
PART III

FINANCIAL AND ECONOMIC ASPECTS OF PUBLIC-AID MEASURES

The growth of governmental responsibility for the welfare of the economically insecure has had important repercussions in the realm of finance and economics. Questions of the utmost importance to the welfare of the Nation are raised.

In the first place, the very growth of these expenditures calls for explanation. This question has been indirectly answered in the preceding chapters of this report. It is evident that the major cause of the rise in expenditures has been lack of private incomes on the part of a large section of the population. The heavy unemployment and lowered income produced per head which characterized the decade 1930-40 greatly increased the need for socially provided income. As compared with earlier decades, also, there has been an increase in the proportion of the population in the older and nonproductive age groups.

Another contributing factor has been a broadening of the concept of public responsibility in regard to the economically insecure. This has been expressed on the one hand in a tendency to make more generous payments and to adopt less stringent conditions of eligibility for public aid including, through the social insurances, the provision of socially provided income unaccompanied by any test of need. On the other hand, increased provision has been made for some of the other-than-maintenance needs of the persons without income. In particular it has been recognized that needy employable persons require not merely assurance of income but also the opportunity to engage in productive work.

In the second place, the participation of all levels of government in a variety of programs with a common general objective but operating on different financial principles, leads to the further inquiry whether the distribution of financial responsibility for all forms of public aid results in adequate performance of functions, and approximately equalizes the burden of taxpayers in different parts of the country. These problems are discussed in Chapter X.

Finally, since expenditures are now so large, their disbursement and methods of financing may be expected to have significant repercussions on the tempo of the economic life of the country which call for analysis and appraisal. Chapter XI seeks to determine what these effects have been.

Economic influences have also been exerted more directly by public-aid programs. Public aid given in the form of publicly provided work may add to the total volume of production. At the same time, such programs may affect the volume of both the total labor supply and that portion of it which is available for private employment. The geographical mobility of labor may also be affected by the character of public-aid programs in different parts of the country. The nature of these economic repercussions is the subject matter of Chapter XII.

CHAPTER X

INTERGOVERNMENTAL DISTRIBUTION OF FINANCIAL RESPONSIBILITY FOR PUBLIC-AID PROGRAMS

The financing of public aid during the years 1931-40 has been characterized by three major developments: A tremendous growth in the total volume of expenditures; the assumption of a large share of the responsibility by the larger governmental units, especially the Federal Government; and finally, resort to a wider variety of financial techniques and sources of revenue.

The total volume of governmental expenditures for public aid has increased from slightly over \$200,000,000 in the fiscal year ending June 30, 1932, to over 4.4 billion dollars in the fiscal year ending June 30, 1940. The trend of these expenditures and their fluctuations from year to year are evident from Table 63.¹

These large sums have represented increased expenditures at all levels of government. As pointed out in Chapter III, however, an outstanding feature of the years under discussion in comparison with previous decades is the important share of financial responsibility assumed by the Federal Government. Although after 1935 there was a steady decline in the proportion of expenditures carried by the Federal

TABLE 63.—Governmental expenditures for public-aid programs, including cost of administration, in relation to all governmental expenditures and to national income produced, and governmental expenditures for public aid per inhabitant

Fiscal year ended June 30—	All gov- ern- men- tal expen- ditures (millions of dollars)	National income produced (millions of dollars)	Governmental ex- penditures for public aid		Public-aid expendi- tures as percent- age of—	
			Amount (millions of dollars)	Per in- habitant (dollars)	All gov- ern- men- tal expen- ditures	National income produced
1913.....	2,925	35,000	21	0.22	0.7	0.1
1923.....	8,851	68,000	63	1.57	.7	.1
1932.....	13,643	40,100	208	1.67	1.5	.5
1933.....	11,284	42,400	739	5.90	6.5	1.7
1934.....	13,604	50,300	2,545	20.16	19.0	5.0
1935.....	15,011	55,800	3,018	23.75	20.1	5.4
1936.....	17,009	64,800	3,092	24.16	18.1	4.8
1937.....	17,187	70,900	3,516	27.30	21.5	5.0
1938.....	16,804	63,500	3,636	28.03	21.6	5.7
1939.....	18,199	69,300	4,946	37.89	27.1	7.1
1940.....	18,207	76,700	4,455	33.90	24.5	5.8

Sources: Federal expenditures (minus debt retirement and tax refunds) computed from annual reports of the Secretary of the Treasury on the state of the finances for the fiscal years 1913, 1924, 1938, 1939, and 1940. State and local expenditures from *The Conference Board Economic Record* [National Industrial Conference Board], I (Sept. 15, 1939), 94, and III (Apr. 24, 1941), 171; 1940 data differ from previous years because expenditures for public-service enterprises have been excluded. Figures for national income produced from the series compiled by the National Resources Planning Board. Governmental cost of public-aid programs from appendix 19 below. Population figures for 1913 and 1923 from U. S. Bureau of the Census, *Statistical Abstract of the United States, 1938*, Washington, 1939, p. 10, table 12; for 1940 from *Sixteenth Census of the United States: 1940*, Preliminary Release, Sept. 22, 1940, p. 3, table 1; all other years computed by interpolation. For the type of public-aid expenditures included, see footnote 1 of this chapter.

made this exclusion imperative. First, it has become increasingly difficult to differentiate between emergency public works initiated because of a concern over loss of income due to unemployment and those also financed from "emergency funds" but undertaken for other reasons. Second, it is technically impossible to allocate, both as to the time periods covered and the levels of government involved, the expenditures for PWA as a public-aid measure.

Total governmental expenditures for emergency public works exclusive of CWA) have been as follows:

Fiscal year ended June 30—	Expenditures	Fiscal year ended June 30—	Expenditures
1934.....	\$523,736,000	1937.....	\$1,519,853,000
1935.....	1,105,133,000	1938.....	976,524,000
1936.....	1,307,111,000	1939.....	1,119,363,000

Sources: *The Budget of the United States Government, 1937, 1938, 1939, and 1940*, Supporting Schedule No. 2-C, pp. XXXIII, XXXII, XXIX, and XXX, respectively; *The Budget of the United States Government, 1941*, Informational Table No. 8, p. 1032. Federal emergency construction projects expenditures exclude repayable recovery and relief moneys expended for reclamation projects.

Another exclusion is that of nongovernmental workmen's compensation disbursements and costs of hospitalization, medical care, and burial costs. Expenditures for governmentally provided services, such as maternal and child welfare services, are also not included.

It should be noted that "expenditures" under the social insurances (other than workmen's compensation) is not equivalent to the total amounts collected in the form of wage and pay-roll taxes. Social-insurance disbursements are only the actual amounts spent for benefit payments plus the cost of administration.

¹ It is obvious that certain more or less arbitrary decisions have to be made in the selection of the items to be included in "governmental expenditures for public aid." Both technical difficulties and social interpretation make necessary an allocation and distribution which will serve the over-all purpose of this and the following chapter: to show how the operations of public-aid programs have affected and have been affected by existing financial arrangements.

Governmental expenditures for public aid, as used in the discussion, include payments to recipients benefiting from public-aid programs and cost of administration (unless specified to the contrary). Thus government funds (Federal, State, and local) expended for public-aid purposes are the only type of expenditures which are defined as "governmental disbursements for public aid." Exclusions from the annual totals will be indicated whenever they result in a deviation from the admittedly arbitrarily set definition.

The following public-aid programs are included in all instances: General relief under State and local administration, including aid to needy veterans; Farm Security Administration grants, but not loans except their administrative cost; surplus commodities; Federal Emergency Relief Administration, exclusive of surplus commodities; loans and grants to States, municipalities, etc., by the Reconstruction Finance Corporation; old-age assistance; aid to dependent children; aid to the blind; Work Projects Administration (formerly Works Progress Administration); National Youth Administration; Civilian Conservation Corps; old-age and survivors insurance under the Social Security Act; old-age, disability, and survivors insurance under the Railroad Retirement Acts; unemployment compensation under State laws; railroad unemployment insurance; governmental workmen's compensation payments and medical care, hospitalization, and burial costs; the employment service; and the Civil Works Administration.

The major exclusion from the annual totals of public-aid expenditures is that of the governmental cost of the emergency public works other than the CWA. While their exclusion clearly understates the total funds that were appropriated by government for public-aid and closely related programs, a combination of logical and technical factors has

Government, it still carried the preponderant share in 1940. The significance of this change can be observed in Table 64.

TABLE 64.—Public-aid expenditures, including cost of administration, by level of government, fiscal years 1932-40

Fiscal year ended June 30—	Total (thousands of dollars)	Federal share		State-local share		Annual cost as percent of 1940 expenditures		
		Amount (thousands of dollars)	Percent of total	Amount (thousands of dollars)	Percent of total	Total	Federal	State-local
1932.....	207,562	14,411	2.1	203,151	97.9	5	0.2	11
1933.....	739,481	383,115	51.8	356,366	48.2	17	15	19
1934.....	2,544,753	2,007,363	78.9	537,390	21.1	57	78	28
1935.....	3,018,287	2,382,358	78.9	635,929	21.1	68	93	34
1936.....	3,092,019	2,310,199	74.7	781,820	25.3	69	90	41
1937.....	3,516,432	2,535,007	72.1	981,425	27.9	79	99	52
1938.....	3,635,551	2,252,517	62.0	1,383,034	38.0	82	88	73
1939.....	4,945,865	3,091,120	62.5	1,854,745	37.5	111	121	98
1940.....	4,455,145	2,558,348	57.4	1,896,797	42.6	100	100	100

¹ Consists of \$3,751,000 governmental workmen's compensation payments (U. S. Employees' Compensation Commission) including cost of administration, and \$660,000 for medical care, hospitalization, and burial expenses under this program.

² Consists mainly of general-relief payments under State and local administration (\$118,700,000), and payments for old-age assistance, aid to dependent children, aid to the blind, including administrative cost (a total of \$71,151,000 including payments and cost of administration).

Source: Appendix 19. All percentages computed. For details of expenditures included in annual totals, see footnote 1 of this chapter.

There have also been marked changes in financial techniques and sources of revenue. During the early years of the decade, the provision of funds was to a large extent made on an emergency basis. In 1940 significant proportions of public-aid funds were provided as part of the regular permanent expenditures of Federal, State, and local governments. The period of financial accounting has also extended; borrowing has been resorted to, especially by the Federal Government, while the financing of social-insurance payments has involved the accumulation of reserves. Furthermore, as expenditures have grown and as larger units of government have entered the picture, new types of taxes have been utilized. The property tax, which was the major source of revenue in previous decades when public aid was preponderantly a local financial responsibility, has become less important as new sources of revenue have been drawn upon. Outstanding among these new taxes are sales taxes and the social-insurance taxes levied on workers and on employers' pay rolls.

Distribution of Financial Responsibility Between Levels of Government

In 1940 all levels of government were actively participating in the financing of public aid. The division of responsibility, it will be recalled from Chapter IV, varied from program to program. Certain programs were wholly financed by the Federal Government; others involved the participation of the Federal Gov-

ernment with States or with the States and localities together; while general relief remained a responsibility exclusively of States or States and localities.

Programs Financed Wholly by the Federal Government

Seven of the public-aid programs analyzed in the previous chapters are wholly financed by the Federal Government.² These are the old-age and survivors insurance system under the Social Security Act; the old-age and unemployment insurance plans for railroad workers; the loan and grant programs of the Farm Security Administration; and the programs of the Civilian Conservation Corps and the Surplus Marketing Administration. In addition, the Federal Government is responsible for the expenditures for workmen's compensation payments (including cost of medical care, hospitalization, and burials) incurred by the United States Employees' Compensation Commission. Although State and local governments also incur expenditures for the purposes of workmen's compensation, their systems are wholly separate from the Federal system and are treated as wholly State-locally financed in this discussion. The Federal costs of workmen's compensation are treated as wholly federally financed. Finally, the short-lived Civil Works Administration was so largely federally financed that it can be regarded as a federally financed program, while grants and loans to States and municipalities by the Reconstruction Finance Corporation under the act of July 21, 1932, are similarly treated because the greater part of these loans was subsequently canceled and thus represented a charge on the Federal Government.³ The total governmental expenditures for all the wholly federally financed programs for the fiscal years 1932-40 are shown in table 65.

It will be observed that from about \$44,000,000 spent for wholly federally financed public-aid programs in the fiscal year 1932, representing roughly 2 percent of all public-aid disbursements (including cost of administration) in that year, the Federal expenditures increased within 2 years to over \$1.3 billion, accounting for nearly 53 percent of the total disbursements under all public-aid programs.⁴ By 1940, wholly federally financed programs, as defined above, accounted for \$633,000,000, or over 14 percent of all public-aid expenditures.

² This statement needs some qualification in the case of the Surplus Marketing Administration and the CCC, a part of whose administrative costs are carried by States and localities.

³ For an account of the specific financial provisions of each of these programs, see ch. IV.

⁴ The nongovernmental costs of workmen's compensation are not included in this discussion. (See footnote 1 above and appendix 19.)

TABLE 65.—Total governmental expenditures, including cost of administration, for wholly federally financed public-aid programs, fiscal years 1932-40

[Thousands of dollars]

Program	Total expenditures, fiscal year ended June 30—									
	1932	1933	1934	1935	1936	1937	1938	1939	1940	All years 1932-40
Surplus Marketing Administration ¹		34,241	108,104	188,944	21,776	16,499	50,373	67,099	134,209	621,245
Farm Security Administration ²					20,316	39,883	28,200	29,785	32,258	150,442
Civilian Conservation Corps.....		8,774	331,941	435,509	486,281	385,808	326,383	250,386	283,245	2,548,327
Old age and survivors insurance.....					486	14,158	20,757	29,832	33,952	99,185
Railroad retirement and unemployment insurance ³					270	5,477	82,462	109,119	135,282	332,610
Civil Works Administration ⁴			895,961	11,327	676	207	222		12	908,717
Workmen's compensation.....	4,411	4,116	3,571	8,671	7,678	10,614	9,756	12,872	13,932	75,621
Reconstruction Finance Corporation.....		268,074	487							298,561
All wholly federally financed programs.....	4,411	345,205	1,340,064	644,451	537,483	472,736	518,153	539,315	632,890	5,034,708
Percent of total governmental expenditures for public-aid programs.....	2.1	46.7	52.7	21.4	17.4	13.4	4.3	10.9	14.2	19.2

¹ The amount of \$34,241,000 shown for 1932-33 represents cost for wheat and cotton distributed by the Farm Credit Administration for relief purposes.² Includes cost of administration of rehabilitation loans, but excludes amount of these loans which were: 1936, \$86,658,000; 1938, \$70,562,000; 1937, \$65,756,000; 1939, \$119,149,000 and 1940, \$67,676,000.³ Railroad unemployment insurance payments began in the fiscal year 1939-40; prior to that year unemployment compensation payments to railroad workers were made through State unemployment compensation programs.⁴ Not including for the fiscal year 1933-34, an amount of \$90,538,000 financed by State-local governments. (See Table 67, footnote 2.)

Source: Appendix 19.

Programs Financed Jointly by Federal and Other Governments

The role of the Federal Government in supplying funds is not limited to the assumption of complete financial responsibility for the programs just mentioned. It carries, in addition, a heavy financial responsibility for most of the other public-aid programs. There are, however, very considerable variations in the method of sharing the costs of these programs between the Federal Government on the one hand and State and local governments on the other.

Closest to the wholly federally financed public-aid systems are the WPA and the NYA programs, for which the Federal Government carries the main financial responsibility. Sponsors have been required to meet at least 25 percent of the total costs of all State or locally sponsored WPA projects approved and placed in operation since January 1, 1940. Under the NYA, the student work program is wholly federally financed; the out-of-school work program is financed jointly by the Federal Government and cosponsors, but the non-Federal costs are relatively small.⁵

A more nearly equal sharing of the financing responsibility between Federal and State and local governments characterizes the special public-assistance programs—old-age assistance, aid to the blind, and aid to dependent children. The Federal Government contributes one-half of individual grants up to a maximum of \$40 per month in the first two programs; in the last it contributes one-half of individual grants up to \$18 per month for the first dependent child in the family, and up to \$12 for every additional dependent child.

It shares in the financing of administrative expenditures by adding 5 percent to the amount of the Federal grant for old-age assistance and by paying 50 percent of the cost of administration of aid to the blind and of aid to dependent children.⁶

In contrast to the measures thus far discussed, the unemployment compensation program under the Social Security Act is mainly State-financed. It will be recalled that, while the Federal Government levies a tax on pay rolls throughout the country, it allows a credit of 90 percent for taxes paid under State unemployment compensation laws. In practice, therefore, expenditures for the benefits provided under these laws are financed by the State taxes collected for these purposes.

At first sight it might appear that the States have no control over these taxes, since their amount would seem to be wholly determined by the amount of the Federal tax. In fact, this is not the case. It is true that few States are likely to impose taxes higher than the Federal 3 percent, but they are legally free to do so. Moreover, owing to the presence of experience rating and the absence of any federally required minimum benefit, eligibility, and duration standards, the States have a very wide leeway within which to adjust taxes below the 2.7 percent level. In the absence of minimum Federal standards, it is possible for a State to restrict the employers' liability to be charged with benefit payments by deliberalizing the laws and thus to lower the amount of tax levied not merely on the "more stable" employers but on all employers within the State.⁷

⁶ Details of the financial arrangements on these programs are given in ch. IV.⁷ See ch. XI.⁵ For details of financial arrangements, see ch. IV.

