

# FEDERAL AID FOR RELIEF

BY

EDWARD AINSWORTH WILLIAMS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY  
IN THE  
FACULTY OF POLITICAL SCIENCE  
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## PREFACE

THE industrial depression which was heralded by the stock market crash of 1929 found the United States unprepared to meet a major relief problem. Poor relief was generally considered to be a state, and more particularly a local problem, with private charity playing a supplementary role. The basic relief legislation in 1929, the respective state poor laws, had not been much improved since the creation of the Republic. Their inadequacy prompted the establishment of public and private emergency local relief agencies in 1930 and 1931; by the close of the following year many state emergency relief agencies had been created. Finally, in 1933 the Federal Emergency Relief Administration was established to make grants to the states to assist in meeting the relief problem.

The primary purpose of this study in administration is to describe the gearing of federal emergency relief into the American system of government through an extension of the familiar grant-in-aid system, and to outline the new federal-state relationships which developed during the period that grants were made by the Federal Emergency Relief Administration. The opening chapter sketches the background of local relief activity from which federal grants for relief developed. The second chapter analyzes the statute providing for the creation of the Federal Emergency Relief Administration, outlines the administrative set-up of that agency, and indicates the size of the problem which was faced. The F. E. R. A. soon decided that it must exert its powers as a dispenser of federal funds to ensure the attainment of three main objectives: adequacy of relief, work for employable needy persons, and diversification of the program to fit the various groups requiring relief. The third and fourth chapters deal with these main objectives of the federal grant agency and the administrative techniques and control devices that were used in an attempt to attain the goals. In order to illuminate the F. E. R. A. grant system, the direct

federal method employed by the Civil Works Administration is also discussed for comparative purposes.

The working out of an equitable allocation of relief funds to the states, perhaps the most difficult administrative problem encountered by the F. E. R. A., is discussed in chapter 5. The concluding chapter is concerned with the liquidation of the F. E. R. A., an event resulting from a new and major redivision of governmental relief responsibility in 1935. During that year unemployables are returned to the care of states and localities (with federal assistance for certain classes provided under the Social Security Act) while the federal government inaugurated a large work program for the able-bodied. The sketching of this development leads to an evaluation, from the administrative point of view, of the advantages and limitations of the federal grant method as a means of meeting various aspects of the relief problem.

The writer owes much to several members of the faculty of Columbia University. To Professor Arthur W. Macmahon, grateful acknowledgment is made for his assistance and interest throughout the preparation of this study. Dr. Eveline Burns contributed many valuable suggestions as the study progressed. Sincere thanks are due to Professors Schuyler Wallace and Lindsay Rogers for a number of useful editorial suggestions.

Many helpful criticisms were made by V. O. Key, author of *The Administration of Federal Grants to States*. Paul V. Webbink, at present Director of the Committee on Social Security of the Social Science Research Council, graciously reviewed the early chapters of the manuscript.

In 1935 the author joined the staff of the F. E. R. A. at Washington as associate editor of the Monthly Report of that agency to Congress and is at present in the Division of Statistics and Economic Research of the Works Progress Administration at Washington. The writer wishes to take this opportunity to thank those of his associates who furnished data and gave him the benefit of their specialized knowledge and experience. Among those assisting in this connection were Assistant

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Administrator Corrington Gill; Emerson Ross, Director of the Division of Statistics and Economic Research; and Dr. Arthur E. Burns, Head of the Economic Analysis Section. Among his other colleagues the writer especially thanks Josephine Brown, Elizabeth Wickenden, Carl Borders, and A. Ross Fox. Valuable assistance on the important problem of allocating relief funds was given by Betsy Knapp, Anita Wells, and L. L. Ecker-R of the Municipal Finance Section of the F. E. R. A., and M. Riggs McCormick of the Grant Section. A special debt of gratitude is owed to Edith M. Curry whose wide experience with the federal relief agencies greatly facilitated the gathering of material for this study.

Finally, my fullest appreciation goes to my wife, Juanita Kerwin Williams. During the preparation of this work she has been a constant source of encouragement, advice, and helpful suggestions.

E. A. W.

WASHINGTON, D. C.,  
DECEMBER, 1938.

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# CHAPTER I

## RELIEF ADMINISTRATION PRIOR TO 1933

CARVED in the stone of the Archives Building at Washington is the inscription: "The heritage of the past is the seed that brings forth the harvest of the future." The methods used for meeting relief problems prior to 1933 determined to a large extent the new intergovernmental relationships that arose under the Federal Emergency Relief Administration. Before proceeding to a study of the administration of federal grants for relief, a backward look must therefore be given at the methods which prevailed before 1929, the emergency methods instituted by states and localities from 1929 to 1933, and the early federal relief activities before the adoption of the F.E.R.A. grant method in 1933.

### RELIEF IN THE UNITED STATES UP TO 1929

From the eighteenth century through 1929 there were few major changes in public relief methods in the United States. The basic relief offered was provided under state "poor laws" which were in existence in each state.<sup>1</sup> Everywhere the locality was the governmental unit that was held responsible for the administration and financing of "poor relief," and under this

<sup>1</sup> For a discussion of the development of the poor law systems of certain states, see: William Clinton Heffner, *History of Poor Relief Legislation in Pennsylvania, 1682-1913* (Cleona: Holgapfel Publishing Co., 1936); Margaret Creech, *Three Centuries of Poor Law Administration* (Chicago: University of Chicago Press, 1936); Robert W. Kelso, *The History of Public Poor Relief in Massachusetts, 1620-1920* (Boston and New York: Houghton Mifflin Company, 1922); Grace A. Browning, *The Development of Poor Relief Legislation in Kansas* (Chicago: University of Chicago Press, 1935); Alice Shaffer and Mary Wysor Keefer, *The Indiana Poor Law* (Chicago: University of Chicago Press, 1936); and Rev. Martin W. Stanton, *History of Public Poor Relief in New Jersey, 1609-1934* (Ph.D. Thesis, Fordham University, New York, 1934).

system local "poor-masters" or "overseers of the poor" were charged with the duty of caring for the destitute of their own community.<sup>2</sup> Poor relief was intended to take care of both the able-bodied and also those who were unfitted for employment. Except in periods of business depression, however, a majority of those seeking assistance up to 1929 were persons with some mental or physical affliction which prevented them from achieving complete self-support.

It is true that in a number of states dissatisfaction with conditions prevailing under the poor laws had resulted in the passage of supplementary legislation providing special care (categorical relief) for certain classes such as the blind, the aged, and mothers with dependent children. The movement to remove these classes from the baneful effect of the poor laws had not made much headway prior to 1929, however, and the basic relief in all states was still provided under the poor laws.

The governmental relief system that has just been briefly sketched was supplemented by the activities of various private charities and generously inclined individuals. Although public relief was assuming the major burden of destitution in 1929, private relief agencies and private institutions were still playing a significant role. These privately controlled agencies were found throughout the United States, although they were concentrated in the large cities and the more highly industrialized states. Private charities were not as potent a factor in the rural states, especially those of the South and Southwest. Private charitable agencies were often affiliated financially through Community Chest organizations and a degree of co-ordination was achieved through various councils of social agencies.

Generally speaking, the underlying philosophy which dominated the poor laws was that relief must be made extremely unattractive if idleness were not to be encouraged.<sup>3</sup> Thus poor

<sup>2</sup> Arthur C. Millspaugh, *Public Welfare Organization* (Washington: The Brookings Institution, 1935), chap. xii.

<sup>3</sup> Two further justifications offered for this type of relief policy were the alleged need for lightening the local tax burden and the belief that all indigent

relief recipients were often required to take a "pauper's oath," and were frequently deprived of certain privileges of citizenship, many states disfranchising paupers and in some cases refusing them the right to marry.<sup>4</sup> Some localities had no home relief, and forced recipients of public assistance to live in institutions. The care afforded the destitute in the almshouses of many states often left much to be desired.<sup>5</sup> Home relief was largely limited to meager allotments of food and clothing;<sup>6</sup> cash relief of any sort was the exception. As pointed out by Joanna C. Colcord: "Unwillingness of public agencies to entrust clients with cash was probably a survival from the English poor-law of the eighteenth century, from which public relief in America took its origin. During the intervening century and a half, marked modifications had taken place in England, and much of the deterrent emphasis on making relief unacceptable by surrounding it with hardships and humiliations had been swept away. . . . Our public welfare laws remained, like flies embalmed in amber, a memorial to a vanished social-economic pattern."<sup>7</sup>

persons should be encouraged to seek assistance from relatives or private charities.

<sup>4</sup> Robert C. Lowe and John L. Holcombe, in a study, *Legislative Trends in Public Relief and Assistance* (Works Progress Administration, Division of Social Research, Series III, No. 2, 1936), indicate that many of these provisions were still in effect in some states in 1936.

<sup>5</sup> The inadequate nature of the care furnished in almshouses in New York State as late as 1930 is indicated in the *Report of the New York State Commission on Old Age Security* (Legislative Doc., No. 67, 1930), pp. 395-399. See also Marietta Stevenson, "Standards of Public Aid," *The Annals of the American Academy of Political and Social Science*, CLXXVI (1934), 58.

<sup>6</sup> Robert W. Kelso, *The Science of Public Welfare* (New York: Henry Holt and Company, 1928), p. 173.

<sup>7</sup> Joanna C. Colcord, *Cash Relief* (New York: Russell Sage Foundation, 1936), p. 11. The reader interested in the English Poor Laws will find a very complete picture of their development in a study by Sidney and Beatrice Webb, *English Local Government: Vol. I, English Poor Law History, Part I, 1927; Vol. II, English Poor Law History, Part II, 1929* (London: Longmans, Green and Co., Ltd.).

The relatively few able-bodied persons on relief in 1929 and previous years usually received the same treatment as the rest. In the early period of American history when the poor law systems took shape, economic insecurity arising from unemployment was an insignificant problem. Although industrial unemployment had been a significant factor for decades prior to 1929 the poor law systems of that date were still operating on the old assumption that worthy persons who sought private employment would have no difficulty in securing jobs. Thus in only a few instances prior to 1929 had attempts been made to provide useful work projects for destitute persons capable of performing work.<sup>8</sup>

The administration of public outdoor relief under the poor laws was a function of counties, municipalities, townships, towns and special districts, the county being the unit most often utilized.<sup>9</sup> This situation remained practically unchanged throughout the early 1930's and poor relief was administered by counties in thirty-four states in 1934. In twenty-one of these states, relief was handled by the central board of the county; in thirteen states a county agency distinct from the central board was responsible for its administration.<sup>10</sup>

Although outdoor relief clearly had become the major method of extending poor relief by the turn of the century, the public institution, variously known as the poorhouse, almshouse, welfare house, home or infirmary, remained an important part of the poor relief system.<sup>11</sup> These institutions were originally supposed to care for the homeless indigent, but they tended to

8 Leah Hannah Feder, *Unemployment Relief in Periods of Depression* (New York: Russell Sage Foundation, 1936). See also *infra*, chap. iii, p. 98.

9 In eight states in 1934 outdoor relief was administered by townships or a mixed township-county system, while in the six New England states it was administered by towns, five states using the medium of selectmen or elected overseers of the poor, and Massachusetts utilizing town boards of public welfare. See Millspaugh, *op. cit.*

10 *Ibid.*

11 Kelso, *op. cit.* Poorhouses still exist as an important part of most state poor law systems.

become the last resort for various classes of unemployables, the aged and infirm, and those with mental or physical handicaps. Generally speaking, the almshouse was a county institution, and the superintendent was appointed by the county board or by the county agency administering outdoor relief. Large cities were generally authorized to establish poorhouses, however, and under the usual practice in New England local almshouses were administered by towns.<sup>12</sup>

The fact that this outmoded poor relief system was still the basic governmental structure for the relief of destitution in 1929 can only be ascribed to deeply entrenched tradition, the inability or unwillingness of localities to provide adequate funds, a general lag in social consciousness buttressed by the feeling that the poor had only themselves to blame for their destitution, and a general inertia which, more often than active opposition, can be counted upon to prevent needed change.<sup>13</sup>

Despite these factors, however, growing social responsibility was able to secure differentiated treatment for various classes of individuals in a number of states. Thus, even prior to 1929, many state legislatures had come to recognize that certain classes of destitute persons such as the blind, the aged, and mothers with dependent children, were entitled to receive public assistance in a more humane fashion than was provided under the general poor laws described above. Special legislation, often termed "categorical relief," was therefore passed in a number of states providing for assistance to these types of destitute persons.

Categorical relief provisions are extremely significant in that the philosophy behind them differs radically from that perme-

12 There were, of course, numerous variations within this system. Thus, in some states, local units contracted with other units for the institutional care of their poor. In still other states, local units contracted with private charitable organizations for such institutional care, while in a few states local units were authorized to provide for the keeping of destitute persons in private homes.

13 See Edith Abbott, "Abolish the Pauper Laws," *Social Service Review*, VIII (1934), 16.

ating the "poor laws." Indeed, it may be said that one of the main purposes of these special types of aid is to remove the humiliation usually attendant upon application for public assistance. These laws for the blind, aged, etc., are generally based on the assumption that certain classes have a right to public assistance and that the aid furnished under them is not really relief at all.

The first general pension law for the blind was passed in Ohio in 1898 through an amendment to the state poor laws. By 1929 twenty-two states had enacted legislation providing this special type of assistance. Old-age assistance is a comparatively new form of aid. Alaska made provision for old-age pensions in 1915, but the first state to enact valid legislation was Montana in 1923. Private institutions for the care of dependent and neglected children and orphans were established early in the eighteenth century. State laws concerning public care of children in institutions, however, were mainly enacted during the latter part of the nineteenth century. The first mothers' aid law, providing for aid to dependent children in their own homes, was enacted in Missouri in 1911. Progress in the field was rapid and forty states had passed this type of legislation by 1920.

The statutory status of public relief in 1929 may therefore be briefly summarized as follows: All forty-eight states had poor relief laws. Old-age assistance was on the statute books of only ten states; blind assistance had been enacted in twenty-two states. All but five states had provisions for aid to dependent children in their own homes, and all but three had laws making possible the care of dependent children in foster homes and institutions. Generally speaking, with the exception of care of dependent children by state agencies or institutions, the local political subdivisions of the states were charged with the responsibility for administering and financing the various types of aid. State participation in administration and financing was most apparent in the category of dependent children because of the general practice of housing such children in state institu-

tions. A substantial minority of the states with blind assistance laws provided financial aid to the localities and exerted some supervision over them. With reference to poor relief and old-age assistance, however, the states assumed practically no responsibility for financing and administration.

The inadequate care provided under the poor laws, and the general failure of state legislatures to revise them in the light of changing economic and social conditions, have already been commented upon. The development of categorical relief came as a reaction to these laws and was a forward step. It is easy, however, to overestimate the social progress which had been achieved under categorical relief by 1929. Although the number of states which had passed legislation for the various categories was fairly large, it should be noted that even in those states which had legislation on the subject, the number of persons aided was relatively small and the benefits extended were usually inadequate, often requiring supplementation under the poor laws or by private charities.

