

your consideration these aspects. To my mind it eliminates the occasion for the day-to-day joint appraisal that I mentioned to you a few minutes ago. It is a once-a-year proposition, at the end of the year. And because it eliminates the occasion for this day-to-day joint appraisal, I raise the question whether it may not bring about impassés, very serious impassés, between the Federal Government and the State governments that would be more harmful by far to good, creative, constructive Federal-State relations than these niggling irritations that we all know about at the present time.

We have a choice then of whether we are going to use a powerdriver to crush a mosquito (the public may feel that it is a mosquito, but if there are enough mosquitoes they can kill

a man) or whether we are just going to certify the law regardless. So we are thrown between the Scylla of taking very drastic action and the Charybdis of taking no action, and both situations are harmful, to my way of thinking, to good Federal-State relations. Either they create bad feeling and work hardship upon the employers and employees who are involved, or they nullify any effective Federal-State relations. Therefore I believe it would be better to repeal the 3-percent Federal tax outright than to develop what would be a rather fictional Federal-State relationship which had no substance to it. Then at least the responsibility would be clear to everybody concerned.

In any event, I do know that the Interstate Conference has a number

of committees at work on this and on other problems, appraising both the administration of unemployment insurance and the substantive provisions of this legislation.

I believe that in itself is conclusive proof of the desire of the employment security officials to make certain that the legislation entrusted to their care does achieve its beneficent purpose. May I say that so long as we continue this salutary process of self-appraisal, and improvement based upon such appraisal, we may be sure that our country need fear no foreign ideologies. As Governor Winant once told me, there was an old cobbler whom he used to visit who had this motto: "Always unsatisfied—but never dissatisfied." And that seems to me a very good motto for all of us to follow.

## Public Aid Expenditures per Inhabitant, 1934-48

By Dorothy R. Bucklin\*

*Rising expenditures for public assistance in a time of full employment are often considered an anomaly. The factors underlying the increase since VJ-day in expenditures for public aid, including among others the decline in the value of the dollar, are discussed in the following analysis.*

THE ANNUAL AMOUNTS expended per inhabitant for public aid during the 15-year period 1934-48 reflect the dynamic changes in the economy of the Nation that occurred during these years.<sup>1</sup> In the mid-thirties, when millions were unemployed, many short-run programs were established to meet on an emergency basis the immediate and unprecedented need for public aid that existed throughout the Nation.<sup>2</sup> Almost simultaneously, however, the foundations were laid in the Social Security Act for long-run measures to deal with the problems of

economic insecurity that are the inevitable accompaniment of a maturing industrial economy and an aging population.

Expenditures for public aid before 1940 were made up primarily of wage payments under the short-run work programs that were designed to meet the immediate problems of mass unemployment (table 1). Beginning in 1940, however, as the Nation mobilized to meet the demands of the defense and war periods, expenditures under these short-run programs began to decline, though earnings under Federal work programs still comprised the largest segment—63 percent—of the public aid bill in that year. By 1944 the Federal work programs had been liquidated, and old-age assistance represented the major component—almost three-fourths—of expenditures for public aid.

### Factors Underlying Changes

Expenditures per inhabitant for public aid amounted to \$11 in the fiscal year 1948, about half the amount spent in 1940, the year in which the national defense program was launched. In the interval between these 2 years, two major factors operated to depress expenditures for public aid. The most important factor was, of course, the tremendous increase in employment opportunities, which brought a decline of some 7 million in the number of unemployed—from some 8 million in 1940 to about 1 million in 1943, when the last of the Federal work programs were liquidated.

This phenomenal growth in employment opportunities kept in the labor force many older workers who would otherwise have retired, and it attracted into the labor market some who had withdrawn earlier and others who had never worked before. Among these groups were large numbers of so-called marginal workers—the aged, the handicapped, women who were heads of households—some of whom left the relief rolls or found it unnecessary to seek aid because jobs were readily available. Even after the war's end the Bureau of Labor Statistics reported "continued high rates of labor force participation among

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<sup>1</sup>The years referred to in this article are the fiscal years ended on June 30.