TABLE 66.—Total governmental expenditures, including cost of administration, for public-aid programs financed jointly by Federal and State-local governments, by level of government, fiscal years 1932-40

[thousands of dollars]

Program	Governmental expenditures, fiscal year ended June 30—									
	1932		1933		1934		1935		1936	
	Federal	State-local	Federal	State-local	Federal	State-local	Federal	State-local	Federal	State-local
Work Projects Administration:										
Amount.....									1,228,144	132,890
Percent.....									90.2	9.8
National Youth Administration:										
Amount.....									35,518	1,306
Percent.....									96.5	3.5
Old-age assistance:										
Amount.....		20,782		25,621		27,071		47,193	16,595	72,271
Percent.....		100		100		100		100	18.7	81.3
Aid to the blind:										
Amount.....		4,961		5,535		6,175		7,726	883	8,929
Percent.....		100		100		100		100	9.0	91.0
Aid to dependent children:										
Amount.....		39,503		38,777		38,044		39,224	1,692	41,463
Percent.....		100		100		100		100	3.9	96.1
Total administrative costs of special public assistances: ¹										
Amount.....		5,905		6,328		6,452		8,234	1,298	10,912
Percent.....		100		100		100		100	10.6	89.4
Unemployment compensation and employment service: ²										
Amount.....									1,158	
Percent.....									100	
Federal Emergency Relief Administration:										
Amount.....			37,910	(³)	667,299		1,737,907	(³)	487,428	(³)
Percent.....			(³)	(³)	(³)	(³)	(³)	(³)	(³)	(³)
All above public-aid programs:										
Amount.....		71,151	37,910	76,261	667,299	77,742	1,737,907	102,377	1,772,716	267,771
Percent.....		100	33.2	66.8	89.6	10.4	94.4	5.6	86.9	13.1
Percent of all public-aid programs.....		34.3	34.3	5.1	10.3	26.2	3.1	57.6	57.3	8.7
				15.4		29.3		61.0	66.0	

Program	Governmental expenditures, fiscal year ended June 30—									
	1937		1938		1939		1940		1932-40	
	Federal	State-local	Federal	State-local	Federal	State-local	Federal	State-local	Federal	State-local
Work Projects Administration:										
Amount.....	1,830,834	301,260	1,421,318	373,984	2,164,457	491,760	1,482,121	494,378	8,126,874	1,794,272
Percent.....	85.9	14.1	79.2	20.8	81.5	18.5	75.0	25.0	81.9	18.1
National Youth Administration:										
Amount.....	65,612	4,060	51,181	5,612	75,147	9,820	92,491	15,232	319,949	36,030
Percent.....	94.2	5.8	90.1	9.9	88.4	11.6	85.9	14.1	89.9	10.1
Old-age assistance:										
Amount.....	119,127	125,106	173,859	185,928	198,344	219,337	220,080	229,218	728,005	952,527
Percent.....	48.8	51.2	48.3	51.7	47.5	52.5	49.0	51.0	43.3	56.7
Aid to the blind:										
Amount.....	4,216	9,320	5,043	12,957	5,164	14,676	5,799	15,386	21,105	85,658
Percent.....	31.1	68.9	28.0	72.0	26.0	74.0	27.4	72.6	19.8	80.2
Aid to dependent children:										
Amount.....	12,008	46,485	22,160	61,958	27,427	79,200	40,247	82,306	103,534	466,975
Percent.....	20.5	79.5	26.3	73.7	25.7	74.3	32.8	67.2	18.1	81.9
Total administrative costs of special public assistances: ¹										
Amount.....	9,351	17,997	14,045	25,606	15,998	30,384	18,349	25,778	59,041	137,596
Percent.....	34.2	65.8	35.4	64.6	34.5	65.5	41.6	58.4	30.0	70.0
Unemployment compensation and employment service: ²										
Amount.....	12,881	3,289	46,660	182,903	64,564	447,807	65,830	485,899	191,093	1,119,898
Percent.....	79.7	20.3	20.3	79.7	12.6	87.4	11.9	88.1	14.6	85.4
Federal Emergency Relief Administration:										
Amount.....	8,242	(³)	98	(³)	704	(³)	541	(³)	2,940,129	(³)
Percent.....	(³)	(³)	(³)	(³)	(³)	(³)	(³)	(³)	(³)	(³)
All above public-aid programs:										
Amount.....	2,062,271	507,527	1,734,364	848,948	2,551,805	1,292,984	1,925,458	1,348,197	12,489,730	4,592,958
Percent.....	80.3	19.7	67.1	32.9	66.4	33.6	58.8	41.2	73.1	26.9
Percent of all public-aid programs.....	58.6	14.5	47.7	23.4	51.6	26.1	43.2	30.3	47.8	17.6
	73.1		71.1		77.7		73.5		65.4	

¹ Administrative costs not available separately by program for all years.² Expenditures for the public employment service are included only beginning with the fiscal year 1937, when the employment service operated as an integral part of State unemployment compensation systems.³ Although a part of Federal FERA funds was matched by the States under the Emergency Relief Act of 1933, it is impossible to identify the amounts of State expenditures incurred by this matching provision; these expenditures on the State level are included under general-relief cost in table 67. It has been stated that between January 1933 and August 1936, of a total of about \$4,467 million for obligations incurred for emergency relief, over \$2.9 billion, or 65.6 percent, was the share of the Federal Government; about \$728 million, or 16.3 percent, that of the States; and over \$807 million, or 18.1 percent, that of localities (cf. Burns, Arthur E., "Federal Emergency Relief Administration," *The Municipal Yearbook 1937*, Chicago, International City Managers Association, 1938, p. 406).

Source: Appendix 19.

To a very significant degree, therefore, the States exercise control over the level of the tax, and for the purposes of the present chapter unemployment compensation taxes will be treated as State taxes. In any case, the taxes are today legally the property of the States. Although they must be deposited in the Unemployment Trust Fund in the Treasury, the Secretary of the Treasury must release them for the payment of benefits when a State so requests.

However, the Federal Government is wholly responsible for all administrative costs under State unemployment compensation programs. This expenditure is implicitly financed by the 10-percent Federal share of the employment tax. In addition to paying the whole costs of the extra expenditures incurred by the public employment service in the administration of unemployment compensation, the Federal Government contributes on a matching basis toward the expenditures of State employment services under the Wagner-Peyser Act.

During the period covered by this study there was one other important jointly financed program—the Federal Emergency Relief Administration—which is included in Table 66.

Programs Financed Solely by States or States and Localities

In addition to State and local workmen's compensation systems, States and localities were wholly responsible for financing one major public-aid program, namely, general relief.⁸ The volume of expenditures for general relief and State and local workmen's compensation payments in relation to all public-aid expenditures is shown in table 67. It is apparent that of the two programs, general relief accounted for by far the greater part of State and local expenditures.

Forces Making for Extensive Federal Financial Participation

Regardless of the different principles on which the Federal Government participates in the financing of specific programs, the fact pointed out in the introduction remains: *the Federal Government has come to carry the lion's share of total costs.* This increasing assumption of financial responsibility by the largest unit of government is not peculiar to the United States; the same tendency can be observed in other countries, notably in Great Britain and Germany.

⁸ For a more detailed discussion of the division of responsibility between States and localities, see section below on interstate problems of public-aid financing.

Nongovernmental costs of workmen's compensation are not included in the present discussion.

Nor has the movement for Federal financial participation been limited to public aid; it is evident also in certain types of vocational education and in the provision of public roads.

In the realm of public aid the development is a result of three influences: the strain which the great increase in expenditures has thrown upon the levels of government with the most limited fiscal resources; the great differences in resources and financial capacities among the non-Federal governmental units; and finally the adoption of programs, such as old-age insurance, which for technical reasons require financing by a single national unit. The first two of these influences require some extensive comment.

Restricted Fiscal Capacities of Localities and States

The fiscal capacities of States and localities, in terms of the flexibility and responsiveness of the types of taxes which they can levy, and the ease with which borrowing is feasible, are obviously much more restricted than those of the Federal Government. The capacities of localities are even more restricted than those of States. Hence, it is not surprising that, as the volume of expenditures mounted, the resources of ever larger units of government were tapped, and those of the Federal Government were at once the greatest and the most elastic.

Local fiscal resources.—The fiscal resources of the local units of government, in terms of their appropriateness for financing such heavy and fluctuating costs as are occasioned by public-aid expenditures, must be regarded as small. *The sources of revenue of local units are severely limited, and the type of taxes available to them are not merely relatively inelastic but are also peculiarly susceptible to pressure from organized taxpayers.* In fact, the property tax is the major source of revenue for most local tax authorities, not merely for public aid but for all other locally financed functions. New York City levies a sales tax, and Philadelphia levies an income tax; but these are exceptions. Fully 90 percent of local tax income is from the property tax. And the inadequacies of local administration have narrowed the base of this tax in practice even more than the law. Intangible, and even tangible, property tends to escape the levy. Real estate bears the full brunt of the local tax burden.

This dependence upon the property tax is the result of two factors: restrictions imposed by State legislation, and, more important, the influences exerted by the small size of the typical local fiscal unit. Despite variations in the different States and for the different programs, the county is usually the unit of special

TABLE 67.—Total governmental expenditures, including cost of administration, for public-aid programs financed wholly by States and localities, fiscal years 1932-40

[thousands of dollars]

	Fiscal year ended June 30—									
	1932	1933	1934	1935	1936	1937	1938	1939	1940	1932-40
General relief ¹	118,700	268,105	² 448,948	521,552	502,049	463,198	520,786	548,461	535,300	3,836,261
Workmen's compensation.....	13,300	12,000	10,700	12,000	12,600	10,700	13,300	13,300	13,300	110,600
All State-locally financed programs.....	132,000	280,105	459,648	533,552	514,049	473,898	534,086	561,761	548,600	4,037,694
Percent of total governmental expenditures for public-aid programs.....	63.6	37.9	18.1	17.7	16.6	13.5	14.7	11.4	12.3	15.4

¹ Includes relief to needy veterans and, for the years 1933-36, expenditures on the federally aided FERA program, as well as other State and local relief expenditures. Cf. footnote 3, table 66.

² Includes an amount of \$90,838,000 expended in connection with the CWA program.

Source: Appendix 19.

public assistance and relief administration, but the smaller town is sometimes the responsible authority. In some States the town has been retained as the basic unit for general relief although the special public-assistance program is in the hands of county authorities. *Where such relatively small units are involved, fiscal competition places severe restrictions upon their taxing powers.*⁹ Wealth is increasingly mobile and can often be moved from a high-tax to a low-tax area. This has led to growing competition for taxable wealth among local taxing authorities. Wealthy communities thus hesitate to levy sales, income, and other lucrative taxes or to raise the property tax rate, even when they have the legal powers to do so. City competes with city for taxable values. Land cannot be moved, but political boundaries can be. Many school districts in the United States have been redistricted from time to time—not in the interests of education, but to accommodate some influential landholder by transferring his property from a high-tax to a low-tax district.

Local competition for intangible taxables is also possible. Cities as far apart as New York and Chicago have recently been in competition for a specific large investment banking firm. New York City was restrained from introducing a city tax on stock transfers a few years ago by the threat of the New York Stock Exchange to move to New Jersey.^{9a}

Competition between local taxing units has also taken the form of offers of tax exemption to attract new enterprises. Communities with idle industrial properties have urged, and in a number of instances obtained, tax exemptions for such properties in order to encourage new industries. If, as a result of such exemption, new industries are in fact established in communities with idle plant and unemployment, it is quite possible that

reemployment will bring a more than compensating reduction in local public-aid costs. There can be no guarantee, however, that there will actually be any offsetting gain, at least not in the long run. The industrial concern that is influenced in its choice of location mainly or wholly by a temporary tax reduction may be a marginal enterprise that may not even survive the period of tax exemption. And if it attracts new labor during its brief lifetime, the public-aid problem may only be magnified when it closes down.

The property tax is peculiarly susceptible to pressure from organized taxpayers and is thus an unreliable source of revenue for financing a burden which, as is the case with public-aid expenditures, varies inversely with the general state of business. The rising levies that came with expanding local expenditures in the nineteen-twenties, followed by the declining income of the nineteen-thirties, made the position of the property owner and the municipality serious indeed. Tax delinquencies mounted, leaving local jurisdictions with growing deficits; and the property owners sought relief in tax-limit legislation.¹⁰

Tax limits are not new, but during the depression they were extended to new areas; constitutional and statutory limitations multiplied, and old tax limits were made more stringent. Eight States introduced over-all tax limits during the nineteen-thirties, limiting the total tax that could be levied on a specific piece of property.¹¹ In these States the different overlapping local jurisdictions are in active competition for their respective shares of a fixed total.

¹⁰ The median year-end tax delinquency rate for 150 cities of over 50,000 population rose from a ratio of 10 percent of the current levy in 1930 to a ratio of 26 percent in 1933. As late as 1935, the year-end ratio of delinquent current taxes still stood at 18 percent. (Bird, Frederick L., *Trend of Tax Delinquency, 1930-38: Cities of over 50,000 Population*, New York, Dun and Bradstreet, Inc., 1939, p. 7.)

¹¹ Most of this tax-limit legislation took place in the early half of the decade. A detailed and authoritative account of the legislation and its consequences will be found in Leet, Glen, and Paige, Robert M., eds., *Property Tax Limitation Laws*, Public Administration Service, Publication No. 36, Chicago, 1934.

⁹ The difficulties of local units are also enhanced by the existence of overlapping fiscal districts. Thus in the New York village there may be as many as seven layers of taxing units, leading to competitive taxation of the same property.

^{9a} *New York Times*, September 26, 1933.

A comparison of States with and without these rather drastic tax limits shows that the combined local property tax yields in seven of the States with over-all tax limits declined more than 30 percent between 1929 and 1938,¹² whereas the combined local property tax yields in the remaining 41 States declined less than 1 percent. These tax-limit provisions are thus definitely restrictive in practice. Most of the remaining States have local tax limits for some jurisdictions or some functions, but these have proved less of a handicap.

Property owners have not been content merely with the adoption of more stringent tax limits. They have demanded, and in some cases obtained, preferential treatment for certain types of property, even to the point of exemption. Four States introduced "homestead exemptions" between 1935 and 1939 which exempted small properties occupied by their owners from all property taxes.¹³ Two more States have exempted homesteads from State, county, and school district taxes.¹⁴ The amount of the exemption is limited either to a fixed sum—varying from \$500 to \$5,000 in the different States—or to new improvements.¹⁵ The effect on total tax collections is probably less than the effect of the tax-limit legislation,¹⁶ but the resulting inequalities among the different property owners tends to make the tax more of a hardship.¹⁷

¹² Indiana, Michigan, New Mexico, Ohio, Oklahoma, Washington, and West Virginia. Georgia has been omitted from this comparison because its tax limit was not adopted until 1936, and data on local tax yields since 1936 are not available for this State. Data on the nature of tax limits from *Ibid.* Data on property-tax yields in 1929 from National Industrial Conference Board, *Cost of Government in the United States, 1929-30*, New York, 1932, pp. 114-115; 1938 data from Tax Policy League, *Tax Yields: 1939*, New York, 1940 (publications referred to hereafter by title only).

¹³ Florida, Louisiana, Oklahoma, Wyoming. (Tax Research Foundation, *Tax Systems*, 8th ed. Chicago, Commerce Clearing House, 1940, p. 128. Publication referred to hereafter by title only.)

¹⁴ Georgia and Mississippi. (*Ibid.*)

¹⁵ These homestead exemptions are estimated to have reduced the tax base approximately 3 percent in Wyoming, 12 percent in Oklahoma and Louisiana, and 19 percent in Florida and Mississippi. (Data compiled from various State finance reports as follows: Wyoming, State Board of Equalization, *Tenth Biennial Report* * * * 1937-38, Cheyenne, 1938, pp. 20 and 62; Oklahoma Tax Commission, Report on Homestead Tax Exemptions for 1939 and 1940; Louisiana State Tax Commission, Twenty-first Annual Report * * * 1937, Baton Rouge, 1938, p. 273; State of Florida, *Report of the Comptroller* * * * Fiscal Year Ending June 30, 1938, pp. 196-197; Mississippi State Tax Commission Service Bulletin No. 18, Jackson, 1937, p. 21. No data have been found for Georgia. Five other States (Alabama, Arkansas, Minnesota, South Dakota, and Texas) have granted homestead exemptions from State taxes, but not local taxes, and three (Iowa, Minnesota (for local government), and West Virginia) have granted rate reductions, but not complete exemption, to homesteads.

¹⁶ In some of the States, notably Louisiana, the local jurisdictions are compensated for losses by reimbursement from State taxes. In these instances local fiscal resources are presumably not impaired by the homestead exemptions. Such direct reimbursement is, however, not widespread.

¹⁷ A comparison of the tax revenues of the States having homestead exemptions with tax revenues of other States indicates that the local property-tax yields remained approximately constant for the homestead exemption group as a whole between 1934 and 1938, whereas there was some increase in yields during the same period in other States. (*Tax Yields: 1939*, p. 113.)

The combination of increasing exemptions and the declining value of the remaining taxable property has materially reduced the tax base throughout the country. This, combined with more rigid tax limits and serious tax delinquencies, has greatly reduced local income. Local property-tax collections in 1939 were about 5 percent below the 1932 level.¹⁸ With rising needs and declining income, substantial deficits were inevitable. Federal and State aid were extended only after deficits revealed the need.

While the possibilities of increasing local tax resources are admittedly limited, it must also be recognized that they are by no means negligible. In large cities, other independent local taxes are more feasible than the property tax. This has been demonstrated by New York City and Philadelphia. For the rest, the property tax will probably continue to be the one important local source of revenue. While the yield from this tax could be somewhat increased by improvements in property assessments, by taxation of property now exempt through accident or design, and by increases in rates in some cases, the fact remains that the tax is a relatively inelastic source of revenue.¹⁹ Nor must it be forgotten that public-aid costs are only one of several local governmental functions—notably, other local welfare activities, education, and roads—which compete for the yield of this tax.

The fiscal resources of local authorities are limited not only in terms of the types of taxes which they can effectively levy: the extent to which they may resort to borrowing is also severely restricted. Constitutional debt limits for some classes of municipalities are to be found in one form or another in every State but Vermont. These are supplemented, in most States by extensive general legislation and specific charter limitations.²⁰ There are many loopholes, however, and the depression brought some moderation of the debt restrictions in the interests of emergency relief at the same time that tax limits were tightened.

Special legislative action was often necessary, because municipalities had been so closely restricted in borrowing that many communities had little or no debt margin at the end of the nineteen-twenties. Since debt limits are usually tied to assessed values, the declining

¹⁸ Data on revenue receipts from local general property tax are from Bureau of the Census, *Financial Statistics of State and Local Governments: 1932*, Washington, 1935, p. 7. The 1939 data are from *Tax Yields: 1939* p. 25.

¹⁹ For a discussion of the potentialities of improved assessments see Silverherz, Joseph D., *The Assessment of Real Property in the United States*, Special Report of the New York Tax Commission, No. 10, Albany, 1936, especially pp. 200-219. For an analysis of the problem of increasing tax rates in New York State, see State of New York, *Report of the New York State Commission for the Revision of the Tax Laws*, Albany, 1932, pt. III, memoranda Nos. 4 and 5.

²⁰ For details of debt limits see *Tax Systems*, pp. 300-307

tax base of the nineteen-thirties wiped out such margins as remained in many cities; and, far from borrowing more, they were forced to divert a substantial part of their shrinking resources to repayment of old loans in the worst years of depression. Thus, during 1933, the total of long-term municipal debt in the United States was reduced by nearly \$150,000,000. Many municipalities were unable to meet their obligations, and the number of municipalities defaulting on their debts during the nineteen-thirties was unprecedented.²¹

Nevertheless, legislatures made special concessions for emergency relief funds; and emergency-relief bond issues, State and local combined, amounted to nearly \$200,000,000 in 1933 and over \$200,000,000 in 1934. This relief borrowing has since declined, but even in 1939 new relief loans amounted to \$68,000,000, or nearly one-third of the increase in State and local debts.²²

Even if more effective use were made of the property tax and arbitrary limits on borrowing were removed, the local fiscal units would be at a disadvantage as compared with larger units of government in financing public-aid expenditures. For *it is important to note that, when the local unit is as small as the town, extreme variations in wealth make local support difficult and frequently impossible.* In a factory or mining region it is quite possible for the workers to live in a different town from that in which the factory or mine is located. The owners and managers, in all probability, reside in a third town. The town in which the workers live is the one that will be faced with the public-aid problem; but the taxable wealth will be concentrated in the town where the plant is located and in the residence districts where the owners and managers live.

Even today, with our highly developed systems of transportation and communication, local economic units can still be discerned, although the boundaries are blurred. Cities and the surrounding rural areas which they serve as market centers ordinarily form local economies with substantial local resources. If the local political unit were coterminous with the local economic unit, a substantial amount of local government could be supported from locally taxed resources, but this is often not the case.

Where counties have been defined after settlement

has taken place, as in New York State, the county does in fact often form an economic unit; but where counties have been established by surveyors in advance of settlement and without regard for natural boundaries, as in some of the midwestern States, even the county does not afford a satisfactory taxing unit. The subdivisions of the county completely disregard the economic organization. City boundaries cut the heart out of the local economy. This is particularly serious in dealing with public-aid support.