State legislation for assistance to the aged furnishes an excellent example of the restricted application of most state provisions for categorical relief. Seven of the ten state laws on the subject in 1929 left the adoption of the system to the discretion of each county. Many of the counties operating under such "county optional systems" provided no old-age assistance. In addition, sixty-five was the lowest pensionable age, and half of the ten states required that applicants be at least seventy years of age. Residence requirements were likewise highly restrictive, residence of from ten to fifteen years within the state being required. Applicants satisfying these and other requirements could look forward to maximum pensions ranging from \$250 a year in Kentucky to \$30 a month in a number of states. Actual average pensions, however, were considerably below these figures.<sup>14</sup>

14 See Abraham Epstein, *Insecurity: A Challenge to America* (New York: Harrison Smith and Robert Haas, 1933), chap. xxviii.

The same general factors which operated to restrict the number of recipients and adequacy of benefits under state laws for assistance to the aged applied with equal force to the laws on blind and mothers' aid. Many states passed laws on these subjects which were optional with counties and consequently without force in a large number of localities. In the jurisdictions that had accepted these provisions, the restrictive residence requirements and extremely difficult qualifying rules also served to exclude applicants. The following quotation from the first annual report of the Social Security Board refers to categorical relief at the end of 1934, but the general analysis holds true for earlier periods as well.

" . . . At that time (1934), only thirty of the fifty-one states and other jurisdictions had legislation for old-age assistance, and, within these, a third of the counties gave no old-age assistance; in most of the counties where assistance was provided requirements were highly restrictive, and lack of funds resulted in long waiting lists. Aid to dependent children was provided in less than half the local units in the forty-five states having legislation for this purpose. In the states with laws for assistance to the blind, only two-thirds of the counties were participating. . . ." <sup>15</sup>

The relief set-up in 1929, in short, was in no sense adequate to meet the coming problem of mass destitution arising from widespread unemployment. The basic form of relief was that given under the state poor laws which had not been modernized to meet changed conditions. Categorical relief was expanding but was likewise inadequate and circumscribed by numerous conditions. A few persons had suggested the need for unemployment compensation; some proposals had been made urging the planning of a system of public works for periods of depression. Generally speaking, relief was still considered to be a local responsibility and few persons had suggested that fed-

<sup>15</sup> *First Annual Report of the Social Security Board, Fiscal Year 1936, 75th Cong., 1st Sess., House Doc. No. 147 (Government Printing Office, 1937), p. 9.*



eral assistance was either needed or desirable. Only rarely did observers warn of the supreme test to which our obsolete relief system was soon to be subjected. In any event, a major depression broke late in 1929, and before the waters had begun to recede, more changes had occurred in a few short years in our attitude toward relief, and in the relief system itself, than had occurred in the three centuries since the first English colonization in the United States.<sup>16</sup>

#### EMERGENCY STATE AND LOCAL RELIEF EFFORTS, 1930-1933

Shortly after the crisis of 1929 the volume of unemployment grew steadily. Conservative estimates<sup>17</sup> indicate that there were 3,825,000 unemployed in the United States in January 1930. In August there were 4,599,000 persons without work and by December the number of unemployed had reached 6,963,000. Many of these unemployed had little or no savings to fall back upon and were quickly forced to apply for relief. The first reaction of the localities was to attempt to meet the problem through an extended use of the facilities then available. Local public agencies and private welfare agencies redoubled their efforts to meet the ever increasing relief problem of 1930 and 1931. When the regular agencies proved inadequate, both public and private local emergency relief organizations were set up—primarily in the cities.

At the beginning of the depression, it is estimated that private charity was meeting approximately one-fourth of the relief bill of the country as a whole.<sup>18</sup> In the larger cities it often played a much more important role. The relative importance of private charity, however, fell sharply as the depression

<sup>16</sup> See Sophonisba P. Breckinridge, *Public Welfare Administration in the United States* (Chicago: University of Chicago Press, 1927). This source book brings together a great many carefully selected documents pertaining to the social service field.

<sup>17</sup> The unemployment estimates used in this study are those of the National Industrial Conference Board. See the *Conference Board Bulletin*, Vol. XI, No. 7 (May 24, 1937).

<sup>18</sup> Joanna C. Colcord, *op. cit.*, p. 17.

grew deeper. Although private contributions grew steadily in the early years of the depression, their comparative importance dwindled due to the even larger increases in local public expenditures. This fact is brought out clearly through an examination of statistics furnished through the Children's Bureau. The statistics cover relief expenditures from January 1929 through 1932 of public and private agencies in 120 major city areas. The urban areas represented in these series include 99 cities with populations over 100,000 in 1930 and 21 cities with populations between 50,000 and 100,000. They represent two-thirds of the total urban and somewhat more than one-third of the total population of the United States. The following table indicates that although private relief increased fivefold between 1929 and 1932, expenditures by public agencies for general relief were approximately twice as large as those of private agencies in 1930 and about four times as large in 1932.

Unfortunately, there are no reliable statistics for the country as a whole to show the full magnitude of the relief problem of 1930 through 1932. Accurate figures on expenditures and numbers aided are both lacking. The table on expenditures on the following page, although limited in scope, gives some idea of the tremendous increase in costs of relief. Statistics on numbers receiving relief are limited to certain areas. Some indication of the rapid growth of the problem can be had, however, by reciting statistics furnished to the Children's Bureau by 108 public agencies in 70 urban areas. The combined totals for these areas show 52,698 families and single persons receiving relief from public funds in December 1929. By December 1930, the totals had reached 141,640. For December 1931 and 1932 respectively, the totals were 288,119 and 666,370.<sup>19</sup>

The quality of relief offered in the early years of the 1929 depression naturally varied widely from area to area in the United States. In those sections where strong and well-organ-

<sup>19</sup> See Arthur E. Burns, "The Federal Emergency Relief Administration," *Municipal Year Book*, 1937 (Chicago: International City Managers' Association, 1937), p. 388.

TABLE 1  
EXPENDITURES FOR RELIEF FROM PUBLIC AND PRIVATE FUNDS  
IN 120 URBAN AREAS, 1929 THROUGH 1932 \*

Year	Total ex- penditures	General (Work and Direct Relief)			Cate- gorical relief
		Total expen- ditures for general relief	Public funds	Private funds	
Amount in thousands					
1929 ....	\$ 43,745	\$ 25,149	\$ 14,853	\$10,296	\$18,596
1930 ....	71,425	50,181	33,510	16,671	21,244
1931 ....	172,749	138,023	88,594	49,429	34,726
1932 ....	308,185	265,775	208,694	57,081	42,410
PERCENTAGE DISTRIBUTION					
1929 ....	100.0	57.4	34.0	23.4	42.6
1930 ....	100.0	70.2	46.9	23.3	29.8
1931 ....	100.0	79.9	51.3	28.6	20.1
1932 ....	100.0	86.2	67.7	18.5	13.8

Source: Prepared from materials in a study by A. E. Geddes, *Trends in Relief Expenditures, 1910-1935*, Research Monograph No. 10, Works Progress Administration (1937), p. 31.

\* These data are exclusive of administrative cost. The Urban Relief Series was initiated in 1929 by the Russell Sage Foundation which built up a collection of monthly data for relief agencies in 76 United States cities and 5 Canadian cities with populations over 100,000. This series was transferred as of January 1932 to the United States Children's Bureau and was expanded to include other urban areas, mostly between 50,000 and 100,000 in population, for some of which monthly statistics on relief and transient care had been compiled since late in 1930 by the Children's Bureau at the request of the President's Organization on Unemployment Relief, or which had been collected in connection with the Bureau's project for the collection of Social Statistics in Registration Areas.

ized public and private organizations were in existence, relief usually was handled on a more adequate basis than in areas where makeshift emergency agencies were suddenly formed. Breadlines and soup kitchens which sprang up all over the country attest to the crumbling of relief standards under pressure. These methods were not sponsored or conducted by the regularly established public or private agencies. Authorities in the field of relief protested in vain that breadlines were a suitable method of giving relief only where such catastrophies as fire or floods had destroyed normal methods of communication.

Expenditure along these lines resulted in great waste of money and materials and the demoralization of many relief clients. The sensitive were cut to the quick, and the unprincipled soon realized the relative opportunities available to those who were willing to sponge from as many sources as possible.

As one authority in the field has so well pointed out:

“To the thoughtful citizen who has lived through several industrial depressions it is disheartening to realize how little we seem to retain of the experience of one crisis to help us attack the next. Let a period of unemployment appear, and groups come forward in every community armed with the best of intentions, but not prepared to avoid the same mistakes in dealing with the problems of their unemployed fellows that were made in 1893-1894, in 1907-1908, in 1914-1915, and in 1920-1921. There is a great deal that is inspiring about our American way of springing to instant answer to the call of need, but it has been said of many of the emergency measures which are first to be proposed in a period like this that ‘their only merit is their spontaneity.’”<sup>20</sup>

It was inevitable that sooner or later the struggling localities would have to be given state aid. In many sections the tremendous strain placed upon the localities by the rapid increase in those needing relief resulted in the giving of relief which was merely sufficient to prevent actual starvation.<sup>21</sup> The localities were faced with the impossible task of raising more and more funds to meet an ever increasing relief burden in the face of declining revenue sources. The very forces which were operating to swell the relief burden were reducing local resources. Real estate values are the backbone of the local tax system and, in essence, the security behind local bonds. With falling real estate values and mounting tax delinquencies, state aid became imperative. In November 1931 the first state emer-

<sup>20</sup> Joanna C. Colcord, *Community Planning in Unemployment Emergencies* (New York: Russell Sage Foundation, 1930), p. 7. See also Leah Hannah Feder, *op. cit.*

<sup>21</sup> See *infra*, pp. 36-39.

gency relief administration was created in New York. Many emergency state relief agencies were set up in 1932 and by the summer of 1933 state organizations were functioning in every state except Wyoming.<sup>22</sup>

Most of the states that created emergency relief agencies utilized boards or commissions to supervise state relief activities. Quite often the commission was made up of public-spirited volunteers who offered their services without remuneration. The functions of such commissions were generally limited to determining matters of broad policy; paid staffs operated the programs. In all cases, of course, the actual provision of relief to those in need was a function of the old local poor law agencies or of local emergency relief agencies which had been set up to meet the problem. The main function of the state relief agency was to distribute funds to local agencies and to formulate broad policies which local agencies must observe in spending state funds.

Various policies were adopted by states in securing funds for emergency relief. Some states were inclined to believe that the need for emergency relief funds would exist for a few years at least, and attempted to operate on a "pay as you go" basis. Since real estate was already overburdened in most states, some states sought revenue from other sources, chiefly through taxes on gasoline, motor vehicles and utilities. Some states sought to secure funds for relief by curtailing expenditures for other state functions and diverting present tax income to relief purposes. Many states, believing that the necessity for unemployment relief would be temporary, felt that the use of bonds for relief purposes was justifiable.

The states did not follow any one formula in distributing relief funds to their political subdivisions. A good many state legislatures did not attempt to devise any fixed formula, relying rather upon the state relief agency to allocate funds to those

<sup>22</sup> No state organization was created in Wyoming until December 1933. Previous to this date federal funds were distributed by the governor to the communities.

areas which most required assistance. Those states which attempted to devise or use a fixed formula for allocating state funds took into account such factors as the numbers unemployed in the various localities, numbers on relief rolls, past relief expenditures in the communities, and total population of the political subdivisions.<sup>23</sup>

State aid to localities for relief purposes soon proved to be no solution to the problem of widespread destitution which grew increasingly acute in 1932. The very factors which were engulfing the localities, i. e., increased need for expenditures and failing tax resources, prevented many states from offering substantial aid to their hard pressed political subdivisions. It was inevitable, therefore, that demands should grow ever more insistent that the government at Washington intervene to prevent complete collapse of the overburdened states and localities. At first these demands merely took the form of requesting an enlarged federal construction program to promote employment. Demands were then made for the distribution of federally owned cotton and wheat. Then came the period of petitions for federal loans to states and localities, culminating in requests for outright federal grants-in-aid to the states.

#### EARLY FEDERAL RELIEF ACTIVITIES (1930-1932)

Those seeking to obtain federal financial participation in meeting the emergency relief problem were destined to meet considerable opposition. A very influential school of economic thought immediately took issue with the proposal. It was obvious, the argument ran, that federal expenditures would result in taxation and higher taxation would discourage business men and result in still greater unemployment. President Hoover early adhered to this point of view as may be inferred

<sup>23</sup> When the federal government began to make grants for relief to the states, much the same problem of determining how to allocate funds arose. The general problems of allocation met by a governmental agency in making grants for relief are discussed at length *infra*, in chap. v.

from the following quotation from his message of December 2, 1930.<sup>24</sup>

" . . . The Government must not undertake works that are not of sound economic purpose. . . . The volume of construction work in the Government is already at the maximum limit warranted by financial prudence as a continuing policy. To increase taxation for purposes of construction work defeats its own purpose, as such taxes directly diminish employment in private industry."<sup>25</sup>

Those opposing federal relief because of the alleged bad effects of increased taxation found allies in a powerful group that placed primary emphasis on a balanced federal budget. This latter group advanced the proposition that the greatest contribution the federal government could make in the emergency would be to balance its budget. According to this view, an unbalanced budget would retard capital investment and thus prevent increased employment. Investors, it was argued, would hesitate to undertake long-term commitments in bonds in the face of a currency made insecure by an unbalanced budget. One of the foremost exponents of the balanced budget was Ogden L. Mills, then Secretary of the Treasury, whose views on the subject are made clear through the following excerpts from his testimony before a Senate Committee holding hearings on a bill for increased expenditures for public works.

24 Opponents of President Hoover charged that his main interest was in protecting large corporations from increased taxation at the expense of small home-owners. Senator David I. Walsh of Massachusetts, for example, stated during debate on a bill to provide the Red Cross with relief funds in January 1931: ". . . Not a single bill for adequate relief will pass this Congress, and the country might as well know it, because of the determination upon the part of the administration that those who pay large income taxes and the corporation-income taxpayers of the country must not be burdened with relief obligations. The States and municipalities who have already incurred great expenditures for public works, who have increased tremendously their budgets for outdoor relief to the suffering, must place the tax burdens on their own unemployed and heavily burdened landowners." See *Congressional Record*, 71 st Cong., 3d Sess., LXXIV, Part II, 2157.

25 See Message of President Hoover, *Congressional Record*, 71st Cong., 3d Sess., LXXIV, Part I, 34.

“ . . . The fundamental objection to this section is that it unbalances the Budget; that it resorts to the unsound device of an extraordinary Budget; that it breaks down a sound financial policy pursued since the beginning of the Government; and opens a breach which I am fearful will be only too promptly widened.

“ It becomes all the more necessary [to eliminate certain expenditures] when you consider that an unbalanced Budget and the abandonment of sound financial practices will cause a further shock to public confidence, tend to retard business recovery, and so not only prevent reemployment on a large scale, but very possibly add to the number of those already unemployed.”<sup>26</sup>

Strenuous opposition to federal aid also came from those who asserted that the proposal was inconsistent with the proper role of the national government under a federal system. The continuation of a federal system, they argued, requires that national problems be met by a national government, but that purely local issues remain under the jurisdiction of the states and localities. Indiscriminate dumping of local problems on Washington's doorstep ruins local self-government and the democratic process itself. The federal government should not attempt to deal with a problem, they asserted, unless it is obvious that the problem is really national in scope, calls for more or less uniform treatment, and cannot be effectively controlled by the states and localities. Applying these principles to the relief situation, opponents of federal aid asserted that sound procedure required that relief be administered by those who knew the local situation thoroughly.<sup>27</sup>

Those advocating federal aid for relief in 1931 and 1932 had one major answer to the “ local responsibility ” argument.

