief in kind was granted after 1933. For a detailed discussion of methods used for issuing relief in kind see Colcord, Joanna, *Cash Relief*, New York, Russell Sage Foundation, 1936, pp. 17-46.

¹¹ The requirement of the performance of a piece of work by the applicant for relief as evidence of his willingness to work and, consequently, of his "worthiness" to receive relief. Also referred to as "test-work."

¹² Work performed was usually considered to be in repayment for relief grants. This is properly "work for relief," rather than "work relief" as understood at present. For a discussion of the latter concept see the sections on work programs in this chapter and in ch. IX.

¹³ A method of establishing that the applicant's resources and income are insufficient to meet his budgetary needs as determined by the relief agency. The difference between needs and resources is customarily known as the budgetary deficiency.

¹⁴ In Baltimore, Brooklyn, Kansas City, New York City, Philadelphia, San Francisco, St. Louis, and Washington, D. C., public outdoor relief was for the most part discontinued during the 1880's. (Johnson, Fred R., "Public Agencies for Needy Families," in *Social Work Year Book, 1929*, New York, Russell Sage Foundation, 1930, pp. 344-47.) Outdoor relief was not restored in these areas until the administration of emergency unemployment relief was undertaken in 1931 and 1932.

qualified personnel used modern methods of administration. In all other local units, public relief was administered by methods which had changed but little in two or three hundred years. The personnel were poorly equipped for the job. Their general objective appeared to be to conserve public funds by giving mere pittance to the poor. Graft and the use of relief funds for political ends were not unusual.

State Responsibility

Prior to 1930, State responsibility for public aid was in the main limited to institutional care for poor persons who were mentally or (in some States) physically ill;¹⁵ outdoor relief in some States for persons with State, but not local, legal settlement ("unsettled poor"); pensions for the aged and blind poor, needy veterans of former wars, and mothers unable to support their dependent children; and services in the field of child welfare. As might be expected, there was great variation as between States in the amount and kind of responsibility assumed.

New York and most of the New England States provided State funds for the care of the "unsettled poor," for whom no local jurisdiction was responsible. Pensions for needy former soldiers and sailors represented a regular charge upon State budgets, but the expenditures for these purposes were not large in comparison to the sums spent after 1931 for unemployment relief. All but 6 States had statutory provision for relief of needy Civil War veterans, and many States provided relief to the needy veterans of the Mexican, Indian, and Spanish-American wars and the Boxer Rebellion. Relief for World War veterans was provided by 30 States, in addition to Federal bonuses and pensions.¹⁶ As of 1930, 12 States had old-age pension laws; 20 States had similar legislation for the blind; and 45 States had mothers' aid legislation.¹⁷ State contributions were being made for mothers' aid and for old-age and blind pensions, but the amounts spent were only a fraction of State expenditures made for these three types of special assistance under the Federal Social Security Act of 1935. In many States no appropriations from the State treasuries were made at all, or those made

were very much less than the amounts required if the States were to meet their share of the costs in fulfilling the purposes of the legislation.¹⁸ Also the majority of these laws were permissive rather than mandatory upon the counties and entrusted the administration of the programs to local units with no specific provision for State supervision. As a result, the mothers' aid programs, instead of being State-wide, were only about 50 percent operative.¹⁹ Depending so largely upon local funds, local initiative, and local management, they reached in most parts of the country only a fraction of those who were in need of and eligible for assistance and presented an uneven and confused administrative picture.²⁰

State departments of welfare existed in all but five States,²¹ but they had no jurisdiction over local outdoor relief²² and in many States were concerned chiefly with institutions. Ten States had legislation providing for county units of public or child welfare, and in three other States similar programs were promoted by a State agency without special legislation.²³ In most of these States, however, county welfare units were organized in only a fraction of the counties. Indeed in a few States the laws were practically inoperative.

The social-insurance method of protection against

¹⁸ As late as 1934, of 24 States providing aid to the blind, 6 used State funds exclusively, 5 used both State and county funds, and 13 spent only county funds. The total amount spent in 1934 by the State governments was \$3,397,219; by county governments, \$3,482,796. (Social Security Board, *Social Security in America*, Washington, 1937, table 65, p. 303.)

In 1934, of 28 States with laws for old-age assistance, the entire cost was carried by 6 States; in 11 States the cost was shared by States and counties; the cost was carried entirely by the counties in the remaining 11 States. Total State and county expenditures in the 28 States were approximately \$32,000,000. (*Ibid.*, table 37, p. 164.)

In 1934, of 45 States which had mothers' aid laws, two States carried the entire financial responsibility, 12 shared it with the counties, while the entire cost was carried by the counties in 29 States. (Data not available for two States.) Total estimated State expenditures aggregated \$5,865,522 and county expenditures \$31,621,957. (*Ibid.*, table 55, p. 245.)

¹⁹ As shown by reports made to the Children's Bureau in 1931. (*Ibid.*, p. 236.)

²⁰ In 1934, the responsibility for local administration of mothers' aid rested with the juvenile courts in 15 States. Special local agencies were provided in 7 States. In 14 States the administration was put in the hands of town officials or county commissioners who also handled local poor relief. In 3 other States various arrangements provided for the joint responsibility of 2 or more of these agencies or officials. (See *A Tabular Summary of State Laws Relating to Public Aid to Children in Their Own Homes in Effect January 1, 1934*, U. S. Department of Labor, Children's Bureau, Chart No. 3, Washington, 1934.)

²¹ White House Conference on Child Health and Protection, section IV A, *Organization for the Care of Handicapped Children*, New York, The Century Co., 1932, pp. 144-45 and 151. The five States were Arkansas, Idaho, Mississippi, Nevada, and Utah. The Department of Public Welfare in Idaho was primarily a health department. Utah had a juvenile court commission and Arkansas a commission for crippled children.

²² Except in the few States which spent State funds for the unsettled poor, as already noted.

²³ By legislation in Alabama, Kentucky, Minnesota, Missouri, Nebraska, North Carolina, South Dakota, Virginia, West Virginia, and Wisconsin; by activity of a State agency in Georgia, New Mexico, and Iowa. Brown, Josephine C., *op. cit.*, p. 25.

¹⁵ In addition, responsibility for penal institutions and reformatories was usually vested in the State agency which administered other institutional programs. For a discussion of State systems of public welfare during this period see Odum, Howard W., "Public Welfare Activities," in *Recent Social Trends in the United States*, New York, McGraw-Hill Book Company, Inc., 1933, pp. 1224-73.

¹⁶ Data on veteran-relief legislation compiled by Lowe, Robert C., cited by Geddes, Anne E., in *Trends in Relief Expenditures, 1910-1935*, Research Monograph X, Works Progress Administration, Division of Social Research, Washington, 1937, p. 3.