State fiscal resources.—The preceding analysis of the fiscal resources of local taxing units helps to explain one of the outstanding features of the financing of public-aid programs in recent years—the assumption of financial responsibility by larger units of government. It does not, however, explain the relatively large role played by the Federal Government in contradistinction to that of State governments. For States are not hampered by tax and debt limits to the same extent as local governments. Statutory limits are frequently imposed, but the legislature that has set them in the first place is free to remove them if need arises. Constitutional limits (particularly debt limits) are more of a barrier because of the greater practical difficulty and time required to bring about a constitutional change. A small number of States have been prevented from levying progressive income taxes because their constitutions require uniform rates. Constitutional property-tax limits are found in nearly half of the States, but the States are not so dependent on property taxes as local governments. In 1939, when the property tax supplied local governments with more than 90 percent of their tax revenues, it supplied the States with only 5 percent. Only Nevada depended on this tax for more than one-fourth of its revenue. Twelve States levied no general property tax at all.²³

Over half the States have some constitutional debt limit.²⁴ These limitations proved less hampering than local debt limits during the nineteen-thirties. State debts increased steadily during this decade, although at a slower rate than in the preceding decade—44 percent as compared with 211 percent.²⁵

The States have such a variety of tax resources that a specific limitation does not mean a financial strait jacket, as it does for the local jurisdictions. Many new sources of revenue were tapped by the States during

²¹ In the summer of 1933, municipal bond issues to the aggregate face value of over \$1 billion were in default either as to interest or to principal. (Chatters, Carl, ed., *Municipal Debt Defaults, Their Prevention and Adjustment*, Report to the Executive Committee of the Municipal Finance Officers Association of the United States and Canada, Chicago, Public Administration Service, 1933, p. 1.)

²² Debt figures are from *State and Municipal Compendium*, New York, William B. Dana, pt. 1, issues for years 1934-1940.

²³ California, Delaware, Illinois, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia. (For details see *Tax Yields: 1939*, pp. 42, 113, and 125.)

²⁴ This usually takes the form of a fixed sum for a specified purpose. Occasionally it is in terms of a maximum percentage of the value of taxable property, the common form of municipal debt limitation. One State, North Carolina, limits debts for general purposes to 50 percent of State revenues. (*Tax Systems*, pp. 300-301.)

²⁵ *State and Municipal Compendium*, pt. 1, June 30, 1940.

the depression.²⁶ General sales and use taxes, almost unheard of as State fiscal sources at the beginning of the decade, are now to be found in half the States. Pay-roll taxes are now found in every State. Alcoholic beverage taxes or the profits of State liquor monopolies were added to State revenue sources in all States after the repeal of prohibition. Income taxes spread from 16 to 35 States between 1930 and 1940. The revenue from these five taxes rose from 2 to 47 percent of State tax yields between 1931 and 1939. *Tax Yields* lists 22 different taxes that were important sources of revenue in some States in 1939. Seven of these each yielded 5 percent or more of all State revenues. It should be noted, however, that three of the most important State taxes are dedicated (wholly or in large part) to specific functions: the pay-roll tax, yielding 21 percent of the total, to unemployment benefits; and gasoline taxes and motor vehicle licenses, yielding together 31 percent of the total, to highways. Taking State taxes as a whole, yields nearly doubled between 1929 and 1939, whereas local tax yields remained almost stationary.

But while most States still have important tax resources, the task of tapping these resources is not easy. Constitutional limitations, difficulties arising from interstate competition, and the growing sensitiveness of the taxpayer present obstacles to new levies. Also, the growing Federal taxes encroach on State tax bases. Personal income, tobacco, and liquor taxes, for example, are widely used by the States, as well as by the Federal Government, but State rates cannot rise as high as they might if there were no heavy Federal levies.

Interstate competition is a potent factor restricting the extent to which State taxes may be increased or new levies imposed. This interstate competition has been intensified as the tax burden has grown, and it

tends to check State and local taxation of wealth even when the wealth is there and legally taxable.

Interstate business is beyond the control of State authorities and can be taxed only indirectly. New York and Massachusetts stock-transfer taxes have been a factor in the competition of the stock exchanges of these two States for the declining business of these institutions. Until recently, Pennsylvania offered manufacturers a tax-free haven; and Florida is still endeavoring to lure the millionaires of other States. To prevent such interstate competition, sales taxes have had to be supported by use taxes; gasoline taxes have to be protected by ports of entry; and the Federal Government itself has protected State death taxes and unemployment compensation taxes by its credit for State levies.

Interstate Differences in Need and Wealth

It has been shown in the preceding pages that the fiscal resources of the States and localities are more limited than those of the Federal Government and in many cases less capable of expansion to meet sudden and substantial expenditures. This fact has been the major influence leading to extended Federal participation in public-aid financing. *The necessity for Federal participation has at the same time been intensified by the differences between the States in the extent of need for public aid in relation to available economic resources.*

Industrial and agricultural distress did not affect all parts of the country in equal degree. Unemployment is obviously a more serious problem in industrial areas or States than in rural or farming communities. Rural distress on the other hand is equally characterized by unequal geographical, and therefore State, incidence. The great droughts of 1934 and 1936 were severe in the Great Plains, but other farming communities were little affected. In certain depressed areas or localized industries an unduly large proportion of the population is in need of public aid. In some regions, such as the cutover areas in the Lake States, this situation is due to the exhaustion of raw materials; in others, like the highly localized textile industry in New England, to the competition of industry developing in other parts of the country where costs are lower; in yet others, to technological changes or changes in demand which have destroyed the market for the products of single-industry towns. Finally, it is obvious that the need for public aid is directly affected by the general wealth of a community. The working population which lives in areas characterized by a relatively low level of productivity and therefore of per capita income cannot accumulate resources to meet the vicissitudes of eco-

²⁶ The reports which the States were required to submit to the Federal Emergency Relief Administration furnish detailed information as to the methods used by the States in raising their share of emergency relief funds. This information is condensed in the following table:

Revenue sources of State emergency relief funds, July 1, 1930, to June 30, 1935

Revenue source	Number of States	Amount raised (thousands of dollars)	Percent of total
General revenues.....	26	\$105,978	19.9
Bonds.....	13	295,490	55.4
Sales taxes.....	13	76,368	14.3
Automotive revenues.....	10	21,727	4.1
Beer and liquor revenues.....	8	14,447	2.7
Income taxes.....	2	7,931	1.5
All other.....	18	11,004	2.1
Total.....	42	532,945	100.0

Source: Ecker—R., L. László, "Sources of State Emergency Relief Funds," July 1, 1930 through June 30, 1935, in *Monthly Report of the Federal Emergency Relief Administration, July 1 through July 31, 1935*, Washington, 1935, p. 64. Cf. also, Heer, Clarence, *Federal Aid and the Tax Problem*, Advisory Committee on Education, Staff Study No. 4, Washington, 1938, ch. III, for a discussion of State revenue sources.

conomic life. Interruptions to earning power will create a more immediate need for public aid in such communities because private savings will be insignificant and the ability of friends and relatives to assist will be negligible.

At the same time there are great differences in the economic wealth of the different States. In 1939 the per capita income of the States ranged from \$203 in Mississippi to \$848 in Delaware. Thus, regardless of the fiscal system adopted, there was a wide difference in the capacity of the States to support a financial burden of any given size.²⁷

Unfortunately it is not possible to present any estimates of the significance of these differences in need and economic capacity owing to the absence of any measure of need.²⁸ It is evident, however, that the differences are considerable. The situation is intensified by the fact that in the field of public aid the need for high expenditures often varies inversely with the ability to make them.

It must also be noted that the extent to which a given State is able to sustain specific expenditures, such as those occasioned by the need for public aid, is also affected by the other responsibilities it is required to carry and by the extent of the financial or economic advantage it derives from Federal disbursements of all types. The State which has a large child population will be burdened with relatively heavy expenditures for education. The State which by its geographical character is predestined as the site of large Federal power projects will reap real direct and indirect economic advantages from the Federal expenditures; direct, through the additional employment provided for workers who might otherwise need public aid; indirect, through the addition to the productive capacity of its area.

Evaluation of the Extent and Character of Federal Aid

In view of what has been said in the preceding section, it is obvious that no answer can be attempted to

one of the questions raised by the growth of Federal financial participation; namely, whether the precise proportion carried by the Federal Government is that which would be desirable, taking into account the relative resources and responsibilities of the different levels of government and adequate performance of public-aid functions. To do so would require an analysis of the multifarious financial relationships between levels of government (of which public aid is only one) and of the character and extent of the responsibilities which each level has come to assume. The need for such an examination of the appropriateness of existing fiscal arrangements in the light of the increasing volume and the variety of governmental responsibilities is well recognized.²⁹ Only against such a factual background can the question whether the Federal Government has assumed too large or too small a share of the costs of public aid, be discussed. For obvious reasons it was impossible to undertake so comprehensive and far-reaching an investigation in the present study.

For somewhat similar reasons no definite answer can as yet be given to the question whether the total amount of Federal aid has been so distributed as to offset the differing capacities of the States to support public-aid functions.³⁰ At the present time, since the extent of the financial participation of the different levels of government varies from program to program, the share of the Federal Government in the total costs of public aid in any one State is directly influenced by the relative importance of the different programs in that State.

Table 68 shows for each State the net distribution between the public-aid expenditures, excluding the cost of administration, financed by the Federal Government and the States and localities in the fiscal year ended June 30, 1939.

It will be observed that there are wide differences among States in the extent to which the Federal Government contributes to the financing of all public-aid programs combined, whether this contribution be measured in terms of Federal expenditure per inhabitant in each State or as a percentage of total public-aid expenditures within the State. Whereas in the fiscal year 1939 the Federal share of all public-aid expenditures amounted to \$20.98 per inhabitant of the country as a whole, it ranged from \$38.51 in Montana to \$7.65 in Virginia. While the proportion of total ex-

²⁷ Data from Martin, John L., "Income Payments to Individuals, by States, 1929-39," *Survey of Current Business*, XX (October 1940) 9. The District of Columbia and New Jersey were not included. The ability of the States to meet specific burdens is also affected by the differing character of the distribution of incomes within these States but the net effect of these differences is far from clear.

²⁸ The available data on recipients of public aid is an inadequate measure because it fails to show how many persons are in need but do not receive aid, and, as shown in ch. VI, the numbers of these persons are considerable and unequally distributed among States. For tabular data on State resources, income, population characteristics, and expenditures, see Social Security Board, Bureau of Research and Statistics, *Fiscal Capacity of the States: A Source Book*, Bureau Memorandum No. 43, 3d ed., revised, Washington, 1940. For an estimate of the range of difference between States in ability to meet specific increases in educational expenditures, see Heer, Clarence, *Federal Aid and the Tax Problem*, Advisory Committee on Education, Staff Study No. 4, Washington, 1938, p. 47.

²⁹ Cf., for example, Shoup, Carl, Blough, Roy, Newcomer, Mabel, and associates, *Facing the Tax Problem*, New York, Twentieth Century Fund, Inc., 1937, pp. 423-428. A comprehensive study of Federal, State and local fiscal coordination was urged in this study (pp. 450-451).

³⁰ In addition, a satisfactory answer would require detailed and exhaustive inquiries, and in this report only broad inferences and general conclusions are possible. Moreover, the following discussion is based upon the experience of the fiscal year 1939, the latest period for which comparable and comprehensive data were available.

TABLE 68.—Governmental disbursements for public-aid programs, excluding cost of administration, by level of government and in relation to per capita income, by state and socio-economic region, fiscal year 1939¹

State and region	Public-aid expenditures						Per capita income	State-local expenditures as percent of per capita income	
	Total (thousands of dollars)	Federal (thousands of dollars)	State-local (thousands of dollars)	Percent of total financed by—		Per capita expenditures			
				Federal government	State-local governments	Federal			State-local
United States.....	4,466,148	2,746,235	1,719,913	61.5	38.5	\$20.98	\$13.14	\$536	2.43
Northeast.....	1,647,555	904,330	743,225	54.9	45.1	22.35	18.37	(?)	(?)
Connecticut.....	52,601	30,131	22,470	57.3	42.7	17.72	13.21	768	1.72
Delaware.....	5,243	3,462	1,781	66.0	34.0	13.10	6.74	848	.79
District of Columbia.....	16,761	11,416	5,345	68.1	31.9	17.58	8.23	(?)	(?)
Maine.....	22,142	11,562	10,580	52.2	47.8	13.72	12.55	481	2.61
Maryland.....	35,709	17,910	17,799	50.2	49.8	9.92	9.86	595	1.66
Massachusetts.....	216,881	133,007	83,374	61.5	38.5	30.78	19.29	705	2.74
New Hampshire.....	16,808	9,782	7,026	58.2	41.8	19.99	14.37	519	2.77
New Jersey.....	155,086	96,680	58,406	62.3	37.7	23.30	14.08	(?)	(?)
New York.....	581,406	281,178	300,228	48.4	51.6	20.98	22.40	825	2.72
Pennsylvania.....	451,838	249,746	202,092	55.3	44.7	25.29	20.47	575	3.56
Rhode Island.....	29,198	16,651	12,547	57.0	43.0	23.53	17.73	666	2.66
Vermont.....	9,269	6,010	3,259	64.8	35.2	16.74	9.08	486	1.87
West Virginia.....	55,113	36,795	18,318	66.8	33.2	19.49	9.70	378	2.57
Middle States.....	1,444,730	950,102	494,628	65.8	34.2	26.74	13.92	(?)	(?)
Illinois.....	320,128	216,119	104,009	67.5	32.5	27.45	13.21	640	2.06
Indiana.....	138,355	84,066	54,289	60.8	39.2	24.64	15.91	494	3.22
Iowa.....	62,165	34,112	28,053	54.9	45.1	13.47	11.08	446	2.48
Michigan.....	254,270	145,869	108,401	57.4	42.6	28.21	20.97	604	3.47
Minnesota.....	117,440	71,630	45,810	61.0	39.0	25.83	16.52	505	3.27
Missouri.....	116,687	86,500	30,187	74.1	25.9	22.94	8.01	672	1.70
Ohio.....	318,979	236,574	82,405	74.2	25.8	34.37	11.97	608	1.97
Wisconsin.....	116,706	75,232	41,474	64.5	35.5	24.11	13.29	501	2.65
Northwest.....	286,763	182,796	85,967	68.0	32.0	24.69	11.61	(?)	(?)
Colorado.....	50,636	31,259	19,377	61.7	38.3	28.01	17.36	522	3.33
Idaho.....	17,499	10,395	7,104	59.4	40.6	20.04	13.70	453	3.02
Kansas.....	47,494	31,935	15,559	67.2	32.8	17.67	8.61	411	2.09
Montana.....	28,702	21,469	7,233	74.8	25.2	38.51	12.97	552	2.35
Nebraska.....	40,839	29,084	11,755	71.2	28.8	22.04	8.91	421	2.12
North Dakota.....	25,919	20,101	5,818	77.6	22.4	31.19	9.03	362	2.49
South Dakota.....	28,261	21,362	6,899	75.6	24.4	32.97	10.65	373	2.86
Utah.....	21,703	12,662	9,041	58.3	41.7	23.16	16.53	449	3.68
Wyoming.....	7,710	4,529	3,181	58.7	41.3	18.21	12.79	623	2.05
Southeast.....	514,104	363,263	150,841	70.7	29.3	12.96	5.38	(?)	(?)
Alabama.....	52,869	35,847	17,022	67.8	32.2	12.72	6.04	243	2.49
Arkansas.....	37,639	30,780	6,859	81.8	18.2	15.86	3.53	244	1.45
Florida.....	47,061	35,341	11,720	75.1	24.9	19.07	6.32	457	1.38
Georgia.....	52,713	39,622	13,091	75.2	24.8	12.76	4.21	292	1.44
Kentucky.....	61,401	46,560	14,841	75.8	24.2	16.47	5.25	300	1.75
Louisiana.....	55,155	36,474	18,681	66.1	33.9	15.57	7.97	350	2.28
Mississippi.....	39,557	28,549	11,008	72.2	27.8	13.16	5.07	203	2.50
North Carolina.....	48,276	31,133	17,143	64.5	35.5	8.80	4.84	302	1.60
South Carolina.....	37,035	26,939	10,096	72.7	27.3	14.28	5.35	268	2.00
Tennessee.....	49,658	31,690	17,968	63.8	36.2	10.96	6.21	296	2.10
Virginia.....	32,740	2,238	12,412	62.1	37.9	7.65	4.67	385	1.21
Southwest.....	215,043	142,597	72,446	66.3	33.7	14.66	7.45	(?)	(?)
Arizona.....	18,063	10,939	7,142	60.6	39.4	22.13	14.45	456	3.17
New Mexico.....	14,148	10,477	3,671	74.1	25.9	20.02	7.01	323	2.17
Oklahoma.....	71,953	50,150	21,803	69.7	30.3	21.44	9.32	343	2.72
Texas.....	110,879	71,031	39,848	64.1	35.9	11.16	6.26	401	1.56
Far West.....	375,953	203,147	172,806	54.0	46.0	20.90	17.78	(?)	(?)
California.....	268,053	135,394	132,659	50.5	49.5	19.88	19.48	753	2.59
Nevada.....	4,346	2,512	1,834	57.8	42.2	23.10	16.86	806	2.09
Oregon.....	32,957	19,112	13,845	58.0	42.0	17.72	12.83	545	2.35
Washington.....	70,597	46,129	24,468	65.3	34.7	26.78	14.21	606	2.34

¹ The following programs are included: Old-age and survivors insurance under the Social Security Act, lump-sum payments; railroad retirement benefit payments under railroad retirement legislation; Farm Security Administration grants (but not loans); retail value of surplus commodities distributed by the Surplus Marketing Administration; WPA, including sponsors' contributions; NYA, including local cosponsors' share; unemployment compensation benefits under State laws and grants to States for unemployment compensation administration including advances to States for employment service administration to meet the requirements of the unemployment compensation program, but not including appropriations under the Wagner-Peyser Act; direct assistance to recipients of old-age assistance, aid to dependent children, and aid to the blind, including hospitalization, burial, and medical care; general relief disbursements except costs of materials, equipment, and other items incident to operation of work programs, of special programs, hospitalization, and burials.

Expenditures for the CCC program cannot be allocated by State and are excluded from all figures in the table. For details, see appendix 20.
No railroad unemployment insurance benefits were paid in the fiscal year ended June 30, 1939; payments to railroad workers covered at that time by State unemployment compensation laws are included under expenditures under State unemployment compensation laws.

² Regional averages have not been computed; per-capita income figures for the District of Columbia and New Jersey are not used because of lack of dependable data; cf. Martin, *op. cit.*, p. 8.

Sources: Public-aid expenditures: Appendix 20. 1939 population: *Sixteenth Census of the United States: 1940*. Preliminary Release, Series P-3, No. 10, March 15, 1941, p. 2. Per capita income: Martin, John L., "Income Payments to Individuals, by States, 1929-39", *Survey of Current Business*, xx (October 1940), 8-9. It should be noted that because, in order to secure a break-down by States, it was necessary to utilize somewhat different sources and classifications from those utilized in tables 63-67, the data in this table and table 69 are not directly comparable with earlier tables. See Appendix 20, note 1, for a discussion of major items of discrepancy.

penditures carried by the Federal Government was 61.5 percent for the country as a whole, it ranged from 81.8 percent in Arkansas to 48.4 percent in New York.

Equalization of the Burden on Taxpayers

It is difficult to determine whether this variable amount of Federal aid has resulted in an equalization of the burden of State and locally supported public-aid expenditures upon residents in the different States. Certainly State and local expenditures per inhabitant varied widely, from \$3.53 in Arkansas to \$22.40 in New York, the national average being \$13.14. Because of the great difference in per capita income, however, this is a very inexact measure of relative burdens. But, even when expressed as a percentage of per capita income in each State, State and local expenditures for public aid ranged from 0.79 percent in Delaware to 3.68 percent in Utah. In other words, the proportion of income per capita devoted to the non-Federal costs of public aid was almost five times as much in Utah as in Delaware. In 13 States, public-aid costs amounted to less than 2 percent of per capita income paid out;³¹ in 15 others they accounted for between 2 percent and under 2.5 percent;³² in 11 they were between 2.5 percent and 3 percent of per capita income;³³ while in 8 they were 3 percent or more.³⁴

Even this measure is an incomplete index of the relative burdens falling upon State residents. For it is obvious that the allocation of any given percentage of per capita income to public-aid purposes will involve a greater sacrifice if average per capita incomes are low than if they are high. Thus, Arkansas or Georgia, where the percentages of per capita income devoted to non-Federal costs of public-aid were 1.45 and 1.44 respectively while per capita incomes were under \$300, may well have been carrying as heavy a burden as that supported by residents in, for example, Massachusetts or New York, where the percentage devoted to State and locally provided public-aid was almost twice as high but per capita incomes were \$705 and \$825, respectively.