<sup>26</sup> See *Hearings* before the Committee on Banking and Currency, U. S. Senate, 72d Cong., 1st Sess., on S. 4755, June 2, 1932, pp. 11, 15.

<sup>27</sup> For a statement by President Hoover embodying the above view see his Lincoln's Day Address, 1931, *Congressional Record*, 71st Cong., 3d Sess., LXXIV, Part V, 4835.



They argued that the federal government had provided funds on many occasions in the past to areas devastated by fire, earthquake and flood. The current relief problem, they maintained, was in no sense less urgent, and fine-spun theories of local responsibility provided no solution. As time went on, the advocates of federal assistance began to point out what they considered to be a fallacy in the theory of local responsibility for the new relief problem. Thus, they admitted that "poor relief" had traditionally been a local responsibility. They pointed out, however, that poor relief had largely been confined to the care of unemployables—the aged, blind, mentally defective, and mothers with dependent children. During the early years of the depression, however, large numbers of unemployed, their resources exhausted, were asking for relief. Existing poor law machinery had not been set up to meet a problem of mass unemployment.

Advocates of federal aid urged that it must be recognized that the relief group had radically changed to include a large proportion of unemployed who were willing and able to work. The traditional relief group of unemployables, supported by the states and localities since the early national period, no longer constituted the majority of those needing relief. A larger class of relief persons had come into existence, made up of able-bodied employables who had never been the responsibility of local welfare agencies. Unemployment, a national problem, was the cause of their destitution. Advocates of federal aid argued that if the states and localities could not care for these people, federal grants for the purpose were both proper and vitally necessary.

But the old belief that all relief was a function solely of the states and localities, no matter what the causes of the destitution had been, yielded slowly. President Hoover clung to this view tenaciously. He did, of course, admit that the federal government might be forced to act in case of a complete breakdown of state and local efforts. His every instinct, however, led

him to spur on state and local activity and to deny that states and localities were unable to meet the problem by themselves.

The first major step with reference to unemployment and relief taken by President Hoover following the stock market crash of October 1929 was instituted in the latter part of 1930. On October 21 he announced that Colonel Arthur Woods had been appointed to head a committee to deal with unemployment. Because of the feeling that it would be unwise to stress the word unemployment, the name "President's Emergency Committee for Employment" was chosen.<sup>28</sup> The announced objective was "to help place 2,500,000 persons back to work this winter."

The Woods Committee proceeded on the assumption that states and localities were to bear primary responsibility for alleviating unemployment and destitution. The committee, therefore, conceived of itself solely as a co-ordinating agency, an instrument for encouraging state and local agencies and giving them advice and information.<sup>29</sup> Indeed, with the limited funds at its disposal it could have played no other type of role. No funds had been made available to the committee for distribution for relief purposes. During its period of active existence (from October 1930 through August 1931) the committee's expenses approximated \$157,000.

The Woods Committee sought to assist state and local efforts as follows:

- a. By cooperating with the departments of the Federal Government in their activities concerned with the emergency.
- b. By pointing out the value of expediting necessary public and semi-public construction already planned in providing employment in the emergency.

<sup>28</sup> This was done at the suggestion of Edward L. Bernays, public relations counsel. See Harry L. Hopkins, *Spending to Save* (New York: W. W. Norton and Company, Inc., 1936), p. 18.

<sup>29</sup> E. P. Hayes, *Activities of the President's Emergency Committee for Employment* (Concord: The Rumford Press, 1936), p. 3. In this book, Mr. Hayes, a member of the committee, gives the more or less official view of the committee's activities.

- c. By working with industry to spread employment and otherwise increase employment opportunities, to care for laid-off employees, and to develop stabilizing policies.
- d. By indicating specific ways and means by which the individual citizen could personally provide employment for his less fortunate neighbor.
- e. By cooperating with national organizations concerned with these problems.
- f. By supporting by publicity and otherwise to enable States and communities better to provide employment and relief.<sup>80</sup>

In short, the Woods Committee was instituted to give encouragement and advice to states and localities and to private industry in order that they themselves might meet the problems of unemployment and relief. The prime functions of the committee were to gather information concerning the unemployment problem and to act as a clearing house of information concerning the methods being employed by the various states and localities. Thus the committee made available to all states information concerning measures which it found to be effective in given localities. It further undertook to stimulate state and local construction projects, to encourage industrial concerns to maintain employment, and to further employment by such devices as campaigns urging home owners to spruce up their homes.

On November 6, 1930, Colonel Woods, in an attempt to get a general picture of the problem and in order to stimulate state action, talked over the telephone with forty-four state governors and the representatives of the remaining four. Generally speaking, he made inquiry concerning the extent of the unemployment problem, the measures being used by states and localities to meet the problem, and the possibilities of expanding local governmental construction programs. In turn, he urged the establishment of special committees in each state to deal with the problem. It was recommended that the state committees

<sup>80</sup> *Ibid.*, p. 4.

should generally include representatives of employment offices, business, labor, welfare and religious organizations, and the government. They were to help in the organization of county and city organizations, and to forward useful information to them. The state and local committees were to do all within their power to aid local public and private charities in raising funds, etc., and to stimulate employment in private industry in their respective states and localities.

The primary point of contact of the Woods Committee was with the various state governors. Since the committee had available only a small staff at Washington and seven field representatives, its other direct contacts were necessarily limited largely to the state committees which had been set up in over thirty states before the close of the winter of 1930-31, and the local committees in the large industrial areas.

From the outset, however, the Woods Committee was faced with insurmountable obstacles. States and localities were undoubtedly thankful for the advice and encouragement which the committee offered. It was impossible, however, to secure results with advice alone. Efforts to stimulate local construction were nullified by the fact that those local governmental areas in which the increased employment afforded by such construction would have been most welcome, were either bankrupt or perilously close to the line.

Efforts to encourage industry to keep up employment were likewise foredoomed to failure. The natural reaction of business men to the unprecedented depression was to cut all unneeded labor from the pay roll in an effort to ride out the storm. Attempts to induce home owners to make all sorts of repairs and provide odd jobs were equally futile. The owners of homes were often unemployed themselves or in a position of insecurity which caused them to delay all but absolutely necessary expenditures. A number of people undoubtedly secured part-time jobs or even full-time jobs for short periods as a result of "spruce up your home" and similar campaigns. These jobs were mere drops in the bucket, however, in a period when basic industries

were operating at as low as 30 or 40 per cent of capacity and when each day brought news of the failure of some bank or business concern which had theretofore been considered impregnable.

It has already been noted that the Woods Committee endeavored to stimulate state and local public construction in order to alleviate unemployment. In addition, the committee, and more particularly Colonel Woods as an individual, urged upon the President the need for a sharply increased federal construction program. As outlined by E. P. Hayes in his book on the work of the committee, the objectives of the committee with reference to federal construction were to secure enactment of legislation accelerating federal construction as a whole, and public roads in particular, and enactment of legislation for advance planning on federal public works. In this connection, the committee went considerably further than President Hoover was willing to go. In a confidential memorandum to the President the committee recommended that he ask Congress, when it assembled in December 1930, for appropriations for construction in the sum of \$840,000,000. Subdividing this total, the committee urged that \$365,000,000 be added to the normal federal aid available for highways, \$355,000,000 for needed public works which had been planned and authorized but for which no appropriation had been made, and \$120,000,000 for miscellaneous government work.<sup>31</sup> Colonel Arthur Woods, in a private memorandum to the President dated November 11, 1930, had supported a two billion dollar appropriation for a federal construction program.<sup>32</sup>

The President, however, considered the spending of so large a sum as this to be imprudent. In his message to Congress in December, therefore, he pointed out that federal construction for the current fiscal year would be somewhat in excess of \$520,000,000. He asserted that the volume "of construction

<sup>31</sup> Hayes, *op. cit.*, p. 43.

<sup>32</sup> Hopkins, *op. cit.*, p. 25.

work in the Government is already at the maximum limit warranted by financial prudence as a continuing policy.”<sup>33</sup> Cautioning Congress against excessive taxation, the President concluded that he did not feel warranted in asking them for more than an appropriation of from \$100,000,000 to \$150,000,000. Congress followed the President’s suggestions and on December 20, 1930, he signed a bill which appropriated \$116,500,000 for emergency construction work. Of this sum, \$80,000,000 consisted of advances for federal-aid highway construction. This sum was not a gift to the states, however. Funds were to be temporarily “advanced” to the states to make it possible for them to meet their normal obligation of “matching” regular federal-aid road funds.<sup>34</sup> This advancing of funds was a distinct innovation in federal-aid procedure.

The public works situation in the early years of the depression may therefore be summarized as follows: According to estimates prepared by the Federal Employment Stabilization Board,<sup>35</sup> public construction averaged slightly over one-quarter of the sum total of all construction during the period 1925-1929.<sup>36</sup> When construction is broken down by major types, private construction is seen to have played a major role with a five-year average somewhat over five billion dollars per year. Total semi-public construction (railroad and public utility construction) hovered about the three billion mark each year during this period, and total public construction fluctuated between \$2,600,000,000 and \$3,000,000,000 per year.

<sup>33</sup> Message of President Hoover, *op. cit.*

<sup>34</sup> The section of the bill, Public No. 550, 71st Cong., approved December 12, 1930, covering this appropriation provides that “the sums so advanced are to be reimbursed to the Federal Government over a period of five years, commencing with the fiscal year 1933, by making deductions from regular apportionments made from future authorizations for carrying out the provisions of such Act as amended and supplemented.” The repayment provisions, however, were canceled by Sec. 14 of Public No. 393, 73d Cong., approved June 18, 1934.

<sup>35</sup> These estimates are to be found in tabular form on p. 39 of Hayes.

<sup>36</sup> Exclusive of work done by pipeline, gas, telegraph, and waterworks companies.

Therefore, while total public construction was not the major factor in the construction field as a whole, it was a factor of considerable importance and stimulation of public works in the early years of the depression was naturally regarded as a potent means of reducing unemployment and need for relief. The problem of stimulation, however, was complicated by this basic fact. During the period 1925-1929 *federal* construction (including federal aid) approximated only 10 per cent of public construction and only 2.4 per cent of all construction.<sup>37</sup> The major role in public construction was played by the cities, followed in importance by the construction work of counties and states.

President Hoover recognized that the states and localities were key factors in public construction prior to the depression. Furthermore, he was committed to the proposition that states and localities were primarily responsible for the relief of unemployment. He therefore placed primary emphasis upon stimulation of local public works. Unfortunately, however, the states and localities were not in a position to finance extended public works programs. This meant that there were only two other possibilities if public works were to be stimulated. First, the federal government could embark on a greatly increased construction program of its own.<sup>38</sup> President Hoover rejected this possibility because he did not believe the federal government had a primary responsibility for alleviating unemployment, and because he questioned the economic advisability of an extended federal program. The only remaining possibility, therefore, was for the federal government to make loans and/or grants to the states and localities so that they might expand their programs. This idea does not seem to have attracted much attention in the early years of the depression. In 1932 when the idea of

<sup>37</sup> Hayes, *op. cit.*

<sup>38</sup> For the use of public works as an economic stabilizer, see *Planning and Control of Public Works* (1930) by the Committee on Recent Economic Changes of the President's Conference on Unemployment, together with a report by Dr. Leo Wolman. See also Arthur D. Gayer, *Public Works in Prosperity and Depression* (New York: H. Wolff, 1935).

federal loans for "self-liquidating" construction projects was advanced with strong backing in Congress, President Hoover made clear, however, that he was opposed in principle to federal loans and grants to the states and localities for construction. The situation therefore, had reached an impasse; states and localities, due to legal or financial difficulties, could not finance an extended program; and the federal government, which alone had the credit possibilities, would not lend or grant funds to the states and localities to enable them to go forward.

Throughout the period of active existence of the Woods Committee unemployment and relief conditions slowly grew worse. The estimates of the National Industrial Conference Board indicate that unemployment hovered around seven million throughout the spring of 1931. As unemployment continued, more and more individuals required public assistance. In April 1931, Colonel Woods and several other members found it necessary to return to private employment. While Colonel Woods continued to act in an advisory capacity, actual leadership rested in Mr. Fred C. Croxton until August 1931, at which time a new organization was created by President Hoover.

The dying days of the Woods Committee saw intensified efforts on the part of the committee to make plans for the coming winter. On August 19, 1931, President Hoover announced the birth of a new committee, to be known as "The President's Organization on Unemployment Relief." Walter S. Gifford, President of the American Telephone and Telegraph Company, was named to head the new organization. Its purpose was "to mobilize the national, state, and local agencies of every kind which will have charge of the activities arising out of unemployment in various parts of the nation this winter." In the words of the President, the work "so splendidly directed" by Colonel Woods and Mr. Croxton was to be continued as part of the work of the new organization under Mr. Croxton's direction. The unity of history was further preserved by the transfer of several other members of the old Woods Committee to the new Gifford Organization.



The first step taken by Mr. Gifford was to appoint an advisory committee composed of representatives of labor and industry and persons with technical qualifications in the fields of economics, political science, and sociology. The group was slowly expanded until it consisted of more than one hundred persons. This advisory committee was subdivided into subcommittees and a resident member of the advisory committee was appointed in each state to act as the representative of the committee in the state. The resident representative, who was in direct contact with the governor of his state, was entrusted with the responsibility of encouraging state officials and organizing private unemployment committees in his state.

One of the most important subcommittees<sup>39</sup> was that headed by Owen Young and had for its purpose the stimulation of all state and local agencies concerned with raising funds for relief. A second subcommittee, under the direction of Fred Croxton, was concerned with problems of administration of relief.<sup>40</sup> A third subcommittee was instituted to advise on the possibilities of increasing employment by such devices as "spread the work," etc. Still another subcommittee was interested in problems of co-ordinating the activities of the many relief agencies throughout the country. Finally, an important subcommittee on the subject of increasing employment through public works was instituted under the direction of James R. Garfield of Cleveland.

There was little difference between the Woods and the Gifford Committees with respect to the basic problem of the proper role to be played by the federal government in alleviating unemployment. Both were predicated on the assumption

39 For an account of the general activities of the Gifford Committee, see the testimony of Mr. Gifford, *Hearings* before a Subcommittee of the Committee on Manufactures, U. S. Senate, 72d Cong., 1st Sess., on S. 174 and S. 262, *Unemployment Relief*, January 8, 1932, pp. 309 *et seq.*

40 See Rose Porter, *The Organization and Administration of Public Relief Agencies*, a "Guidance Report Prepared at the Request of the President's Organization on Unemployment Relief . . ." (New York: Family Welfare Association of America, 1931).

that the states and localities were responsible for unemployment relief and that direct federal financial assistance was unwise. A somewhat different emphasis may be noted, however. The Woods Committee came on the scene in the early stages of the problem. Unemployment was growing rapidly; the Woods Committee directed its main efforts toward increasing employment. By the time the Gifford Committee came into existence unemployment had been at high levels for some time. Many persons who had managed to subsist on their savings for a period of time were becoming in need of relief. Localities had been under financial strain for some time and were nearing the end of their resources. The Gifford Committee, therefore, was forced to place its main emphasis on the immediate problem of spurring on local efforts to aid large numbers of destitute persons through the winter of 1931-1932.