¹⁷ Social Security Board, Division of Public Assistance Research, *Memorandum on the People Who Need Financial Assistance*, Washington, 1940, revised, tables 1, 2, and 3, pp. 3-5. This memorandum, which was prepared especially for the purposes of this study, will be referred to in the present report by title only.

economic hazards, which was to be emphasized and implemented on a national scale by the Social Security Act, was used in only one field of public aid: Workmen's compensation covered workers against the loss of earning capacity due to industrial accidents and occupational diseases in all but five States by the middle of 1929. There had been rapid growth of workmen's compensation legislation on a State basis following the precedent set by an act of Congress in 1908 which had established a workmen's compensation system for Federal employees. During 1911-13 no less than 21 State laws had been approved, providing for a wide variety of insurance carriers, types of employment covered, and organization, and administration, a variety which persists to this day.²⁴ There was no other form of social insurance. Not until 1935, the year in which the Social Security Act was passed, was there any system of State or Federal insurance for unemployment, old age, or disability, except in the State of Wisconsin where a compulsory unemployment compensation system was established in January 1932 and began to operate in July 1934.²⁵

Federal Responsibility

On the basis of policy enunciated in the 1850's and not reversed until 1933,²⁶ the Federal Government made no appropriation and conducted no program for regular direct relief, assistance, or insurance to any group of individuals other than its own employees and wards. (Federal pensions and compensation for veterans and medical care for seamen constituted possible exceptions.) Certain services in the related fields of health, welfare, and education were carried on by the States with Federal financial assistance, and a moderate amount of stimulation and advisory-supervisory service was given by Federal agencies. Occasional emergency appropriations for relief to sufferers in foreign and domestic disasters had been made by Congress, but no Federal relief had ever been voted for the unemployed in any industrial depression.

Major Developments, 1930-40

The decade after 1930 was a period of intense activity in the field of public aid, and as a result the character of public provision of aid for the economically insecure was in large measure revolutionized. Three stages of development can be discerned: the early years of the depression; the development of Federal and State pro-

grams in 1933-35; and the beginning of a permanent program in the ensuing years.

The Early Years of the Depression

During the first 2 years of the depression the local relief agencies, both public and private, struggled to meet the increased public need due to the unemployment emergency. Local public appropriations and private contributions increased markedly. Public subsidies from local governments to private agencies, which had been fairly common before 1929, increased during this period both in number and amount. However, the making of appropriations became more and more difficult for many municipalities, owing in part to the high percentage of tax delinquencies.

Occasional State appropriations were made for disaster relief. In 1930 and 1931, Arkansas, Florida, Illinois, Louisiana, Minnesota, Missouri, and South Carolina made appropriations of this nature, the sums ranging from nearly a million dollars for flood relief in Illinois to \$1,500 in South Carolina for sufferers from a hailstorm. The total of the appropriations made by these seven States during the 2-year period was approximately \$1,300,000.²⁷ Moreover, a few States appropriated relatively small sums for unemployment relief early in 1931, without providing for continuity of financing or administration. In the fall of 1931 some State governments adopted for the first time continuing responsibility for assisting the localities in providing relief funds. By the middle of 1933 about half of the States had appropriated funds for emergency relief, and the majority of them had established emergency relief administrations.

The attitude of the Federal Government toward unemployment relief was in accord with the policies enunciated 10 years previously at the President's Conference on Unemployment. The gravity of the situation was minimized, and emphasis was placed on measures which would enable industry to re-employ workers. The responsibility for meeting emergency needs was placed upon the communities, and particularly upon private charity. Consequently, Federal action at first consisted solely of the organization of committees: The President's Emergency Committee on Unemployment in 1930, and the President's Organization on Unemployment Relief in 1931. These purely advisory committees, dispensing no relief funds and with no administrative function, concerned themselves entirely with encouraging local initiative.²⁸

²⁴ Cf. Dawson, Marshall, *Problems of Workmen's Compensation Administration in the United States and Canada*, U. S. Department of Labor, Bureau of Labor Statistics Bulletin No. 672, Washington, 1940, pp. 7, 220.

²⁵ *Social Security in America*, p. 6.

²⁶ Brown, Josephine C., *op. cit.*, pp. 33-34.

²⁷ Brown, Josephine C., *op. cit.*, p. 20.

²⁸ According to the Director of the President's Organization on Unemployment Relief, Walter S. Gifford, the object was "not to do anything other than encourage the States to do the work; * * * the responsibility was to be left squarely with the States, counties, and communities." (*Unemployment Relief*, Hearings Before a Subcommittee of

The continuing need and the demonstrated inadequacy of local resources resulted, however, in growing pressure in Congress as well as throughout the country for the provision of Federal aid. The drought of 1930 and its aftermath also created a strong incentive for Federal action. During 1931 a small sum was advanced by Congress for feed and seed loans to farmers in the drought areas, while the American Red Cross was providing drought relief in these areas and organizing State-wide collections and distributions of feed. Resolutions introduced in Congress in late 1931 and 1932 provided for the transfer of government-owned surpluses of wheat and cotton to the Red Cross "for use in providing food, cloth, and wearing apparel for the needy and distressed people, and in providing feed for live stock in the 1932 crop-failure areas, after the needs of human consumption have been taken care of * * *"²⁹ Distribution of these commodities was made through the local Red Cross chapters in cooperation with local relief agencies.

In December 1931, bills providing for Federal appropriations for unemployment relief were introduced in Congress.³⁰ Meanwhile the Federal administration, under the pressures of demonstrated need and of the inadequacy of local and State financial resources, began to retreat from the position that all relief responsibility belonged to the localities (with a heavy emphasis upon private initiative) to an acknowledgment that most, if not all, of the burden would have to be carried by local public funds. This was soon followed by a reluctant admission that, when local resources were exhausted, the States would have to help.

However, with the exhaustion of local funds and the inability of most of the States to mobilize their resources to meet the mounting load of unemployment, Congress finally went a step further and in 1932 provided Federal assistance on a limited scale through the Reconstruction Finance Corporation created January 22, 1932, to aid in financing agriculture, commerce, and

the Committee on Manufactures, United States Senate, 72d Cong., 1st sess., Washington, 1932, p. 310.) President Hoover similarly stated, in his message to the Senate in May 1932, that "* * * the obligation of distress rests upon the individuals, upon the communities, and upon the States." (*Congressional Record*, 72d Cong., 1st sess., LXXV, Washington, 1932, pt. 10, p. 11597.)

²⁹ Public Resolution No. 33, 72d Cong., approved July 5, 1932, which provided for transfer of 500,000 bales of cotton previously purchased by the Cotton Stabilization Corporation of the Federal Farm Board and 45,000,000 bushels of wheat previously purchased by the Grain Stabilization Corporation of the Federal Farm Board. Public Res. No. 12, 72d Cong., approved March 7, 1932, had provided for similar transfer of 40,000,000 bushels of wheat, and subsequent legislation (Public No. 329, 72d Cong., approved February 8, 1933) made an additional 350,000 bales of cotton available to the Red Cross. For an account of the distribution of these commodities, see American Red Cross, *The Distribution of Government Owned Wheat and Cotton*, Washington, 1934.

