incomplete attainment of the objectives of public work provision must be attributed to an unwillingness to utilize the instrument of government to attack problems beyond the competence of individuals or isolated group effort. This unwillingness is evident, for example, in restrictions on the types of work on which project workers might be engaged, in order to avoid any competition with private enterprise. Yet it is difficult to see how project work can either maintain acclimated skills or fit workers for subsequent absorption by private industry unless a greater measure of diversification of projects is permitted.

THE FINANCING OF PUBLIC AID

The financing of public-aid programs of the magnitude to which the country has been accustomed in recent years raises many acute problems. While a beginning has been made in attacking these problems, they are as yet far from solved. An orderly system would be one in which there was continuous and certain provision for adequate appropriations, so that the relative importance and scope of the individual programs would not be decided mainly by reference to the more or less arbitrarily determined availability of funds. In such a system the types of taxes collected would not intensify the very economic conditions which make public aid necessary; nor would these taxes fall with peculiar severity upon the groups whose economic welfare is the object of the legislation in question. Finally, in a satisfactory system the financial responsibilities falling upon the various levels of government would correspond to their respective fiscal and economic capacities.

The Assurance of Adequate Appropriations

It is evident that as yet even the minimum requirement of proper financing—namely, that orderly and continuous provision be made for adequate appropriations—has not been met. Under the Social Security Act and the railroad retirement and unemployment insurance laws, permanent arrangements have indeed been made for the financing of our social-insurance programs. Even so, it seems probable that in years to come the yield of some of these taxes may not be adequate to meet the costs of annual payments then falling due, and no legal provision has as yet been made for additional sources of revenue which may well be required. The Civilian Conservation Corps was also given a more permanent status than it had prior to 1937, receiving appropriations until June 30, 1940 on a nonemergency basis. The country has made formal provision under the Social Security Act for regular appropriations to cover the Federal share of the costs of the special assistance. However, no similar orderly provision is made at the State and local level for the continuous availability of funds to match the Federal grants. In consequence, in some parts of the country needy people are denied special public assistance, not because they cannot satisfy the conditions of eligibility but because State or local matching funds are not available.

Most of the remaining programs are provided for by appropriations on an admittedly emergency basis. The monies granted are frequently inadequate to enable the programs in question to provide for all the people who can meet the legal eligibility requirements. None of the public-aid programs is so inadequately provided for as general relief. In recent years there have been distressingly large numbers of communities and areas in which local relief was inadequate, nonexistent, or temporarily unavailable because the State or locality had failed to appropriate adequate funds.

Within the States orderly and continuous provision for public-aid financing is further impeded by the unpredictability of the size of Federal appropriations for work programs and by the infrequency of meetings of State legislatures. The extent of Federal financial participation in one of the most important programs, the WPA, is unknown from year to year. Federal expenditures on WPA accounted in the fiscal year 1939 for rather more than 68 percent of all Federal public-aid disbursements. The significance to the States and localities of the size of the Federal WPA appropriation stems from the fact that they are now responsible for supplying 25 percent of the costs of the projects and for supporting such of the needy unemployed as are not provided for through project employment. Intelligent budgeting and orderly administrative preparation at the State and local level depend therefore to a large degree on knowledge of the size of Federal appropriations. Unfortunately Federal policy has fluctuated from year to year, not only in regard to the total funds granted but also in regard to the extent of the State and local financial participation required. Furthermore, final Congressional action has usually taken place after State legislatures have adjourned and certainly long after most States have prepared their budgets.

This situation is particularly serious in view of the fact that all except four States have normally only biennial sessions. Biennial sessions might occasion little difficulty in budgeting for expenditures which, like education or even old-age assistance, are either relatively stable or at least predictable with a high
degree of accuracy over a 2-year period. But expenditures for public aid occasioned directly or indirectly by unemployment are not of this character. In view of the substantial responsibility for unemployment relief carried by the States and localities through the WPA and general-relief programs (expenditures for the WPA alone amounted to nearly 29 percent of all State and local public-aid expenditures in the fiscal year 1939), the biennial legislative sessions must be viewed as a real obstacle to orderly and adequate State budgeting.

Coordination of Public-Aid Financing With Other Governmental Fiscal Policy

Expenditures for public-aid purposes are now so great that changes in their timing and in their methods of financing exert a substantial influence on the operation of the economy. Broadly speaking, during the years since 1933, the Federal Government through its general fiscal policies has accepted the theory, now commanding the support of an increasing number of professional economists, that in periods of depression full employment of resources can be promoted, or at least a decrease in business activity be checked, by an infiltration of purchasing power through debt creation. It is against this background that the broader economic effects of public-aid expenditures and methods of financing must be evaluated.

In fact, the timing of public-aid disbursements has been in large measure responsive to the needs of the economy for the infiltration of additional purchasing power. For by far the greater proportion of public-aid expenditures have been devoted to the relief of unemployment, and these have naturally been greatest when unemployment was most severe and economic resources, therefore, least fully employed. Expenditures on the special assistance, which in the fiscal year 1939 accounted for about 12 percent of all public-aid disbursements, represent the only significant type of public-aid spending whose magnitude is not directly correlated with the degree of activity of the economy.

It was, therefore, rather the methods by which public-aid was financed than the timing of disbursements which may have operated in a manner inconsistent with other national fiscal and monetary policies. This aspect of public-aid financing reveals diverse trends.

Inconsistency Between Federal and State Policies

In the first place sharply different policies were adopted by the Federal Government and by the States and localities in the extent to which expenditures were financed by taxation or by debt creation. On the one hand, the Federal Government, consistently with its other budgetary policies, appears to have financed by borrowing a large proportion of all public-aid expenditures, other than those in connection with the social-insurance programs. It is estimated that in the fiscal year 1939 about 60 percent of all Federal public-aid disbursements were financed by debt creation. On the other hand, the States and localities have resorted to borrowing to a much smaller extent, and less than 20 percent of expenditures in the fiscal year 1939 were estimated to be thus financed. Although during the years since 1933 the Federal Government has carried the lion's share of all expenditures, the taxing activities of the States and localities served in some measure to offset the extent of income creation that might otherwise have accompanied the mounting Federal public-aid deficits.

Inconsistency in Federal Policies

In the second place, the Federal Government itself fostered inconsistent fiscal policies through the financial arrangements made in connection with the social insurances. In 1935 it accepted the principle of reserve financing for the federally operated old-age insurance programs and also required the building up of reserves for 2 years in advance of benefit payments as a condition of approval of State unemployment compensation laws. Accordingly, from 1936 onwards, taxes were levied in connection with unemployment compensation laws which were not offset by any substantial outpayments until 1938, and even thereafter the restrictive character of the benefit and eligibility provisions of these laws permitted a more or less continuous growth of the reserves in the Unemployment Trust Fund.

The fiscal and monetary consequences of the old-age and survivors insurance legislation have been even more marked. Taxes were first collected in 1937, and the original law provided for an increase of the tax rate in 1940 and for no payments other than financially insignificant lump-sum payments until 1942. The changes of 1939 somewhat mitigated the deflationary effect of these provisions by postponing the increase of the tax rate and advancing to 1940 the initiation of monthly benefit payments. Even so, the benefits payable could not, in view of the nature of the benefit formulas and the principles on which the insurance system operated, compensate for the heavy taxes being collected. The excess of tax collections over benefit disbursements has continually grown.

In the fiscal year 1938, when the Federal deficit attributable to public-aid expenditures other than the social insurances was estimated to have been reduced to less than $400 million, owing to curtailments of expenditures and higher tax yields based on the higher
incomes of the previous year, the excess of social-insurance taxes over disbursements amounted to $1,107 million. Public-aid financing thus constituted a positive item and led to a sharp reduction of the net Federal cash outgo. In subsequent years the effect of the social-insurance accumulations was less spectacular, mainly because other public-aid expenditures again increased. Even so, tentative estimates suggest that they reduced the net debt creation attributable to public aid from nearly $1.8 billion to just under $1 billion in the fiscal year 1939, and from over $1.5 billion to slightly over half a billion dollars in the fiscal year 1940.