The first major effort of the Gifford organization was to throw its support behind a national drive for relief funds in the fall of 1931. The Red Cross and Community Chests had planned such a campaign as early as the spring of 1931. Backed by national publicity supplied through the Gifford group, they put on an intensive drive for funds during the period from October 19 to November 25. The Gifford Committee emphasized that this was in no sense a drive for national funds for relief. The campaign was nation-wide, and supported by the national Gifford Committee. The funds raised, however, were local funds to be administered and distributed in the localities where they were obtained.

The fall drive, however, was never intended to supply all the funds needed during the calendar year 1932. The organizers knew that primary reliance would have to be placed on local public funds; the private funds raised, however, were to be utilized as a useful supplement. The drive for funds from October 19 to November 25 was conducted along lines not dissimilar from those employed during the wartime drives of 1917 and 1918. National advertisers were induced to donate space in magazines and newspapers and to write copy for the

drive. Motion picture theatre owners gave benefit performances; college football teams played charity games; and posters entitled "Of Course We Can Do It" were set up throughout the country.<sup>41</sup>

There can be no question, however, that these campaigns did not result in adequate relief being given through the calendar year 1932. The main local drives were carried on by Community Chests, loose local organizations which tied together for certain fiscal and administrative purposes many of the local welfare agencies, hospitals, homes for the aged, Y. M. C. A.'s, orphanages, Boy Scout organizations, etc. Each local Community Chest set a figure to be achieved by the drive. In the great majority of instances these relatively modest goals were reached and in a few instances substantially exceeded.

It should be noted, however, that many communities set goals which were within the realm of possible attainment rather than the sum actually needed to supplement the public funds available. Thus the Community Chest drives frequently reached their goal, but the sums often were inadequate to meet actual need. Other communities set goals which, if attained, would permit fairly adequate relief for their relief groups for a certain period. By the time the quota was reached, however, these communities often found they had many more people in need of relief than when the drive had started. This meant inadequate relief for all concerned. Furthermore, these Chest drives were prevalent only in the larger cities where well-organized charities had long been in existence. The reaching

<sup>41</sup> The fall chest drive resulted in the contribution of about \$65,000,000. Additional drives in the spring of 1932 brought the total available for the calendar year 1932 to approximately \$100,000,000. Of this total only about \$35,000,000 was allocated to "home relief"; the remainder was allocated to other "chest" activities, such as hospitals, nursing, crime prevention, etc. See statement of Allen T. Burns, Executive Director of the Association of Community Chests and Councils, *Hearings* before a Subcommittee of the Committee on Manufactures, U. S. Senate, 72nd Cong., 1st Sess., on S. 174 and S. 262, *Unemployment Relief*, December 29, 1931, p. 124.

of certain goals in these municipalities did not improve conditions in the thousands of other cities, towns, and hamlets.<sup>42</sup>

The subcommittee on "Plans and Suggestions," headed by Harry A. Wheeler, seems to have concentrated primarily on a proposal called "Spread the Work."<sup>43</sup> The plan worked roughly as follows. Assume that a given manufacturer who is employing one hundred men on a six-day basis finds that he now needs only fifty men on a full-time basis. Instead of discharging fifty men he is asked to employ one hundred on a three-day basis. In essence, half of the men are thus asked to contribute half of their salaries to the support of the other men. "Spread the Work" was seldom applied to the higher paying brackets of private industry; it was usually applied in the lower brackets to those who, even on a full-employment basis, ordinarily had difficulty in making both ends meet. This forced contribution of from 10 to 50 per cent of a worker's pay envelope for unemployment relief was the subject of bitter denunciation by numerous labor organizations and welfare societies who saw the living standards of all workmen being dragged lower and lower.

The Garfield subcommittee on Public Works seems to have been in more or less complete agreement with the views on the subject expressed by President Hoover. In this connection, the subcommittee was much more conservative than either the Woods Committee or Colonel Woods himself. Four major

<sup>42</sup> For a symposium on the question of the need for federal aid for relief, see the *Survey*, Vol. LXVII (February 1932). For federal aid, see articles by Paul U. Kellogg, Editor of the *Survey*, p. 463; Frank Bane, Director of the American Association of Public Welfare Officials, p. 465; Walter West, Executive Secretary of the American Association of Social Workers, p. 467; Linton Swift, Secretary of the Family Welfare Association, p. 466. For a contrary statement, see the article by Walter S. Gifford, "Cities, Counties, States Can Handle the Situation," on p. 466.

<sup>43</sup> For an account of various methods of "sharing the work" and the alleged benefits of the plan, see William J. Barrett, *Spreading Work—Methods and Plans in Use* (Washington: U. S. Government Printing Office, 1932). This pamphlet was prepared for the President's Organization on Unemployment Relief.

methods of expanding public works appear to have been considered by the Garfield subcommittee. The suggestions included the floating of various bond issues for a large scale federal public works program; federal appropriations of varying sums for grants or loans to states and municipalities for stimulation of their public works; additional federal road appropriations; and acceleration of federal projects already authorized by Congress under the federal ten-year program of public works, or appropriations for other projects already authorized or considered desirable by federal departments but for which no appropriation had yet been made. In its report of December 16, 1931, to Mr. Gifford, the Garfield subcommittee reported unfavorably on all these possible measures.<sup>44</sup>

The reasons advanced by the subcommittee for its stand need not be set out in detail here since they are precisely the same reasons so often advanced by President Hoover for rejecting similar proposals. The ten-year program was declared to have been expedited already and going along smoothly. Speeding it up would result in inefficiency on projects. No economic justification was seen for authorizing other projects. A large federal program would shake federal credit, increase taxation, and defeat its own purpose. Federal loans and grants to the states and localities were "unsound." They strained federal credit and would inevitably lead to a weakening of local responsibility.

In short, the Gifford Committee, taking its cue from President Hoover, opposed all federal intervention in the relief problem and concentrated on stimulation of state and local effort. Unfortunately, however, according to estimates prepared by the National Industrial Conference Board, unemployment was well over 10,500,000 at the end of 1931. Federal financial aid sooner or later was inevitable.

Revolt against the Administration's views on relief and public works continually broke out in Congress throughout 1931 and 1932, but until the passage of the Emergency Relief

<sup>44</sup> Hopkins, *op. cit.*, p. 58.

and Construction Act in the middle part of 1932 President Hoover was able to suppress all legislation not in substantial accordance with his views. He was helped in this connection, of course, by the attitude of such conservative Democrats as John Garner, Carter Glass, etc., who were also opposed to federal spending. The main spearheads in the fight for a more vigorous federal policy with respect to public works and relief were Senators La Follette, Costigan, and Wagner. Thus in December 1931 Senator Wagner introduced a bill which provided for a two billion dollar public works program. Throughout the entire span of the 72d Congress Senators La Follette and Costigan introduced and supported bills providing for federal grants for unemployment relief.<sup>45</sup> All of these bills either died in committee or failed to pass. Likewise Senator Wagner constantly sought action on a bill to extend loans and grants to states for unemployment relief, but with no success. Bills for extended public works programs and for federal assistance, either through grants or loans for relief, received more and more support in Congress as the situation grew worse, but Administration disapproval proved fatal, primarily because public opinion had failed to crystallize.

In this connection, Senate Hearings on two bills for federal aid before a subcommittee of the Committee on Manufactures were of vital importance.<sup>46</sup> The hearings, held in the latter part of December 1931, and the early part of January 1932, played a vital role in the fight for federal participation. Prior to the hearings there had been much uncertainty concerning the extent of unemployment, the numbers in need of relief, and the adequacy of relief measures. People generally knew that conditions were bad in their own localities. However, there were always newspaper reports of jobs opening up in other places, motion picture news releases were sure to feature any encourag-

45 S. 174, S. 262 and S. 4592, 72d Cong., 1st Sess., were vigorously supported by Senators La Follette and Costigan. The federal funds to be granted for relief in these bills ran from \$375,000,000 to \$500,000,000.

46 *Hearings on S. 174 and S. 262, op. cit.*

ing items (such as a scene of men punching time clocks), charity drives were great successes elsewhere, and relief needs were being met in other communities through intelligent local activities. All the vehicles of propaganda that can be so effectively called upon in this country were used to create the impression that conditions really were not so bad, that an upswing was on the way, and that local efforts could solve the problem. Under these circumstances public opinion was befogged, at least temporarily, and those who asked for federal aid were shouted down as being either scaremongers, soft-headed (albeit well-meaning) social workers, or communists.

The hearings on S. 174 and S. 262 were presided over by Senator La Follette and commenced on December 28, 1931. When the hearings had been concluded two weeks later, certain vital facts had been conclusively demonstrated. Testimony of competent witnesses made clear, beyond the shadow of a doubt, that unemployment was rampant throughout the entire United States to an extent never before even approximated. Estimates of unemployment were given by leading authorities from all the large cities. While no nation-wide estimates were made, the local estimates presented indicated that the National Industrial Conference Board's estimates of over 10,500,000 for the country as a whole were conservative. The testimony further indicated that huge numbers of persons were in need of relief in every section of the country, and that, by and large, these relief needs were not being met adequately. Last but not least, the hearings revealed that the President's Organization on Unemployment Relief had very little information concerning the relief problem, and that it was incapable of dealing with the problem in any event.

Recognized authorities from all over the United States presented evidence of the widespread unemployment and destitution then extant. The following testimony was presented to the subcommittee by Mr. Hodson, Executive Director of the Welfare Council of New York City:

"Now, while we do not have the information to deal with this problem comprehensively, the fact remains that we do know certain things which we might just as well peg down at the outset. We know that we have tremendous unemployment, more this year than we had last year. We know that there are more persons in need this year than there were last year. And, in the third place, we are reasonably certain, I think, that the total amount of money which is in sight at the present time is not sufficient to care for the families and individuals in the country who are going to be in need of help and assistance during this winter.

"We think that in New York City there are not less than 250,000 families and unattached persons who are either in need or are receiving some kind of assistance. The best guess possible with regard to that number of 250,000 is that perhaps 100,000 of them are getting some kind of assistance."<sup>47</sup>

Speaking with reference to the situation in Chicago and the state of Illinois, Samuel A. Goldsmith, Executive Director of the Jewish Charities of Chicago, asserted that there were more than a million persons unemployed in the state. In Chicago, he stated, the number of unemployed represented "40 per cent of the people established by the census of 1930 as able to be gainfully employed." Mr. Goldsmith's testimony was all to the point that relief needs had been shooting skyward for months, that these needs were being inadequately met, and that even the then existing level of relief standards could not be maintained much longer.

The testimony of J. Prentice Murphy, a member of the Pennsylvania Planning Committee on Unemployment, revealed that similar conditions were prevalent in Pennsylvania. Referring to a report that he had recently helped to draft for Governor Pinchot of Pennsylvania, Mr. Murphy said:

"The report in question brought out some quite terrible facts. The statements were conservative. On the basis of in-

<sup>47</sup> *Ibid.*, pp. 12-14.



formation furnished by the Pennsylvania Department of Labor and Industry, one of the best of its kind in the country, it was reported that on June 30, 1931, there were not less than 919,000 unemployed persons in Pennsylvania. This was slightly less than one-fourth of the total number of normally employed persons in the State.

. . . . .  
 " . . . Since this report was submitted to the governor the number of unemployed has increased. . . . It would be conservative to say that there are now approximately 1,000,000 unemployed in the State.

. . . . .  
 " . . . We have, roughly, 250,000 unemployed [in Philadelphia]. We have unemployment in every third house. It is almost like the visitation of death to the households of the Egyptians at the time of the escape of the Jews from Egypt."

Speaking generally, but with special reference to certain coal-mining areas in Pennsylvania, Mr. Murphy observed:

" . . . I am aware in spite of all the written and spoken words that there are whole large areas in this country not covered by any social work of any kind. There is no one to report on their needs and no one is raising money to meet their needs."<sup>48</sup>

Mr. Hodson, Mr. Goldsmith, and Mr. Murphy, all testified on December 28, 1931. They were followed from day to day by authorities from other cities—social workers, Congressmen, labor leaders (John L. Lewis, Sidney Hillman, Edward McGrady), and such state officials as Governor Pinchot. On January 8, 1932, Chairman Gifford of the President's Organization on Unemployment Relief was called upon to testify before the Committee. In extenuation of Mr. Gifford's failure to provide the Committee with adequate information concerning certain basic phases of the relief situation it may be pointed

<sup>48</sup> *Ibid.*, pp. 45 *et seq.*

out that statistics were not available on these points for the country as a whole.

Questioned concerning his estimate of total relief needs, Mr. Gifford asserted:

“ Well, I will not say that I did not make any estimate for my own interest and amusement. I did make rough figures, but I do not know whether they are right or wrong, and I do not believe anybody else would know. You can get at that best, I think, by taking the figures of the census, as completed, showing the amount of expenditures for relief for the first three months of 1931 as compared with the same three months of 1929.”

The chairman: “ It shows the expenditures, but it does not necessarily show the need.”

Mr. Gifford: “ It shows the amount they have spent at that time. You mean they may have needed more than they spent? ”

The chairman: “ Precisely.”

Mr. Gifford: “ I think that would be rather hopeless. I think what we need is that everybody go back to work and have full pay for all jobs.”<sup>49</sup>

In essence, Mr. Gifford's testimony, vague as it was, bore out many of the contentions of previous witnesses. Unemployment was great, relief needs were great. Accurate information for the country as a whole was lacking. It was Mr. Gifford's opinion, however, that states and localities were generally meeting the relief problem adequately, that they would continue to do so, and that federal grants for relief would imperil recovery, result in states and localities lying down on the job, and in the long run be a disservice to the unemployed themselves.

Mr. Gifford placed great stress on the primary responsibility of the locality for unemployment relief—although conceding that, as a last resort, federal aid might be desirable. The community should finance and administer relief. Advancing up the governmental ladder to the county, he asserted, was “ a bad step.” Bringing the state into the relief picture was still worse,

<sup>49</sup> *Ibid.*, p. 312.

and federal aid was virtually unthinkable. Asked by Senator Costigan, "What evidence of human need in America would be required to satisfy you that the Federal Government should make an appropriation?", Mr. Gifford replied:

"I think if a State government were absolutely broke and could not raise any more money by taxes or otherwise, that would be pretty satisfactory, assuming now that the local communities and counties could not do the thing directly and State aid was asked and the State legislature met and they could not sell any bonds and the tax limits had been reached and they could not tax anybody. I think that would be pretty good evidence."<sup>50</sup>

As already indicated, although the hearings on Senate bills S. 174 and S. 262 brought out the need for federal aid, these bills both failed of passage.<sup>51</sup> Demands for federal aid grew ever more insistent through the first quarter of 1932, however, and the opening wedge for federal aid was driven on March 7, 1932, when President Hoover approved a joint resolution authorizing the Federal Farm Board to give forty million bushels of federally-owned wheat to the Red Cross for distribution.<sup>52</sup>

The fight for distribution of the surplus wheat held by the Federal Farm Board had been a relatively long one. As early as November 12, 1930, Senator William G. McAdoo had urged that Congress take the action necessary to make federal surplus wheat available to relief persons. This the Administration was loath to do, being fearful that it would set a precedent for federal aid which would soon result in federal money being appropriated for relief purposes. Finally, however, in March 1932 a joint resolution of Congress authorized the distribution of not more than forty million bushels of government-owned wheat. The disbursing agency was to be the American Red Cross or any other organization designated by it. After

<sup>50</sup> *Ibid.*, p. 332.