³⁰ During the years 1931 and 1932 there were introduced into Congress no less than 60 bills providing for some form of unemployment or drought relief or for the expansion of public works.

industry. Finally, on July 21, 1932 the Emergency Relief and Construction Act became effective, expanding the functions of the RFC to provide "advances" to States for relief and work relief, broadening the lending powers of the Corporation, and providing loans for State and local "self-liquidating" public projects as a method of providing employment and expediting a public-works program.³¹ This act marked the first formal acceptance by the Federal Government of even limited responsibility for aid in meeting the burdens of unemployment relief.

The Development of Federal and State Programs, 1933-1935

In 1933-35 a radical change occurred in the role of the Federal Government: it began to provide funds and to assist in the conduct of public-aid programs. At the same time it also created and operated its own plans. Federal aid was directed toward emergency unemployment relief and also toward measures intended to reduce and relieve unemployment. A major development of the period was increased emphasis upon the provision of work for the employable unemployed.

The legislation authorizing these programs was enacted between March and June 1933. The first Federal agency for the relief of unemployment, the Civilian Conservation Corps, was authorized by Act of Congress approved March 31. The initial purposes of the Act were to relieve "the acute condition of widespread distress and unemployment now existing in the United States and . . . to provide for the restoration of the country's depleted natural resources and the advancement of an orderly program of useful public works. . . ."³²

The Federal Emergency Relief Act of 1933, approved May 12, provided the first direct Federal grants to the States for unemployment relief and created the Federal Emergency Relief Administration. This action was designed as a temporary measure to care for emergency needs through work relief and direct relief.

On June 6, 1933, through the Wagner-Peyser Act, the United States Employment Service was created as a bureau in the Department of Labor to "promote and develop a national system of employment offices." The National Reemployment Service was set up on June 22 as an agency of this bureau.

On June 16, 1933, the National Industrial Recovery Act appropriated funds "to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public

³¹ Public, No. 302, 72d Cong., which made available advances of \$300,000,000. See Appendix 2.

³² Public, No. 5, 73d Cong., authorizing appropriations for Emergency Conservation Work. The name Civilian Conservation Corps was not used in legislation until 1937.

works." Title I of the act declared that "A national emergency productive of widespread unemployment and disorganization of industry * * * is hereby declared to exist." Under Title II of this act the Federal Emergency Administration of Public Works (Public Works Administration³³) was created in June. The PWA program was primarily a "pump-priming" device intended to stimulate industry through the purchase of materials and the payment of wages. The Federal Civil Works Administration was created by Executive Order No. 6420-B, November 9, 1933, when it became obvious that the PWA was moving slowly and was providing only a negligible amount of employment. Although the economic objectives of the CWA were similar to those of the PWA,³⁴ it was intended primarily to meet the critical unemployment needs of the winter and to remedy certain defects of the work provided by the FERA. The CWA program was discontinued after 4 months, primarily because of its costliness, but it was of great significance as the first federally operated work program. In many respects it forecast and established precedents for the later works program.

The distribution of surplus commodities to needy persons was begun on a Nation-wide scale with the incorporation of the Federal Surplus Relief Corporation on October 4, 1933, "to help solve the paradox of hunger and destitution existing in a country with huge agricultural surpluses."³⁵ During the first 2 years of its existence the Corporation was operated as a virtual subsidiary of the FERA.

Of all these measures, the Federal Emergency Relief Act of 1933 was of the greatest importance in the field of public aid. It established the first Federal relief administration, which assisted in the reorganization of State emergency relief administrations or the creation of new ones to handle emergency relief funds.³⁶ Federal regulations governed the expenditure of the Federal funds which were granted to the States, making it possible to raise the amounts of relief grants and to set standards of personnel and relief administration.

³³ Although this agency was unofficially known by its shorter title early in its history, it did not officially become the Public Works Administration until July 1, 1939. For further information on the operation of the program, see Appendix 4.

³⁴ "To offset the decline in business activity and the sluggish development at the outset of the PWA program, the CWA was quickly established to inject a vast quantity of purchasing power into the system in a short period of time." (Gill, Corrington, "The Civil Works Administration," in *The Municipal Year Book, 1937*, Chicago, International City Managers' Association, 1937, p. 420.) For further information on the CWA program see Appendix 5.

³⁵ *Monthly Report of the Federal Emergency Relief Administration, July 1 Through July 31, 1935*, Washington, 1935, p. 17.

³⁶ The act creating the FERA provided for "cooperation with the several States and Territories * * * in relieving the hardship and suffering caused by unemployment." (Public, No. 15, 73d Cong., approved May 12, 1933.) For a more detailed account of the operations of the FERA, see Williams, Edward A., *Federal Aid for Relief*, New York, Columbia University Press, 1939, chs. II-V.

The principle of government responsibility was reinforced by the rule that all Federal funds must be spent by public agencies. The practice of making subsidies to private agencies for relief purposes was thereby effectively stopped. This policy, established in June 1934 by the FERA, carried over into later Federal and State relief and assistance programs.

Provision was made for work-relief projects on Federal property, under Federal departments, as early as August 1933. Work relief was also conducted by the States and localities, under the supervision of the Federal Work Division set up in the FERA. These activities marked the beginning of a huge program of federally sponsored or supervised projects which was to reach its full development after 1935.

During the operation of the CWA, the FERA discontinued virtually all work activities but continued to administer direct (home) relief. When the CWA was liquidated in March 1934, the unemployment relief problem again became a responsibility of the FERA. This agency and the State emergency relief administrations conducted work-relief projects through the "Emergency Work Relief Program," designed for the urban unemployed and including all communities of more than 5,000 population. Under this program, many of the CWA projects were continued, and new activities were begun. In addition, programs and activities were inaugurated to meet the special needs of certain groups of persons requiring public assistance. Among such programs was the provision of aid to nonresidents under the supervision of the Federal Transient Bureau.

As part of this differentiated treatment of relief groups, the rural-rehabilitation program, inaugurated in April 1934, was undertaken by the FERA for the benefit of destitute farm families and other families living in rural areas. Communities of less than 5,000 population were designated as "rural." The general objective was to assist the individual family "to become self-supporting and independent of emergency relief aid"³⁷ by means of loans, an advisory service on farming problems, and projects on which they might "work for relief" while they were in process of achieving their independence.

Another aspect of the rural-rehabilitation program related to the relief of destitute families on unproductive or "submarginal" land. The purchase of such land and its conversion to other uses were functions of the land program section.