The effect of these contradictory policies during the years after 1937 was serious. Up to 1935 a significant part of the increase in the national income can be attributed to the primary and secondary effects of Federal deficit spending, of which public-aid deficits on account of the FERA and CWA programs accounted for a substantial proportion, probably over 70 percent in the fiscal year 1934. But the effect of these expenditures would have been greater had they not been offset in part by decreases in State and local public-works construction and by the trend toward debt retirement and reliance on regressive taxation. In 1936 and 1937 the tempo of recovery quickened, although the payment of the veterans’ bonuses and the acceleration of the emergency public-works program overshadowed the importance of public-aid deficit spending. But from 1937 onward the total government net contribution declined, and a major factor in that decline was, as shown above, the excess of social-insurance taxes over disbursements. Although after 1938 government expenditures of various types, including public aid, began again to increase, the sudden shift in 1937 from a large deficit to an almost balanced budget was probably an important influence in the unsustained character of the recovery after 1937.

Moreover, the types of taxes resorted to in connection with the tax-financed part of public-aid expenditures or reserve accumulations were not of a character calculated to assist the forces of recovery by transferring income from nonspenders to spenders. For to a significant extent they were consumption taxes or direct taxes imposed upon low-income groups. This is especially true of the sales taxes levied by States and localities, and of the wage and pay-roll social-insurance taxes. It has been estimated that in the fiscal year 1939 nearly one-fifth of the total Federal, State, and local taxes used for financing public-aid expenditures fell upon families and single persons with an annual income of less than $1,000 and that another third were borne by consumer units with annual incomes of between $1,000 and $2,000. It seems likely that a substantial proportion of the taxes falling on those in the lower income groups must have operated to check their consumption. In other words, rather more than half of the tax-financed public-aid disbursements probably led to no net addition to purchasing power. Even in the higher income brackets some check to consumption must have occurred because of the preponderance of consumer and business taxes. In these groups, however, a major proportion of such taxes undoubtedly came from savings and, since persons in this group are estimated to have directly benefited to an insignificant extent from direct public-aid payments, some transfer of income from nonspenders to spenders probably occurred.

The experience of the years since 1933 seems to show that public deficit spending in a period of depression can make a material contribution toward economic recovery. That the recovery was not more complete is in part attributable, as the influence of war spending now makes apparent, to the fact that the magnitude of deficit spending was not sufficiently great. That it was not more sustained is due in part to the spasmodic and unplanned changes in the volume of deficit spending from year to year. For both developments public-aid financing has some share of responsibility, for public-aid disbursements during this period constituted a substantial proportion of all government expenditures. Had the States and localities (and in the years after 1938 the Federal Government also) not resorted so heavily to taxes in place of borrowing, the size of the net government contribution would have been greater. And had the taxes not fallen so heavily upon the lower income brackets, a greater increase in active purchasing power would have occurred through the transference of income from savers to spenders.

This conclusion does not necessarily lead to a condemnation of the policy of reserve accumulation in connection with social-insurance programs. Several reasons may well be adduced in terms of social-insurance theory for the retention of the reserve principle in connection with old-age and unemployment insurance, although it is noteworthy that the weight of expert testimony now supports the view that the reserves originally envisaged in connection with the 1935 old-age benefits plan were excessive even from this viewpoint, and subsequent legislation has amended the law accordingly.

The main criticism to be levied against the financial arrangements adopted after 1935 in connection with the social insurances is that the reserve principle was adopted, but that the broader effects of reserve financing of programs of such magnitude were not allowed for by compensatory changes in the national budget through an increase in expenditures or a decrease in other taxes.
It is also highly doubtful whether the legal arrangements governing the accumulation of reserves and the payment of benefits under the unemployment compensation laws are calculated to promote attainment of the major objective of reserves of this type; namely, the accumulation of the surplus yield of uniform taxes in periods of prosperity and their rapid decumulation in periods of depression. For, despite the fact that the risk of unemployment varies considerably from State to State and is often affected by national policies over which the individual States have little or no control, the reserves are segregated in 51 separate funds, and there is not even any provision for reinsurance. Moreover, the freedom of the States to develop experience-rating formulas which may have the effect of reducing the total tax yield, unaccompanied by a corresponding reduction in the extent of unemployment, may prevent the accumulation of large reserves in periods of prosperity. Nor is there evidence as yet that sufficient thought has been given to the length of the period of years over which these compensatory devices are expected to result in a balance of income and expenditure.

Selection of Taxes in Relation to the Objectives of Public-Aid Policy

Quite apart from the economic effects of financing public aid by taxes which check consumption, resort to taxes of this type has serious social implications. The condition necessitating public aid is, in the last resort, the low income level of a substantial proportion of the population, and in this sense the objective of all public-aid measures is to raise the level of living of the lowest income groups. Reliance to any substantial extent on taxes which fall on such groups is inconsistent with this objective. Yet this has in effect occurred because of the use of sales and other consumption taxes by State and local authorities in particular, and because of the imposition by the Federal Government of the social-insurance wage and pay-roll taxes. As already stated, because of the heavy preponderance of these taxes, it is estimated that in 1939 nearly 20 percent of the taxes levied to cover the cost of current and future public-aid expenditures fell upon families and individuals with annual incomes of less than $1,000. Even when allowance is made for the fact that the incomes of this group are enhanced to a greater extent than is the case in other income groups by public-aid payments, taxes for the financing of public aid probably amounted to nearly 10 percent of the total income (including public aid) of this group. The estimates made in this study suggest that they represented rather less than 6 percent of the total income of the income group over $1,000 and under $2,000, approximately 5 percent of the incomes of the group receiving annual incomes of $2,000 and under $5,000, and not quite 6 percent of the incomes of the groups with incomes above $5,000. On the basis of information at present available, it appears that taxes levied for public aid are highly regressive in their total effect and to this extent defeat the major objective of public-aid policy.

Social-insurance taxes are the most important single group of earmarked or apportioned public-aid taxes. Their retention, at least in some measure, may well be justified in terms of social-insurance theory, although even so it should be noted that reliance upon them as the sole source of income for social-insurance programs may restrict the scope of this type of public aid more narrowly than is socially desirable. But the regressive effect of the wage and pay-roll taxes is undeniable, and this fact serves merely to reinforce the general conclusion that the financing of public-aid programs cannot be considered in vacuo. For if retention of these taxes is essential to the maintenance of the integrity of social-insurance programs, their regressive effects can only be offset by corresponding changes in other parts of the tax structure.

Operation of Experience Rating

Whatever the strength of the arguments in favor of the retention of wage and pay-roll taxes in connection with social-insurance policy, this study indicates that the effectiveness of variable, in contrast to uniform, pay-roll taxes to contribute toward stabilization of employment cannot be counted among them as yet. Whatever the theoretical advantages claimed for the use of adjusted pay-roll taxes, it is undeniable that the various experience-rating devices at present in operation in unemployment compensation are not in practice promoting stability of employment. Of the few studies of experience rating in different States now available, none show and few even claim that this result has been attained, even though many employers are now enjoying rate reductions. The reasons are not far to seek. By and large, experience rating today makes no allowance for the differing extent to which individual employers in different industries can promote stability of employment, while the formulas by which an employer's rating is determined place a premium upon the reduction of compensable unemployment rather than unemployment itself.

In consequence of the uniform treatment of all firms, regardless of the character of the industry to which an employer is attached, the extent to which given employers can qualify for a tax reduction may be largely a matter of accident. A careless employer...
in a highly stable, nonseasonal industry or one in an industry where production for stock is, by the nature of the market and the project, feasible and not unduly costly, might qualify for tax reductions. An employer bendency all his efforts toward stabilization in a highly seasonal industry or one susceptible to sharp cyclical contractions of demand or in which manufacture for stock is out of the question or prohibitively costly might secure no tax reduction at all or might even be penalized by a higher rate. The present individual basis of experience rating also discriminates against the small employer who cannot shift workers between different departments or units of the business.