<sup>51</sup> For statements opposing federal relief by representatives of several patriotic societies, see *ibid.*, pp. 349-380.

<sup>52</sup> Public Resolution No. 12, 72d Cong., approved March 7, 1932.

being processed the wheat was sent to farmers in drought areas and to the unemployed in large cities. Section 2 of the resolution provided that "no part of the expense incident to the delivery, receipt, and distribution of such wheat or cotton shall be borne by the United States or the Federal Farm Board."<sup>53</sup>

With the above precedent, further federal relief "in kind" was provided under another resolution passed July 5, 1932. Under this resolution<sup>54</sup> the Federal Farm Board was authorized to deliver to the American Red Cross, or any other organization designated by it, forty-five million bushels of wheat of the Grain Stabilization Corporation and five hundred thousand bales of cotton of the Cotton Stabilization Corporation. These were to be available for use "in providing food, cloth and wearing apparel for the needy and distressed people, and in providing feed for the livestock in the 1932 crop-failure areas after the needs of human consumption have been taken care of."<sup>55</sup> Although these two joint resolutions were the opening wedge for federal relief, every attempt was made to limit the precedent. No cash was supplied, and the aid was administered through a private organization.

Events were leading inexorably, however, to federal participation in unemployment relief. The following quotation from Edward F. McGrady, representing the American Federation of Labor, is indicative of the spirit of apprehension which was sweeping the country in June 1932:

"When we first came to the various committees to plead for help and for work and for bread, when we first appeared in favor of the La Follette-Costigan bill, there were approximately 6,200,000 without jobs and conservative national leadership adopted a policy of 'Do nothing now; let us wait.' While they have been waiting, the figures have gone up almost to 11,000,000 without any jobs at all. Have we any hope that the conditions are going to get better? Not at all.

<sup>53</sup> *Ibid.*

<sup>54</sup> Public Resolution No. 33, 72d Cong., approved July 5, 1932.

<sup>55</sup> *Ibid.*

" . . . We are warning the leaders of the Nation that they have got to meet this situation adequately just as soon as they can, and certainly they have got to meet the situation before this Congress is allowed to adjourn, and if they do not meet it adequately and courageously and boldly and intelligently, I say to you the cry will not be to save the hungry but the cry next winter will be to save this Government of the United States."<sup>56</sup>

Congress was not yet ready for strong federal action, however. As a result, the only bill concerning relief which passed in 1932 was a compromise measure. In many respects, nevertheless, the Emergency Relief and Construction Act<sup>57</sup> broke new ground. The date of its approval by the President, July 21, 1932, may be used as the first definite marker along the road to federal responsibility for unemployment relief.

The bill as finally approved contained three major titles and attacked the unemployment and relief problems along three main lines. Title I of the act (the only section dealing directly with relief) made available \$300,000,000 which the Reconstruction Finance Corporation was authorized to advance to the states and territories to be used in furnishing relief and work relief for destitute persons. These advances were to bear interest at the rate of 3 per cent per annum and were available to both states and their political subdivisions. Advances to states were to be made upon application by the governor, who was required to certify that state resources were inadequate to meet the relief problem. These advances were to be reimbursed to the Corporation by making annual deductions, beginning with the fiscal year 1935, from the regular grants-in-aid made by the federal government for highway construction. Where governors were unwilling to have the state assume the relief burden, however, or where they did not make application

<sup>56</sup> See *Hearings* before a Subcommittee of the Committee on Manufactures, U. S. Senate, 72d Cong., 1st Sess., on S. 4076, *Federal Emergency Measures to Relieve Unemployment*, June 20, 1932, pp. 11, 12.

<sup>57</sup> Public No. 302, 72d Cong., approved July 21, 1932.

for sufficient funds, a way was left open for political subdivisions to obtain loans by putting up their own collateral. In such cases the governors would make application for loans to political subdivisions of their states. The governor was required to certify that cities and counties borrowing in this fashion were unable to finance their relief needs. The borrowing political subdivisions entered into agreements with the Corporation to repay the sums advanced and to pay interest at 3 per cent. Generally, the Corporation took bonds or other evidences of indebtedness from these borrowers.

Title II of the Emergency Relief and Construction Act provided for loans to states and their political subdivisions for self-liquidating construction projects. This section also provided that self-liquidating loans might be made to private corporations for such purposes as the construction of tunnels, bridges, waterworks, markets, etc. Title II was obviously a new attempt to stimulate construction, primarily that of states and localities. Title II was never a potent factor, total loans to states, municipalities, and other public bodies at the end of 1935 amounting to less than \$200,000,000. States and localities with good credit ratings and ability to borrow elsewhere did not need to resort to this provision of the act, and those whose credit ratings were so weak that they could get no private loans, hesitated to plunge into further debt.<sup>58</sup> In addition, the act, in order to safeguard federal loans, contained a very strict definition of self-liquidating projects. States, and more particularly cities, found it very difficult to meet the strict legal requirements necessary for these self-liquidating loans.

Title III of the Emergency Relief and Construction Act provided for the expenditure of \$322,224,000 for federal public works and allocated these funds to various types of projects (roads, river and harbor projects, etc.) which Congress desired to be prosecuted. The act therefore represents compromise action by Congress with respect to all three main proposals of

<sup>58</sup> Many local governments, furthermore, were bound by constitutional or statutory limitations on indebtedness and thus could not borrow.

those desiring the federal government to take an active hand in the relief and unemployment problems. Congress was not yet willing to vote outright grants-in-aid to states for relief; it was willing to advance some money. Congress was not yet willing to make grants to states and localities for construction projects; it was willing to make loans for strictly self-liquidating projects. Finally, Congress was beginning to listen to the pump primers who wanted billions for a great federal program to revive industry, but \$322,000,000 of federal funds was all it was willing to spend to try to set the pump in motion again.

President Hoover accepted the act reluctantly. He had vetoed an almost identical measure the very day it passed Congress on July 11, 1932. His reasons for vetoing that bill and finally approving the Emergency Relief and Construction Act were outlined in his campaign speech of October 22, 1932, at Detroit. At that time he said:

"Various conferences were carried on in an endeavor to arrive at an adequate relief bill, expanding activities of the Reconstruction Finance Corporation, but the Democratic leaders insisted not upon economy but upon inclusion in it of a new item of \$322,000,000 of further expenditures from the Federal Treasury. Ultimately this bill passed Congress, containing not only these provisions but also measures putting the Government into wholesale pawnbroking with unlimited use of Federal Government credit. On July 11th I vetoed this bill and again protested about the item of \$322,000,000 requesting at least that such a reservation be made as would hold back the expenditure until it could be determined if the Budget be balanced. In order to secure the relief bill at all, with these very vital provisions in relief of distress, employment, and agriculture, I was compelled finally to accept it with inadequate safeguards to that \$322,000,000, and this expenditure has been forced upon the Government by the Democratic leaders."<sup>59</sup>

<sup>59</sup> See *The New York Times*, October 23, 1932.

The three basic proposals incorporated in the Emergency Relief and Construction Act had been given rather careful consideration through hearings<sup>60</sup> in June on a similar bill which was introduced by Senator Wagner and other Democratic Senators but which was subsequently shelved in favor of the Emergency Relief and Construction Act. The then Secretary of the Treasury, Ogden L. Mills, was questioned at length concerning loans for relief, loans for self-liquidating projects, and an expanded federal works program. A résumé of the highlights of his testimony will aid in an understanding of the Administration's point of view on the Emergency Relief and Construction Act which, as indicated, incorporated substantially the same three main provisions found in the Wagner bill.

Secretary Mills stated in the hearings, which began on June 2, that he was unalterably opposed to any provision for expanding federal public works at that time. He was, however, not opposed in principle to loans to states and localities both for relief and for self-liquidating projects. His main desire in this connection was to tighten up provisions so that only absolutely needy states could obtain loans, and to limit loans for construction projects to those undertakings which would be clearly self-liquidating.

Mr. Mills's testimony made clear that his main objection to a further federal program of public works was based on the fact that to do so would unbalance the budget. A large-scale work program of from two to three billion dollars, he asserted, might produce a temporary pick-up in business but would ultimately lead to the collapse of federal credit or result in taxation so excessive as to produce a further recession. A smaller federal program of from \$300,000,000 to \$500,000,000, he alleged, could not possibly produce much employment, and would have all the evil effects of unbalancing the budget. In Mr. Mills's language: "But when you attempt to bust this

<sup>60</sup> *Hearings* before the Committee on Banking and Currency, U. S. Senate, 72d Cong., 1st Sess., on S. 4755, June 1932.



depression with a \$300,000,000 appropriation for public works it is just like asking a 10-year-old boy to go and pick up the Washington monument and bring it to this room." <sup>61</sup>

Concerning the making of federal loans for self-liquidating projects to states and localities, Mr. Mills asserted that he favored this plan. His advice in this connection was twofold. First, bills providing for this type of loan should be drafted with the utmost care and a strict definition of self-liquidating should be inserted. In Secretary Mills's language, "I do not want a loan made on any 'may be loans' but I want to know that they are self-supporting." <sup>62</sup> Secondly, Mr. Mills urged that private industry generally be eligible for these self-liquidating construction loans whether the projects were intended for a public or a private purpose. Senator Wagner was willing to open up the self-liquidating loans to private applicants constructing for a public purpose, but rejected the idea that private industry should be able to get loans for any sort of so-called self-liquidating project.

The provision concerning the making of federal advances to states and localities for relief purposes is, of course, of primary importance here, in that it was a significant step toward federal assumption of responsibility for unemployment relief. Secretary Mills, as he stated at the hearings, built all of his reasoning concerning the relief problem on the theory that all persons who needed relief, regardless of the cause, were the responsibility of the localities or communities in which they resided. Nevertheless, Mr. Mills was willing to accept the loan provisions if certain safeguards were attached.

First, Mr. Mills insisted that the bill must be so drawn as to ensure prompt repayment of all advances, and that an interest charge must be made. The states and localities were not for a single moment to operate under the illusion that the federal government was assuming responsibility for relief. Because of the extreme emergency, credit facilities were being

<sup>61</sup> *Ibid.*, p. 106.

<sup>62</sup> *Ibid.*, p. 36.

made available, but the states and localities must be impressed with the need for repayment. Mr. Mills and Senator Wagner clashed again and again at the hearings because of Mr. Mills's insistence that the Wagner bill be redrafted to make the loan provision water-tight. Mr. Mills was not overenthusiastic concerning repayment of advances through future federal highway allotments, anticipating correctly, as subsequent events proved,<sup>63</sup> that Congress might at a later date waive repayment through this method and thus turn the advances, to all intents and purposes, into outright grants. The Emergency Relief and Construction Act had substantially the same repayment clauses as the Wagner bill, and as early as April 11, 1933, Senator Wagner indicated that he did not believe repayment would ever be made. In the House Hearings on the Federal Emergency Relief Act of 1933 providing for outright grants for relief to states, he said:

"Of course, there was a very definite opinion among members of Congress as to the appropriation of \$300,000,000 which was to be advanced and which was to be repaid by deductions from the Federal aid State highway funds, that the repayment would never take place, so that in effect, that \$300,000,000, if we look at it realistically, was a gift to the States, just as this would be. This is more realistic than the other."<sup>64</sup>

<sup>63</sup> Technically, it would appear that the advances are still owed to the Reconstruction Finance Corporation. Public No. 393, 73d Cong., approved June 18, 1934, provided that the states need not repay through deductions from future highway grants. It is a moot question whether this act merely provided that the states need not repay in the fashion originally intended or whether it may be interpreted to mean that the states need never repay these advances in any fashion. For all practical purposes, however, the states regard the advances as canceled and repayment seems extremely unlikely. Advances made to cities and counties have never been canceled, although several bills have been introduced to accomplish this result. City and county debts are not only uncanceled but actually being collected as the bond falls due. Some of the bonds have been sold by the R.F.C. to private investors.

<sup>64</sup> See *Hearings* before the Committee on Banking and Currency, House, 73d Cong., 1st Sess., on H. R. 4606, *Unemployment Relief*, April 11, 1933, p. 6. Senator Wagner's views were corroborated in a statement by Senator Costigan at the same hearings, p. 24.

The Emergency Relief and Construction Act can therefore be regarded as the entrance of the federal government into the field of relief.<sup>65</sup> It is true that, in order to have the bill passed, recourse was had to the subterfuge of dressing up "grants" as "loans." The bill, however, was the last stand of those opposed to federal entrance upon the financing of unemployment relief. For the next few years emphasis shifted to such problems as the amount of administrative authority which should be placed in federal hands, the value of work relief versus direct relief, the conditions which should attach to federal grants for relief, the amount of state matching to be required, and the size of federal appropriations.

Shortly after the passage of the Emergency Relief and Construction Act the hardest-pressed states made applications to the Reconstruction Finance Corporation for advances. Illinois and Pennsylvania were particularly in need of funds and accounted for more than one-third of the disbursements made under the act of 1932. Ultimately, as indicated in Table 2, funds were made available under the act in forty-two states and two territories (Hawaii and Puerto Rico).