The third phase of the rehabilitation problem dealt with stranded populations. Rural industrial communi-

³⁷ *Monthly Report of the Federal Emergency Relief Administration, May 1, Through May 31, 1934*, Washington, 1934, p. 6.

ties were proposed as a means for placing on a self-sustaining basis rural families who had lost their livelihood because of technological changes, recurring droughts, and loss of employment due to the exhaustion of timber lands, mines, and oil fields. The efficacy of this means of assisting stranded groups was admitted to be limited.³⁸

The Beginning of a Permanent Program

The first Nation-wide system of reporting relief statistics, established by the FERA,³⁹ had confirmed the existence of an alarming amount of chronic need which was only aggravated by the depression. The knowledge of this need stimulated and formed the basis of much of the program planning during 1934 and 1935.

The FERA ceased to exist as an operating agency on December 31, 1935.⁴⁰ The 12 months preceding this date were a time of transition from Federal emergency relief to a Federal work program and to Federal provision on a permanent basis for social security in the form of special public assistance and social insurance. The year was marked by a shift from a general-relief administration involving both work and direct relief, in which Federal, State, and local governments participated, to a division of responsibility according to categories of need, whereby the Federal Government undertook to provide for the needy employable unemployed through a direct Federal works program, and to assist the States with their responsibility for the "unemployables" by making grants-in-aid for assistance to the aged, the blind, and needy children who fulfilled certain eligibility requirements.

The first steps in a long-range attack upon the problem of economic insecurity were taken by the Federal Government in June 1934, when the Committee on Economic Security was appointed to "report to the President not later than December 1, 1934, its recommendations concerning proposals which in its judgment will promote greater economic security."⁴¹ Planning

at once began for drastic changes in the total program. The work of the Committee soon concentrated upon social insurance and assistance, and planning for the work program was increasingly left to the FERA and other groups.

On January 4, 1935, President Roosevelt presented to Congress the plan for a works program which was implemented by the Emergency Relief Appropriation Act of 1935, approved on April 8. Nearly 5 billion dollars were appropriated "to provide relief, work relief, and to increase employment by providing for useful projects." Under the authority of this act a Works Program was set up by the President. Projects were to be operated by a number of regular Federal agencies as well as by three new emergency agencies created under the authority of the same Act: The Resettlement Administration in April; the Works Progress Administration in May; and the National Youth Administration in June. The work of the Civilian Conservation Corps was continued. The Federal Surplus Relief Corporation on November 18, 1935, became the Federal Surplus Commodity Corporation.

The Works Progress Administration was given responsibility for coordinating and reporting on the progress of the Works Program and for operating "small useful projects" for the needy unemployed who were on relief, and for effecting the transfer of 3,500,000 "employables" from relief rolls to the new work-relief projects.⁴²

The National Youth Administration was set up within the WPA "to initiate and administer a program of approved projects which shall provide relief, work relief, and employment for persons between the ages of 16 and 25 years who are no longer in regular attendance at a school requiring full time, and who are not regularly engaged in remunerative employment."⁴³ The agency gave employment on work projects to youth no longer in school and on student-aid programs which assisted youth to remain in school though not carrying a full course.⁴⁴

On June 30, 1935, the Rural Rehabilitation Division of the FERA ceased to function; its responsibilities, except that for relief cases not receiving loans or accepted for rehabilitation,⁴⁵ were transferred to the new Resettlement Administration. In addition to these responsibilities, funds were allotted to the Resettlement

³⁸ See "The Rural Rehabilitation Program," in *Monthly Report of the Federal Emergency Relief Administration, August 1 Through August 31, 1935*, Washington, 1935, pp. 14-24.

³⁹ As early as 1926, the Russell Sage Foundation collected current relief statistics in selected cities. In 1930 the Children's Bureau took over this project, together with the registration of social statistics carried on by the Association of Community Chests and Councils and the University of Chicago. The early activities of the Children's Bureau in this field established precedent for the central reporting set up by the FERA. (Stevenson, Marietta, *Public Welfare Administration*, New York, The Macmillan Co., 1938, p. 286.)

⁴⁰ Legally the FERA was not officially liquidated until June 30, 1938 (title I, sec. 13, Emergency Relief Appropriation Act of 1937), being continued until this date to fulfill commitments made and discharge obligations incurred prior to December 31, 1935, but no new program was initiated after 1935.

⁴¹ Four of the Committee were members of the Cabinet: The Secretary of Labor, chairman; the Secretary of the Treasury; the Attorney General; and the Secretary of Agriculture. The Federal Emergency Relief Administrator was also a member.

⁴² Executive Order No. 7034, May 6, 1935. In January 1935 the FERA had estimated that of the approximately 5 million families or individual cases which were on the emergency relief rolls, some 3½ million contained an employable member. For further information on the WPA program, see Appendix 3.

⁴³ Executive Order No. 7086, June 26, 1935.

⁴⁴ These programs had some precedent in the student-aid program of the FERA.

⁴⁵ These cases remained with the State emergency relief administrations.

Administration in November of the same year to be used for direct relief to needy farmers. This was the beginning of the subsequent Farm Security Administration program of "emergency grants" or subsistence payments to needy farmers.

During the last half of 1935 the FERA transferred its "employables" to the Works Program, chiefly to the projects of the WPA. In keeping with the President's statement in his January message to Congress that "the Federal Government must and shall quit this business of relief,"⁴⁶ and with his proposal made at that time for the care of "unemployables" by the States and localities, the FERA gradually withdrew its assistance to State relief administrations, making final grants during November and December. The greater part of the Federal transient program was terminated at the end of December, after intake had been closed in September.

The report of the Committee on Economic Security, transmitted to Congress by the President in the special message of January 17, 1935, made far-reaching proposals for the enactment of a Nation-wide program of old-age insurance, for the development of a Federal-State system of unemployment compensation, and for Federal grants-in-aid to the States for assistance to the aged and to dependent children and for certain health and welfare services. The Economic (later Social) Security Bill embodying these recommendations was introduced at that time and as modified became law on August 14, almost seven months later. The appointment of the members of the Social Security Board, the permanent agency to administer the act, was ratified by the Senate in August 1935. However, not until February 1936, more than a year after the bill had been introduced, were funds for the program appropriated by Congress. Important amendments to the Act were passed in 1939.

Probably no public measure during the thirties indicated the long-term aspects of public-aid policy so clearly as the social-insurance provisions of the Social Security Act and the ensuing State unemployment compensation laws. The application of the principle of insurance to risks such as old age and unemployment (sickness and disability were omitted) signified both the acceptance of the concept that need arising from these hazards of modern industrial society is a permanent problem and the adoption of collective responsibility for meeting the costs of these risks. In their financial provisions, the social-insurance programs departed from the practice of year-to-year appropriations for public aid.