Nevertheless, even when allowance is made for this

³¹ In order of increasing percentages the States were: Delaware, Virginia, Florida, Georgia, Arkansas, Texas, North Carolina, Maryland, Missouri, Connecticut, Kentucky, Vermont, Ohio.

³² In order of increasing percentages the States were: South Carolina, Wyoming, Illinois, Nevada, Kansas, Tennessee, Nebraska, New Mexico, Louisiana, Washington, Oregon, Montana, Iowa, Alabama, and North Dakota.

³³ In order of increasing percentage the States were: Mississippi, West Virginia, California, Maine, Wisconsin, Rhode Island, New York, Oklahoma, Massachusetts, New Hampshire, South Dakota.

³⁴ In order of increasing percentage these States were: Idaho, Arizona, Indiana, Minnesota, Colorado, Michigan, Pennsylvania, Utah. Because per-capita income data for New Jersey and the District of Columbia are affected by the peculiar situation with regard to employment and residence differences, percentages for the two States have not been computed.

factor, there appear to be marked disparities between the States in the severity of the burden of the State and local share. In the 3 States with per capita incomes of over \$800, the percentage of income devoted to public aid in Delaware was only 0.79, whereas in New York it was 2.72 or over three times as high. Washington, Ohio, and Michigan had almost identical per capita incomes; yet Michigan devoted 3.47 percent of its per capita income to public aid, whereas in Washington the corresponding percentage was 2.34, and in Ohio it was only 1.97. In Florida the percentage of income devoted to the State and local costs of public aid was only 1.38, which was lower than that in all except 1 (Virginia) of the 22 States which rank below it in terms of per capita income. On the other hand, in Alabama and Mississippi, the 2 States with the lowest per capita incomes (\$243 and \$203 respectively), public-aid costs represented a percentage of income higher than that prevailing in 10 of the 20 States with per capita incomes of over \$500.

But while the burden of public-aid costs may thus vary from State to State, the reasonableness of this distribution cannot be assessed without more exhaustive investigations than this study could undertake. For public aid is only one of the many functions undertaken by contemporary governments. While expenditures on roads and education bulk heavily in State and local budgets, these are directly influenced by such factors as the sparsity of population and the proportion of children to adults, in regard to which there is considerable variation among the States. On the other hand, the ability to support a public-aid burden of a given size will be affected by the extent of aid received from other levels of government for these other functions.

Some of these financial aids may very directly affect the extent of the need for public aid. This is especially so in regard to PWA expenditures. Unfortunately, a State-by-State distribution of these expenditures is not available. But some indication of their relative importance can be secured from data relating to the earnings of persons employed on emergency and regular Federal construction projects.³⁵ In the fiscal year

³⁵ *Social Security Bulletin*, III (March 1940), 67. This information is only an approximate measure of the extent to which specific States benefited from emergency public works expenditures because for the part of the expenditures supplied by States and localities no State-by-State breakdown is available; in the fiscal year 1939, 42.8 percent of the total expenditures of \$1,119,363 on projects financed in whole or in part from Federal funds was nonfederally supplied. Furthermore, the data relate only to earnings of persons directly employed within any one State and cannot show the increased indirect employment and earnings that may have occurred in other States in connection with the supply of equipment or material.

1939 these payments ranged from \$23.28 per inhabitant in Nevada to \$1.80 in South Dakota. In 6 of the 12 States³⁶ in which earnings on public works projects were largest per inhabitant, these earnings were equal to more than half the Federal contribution per inhabitant to the expenditures for all forms of public aid. In some cases these expenditures appear to have accentuated, rather than modified, the disparities in public-aid costs borne by States and localities. The 4 States in which earnings per inhabitant from public works projects were conspicuously high in 1939—Nevada (\$23.28), Montana (\$16.32), Wyoming (\$13.87), and Washington (\$13.64)—all received relatively high payments per capita from the Federal Government for public-aid programs.

The differences in the percentages of per capita income devoted to the share of public-aid costs borne by States and localities cannot be attributed to the fact that the Federal Government carried a smaller proportion of the costs in the more heavily burdened States than in those with lighter burdens. On the contrary, in the 13 States in which the State and local public-aid expenditures amounted to less than 2 percent of per capita income, the share of public aid carried by the Federal Government was greatest, while the reverse was true of the 13 States in which State and locally financed costs amounted to 2.7 percent or more of income per capita.³⁷

Broadly speaking, also, the percentage of expenditures carried by the Federal Government tended to vary inversely with the ranking of the States on the basis of per capita income. In the highest quartile of

the States ranked according to per capita income, the Federal share ranged from 48.4 percent to 74.2 percent, the average for the group being 60.1 percent, whereas in the lowest quartile the range was from 63.8 percent to 81.8 percent, the average for the group being 71.8 percent. In the 6 States with the highest per capita incomes³⁸ the Federal share ranged from 48.4 percent to 66.0 percent; in the six States with the lowest per capita incomes³⁹ it ranged from 63.8 percent to 81.8 percent.

In part the differing incidence of public-aid expenditures financed by States and localities is due to the fact that the extent of Federal aid varies from program to program. Hence, even if there were no difference between the States in regard to economic capacity or to need, the extent of Federal aid would be affected by the composition of the dependent population and by social policies within the States, both of which would determine the relative importance of the different programs within any one State. It is evident, for example, that, of two States with a needy unemployable population of a given size, there will be differences in the extent of the State or local expenditures if in the one the dependent population consists largely of persons over 65, whereas in the other it consists of persons below that age, who cannot therefore qualify for old-age assistance.⁴⁰

Again, Federal aid given through the grant program of the Farm Security Administration obviously gives the greatest assistance to the States with the largest agricultural populations.

But the extent of Federal aid is also to a certain extent within the control of the States. For, since the degree of Federal aid varies from program to program, State decisions as to the types of program which they desire to foster will be directly reflected in the proportion of total costs which will be assumed by the Federal Government.

During the fiscal year 1939 the Federal Government

³⁶ The 12 States were:

State	Earnings per inhabitant on Federal work and construction projects	Federal expenditures for public aid per inhabitant
Nevada.....	\$23.28	\$23.10
Montana.....	16.32	38.51
Wyoming.....	13.87	18.21
Washington.....	13.64	26.78
New Hampshire.....	12.56	19.99
Rhode Island.....	11.92	23.53
Arizona.....	9.81	22.13
Virginia.....	7.64	7.65
New Mexico.....	7.12	20.02
Colorado.....	6.49	28.01
Delaware.....	6.40	13.10
Connecticut.....	5.95	17.72
United States total.....	4.32	20.98

Source: Earnings from *Social Security Bulletin*, III (March 1940), 67; expenditures from table 68.

³⁷ In the first group, the percentage of costs carried by the Federal Government ranged from 50.2 percent to 81.8 percent, the average of the group as a whole being 63.1 percent. In the second group the Federal share ranged from 48.4 percent to 75.6 percent, the average of the group as a whole being 60.6 percent.

³⁸ Delaware, New York, Nevada, Connecticut, California, and Massachusetts.

³⁹ Mississippi, Alabama, Arkansas, South Carolina, Georgia, and Tennessee.

⁴⁰ It is difficult as yet to assess the extent to which individual States have lost or gained in this respect by the industrial and occupational exclusions from old-age and survivors insurance. It is true that in predominantly agricultural States fewer persons over 65 years of age will secure benefits from this type of social insurance than will those in highly industrialized States. On the other hand, in agricultural States wages and pay rolls will be less burdened by the social-insurance taxes. Yet, with the important movement from covered to noncovered industries and migration from State to State, as well as with the generally lower wage levels in agricultural States, it is probable that "unearned" benefits will constitute a relatively higher proportion of all benefits paid than in those States where occupational exclusions are numerically less important and where there is less movement from covered to noncovered employment and where wage levels are relatively high.

TABLE 69.—Governmental disbursements for public-aid programs, exclusive of administrative cost, by State and socio-economic region, fiscal year 1939: percentage distribution by program

Region and State	Wholly federally financed programs				Programs financed jointly by the Federal and State-local governments				Wholly State-locally financed programs (general relief)
	Old-age and survivors insurance	Railroad retirement	Farm security grants	Surplus commodities	WPA	NYA	Unemployment compensation and employment service	Special assistances	
United States.....	0.3	2.4	1.1	3.2	57.3	1.9	11.3	11.9	10.6
Northeast.....	.4	2.3	.2	2.6	51.9	1.5	15.1	9.3	16.7
Connecticut.....	.6	1.4	.1	2.4	53.5	1.8	17.4	9.3	13.5
Delaware.....	.8	10.1	.3	2.5	53.3	1.7	11.9	9.9	9.5
District of Columbia.....	.4	1.9	1.4	4.7	63.7	2.1	13.0	9.8	3.0
Maine.....	.4	2.9	.7	8.0	34.6	2.9	19.8	17.6	13.1
Maryland.....	.6	6.3	1.6	2.9	36.4	1.4	24.4	18.8	7.6
Massachusetts.....	.3	1.1	0	5.8	53.4	1.1	13.0	15.1	10.2
New Hampshire.....	.4	3.2	.3	6.1	50.0	2.2	13.7	8.2	15.9
New Jersey.....	.5	2.7	.1	2.7	65.3	1.6	17.1	6.8	13.2
New York.....	.3	1.4	.1	1.9	47.9	1.5	7.4	9.0	21.5
Pennsylvania.....	.3	3.6	.1	1.4	51.6	1.3	16.2	6.6	18.9
Rhode Island.....	.5	1.1	.1	1.9	54.5	1.7	22.0	6.9	11.3
Vermont.....	.4	3.5	.5	4.6	59.1	1.5	9.3	12.5	8.6
West Virginia.....	.3	2.7	1.6	3.5	62.3	3.2	13.8	8.6	4.0
Middle States.....	.3	2.4	.6	2.9	62.7	1.5	8.8	11.8	9.0
Illinois.....	.4	2.4	.3	3.9	66.5	1.6	2.4	8.9	15.6
Indiana.....	.3	3.2	.4	2.2	58.2	1.3	16.3	12.1	6.0
Iowa.....	.3	5.0	.6	2.8	48.8	1.7	11.3	20.2	9.3
Michigan.....	.3	1.1	.2	3.0	54.9	1.1	23.6	8.3	7.5
Minnesota.....	.2	2.7	.8	3.6	55.3	1.9	8.6	16.4	10.5
Missouri.....	.3	3.0	1.6	3.0	66.7	2.0	13.5	15.8	4.1
Ohio.....	.3	2.3	.4	2.2	71.3	1.2	14.7	11.6	6.0
Wisconsin.....	.3	2.1	1.6	2.5	61.8	1.8	6.4	14.1	9.4
Northwest.....	.2	2.7	7.3	5.2	55.6	2.8	4.6	17.4	4.2
Colorado.....	.2	2.7	1.7	2.3	52.3	2.1	5.1	29.1	4.5
Idaho.....	.2	1.8	2.1	4.8	53.7	3.1	13.9	17.8	2.6
Kansas.....	.2	4.7	3.3	5.2	57.8	3.4	4.2	14.8	6.4
Montana.....	.2	2.2	8.4	4.5	65.6	2.2	2.4	12.6	3.9
Nebraska.....	.2	3.1	4.7	4.6	62.5	2.4	3.0	16.3	3.2
North Dakota.....	.1	1.2	23.4	9.7	47.2	3.5	2.1	8.9	3.9
South Dakota.....	.1	1.1	20.3	9.5	47.9	3.3	1.5	13.4	2.9
Utah.....	.2	2.0	1.0	3.4	53.6	3.6	10.4	21.4	4.4
Wyoming.....	.2	2.8	4.6	4.5	53.6	2.9	12.2	14.0	5.2
Southeast.....	.3	2.6	2.2	5.3	67.2	3.7	9.2	8.4	1.1
Alabama.....	.3	2.2	3.5	3.6	67.5	3.6	13.5	5.2	.6
Arkansas.....	.1	2.3	3.7	6.2	73.6	5.1	3.7	4.7	.6
Florida.....	.2	2.9	2.4	3.0	71.2	2.6	2.7	13.5	1.5
Georgia.....	.3	2.5	2.3	7.0	70.0	3.7	4.3	8.9	1.0
Kentucky.....	.3	3.1	.9	4.8	73.3	3.3	6.0	7.4	.9
Louisiana.....	.2	1.4	1.6	6.9	60.7	3.4	12.5	11.1	2.2
Mississippi.....	.1	1.9	3.1	10.1	70.8	4.1	6.0	3.8	.1
North Carolina.....	.3	1.8	2.2	4.8	59.7	4.0	15.4	11.0	.8
South Carolina.....	.2	1.2	2.6	4.5	73.3	3.2	6.2	7.8	1.0
Tennessee.....	.3	3.7	1.2	3.7	62.4	3.9	12.2	12.0	.6
Virginia.....	.6	7.2	1.5	3.3	56.6	4.1	20.1	3.4	3.2
Southwest.....	.2	2.0	2.2	4.3	58.5	3.5	9.3	18.4	1.6
Arizona.....	.2	1.8	3.7	3.4	57.8	1.8	11.5	17.0	2.8
New Mexico.....	.1	2.3	3.9	4.7	70.7	4.7	6.1	6.5	1.0
Oklahoma.....	.1	.9	1.8	5.6	58.7	3.2	4.9	23.1	1.7
Texas.....	.3	2.6	2.1	3.5	56.8	3.8	12.4	17.2	1.3
Far West.....	.3	2.2	1.1	2.3	46.9	1.4	13.0	20.6	12.2
California.....	.4	2.1	1.2	2.1	41.7	1.3	14.2	21.9	15.1
Nevada.....	.4	2.5	2.6	3.1	58.6	1.5	13.5	15.4	2.4
Oregon.....	.3	2.6	1.2	2.4	51.6	1.7	16.7	17.1	6.4
Washington.....	.3	2.3	.6	3.2	63.7	1.4	6.2	17.4	4.9

¹ Unemployment compensation benefits paid for last 6 months of fiscal year only.

² No unemployment compensation benefits paid during fiscal year.

³ Unemployment compensation benefits paid for last 10 months of fiscal year only.

⁴ Aid-to-dependent-children disbursements for last 10 months of fiscal year only.

⁵ Aid-to-the-blind disbursements for last 8 months of fiscal year only.

⁶ Disbursements for last 10 months of fiscal year only.

⁷ Unemployment compensation benefits paid for last 7 months of fiscal year only.

Source: Computed from Appendix 20, figures exclude cost of administration. Data on the special public assistances refer only to those State plans which were approved by the Social Security Board; there were no approved State plans for aid to dependent children in Connecticut, Illinois, Iowa, Kentucky, Mississippi, Nevada, South Dakota, and Texas, and no approved State plans for aid to the blind in Delaware, Illinois, Kentucky, Missouri, Nevada, Pennsylvania, and Texas. Expenditures for the Civilian Conservation Corps are not included, owing to difficulties of State-by-State allocation. (See appendix 20 note 1.)

contributed approximately 82 percent of the costs of WPA projects and 88 percent of the costs of NYA. It carried somewhat less than 50 percent of the special public assistances. Toward general relief it made no contribution. The differences between the States in the relative importance of different programs is shown in Table 69.

It is significant that in all of the 12 States in which the WPA accounted for the largest proportion of all public-aid expenditures (Federal, State, and local combined) the percentage of all public-aid costs provided by the Federal Government was unusually high, and in none of them did the State and local share of all public-aid expenditures exceed 2.5 percent of per

capita income.⁴¹ On the other hand, of the 12 States in which expenditures on WPA accounted for the smallest proportion of all public-aid costs, in all except five cases the percentage of costs carried by the Federal Government was markedly low, and in two of the five exceptions (North and South Dakota) the higher percentage was due to the importance of federally financed farm security grants. Moreover, in only five of these States did the State and local share of all expenditures amount to less than 2.5 percent of per capita income.⁴²

Furthermore, in all but 2 of the 11 States in which general relief accounted for over 10 percent of the expenditures for all public aid, the percentage of all costs carried by the Federal Government was below the national average, and, with two exceptions, the State and locally financed public-aid costs amounted to 2.5 percent or over of per capita income.⁴³

As long as Federal aid is available on different terms for the various programs, and as long as these programs are to some extent alternative methods of meeting need arising from loss or inadequacy of income,

⁴¹ This may be seen from the following tabulation :

State	WPA as percentage of all public aid	Share of all public-aid expenditures carried by Federal Government	State and local expenditures as percentage of per capita income
Arkansas.....	73.6	81.8	1.45
Kentucky.....	73.3	75.8	1.75
South Carolina.....	73.3	72.7	2.00
Ohio.....	71.3	74.2	1.97
Florida.....	71.2	75.1	1.38
Mississippi.....	70.8	72.2	2.50
New Mexico.....	70.7	74.1	2.17
Georgia.....	70.0	75.2	1.44
Alabama.....	67.5	67.8	2.49
Missouri.....	66.7	74.1	1.70
Illinois.....	66.5	67.5	2.06
Montana.....	65.6	74.8	2.35
United States average.....	57.3	61.5	2.43

Source: Tables 68 and 69.

⁴² The following tabulation shows the various percentages :

State	WPA as percentage of all public aid	Share of all public-aid expenditures carried by Federal Government	State and local expenditures as percentage of per capita income
Maine.....	34.6	52.2	2.61
Maryland.....	36.4	50.2	1.66
California.....	41.7	50.5	2.59
North Dakota.....	47.2	77.6	2.49
South Dakota.....	47.9	75.6	2.86
New York.....	47.9	48.4	2.72
Iowa.....	48.8	54.9	2.48
New Hampshire.....	50.0	58.2	2.77
Pennsylvania.....	51.6	55.3	3.56
Oregon.....	51.6	58.0	2.35
Colorado.....	52.3	61.7	3.33
Delaware.....	53.3	66.0	0.79
Massachusetts.....	53.4	61.5	2.74
United States average.....	57.3	61.5	2.43

Source: Tables 68 and 69.

the freedom of the States to determine their own social policies may impose a permanent barrier to the effectuation of even reasonable equalization of the costs of adequate minimum security.

Assurance of Access to Minimum Security

It was pointed out in an earlier section of this chapter that an important spur to the increased assumption of financial responsibility on the part of the Federal Government was the lack of a direct relationship between need and ability to finance adequate public aid in different parts of the country. Therefore, even if the distribution of Federal aid had failed to secure equality of burden among the taxpayers in the different States, it might yet have ensured minimum security for the needy population regardless of place of residence. In fact, as was shown in Chapters VI and VII, this objective is far from being achieved. Great differences among the States in both the availability of public aid and the level of living afforded by any given program still persist. In many cases these differences in standards exceed any variation that could be attributed to variations in costs of living. Furthermore, it will be recalled that, by and large, the largest amount of unmet need, whether measured in terms of complete denial of public aid or inadequacy of monthly payments or grants, is to be found in the poorest States, especially those in the Southeast and Southwest.