<sup>2</sup>For a description of operations under these programs see "A Decade of Public Aid," *Social Security Bulletin*, February 1943.

older men, particularly those 65 years of age and over.”<sup>2</sup>

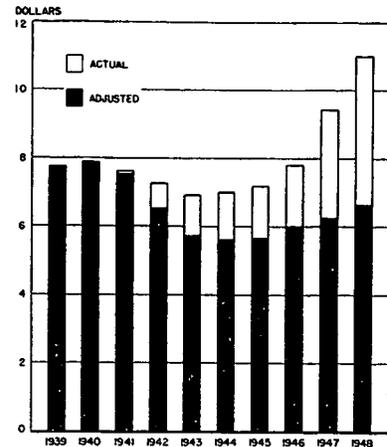
The second factor which operated as a brake on assistance expenditures, especially after VJ-day, was the growth in the volume of benefit payments under the unemployment and old-age and survivors insurance programs. Unemployment benefits, which in 1940 totaled less than a half billion dollars, rose to more than a billion in 1946, and in 1948 they were still substantially (more than three-fifths) higher than in 1940. The in-

<sup>2</sup>Harold Wool, "Recent Trends in the Labor Force," *Monthly Labor Review*, December 1947, p. 643.

crease in the amount of old-age and survivors insurance benefits from \$15 million in 1940 to \$511.7 million in 1948 was more than 32-fold.

Working in the opposite direction—that is, increasing expenditures for assistance—were two other powerful factors. One was the rise in the cost of living, which was gradual until July 1946 and sharply accelerated thereafter. The other was the change in the composition of the population. Between 1940 and 1948, the estimated increase in total population was something less than 10 percent. The population 65 or more years of age, however, increased by more than 20 per-

CHART 1.—Actual and adjusted expenditures per inhabitant for public assistance payments, fiscal years ended June 30, 1939-48<sup>1</sup>



<sup>1</sup> Includes payments for old-age assistance, aid to dependent children, aid to the blind, and general assistance; adjusted expenditures represent actual purchasing power in terms of the average value of the dollar during the period 1935-39.

TABLE 1.—Public assistance and Federal work programs: Expenditures per inhabitant for assistance and earnings in the continental United States, and percentage distribution, by program and by fiscal year ended June 30, 1934-48<sup>1</sup>

Fiscal year ended June 30	Assistance to recipients						Earnings of persons employed under Federal work programs	
	Total	Special types of public assistance			General assistance	Other <sup>2</sup>	Work Projects Administration	Other <sup>3</sup>
		Old-age assistance	Aid to dependent children	Aid to the blind				
Expenditures per inhabitant								
1934.....	\$15.97	\$0.21	\$0.32	\$0.05	\$6.51	\$0.23	-----	\$8.65
1935.....	18.75	.37	.32	.06	12.52	.96	-----	4.52
1936.....	22.27	.69	.35	.08	6.49	.37	-----	6.03
1937.....	23.34	1.90	.46	.11	3.13	.28	11.33	6.13
1938.....	20.89	2.79	.65	.14	3.49	.17	9.57	4.08
1939.....	26.74	3.17	.82	.15	3.63	.17	14.87	3.93
1940.....	21.95	3.42	.94	.16	3.38	.15	10.12	3.78
1941.....	19.00	3.81	1.10	.17	2.55	.11	8.63	2.63
1942.....	14.13	4.26	1.18	.18	1.65	.07	5.36	1.43
1943.....	8.58	4.60	1.12	.19	1.03	-----	1.60	.04
1944.....	7.01	5.09	1.02	.19	.71	-----	-----	-----
1945.....	7.17	5.30	1.04	.19	.64	-----	-----	-----
1946.....	7.81	5.59	1.27	.21	.74	-----	-----	-----
1947.....	9.46	6.42	1.79	.24	1.01	-----	-----	-----
1948.....	11.02	7.22	2.26	.27	1.27	-----	-----	-----
Percentage distribution								
1934.....	100.0	1.3	2.0	0.3	40.8	1.4	-----	54.1
1935.....	100.0	2.0	1.7	.3	66.8	5.1	-----	24.1
1936.....	100.0	3.1	1.6	.4	29.1	1.7	37.1	27.1
1937.....	100.0	8.1	2.0	.5	13.4	1.2	48.5	26.3
1938.....	100.0	13.3	3.1	.7	16.7	.8	45.8	19.5
1939.....	100.0	11.8	3.1	.6	13.6	.6	55.6	14.7
1940.....	100.0	15.6	4.3	.7	15.4	.7	46.1	17.2
1941.....	100.0	20.0	5.8	.9	13.4	.6	45.4	13.9
1942.....	100.0	30.2	8.3	1.3	11.7	.5	38.0	10.2
1943.....	100.0	53.6	13.0	2.2	12.0	-----	18.7	.5
1944.....	100.0	72.6	14.5	2.7	10.2	-----	-----	-----
1945.....	100.0	73.8	14.5	2.7	9.0	-----	-----	-----
1946.....	100.0	71.6	16.2	2.7	9.5	-----	-----	-----
1947.....	100.0	67.9	18.9	2.5	10.7	-----	-----	-----
1948.....	100.0	65.5	20.5	2.4	11.5	-----	-----	-----

cent—from roughly 9 million to almost 11 million. The proportionate growth in the child population—12 percent—also exceeded that for the total population.