The second feature of current experience-rating provisions is equally ill-designed to stimulate and reward efforts toward stabilization of operations. For the vital element in determining the employer's eligibility for rate reductions is most usually the extent of benefits charged against his individual reserve account. But benefits chargeable can be reduced as much by reducing compensable unemployment as by stabilization. There is already evidence of several disturbing consequences of this situation. Experience rating fosters an employers' lobby in favor of restricted benefits, an especially unfortunate development in view of the inadequacies of unemployment compensation to which this report has drawn attention. It encourages various undesirable employment practices and has led to the development of specialized counseling services whose sole aim is to show employers ways in which benefit liability can be reduced. Among these methods stabilization of employment is not always given the greatest emphasis. Finally, because of the absence of minimum Federal standards relating to eligibility, amount, and duration of benefits, experience rating opens the door to competitive rate reductions on the part of the States, thus defeating the objective of the Federal tax-offset device.

These tendencies are unfortunate, for, if pronounced, they cause experience rating to operate as a direct antithesis to the major public-aid function of unemployment compensation; namely, the payment of benefits to as many workers as possible during the first weeks of their unemployment.

**Distribution of Financial Responsibility Among Levels of Government**

Public-aid financing since 1933 has been marked by the assumption of an increasing degree of financial responsibility on the part of the larger units of government. This change is especially marked in the case of the Federal Government. Whereas in 1932 it contributed only 2.1 percent of total public-aid expendi-

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tures, by the fiscal year 1940 its share had risen to 57.4 percent, exclusive of expenditures on public works. During the fiscal years 1934 and 1935 the Federal share was almost 80 percent. Similar precise comparisons cannot be made for the division of financial responsibility within States, owing to lack of data. Yet it is evident that here too there has been a significant change; for, prior to 1933, State participation in general-relief financing was exceptional, while the special forms of public assistance were lacking in many States and were frequently a local financial responsibility even when such laws were in existence. By the fiscal year 1940 all of the States were contributing to one or more of the special assistance, often carrying the entire non-Federal share; and, although State participation in general relief was restricted in degree, there were only 12 States in which there was no State participation, while two States had assumed the entire cost. Furthermore, unemployment compensation laws, financed by taxes whose levels (because of experience-rating provisions) are in significant degree within control of the States, were in effect in all States.

The trend toward financial participation by larger units of government is a direct consequence of the mounting size of the public-aid bill and the restricted fiscal and economic resources of the smaller political jurisdictions. The small size of the typical local unit severely limits the type of taxes which it can effectively levy. Further restrictions on both the types of taxes and the extent of borrowing have been imposed by State legislation. The fiscal capacity of the States is undoubtedly greater than that of localities, for legislative restrictions can be removed by the authority which imposed them in the first instance. However, constitutional limitations, especially on borrowing, have presented a barrier to speedy adaptation of sources of revenue to the mounting needs of public aid, owing to the time necessary to effect constitutional changes. Quite apart from such legal difficulties, however, the fiscal resources of the States are restricted in comparison with those of the Federal Government by the mobility of wealth, by interstate competition, and by the extent to which Federal taxation cuts into the yield of taxes levied by both State and local authorities. Furthermore, the borrowing capacity of the Federal Government is much greater than that of the sum total of the individual States.

These basic facts are sufficient in themselves to explain the general trend, which is not peculiar to the financing of public aid, toward participation by larger units of government. Their influence has been strengthened by two other factors: The adoption of certain types of public aid, such as old-age and sur-
vivors insurance, whose nature requires acceptance of financial responsibility by an authority embracing the county as a whole; and the existence of great differences as between both States and localities in the extent of need and in wealth and resources.

Unfortunately, it is not possible to give any precise answer to the obvious question posed by this development; namely, whether the financial responsibilities falling upon the various levels of government correspond to their respective fiscal and economic capacities. For in the first place, more than merely financial considerations are involved. A State or locality or even the Federal Government may be carrying an appropriate financial burden as judged by considerations of relative fiscal capacity, but it may do so at the expense of adequate performance of public-aid functions.

In the second place, determination of the capacity of different levels of government to support specific burdens is extremely hazardous unless account is taken of all other functions for which they are responsible and the total extent of their resources, including aid from other jurisdictions. Public aid is only one of many governmental functions and public-aid financing only one of a multiplicity of fiscal relationships between different levels of government. It is evident, for example, that the relative capacity of the Federal Government to contribute to public-aid costs is vitally affected by the magnitude of its responsibilities for the war program, and that the capacity of the States and localities to support public-aid burdens will be influenced by the extent to which they benefit directly or indirectly from war expenditures. Defense is, however, only the most spectacular example of the complexity of the attempt to determine fiscal capacity to support specific services.

It has been impossible in the course of this study to survey the entire gamut of public responsibilities of the various levels of government in relation to their total fiscal resources. It is, therefore, evident that the question of the appropriateness of the specific shares of the total costs of the relatively new public-aid function carried, respectively, by the Federal Government and the States and localities must remain unanswered. More definite statements can, however, be made concerning the distribution of Federal funds as between programs and States.

Distribution of Federal Aid Among Programs

During the period covered by this study, Federal funds granted for public-aid purposes have been limited in amount. The existence of wide differences in the availability of public aid and in the levels of living afforded by the various programs, coupled with the fact that by and large the more nearly adequate pro-

grams are those which carry the largest Federal subventions, suggests that Federal aid has not yet been distributed as between programs in the most effective manner. The method of considering separately the financing of each public-aid program and the failure of the Nation to appreciate the total magnitude of the problem have indeed precluded frank and open consideration of two basic financial questions: Is there any limit to the amount which the Federal Government is prepared to devote to all public-aid purposes, and if so, and if the amount available is less than necessary and desirable, what is the best use to be made of limited funds? In the absence of such a unified approach to the financing of related programs, and given the strength of various pressure groups who could urge (often with full justification) the necessity for improving the provision made for their special clienteles, Federal aid was made available on differing terms for the various programs. Encouragement was thus given to the development of those programs which carried the largest Federal subventions.

The differing degree of Federal participation has, for example, been reflected in a relative underdevelopment of the aid-to-dependent-children program. In this program the Federal matching maximum per recipient is considerably less than for old-age assistance or aid to the blind, and there is no Federal matching grant for payments to mothers.

Once again the problem has been particularly acute in regard to general relief, which carries no Federal grant at all, although in the fiscal year 1939 it alone accounted for 10.6 percent of all public-aid expenditures and 27.4 percent of State and local public-aid expenditures. There has been a disturbing tendency throughout the country to allocate funds to the federally aided programs at the expense of general relief. Although the federally aided programs to some extent reduce the size of the relief burden, not all needy persons can be provided for on these programs without prejudice to the proper objectives of each. Moreover, general relief as the residual program has carried a heavy responsibility for unemployed workers who were not provided for on Federal work projects. In these circumstances the financial neglect of general relief in comparison with other programs is a matter of serious concern.

No objection can be made to unequal progress over so vast a field as that covered by this report. Historically, as the experience of other countries has shown, the improvement of the provision made for the insecure population as a whole has come about by successive steps. The position of certain groups has been improved, and this improvement has in time been extended to larger numbers. Yet it is difficult to believe that a bettering of the position of some groups at the
expense of others equally or more insecure can be regarded as progress. Nor is it certain that, during a period in which the funds granted by the Federal Government were in fact limited, the best possible use was made of Federal money when, although the provision for some groups was vastly improved, many hundreds of thousands were left almost wholly unprovided for.

The absence of any Federal financial participation in the residual general-relief program has had one further unfortunate consequence. It has made it all the easier for the Federal Government to economize financially at the expense of other jurisdictions and has often caused disproportionately heavy burdens to fall upon the localities or States. For, at the present time, if Federal appropriations are inadequate to provide for all the needy unemployed, maintenance of the residual group is a responsibility of the State and local relief systems alone. The size of this residual group has never been precisely determined, but all authorities, including Federal work-project administrators, are agreed that it is large.

**Distribution of Federal Aid Among States**

Despite the differing principles on which the expenditures of the various public-aid programs are shared by the Federal Government and the States and localities, a survey of the disbursements for all programs combined in the fiscal year 1939 showed that, broadly speaking, the proportion carried by the Federal Government tended to be highest in the States with the lowest per capita incomes, although the amount contributed by the Federal Government per head of the population in each State was smallest in the poorest States. Without further study it is difficult to determine whether or not Federal aid has operated to equalize the public-aid burden falling on the State or local taxpayer.