Comparatively little money was disbursed under the act during 1932; only about eighty million dollars was advanced in the period from August 4, 1932, to December 31, 1932. A number of reasons serve to explain why the states were slow in securing funds under the act. Some states were loath to incur further debt; indeed six states never did borrow under the act. In addition, a certain amount of political haggling went on between some governors and the chief executives of cities, towns, and counties. This was particularly true in states where rural elements controlled the state government and insisted that the state would not borrow but that cities could borrow (by putting up their own bonds as collateral) to relieve their relief situation if they chose. Furthermore, legislative

<sup>65</sup> For an account of the Emergency Relief and Construction Act and relief advances made through the Reconstruction Finance Corporation, see Donald S. Watson, "Reconstruction Finance Corporation," *Municipal Year Book*, 1937, *op. cit.*, pp. 375 *et seq.*

## FEDERAL AID FOR RELIEF

TABLE 2

AMOUNTS DISBURSED FOR RELIEF AND WORK RELIEF UNDER THE EMERGENCY  
RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

State	Amount disbursed August 4, 1932- August 11, 1933	State	Amount disbursed August 4, 1932- August 11, 1933
Alabama .....	\$ 4,211,688	North Carolina ....	\$ 5,950,000
Arizona .....	1,448,269	North Dakota .....	592,768
Arkansas .....	4,833,967	Ohio .....	19,257,205
California .....	10,081,631	Oklahoma .....	4,570,597
Colorado .....	3,832,990	Oregon .....	2,798,290
Connecticut .....	—	Pennsylvania .....	34,929,875
Delaware .....	—	Rhode Island .....	1,123,590
District of Columbia .	—	South Carolina ....	4,575,270
Florida .....	3,886,512	South Dakota .....	1,803,945
Georgia .....	1,745,692	Tennessee .....	3,375,352
Idaho .....	1,026,566	Texas .....	7,952,391
Illinois .....	55,443,721	Utah .....	2,923,439
Indiana .....	5,179,931	Vermont .....	—
Iowa .....	2,151,430	Virginia .....	3,495,304
Kansas .....	2,592,934	Washington .....	5,977,430
Kentucky .....	6,728,987	West Virginia .....	9,655,218
Louisiana .....	8,200,127	Wisconsin .....	12,395,362
Maine .....	252,895	Wyoming .....	—
Maryland .....	176,380	Alaska .....	—
Michigan .....	21,808,199	Hawaii .....	394,935
Minnesota .....	2,581,787	Puerto Rico .....	360,000
Mississippi .....	4,058,919	Virgin Islands .....	—
Missouri .....	4,616,789	Total .....	299,984,999
Montana .....	2,368,285		
Nebraska .....	—		
Nevada .....	262,632		
New Hampshire .....	1,366,603		
New Jersey .....	2,009,291		
New Mexico .....	387,903		
New York .....	26,600,000		

Source: Statistical and Economic Division, Reconstruction Finance Corporation.

action was required in some states to set up state relief organizations to handle funds secured through the R. F. C.; this resulted in further delay.<sup>66</sup>

States were by far the largest borrowers under the act. State governments themselves borrowed nearly all the sums noted in Table 2, which presents the total disbursed in each of the states. Advances were made to cities in only three states (Michigan, North Dakota, and Ohio), total municipal loans amounting to only \$3,484,000. Total advances to counties approximated \$16,000,000, and were confined to counties in the five states of Illinois, New York, North Dakota, Ohio, and Washington. By far the largest advance in this class was made to Cook County, Illinois, which accounted for \$12,250,000.

As will be seen from Table 2, the seven largest borrowers (New York, Pennsylvania, Ohio, Michigan, Illinois, Wisconsin, and California) stretch from coast to coast and account for approximately 60 per cent of the advances. These states contain the cities and industrial areas where unemployment was then most rampant. It is interesting to note that of the six states in which no advances were made, three (Connecticut, Massachusetts and Vermont) were in New England. This area of the United States had a long tradition behind it of local responsibility for relief, and its system of charities, both public and private, compared very favorably with similar organizations in other sections of the country.

The Emergency Relief and Construction Act did not go into detail concerning the manner in which the R. F. C. was to allocate loans to the various states. The one important specific provision of the act touching upon this matter provided that "not more than 15 per centum of such sum (\$300,000,000) shall be available to any one State or Territory." During the hearings and debates on bills providing for loans for relief

<sup>66</sup> See Paul V. Betters, J. Kerwin Williams, and Sherwood L. Reeder, *Recent Federal-City Relations* (Washington: The United States Conference of Mayors, 1936), p. 6.

purposes, Congressmen had sought to perfect some formula upon which funds could be allocated to states without any discretion being placed in the lending agency. Thus, many Congressmen suggested that loans be apportioned according to population or some other fixed formula. It was pointed out, however, that need for relief funds did not necessarily follow population or any other easily measured factor. Under the act as passed, therefore, the R. F. C. was left free to allocate its loans to states on the basis of need, subject solely to the proviso that no single state could receive more than 15 per cent of the total.

Actually, however, this restriction was later relaxed to permit one state, Illinois, to receive more than 15 per cent of the \$300,000,000 provided for under the act. Through March 1933 Illinois was advanced approximately \$44,000,000, within one million of exceeding the 15 per cent maximum. The relief situation in the state was desperate, however, and Public No. 5, 73d Congress, passed March 31, 1933, provided that "the unexpended and unallotted balance of the sum of \$300,000,000 made available under the terms and conditions of the Act approved July 21, 1932, . . . may be made available, or any portion thereof, to any State or Territory . . . without regard to the limitation of 15 per centum or other limitations as to per centum." Shortly after the passage of this amendment to the act, Illinois received a further advance, bringing its loans to over \$55,000,000, a figure amounting to almost 19 per cent of the total sum available under the act.

Final decision concerning the making of advances rested squarely with the Board of Directors of the R. F. C. In some instances, the Directors granted the requests for funds for a state or political subdivision in entirety. Usually, however, requests were pared down after thorough investigation by the Corporation.<sup>67</sup> Thus, shortly after the passage of the act, Gov-

<sup>67</sup> See an article by Gertrude Springer, Associate Editor of the *Mid-monthly Survey*, "How Federal Relief Gets Into Action," *Mid-monthly Survey*, LXVIII (October, 1932), 506.

ernor Pinchot of Pennsylvania applied for an advance for his state of \$45,000,000, the maximum amount any individual state could obtain under the act. In the application Governor Pinchot described the size of the unemployment and relief problems in his state and the future prospects in these fields. After examining the application and inquiring into the situation, the Board made available approximately \$11,300,000.

In order to be able to pass on the merits of requests for advances, the R. F. C. required that certain information be sent with each application for funds. The letter which follows is Emergency Relief Bulletin No. 1 issued by the Corporation on August 2, 1932. It is quoted at length since it outlines fully the position of the R. F. C. with respect to advances and the type of information required.

TO THE GOVERNORS OF STATES AND TERRITORIES:

The Emergency Relief and Construction Act of 1932, Title I, provides that "The Governor of any State or Territory may from time to time make application for funds," for the purpose of relief and work relief. It provides further that he "shall certify the necessity for such funds and that the resources of the State or Territory including moneys then available and which can be made available by the State or Territory, its political subdivisions, and private contributions, are inadequate to meet its relief needs."

It is plainly the intent of the act that any funds made available under this Act shall be, not in lieu of, but merely supplemental to local and state funds and private contributions where funds from those sources are inadequate. In addition to the certificates required under Title I, subsections (c) and (e) of Section 1, the following information is necessary in support of the application for such supplementary funds:

I. List of the municipalities or other political subdivisions within the State or Territory for which such supplementary funds are requested under Title I of the Emergency Relief and Construction Act of 1932, and amount requested for each.

II. Information concerning each of the municipalities or other political subdivisions for which funds are requested, as to:

1. Estimated total amount needed for direct relief and work relief, including cost of administration, from all sources for each of the remaining calendar months of 1932.

2. Estimated amounts available or which can be made available for direct relief and work relief during each of the remaining calendar months of 1932:

- (a) From local governmental funds. (municipal, county, township, etc.)
- (b) From private contributions.
- (c) From State governmental funds.
- (d) From funds supplied by national agencies (including flour and other relief in kind).
- (e) From any other sources.

3. Expenditures for direct relief and work relief, including cost of administration, during each calendar month of 1932 to date of application:

- (a) From local governmental funds. (municipal, county, township, etc.)
- (b) From private contributions.
- (c) From State governmental funds.
- (d) From funds supplied by national agencies (including flour and other relief in kind).
- (e) From any other sources.

4. Number of families and number of homeless or non-family persons receiving relief during each calendar month of 1932 to date and estimated number for each calendar month during the remainder of 1932.

5. Total amount expended for relief, including cost of administration, during the calendar year of 1931 in each of the municipalities or other political subdivisions for which funds are requested:

- (a) From local governmental funds. (municipal, county, township, etc.)
- (b) From private contributions.
- (c) From State governmental funds.
- (d) From funds supplied by national agencies (including flour and other relief in kind).
- (e) From any other sources.



6. Number of families and number of homeless or non-family persons receiving relief during each calendar month of 1931.

7. Statement of any emergency action to provide relief funds, which has been taken since January 1, 1931, by each municipality or other political subdivision for which supplementary relief funds are requested:

Through governmental funds:

(a) Amount of additional funds from taxation.

(b) Amount made available by borrowing.

1. By long term borrowing (bond issues, etc.)

2. By short term borrowing.

(c) Amount diverted to relief from funds derived from all normal sources of revenue which are usually employed for other purposes.

Through private funds:

(a) Amount raised through emergency appeals.

(b) Amount made available by borrowing.

8. Statement of any local emergency action contemplated or which can be taken before December 31, 1932, in each municipality or other political subdivision for which supplementary funds are requested.

### III. Information concerning State action for relief.

1. Statement of any emergency action to provide relief funds which has been taken since January 1, 1931, by the State, and which would in any way affect State relief as such as well as that of the municipality or other political subdivision for which supplementary relief funds are being sought.

2. Statement of any emergency action to provide relief funds which is contemplated or which can be taken by the State before December 31, 1932, and which would in any way affect State relief as such as well as that of the municipalities or other political subdivisions for which supplementary relief funds are requested.

FRED C. CROXTON,

Assistant to the Directors.

The supporting information required by Bulletin No. 1 cast light upon many aspects of the relief problem which had previously been the subject for conjecture. Prior to this time, as indicated, only the most fragmentary information had been available at Washington. It is true that information was not received from all states, that incomplete information was forwarded by others, and that much more complete data were soon available under the Federal Emergency Relief Administration. Nevertheless, the information gathered by the R. F. C. in order to judge applications for advances did make available to the federal government, for the first time, a fairly accurate picture of certain aspects of the relief situation.

The R. F. C. did not make a serious attempt to supervise relief administration in the states. The Corporation conceived itself to be a banking and not a social agency. Its main concern therefore was to ascertain how much was needed in a particular state applying for assistance and how much the state could raise by itself. The Corporation's loan was an attempt to supply at least part of the difference. Close examination of the fitness of state personnel, adequacy of relief, and the question of work relief versus direct relief fell outside the scope of the R. F. C.'s activities. Field agents of the R. F. C. did, however, help to shape relief agencies, notably in Texas and Los Angeles.<sup>68</sup> The R. F. C., however, never exercised control at all comparable to that later exerted by the F. E. R. A. The looseness of federal control was perhaps justified by the fact that at the time, in theory at least, the federal government was merely acting as a banker in lending funds to states.

The R. F. C. advances were no doubt of great aid in some states and localities. This was particularly true of Chicago. The total of \$300,000,000 available for relief advances, how-

<sup>68</sup> The five field representatives of the R.F.C. were Rowland Haynes, Robert W. Kelso, Pierce Williams, Thad Holt and Wayne McMillan. The first three mentioned later became field representatives of the F.E.R.A. Thad Holt subsequently became relief administrator in Alabama and then Assistant Administrator of the W.P.A.

ever, was inadequate to meet the relief problem then existing. The section of the act on self-liquidating loans for construction likewise failed to accomplish its purpose and resulted in only a slight stimulation of local public construction. The provision for a \$322,000,000 federal public works program could scarcely fill the gap left by the tremendous decrease in private and state and local construction.

The rather conservative estimates of unemployment of the American Federation of Labor showed slightly over 12,000,000 persons unemployed in February 1933. The estimates of the National Industrial Conference Board indicated 14,721,000 unemployed. About this time the banking structure of the country began to weaken, a tendency which culminated in all banks throughout the country being closed in the first days of the Roosevelt Administration. Relief stations were closing for lack of funds and minor disturbances were reported in nearly all sections of the country. Business continued to toboggan dizzily downwards throughout February, and fear, which had previously been confined primarily to the unemployed and those on relief rolls, became prevalent in all branches of society.

On March 4, 1933, a new Administration took control. The new President and Congress were forced by circumstances to throw the full strength of the national government into the fight. On May 12, 1933, therefore, the Federal Emergency Relief Act of 1933 providing \$500,000,000 for outright grants to the states for relief was approved by President Roosevelt.<sup>69</sup> Active federal participation in unemployment relief had become a reality.

<sup>69</sup> Public No. 15, 73d Cong., approved May 12, 1933.

## CHAPTER II

### THE GRANT-IN-AID APPLIED TO RELIEF

THE Federal Emergency Relief Administration was created in May 1933, during a period that may be described as one of crisis government. As in the case of the other emergency agencies which were set up during this period, speed was the essence of the problem. There were at that time almost five million families and single persons, representing over nineteen million people, on relief rolls in the United States.<sup>1</sup> State and local resources were unable to cope with this problem and the need for immediate and substantial federal aid had become generally recognized.

The strong tradition of local responsibility for relief, plus the fact that there was no time to build a federal relief agency from the ground up, were important reasons for the general belief that such financial assistance as might be necessary should be given through the device of grants-in-aid. Further, it was agreed that the need for federal aid for relief might be expected to pass in a short time. The grant method made possible the temporary use of many state and local emergency relief agencies which were already in existence. The grant method was also deemed desirable on grounds of administrative efficiency. Complete centralization of relief at Washington in May 1933 would probably have resulted in "apoplexy at the center and anemia at the extremities." Finally, those who accepted reluctantly the need for federal action with respect to relief thought the grant method less objectionable than a program run entirely from Washington.

For all the foregoing reasons the F. E. R. A. was set up as a grant agency. Despite its broad title, it was not a centralized relief agency with power to administer relief throughout

<sup>1</sup> See *infra*, Table 3, p. 82.

the country. The main duties of the F. E. R. A. were the allocation of federal moneys to the various states on the basis of total needs, financial resources, etc.; the promulgation of rulings to insure certain minimum relief standards in the states and the proper use of federal funds; and the maintenance of a central clearing-house of information on relief problems and procedure in the various states. In other words, the F. E. R. A. merely provided another example of the familiar device of federalism—the grant-in-aid to the states.

A brief explanation of the rise and scope of the grant-in-aid system and the nature of the controls developed by the federal government through this procedure may serve to clarify the relationship which came into being between the states and the federal government with the creation of the F. E. R. A. The inception of the grant-in-aid idea may be seen in the early years of the Republic when numerous grants of land were made by the federal government to the states.<sup>2</sup> Many of these early grants were made unconditionally, while in others the federal government merely stipulated that the lands or funds should be used for schools, roads or other purposes.

The present grant-in-aid system, however, is really a product of the twentieth century, although its roots may be traced to the Morrill Act of 1862.<sup>3</sup> Under that act Congress granted tracts of land to the various states, the proceeds from the sale of this land to be used for establishing colleges "where the leading object shall be, without excluding other scientific and classical studies, and including military tactics, to teach such branches of learning as are related to agriculture and the mechanic arts." The act further forbade the use of any of the money for buildings or equipment, thus insuring state participation if a college was to be set up. Annual reports showing the progress of the colleges were also required by the act. Apparently, however, there was no provision for federal action

<sup>2</sup> Austin F. Macdonald, *Federal Aid* (New York: Thomas Y. Crowell Company, 1928), pp. 19-21.

<sup>3</sup> 12 Stat. L. 503.

regardless of the state of affairs revealed in these annual reports. This situation was remedied in an act of 1890<sup>4</sup> which supplemented the Morrill Act by providing an annual grant for the colleges and authorizing the Secretary of the Interior to withhold the annual apportionment of those colleges which failed to observe the standards required by the federal law. This potential withholding of federal funds has developed into one of the more potent means of securing state acquiescence in federal requirements, and Congress has used this device in many instances in later legislation to enforce federal standards. The principle was applied to federal grants in the following fields: agricultural experiment stations and extension work in agriculture and home economics; public roads; vocational education and rehabilitation; distribution of nursery stock; forest fire prevention and forest extension work; and maternity and infant hygiene.<sup>5</sup> During the so-called normal years, 1925-26-27, federal grants to the states averaged \$140,000,000 each year, nearly 60 per cent of this aid being for highway construction.<sup>6</sup>

The three following conditions in varying forms are usually attached to grants-in-aid. First, the state legislature must accept the federal act and create a state agency with power adequate

<sup>4</sup> 26 Stat. L. 417.