⁴⁶ *Address of the President of the United States, delivered before a Joint Session of the Two Houses of Congress, January 4, 1935, 75th Cong., 1st Sess., House Document No. 1, Washington, 1935, p. 4.*

The Social Security Act authorized other types of public aid than social insurance. Provisions for the needy aged, dependent children, and the blind, as well as for maternal-and-child-health services, child-welfare services, services to crippled children, and public-health work, were also put on a more stabilized basis by the authorization of Federal funds to form an important share of the finances required for State programs in these fields.

Social insurance for railroad workers was provided by Congress through the Railroad Retirement Acts of 1935 and 1937, the Carriers Taxing Act of 1937, and the Railroad Unemployment Insurance Act of 1938, which was amended in 1940.

Important regroupings of public-aid agencies took place under the President's Reorganization Plan No. I, effective July 1, 1939. The United States Employment Service was made a part of the Social Security Board and this agency, together with the National Youth Administration, the Civilian Conservation Corps, and various service agencies, was placed in the new Federal Security Agency. The Works Progress Administration became the Work Projects Administration and was placed in the new Federal Works Agency along with the Public Works Administration and certain nonrelief agencies.

Under Reorganization Plan No. III, effective June 30, 1940, the Federal Surplus Commodities Corporation was merged with the Division of Marketing and Marketing Agreements of the Agricultural Adjustment Administration to form the Surplus Marketing Administration in the Department of Agriculture. In this department another public-aid agency had already been placed when the Resettlement Administration was transferred by Executive order on December 31, 1935. As of September 1, 1937, its name was changed to the Farm Security Administration.

The Predominant Role of the Federal Government

Probably the most outstanding feature of the years 1930 to 1940 was the increasing assumption by the Federal Government of responsibility for the welfare of the economically insecure population.⁴⁷ It is especially noteworthy that this responsibility was not limited to making funds available for unemployment relief and exercising the minimum controls essential to protect its financial interests as a granting authority. Of greater significance is the fact that the Federal Government began to exercise a profound influence on public-aid policy and administration in the Nation. This influence was exerted through the specific encour-

⁴⁷ For details of methods of financing public aid and related measures in 1940, see ch. X.

agement of certain forms of security provision by the offer of grants-in-aid and through direct Federal operation of certain measures which affected not merely the unemployed but also persons whose insecurity stemmed from other causes.

Federal Financial Responsibility

As mentioned previously, in the early years of the decade Federal responsibility for relief was limited in principle to the making of loans. Under the Emergency Relief and Construction Act of 1932, the Reconstruction Finance Corporation was authorized to make advances to the States and their subdivisions to relieve the hardships resulting from unemployment and to lend funds for self-liquidating public works.⁴⁸

The Federal Emergency Relief Act of 1933 radically changed the nature of Federal financial participation by making appropriations for Federal grants-in-aid to the States.⁴⁹ Half of the first \$500,000,000 of these grants was available on a matching basis, the Federal share being one-third of actual State and local expenditures for relief, while the remaining grants were discretionary, based on estimated need and fiscal capacity. Originally regarded as supplementary to the matching grants, these discretionary grants became the main form of Federal financial aid during the FERA period.

To these grants-in-aid must be added other Federal financial commitments in connection with various special programs. The CCC program, initiated in March 1933, represented a substantial assumption of financial responsibility because throughout the decade the Federal Government carried the entire costs of this program.⁵⁰ Under the National Industrial Recovery Act, allotments aggregating over \$1½ billion were made

⁴⁸ For details, see Appendix 2. The advances were on the sums to be appropriated in the Federal Highway Act for the fiscal year 1935. However, a section of this act (Public, No. 339, 73d Cong., approved June 18, 1934) waived the requirement that the advances be repaid, and State obligations for the advances were cancelled entirely in 1938 (Public, No. 432, 75th Cong., approved February 24, 1938.) Of \$1,500,000,000 authorized for public works, only about \$300,000,000 was advanced by the close of 1935.

⁴⁹ Federal funds authorized for the use of, or allocated to, the FERA through June 30, 1936, were as follows:

Total-----	\$3, 088, 670, 625
Federal Emergency Relief Act of 1933-----	411, 040, 000
National Industrial Recovery Act of 1933-----	148, 035, 000
Act of February 15, 1934-----	605, 000, 000
Emergency Appropriation Act, fiscal year 1935:	
Title II, par. 1-----	257, 000, 000
Title II, par. 2-----	223, 590, 000
Title II, par. 1-----	500, 000, 000
Emergency Relief Appropriation Act of 1935-----	944, 005, 625

(Burns, Arthur Edward, "Federal Emergency Relief Administration," in *The Municipal Year Book, 1937*, p. 404.) For a discussion of the problems faced by the FERA in allotting relief funds to the States, see Williams, *op. cit.*, ch. V. Cf. Withers, William, *Financing Economic Security in the United States*, New York, Columbia University Press, 1939, ch. III.

⁵⁰ Other than those of certain functions performed by local relief agencies in the selection of applicants.

to the PWA for more than 15,000 Federal projects, which were wholly federally financed and constructed directly by the various departments of the Federal Government, constituting "an acceleration of the normal rate of construction." Over 90 percent of this sum was allotted in 1933.⁵¹ Nonfederal projects were financed jointly by the Federal, State, and local governments, the Federal Government paying a grant equal to 30 percent of the cost of labor and materials. In addition, the Federal Government made loans to States and localities and to a small number of eligible corporations, mostly charitable.⁵² Finally, between November 1933 and March 1934 the Federal Government bore the lion's share of the costs of the CWA program.⁵³

In 1935, through the Emergency Relief Appropriation Act, the manner in which the Federal Government contributed to the costs of relief and related measures again underwent a change, when the Federal Government undertook financial responsibility for aid to the needy employable unemployed. This aid was to be given through a federally financed work program which during the first fiscal year aimed to employ 3½ million employable persons then on relief.⁵⁴

In fact, however, during the ensuing 5 years Congress continuously restricted the extent of Federal responsibility for the costs of unemployment relief. Certain types of workers were in time declared ineligible. (See Appendix 3 and Ch. IX.) The development of policy with regard to the contribution required from local sponsors, with whom lay the initiation of projects, also tended to limit the extent of Federal financial responsibility for aid to the unemployed. Federal aid was available only when sponsoring localities were prepared to shoulder their share of the costs.⁵⁵ The requirement of a sponsor's contribution was only partially reversed in June 1940 when the waiving of sponsors' contributions was permitted in

⁵¹ Thoron, B. W., "The Federal Emergency Administration of Public Works," in *The Municipal Year Book, 1937*, p. 457.

⁵² *Ibid.*, p. 461.

⁵³ During the 5 months of its operation Federal expenditures accounted for slightly over 90 percent of the total costs amounting to about \$952,000,000. (Brown, Pamela, *Analysis of Civil Works Program Statistics*, Works Progress Administration, Division of Statistics, Washington, 1939, table 17, pp. 30-31.)