It is true that there are still very considerable disparities among the States in the burden of State and locally financed public aid, when expressed as a percentage of per capita income of the inhabitants of each State; namely, from 0.79 percent in Delaware to 3.68 percent in Utah. By and large also the States in which State and local expenditures form the lowest percentage of per capita income are those in which the Federal Government carried the highest proportion of the costs of all programs, and vice versa. These facts might suggest that Federal subventions have, if anything, overcompensated for the differences in State and local public-aid burdens. But such an inference would be rash. In the first place, the States with the smallest State and local expenditures, expressed as a percentage of per capita income are, with a few noteworthy exceptions, also the poorest States in terms of per capita income. A given percentage of income devoted to public-aid purposes may mean a much greater real sacrifice for the inhabitants of such States than for those in more wealthy States.

In the second place, per capita income as a measuring rod is itself subject to certain weaknesses. For the manner in which that income is distributed between the inhabitants of a State will markedly affect the severity of the burden as felt by the individual taxpayer and will condition the extent to which any given sum can be raised without resorting to taxes that are highly onerous.

Finally, it is again relevant to recall that public-aid expenditures are but one of the many government functions to be financed from State and local funds. The taxpayers of a State with a relatively high proportion of children of school age would, if the State aimed to provide educational facilities equal to the national standard, find a given public-aid burden much more onerous than that of another of similar wealth but with a low child population. Similarly, a sparsely populated State might be forced to make such large outlays for roads that a public-aid expenditure which could easily be supported by a densely populated State might prove to be an insupportable burden.

Despite these obstacles to the drawing of hard and fast conclusions, certain aspects of the existing distribution of Federal financial aid among the States suggest that Federal aid is still far from achieving the dual objective of assurance of access to minimum security and substantial uniformity of the burden on taxpayers in different parts of the country.

In the first place, there is a high degree of coincidence between the inadequacy of public aid and the poverty of the States in which inadequacy is most pronounced. The fact that, whatever the measure of adequacy applied and whatever the program considered, the relatively poorer States in the Southeast and Southwest invariably appear in the lowest ranking of States suggests that Federal aid has certainly not yet wholly succeeded in offsetting inequalities in needs and resources.

In the second place, the terms on which Federal aid is available are not such as to foster a distribution of funds in full accordance with need and capacity. Of all Federal money devoted to public-aid purposes the greatest proportion is granted through the WPA and the special-assistance programs, both of which through different devices require the States to supply a uniform minimum percentage of total expenditures in order to receive any Federal money. In the former program up to January 1940, some variation was permitted in the percentage of costs which sponsors were
required to supply. Even so, the variation did not appear to reflect differences in economic or fiscal capacity. Some wealthy States contributed a much smaller percentage than very poor States. But thereafter all States were required to contribute at least 25 percent of the costs of projects undertaken in their area. The special assistance have from the first operated on the basis of a matching principle uniform in all States, the State share being 50 percent for all three programs after 1939.

In such circumstances the less money a State can afford to raise, the less Federal aid will it receive. This situation is especially serious in view of the wide differences in wealth between the States and because the need for public-aid expenditures tends to be more acute in the poorer areas.

Intrastate Distributions of Responsibility for Public-Aid Financing

The arrangements for public-aid financing within the States are also as yet far from satisfactory. It is evident that, given the differing economic circumstances of the States, their varying political organizations and the variability of the distribution of income and wealth within each, there is no one set of financial arrangements that will be equally satisfactory everywhere. A definitive evaluation of intrastate fiscal arrangements would call for separate study of each State, a procedure obviously beyond the competence of this report. Nevertheless, certain broad weaknesses are revealed by generally available data and the known facts in specific States, which are sufficiently widespread to call for comment.

Inadequate State financial participation.—In the first place, with a few notable exceptions, too large a share of financial responsibility has been left to the localities. The typical local administrative unit is relatively small and the financial resources of these units are limited not merely by the fact of size but also by legal restrictions imposed by the State. Furthermore, the small size of these areas accentuates differences in need and resources, especially in view of the inverse relationship that is frequently found between a high degree of need for public aid and the amount of taxable resources.

Stimulated by the requirements of the Social Security Act, all States do indeed contribute toward the non-Federal share of the costs of the special assistance. In old-age assistance and aid to the blind, more than half the States have assumed complete support of this share. State financial assistance for aid to dependent children is available on a much less generous basis. But the service whose cost tends to fall most heavily on local funds is general relief. In the fiscal year 1939, whereas localities of the country as a whole carried only 10.1 percent of the costs of old-age assistance, they bore 40.7 percent of the costs of general relief (excluding administrative costs in both cases). Twelve States still made no contribution toward this important residual program, and the consequences were often disastrous.

The establishment of a direct relationship between inadequate performance of public-aid functions (measured in terms of availability of public aid or adequacy of payments) and excessive financial responsibility carried by localities is admittedly difficult. The capacity of a locality to support a specific burden is influenced by the extent of the other responsibilities it is required to carry and the degree of financial assistance given to it by other jurisdictions in connection with these other functions. Comparisons of States of comparable wealth and comparable financial arrangements show moreover that there are real differences in local willingness to assume financial responsibilities which may be as important as differences in capacity. Similarly, comparisons of States with similar financial arrangements but differing degrees of wealth indicate that heavy, and even complete, State support cannot assure adequate performance of public-aid functions in a poor State and conversely that localities in a wealthy State can show relatively more adequate performance even where there is little State aid.

Nevertheless, although the general economic standing of a State is a more important determinant than the intrastate division of fiscal responsibility, of the extent to which the public-aid problem is successfully met, the intrastate financial arrangements exert a real influence. A comparison of States of similar degrees of wealth indicates that State financial participation can assure a more adequate response to the need for public aid, although it cannot raise the levels of assistance in the poorer States to any approximation to those in the richer States. It is difficult not to conclude that the lack of availability of public aid and the low levels of payments to recipients in certain States are attributable in part to the inadequacy of State financial support.

Maldistribution of State funds between programs.—In the second place, an examination of State and local expenditures per inhabitant and the average payments per case or per recipient for the three special assistance and general relief shows that present intrastate financial arrangements have operated to accentuate the disparities between programs to which attention was called in the discussion of Federal-State financial relationships. General relief, which receives no Federal aid, is also least assisted by State financial participation. Old-age assistance and aid to the blind,
the two programs for which the Federal matching maximum is highest, are also the programs to which the States contribute most heavily.

Variations among political subdivisions in access to aid.—In the third place, even where State aid is available, an analysis of the situation within a number of States reveals that it is not yet distributed in a manner calculated to assure approximate equality of access to public aid and approximate minimum adequacy of public-aid payments in the different political subdivisions. There are marked county-by-county variations in monthly grants, in excess of what could be explained by differences in the cost of living, and it is significant that there is a high degree of correlation between low grants and the economic and fiscal poverty of a county as measured in terms of assessed values per capita. *State aid today is not distributed so as to give most aid to the counties with greatest needs and least resources.* This conclusion holds even of certain States which have adopted some type of equalization formula because the formula is defective or because there is a limit to the total volume of State aid.

**PUBLIC-AID ADMINISTRATION**

Real and significant advances are evident in the administration of public aid. In less than 10 years the Nation has developed a system of social services that in other countries has evolved slowly over decades. In this short period of time, large and important administrative organizations have been created to handle complicated programs and deal with millions of people. Billions of dollars have been distributed through the various public-aid programs with a remarkably small amount of graft and fraud. When the original paucity of technical and professional staff and even of administrative organizations in other fields handling parallel problems on a similar scale is taken into account, the achievement of these years is all the more striking. Not only has the country created administrative organizations *de novo* and shown an ingenuity in handling problems more complicated than those attempted by other countries (e.g., the wage-record system required under the Social Security Act), but in considerable measure existing organizations have been reconstructed and expanded to adapt them to the new functions and objectives of current programs.