At first sight this fact may appear surprising in view of the fact that in general the Federal Government carries a larger proportion of the costs of public aid in the poorer than in the richer States. A clue to the explanation can be found when it is observed that, despite this fact, *the absolute amount of money per inhabitant contributed by the Federal Government in 1939 was in general greater in the richer than in the poorer States.* Thus, whereas the Federal share of public-aid expenditures amounted to \$20.98 per in-

⁴³ In these States the percentages were :

State	General relief as a percentage of all public aid	Share of all public-aid expenditures carried by Federal Government	State and local expenditures as percentage of per capita income
New York.....	21.5	48.4	2.72
Pennsylvania.....	18.9	55.3	3.56
New Hampshire.....	15.9	58.2	2.77
Illinois.....	15.6	67.5	2.06
California.....	15.1	50.5	2.59
Connecticut.....	13.5	57.3	1.72
New Jersey.....	13.2	62.3
Maine.....	13.1	52.2	2.61
Rhode Island.....	11.3	57.0	2.66
Minnesota.....	10.5	61.0	3.27
Massachusetts.....	10.2	61.5	2.74
United States average.....	10.6	61.5	2.43

Source: Tables 68 and 69.

habitant for the country as a whole, in the 12 richest States the average of the amounts paid by the Federal Government was \$23.68 per capita while in the 12 poorest States the average of the Federal amounts per capita was \$16.10.⁴⁴

It is indeed the fact that *two of the major channels through which Federal aid reaches the States—the WPA and the special-assistance programs—make this aid available on a basis which is not calculated to give the greatest amount of aid to the States where the disparity between needs and resources is greatest.* In the fiscal year 1939 more than three-quarters of all Federal aid (75.8 percent including CCC expenditures and 83.6 percent if these expenditures are excluded) was granted through these programs. The special public assistances since their inception and the WPA since January 1940 call in principle for matching expenditures in a proportion which is uniform for all States. Hence, *the less a State is able to contribute, the less will it receive from the Federal Government, an unfortunate result in view of the fact that a high degree of need within a State often coincides with especially restricted financial capacity.*

The special public assistances provide Federal aid equal to 50 percent of State expenditures per person up to certain maximum grants. The Social Security Board has frequently called attention to the failure of this method of allocation of Federal moneys to give most help where most is needed.⁴⁵

The conditions determining the extent to which Federal aid reaches the States through the WPA program are more complicated, but the effect is essentially the same, especially since January 1, 1940, the effective date of the provision of the Emergency Relief Appropriation Act of 1941 that not less than one-fourth of the total cost of non-Federal projects is to be borne by the State and its political subdivisions.⁴⁶ For, although in the law the sponsors' contribution is specified as a minimum, there are practical difficulties in securing more than this amount.⁴⁷ In practice, there-

fore, the provision operates as a uniform requirement. Yet because the need for work is often greatest in communities where public agencies are financially least able to meet the 25-percent requirement, employment may not be given where the need is most acute.

Nor is it possible for the disadvantages of the uniform requirement to be offset by allowing the sponsors to make their contributions in kind through the supply of materials, accommodation, and supervising personnel. It is true that cash transactions between the WPA and sponsors have been relatively unimportant.⁴⁸ But on projects on which nonlabor costs are small, the 25-percent requirement cannot be met through the supply of materials alone.

In any case, the leeway given through a variation in the character of projects or other methods to vary sponsors' requirements within any given State is limited by the general requirement of a minimum State average contribution of 25 percent. For if on some projects sponsors contribute less than 25 percent, others must contribute more, and, as stated above, it has not been easy to secure contributions above the minimum.⁴⁹

It is true that in the fiscal year 1939 a greater degree of flexibility characterized the Federal contribution to public-aid costs through the WPA. During this period the only legal requirement governing sponsors' contributions was a provision that Federal nonlabor expenditures should not exceed \$7 per worker per month in any State.⁵⁰ Some adjustment to differing needs and capacities was therefore theoretically possible through the selection of types of projects, for a poorer community could select projects calling for low nonlabor expenditures. But even this degree of adjustment could not completely overcome differences in needs and resources. Furthermore, because the total cost of a project is mainly determined by the wages

proportion." (*Work Relief and Relief for Fiscal Year 1941*, Hearings before the Subcommittee on Appropriations, House of Representatives, 76th Cong., 3d sess., Washington, 1940, p. 420. Referred to subsequently by title only.)

⁴⁴ Macmahon, Arthur W., Millett, John D., and Ogden, Gladys, *The Administration of Federal Work Relief*, Committee on Social Security of the Social Science Research Council, Chicago, Public Administration Service, 1941, p. 314. In the calendar year 1938 over 80 percent of sponsors' contributions were devoted to nonlabor items of project cost.

⁴⁵ In fact, however, there is considerable variation in the extent of sponsors' contributions as between types of projects. As of March 1, 1940, sponsors had provided as much as 35 percent of the costs of airports and 30 percent of those for public buildings, but only 10.6 percent of the cost of sewing projects and 22 percent of the cost of educational projects. (*Ibid.*, p. 316.)

⁴⁶ This principle was carried over into ensuing years although the amount was reduced to \$6 per worker. In the fiscal year 1938, the Commissioner was authorized to use a sum of \$25 million to supplement nonlabor costs in any State where additional expenditures were necessary in order to assure the operation of sound projects. In the fiscal year 1939 the Commissioner could increase the average to \$7 when he deemed it necessary. In the fiscal year 1940 this increase was permitted only if justified by an increase in the cost of materials. (*Ibid.*, pp. 315-317.)

⁴⁴ The average of the poorest States is raised by the inclusion of North Dakota where, largely on account of Farm Security grant payments, the Federal share of public-aid costs amounted to \$31.19 per inhabitant.

⁴⁵ "Under the present provisions of the [Social Security] Act, the amount of Federal grants is limited by the amount supplied by the State or the States and its localities. When there is a legally fixed matching ratio between State and local funds, the extent of Federal participation may be limited by tax yields in the localities. These fixed relationships sometimes result in highly varying and even inequitable standards of assistance for needy persons in different parts of the country." (*Fifth Annual Report of the Social Security Board, 1940*, Washington, 1941, p. 117.) Cf. *Fourth Annual Report of the Social Security Board, 1939*, Washington, 1940, pp. 15-16.

⁴⁶ This requirement was somewhat softened by the stipulation that the Commissioner should be the judge of the facts constituting compliance and that this determination should be conclusive.

⁴⁷ "Sponsors have a tendency to regard the 25 percent requirement which was written into the law as a minimum, to be practically a maximum, and it is difficult to persuade them to provide more than this

paid, the proportion which any given nonlabor contribution formed of total costs would vary with the level of wages. Since the differences in wage levels among the States largely parallel differences in per capita income, this method of determining sponsors' contributions meant that for a given expenditure a wealthy State could secure a larger amount of Federal money than a poor State.

This fact is reflected in the distribution of sponsors' contributions in the fiscal year 1939. While these amounted to 19.3 percent of all expenditures for the country as a whole, they varied from 37.2 percent in Nevada to 12.6 percent in Ohio. The variation did not appear to reflect differences in economic or fiscal capacity. For while 10 of the 12 States in which the percentage of sponsors' contributions was lowest (19.7 percent or less) were largely industrial States in which the need for unemployment relief might be expected to be especially great, they were also as a group far wealthier than the 12 States in which sponsors' contributions exceeded 25.8 percent.⁵¹

Influence of Federal Financing on Program Development

Federal financial policies have not only determined the total amount of Federal aid received by each State but have also profoundly affected the extent to which the States have developed the various types of programs. It is important to note that the choice of program to be fostered has been influenced not only by the differences in the proportion contributed by the Federal Government to the jointly financed programs but also by the fact that, because of the tax offset device, the States could secure the yield of federally imposed wage and pay-roll taxes under title IX of the Social Security Act only if they were prepared to impose pay-roll taxes of at least 2.7 percent

TABLE 70.—State and local disbursements, excluding cost of administration, for the WPA, NYA, unemployment compensation and employment service, special assistances, and general relief, by State and socio-economic region, fiscal year 1939: percentage distribution by program

State and region	WPA	NYA	Unemployment compensation and employment service	Special assistances	General relief
United States.....	28.6	0.6	26.0	17.4	27.4
Northeast.....	20.5	.3	29.9	12.2	37.1
Connecticut.....	22.1	.5	34.8	11.1	31.5
Delaware.....	32.1	.4	23.1	16.4	28.0
District of Columbia.....	40.3	.1	32.2	18.1	9.3
Maine.....	15.4	.2	37.0	19.9	27.5
Maryland.....	19.3	.1	43.7	21.6	15.3
Massachusetts.....	20.9	.2	29.5	23.0	26.4
New Hampshire.....	23.0	.4	27.9	10.6	38.1
New Jersey.....	39.1	.2	15.4	10.2	35.1
New York.....	18.1	.4	28.6	11.3	41.6
Pennsylvania.....	16.6	.1	32.9	8.3	42.1
Rhode Island.....	18.9	.1	45.4	9.2	26.4
Vermont.....	36.3	.2	19.9	19.0	24.6
West Virginia.....	36.9	1.3	35.4	14.3	12.1
Middle States.....	31.1	.5	23.1	18.9	26.4
Illinois.....	37.6	.5	2.1	13.8	48.0
Indiana.....	28.8	.2	38.3	17.3	15.4
Iowa.....	33.3	.5	22.7	22.8	20.7
Michigan.....	18.9	.0	52.3	11.2	17.6
Minnesota.....	30.6	.9	18.8	22.8	26.9
Missouri.....	41.3	1.6	9.2	31.9	16.0
Ohio.....	34.7	.6	15.3	26.1	23.3
Wisconsin.....	34.9	.2	15.3	23.0	26.6
Northwest.....	43.3	1.3	12.0	30.1	13.3
Colorado.....	31.9	1.0	11.4	43.8	11.9
Idaho.....	37.8	1.2	31.0	23.9	6.1
Kansas.....	44.2	1.2	10.2	24.9	19.5
Montana.....	56.9	.7	2.2	26.6	15.6
Nebraska.....	49.7	.9	17.7	30.4	11.3
North Dakota.....	52.0	2.3	6.8	21.7	17.2
South Dakota.....	54.7	1.1	4.5	27.6	12.1
Utah.....	36.7	2.6	21.6	28.6	10.5
Wyoming.....	42.5	2.1	24.5	18.2	12.7
Southeast.....	52.6	1.7	26.5	15.4	3.8
Alabama.....	49.3	1.9	38.0	9.1	1.7
Arkansas.....	63.0	4.4	15.3	14.0	3.3
Florida.....	58.6	1.3	6.8	27.5	5.8
Georgia.....	62.9	1.8	12.0	19.4	3.9
Kentucky.....	59.0	1.3	20.7	15.4	3.6
Louisiana.....	40.9	.9	32.6	18.9	6.7
Mississippi.....	71.6	2.8	18.2	6.9	.5
North Carolina.....	42.2	2.1	36.5	16.9	2.3
South Carolina.....	61.6	1.2	18.1	15.6	3.5
Tennessee.....	49.1	2.0	28.6	18.6	1.7
Virginia.....	39.8	.9	46.2	4.7	8.4
Southwest.....	41.6	1.5	23.6	28.7	4.6
Arizona.....	43.0	.8	25.2	23.8	7.2
New Mexico.....	61.3	2.3	18.2	14.4	3.8
Oklahoma.....	39.1	.3	13.3	41.8	5.5
Texas.....	40.8	2.2	29.4	23.8	3.8
Far West.....	22.2	.4	25.1	25.7	26.6
California.....	17.2	.3	25.9	26.2	30.4
Nevada.....	51.7	.7	23.6	18.3	5.7
Oregon.....	27.7	.4	35.0	21.6	15.3
Washington.....	43.9	.4	15.0	26.7	14.0

⁵¹ Data on sponsors' contributions to the WPA in the fiscal year 1939 in these 24 States are shown below:

States with highest contributions			States with lowest contributions		
State	Sponsors' contribution as percentage of total WPA expenditures	Per capita income	State	Sponsors' contribution as percentage of total WPA expenditures	Per capita income
Nevada.....	37.2	\$806	Ohio.....	12.6	\$608
Wyoming.....	32.7	623	Pennsylvania.....	14.4	575
Iowa.....	30.8	406	Michigan.....	14.6	644
Arizona.....	29.4	456	Rhode Island.....	14.9	666
Idaho.....	28.6	453	Massachusetts.....	15.1	705
Utah.....	28.5	449	Arkansas.....	15.6	244
Tennessee.....	28.4	296	Missouri.....	16.0	672
Mississippi.....	28.1	203	Connecticut.....	17.6	768
South Dakota.....	27.9	373	Illinois.....	18.3	640
Virginia.....	26.7	385	New Hampshire.....	19.2	519
Maryland.....	26.3	595	New York.....	19.5	825
Texas.....	25.8	401	West Virginia.....	19.7	378

Source: Table 68 and Report on Progress of the WPA Program, June 30, 1939, Washington, 1939, p. 171.

- ¹ Unemployment compensation benefits paid for last 6 months of fiscal year only.
- ² No unemployment compensation benefits paid during fiscal year.
- ³ Unemployment compensation benefits paid for last 10 months of fiscal year only.
- ⁴ Aid to dependent children disbursements for last 10 months of fiscal year only.
- ⁵ Aid to the blind disbursements for last 8 months of fiscal year only.
- ⁶ Disbursements for last 10 months of fiscal year only.
- ⁷ Unemployment compensation benefits paid for last 7 months of fiscal year only.

Source: Computed from appendix 20, figures exclude cost of administration. Data on the special public assistances refer only to those State plans which were approved by the Social Security Board; there were no approved State plans for aid to dependent children in Connecticut, Illinois, Iowa, Kentucky, Mississippi, Nevada, South Dakota, and Texas and no approved State plans for aid to the blind in Delaware, Illinois, Kentucky, Missouri, Nevada, Pennsylvania, and Texas.

and to devote their entire yield to the payment of unemployment compensation benefits.⁵²

Table 70 shows the percentage of all State and local expenditures devoted to WPA, NYA, unemployment

⁵² While for the reasons already given (section above on programs financed jointly by Federal and other governments) the experience-rating provisions will in future give the States some leeway in this respect, rate reductions were not permitted in the years covered by this study.

compensation, the special public assistances, and general relief. It will be noted that the distribution in the individual States differs widely from the national average.

Admittedly, it is impossible to formulate any single standard for the ideal proportion of expenditures to be devoted to each program. Some degree of variation among the States must be expected in view of the differing composition of their public-aid populations. Thus WPA and unemployment compensation expenditures would bulk relatively large in a State with a relatively high proportion of industrial wage earners or where wage levels are high. Old-age assistance would account for a relatively large proportion of total expenditures in States with an overrepresentation of aged persons. The great financial significance of one program in and of itself does not justify a questioning of the appropriateness of the allocation of State and local funds among programs. For progress rarely occurs on all fronts simultaneously, and the relatively high expenditures on one program may mean merely that, although all dependent groups are adequately provided for, some have been given especially favorable treatment. On the other hand a question as to the effective utilization of available funds may justifiably be raised if the improvement in the position of certain groups is purchased at the expense of others equally insecure, or if glaring inadequacies of provision for some groups exist side by side with relatively very favorable treatment of others. Humanitarian considerations would suggest rather that, as long as the funds made available are less than adequate to meet all needs on an acceptable basis, any additional resources that became available should be applied first of all to assuring minimum basic security for all.

Yet, even when all these qualifications are taken into consideration, *the conclusion seems inescapable that the funds which have been devoted to public aid have not always been distributed among programs so as to lead to the best results and that the distribution has been significantly influenced by Federal financial policies.*

The influence of the extent of Federal financial participation is particularly marked when a comparison is made between the State and local funds devoted to the special public assistances and those devoted to general relief. In view of the prevailing eligibility requirements of the different special programs, it might have been expected that, even if each had been made available to all who could legally qualify, there would remain a substantial dependent group whose needs could be met only by the general-relief system. It is indeed significant that in the Northeast and to a lesser extent in the Middle States regions, both of which are characterized by relatively wealthy States which

ranked high in terms of total per capita expenditures on public aid, general-relief expenditures in 1939 considerably exceeded the State and local expenditures for the special public assistances.⁵³

On the other hand in the Southeast and Southwest regions which in general comprise poorer States and those devoting smaller per capita expenditures to public-aid purposes, general relief accounted for but a small fraction of all State and local public-aid expenditures and also for only a small fraction of expenditures for the special assistances.⁵⁴ Even in the Northwest region, where general relief accounted for a somewhat larger fraction of all State and local public-aid expenditures, it still amounted to less than half of the funds spent on the special assistances. It is noteworthy that the States in the Southeast and Southwest regions are those in which, as shown in Chapters VI and VII, the extent of unmet need is greatest, especially on the part of applicants for general relief. It cannot therefore be held that the relatively high proportion of funds devoted to the special assistances in these areas reflects merely an enhancement of the general public-aid provision, although an enhancement that is confined to a special group. Indeed, in some of the more wealthy States such as Colorado, the higher proportion of funds devoted to the special public assistances has been directly at the expense of the group seeking aid from general relief.

When it is recalled that general relief receives no Federal aid, whereas the special public assistances are jointly financed by the Federal Government and the States and localities, *it is difficult not to conclude that the poorer States have been tempted to devote a disproportionate amount of their restricted funds to those programs in which State and local expenditures would call forth Federal funds, to the neglect of general relief.*

An analysis of the State and local funds devoted to the WPA program lends further support to this conclusion. It might have been expected that work-program expenditure would bulk particularly large in the urbanized States characterized by heavy unemployment. Yet in such States as New York, Pennsylvania,

⁵³ See Table 70. Of the 21 States in these 2 regions all except 2 were in the upper half of the States when ranked according to per capita income and all except 6 fall into the upper half of the States when ranked according to total State and local public-aid expenditures per inhabitant. In all except 7, general-relief expenditures exceeded the State and local expenditures for the special assistances.

⁵⁴ All of the 15 States in these 2 regions fall in the lower half of the States when ranked according to income per capita, and all except Arizona fall into the lower half of the States when ranked according to State and local expenditures for public aid. In all of these States except Virginia, expenditures on general relief were far below State and local expenditures for the special public assistances, and even in Virginia general relief accounted for only 8.4 percent of all State and local funds devoted to public aid as against an average for all States of 27.4 percent. Furthermore, special public-assistance expenditures in Virginia covered only 10 months.

Michigan, and Massachusetts, State and local funds for WPA accounted for only 18.1 percent, 16.6 percent, 18.9 percent, and 20.9 percent, respectively, of all State and local public-aid expenditures as against a national average of 28.6 percent. These are States, it should be noted, which are relatively wealthy and which not only devoted a higher proportion of total per capita income to public-aid purposes but also made in general more nearly adequate public-aid provision in relation to existing need. On the other hand, in the less industrialized Southeast region, WPA expenditures amounted to 52.6 percent of all State and local public-aid disbursements ranging from 39.8 percent in Virginia to 71.6 percent in Mississippi. High expenditures on WPA were also characteristic of the States in the Southwest and Northwest regions.

In the Southeast and Southwest regions the extent of unmet need is especially great. Moreover in these States the total Federal, State, and local expenditures on public aid were relatively low, especially the percentage of State and local funds devoted to this end. *This analysis suggests that in apportioning their available funds between programs some of the States have been less influenced by broad social considerations (such as the importance of preventing distress or reserving special programs for those with special needs) than by the fact that the WPA program is so largely federally financed, whereas no Federal aid is available for general relief.*

The influence of Federal financial action designed to encourage the States to adopt unemployment compensation has been similar. All States passed laws in compliance with the Federal legislation and thereafter earmarked the yield from a 2.7 percent tax for benefit payments. As will be seen from Table 71, unemployment compensation payments in the fiscal year 1939 accounted for a large proportion of State and local funds devoted to public-aid purposes in the States which spent the smallest total amounts on public aid.