<sup>5</sup> The constitutionality of the grant-in-aid system was raised in two suits before the Supreme Court questioning the constitutionality of the Sheppard-Towner Act of 1921 providing for grants to the states for maternity and infant hygiene, *Massachusetts v. Mellon* and *Frothingham v. Mellon*, 262 U. S. 447 (1923). The cases were dismissed for want of jurisdiction but the court clearly indicated through obiter dicta that the grant-in-aid principle could not be considered to be usurpation of state powers. *United States v. Butler*, 56 Sup. Ct. 312 (1936) is not contra this view and may be distinguished by the fact that under the act in question moneys were granted to individuals and not to states. A recent series of decisions by the Supreme Court concerning constitutionality of various provisions of the Social Security Act appear to accept as beyond question the right of the federal government to make grants-in-aid for the general welfare: *Chas. C. Steward Machine Co. v. Davis*, 301 U. S. 548 (1937); *Helvering v. Davis*, 301 U. S. 619 (1937); *Carmichael v. Southern Coal and Coke Co.*, *Carmichael v. Gulf States Paper Corp.*, 301 U. S. 495 (1937).

<sup>6</sup> Macdonald, *op. cit.*, p. 6.

to execute the work involved. Secondly, the state agency must draft and submit a plan for carrying on its activities which meets with federal approval. The state is responsible for the proper execution of the plan, but must conform to minimum standards set by the federal supervisory agency. Thus, federal officials may require that roads be built under certain specifications or that state officials have certain minimum professional qualifications. The degree of supervision exerted by the federal government has varied widely according to the type of project receiving the federal subsidy.<sup>7</sup> The third condition found in most grant-in-aid statutes has been that of matching funds. Usually the state has been required to spend at least one dollar of state or local funds for every dollar received from the federal treasury. Finally, it should be observed that there is no legal compulsion present in these grants. Each state is free to reject the subsidy and retain entire control over the subject in question. Thus the broad federal grant-in-aid principles were well established and in wide use prior to the extension of the grant method to the relief of destitution.<sup>8</sup>

The preamble of the Federal Emergency Relief Act of 1933 clearly stated the co-operative spirit in which federal grants were to be offered to the states for relief purposes.

" . . . The Congress hereby declares that the present economic depression has created a serious emergency, due to widespread unemployment and increasing inadequacy of State and local relief funds, resulting in the existing or threatened deprivation of a considerable number of families and individuals of the necessities of life, and making it imperative that the Federal Government cooperate more effectively with the several States and Territories and the District of Columbia in furnishing relief to their needy and distressed people."

<sup>7</sup> V. O. Key, Jr., *The Administration of Federal Grants to States* (Chicago: Public Administration Service, 1937).

<sup>8</sup> For a discussion of the basic principles of grants-in-aid in England, see Sidney Webb, *Grants in Aid: A Criticism and a Proposal* (London: Longmans, Green & Co., 1911, revised 1920).

Section 3 (a) of the Federal Emergency Relief Act of 1933 created the Federal Emergency Relief Administration and vested in the President the power to appoint an Administrator subject to the advice and consent of the Senate. The salary of the Administrator was to be fixed by the President, but was not to exceed ten thousand dollars. This section also provided that the F. E. R. A. was to cease to exist upon the expiration of two years after the date of enactment of the act, at which time any unexpended balances of funds provided under the act were to be disposed of as the Congress should decide.<sup>9</sup> Section 3 (b) gave the Administrator authority to appoint and fix the compensation of all employees of the Administration, without regard to the Civil Service laws or the Classification Act of 1923 as amended, but the compensation was in no case to exceed eight thousand dollars.

Section 5 of the act prescribed that "any State desiring to obtain funds under this Act shall through its Governor make application therefor from time to time to the Administrator." The purposes for which the Administrator might make grants are set out in section 4 (a): ". . . the Administrator is authorized to make grants to the several States to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment in the form of money, service, materials, and/or commodities to provide the necessities of life to persons in need as a result of the present emergency, and/or to their dependents, whether resident, transient, or homeless."

The act made available \$500,000,000 to be allocated to the states. Section 4 (b) of the act provided that a maximum of \$250,000,000 was to be granted to the states on the basis of

<sup>9</sup> The life of the Federal Emergency Relief Administration was subsequently extended by the Emergency Relief Appropriation Act of 1935 (Public Resolution No. 11, 74th Cong., approved April 8, 1935) which provided for the continuation of the Federal Emergency Relief Act as amended, until June 30, 1936. See *infra*, chap. vi, for an account of the liquidation of the F.E.R.A.



one dollar for each three dollars of public moneys, from all sources, spent in the state for unemployment relief during the preceding three months. Quarterly grants under this section were made automatically by the Administrator upon proof of state expenditures for the past quarter. The method of allocating the balance of the \$500,000,000 was provided for under section 4 (c). This sum, unlike the funds disbursed under section 4 (b), was a discretionary fund from which grants might be made by the Administrator to those states whose financial resources were so inadequate that they could not meet their relief needs under the matching provisions of section 4 (b). Section 4 (f) further provided that "the amount available to any one state under subsections (b) and (c) of this section shall not exceed 15 per centum of the total amount made available by such subsections." Part of the original relief grants, therefore, were to be distributed among the states in accordance with a prescribed statutory formula; the remainder were to be allotted on a discretionary basis by the F. E. R. A.<sup>10</sup>

Realizing that little was known concerning many important aspects of the relief problem, Congress provided in section 3 (c) that "in executing any of the provisions of this Act, the Administrator, and any person duly authorized or designated by him, may conduct any investigation pertinent or material to the furtherance of the purposes of this Act and, at the request of the President, shall make such further investigations and studies as the President may deem necessary in dealing with the problems of unemployment relief." Under authority of this section the F. E. R. A. research sections studied many of the uncharted areas of the relief problem.

The powers granted to the Administrator under sections 5 and 6 of the act were of considerable importance from the point of view of intergovernmental relationships. Section 5 provided that the following information, in a form to be determined by the Administrator, must accompany each state appli-

<sup>10</sup> For the methods used by the F.E.R.A. in allocating funds, see *infra*, chap. v.

cation for funds: "(1) The amounts necessary to meet relief needs in the State during the period covered by such application and the amounts available from public or private sources within the State, its political subdivisions, and from private agencies, to meet the relief needs of the State, (2) the provision made to assure adequate administrative supervision, (3) the provision made for suitable standards of relief, and (4) the purposes for which the funds requested will be used." Section 6 provided that ". . . the Governor of each State receiving grants under this Act shall file monthly with the Administrator, and in the form required by him, a report of the disbursements made under such grants." In a later chapter outlining the bases for, and mechanics of, making grants, these reporting features will be treated at greater length.

The Congress also provided for a reporting system to keep the Congress and President informed on the activities of the F. E. R. A. Section 3 (d) provided that "the Administrator shall print monthly, and shall submit to the President and to the Senate and the House of Representatives (or to the Secretary of the Senate and Clerk of the House of Representatives, if those bodies are not in session), a report of his activities and expenditures under this Act. Such reports shall, when submitted, be printed as public documents." In conformity with this provision a Monthly Report of the F. E. R. A. was published each month from the inception of the federal relief agency through June 1936 and the combined documents form a valuable source of information concerning the activities of the organization.

Section 7 of the act provided that the term "State" as used in the act was to be interpreted to include the District of Columbia, Alaska, Hawaii, the Virgin Islands, and Puerto Rico, thus enabling the Administrator to make grants to these governmental units as well as to the forty-eight states.

A reading of the main provisions of the Federal Emergency Relief Act of 1933, which have just been outlined, gives some indication of the general relationship which was to exist be-

tween the new federal agency and the state and local relief administrations. Statutory provisions alone, however, do not always give a complete or accurate picture of actual procedures. True, the statute indicates that the F. E. R. A. was to be a grant agency; actually, however, the F. E. R. A. was distinguished from the usual grant agency by the far greater degree of control that it exerted over the governmental agencies receiving its grants.

The functions of the F. E. R. A. were normally limited to allocation of funds and promulgation of rules concerning their expenditure; actual administration was not assumed by the federal government. Because the utmost confusion has prevailed on the point, it may be well to emphasize again the fact that since the F. E. R. A. was a grant agency relief applicants did not receive their food orders or relief checks from officials of the F. E. R. A.<sup>11</sup> In all three main types of F. E. R. A. activities (direct relief, work relief<sup>12</sup> and special programs), the making of actual contacts with relief persons was a function of the local relief agencies. All applicants for relief had their eligibility determined by the social service divisions of the local relief agencies, the main activities of which may be summarized as follows: initial interview of the applicant for relief; investigation of the eligibility of the applicant; determination of the budgetary requirements of the family or individual requesting assistance; certification to the work division of employable heads of families or the supplying of direct relief to the applicant; and periodic visits to all recipients of relief to see that needs were being met. Special visits were also made for the purpose of rechecking eligibility and pruning the

<sup>11</sup> Exceptions to this general rule are noted *infra*, in chap. iv, in the discussion beginning on p. 175.

<sup>12</sup> The Civil Works Administration should not be confused with work relief programs financed by the Federal Emergency Relief Administration. The principles which governed the Civil Works Administration, a federal program, are indicated *infra*, in chap. iii.

relief rolls. Thus, the basic and actual administration of relief was left where it had always been—in the localities.<sup>13</sup>

The function of the F. E. R. A., on the other hand, in addition to granting funds to the governors of the states, consisted in issuing regulations that were designed to promote uniform minimum relief standards and the proper use of federal funds. The federal agency had no direct contact with the local relief agencies. The regulations for which it required observance if federal funds were to be provided were sent to the state relief organizations, manned by state officials. It was the duty of the state organizations to keep local agencies functioning efficiently and in conformity with the broad rules issued by the F. E. R. A. The federal agency relied in large part upon the reports of state relief administrators regarding local compliance with these federal regulations. As a further check, extensive use was made of federal field agents, each of whom was charged with reporting on relief activities in a particular group of states. Through these and other devices the F. E. R. A. exerted a high degree of control over the activities of state and local relief agencies.<sup>14</sup>

The central point of the new triadic relief system (federal, state and local) was the F. E. R. A. at Washington. This agency began operations when Harry L. Hopkins assumed office on May 22.<sup>15</sup> The personnel of the division of the Reconstruction Finance Corporation which had been charged with the function of making advances for relief under the Emergency Relief and Construction Act served as a skeleton staff for the new organization. The F. E. R. A. however, was to enter upon many activities not performed by the Emergency Relief Divi-

13 See an article by Josephine C. Brown, "Social Service Division," *Monthly Report of the F.E.R.A.*, March 1936, pp. 1 *et seq.*

14 See *infra*, chap. iv, for an account of the F.E.R.A. control devices.

15 During the very early period of the F.E.R.A., Langdon W. Post served as Assistant Administrator. See Gertrude Springer, "The New Deal and the Old Dole," *Survey Graphic*, XXII (July 1933), 347 *et seq.*, for an account of the first few hectic weeks during which the F.E.R.A. staff at Washington was assembled.

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sion of the Reconstruction Finance Corporation; as work was begun in new fields, the Administrator built up his staff.

One of the first major moves in building up the new organization was the creation of a Division of Research and Statistics.<sup>16</sup> The division was to have many important functions, including the collection of information in comparable form from each state "concerning the number of families given relief from public funds, the amount of public relief expenditures, types of relief given, and the sources of public funds for unemployment relief."<sup>17</sup> In addition to collecting this material, the division was to interpret the information "in relation to national and local economic conditions."<sup>18</sup> Another function of the research group was to analyze local employment and pay roll figures, agricultural conditions, and other major factors influencing need for relief. The Municipal Finance Section of this division analyzed state and local contributions for relief and the possibilities of these governmental units securing revenue for relief under various tax and borrowing devices. In general, the Municipal Finance Section was intended to keep the Administrator informed concerning the amount that he could reasonably expect each state to contribute.<sup>19</sup> Finally, the Division of Research and Statistics as a whole was to serve as a national clearing house for information concerning relief problems.

The administrative staff at Washington developed rapidly, and divisions and sections were created and replaced, all in a short period of time. For this reason one cannot merely describe the administrative organization of the F. E. R. A.; the description must be of the F. E. R. A. at some definite date. In November 1934, a period when the organization was fully developed, the functions of the F. E. R. A. were distributed

16 *Monthly Report of the F.E.R.A.*, May 22 through June 30, 1933, p. 6.

17 *Ibid.*

18 *Ibid.*

19 See *infra*, chap. v.

among four major divisions, each under an Assistant Administrator. One of these major divisions was that of Research, Statistics and Finance. This division grew out of the original Division of Research and Statistics.

The institution of work relief programs for the greatest possible number of the employable persons on relief was always one of the major objectives of the Administrator. For this reason a special Work Division was created to encourage states and localities to institute useful work programs. The work programs were of course under the immediate direction of the work division of the state and local emergency relief administration which had charge of the planning of work projects, of assigning eligible employees to work, and of managing activities necessary to the completion of the projects. The role of the federal relief agency was to supply funds to the states and to improve the quality of state work programs through the issuance of orders concerning the manner in which federal funds might be spent. Thus, one section of the Federal Work Division offered advice to states concerning engineering problems. Still another section of the Federal Work Division drafted regulations with respect to state and local relief projects. Other sections framed detailed procedures concerning problems of safety of work relief employees and such problems of labor relations as hours and wages and working conditions. The F. E. R. A. exerted considerable control over state and local work programs through rules and regulations and orders issued by the Work Division concerning the above matters.<sup>20</sup>

A third major division of the F. E. R. A. was that of Rural Rehabilitation. Before the program under the general guidance of this division began to function in the second quarter of 1934, relief had been extended in rural areas under the general relief program of work and direct relief. The rural rehabilitation pro-

<sup>20</sup> In chap. iii the reader will find an account of the work relief objectives of the F.E.R.A. and the regulations which it issued in an attempt to reach these objectives.

gram was based upon one fundamental assumption.<sup>21</sup> This tenet was that a distinction could be drawn between the plight of many rural destitute persons and the unemployed workers in the cities. The city worker is completely dependent upon his job; if this be taken away he has nothing to fall back upon, and barring unusual circumstances he will be completely dependent upon public assistance in a relatively short period. The rural dweller, on the other hand, can nearly always wrest most of the necessities of life from the soil if only he has a minimum of stock, tillable land, equipment, some knowledge of farming, and a little credit. It followed as a corollary thesis, therefore, that by striking at a few major factors causing destitution, many rural relief families could be rehabilitated and an end made to small but continuous outlays to them for direct relief and work relief. Rehabilitation was to be achieved through three main devices:

- (a) Rehabilitation in place—supplying destitute farm families with working capital such as cattle, horses, farm equipment, etc., and adjusting their debts.
- (b) Removal of farm families from submarginal land.
- (c) Establishment of stranded populations on profitable land.