These administrative achievements are particularly noteworthy at the Federal level, for prior to 1930 the Federal Government was not concerned with the administration of public-aid programs. But developments at the State and local level, though less spectacular, have been equally remarkable. Although by 1930 State departments of welfare existed in all but five States, only exceptionally did they have jurisdiction over relief other than that provided in institutions. And while in many States legislation providing for pensions to mothers and to the aged was in operation, the financial and administrative role of the States was small.

During the ensuing 10 years the public-aid functions of the States underwent a remarkable expansion, which was accompanied by important administrative developments and reorganizations. The State welfare departments assumed responsibility for the special assistance; and while administrative developments in the field of general relief were less clear-cut, there was none the less a trend toward acceptance of increased responsibility on the part of the States.

The development of more effective administrative organization at the State level has been very directly influenced by Federal policies. The expansion and reorganization of public-welfare departments which was so marked during 1933–35 was a direct outcome of the FERA program. Thereafter, although improvement in the administration of general relief was less marked (there was indeed a reversion to the pre–1933 administrative confusion in many States), the requirements of the Social Security Act again stimulated progressive developments. It is particularly noteworthy that the strengthening of the public-welfare departments has been accompanied and assisted by the growth of cooperative planning between the Federal Government and the States.

During the last 10 years, also, the caliber of the administrative personnel has been immeasurably improved. To an increasing degree the service has been placed upon a professional basis, and in many parts of the country public-aid administration now attracts a high grade of personnel. The change is especially marked in those programs in which the Federal Government participates.

In spite of this progress, the outstanding fact that would impress an impartial observer of the existing administrative arrangements is the apparently confusing number of agencies operating related programs and serving related clienteles at all levels of government. In fact, two major features of contemporary public-aid provision—the diversification of public-aid programs and the participation of larger governmental units in financing and administration—have given rise
to administrative problems whose solution will call for continuing study and experiment for many years to come.

Problems Due to Diversification

Many problems attributable to the diversification of programs are as yet unsolved. The development of public-aid programs on a diversified basis and the increasing specialization of functions which has accompanied the growing understanding of the special needs of definable groups and the potentialities of constructive policies present a challenge to administrative ingenuity in many ways. The fact that some agencies were meeting a variety of needs for specific groups, while others were performing specific functions for special groups or for the population as a whole, inevitably created administrative problems. The situation gave rise to the possibilities of overlapping jurisdictions, of gaps in coverage, and of inconvenience and annoyance to applicants and the public in general on account of numerous contacts with officials and the large number of public offices rendering related, but (to the public) not always clearly differentiated, services.

Federal Agencies

The potentialities of overlapping jurisdictions are evident from a brief survey of the functions performed by the various Federal agencies. At the Federal level there are at the present time four independent Federal agencies (the Federal Security Agency, the Federal Works Agency, the Department of Agriculture, and the Railroad Retirement Board) directly concerned in greater or less degree with the provision of income or service to the economically insecure population. In addition, a fifth agency (the Department of Labor) performs some functions which are closely related to those carried out by some of the others. Under the Federal Security Agency are grouped not merely the Social Security Board, responsible for the two social-insurance programs and the special-assistance programs created by the Social Security Act, but also the National Youth Administration, the Civilian Conservation Corps, the Office of Education, and the Public Health Service. The Federal Works Agency, through the Public Works Administration and the Work Projects Administration, operates programs which are directly of interest to the unemployed. Two divisions of the Department of Agriculture—the Farm Security Administration and the Federal Surplus Marketing Corporation—operate programs, one for the low-income agricultural population, the other distributing surplus commodities to persons who may also receive aid through Federal, State, or local public-aid agencies. The Railroad Retirement Board administers for a special clientele old-age and unemployment insurance programs which in principle do not differ from the two insurance programs administered by the Social Security Board. Finally, there have been three units of the Department of Labor whose activities are closely related to those performed by the agencies already listed. The Children’s Bureau is concerned with the provision of health and welfare services to children and mothers. The Apprenticeship Section in the Division of Labor Standards (until 1942) and the Occupational Outlook Division of the Bureau of Labor Statistics have responsibilities and interests which are closely related to those of the public employment service.

Some degree of overlapping responsibility is inevitable in view of the complex character of the problem presented by loss or inadequacy of private income. Were all organizations founded upon strictly functional lines, there would still be problems involving different clienteles. Were special groups used as the sole basis of administrative organization, functional conflicts would be rife. The problem is indeed likely to become more, rather than less, complex as preventive and constructive public-aid measures are developed. For to an increasing degree these will bear a close relationship to the activities of other Federal departments not primarily concerned with public aid. Thus, for example, so long as unemployment compensation was the major concern of the Bureau of Employment Security, administrative convenience might dictate its incorporation in the Social Security Board, which is primarily concerned with insurance and public-aid programs. But as placement and constructive labor-market functions assume increasing importance, the relationship of the work of the Bureau to the responsibilities and interests of the Department of Labor becomes more evident, and determination of the proper location of the agency is a more difficult matter. Similarly, sound administrative arguments could be made in favor of locating the administration of maternal-and-child-health services either in the Federal Security Agency or the Department of Labor. The former arrangement might be suggested by the similarity of the program to those of parts of the Federal Security Agency, notably the Public Health Service and the Bureau of Public Assistance of the Social Security Board. The latter arrangement could be defended by the equally weighty arguments that public policy has favored the development of an agency to watch over the special interests of children, and that the working conditions of children are as important a part of its functions as their health and welfare. Thus, to transfer the Children’s Bureau to the Federal Security Agency would only create other anomalies by locating in that agency other functions performed by the Bureau which
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are functionally similar to those of the Department of Labor.

Although there is thus no simple solution to the problems of administrative organization created by a diversity of related programs, it is impossible to believe that overlapping, conflict, and lack of coordination have today been reduced to a minimum. Two aspects of the present distribution of responsibility among Federal agencies call for particular concern.

Limited powers and authority of the Federal Security Administrator.—An important step toward integration of public-aid programs was taken in 1939 when a number of agencies were grouped under the Federal Security Administrator. Although it is as yet too early to assess the extent to which the potential administrative gains from such a regrouping of agencies have been reaped, certain limitations to the powers and effectiveness of the Administrator are already apparent. Although given a responsibility to eliminate overlapping and duplication of effort, he has no residual powers to promote the health, welfare, and security of the people of the United States other than those specifically granted to the separate units of the agency. Furthermore, his powers to effectuate reorganization within the agency have been restricted by limitations upon the transfer of funds laid down in successive appropriation acts. Finally, despite the great social importance of the programs for which he is responsible, the Administrator lacks the authority that would accompany cabinet status.

Lack of over-all administrative coordination.—There is a second major weakness in the present Federal arrangements for the administration of public aid. In a group of programs with as many dimensions as contemporary public-aid measures, it is, of course, almost impossible to escape all overlapping of functions and clienteles. In this situation, avoidance of friction, delay, and duplication must depend heavily upon cooperation and clearance between agencies. A survey of this aspect of the administration of Federal programs in recent years points to the relative inadequacy of the arrangements for expeditiously settling differences regarding policy, coverage, and relative spheres of responsibility between agencies with potentially competing interests. It is true that from time to time written understandings are arrived at between agencies and that, notably in the case of the Interdepartmental Committee to Coordinate Health and Welfare Activities, representatives from various agencies have been brought together to discuss matters of common concern. The defect in the existing situation lies in the fact that there is no machinery for assuring speedy settlement of disputed issues or for imposing a settlement when the parties concerned fail to reach agree-
or in the majority of the localities in 23 States, while in 3 others 1 or more of the special public assistance was administratively integrated with all or part of the general-relief program in the localities. In 3 States there was no integration at the local level, and in 4 others integration had been carried through in less than half of the local units. In 6 of the 15 States in which general relief was wholly a local responsibility, the administration of this service had been integrated with that of the special public assistance.

The fact that within the States there is in general a closer integration of public-aid programs than at the Federal level, has tended to obviate some of the problems of overlapping clienteles and functions to which attention was drawn in the preceding discussion of Federal administrative organization. Nevertheless, it is evident that in many areas further integration would have the advantage of simplifying administrative problems, reducing the possibility of multiple investigation of needy families, and fostering a closer coordination of related public-aid programs.