The averages are in all cases high. Two States (Virginia and Maryland) devoted over 40 percent of all State and local funds spent for public aid in 1939 to payment of unemployment compensation benefits, while in two others (North Carolina and Alabama) the proportion was only slightly lower. The devotion of so large a proportion of funds to unemployment compensation purposes cannot be explained by the fact that the group of States are highly industrialized so that the proportion of covered workers is unusually high. On the contrary, with the exception of Delaware and Maryland, covered workers form a relatively small proportion of the total working force, and one that is considerably below the average for the country as a

TABLE 71.—Unemployment compensation benefits as a percentage of State-local public-aid disbursements in the 12 States with the smallest combined Federal, State, and local per capita expenditures on public aid, fiscal year 1939

State	Total Federal, State, and local public-aid expenditures per capita	Unemployment compensation benefits as percentage of State-local expenditures for public aid	Ratio of benefits to contributions (Percent)	Workers in covered employment as percentage of total labor force
Virginia.....	\$12.32	46.2	44.4	33.2
North Carolina.....	13.64	36.5	39.4	34.4
Georgia.....	16.97	12.0	40.4	27.9
Tennessee.....	17.17	28.6	52.6	28.9
Texas.....	17.42	29.4	47.4	26.4
Mississippi.....	18.23	18.2	65.4	13.6
Alabama.....	18.76	38.0	50.4	27.2
Arkansas.....	19.39	15.3	52.9	20.4
South Carolina.....	19.63	18.1	55.7	28.5
Maryland.....	19.78	43.7	47.5	50.2
Delaware.....	19.84	23.1	29.8	56.2
Kentucky.....	21.72	20.7	43.8	25.6
United States average.....	34.12	26.0	54.4	42.2

Sources: Per capita expenditures for public aid from table 68; unemployment compensation expenditures as a percentage of all public-aid expenditures carried by States and localities from table 70; benefit-contribution ratio from Social Security Board, *Social Security Yearbook, 1939*, Washington, 1940, p. 121; proportion of workers covered by unemployment compensation computed from Department of Commerce, Bureau of the Census, *Sixteenth Census of the United States, 1940*, preliminary release, Series P-4, No. 2, p. 4, and "Estimated Employment and Wages of Workers Covered by State Unemployment Compensation Laws, 1940," *Social Security Bulletin*, IV (July 1941), 4.

¹ Unemployment compensation benefits payable only during last 6 months of fiscal year 1939.

whole. Moreover the table understates the extent to which unemployment compensation makes a drain upon total State and local funds currently available for public aid. For, in four of the States, unemployment compensation payments were made only in the second half of the fiscal year, while in no case do the percentages take account of the unspent part of the payroll taxes earmarked in the reserve for benefit payment. Substantial sums remained in these reserves in practically all these States. Indeed, in all of them except South Carolina and Mississippi, benefit payments accounted for a smaller proportion of cumulative tax collections than the average for the nation as a whole.

The majority of the States in Table 71 are among those in which the extent of unmet need is greatest. (See Chapters VI and VII.) When it is recalled that in these States unemployment compensation legislation has involved making payments to many persons who would not be in need on the basis of locally applied relief standards, the wisdom of devoting to so large a proportion of available funds to payments of this type may be questioned. The importance of establishing the principle of social insurance is admittedly great. Moreover, the Federal tax offset may have called forth State and local funds which would not otherwise have been devoted to public-aid purposes. Yet, *in view of the extent of unmet need, it is unfortunate that these additional funds were devoted solely to a measure making payments to a group in relatively less need, or that,*

granted the effectiveness of Federal financial inducements in calling forth additional State and local moneys, these inducements were not also available for the program meeting the most urgent needs of large numbers—general relief.

Unpredictability of Federal Aid

During the years since 1935 by far the greatest contribution made by the Federal Government has taken the form of funds available through the WPA program. In the fiscal year 1939 Federal expenditures on WPA amounted to 68.2 percent of all Federal public-aid expenditures (including CCC). Since needy employable persons not provided for under the special programs (and in particular the WPA) must seek aid from general relief provided in their localities, from the point of view of the States and localities a major element in fiscal planning is knowledge of the size of this residual responsibility. In 1935 it appeared as if no uncertainty could arise because of the Federal Government's announced policy of accepting responsibility for the provision of work to all needy employable persons. In fact, however, at no time has this responsibility been fully assumed,⁵⁵ and the general-relief authorities have been left with the responsibility for the maintenance of a substantial but fluctuating residual group.

This responsibility has undoubtedly intensified the fiscal problem faced by States and localities because they have been called upon to carry a larger proportion of the costs of all public aid than they had anticipated in 1935. Even so, *an orderly distribution of available State and local funds might have been possible had the non-Federal authorities known from year to year the approximate size of the unemployment relief burden for which they would be responsible.* Unfortunately, this has not been the case. Federal policy in this respect has fluctuated from year to year, and final Congressional action has usually taken place after State legislatures have adjourned. Orderly budgeting at the State and local levels has therefore been rendered virtually impossible.

It is evident from Table 72 that except in the year 1935 the final relief appropriations for the ensuing fiscal year have been made after the adjournment of most State legislatures. An additional obstacle to orderly budgeting for public-aid costs at the State level is the fact that the majority of State legislatures normally meet only biennially.⁵⁶ Since 1936 special ses-

⁵⁵ See ch. IX.

⁵⁶ By 1940 only 4 States (New Jersey, New York, Rhode Island, and South Carolina) held regular annual sessions. Sessions in the even years are held by Kentucky, Louisiana, Mississippi, and Virginia. The

TABLE 72.—Date of last congressional relief appropriation compared with dates of adjourning State legislatures, 1934-39

Fiscal year ended June 30—	Date of final congressional relief appropriations	Regular sessions of State legislatures			Special sessions of State legislatures		
		Not convened	Adjourn- ing before date of Federal appropri- ations	Adjourn- ing after date of Federal appropri- ations	Not convened	Adjourn- ing before date of Federal appropri- ations	Adjourn- ing after date of Federal appropri- ations
1934.....	June 19.....	39	6	3	20	14	14
1935.....	April 8.....	4	20	24	32	1	15
1936.....	June 22.....	39	7	2	15	3	30
1937.....	June 29.....	5	38	5	31	7	10
1938.....	June 21.....	39	6	3	32	5	11
1939.....	June 30.....	4	37	7	43	2	3

Source: Council of State Governments, *The Book of the States, 1939-1940*, Chicago, 1939, III, 57; and various issues of the periodical publication of the Council of State Governments, *State Government*: VIII (November 1935), 223; IX (February 1936), 40; X (January 1937), 8; XI (January 1938), 21; XII (January [through December 1939]).

sions have not been frequent, and a significant proportion of them have also adjourned prior to the final determination of Federal WPA policy.

The budgeting problem faced by the States is indeed even more serious than the above facts would suggest. State budget requests are normally presented at the very beginning of the legislative session.⁵⁷ In fact, therefore, budgeting for the fiscal year, which for the vast majority of States runs from July to June, must be carried out in November and December of the preceding year in complete ignorance of the size of the unemployment-relief burden which will fall upon them and their subdivisions. And this burden, it should be noted, constitutes a major part of all public-aid expenditures, for the States and localities are responsible not merely for the needy unemployed who are not provided for by WPA but also for sponsors' contributions to WPA. The percentage which these contributions must form of local WPA expenditures is also dependent upon annual and unpredictable Congressional decisions.

Intrastate Problems of Public-Aid Financing

Any study of intrastate problems of public-aid financing must take into account not only financial arrangements within States but differences in local capacity and willingness to provide public aid. The effectiveness of the various types of State aid to local units must also be considered.

remaining States meet in the odd years and of these Alabama meets once every 4 years. Data in this and the following paragraph are from Council of State Governments, *The Book of the States, 1939-40*, Chicago, 1940, *passim*.

⁵⁷ In 8 of the 9 legislatures which convened in the even years 1934, 1936, and 1938, the session opened in January, and in 6 the budget was presented in that month. In 7 of the 9 States the fiscal year runs from July to June. Of the 44 State legislatures which convened in the odd years 1935, 1937, and 1939, 43 opened in January, and 34 presented budgets in January or February. In 32 of these States the fiscal year ran from July to June.

Financial Arrangements within the States

There is a great lack of uniformity among the States in regard to the extent of State assumption of responsibility for the total State and local costs of public aid and in the form and extent of State aid for programs that are roughly similar in character. Some States have assumed complete support of the non-Federal share of three special public-assistance programs and of general relief. Others have left the entire general-relief costs to local authorities and a substantial part of the cost of the special-assistance programs as well.

In 1940, 12 States gave no financial aid to localities for general relief and, in the main, the remaining States left local authorities with a larger proportion of the general-relief than of special assistance costs.

The pattern of financing the special assistances has been influenced by the Social Security Act and its amendments. The Act requires financial participation by the State for approval of a special-assistance plan and thus makes it impossible for the State governments to shift the entire cost to local governments. Furthermore, the fact that the Federal grant is made as a percentage of the total expenditure has tended to foster a similar division of costs between the State and local governments. Consequently, in most States the non-Federal costs have been assumed completely by the State, or the local share has been set at a fixed percentage of total costs. That there is much diversity, however, in the provisions for the sharing of State-local financial responsibility, is apparent from Table 73.

In financing old-age assistance, as of July 1, 1940, 26 States, the District of Columbia, Alaska, and Hawaii assumed responsibility for the total cost of assistance not borne by the Federal Government. In 13 jurisdictions, the State contribution was higher than that of the local political unit; in 8 there was equal sharing; and in only 1 (Kansas) did a local unit contribute more to the cost of old-age assistance than the State. Some States supplement the percentage grant with equalization funds.⁵⁸ The local government on which old-age assistance costs fall is normally the county. The only important exception

TABLE 73.—Provisions for distribution of costs of the special public-assistance programs between State and local governments, July 1, 1940

	Old-age assistance	Aid to dependent children	Aid to the blind
State responsibility for the total cost of assistance not borne by the Federal Government...	129	117	127
Equal sharing between the State and local unit	8	7	6
State contribution exceeds that of the local unit	13	10	7
Local unit's contribution exceeds that of the State	1	6	3
Proportionate sharing varies	-----	2	-----

Source: Social Security Board, Bureau of Public Assistance, *Characteristics of State Plans for Old-Age Assistance, Characteristics of State Plans for Aid to the Blind, and Characteristics of State Plans for Aid to Dependent Children*, Publications Nos. 16, 17, and 18, revised July 1, 1940, Washington, 1940. Includes only plans approved by the Social Security Board.

¹ Includes District of Columbia, Alaska, and Hawaii.

² Includes District of Columbia and Hawaii.

³ Includes District of Columbia and Hawaii, and New Jersey where the use of State funds is limited to persons without county residence.

to this is in New England where the town is the contributor.

With regard to aid to dependent children, 15 States, the District of Columbia, and Hawaii assumed responsibility for the total cost of assistance not borne by the Federal Government; in 10 the State share exceeded that of the local unit; in 7 there was equal sharing; in 6 the local share was larger; and in 2 (Maryland and Ohio) the proportionate sharing varied considerably. Only one State (Maryland) has attempted any thoroughgoing equalization.⁵⁹ This State meets the difference between costs and the yield of a tax of 1 cent per \$100 of assessed valuation. In 1939 this resulted in the State contributing nearly 90 percent of the combined State and local share. The local share in administrative costs was only slightly higher than the local proportion of aid distributed.

The financing of aid to the blind follows the same pattern as the financing of old-age assistance. In 25 States, the District of Columbia, and Hawaii, the State assumed responsibility for the total cost of assistance not carried by the Federal Government; in 7 the State contribution exceeded that of the local unit; in 6 there was equal sharing; in 3 (Kansas, Maryland, and Ohio) the local share was larger; and in 1 (New Jersey) the use of State funds for assistance was limited to

⁵⁸ Kansas has a substantial equalization fund for social welfare that is apparently used, in practice, for old-age assistance. The result in 1939 was to reduce the local share to 62 percent, instead of 70 percent, of State-local support. Indiana also provides for equalization. Normally counties are required to contribute 40 percent of the State-local share of costs in Indiana, but the State reduces this local contribution for counties whose old-age assistance costs are high in proportion to the taxable property. This provision for equalization seems to have been used sparingly, since the State contributed only 2.6 percent more of the cost in 1939 than it would have contributed on a flat percentage basis—62.6 percent instead of 60 percent. (See also Gordon, Joel, and Israeli, Olivia J., "Distribution of Public-Assistance Funds Within States," *Social Security Bulletin*, II (December 1939), 26.)

⁵⁹ However, until 1940 Ohio distributed State funds to the counties on the basis of the proportion of children under 16 years of age. Local governments contributed the proceeds of the yield of a fixed tax rate on assessed value. This device may help to equalize local tax burdens, but it does not equalize monthly payments to families with dependent children. Indiana and North Carolina provide for special State assistance to needy counties. This apparently amounted to very little in 1939. Indiana counties contributed 37.6 percent of the State and local cost instead of 40 percent, and North Carolina contributed 49.5 percent instead of 50 percent. Consequently, these States have not been classified as providing for equalization. Michigan provides for discretionary grants based on local need. In practice, however, local governments were required to contribute only 2.5 percent of the State-local share in 1939. This State has therefore been grouped with those giving complete State support.

persons without county residence. No State makes any significant use of equalizing grants.⁶⁰

The provisions for State and local financing of general relief vary widely among the States. By 1940, 12 States⁶¹ had reverted to the predepression system of complete local support. At the other extreme, 2 States had assumed the entire general-relief costs, while a third (Arkansas) was to all intents and purposes State-financed, since locally financed relief was insignificant.⁶² The majority of States were sharing the cost, and here the influence of FERA financing can be seen.

The equalization grant, which is negligible in the special-assistance programs, is to be found in a number of States which share financial responsibility for general relief with local units. In 18 of these States⁶³ variable grants are used for apportioning State funds, but the methods by which such grants are made show much variety among the States.⁶⁴ Many of these States have set up elaborate formulas designed to measure local ability to pay, or local needs, or both. For the most part these formulas are not written into the law, and the State administrative or supervisory authority can alter them or disregard them as occasion seems to demand. Even where the formula is provided in the statutes, some administrative discretion is usually possible. Furthermore, not all of the formulas for variable grants have the equalization feature. And even when provision is made for the use of equalization funds, the fact that appropriations for general relief are extremely limited in many States means that such States are able to provide only a percentage of the needed funds at any time.

⁶⁰ Michigan uses discretionary grants for the blind, which are presumably based on the amount the State authorities believe the local government needs and is unable to provide for itself. Actually, in 1939 they required the local governments to contribute only 1 percent of the State-local share. Consequently, Michigan has been grouped with the States giving full State support. No other instance of an equalizing grant has been found for aid to the blind.

⁶¹ Florida, Georgia, Indiana, Kentucky, Mississippi, Nebraska, New Hampshire, North Carolina, South Dakota, Tennessee, Texas, and Vermont. (See Appendix 22.)

⁶² Arizona and Pennsylvania. While quorum courts in Arkansas administer some local funds for general relief, such expenditures are not reported to the Federal Social Security Board and consequently do not appear in its tabulations; inasmuch as the total sums involved are believed to be negligible, the general-relief program in Arkansas is considered to be State-financed. (See appendix 22.)

The State provided 95 percent or more of the general-relief funds in Louisiana, Missouri, and New Mexico during the fiscal year 1940. (*Social Security Bulletin*, IV (February 1941), 62.)

The District of Columbia is not included in this discussion because its financial structure is not comparable with that of the 48 States.

For a detailed analysis of the shares carried by States and localities, see "Methods of Financing General Relief," *Social Security Bulletin*, V (March 1942), 21 ff.

⁶³ Information on variable grants used in the following discussion is drawn from the sources listed in appendix 22.

⁶⁴ In addition, in two (Arizona, Arkansas) of the three jurisdictions in which general relief is completely State-financed, funds are apportioned on an equalization basis.

The bases used in making these variable grants also show considerable variety. While such factors are generally used in combinations, rather than in their simple form, it would appear that the most important single factor is the size of the caseload, which is used in 22 States. Other measures of need which may be considered are relief costs and estimated needs of recipients or eligible cases or both, while in a few instances cases pending, State employment service registration, and the size of the Federal work program are considered.

Measures of financial ability also serve as bases. The general "fiscal ability" of the local unit is considered in the equalization grant in nine States. Other States use more specific financial measures, such as amount of local debts, assessed value of taxable property, tax levies, and tax delinquencies.

Other factors also enter into formulas. Population serves as a factor in six States. Several States include such items as general economic conditions, urban-rural population ratio, agricultural production, retail sales, and passenger-car licenses. Some States combine as many as six of the factors previously mentioned in the formula, and several different combinations of the same factors may be found in a single formula.

However, the variable grant does not always take into account local ability and need. In Ohio, for example, until 1940 the State funds from taxes earmarked for welfare were distributed to the counties in proportion to taxable property. The object was to reduce the burden of the property tax, and the wealthy districts with large per capita assessments were favored.

In contrast to the use of the variable grant, some States designate a certain percentage which the State will contribute to the total general-relief costs. For example, New York State contributes 40 percent of the costs of payments to cases having legal settlement within a welfare district of the State and 100 percent of the costs for persons not having such settlement. In Alabama and South Carolina, each local unit receives an amount of State funds equal to the amount of local funds made available for general relief.⁶⁵ In Delaware, the local units are reimbursed by the State agency for 50 percent of their expenditures for general relief. In Virginia, each local unit receives \$1 of State funds for

⁶⁵ Even in these instances, however, the percentage grants are subject to certain qualifications. In Alabama, in emergencies the proportion of State funds may be increased beyond 50 percent, depending upon the extent of need and the amount of local funds available. In South Carolina, the receipt of State funds depends upon the county's willingness to administer these funds in accordance with the rules and regulations of the State agency. Also, the proportion of total State funds each county receives may not exceed the proportion the population of the county formed of the total State population in 1930.

every 60 cents of local funds made available for general relief.⁶⁶

Still another phase of intrastate relationships in the financing of general relief occurs in those States where more than one general-relief system is in operation. In California, for example, prior to July 1, 1941, the State assumed responsibility for relief to employable persons and the counties financed a relief program for unemployable persons.⁶⁷ In Rhode Island, the State provides five-elevenths of the costs for State unemployment relief exclusive of costs of material and equipment, while the local units are solely responsible for relief to unemployable persons.⁶⁸

Finally, there are three States⁶⁹ in which the State assumes financial responsibility for "unsettled cases" only and the local units finance a program of relief for persons with legal settlement.

Unfortunately it is not possible to determine for 1939 either for the country as a whole or for individual States the manner in which sponsors' contributions to WPA projects were distributed between States and their political subdivisions. It is known that the percentage distribution of sponsors' pledges on projects placed in operation through August 31, 1937, was as follows: States, 17.2 percent; counties, 27.6 percent; townships, 8.6 percent; municipalities, 45.2 percent; other, 1.4 percent.⁷⁰ But, in the absence of knowledge of the financial arrangements within the States, it is impossible to determine the sources of the funds supplied by sponsors other than the States themselves. For these reasons the following discussion will be mainly confined to intrastate financial arrangements in regard to the special public assistances and general relief.

Evaluation of the Extent and Character of State Aid

The various Federal programs have undoubtedly relieved local governments of major responsibility for public aid. The share of local authorities in the financing of work relief is limited to sponsors' contributions to WPA projects and to the costs of certification of needy applicants. Although State and local sponsors' contributions to WPA costs cannot be segregated, in 1939 the Federal disbursements for WPA were four times as large as those of the States and local-

ities combined. Moreover, the localities did not contribute at all to the costs of unemployment compensation benefits which approximately equalled State and local payments for general relief in that year.