The effect of the rise in cost of living on assistance expenditures is apparent when actual expenditures per inhabitant for the years 1940-48 for the three special types of public assistance and general assistance are adjusted to reflect their value in terms of the average value of the dollar for the years 1935-39. The adjusted expenditure per inhabitant for 1948 is roughly five-sixths of the amount spent per inhabitant for these four programs in 1940. Moreover, though the increase in actual expenditures from 1945, the last war year, to 1948 was more than one-half (53.7 percent), the increase in adjusted expenditures was less than a fifth (17.5 percent) (chart 1).

The disproportionate growth in the number of aged persons in the population is an important factor in the continued rise in expenditures per inhabitant for public aid. Thus, the proportion of the aged population receiving old-age assistance was about the same—a little more than a fifth—in both 1940 and 1948, but the number of recipients of old-age assistance in-

<sup>1</sup> For definitions of terms see the *Bulletin*, September 1941, pp. 50-52, and February 1944, footnote 6, table 1, p. 27. Population base for each fiscal year except 1948 represents an average of the July 1 estimates for that and the succeeding fiscal year; for 1948, estimate for July 1, 1947, was used. Base for 1934-39 represents total population; for 1940-47, total population excluding armed forces overseas. Data from the Bureau of the Census.

<sup>2</sup> Includes payments under special programs of the Federal Emergency Relief Administration and subsistence payments certified by the Farm Security Administration.

<sup>3</sup> Includes earnings under the Civilian Conservation Corps, National Youth Administration, Civil Works Program, and other Federal agency projects financed from emergency funds.

creased about 20 percent from about 2 million in June 1948.<sup>4</sup> Expenditures per inhabitant for old-age assistance have risen steadily over the 15-year period and from 1940 to 1948 increased \$3.80, to \$7.22.

Increased expenditures for aid to dependent children also have contributed to the larger costs of public aid. Though there was a decline during the war years, the amount spent per inhabitant for aid to dependent children was \$2.26 in 1948, compared with 94 cents in 1940. It is apparent that the proportionate rise in expenditures per inhabitant over the 8 years actually was greater in aid to dependent children than in old-age assistance. Yet the 8-year increase in the total bill for public aid contributed

<sup>4</sup> For a summary of changes in recipient rates see "Trends in Recipient Rates for Old-Age Assistance," *Social Security Bulletin*, November 1948.

by aid to dependent children—\$1.32—was only slightly more than a third of the increase of \$3.80 attributable to old-age assistance.

Unlike expenditures for the special types of public assistance, those for general assistance are still well below prewar levels—\$1.27 per inhabitant in 1948 as compared with \$3.38 in 1940. Nevertheless, in 1948 they were about double what they were in 1945, the last war year.