Avoidance of Duplicate Receipt of Aid

The existence of a variety of programs, often operated by different units of government, might seem at first to make it unduly easy for applicants to receive aid simultaneously from several programs. Specific legislative provisions have accordingly aimed to reduce the possibility that an individual may receive aid from more than one source to meet the same need, as distinguished from supplementary aid in meeting his total needs. These provisions have been especially characteristic of the social insurances. But it is obvious that there are narrow limits to what can be achieved by this route. Close interagency cooperation is essential. Although there is evidence of a growing recognition on the part of the administrators of the various programs of the need for the mutual interchange of information regarding applicants, there has been in some areas a failure to develop suitable techniques of cooperation. This has been especially the case in regard to the relations between the administrators of unemployment compensation and general relief. In certain areas the existence of social-service exchanges has facilitated clearance. The available evidence suggests that dual payments have not hitherto been a serious problem. It is difficult to know whether this result has been due to the skill with which the respective responsibilities of the agencies have been defined and to the existence of carefully worked out interagency arrangements or to the fact that, throughout the period studied, the majority of programs have operated with restricted funds, so that there has been great pressure upon administrators in most parts of the country to concentrate upon cases of greatest need and to investigate the resources of applicants with great care. Were this financial pressure removed, the inadequacy of existing clearing arrangements might be more apparent, and the risks of duplication of payments might be increased.

Problems Due to Participation of Several Levels of Government

Administrative difficulties have been created in the field of public aid not only because of the existence of diversified programs but also because of the participation of several levels of Government. There are few programs which are administered exclusively by any one level of Government. Only old-age and survivors insurance and the railroad insurances are operated solely by the Federal Government. Two other programs, however, those of the CCC and the Farm Security Administration, can be regarded as almost wholly federally operated, although in certain respects they involve the administrative participation of other units of Government. The WPA and the NYA programs are locally sponsored but federally operated. Only general relief is, in a certain number of States, the exclusive responsibility of the State or the locality. All other programs, most of which are grant-aided, call in varying degrees for the administrative participation of the Federal Government, the States, and the localities, or some combination of these.

Federally Operated and Locally Sponsored Programs

The administrative relationship between units of government which has been developed by the WPA and the NYA may be regarded as a new and flexible type of grant-in-aid which calls for a high degree of cooperation between the operating Federal agency and the sponsoring State or local government. The strengths and weaknesses of this type of relationship have been especially evident in the operation of the WPA program. Where local authorities have displayed a vigorous interest in the initiation, planning, and development of work programs, the arrangement has frequently resulted in a highly productive cooperative enterprise. However, the establishment of direct relationships between the Federal Government and the municipalities or other political subdivisions within a State has created problems for the State as a planning agency which have not as yet been satisfactorily solved. On the other hand, the sponsorship relation has given rise to difficulties in cases where State or local authorities have been less interested in the development of appropriate projects and where it has been necessary for the Federal agency, in carrying out its responsibilities to provide work for the needy unemployed, to stimulate, or even indirectly initiate, projects for local sponsorship. Administrative
difficulties have also arisen in instances where the sponsors have insisted on making their contribution in the form of supervisory personnel. The WPA has succeeded to an unusual degree in enlisting the active cooperation of all levels of its administrative hierarchy in the operation and development of its general and administrative policies. But for a program which so vitally affects the welfare of almost all communities throughout the Nation and whose scope so directly bears upon the problems faced by State and local relief administrations, it is doubtful whether adequate provision is made for securing the understanding, cooperation, and criticism of non-Federal officials who are familiar with local needs and problems.

Of the federally operated, locally sponsored programs, the NYA is especially free from any charge of central arbitrariness or rigidity. But it has achieved this position at the cost of failing to exercise some of the functions properly belonging to a responsible central agency. The degree of freedom left to its State administrators of the out-of-school work program in the selection of personnel, choice of types of project, and interpretation of the eligibility requirements of applicants is excessive in view of the national importance of the problem presented by unemployed youth, the inequality of the distribution of unemployed youth throughout the country, and the apathy of many communities. Nor has the Federal administrative agency taken the initiative in organizing and disseminating the results of evaluative surveys of the nature of the problem of unemployed youth and the quality and appropriateness of the program in different parts of the country.

Federally Aided Programs

Efficiency of administrative organization and operation of programs involving the participation of two or more levels of government will be mainly determined by two factors: the extent to which the responsibilities lodged in each governmental unit are workable, appropriate, and clear-cut; and the manner in which each agency carries out its assigned functions, including the development of cooperative relationships with its administrative partner.

Division of responsibilities between administrative partners.—It cannot be said that the existing division of functions and responsibilities between the Federal Government and the States or between the States and the localities are always either clear-cut or conducive to smooth and efficient operation.

Especially, the Bureau of Employment Security in the discharge of its responsibilities under the Social Security Act. The operation of unemployment compensation on a State basis in a country characterized by a basic economic unity and by a mobile population calls for the location of certain coordinating responsibilities in the Federal administrative agency. The legal powers of the Social Security Board are not today appropriate to the discharge of these functions. It makes grants to States to cover the costs of proper and efficient administration but has relatively little legal control over the provisions of State laws, many of which (especially those concerning experience rating and benefit formulas) vitally affect administrative costs. Occasions for friction between the Federal and the State Governments are bound to arise when the State authority exercising control over the content of the program must secure approval of its administrative organizational plans from the Federal authority.

The purpose of the tax offset was clearly to implement the national policy of assuring benefits to workers for a significant period following unemployment. Many of the experience-rating devices, now increasingly adopted by the States in response to employer pressure for tax reductions, involve deliberation of the benefit and eligibility provisions of the laws and may gravely restrict the role of unemployment compensation in the complex of public-aid measures. It is unreasonable to expect the Social Security Board, as the national authority charged with responsibility for certifying that State laws meet the conditions of the tax offset, to view these tendencies without concern. Legally, however, it has no power to require minimum benefit standards, and its attempts to safeguard the integrity and purposes of the program through other methods subject it to charges that it is exceeding the bounds of its authority.

Moreover, the Social Security Board does not as yet have authority to require conformity to minimum standards as a necessary condition for the conclusion of certain types of interstate agreements or the power to require such agreements. Even its power to require uniformity of statistical reporting as a technique of administrative controls and for the purpose of evaluating the program as a whole, is likely to lead to misunderstandings with State administrators, because the nature of the Board's responsibility for the joint program has never been clearly defined and the propriety of these requirements is not always appreciated.

The administrative position of the Bureau of Public Assistance of the Social Security Board is somewhat less difficult, for it is not in the anomalous position of carrying full responsibility for administrative costs of State laws over whose character it has no control. The Federal law is more specific as to important provisions of the States' programs required as a condition
of the Federal grant. The administrative problems in
the special-assistance programs arise less from lack of
clarity as to the respective spheres of authority of the
Federal agency and the States than from the manner in
which these responsibilities have been interpreted and
carried out by the cooperating agencies.

Techniques of cooperation.—Even when lines of au-
thority are clear-cut, the smoothness and efficiency of
administration will depend upon the manner in which
each agency carries out its functions and succeeds in de-
vising appropriate techniques of cooperation. In
particular, two conditions must be satisfied by the Fed-
eral agency: its action must not give rise to charges of
unjustifiable central domination or lack of adaptability
to needs revealed by State and local administrators;
and it must devise supervisory techniques which do not
involve interference in administrative minutiae or dupli-
cation of work already done.

There appears to be little support for the charges of
Federal domination that have occasionally been made
against both the Bureau of Employment Security and
the Bureau of Public Assistance of the Social Security
Board. Inevitably both Bureaus of the Social Security
Board, the agency responsible to Congress for ensuring
that the conditions of the Federal grants-in-aid are
complied with, have on occasion had to exert pressure
on individual noncomplying States. But there has been
no arbitrary action, and, where drastic controls
such as the denial of grants have been resorted to, the
record shows that this step was taken only after all
other methods of persuasion had failed. There is in-
deed some evidence that both agencies have been pre-
pared to overlook minor departures from requirements
in the interests of the program as a whole.