To the remaining programs which bulked large in total public-aid expenditures, the local governments contributed the following proportions: old-age assistance, 10.1 percent; aid to dependent children, 26.6 percent; aid to the blind, 20.1 percent; and general relief, 40.7 percent.

The local share of the expenditures of all programs, including general relief, was probably between 11 and 16 percent of total public-aid costs in 1939.⁷¹ This would seem to be a moderate charge. But whether this involved too heavy or too light a burden in relation to their resources can be determined only by studies of specific areas. For not only do the relative needs (especially those attributable to unemployment) vary greatly from locality to locality, but also there are great differences in wealth and resources. Furthermore, there is great diversity from State to State in the other responsibilities which local authorities are required to carry and in the extent of the financial aid given by the State for these other purposes. For the extent of State aid cannot be measured by the specific State contributions to the special-assistance and general-relief programs alone. Three of the States that contributed less than half of the State-local cost of the combined special-assistance and the general-relief programs in 1939 (New Hampshire,⁷² New York, and Wisconsin) contributed generously to local government support both through grants for other government functions and through unearmarked tax distributions. New York and Wisconsin returned more than half of the total State tax revenues to local districts in the form of grants and shared taxes. These are of little aid in equalizing the specific burden of public-aid costs, but insofar as they reduce demands on the local tax base they make an important contribution to the problem of public-aid financing.

Yet, with all these qualifications, *there is some reason for believing that this extensive Federal and State aid*

⁷¹ No data are available on the division between State and local governments of sponsors' contributions for the WPA and State and local costs for some of the less costly programs. Consequently, the exact amount of the local contribution is not known. The known local costs of the special assistances and general relief were as follows: Old-age assistance, \$41,913,700; aid to dependent children, \$27,356,400; aid to the blind, \$2,392,000; general relief, \$192,444,400; total, \$264,106,100. (*Social Security Bulletin*, III (January 1940), 65.) If it is assumed that one-half of non-Federal WPA expenditures, or \$240,880,000, and one-half of non-Federal NYA expenditures, or \$4,912,000, were carried by the communities, their total becomes \$509,898,100 or 10.7 percent of total public-aid costs (\$4,750,440,000). If all WPA and NYA non-Federal costs were carried by the localities, their total would be increased to \$765,687,100, or 16.1 percent of all public-aid costs. See appendix 20.

⁷² Where general-relief costs are met entirely from local funds.

⁶⁶ The proportion of total State funds each local unit receives, however, may not exceed the proportion the population of the local unit formed of the total State population in 1930.

⁶⁷ Since that time the State emergency relief administration has been inoperative.

⁶⁸ For further information see Appendix 22.

⁶⁹ Connecticut, Maine, Massachusetts.

⁷⁰ *Work Relief and Relief for Fiscal Year 1941*, p. 420.

has not always been sufficient to solve the problem of local capacity to finance public aid, partly because the variation in State and Federal contributions from State to State is very great, partly because the resources of many local governments are too limited to meet even from 11 to 16 percent of total public-aid costs. And where the local area is left with a burden disproportionate to its resources, the consequence is all too often that the function is badly performed. Either public aid is available only to a small number of people, or average grants are low.

Evaluation of the manner in which the State and local share of public-aid costs is distributed between these two levels of government thus presents peculiar and difficult problems. As already indicated, practice varies greatly from State to State, and a comprehensive analysis would require detailed field studies which could not be undertaken for the present study. The picture which is presented below is therefore constructed from the available general statistical information and illustrated by the situation known to exist in a limited number of States for which detailed information is available. Furthermore, the broad overall picture is defective in that it was possible to secure the distribution of costs between States and localities only for the special-assistance and general-relief programs.

Influence of State Financial Participation in Comparison With Other Factors

The extent to which the degree of financial responsibility thrown upon the localities has affected the relative degree of adequacy with which the public-aid problem has been met is difficult to determine. In view of what has been said above concerning the relative fiscal capacities of the States and localities, it might have been expected that public aid would be least widely available and that average grants would be lowest in those States which relied on local financing to the greatest extent.⁷³ In fact, however, so direct a relationship cannot be directly supported by statistical and other evidence for two reasons. In the first place, the extent to which the need for public aid is met in any given area depends not only on fiscal capacity but also on the local sense of social responsibility. In the second place, when Nation-wide comparisons are made, the influence of the prevailing

distribution of financial responsibility as between State and locality is overshadowed by the influence exerted by the wealth and economic standing of the different States.

Differences in local acceptance of responsibility.—The importance of prevailing social attitudes toward the assumption of responsibility for the economically insecure may be illustrated by a comparison between Nebraska and Texas. Both States are relatively "poor," ranking thirtieth and thirty-second, respectively, in terms of per capita income paid out in 1939. In both, the State paid 100 percent of the costs of old-age assistance; both had complete local support for general relief. In Nebraska the State also relieved the localities of all but 5.8 percent of the costs of aid to the blind in the fiscal year 1939. But Texas local governments have received relatively more State financial assistance than Nebraska local governments for other local functions. It might be expected therefore that Texas local authorities should be in at least as good a position as those in Nebraska to support general relief.

In fact, however, provision for general relief in Texas is notoriously inadequate.⁷⁴ The total local expenditure for general relief is regularly larger in Nebraska than in Texas, although the population of Texas is five times that of Nebraska. In April 1940 Nebraska's general-relief expenditures were more than 50 percent larger than those of Texas. Nebraska, with one-fifth of the Texas population, had four-fifths as many relief cases and the average monthly grant in Nebraska was nearly twice as large.⁷⁵ In fact the American Public Welfare Association, after an intensive study of unmet need and welfare problems in various areas in Texas, drew attention to the high degree of local apathy on the part of the more fortunate citizens of the community toward the extent of social provision for the economically insecure.⁷⁶ It is true that constitutional limitations on the taxing powers

⁷⁴ Thirty-four of the 254 counties reported no relief cases at all in December 1939. (Social Security Board, *Trends in Public Assistance 1933-1939*, Washington, 1940, p. 90-93. Referred to hereafter by title only.) According to the report of the Texas Social Welfare Association (*Need: A Study of Basic Social Needs*, Special Publications, vol. 1, No. 1, 1940) there were 15 counties in April 1939 with 1,000 or more eligible families receiving no public aid except surplus commodities. In 17 more counties, there were from 500 to 1,000 such families. Of the 280,000 families receiving or needing aid, only 4 percent were assisted by local governments, and 24 percent were receiving no public aid except surplus commodities. See also ch. VI.

⁷⁵ *Social Security Bulletin*, III (June 1940), 47.

⁷⁶ American Public Welfare Association, *What is Happening to People in McLennan County, Texas*, May 1940, ms. See especially ch. IV, pp. 34-35. In its *Public Welfare Survey of San Antonio, Texas*, October 1940, the Association also drew attention to the indifference of the community toward inadequacies of public-welfare provision which had existed for years and stated (p. 5) "If the survey staff had but one opportunity to advise it would be to plead that some community-wide effort be made to do something about these critical problems immediately."

⁷³ It is recognized that average grants are at best a very rough measure of the relative adequacy of public aid. (See ch. VII.) The investigations in ch. VII showed, however, that the existing differences in relief grants exceeded any variation that could be explained in terms of costs of living. Thus, in the 59 cities studied, whereas the cost of a uniform budget varied by about 20 percent between the highest and lowest cities, the variation in relief grants was as high as 85 percent.

TABLE 74.—Local participation in the financing of general relief and the special assistances, average grants under these programs, and average per capita income, fiscal year 1939¹

Percentage of total expenditures (excluding administrative cost) carried by localities, by program	Number of States in group	Group average		Ranking of group according to—		
		Percentage of total expenditures carried by localities	Grant per case	Per capita income	Average grant per case	Average per capita income
General relief:						
100 percent.....	9	100.0	\$10.02	\$381	6	6
75 to 99.9 percent.....	5	81.9	21.58	677	1	1
50 to 74.9 percent.....	8	62.9	19.33	554	2	2
25 to 49.9 percent.....	9	39.1	13.30	473	5	4
0.1 to 24.9 percent.....	6	16.2	16.55	526	3	3
None.....	2	4	14.58	406	4	5
Old-age assistance:						
25 percent and over.....	6	26.6	23.60	613	1	1
0.1 to 24.9 percent.....	16	16.5	16.80	456	3	3
None.....	25		16.86	476	2	2
Aid to dependent children:						
25 percent and over.....	20	36.2	33.10	541	1	1
0.1 to 24.9 percent.....	7	9.8	26.52	434	2	2
None.....	12		23.36	422	3	3
Aid to the blind:						
25 percent and over.....	8	29.4	23.98	550	1	1
0.1 to 24.9 percent.....	12	12.7	18.45	429	3	3
None.....	19		19.21	452	2	2

Sources: Data on the proportion of total costs carried by localities from *Social Security Bulletin*, III (January 1940), 67-71, average percentages (not weighted) are computed; average grants per case (not weighted) computed from *Social Security Bulletin*, II (August 1939), 48-52; average per capita income (not weighted) computed from table 68 in this chapter.

¹ Exclusive of Territories. New Jersey and the District of Columbia are excluded from all figures owing to the lack of dependable per-capita income data. Inasmuch as the table refers only to those States whose special assistance plans were approved by the Social Security Board, the following States are excluded: (1) Aid to dependent children, Connecticut, Illinois, Iowa, Kentucky, Mississippi, South Dakota, Nevada, Texas; (2) Aid to the blind, Illinois, Kentucky, Missouri, Delaware, Nevada, Pennsylvania, and Texas. Because data on average general relief grants are not available for Idaho, Kentucky, New Hampshire, Oklahoma, Rhode Island, and Tennessee, these States are excluded from figures on general relief in this table.

² During the fiscal year ended June 1939, Louisiana reported no financial participation by localities, but did report some local expenditures in the fiscal year ended June 30, 1940 (see *Social Security Bulletin*, IV, (February 1941), p. 62) so that this State appears in this table as completely State-financed although not so classified in the listing in the section above on financial arrangements within States.

of Texas counties have in some instances restricted their ability to provide general-relief funds.⁷⁷ Yet the very retention of these limitations in the face of urgent need indicates a lack of appreciation of the seriousness of the problem.

Local differences in economic capacity.—While it is apparent that there are marked differences in local effort to support general relief, it is also obvious that ability is an important factor. The overwhelming importance of per capita income within a State as against the intrastate division of fiscal responsibility may be seen from Table 74, which groups the States according to the extent to which localities are required to participate in the financing of general relief and the special assistances.⁷⁸

Table 74 does not support the conclusion that public aid is least adequately provided in those States

⁷⁷ Of 200 counties surveyed in 1939, 163 reported that they were not financially able to make additional appropriations for relief purposes in view of this legal limitation. (Texas Social Welfare Association, *op. cit.*, p. 81.)

⁷⁸ It should be noted that all States are not included in this table.

which throw the largest burdens on the localities. It is true that in general the lowest average general-relief payments are found in the nine States which require localities to carry 100 percent of the costs. But the highest payments are found in the next group of States where localities provide between 75 percent and 100 percent of the funds. Indeed, except for the group of States in which the local government carries 100 percent of general-relief expenditures, there is a tendency for the average grants within each group to decline as the proportion of cost carried by the locality decreases.

In the aid-to-dependent-children programs the relationship is the direct reverse of what might be expected. Average payments are highest among the States which require localities to carry the largest share of the cost and lowest in those where there is no local participation in financing. Even in old-age assistance and aid to the blind there appears to be no direct relationship. For in both programs the States which require localities to carry the largest share in financing are also those which make the highest average payments, and those with no local participation make payments that exceed those made in the group where localities contribute up to 25 percent.

When the groups of States are arranged in order of per capita income, it becomes apparent that *per capita income is a more important determinant of the level of assistance than the proportion of the cost contributed by local governments.* For in the three special assistances the ranking of the groups of States according to average per capita income is identical with their ranking according to size of average payments. In general relief, with the exception of the group of States in which localities carry between 25 and 50 percent of the expenditures, the relationship is equally close.

Significance of the extent of State aid.—It does not, however, follow that intrastate fiscal arrangements exert no influence over the adequacy with which the various States have met the public-aid problem. *Even in the poorest States, although State aid cannot raise the levels of public aid up to those in the richer States, it can yet assure a more nearly adequate response to the need for public aid.* The significance of State aid is suggested by a comparison of States of comparable wealth but with different degrees of State participation in public-aid expenditures.

The experience of the three "poorest" States (Alabama, Arkansas, and Mississippi) is shown in Table 75. General-relief expenditures were entirely a State charge in Arkansas and entirely a local charge in Mississippi; they were shared in approximately equal

TABLE 75.—Financial aspects of selected public-aid programs in 3 States and in the United States, December 1939

	United States	Alabama	Arkansas	Mississippi
Census population, April 1940.....	131,669,275	2,832,916	1,949,387	2,183,796
WPA employees, December 1939.....	2,109,200	50,900	42,995	43,924
Special-assistance cases, December 1939.....	2,294,147	24,383	23,015	20,632
General-relief cases, December 1939.....	1,562,684	2,284	3,800	1,551
Percent of total population represented by:				
WPA employees.....	1.60	1.80	2.21	2.01
Special-assistance cases.....	1.74	0.86	1.18	0.94
General-relief cases.....	1.19	0.08	0.19	0.07
3 above programs.....	4.53	2.74	3.58	3.02
Monthly average payments in December 1939:				
WPA.....	\$52.93	\$40.09	\$42.43	\$40.32
Special assistances.....	\$19.33	\$9.42	\$6.01	\$7.51
General relief.....	\$25.27	\$9.12	\$4.86	\$2.91
Percent of expenditures carried by local governments, fiscal year 1939:				
Special assistances.....	13.5	22.6	0	0
General relief.....	40.7	48.3	0	100
Total expenditures per capita of 1940 population for general relief:				
Fiscal year 1939.....	\$3.50	\$0.10	\$0.12	\$0.02
December 1939.....	\$0.29	\$0.01	\$0.01	\$0.002
Per capita income, calendar year 1939.....	\$536	\$243	\$244	\$203

Sources: Census population as of Apr. 1, 1940, from Bureau of the Census, *Sixteenth Census of the United States: 1940*, preliminary Series P-3, No. 10 (Mar. 15, 1941), p. 2; number of persons employed by WPA, special-assistance and general-relief cases, from *Social Security Bulletin*, III (March 1940), 64, table 9; average old-age assistance and general-relief payments, from *Social Security Bulletin*, III (February 1940), 60 and 58; average WPA earnings computed from *Social Security Bulletin*, III (March 1940), 63 and 64; total per capita expenditure (with reference to total 1940 population) for general relief computed from Sixteenth Census of the United States: 1940 preliminary release Series P-3, No. 10, p. 2 and Appendix 20; proportion of total expenditures for the special assistances and general relief carried by local governments, from *Social Security Bulletin*, III (January 1940), 67-71; per capita income from Table 68 above.

proportions by State and county governments in Alabama. The State assumed the entire non-Federal cost of the special assistances in the last two States and 77.4 percent in Alabama. For all three States the proportion of WPA employees in the population was higher than for the entire country, but the proportion of the population cared for by the programs falling in large part or wholly on State and local funds was in every instance markedly smaller than the national average. Average payments per worker to WPA employees were from 25 to 30 percent lower in these States than the United States average, as would be expected when it is recalled that the security wage scales at least in part reflected differences in living costs. But old-age assistance payments, for which State and local governments must contribute half of the total cost, were from 50 to 75 percent lower, while general-relief payments, toward which the Federal Government made no contribution, ranged from 60 to 90 percent less. The cost of general relief for the United States as a whole was nearly 30 cents per inhabitant in this month. It was less than 1 cent per inhabitant in each of these three States and amounted to only 2 mills per capita in Mississippi.

Nevertheless, it is apparent that Arkansas, with a State-supported general-relief program, spent more than Mississippi. The expenditure per inhabitant was between five and six times as great; the proportion of the population receiving general relief was approxi-

mately three times as great; and the expenditure per case was greater by two-thirds.⁷⁹ Alabama, where the costs of general relief were shared in roughly equal proportions between State and localities, carried a smaller proportion of the population on general relief than Arkansas but made higher average payments per case. In total, however, per capita expenditure for general relief was less than in Arkansas where the whole non-Federal costs were carried by the State.

The influence of State participation is evident also in the richer States. A comparison of Pennsylvania, in which the State has assumed the costs of general relief and of the non-Federal share of the special assistances with other States of comparable wealth but requiring some degree of local financial participation, lends further support to the view that a high degree of State participation favors more nearly adequate provision of public aid. Table 76 compares the experience of Pennsylvania with that of the six other States ranking immediately above and below it on the basis of per capita income. All of these States except Colorado required the localities to carry more than 25 percent of the expenditures for general relief. In addition, all but Colorado, Michigan, and Washington required local financial participation in all of the special assistances.

It will be observed that average grants for general relief were notably higher in Pennsylvania than in any of the other selected States. Payments of old-age assistance recipients also compared very favorably with those paid elsewhere, being exceeded only by those made in Oregon, Colorado, and Washington. Average grants for aid to dependent children were also relatively high in Pennsylvania, being exceeded only by payments made in Oregon.

Even more significant as an index of the extent to which State participation influences the adequacy of public-aid provision is the expenditure per inhabitant within these States. In the fiscal year 1939 Pennsylvania spent \$10.32 per inhabitant on the special assistances and general relief, and \$8.63 for general relief alone. These sums were greater than those spent by any other State in the group, despite the fact that Pennsylvania was spending more per head on all other forms of public aid than any other State in the group except Michigan. It seems reasonable to conclude that *for States of roughly equal wealth, substantial State participation in all programs is conducive to more nearly adequate public-aid financing.*

⁷⁹ These figures change considerably from month to month. In June 1940, for instance, the average payment per case in Mississippi was above that in Arkansas. However, the total expenditure was still much greater in Arkansas than in Mississippi. (*Social Security Bulletin*, III (August 1940), 45.)

TABLE 76.—Local participation in financing of the special public assistances and general relief, selected States, fiscal year 1939

State	Per capita income—calendar year 1939	Percentage of combined Federal, State, and local expenditures carried by localities				Average payment				Total State and local expenditures per inhabitant				
		General relief	Old-age assistance	Aid to dependent children	Aid to the blind	General relief (per case)	Old-age assistance (per recipient)	Aid to dependent children (per family)	Aid to the blind (per recipient)	Special assistances	General relief	Special assistances and general relief	All other types of public aid	All types of public aid
Colorado.....	\$522	17.9		33.4	25.0	\$13.75	\$28.20	\$29.68	\$27.74	\$7.61	\$2.06	\$9.67	\$7.69	\$17.36
Oregon.....	545	36.3	23.6	35.0	23.6	15.60	21.38	40.03	25.27	2.77	1.97	4.74	8.09	12.83
Montana.....	552	54.6	15.2	30.5	13.6	11.92	17.02	23.43	21.05	3.45	2.02	5.47	7.50	12.97
Pennsylvania.....	575					28.16	21.34	35.11		1.69	8.63	10.32	10.15	20.47
Maryland.....	595	88.2	16.9	7.7	35.3	22.30	17.42	30.82	21.04	2.13	1.50	3.64	6.22	9.86
Michigan.....	644	36.9		1.3	.6	20.33	16.44	34.10	23.32	2.35	3.69	6.04	14.93	20.97
Washington.....	606	28.8				13.40	22.15	29.27	30.42	3.79	1.99	5.78	8.43	14.21

Sources: Per capita income, from table 68 above; percentage of expenditures carried by localities, from *Social Security Bulletin*, III (January 1940), 65-72; average payments from *Social Security Bulletin*, II (August 1939), 48-52; per capita expenditures for public aid computed from table 68, appendix 20, and *Sixteenth Census of the United States*, Preliminary Series P-3, No. 10 (Mar. 15, 1941), p. 2. Data on the special assistances refer to States with plans approved by the Social Security Board.