**State Variations**

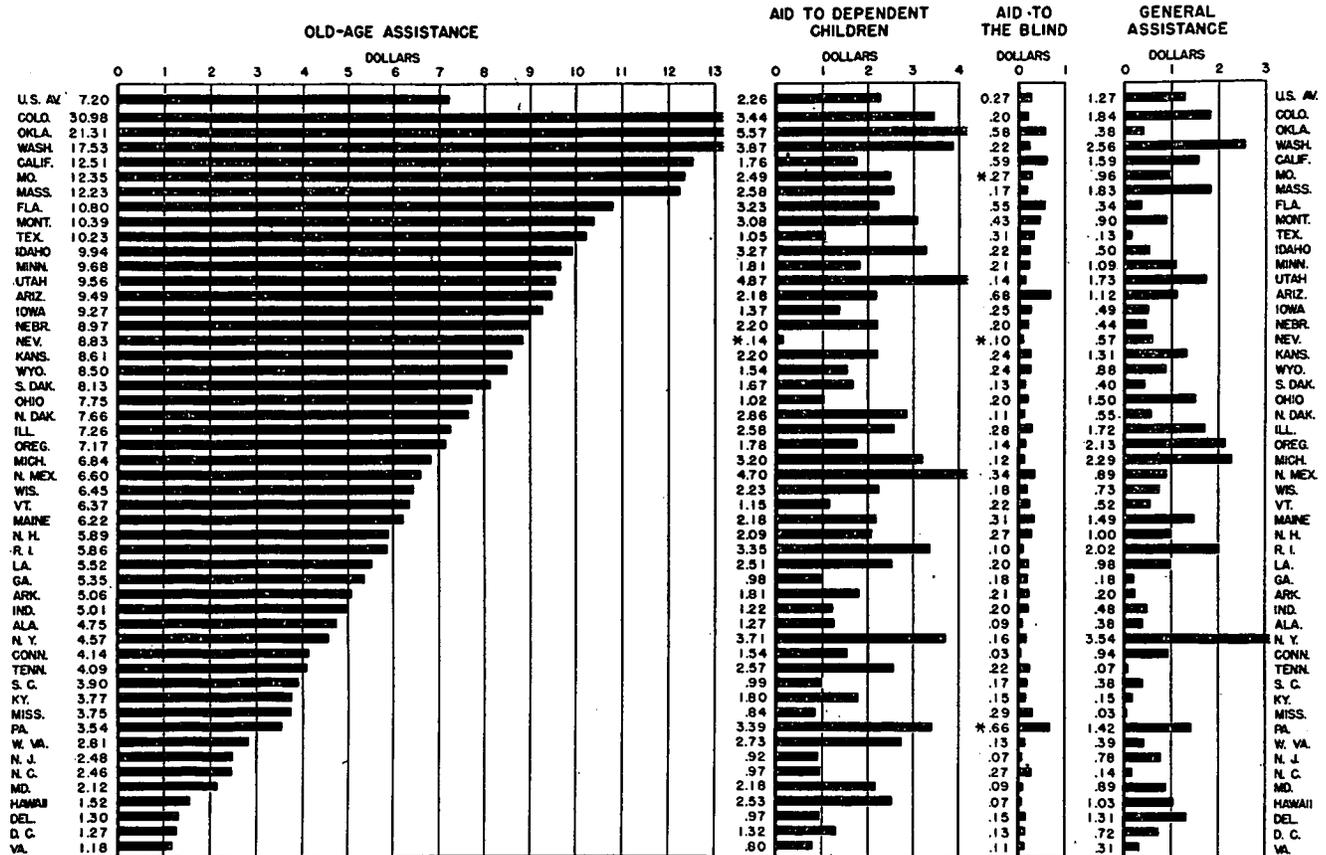
Chart 2, which presents for the fiscal year 1948 State detail on expenditures per inhabitant, by program, reveals the wide range among the States in the amounts spent. The spread was greatest in general assistance, ranging from 3 cents in Mississippi to \$3.54 in New York. Similarly, in aid to dependent children, Oklahoma, with a high of \$5.57, spent almost 40

times as much as Nevada, which does not request Federal funds for this program. The spread in aid to the blind was from 3 cents in Connecticut to 68 cents in Arizona, and for old-age assistance the amount ranged from \$1.18 in Virginia to \$30.98 in Colorado.

As the figures for the country as a whole would suggest, most States spent more per inhabitant for the four assistance programs combined in 1948 than in 1940. This upward shift is revealed in the following summary:

Per inhabitant cost for 4 assistance programs	Number of States	
	1948	1940
Less than \$5.00.....	6	17
5.00-7.49.....	10	13
7.50-9.99.....	6	11
10.00-14.99.....	20	6
15.00-19.99.....	4	2
20.00 or more.....	3	.....

CHART 2.—Amount expended per inhabitant<sup>1</sup> for public assistance payments, fiscal year ended June 30, 1948



<sup>1</sup> Based on population as of July 1947, estimated by the Bureau of the Census; excludes armed forces overseas. Population data for Alaska not available.

\* Program administered under State law without Federal participation.

Seven States, however, spent less per inhabitant on the four programs combined in 1948 than in 1940. These States and the amounts they expended per inhabitant in each of the 2 years were as follows:

State	Per inhabitant expenditure in—	
	1948	1940
California.....	\$16.45	\$16.91
Connecticut.....	6.65	7.23
Indiana.....	6.91	7.97
New Jersey.....	4.25	6.47
New York.....	11.98	12.45
Pennsylvania.....	9.01	12.40
Wisconsin.....	9.59	9.96

The downward shift in these States was the net effect of a tremendous decline in expenditures per inhabitant for general assistance and an increase in amounts expended for the special types of public assistance between 1940 and 1948. In Indiana and New Jersey, however, expenditures per inhabitant for aid to dependent children were less in 1948 than in 1940.