A more difficult problem has, however, been created
by the necessarily broad terms in which the legislation
must specify the standards to be applied by the super-
vising agency. Friction between State and Federal
administrators has arisen from time to time because of
a tendency on the part of the Federal bureaus to con-
centrate on matters of detail and on administrative
routines. Some part of this tendency is explicable by
reference to the novelty of the program itself (such as
unemployment compensation) and of the Federal-State
relationship in the public-aid field. But, as both State
and Federal administrators have gained experience
with the new problems and relationships, more atten-
tion needs to be paid by the central agencies to devising
standards and techniques for budgetary and admin-
istrative controls, in place of detailed and specific re-
quirements, and to exploring further the methods of
ensuring State participation in the formulation of these
standards and policies.

In fact, great progress has been made during recent
years in developing cooperative administrative relations-
ships between the Federal Government and the States.
Since 1935 the Social Security Board has increasingly
developed methods of consultation with State admin-
istrators regarding the character of Federal require-
ments and procedures. Furthermore, in the unem-
ployment compensation and special-assistance pro-
grams, the Federal agency has developed a series of
technical services on a wide variety of administrative
problems which are rendered to the States on request.
These services could with advantage be expanded, and
there is still need for an increase in the field staffs of
the Federal agency, as well as for continuing familiar-
ization of Federal officials with the special problems of
the individual States. Nevertheless, the present coop-
erative arrangement has established a pattern of fruitful
cooperation between the Federal Government and the
States which promises well for the constructive develop-
ment of the special-assistance programs.

State-Local Administrative Relationships

While there is need for a reconsideration of the ap-
propriate distribution of responsibilities and admin-
istrative functions as between the Federal Government
and the States, it is equally evident that a similar prob-
lem arises within the States. Many of the local ad-
ministrative units now operating public-aid programs
are too small effectively to carry out the responsibil-
ities assigned to them. The small size of these units
not only impedes economical and effective use of staff
but also greatly complicates the administrative task of
State administrations because of the difficulty of
supervising so large a number of units.

Furthermore, in certain States progress has been im-
peded by the limited legal powers possessed by the State
agency, by the inadequate development of field staffs, by
a failure on the part of the State office to devise effective
methods of taking account of local experience in the
development of policies and procedures, and finally by
undue emphasis on detailed and minute controls.

Differing Federal and State
Organizational Arrangements

Given joint participation in public-aid programs,
it must be regarded as unfortunate that organizational
arrangements of the Federal and the State Govern-
ments are not more similar. Broadly speaking, the
Federal Government has allocated the various pro-
grams to a number of different agencies, whereas the
tendency in many States has been toward integration
in a single agency of programs providing aid on the
basis of economic need.
At the present time, heavy burdens are thrown upon State and local welfare administrators because of numerous contacts which must be maintained with supervising or cooperating agencies. The majority of State public-welfare agencies today must maintain contacts with no less than six Federal agencies: the Social Security Board, the Work Projects Administration, the Civilian Conservation Corps, the National Youth Administration, the Children’s Bureau, and the Surplus Marketing Administration. In addition, in certain States the welfare office also certifies applicants for Farm Security Administration grants. These contacts are of varying kinds, ranging from participation in policy formation to the carrying out of routine administration on instructions from the Federal agency. All of them require frequent consultation, the rendering of reports, and familiarity with the requirements and procedures of the Federal agency.

The administrative burdens imposed upon a State agency maintaining relations with several Federal agencies are the greater because of the failure of the Federal agencies to adopt common policies in regard to related reporting and other requirements. Separate reports must be rendered to the different agencies, and reporting and administrative arrangements required by one Federal program may not be acceptable to the administrators of another. Although there are notable instances of the adoption of common policies by Federal agencies (witness, for example, the clearance between the Bureaus of Employment Security and Public Assistance of the Social Security Board and the Children’s Bureau regarding merit-system requirements), much more attention needs to be paid to this problem.

A less important but nevertheless annoying cause of administrative confusion at the State and local levels of government is the imperfect success with which some of the Federal agencies have met their own internal organizational problems. If lines of authority and flows of command are not clearly established by the Federal agency itself, confusion will result in the States and localities. In particular, it would seem that the functions and responsibilities of the regional officers of the Social Security Board call for greater clarification.

Overlapping Regional Organizations

The failure of the Federal agencies operating related public-aid programs to adopt uniform regional organizations adds unnecessarily to the difficulties faced by the State administrator. For only the Children’s Bureau and the Public Health Service have adopted regions which, with one exception, are uniform. The remaining Federal agencies have differing numbers of regions covering different areas and, even where the boundaries of regions coincide, the regional offices are not always located in the same city. This situation not merely causes inconvenience to the State administrator but also makes consultation and clearance between field staffs more difficult. Even more important, it impedes any move to appraise, plan for, and develop more completely and in a more orderly manner the combination of public-aid measures operating in any one region.

Multiplicity of Points of Intake

At the point where contact is made with the applicant it certainly cannot be said that the problems of administrative organization have been solved, for coordination of services at this point is neither complete nor logical. The individual who is in need of financial aid or specialized services faces a variety of agencies; there is no single office to which he can report his needs and be informed as to the resources available to him, and receipt of assistance or service often involves contact with numerous agencies. The only agency which even approximately serves as a central point of application is the local general-relief or welfare office, acting as it does in an integrated system as the initial intake office for general relief, the special assistances, the Work Projects Administration, the Civilian Conservation Corps, and, in some parts of the country, also for the Farm Security Administration. Moreover, it administers the distribution of surplus commodities through direct distribution and the stamp plan. Even so, this integration is not complete. In many areas the National Youth Administration and the Farm Security Administration operate independent local offices, while everywhere the social-insurance programs have separate administrative structures. Despite notable exceptions, both geographical and by program, administrators have an incomplete sense of participation in a common effort. In consequence, the noneligible applicant at one office cannot always count upon being directed to other agencies equipped or authorized to deal with his special needs or circumstances.

The Local Welfare Office as a Central Channel of Access

Even the present use of the local welfare office as the nearest approximation to a central information service and a single channel of entry to public aid has certain disadvantages. It can serve in this capacity only because it is utilized as a vital link in the administrative chain of a large number of programs, some of which are wholly or mainly Federal. At the present time, however, the Federal Government makes no payment for this service and can exercise little or no
control over the manner in which it is performed. If certification for WPA and selection for CCC is badly done because the local welfare office is inadequately staffed and financed, the quality of the Federal programs suffers. Lacking authority to exercise inspection and control and possessing no sanctions, the Federal Government may find some of its objectives thwarted because some of the local welfare offices apply to applicants for Federal forms of aid the standards customarily applied to applicants for local relief, or because the Federal requirements are deliberately disregarded. These disadvantages have been especially apparent in the WPA, the NYA, and the surplus-commodity programs.

Utilization of the local welfare office as the unpaid service agency for important Federal programs has also affected the capacity of the local offices to perform the relief and welfare functions for which they are wholly or mainly responsible. Because general relief is the residual service, and because many of the Federal programs require the administrative cooperation of the local relief agencies, all changes in Federal policy and requirements are reflected in additional administrative work for the agency, which serves as the channel of access to most forms of governmental aid. Not only does the local agency suffer from the excessive number of different rulings and instructions given to it by the Federal supervising or cooperating agencies, but the volume of administrative work to be performed is largely conditioned by factors over which it has no control because they are the result of policies determined by independent agencies. Thus, for example, every change in the eligibility conditions or the quotas of the important WPA program involves new administrative work for the local relief agency. In consequence, and particularly because many of these changes are unpredictable, it cannot intelligently plan its administrative organization and staffing, and the problem is the more acute because no Federal financial provision is made for this additional work.

The present administrative structure, which involves use of the welfare office as the major local integrating administrative unit, may indeed be likened to an inverted and unstable pyramid. More and more functions of a vital character have been thrown upon the unit which is least equipped to perform numerous and varied tasks, and little attention has been paid to the necessity of strengthening it to enable it to support the heavy burdens which it has been required to carry.