Local Variations in Adequacy of Public-Aid Provisions and in Burdens on Taxpayers

Although when Nation-wide comparisons are made, the extent to which a State relieves localities of the burden of public-aid financing is a less significant factor than the per capita income of the inhabitants of the State in determining the adequacy of public-aid functions, these fiscal arrangements have a very direct influence upon the uniformity of public-aid provision within any one State. A brief examination of the States for which information is readily available shows that *there is still great inequality among local areas in any one State in the financial burdens of public aid, and this results in great intrastate inequalities in the levels of assistance provided. This conclusion holds for both rich and poor States, but the inequality appears to be less marked in States which give substantial assistance to the localities.*

New York ranked second among the States in terms of per capita income in 1939. In the fiscal year ending June 30, 1939, the localities provided 34.7 percent of the total non-Federal expenditures for the three special assistances and 45.8 percent of the corresponding administrative expenses, as well as approximately 60 percent of the expenditures for general relief. Moreover, New York has developed an extensive system of State aid for other local functions, which has relieved local authorities of a large part of local costs and has tended to siphon tax revenues from the richer to the poorer communities. The very large amount of State aid to local school districts is on an equalization basis. The administrative unit for public aid is the county, which means a unit large enough to reduce gross inequalities of wealth. Even with this large unit, the full value of taxable real estate is between five and six times as great in some counties as in others.

The actual expenditures per case for general relief, the activity for which the county has to meet the

larger part of the cost, varied in April 1940 from \$14.61 per family in the comparatively poor county of Schoharie to \$48.62 in the relatively wealthy city of Mount Vernon; and payments for single individuals varied from \$8.51 in Greene County to \$27.83 in New York City.⁸⁰ Differences in costs of living in rural and urban areas account for some of these differences. However, the payment for a single individual in Hamilton County was approximately double that in Schoharie. Both of these counties are rural, and the cost of living should be much the same; but Hamilton County obtains a large part of its local tax revenues from the taxation of State forests, and in Schoharie the taxes come mostly from farmers.

Massachusetts is another relatively wealthy State ranking sixth among the States in terms of per capita income payments. During the fiscal year 1939 the localities were required to carry 23.8 percent of the non-Federal expenditures for special-assistance payments and none of the administrative expenses. On the other hand the localities bore approximately 77 percent of the costs of general relief. The State has, however, drawn generously on its resources to aid the local governments in other ways; it gives substantial grants for education, and it distributes large sums from shared taxes.

Yet within the State there was a considerable range in monthly payments to general-relief cases. Average monthly payments in those towns with more than 100 relief cases varied from \$19 to \$43 in 1939.⁸¹ A comparison of assessed valuations per capita with average

⁸⁰ New York State Department of Social Welfare, *Social Statistics*, III (1940), pp. 24-26.

⁸¹ Average general-relief grants per month, (exclusive of hospitalization and burial costs) for the 78 towns with more than 100 general-relief cases in the calendar year 1939 computed from Massachusetts Department of Public Welfare, *Aid and Relief Statistics*, Special Bulletin No. 6, 1940, pp. 1-12. These figures have not been computed for towns with a smaller number of cases because they are not believed to be significant for small numbers.

monthly payments in these towns shows that on the whole the towns with the smallest relief payments per case were those with the lowest assessed values per capita. In the 23 towns in which the average monthly general-relief grant per case was \$24 or less, the median assessed value per capita was \$1,015. In the 38 towns with average grants of \$25-\$34, the per capita assessed value was \$1,202. In the 17 towns with average grants of \$35 or more, the assessed per capita value was \$1,429. The equalized value of taxable property per capita, probably the best available measure of local ability to pay, was about 10 times as high in the wealthiest town of this group as in the poorest town. If all towns are included, equalized values per capita varied from about \$400 to \$10,700.⁸²

It was shown earlier that there is a certain number of States in which the State not only carries a substantial share of the costs of financing the special assistances and general relief but also employs the use of variable grants. Yet examination of sample States using variable grants reveals that here too the existing financial arrangements fail to eliminate wide variations either in the treatment of the economically insecure or in the burdens thrown upon local taxpayers. Ohio ranked tenth in terms of per capita income payments in 1939. The State carried 100 percent of the non-Federal costs of old-age assistance, and in the fiscal year ending June 1939 bore 57.8 percent of the non-Federal costs of aid to dependent children, 64.9 percent of the non-Federal costs of aid to the blind, and 57.0 percent of the total costs of general relief. Moreover, the State used the variable grant for both aid to dependent children and general relief. In the former case, the local contribution was determined by the yield of a uniform levy on property, but State aid was distributed in proportion to children under 16 instead of providing the difference between costs and the local levies. Thus State aid for general relief gave the largest allocations to those counties with the largest property assessments and so tended to favor the wealthiest counties. A comparison of grants to families with dependent children in counties with the largest and the smallest allowances per family is given in Table 77.

This comparison of the Ohio counties paying the smallest and the largest amounts per family indicates that those giving the smallest allowances are rural counties with a relatively small amount of taxable property per capita. The counties giving the largest allowances, on the other hand, are urban counties with

TABLE 77.—Average grants per family under aid to dependent children and assessed value of taxable property per family aided, for selected counties in Ohio, December 1939

County	Census population, 1940	Aid to dependent children			Assessed value of all property per family aided
		Number of families	Average grant per family	Number of dependent children per family	
Counties with smallest average grants:					
Monroe.....	18,641	69	\$13	1.9	\$169,000
Vinton.....	11,573	30	16	2.7	315,000
Paulding.....	15,527	39	17	2.6	583,000
Clinton.....	22,574	71	19	2.5	335,000
Highland.....	27,099	39	19	3.5	509,000
Pike.....	16,113	66	19	2.9	195,000
Counties with largest average grants:					
Hamilton.....	621,987	687	45	2.8	1,503,000
Mahoning.....	240,251	207	50	3.0	1,766,000
Stark.....	234,887	259	50	2.9	1,115,000
Cuyahoga.....	1,217,250	1,854	57	2.8	930,000
Lucas.....	344,333	249	61	3.3	1,931,000
Summit.....	339,405	206	63	3.3	1,643,000

Sources: Number of families aided, average grant per family, and number of dependent children per family from Social Security Board, Bureau of Research and Statistics, *Trends in Public Assistance 1933-39*, Bureau Report No. 8, Washington, 1940, pp. 84-85; total population in 1940 from *Sixteenth Census of the United States: 1940*, Preliminary Release, Series P-2, No. 41 (Jan. 9, 1941), p. 1; assessed value of taxable property from Schultz, A. D., *The Fiscal Situation in Ohio*, Ohio Chamber of Commerce, Columbus, Ohio, 1935, pp. 172-173. Although the data on assessed values are for the year 1934, it may be reasonably assumed that 1939 figures would not be very different in view of the tendency to "freeze" assessments in recent years.

relatively large taxable values per capita and per family with dependent children. Costs of living are doubtless higher in the urban than in the rural counties, and the number of children per family averages slightly higher in the urban group. Also, there may be more opportunity for partial support in rural areas. These differences cannot compensate, however, for monthly allowances in rural areas that average only 20 to 40 percent of allowances in urban areas. More than two-fifths of the total cost of aid to dependent children fell on the counties in Ohio in 1939, and the county contribution was limited to a fixed percentage of assessed values. A large part of the differences in monthly allowances is attributable, therefore, to the wide variation in taxable values in these counties, rather than to variations in need.

A comparison of average monthly payments for general relief in the 12 counties for which aid-to-dependent-children payments have been given in Table 77, shows that the six relatively poor counties paid from \$5 to \$12 monthly per case whereas the 6 comparatively wealthy counties paid from \$13 to \$25 monthly in December 1939.⁸³ This is far more variation than the differences in cost of living would demand. Yet the State government was meeting more than half of the total cost of general relief and could have achieved extensive equalization by distributing the same amount of money on an equalizing basis.

Illinois is another relatively wealthy State, ranking

⁸² Median assessed value per capita, which refers to the year 1937, is computed from Commonwealth of Massachusetts, *Annual Report of the Commissioner of Corporations and Taxation for the Year Ending November 30, 1937*, Boston, 1938, pp. 223-228.

⁸³ Calculated from data in *Trends in Public Assistance, 1933-39*, pp. 83-85.

eighth in terms of per capita income in 1939. The State paid 100 percent of the costs of old-age assistance and reimbursed the counties for half of the expenditure under the State program for blind assistance. It reimbursed on a variable formula up to one-half of county expenditures for the State program for aid to dependent children and in the fiscal year 1939 carried 77.7 percent of the costs of general relief. The State employs a form of equalization grant for the distribution of State aid for general relief, providing the local governments with the difference between total relief costs and the yield of a 3-mill tax. If a 3-mill levy has to be scaled down, along with other levies, to fit the 7½-mill constitutional county tax limit, the reduced levy still qualifies the commission-form counties for State aid.

The local relief unit is the township except in Chicago and the 17 commission-form down-State counties. In May 1940, 535 of the 1,455 local relief units were certified for State assistance. Most of the remainder had sufficient local funds to meet requirements. Ninety-two units that failed to levy a tax sufficient to qualify for State aid did not have adequate local funds to cover estimated needs.⁸⁴ No evidence has been found to show whether the failure to levy the necessary 3 mills was due to lack of a sense of social responsibility or to the fact that 3 mills added to the tax rate would have made the tax burden unconstitutional. It is possible, however, to ascertain whether the districts that failed to levy the necessary sum had unmet relief needs from an analysis of the 72 districts that made no levy whatever for relief in 1939. The results are given in Table 78. These indicate that failure to levy a tax in the wealthy districts did not result in any large amount of unmet needs, but in the poor districts there was a serious discrepancy between the existing need and the actual relief payments made.

In view of the relatively low tax limit in Illinois, and the fact that State aid is allowed in some instances even though the 3-mill levy has been scaled down under the tax limit, the failure of the poor districts to meet their share of the burden cannot be charged entirely to the inadequacy of local resources. It is recognized that taxes are more onerous in poor districts than rich ones; but, in view of the greater State aid available in the poor districts and the comparatively low qualifying levy, it seems probable that the failure to levy the necessary relief tax in some of these instances must be charged to indifference to social obligations.

But even if the towns had complied with State requirements and levied the necessary 3 mills, the present Illinois system would still fail completely to equalize

TABLE 78.—Adequacy of general-relief grants in wealthiest and poorest districts in Illinois making no relief levy for 1939 relief expenditures

Relief grant as percent of budgeted needs	Number of counties in wealthiest quartile	Number of counties in poorest quartile
81-100.....	14	6
61-80.....	4	7
41-60.....	0	5

Sources: Data on adequacy of relief grants are based on cases of 2 or more persons and are taken from Illinois Emergency Relief Commission, *Illinois Persons on Relief, 1939*, Release No. 5, Nov. 18, 1940, table 22. The percentages given do not refer to individual towns but to "all other units" in each county in which the towns are located. The classification as wealthiest and poorest quartile is based on the per capita assessed valuation of the given district; in the wealthiest quartile this valuation ranged from \$1,500 to \$2,700 in 1938; in the poorest quartile the range was from \$400 to \$900; per capita assessed valuation computed from Illinois Tax Commission, *Property Taxation: Assessed Valuations, Levies, Tax Rates, and Tax Extensions* (vol. III of the Survey of Local Finance in Illinois, prepared by the Illinois Tax Commission in cooperation with the Work Projects Administration, 1939), table VI.

relief costs because State funds for relief are limited and because the required levy is on assessed, rather than actual values, and the rate of assessment varies from 25 to 80 percent.⁸⁵ The town with an 80-percent valuation must, consequently, contribute more than three times as much in proportion to its taxable wealth as the town with a 25-percent valuation. Moreover, the relief costs are left to local discretion in a large degree. Adequate State supervision of 1,455 local districts—or even the 500 or 600 that qualify—is out of the question. The town that reduces assessments and pads costs can obtain funds at the direct expense of the town with higher assessments and honest and efficient expenditure.

In spite of these limitations, Illinois has apparently had some success in equalizing relief burdens. A correlation of +.77 was found between the percentage of the population on general relief and the percentage of the cost of general relief met from State funds in the different counties in 1939.⁸⁶ If the proportion of the population on general relief is accepted as a measure of both need and ability, a moderate amount of equalization has been attained. The correlation might prove greater if a breakdown by towns were available. There is, however, little doubt that the method of equalization could be improved so that substantially greater equity could be obtained with the same funds. Moreover, the source of the State equalization fund is primarily the regressive sales tax, which falls more heavily on the low-income groups. This too nullifies, in some measure, the gains of State equalization.

A comparison of Illinois and Iowa suggests that one factor which influences the extent to which equalization can be assured is the size of the local unit. Where local units are small and numerous, sharp differences in wealth are greater, and efficient local administration

⁸⁵ Scheinman, D., *Tentative Report on the Study of the Division of Cost of General Relief in Massachusetts, Illinois, and Pennsylvania*, ms.

⁸⁶ Scheinman, D., *Testing for Equalization of Unemployment Relief Burdens Among the Counties of Illinois, 1938-39, 1940*, ms.

⁸⁴ Illinois Emergency Relief Commission, *Monthly Bulletin on Relief Statistics, June 1940*, pp. 91-101.

and adequate State supervision are more difficult to secure. Iowa has a system resembling that in Illinois, except that the county is the local unit with which the State administration deals. In the fiscal year 1939 the State carried all of the costs of old-age assistance and provided 75 percent of the funds for aid to the blind and 25 percent of the costs of general relief. The counties were wholly responsible for the aid-to-dependent-children program, which received no Federal aid. The State administrators have considerable discretion in the distribution of funds according to the formula. Although the State provides only one-fourth of the total general-relief funds as compared with three-fourths in Illinois, there are some indications that a more satisfactory financial adjustment has been achieved than in Illinois. At least the average payments per general-relief case varied less among the Iowa counties than among the Illinois counties in December 1938.⁸⁷

But even in Iowa there were considerable variations in relief grants as between counties. In January 1940 the State was aiding only 26 of the 99 counties. The average general-relief grant per family case in the State-aided counties was higher than in the others—\$24.45 as compared with \$19.91.⁸⁸

Inequalities of support are even more evident within the "poorer" States. Indeed, in some counties, services whose financing is left wholly to local areas are not available at all. Two of the "poorest" States (Arkansas and Mississippi) are characterized by roughly the same degree of variations in wealth as among their respective counties. In each State in the middle years of the decade the counties with the highest values had per capita assessments of from five to six times those of the counties with the lowest assessed values.⁸⁹ But the average general-relief payments in those counties making payments vary more in Mississippi, where relief is wholly a local financial responsibility, than in Arkansas, where the entire cost is carried by the State. In December 1939 the highest average payments in Arkansas were between two and three times the lowest. In Mississippi, the highest payments were nine times the lowest in the counties attempting to provide general relief. More important, every county in Arkansas received some money for general relief, while half the Mississippi counties had none.⁹⁰

The inequality of public-aid support is indeed particularly marked in Mississippi, where the State con-

TABLE 79.—Total and percentage expenditures for the special assistances and general relief in the United States, by source of funds, fiscal year 1939

Program	Total expenditures (thousands of dollars)			Percentage shares of expenditures			
	Total	Federal	State	Local	Federal	State	Local
Old-age assistance:							
Net disbursements.....	415,764	198,645	175,205	41,914	47.8	42.1	10.1
Administration.....	28,781	10,418	11,556	6,808	36.2	40.1	23.7
Total.....	444,545	209,063	186,761	48,722	47.0	42.0	11.0
Aid to dependent children:							
Net disbursements.....	102,796	27,543	47,896	27,356	26.8	46.6	26.6
Administration.....	10,776	3,544	4,244	2,988	32.9	39.4	27.7
Total.....	113,572	31,087	52,140	30,344	27.4	45.9	26.7
Aid to the blind:							
Net disbursements.....	11,906	5,170	4,344	2,392	43.4	36.5	20.1
Administration.....	1,552	266	862	426	17.1	55.5	27.4
Total.....	13,458	5,436	5,206	2,818	40.4	38.7	20.9
General relief:							
Net disbursements.....	472,360	0	279,915	192,444	0	59.3	40.7

Sources: Net disbursements (payments to recipients) from *Social Security Bulletin III* (January 1940), 65; cost of administration which is on a calendar-year basis, (calendar year 1939) from State reports to the Bureau of Research and Statistics of the Social Security Board, partially estimated. Total administrative costs, without Federal, State, and local break-downs, were published in *Social Security Bulletin, IV* (April 1941), 44-45. Data refer to State plans of special public assistance approved by the Social Security Board.

tributes comparatively little to the financial support of the counties even in fields other than public aid. Half the counties in Mississippi reported no relief cases whatever in December 1939. It is unthinkable, in view of the low income level in this State, that there was no need in these areas. On the whole, the counties with no relief cases were the poorer counties. Furthermore, the number of relief cases in those counties providing relief was smaller in the poorer counties. Finally, the five counties with the highest payments per relief case had comparatively high per capita tax values.⁹¹

Influence of State Participation Upon Program Development

An outstanding feature of the intrastate arrangements for the financing of public aid is the marked variation in the extent to which State aid is available for the different programs. These differences are shown in Table 79, which summarizes the situation for the fiscal year 1939, the latest year for which it was possible to secure the necessary distributions for all programs.⁹²

⁹¹ Data on general-relief grants from *Trends in Public Assistance, 1933-39*, pp. 75-76; data on per capita assessed valuations from *Mississippi State Tax Commission Service Bulletin No. 18*, Jackson, 1937, p. 20, table 9, and they refer to the year 1936.

⁹² For the fiscal year 1940, the percentage distribution by source of funds of net disbursements (excluding cost of administration) was as follows:

Program	Federal funds	State funds	Local funds
Old-age assistance.....	49.0	41.1	9.9
Aid to dependent children.....	34.0	42.6	23.4
Aid to the blind.....	45.3	35.2	19.5
General relief.....	0	59.2	40.8

Source: *Social Security Bulletin, IV* (February 1941), 56.

⁸⁷ *Trends in Public Assistance, 1933-39*, pp. 64-65 and 67-68. The average per town in Illinois is not available.

⁸⁸ Iowa Department of Social Welfare, *Public Welfare in Iowa*, Des Moines, 1940, pp. 15-18 and 25.

⁸⁹ Data from *Mississippi State Tax Commission Service Bulletin No. 18*, p. 20; Arkansas State Auditorial Department, *State Comptroller's Biennial Report, 1931-35 and 1935-36*, Little Rock, 1936, p. III.

⁹⁰ *Trends in Public Assistance, 1933-39*, pp. 58-59 and 75-76.

It will be noted that, whereas the localities in the country as a whole carried only 10.1 percent of the expenditures for old-age assistance, they were required to bear 40.7 of the costs of general relief, exclusive of costs of administration in each case. Moreover, they were required to bear a larger share of the costs of aid to dependent children than of aid to the blind.

The differing extent of State participation has influenced the adequacy of the aid made available on these

different programs. It is significant that, as was shown in Chapter VII, the payments made to recipients of old-age assistance and aid to the blind were in general higher than those available to recipients of aid to dependent children and of general relief. Moreover, general relief, which was shown to be the least adequate of all programs both in terms of availability of aid and level of assistance granted, is also the program which relies most largely upon local financing.