⁵⁴ The remaining 1½ million relief cases, presumed to be "unemployable," were to be turned back to the localities on the ground that this responsibility was primarily a local one.

⁵⁵ From the beginning of operations, the WPA secured from the local sponsors of projects some financial contribution toward their operation, particularly with respect to materials and equipment. In 1937, Congress required written agreements from sponsors as to their share in financing. In 1938, the statute limited the amount to be expended from Federal funds for nonlabor requirements on the projects. In 1939, this amount was slightly reduced, and in addition local contributions were required in sufficient amount to reach at least 25 percent of total project costs in each State. In consequence of these changes, there was a rising trend in the percentage of total project costs borne by local sponsors, from 10.0 percent in 1936 to 26.0 in 1940. (*Report on Progress of the WPA program, June 30 1940*, Washington 1940, p. 58, table 25.)

the case of national defense projects approved on and after January 1, 1940. It should be noted that, although the Federal Government undertook to provide for all needy employable persons, at no time were appropriations adequate to provide for all the needy unemployed.⁵⁶

With the passage of the Social Security Act in August 1935 the Federal Government's commitments on behalf of the economically insecure population greatly increased. Under this act (titles I, IV, and X)⁵⁷ the Federal Government undertook to match one-half of the amounts granted by States for old-age assistance and aid to the blind, up to a Federal-State total of \$30 a month per recipient,⁵⁸ and to contribute one-third of grants to needy dependent children not exceeding \$18 per month for the first child per family and \$12 for each additional child. This financial responsibility was increased by an amendment to the Social Security Act in 1939 (effective January 1, 1940) which raised the maximum matchable grant to \$40 monthly for the aged and the blind and raised the Federal share contributed to assist dependent children from one-third to one-half.

Great as was this new Federal financial commitment,⁵⁹ its long-run significance appeared likely to be overshadowed by the financial implications of two other measures introduced by the Social Security Act. The first of these (embodied in titles II and VIII), which set up a Federal old-age insurance system, involved the levying by the Federal Government of wage and payroll taxes on all workers and employers in employments other than agriculture, domestic service, and certain other employments.⁶⁰ In addition to this earmarking for security purposes of a profitable source of Federal revenues, the 1935 act also threw on the Federal Government the costs of administering this program, while the requirement that the old-age reserve account be invested in government securities bearing a specified rate of interest in fact involved a small concealed subsidy from general tax revenues.⁶¹

The provisions of the Social Security Act relating to unemployment compensation (titles III and IX) also made new financial commitments for the Federal Government. For although the tax-offset device,⁶² adopted in order to permit the States to levy pay-roll taxes for unemployment compensation purposes without fear of interstate competition, left the financial responsibility for this type of provision with the States, the Federal Government thereby limited its own opportunity of resorting to these taxes for unemployment relief or for other purposes. Moreover, it undertook full responsibility for paying the entire costs of administration of this program.⁶³

During this period the financial involvement of the Federal Government was also increased by the passage of the Railroad Retirement and the Railroad Unemployment Insurance acts. Under this legislation the Federal Government assumed responsibility for the collection of wage and payroll taxes in the railroad industry for the purpose of providing old-age retirement and unemployment benefits to workers therein. In addition, inasmuch as the contribution rates under railroad retirement legislation were found to be too low to support the present benefit levels for a long period of time, the Federal Government may eventually be called upon to make a direct contribution out of general tax revenues.⁶⁴

The Wagner-Peyser Act, which provided for matching Federal grants for the administration of the State employment services, also added to the financial commitments of the Federal Government. While the obligation incurred was relatively small (\$3 million per year for grants to the States), it was substantially higher than the appropriations in the years prior to 1933. However, as will be seen later, the major aspects of this legislation were not in the financial field, but in the administrative realm, inasmuch as the Federal Government became partner in another segment of the public-aid field.

Federal Influence Over the Forms and Administration of Public Aid

The evolution of Federal influence over, or direct responsibility for, the form in which public aid is provided and the nature of administration followed a

⁵⁶ Title IX of the Social Security Act imposed a Federal excise tax on employers of eight or more workers in specified employments. However, the taxpayer was allowed, against this tax, a credit of 90 percent of this tax for the contributions (taxes) paid by him to a State unemployment compensation system approved by the Social Security Board. The Federal Act did not provide for payment of unemployment compensation benefits to individuals as it did for the payment of old-age benefits.

⁵⁷ It was generally assumed, although not so stated in the law, that these costs would be covered by the tenth of the payroll tax retained by the Federal Government.

⁵⁸ Cf. *Annual Report of the Railroad Retirement Board for the Fiscal Year Ended June 30, 1940*, Washington, 1941, pp. 198-203.

⁵⁹ See ch. IX.

⁶⁰ Titles V and VI of the act also involved Federal financial commitments for various health and welfare services provided by State agencies or under their supervision. See the concluding section of this chapter.

⁶¹ An additional 5 percent of the amount granted for public assistance payments (old-age assistance and aid to the blind only) was also available for costs of administration or for additional payments to recipients. For a description of the situation in 1940 after the 1939 amendments went into effect, see ch. IV.

⁶² During the fiscal year 1940 the Federal Government incurred obligations of \$283.4 million for the three special assistance programs. This sum included payments to recipients and costs of administration. (*Fifth Annual Report of the Social Security Board, 1940*, Washington, 1941, p. 103.)

⁶³ For a list of the excluded employments see Appendix 7.

⁶⁴ This resulted from the provision, in the Social Security Act, that the interest-bearing obligations of the United States (or obligations guaranteed as to both principal and interest by the United States), in which the old-age insurance reserve was to be invested, must yield 3 percent interest. Most of the Federal debt carried less than this rate.

course somewhat different from that in the financial field. But here too the period was marked by an expansion of the role of the Federal Government. This role was both that of a partner in a cooperative Federal-State relationship and that of a direct operator and administrator of certain programs.

The Federal Government as partner.—Until 1933 the role of the Federal Government in regard to the nature of the provision to be made for insecure people was mainly passive. Control over the funds lent for unemployment relief by the Reconstruction Finance Corporation was entirely in the hands of the States except for certain legal requirements with regard to the self-liquidating character of the projects for which funds were lent.⁶⁵

With the inauguration of a system of grants-in-aid for relief under the Federal Emergency Relief Act of 1933, the Federal Government was inevitably committed to a greater degree of administrative responsibility. The mere distribution and control of the expenditure of these funds was in itself a tremendous undertaking. It involved the creation of a Federal administrative organization and, in view of the relatively wide discretion left to the administrators by Congress, the formulation of more detailed regulations to ensure that the funds were in fact spent only for the purposes for which they were intended.⁶⁶

But, as already indicated, the Federal Government, recognizing its ultimate responsibility for the welfare of the American people wherever they might live, did not confine itself to the minimum controls essential to protect its financial interests as a granting authority. It began also to exercise an influence over the nature of the assistance provided. Payment in cash rather than in kind and work relief for the unemployed rather than a dole or test work were deliberately fostered, while a determined attempt was made to discourage discrimination against certain groups of persons.⁶⁷ Encouragement was also given to the development of self-help cooperatives, and under FERA leadership special measures appropriate to the needy agricultural population were developed. A special program for transients was also developed and supervised by the Transient Bureau of the FERA. The day-to-day administration of these relief measures remained a responsibility of the States and localities.