Inadequate Utilization of the Local Employment Office

The mere availability of more nearly adequate resources and the maintenance of higher standards of administration would not, however, overcome another weakness of the present administrative organization, to which attention has already been drawn; namely, the inappropriateness of the use of the local welfare agency as the central point of access for programs which are concerned with the need for work and training, rather than for maintenance. Public aid now includes a number of programs in which the basic eligibility requirement is not need for maintenance but need for employment or training. It is evidently uneconomical and illogical to utilize the welfare agency as the central point of access to such programs, when there exists another local agency much better equipped to perform the task. The failure to make full use of the local employment office as the coordinating local agency to handle applicants for both public and private work and for training programs must be regarded as a major weakness of the present administrative organization. Where, as is now the case, entrance to the CCC and, to a lesser degree, to the NYA out-of-school work programs is through the local welfare agency, there can be no assurance that the relative employment needs of the young people, rather than the financial advantages to the applicant or to the relief agency, will be the predominant criterion in referral. Nor can there be any assurance that the employment needs of young unemployed workers from families not seeking public aid will be given equal consideration with those of members of public-aid families.

Again, even though at the present time the most test requirement for eligibility for WPA employment involves the use of the local welfare office to administer the test, the direct referral of workers from that office to the WPA without the intermediacy of the local employment office has serious disadvantages. On the one hand, there is no real inducement for all the unemployed to register continuously with the employment office. In consequence the service is unable to contribute as fully as is desirable for intelligent program planning, to the accumulation of knowledge concerning the supply of and demand for labor of various types and in different areas. And on the other hand, there is no assurance that workers, when found to be needy, will be directed to programs by reference to their employment histories and the need for developing or restricting the supply of certain occupational skills. The employment service, specializing as it does in employment and labor market problems, is obviously much better equipped to perform these tasks than the local welfare agency.

The Burden on Reporting Employers

The incomplete coordination of many categorical programs and independent operating agencies at the local level has one other unfortunate consequence.
Members of the general public, especially employers, from whom information must be secured for a variety of purposes essential to the administration and evaluation of current programs, are irritated by an unwarranted number of uncoordinated requests for data.

Employers must make three separate tax returns under the social-insurance laws, and those who operate in more than one State must file a separate return for unemployment compensation purposes in each such State. Their problems are further complicated by occasional different interpretations of coverage adopted by the Treasury and either the Social Security Board or the individual States. In addition, a variety of agencies dealing with programs involving a test of need or with those affecting the labor market make separate, but similar, requests for data from employers. It is evident that intelligent planning will call for more, rather than less, information in the future and that much of its accumulation will depend upon the cooperation of employers and the general public. In these circumstances the number of uncoordinated requests already made must be regarded as a cause for concern.

Lack of Over-All Policy Evaluation

No agency or authority is today charged with the duty of continuously reviewing the operation and implications of present public-aid policies and programs, and of proposed expansions, contractions, or re-groupings of given programs in the light of the general national interest and continuing legislative and policy developments. Consequently the separate agencies and governments tend to promote the development of the programs of which they have special knowledge and with which they are intimately concerned.

There is a further unfortunate consequence of the absence of any body charged with the continuous study of the operation of public-aid programs. Intelligent evaluation of present performance and planning for future developments require the accumulation of a vast amount of data relative to present programs and policies. At the present time the supply of this information depends upon the activities of a number of independent agencies. Inevitably each agency must be governed by its own interests and administrative requirements in its selection of statistical services and topics of investigation. In consequence problems of incomparability of data arise, and many questions vital to the evaluation of the composite attack upon the problem of poverty and insecurity are not answered because they may point to weaknesses of programs or agency activities which the agency cannot reasonably be expected to make public or because they are not within the province of any one agency or involve relationships between two or more agencies. This study has revealed how inadequate is the information relating to some of the most important aspects of public-aid policy.

The function of planning and over-all evaluation of the broader aspects of public-aid policy and its implementation cannot as yet be adequately performed by any of the existing authorities. There is no Federal department charged by Congress with the statutory responsibilities for planning for the general welfare, health, and education of the whole country, as, for instance, the Departments of Labor and Agriculture are charged to plan for the interests of labor and farmers. The Federal Security Agency is new and its organization experimental. Moreover, while many Federal public-aid and related agencies are now grouped under the Federal Security Agency, the Administrator's authority cannot extend to those which remain outside, such as the WPA or the Railroad Retirement Board. In any case, the Federal Security Administrator lacks the prestige and authority of a Cabinet officer.

The Social Security Board has a broad legislative mandate to investigate and report in the field of public aid, but its suitability for the purpose of over-all evaluation and planning is limited by the fact that it has programs and interests of its own. It would also experience difficulties in evaluating programs and operations of other agencies. The Interdepartmental Committee on Health and Welfare, although doing valuable work in a field of common interest to several agencies, consists of representatives of operating agencies and is thus susceptible to some of the inhibitions to which reference has already been made. Nor has it the staff or facilities for undertaking the broad studies that are needed. Finally, the Division of Statistical Standards in the Bureau of the Budget, although serving as a coordinating agency for the collection of data, can scarcely be expected to perform the function under discussion; it can prevent duplication in the collection of data, but it cannot initiate inquiries of its own nor ensure that desirable gaps in information are filled.

Administrative Personnel

Although great advances have been made in attracting and retaining qualified and efficient personnel, there are still serious shortcomings. Not all of the Federal agencies have yet been given civil-service status. It is especially noteworthy that the two Federal agencies concerned with the provision of work are still on a non-civil-service basis. In the case of WPA the requirement that certain of its higher officials be confirmed by the Senate offers further impediment to the possibility of selecting key personnel on a merit basis.
And, while the personnel of State administrations concerned with the special-assistance, unemployment compensation, and the public employment service are now selected on a merit basis, less desirable methods prevail in many parts of the country in the selection of personnel for general-relief administration. Where other than merit principles prevail, political influences are not uncommon, salaries are unduly low, and trained and specialized personnel are the exception rather than the rule.

Even where staff are selected on a merit basis, much remains to be done in order to retain efficient and professional workers and to develop a real career service in the field of public aid. Salaries are often too low to retain or even attract competent persons. While improvements are to be noted at the Federal level and in certain States, the disparity between salary standards of Federal and State officials in many parts of the country cannot but cause discontent. Opportunities for promotion are often restricted because of the small size of the administrative units and the very common practice of imposing residence requirements upon public-service officials. These residence requirements have another unfortunate result; they impede a free flow of staff between agencies at different levels of Government and foster an insular point of view. Staffs are in many cases too small to permit efficient performance, and more adequate staffing is frequently prevented by the imposition of arbitrary and rigid limits to administrative expenditures.

The situation just described results from an imperfect recognition of the importance of public-aid measures to the general welfare, and of the fact that much of what is loosely thought of as routine administration is in fact the rendering of important services. Where there is financial stringency or little interest in public-aid programs, it is useless to expect that funds will be available for efficient administration. And so long as the service aspects of the administrative process are underestimated, the increasingly common and unfortunate tendency of legislatures to impose an arbitrary percentage or other limitation to administrative costs must be expected to persist.

Lack of Citizen Participation

One other feature of the administrative aspects of current security, work, and relief measures calls for attention. The evolution of specialized measures calling for a professional administrative staff and the increasing size of the units of government responsible for administration have tended to divorce the average citizen from participation in the problems involved in public-aid policy and administration. The various administrative agencies have not as yet made adequate efforts to associate lay opinion with their work. Advisory councils do indeed exist in connection with public employment offices, and many State unemployment compensation acts have included a similar provision. Many State and local departments of public welfare have administrative or advisory boards of citizens. The Farm Security Administration has enlisted the cooperation of local people in regard to some of its programs. The Advisory Council on Social Security also performed a valuable function, though it was not a permanent body.

But, by and large, perhaps because of the magnitude and urgency of the problem to be met and the speed with which new measures were developed, the possibilities of obtaining sympathetic understanding of problems and policies in a community through lay participation have largely been ignored. Nor can it be said that administrators, especially at the State and local levels, have placed the public in a position to assess adequately the effectiveness of current programs and policies in relation to the problem to be solved, by issuing attractive evaluative and interpretative publications.