Though in most States expenditures per inhabitant for general assistance were less in 1948 than in 1940, 12 States spent more in the later year. In this group were nine<sup>5</sup> of the 12 States with lowest per capita income and Arizona, Oregon, and Washington.

The upward shifts in expenditures per inhabitant for old-age assistance and aid to dependent children and the general downward movement for general assistance are shown in table 2. Per inhabitant expenditures for old-

<sup>5</sup> Alabama, Arkansas, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, and South Carolina.

TABLE 2.—Distribution of States by assistance expenditures per inhabitant and by specified program, 1948 and 1940

Expenditures per inhabitant	Old-age assistance		Aid to dependent children		General Assistance	
	1948	1940	1948	1940	1948	1940
Less than \$1.00.....	5	8	28	31	18	18
1.00-1.99.....	3	10	15	20	13	14
2.00-2.99.....	4	10	14	1	4	4
3.00-3.99.....	4	4	9	-----	1	5
4.00-4.99.....	4	10	2	-----	-----	2
5.00-7.49.....	13	8	1	-----	-----	4
7.50-9.99.....	12	1	-----	-----	-----	2
10.00 or more.....	9	1	-----	-----	-----	-----

age assistance amounted to \$5 or more in 34 States in 1948 compared with 10 States in 1940. Similarly, only one State spent as much as \$2 per inhabitant for aid to dependent children in 1940, compared with 26 spending that amount or more in 1948. For general assistance, 18 States in 1940, compared with 31 in 1948, spent less than \$1 per inhabitant.

**Changes During the Fiscal Year 1948**

Though most States spent more per inhabitant in 1948 than in 1947 for each program, as well as for the four assistance programs combined, some declines occurred. Thus five States<sup>6</sup> spent less per inhabitant for old-age assistance, five<sup>7</sup> spent less for general assistance, and four<sup>8</sup> less for aid to the blind. Only South Dakota spent less per inhabitant for aid to dependent children. For the four programs combined, three States—Maine, South Dakota, and Washington—spent less in 1948 than in 1947.

Of the five States in which expenditures per inhabitant for old-age assistance declined, all but Oregon assisted, on the average, fewer recipients per month in 1948 than in 1947. The percentage decreases in the average monthly number aided ranged from 3.6 percent in Washington to 11.4 percent in Utah. In both these States and in Maine the decline in number of recipients followed changes in legislation. Utah now requires that the State assistance agency take liens on all real property of those receiving aid,<sup>9</sup> Washington enacted legislation providing that the amount of assistance is recoverable through claims filed against the estates of deceased recipients,<sup>10</sup> and Maine adopted a new law requiring certain relatives to submit sworn statements concerning their ability to assist their aged kin.

Part of Washington's reduction in expenditures per inhabitant and all of the decline in Oregon were due to

<sup>6</sup> Maine, Oregon, South Dakota, Utah, and Washington.

<sup>7</sup> Arizona, Iowa, Maryland, South Dakota, and Vermont.

<sup>8</sup> Kansas, Maine, Oregon, and Wyoming.

<sup>9</sup> Before May 1948, liens were taken only on real property assessed at \$1,200 or more.

<sup>10</sup> This provision is no longer in effect.

a reduction in the average monthly payment per recipient. The change in Oregon reflected in part a reduction in assistance standards and in part a change in the method of meeting the medical needs of recipients of old-age assistance. In Washington, assistance payments during 9 months of 1948 were less than the amounts that would have been paid had sufficient State funds been available.

In most States, both the number of recipients and the total amounts expended for assistance increased from June 1947 to June 1948. The proportionate rise in the amounts expended, however, exceeded that in the number of recipients. It is apparent, therefore, that even if the number of recipients should remain the same—and this is unlikely in view of population trends—expenditures per inhabitant for public assistance will continue to rise as long as living costs move upward appreciably and State legislatures make funds available to adjust assistance payments in recognition of these higher costs.

(Continued from page 2)

the blind in Connecticut and South Carolina, and for aid to dependent children in Massachusetts, Missouri, New York, and Pennsylvania. In Arizona, California, Maryland, Montana, Nevada, and Oregon the October increase in the average payment for at least one program approximated the amount of the rise possible with the additional Federal funds available for that program. The allowances for one or more consumption items were raised for general assistance as well as for the special types of assistance in a number of States.

Total expenditures for assistance in October were \$8.6 million higher than in September. The corresponding increase in the first month after the 1946 amendments became effective was almost the same—\$8.5 million. As a proportion of previous expenditures and in terms of the amount per recipient, however, the increase following the 1948 amendments was smaller than that in the first month after the 1946 amendments became effective.