⁶⁵ See Watson, Donald S., "The Reconstruction Finance Corporation," in *The Municipal Year Book, 1937*, p. 381. Cf. Williams, *op. cit.*, p. 44.

⁶⁶ Thus an early regulation provided that the relief was to be given only to persons in need, while another series of regulations outlined the procedures to be followed and the evidence of need, financial ability, etc., to be adduced by the States in applying for grants.

⁶⁷ FERA rules and regulations No. 3, July 11, 1933, required that "there shall be no discrimination because of race, religion, color, non-citizenship, political affiliation, or because of membership in any special or selected group."

Although at the end of 1935 the administrative and financial participation of the Federal Government in general relief ceased with the abandonment of the FERA program, a cooperative relationship involving Federal influence over certain special types of aid was reintroduced by the Social Security Act. The grants-in-aid and the tax-offset provisions of that act gave expression to a policy of deliberate Federal encouragement of certain types of aid—namely, the special public assistances and unemployment compensation. The effectiveness of this Federal stimulus with respect to special-assistance measures was soon apparent, as can be seen from table 1.

TABLE 1.—Number of programs in operation, number of persons aided, and obligations incurred for special public assistances, 1934 and 1939

Program	1934 ¹			1939 ¹		
	Number of programs in operation	Number of persons aided	Obligations incurred (State and local)	Number of programs in operation	Number of persons aided	Obligations incurred ² (Federal, State, and local)
Old-age assistance.....	30	236,205	\$32,313,515	51	1,911,330	\$431,130,053
Aid to the blind.....	24	31,909	6,880,015	47	69,914	20,469,000
Aid to dependent children.....	46	280,565	37,487,479	50	762,864	115,321,469

¹ Unless otherwise indicated, the 1934 data refer to December of that year in the case of recipients and to the calendar year in the case of obligations. The 1939 data include programs administered under State and Territorial plans approved by the Social Security Board and programs administered under State laws without Federal participation. Unless otherwise indicated, data on recipients refer to the month of December 1939, and data on obligations to the calendar year.

² Excludes costs of hospitalization and burials.

³ Includes Alaska and Hawaii. Programs in Kentucky, Maine, and West Virginia inoperative.

⁴ Program also in operation in Hawaii, Puerto Rico, and Alaska, but figures include only State programs and the District of Columbia.

⁵ Estimated annual figure based on data available Nov. 15, 1934.

Sources: Data for 1934 from Social Security Board, *Social Security in America*, Washington, 1937, tables 37, 51, 55, and 65, pp. 164, 238, 245, and 303. Data for 1939 furnished by Social Security Board, Division of Public Assistance Research, Bureau of Research and Statistics.

In the grant-in-aid programs (old-age assistance, aid to the blind, and aid to dependent children) the Federal Government was inevitably compelled to undertake some legislative and administrative responsibility for defining in more general terms the nature of the provision to be made. While the Social Security Act left the States freedom as to the amount of assistance payments and the definition of need,⁶⁸ it laid down certain requirements for States qualifying for grants.⁶⁹ To assure continuous compliance with these requirements the Federal Government had to assume supervisory responsibilities, which were vested in the Social Security Board.

In the case of unemployment compensation, the effect of the Federal stimulus was even more marked. At

⁶⁸ However, effective July 1, 1941, the State agency in determining need is required to take into consideration any other income and resources of an individual claiming public assistance.

⁶⁹ For these requirements see ch. IV.

the beginning of 1935 only one State had enacted legislation of this general type.⁷⁰ By July 1937, 51 jurisdictions had such laws. The adoption of a program by all the States and Territories within such a short period was without precedent in the history of social legislation in the United States.

In this field, too, Federal requirements significantly influenced State legislatures. The Federal Government could scarcely have been expected to forego access to a highly profitable tax resource without some assurances regarding the use to be made of it by the States, while the payment of State administrative costs equally involved specific Federal responsibilities. The unemployment compensation titles of the Social Security Act, however, allowed to the States a high degree of freedom regarding the consent of their programs. The Federal legislation prescribed only the methods of investment of the funds and the conditions under which employers could qualify for reduced taxes; it prohibited certain types of disqualification from benefits, and required assurance of appeal rights; it defined in the most general terms the nature and standards of administration. The States were left complete freedom to determine the nature, amount, and duration of benefits and the conditions of eligibility, and also to decide for or against measures which embodied tax devices designed to stabilize employment.⁷¹ General administrative responsibility for ensuring that these minimum conditions were complied with was vested in the Social Security Board.

Actually, however, the influence of the Federal Government over the nature of unemployment compensation extended beyond this limited supervisory relationship. For, owing to the general lack of interest in and knowledge of the nature and objectives of unemployment compensation in many States at the time of the passage of the act, during the first formative months the Board was continually asked for guidance by the States regarding the type of legislation which would be in conformity with the Federal law and thus qualify for the tax offset.⁷² To meet this situation the Board made available a series of draft bills which were widely used by the States. Although various minor

adaptations were made and modifications became increasingly common by 1940, the general character of unemployment compensation laws in the various States still bore the imprint of these early draft bills.

Directly and indirectly, therefore, the provisions of the Social Security Act relating to special assistance and unemployment compensation involved a significant degree of Federal influence over the nature of the provision to be made for the economically insecure population. The amending act of 1939, which gave the Social Security Board power to require that State and local appointments in connection with these programs should be made on a merit basis, was a further indication of the increased influence of the Federal Government over administration.

The grant-in-aid system of the Wagner-Peyser Act created a Federal-State partnership in the field of public-employment service. In order to be eligible for a share in the amount appropriated for matching grants to the States, the latter had to comply with the provisions of the Federal law. They had to accept, through legislative action, the provisions of the act and designate or authorize the creation of a State agency with the powers necessary to cooperate with the United States Employment Service. Furthermore, each State was required to provide from State and local sources a sum equal to the Federal grant to be received under the apportioning system of the act and to submit to the United States Employment Service for approval detailed plans for the administration of its own State employment service.⁷³ The broad authority given the United States Employment Service included setting up "minimum standards of efficiency," promoting uniformity of administrative and statistical procedure, and prescribing reports of the operations and expenditures of State employment services.

The Federal Government as direct administrator.—The influence of the Federal Government over the nature and administration of public-aid measures was exercised chiefly through its role as the dominant contributing partner in a cooperative Federal-State relationship. However, certain programs were directly administered by the Federal Government itself.

Direct Federal operation of a public-aid program began in March 1933 with the creation of the Civilian Conservation Corps, a Federal program from the first. It is true that the enrollees were selected by the social-service staffs of the State emergency relief administra-

⁷⁰ Although five States enacted unemployment compensation legislation prior to the passage of the Social Security Act on August 14, 1935, it is generally conceded that State action was influenced by the expectation of the passage of the Federal law. While the arrival of unemployment compensation was long pending, developments moved rapidly after the passage of the Federal Act, with a remarkable invocation of State legislatures in special sessions. For details of the background and early history of unemployment compensation, see Malisoff, Harry, "The Emergence of Unemployment Compensation," reprinted from *Political Science Quarterly*, LIV (June 1939), 237-58; (September 1939), 391-420; (December 1939), 577-99; and LV (June 1940), 249-58.

⁷¹ See section on social insurances below.

⁷² Cf. Malisoff, Harry, *op. cit.*, pp. 250-254.

⁷³ Cf. Atkinson, Raymond C., Odencrantz, Louise C., and Deming, Ben, *Public Employment Service in the United States*, Chicago, Public Administration Service, 1938, pp. 56-77. In addition, certain obligations were imposed upon the States for continuing eligibility, such as expenditure of Federal grants and State matching funds in conformity with the approved plans, maintenance of a State advisory council, and cooperation with the State vocational rehabilitation service.

tions, but these operated under rules laid down by the Federal agency in charge of selection, at that time the Department of Labor. The actual operation of the camps and the determination of the basis of remuneration and the nature of the services for the enrollees were purely Federal matters. So high a degree of Federal operation resulted almost inevitably from the emphasis which from the first was placed upon the conservation aspects of the program and from the nature of the projects, which involved frequent allocation of enrollees to other parts of the country than those in which they resided.

For a brief period between November 1933 and March 1934 the Federal Government assumed direct responsibility for the important Civil Works Administration program. Here again, although the day-to-day operation of the program was highly decentralized in that the projects originated locally and were supervised by the local public sponsors as well as the CWA, the program was essentially Federal. Responsibility was vested in the Federal Civil Works Administration and the State and local civil works administrations. Officials were sworn Federal employees, and the personnel were appointed or approved by the Federal administrator.⁷⁴ Employment quotas for the State were determined by a federally set formula and locally suggested projects required the approval of Federal officials.

The third exception to the exercise of Federal influence solely through a partnership relation occurred during the life of the Federal Emergency Relief Administration, when for a number of reasons the Federal Government took over the administration of emergency relief in six States.⁷⁵ Federal control over relief in these States was maintained for periods varying from about 8 to 20 months.

A vitally important change in the role of the Federal Government followed the passage of the Emergency Relief Appropriation Act of 1935. Under this legislation the Federal Government undertook to determine the form that relief to the needy employable unemployed should take—namely, work relief. It was at first intended that the initiative and supervision of most of these projects should rest with the existing

regular Federal agencies. The Works Progress Administration was created to serve as the coordinating agency of the work program, to be responsible for the determination of those who were in need and eligible for employment on the programs, and to undertake "small useful projects." As events developed, however, the part of the program described by this phrase became the most important of all, for the "small useful projects" developed into the huge work-relief program operated chiefly by the Works Progress Administration, later the Work Projects Administration.⁷⁶

The development was inevitable in view of the predominantly "relief" objective of the measure.⁷⁷ In view of the stated aim of providing unemployment relief by giving employment to about 3½ million employable unemployed workers, the appropriation of \$4,880 million limited recourse to employment on a contract basis and necessitated adoption of projects with a high component of labor in relation to material costs. Finally, if the program was to provide for the unemployed, it involved concentration in the cities and other areas where unemployment was exceptionally heavy. These conditions could hardly be met by the existing regular governmental agencies.

Thus, already by the fall of 1935 it became evident that if the goal of employment for 3½ million workers was to be attained by the end of the year, the logical

⁷⁶ For further discussion of this point see Macmahon, Arthur W., Millett, John D., and Ogden, Gladys, *The Administration of Federal Work Relief*, Chicago, Public Administration Service, 1941, p. 66 ff.

⁷⁷ The relief objective of the work program after 1935 was evident in the following ways:

(a) The Emergency Relief Appropriation Act of 1935 specified that preference in employment must be given to persons receiving relief. Executive Order No. 7046, May 20, 1935, further provided that, except with the specific authorization of the WPA, at least 90 percent of all project employees should be taken from the public relief rolls. (In 1939 Congress gave statutory effect to this requirement.) Executive Order No. 7060, June 5, 1935, established preference for persons on relief prior to May 1935. By November, when it became apparent that the set maximum employment of 3¼ million would not absorb all the needy employable applicants, a WPA ruling prohibited the assignment of persons not on the relief rolls prior to November 1, 1935. This restriction was eliminated by the first Deficiency Appropriation Act, fiscal year 1936, and subsequent acts, but the relief character of the program was still emphasized by the limitation of employment to persons in need, although not necessarily on the relief rolls. In 1939 Congress required that preference in employment was to be given on the basis of relative need insofar as practicable. Farmers actively engaged in farming but needing employment to supplement their farm income, whether or not they were on relief rolls, were made eligible for employment on projects in rural areas by the Work Relief and Public Works Appropriation Act of 1938.

(b) Certain priorities in returning to WPA employment after termination were established.

(c) A policy of limiting employment to one person in a family was established by Executive Order No. 7046.

(d) Increasing efforts were made by Congress to implement the test of need. Quarterly reports of outside earnings to the WPA were required of WPA employees in 1938. The first general review of need was conducted under the Emergency Relief Appropriations Act of November 1936. Public Resolution No. 1, 76th Cong. (approved February 4, 1939), provided for an immediate review of current need, and the Emergency Relief Appropriation Act of 1939 provided for a periodic review every 6 months, which was changed to every 12 months in the Emergency Relief Appropriation Act for the fiscal year 1941.

⁷⁴ In general the administrative and work-division staffs of the FERA became Federal employees and in this capacity administered the CWA.

⁷⁵ In Oklahoma, North Dakota, Massachusetts, Ohio, Louisiana, and Georgia. The legal authority by which the Federal Administration took over control of emergency relief in the States was provided in section 3b of the Federal Emergency Relief Act of 1933, which stated that "the Administrator may, under rules and regulations prescribed by the President, assume control of the administration in any State or States where, in his judgment, more effective and efficient cooperation between the State and Federal authorities may thereby be secured in carrying out the purposes of this Act." (*Monthly Report of the Federal Emergency Relief Administration, June 1 through June 30, 1936*, Washington, 1936, p. 134.)