The Rural Rehabilitation Division of the F. E. R. A. was charged with the duty of assisting the states in drafting plans to carry out these objectives, and the general supervision of the state programs as they were put into active operation. From the outset, the F. E. R. A. maintained close contact with the Department of Agriculture and with the Farm Credit Administration, and the general objectives and plans were worked out jointly with them. The Extension Service of the Department of Agriculture was particularly helpful through its advice to the F. E. R. A. on technical aspects of the rural economy.

Actual administration of the programs was a responsibility of state rural rehabilitation divisions which were organized

<sup>21</sup> For a brief account of the objectives of the Rural Rehabilitation Division see *infra*, chap. iii, pp. 138-142.

under the state emergency relief administrations. These divisions were under a state director of rural rehabilitation. In order to avoid duplication of administrative machinery, certain functions were carried out through previously established units of the state emergency relief administrations. Thus the state social service divisions which antedated the rehabilitation units worked out budgets which were used by the rural rehabilitation divisions in advancing subsistence goods.

Generally speaking, the states found it desirable to set up permanent legal entities (Rural Rehabilitation Corporations) to perform the fiscal functions of the rehabilitation divisions. The corporations were given full powers in their charters of incorporation to engage in buying, selling, or leasing of real property, and other business activities necessary to the attainment of the objectives of the program. These corporations held title or lien against all real property, served as payee and custodian of all notes covering advances to rehabilitation cases, and received payment on all obligations due the corporation. The board of directors was usually made up of the regional field representative of the F. E. R. A., the state relief director, the director of the state's agricultural extension service, the regional director of the Land Policy Section of the Agricultural Adjustment Administration, and three citizens selected by these persons. No grants were made by the F. E. R. A. to the respective governors for rehabilitation work except upon approval by the federal agency of a program outlined by the state rehabilitation division. As an added precaution, however, the certificates of stock of the rehabilitation corporations were pledged to the Federal Administrator to ensure conformity with the program as outlined.

The fourth major division of the F. E. R. A. was that of Relations with States. One of the major functions of the division was to supervise the direct relief programs of the states.<sup>22</sup>

<sup>22</sup> Located in this division was the important social service unit which helped to draft many of the basic regulations governing State and local Social Service Division procedure. In addition, one section of this division



As indicated by its title, the division was the focal point of contact with the states concerning major points of policy. Liaison with the states was maintained in large part through the field men of the division stationed throughout the country.

Certain basic facts led the F. E. R. A. to delegate considerable powers to the field representatives. The emergency relief problem had come to a crisis suddenly. State and local organizations were in a constant state of flux, the grant-in-aid relationship for relief was new, and no definite routine for federal-state contacts had been established. Concentration of all control at Washington in this period would not have been successful, for questions were continually arising concerning the interpretation of federal rules, and states far removed from Washington could not wait for authority from the Capital before proceeding to deal with problems that cried for immediate solution.

Had the F. E. R. A. been dealing with a less pressing and dynamic problem such as grants for vocational rehabilitation, had the funds spent been small and the numbers aided few, had there been time to plan prior to the creation of the federal relief agency, or if there had been well organized state and local agencies in operation at the time of its creation and the problem been not so urgent as emergency relief, it is possible that the field representatives would not have been given the powers which were ultimately conferred upon them. In view of the situation facing the F. E. R. A., however, it was inevitable that strong field offices should be built up.<sup>23</sup>

was charged with formulating federal policy on transients and attaching federal rules to grants made to states for the purpose of transient relief; another section performed the same function with respect to the state educational programs for which federal relief funds were made available. Both of these special programs receive further attention *infra*, in chap. iii.

23 The work of the field representatives and their staffs was not limited to interpreting federal regulations to the states. In addition, members of the field staff performed what may be classified as inspectional services, that is, they reported to the F.E.R.A. concerning the manner in which states and localities were carrying on their programs. For a discussion of the role of the field representatives in enforcing federal regulations, see *infra*, chap. iv.

It should be stressed that the field representatives acquired their great influence by degrees. At the outset there was a pronounced tendency, common in the early stages of practically all grant agencies, for the Washington office to hold as tightly to its powers as it could. Thus, during the first year of operations of the F. E. R. A., all members of the division concerned with relations with the states were centrally located at Washington. Field representatives made trips from time to time, but their headquarters were at Washington, and there they returned upon the completion of an assignment. Under this system, many of the less important problems were ironed out through correspondence from Washington; field trips were made only to settle the more important and pressing problems.

The field representatives in the early days had no definite group of states for which they were responsible. Except in emergency, however, their activities were generally confined to a particular section of the country, such as the South, the Mid-West, the New England states, etc. Between assignments they returned to Washington.

Generally speaking, it was not considered the function of the field representative to pass upon the merits of the issue at stake. His duty was rather to give the Washington office a complete picture of the situation. True, he often indicated the steps which he thought should be followed, and his advice was taken seriously. In the last analysis, however, it was the Washington office that made the decision. Thus, it was not at all unusual for a field representative to proceed with considerable caution and to telephone to Washington for instructions three or four times a day during this period.

A shift of additional power to the field began to occur, however, shortly after the reorganization of the field service which took place upon the issuance of an order<sup>24</sup> by the Administrator in the early part of May 1934. Under this order the United States was divided into regions and a field repre-

<sup>24</sup>F. S. 1, issued May 3, 1934.

sentative was stationed in the field in charge of each region. Regional offices were set up and provision was made for secretarial help and all incidental expenses. To each region was assigned a field examiner, social worker, engineer, and in regions requiring such services, a rural rehabilitation expert. Research advisors were subsequently added as members of these regional staffs, all members of which were, at least nominally, under the direction and supervision of the field representatives.<sup>25</sup>

Prior to this reorganization, the engineers, field examiners, and other specialized field officers who were sent out by the various divisions of the central office had moved in more or less independent orbits. Co-ordination was difficult while they remained responsible only to their respective division heads in Washington. This situation was particularly distasteful to the field representatives, who had general responsibility on policy matters but could exert no control over the special field men. Furthermore, the lines of authority were not clearly drawn among the functional field men. It was not uncommon for states which desired quick action to consult whichever field man could be reached at the time. Contradictory advice and confusion was sometimes the result so far as the state relief administrations were concerned; for the various field men the system was sometimes productive of bickering over encroachments upon one another's authority. The institution of fixed field offices, with a field representative in general charge of all the federal officials performing special functional services in his region, was therefore a landmark in the development of F. E. R. A. administrative practices.

The number of regional offices, each under a field representative, varied from eight to ten<sup>26</sup> during the period of F. E.

<sup>25</sup> The members of the field staff were appointed by the appropriate division heads, subject to final approval by the Administrator.

<sup>26</sup> Thus, in November 1934, there were nine regional offices, each under a field representative. The regions were made up of the following states: (1) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont;

R. A. grants. The five members of each field representative's staff represented corresponding divisions in the staff at Washington. The social worker advised the state relief organizations concerning such questions as the method of determining eligibility for relief and the establishment of relief budgets. The regional engineer offered technical engineering advice with reference to the work relief programs of the states. The regional examiner represented the financial and statistical staff in the field. This official did not actually audit state relief accounts nor collect state relief statistics. His function was rather to make certain that the states were using proper auditing and statistical methods and employing competent personnel in performing these tasks. The rural rehabilitation advisor offered advice concerning the formulation and prosecution of state rehabilitation programs and the research advisor consulted on state and local research programs.

Although, as stated above, the field representatives were placed in authority in their respective regions, they never exerted more than broad supervisory powers over the federal field examiners, engineers, social workers, and other specialists of their staffs. In one or two regions, strong administrators succeeded from the beginning in exerting considerable authority, but ordinarily the staff members, appointed by the central office, looked primarily to the heads of their respective divisions at Washington. A concrete illustration of where the regional staff members considered the center of gravity to be was the fact that they often communicated directly with the Washington office regarding their plans and activities, and merely furnished the chief of the regional office with carbon copies.

(2) Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania; (3) Florida, Georgia, North Carolina, Puerto Rico, South Carolina, Tennessee, Virginia, Virgin Islands; (4) Kentucky, Ohio, West Virginia; (5) Colorado, Kansas, Montana, Nebraska, New Mexico, Wyoming; (6) Illinois, Indiana, Michigan, Missouri, Wisconsin; (7) Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Texas; (8) Arizona, California, Nevada, Utah; (9) Hawaii, Idaho, Iowa, Minnesota, North Dakota, Oregon, South Dakota, Washington.

As time went on, however, the field representatives gradually achieved a much greater degree of authority over their staffs. The climax of this steady development was reached in the summer of 1935 as the active life of the F. E. R. A. began to draw to a close.<sup>27</sup>

The F. E. R. A. found certain obvious advantages in the existence of the regional offices. The field staff, with a fixed headquarters, became more fully acquainted with the problems of a group of states, and they were always on hand to render advice and to interpret federal orders.<sup>28</sup> It was recognized, however, that unless proper steps were taken, the field representatives might lose touch with developments at Washington. The ultimate result might be that policies would tend to diverge in the various regions and field representatives might even issue orders clearly contrary to those emanating from Washington. For this reason the heads of all field offices were called back to Washington at intervals for conferences in which the Administrator, the head of the Division of Relations with States, and other major officials of the staff at Washington also participated.

In an effort to co-ordinate the field system with the staff at Washington, the Administrator ordered on May 3, 1934, that "all general orders [from Washington to the states] having to do either with administration or policy are to be routed through the Field Representatives and the regional offices. These orders and communications are to be cleared through the office of Aubrey Williams and to be signed by the Administrator. Correspondence having to do with specific situations, wherever possible, is to be routed through the Field Representatives and the regional offices."<sup>29</sup> The Administrator took further action at the same time to co-ordinate all federal activities in a region

<sup>27</sup> It is interesting to note that the field representatives of the W.P.A. came to exert much greater authority over their staffs than did the field representatives of the F.E.R.A.

<sup>28</sup> Key, *op. cit.*, chap. iii.

<sup>29</sup> F. S. 1.

and to avoid duplication of effort, by providing that "all special field people [from Washington] going into regions from such services as the Educational, Transient, Research Departments, etc., will report to the Field Representatives so that the regional offices may be informed at all times as to work being done or contemplated in their region."<sup>30</sup>

It is not an easy task to describe accurately the actual and very considerable devolution of authority that came about slowly but surely after the creation of the field offices in May 1934. Certain broad statements can be made, however. The powers of the field representatives were at their highest in the period from the spring of 1935 until the end of the active existence of the F. E. R. A. in December of that year. This development, like the increased control which the field representatives finally gained over their regional staffs, was due in part to the fact that during 1935 Washington relief officials of the F. E. R. A. were busy planning and administering the new W. P. A. program.

Even during 1935, of course, the Washington office continued to formulate major policies, although relying to a considerable extent upon the advice of the field men. There was continual need, however, for the application of these broad rules to specific situations. Here the field representatives exerted great influence. This is not to say that a major operating decision, such as the question of whether a particular state was putting up a sufficient share for relief, would not ultimately be subject to the attention and disposition of the Washington staff. Even on such major questions, however, the recommendation of the field representative bore great weight. Moreover, it was necessary for the field representatives to make frequent decisions endorsing or disapproving contemplated state or local action on relatively minor matters. The interpretation of the federal rule by the field representative might be overruled on appeal to Washington; in most cases, however, he was able to make his ruling "stick."

<sup>30</sup> *Ibid.*

In short, the field representative did not originate major policy rulings; these came from the Washington office. His duty was to interpret the Washington orders and apply these rulings to specific situations. This power of interpreting rulings was in itself, of course, a broad grant of authority to the field representative. Many of the orders framed by the Washington office were purposely vague in detail, to permit their adaptation to local circumstances and local sentiment. Thus, the federal rule that persons should be removed from relief rolls only in the event of a "genuine" labor shortage left much to the discretion of the respective field men.<sup>31</sup>

The ability of the field representatives to set the tone in interpreting federal orders within their region naturally varied in accordance with the personality of the field man, the type of state administrators within his region, and the distance from Washington. A strong field representative, particularly if his ability was well-known to the Federal Administrator, could usually assume considerable authority. The extent of his influence was partially dependent, however, upon the personalities of the state administrators in his region and the relationships which those state officials bore to the Federal Administrator. If the state administrators were strong personalities also, they sometimes went "over the head" of the field representative and appealed directly to Washington. Geographical location was a third important factor which affected the field representatives' scope of authority. The field representatives on the West Coast, because of their remoteness from the capital, had much more opportunity to use their own discretion and initiative than did their fellow field men in regions closer to Washington. Where lengthy telephone calls between the regional and central offices could be made only at considerable expense, only major matters were referred to Washington. On the other hand, telephonic consultation was quite frequent between the F. E. R. A. at Washington and its field representatives in the New England

31 See *infra*, chap. iv, pp. 161-162.

and Middle Atlantic areas. The good train service between those points also served to keep those field representatives to a much greater degree under the supervision of the central office. The same ease of communication frequently prompted state relief administrators in nearby regions to deal directly with the Washington officials on numerous occasions, thus preventing their regional offices from developing the degree of authority exercised in regions farther from Washington.

Even in regions where the field representative was strong, state administrators sometimes appealed to Washington against his rulings. Generally speaking, however, the Washington office was not inclined to override its field men. Specific illustrations of the wide powers and influence wielded by the field representatives are given later in chapter 4 when the field men are discussed as one of several "controls" utilized by the F. E. R. A. in enforcing its rules upon the states.

The administrative set-up of the state relief administrations was not dissimilar from that of the F. E. R. A. Few of the existing state relief organizations had been in existence for more than seven or eight months at the time of the creation of the F. E. R. A. in May 1933. Most of them had been created in the second half of 1932 as a result of the passage of the Emergency Relief and Construction Act. Prior to July 1932, only six states had created relief administrations. Five more state organizations were established in July and August, eighteen in September and eight in October. During the following months state organizations were established in other states, and all but six states had organizations at the time of the creation of the F. E. R. A. State organizations were established in these states shortly after the federal relief agency began to function.<sup>32</sup> On the whole, therefore, the state agencies which were called upon to cope with the most serious relief

<sup>32</sup> Marietta Stevenson and Lucy Brown, *Unemployment Relief Legislation—Federal and State*, 1933 (Chicago: Public Administration Service, No. 34, 1933).



problem the country had ever faced were organizations with little practical experience.

Furthermore, most of these state agencies soon found that they were perched upon insecure foundations. With notable exceptions in the New England states, New York, and a few other states, the state relief organizations found that their first and most pressing problem was to build up adequate local relief organizations. Relief had always been considered to be a local problem, but few of the old city, county or town poor law organizations had been set up on a basis which made them adequate instruments for dealing with a large scale relief problem, the core of which consisted of the millions of perfectly normal and employable persons who could not be treated under the old poor law principles. These local agencies (mainly in the more industrialized communities) could sometimes be utilized as nuclei, particularly in such areas as New York, the New England states, and Georgia. Even in these states, however, the local agencies often had to be expanded and modernized.<sup>33</sup> In a great many cities and counties, local emergency relief agencies had been set up; often, however, these also had to be expanded and improved. Further, in a great many cases, particularly in rural areas, no local public relief agencies were in existence. In such southern or southwestern states as Alabama, Arizona, and Texas, county or town boards might occasionally devote some time to relief problems, but no distinct relief agencies had been created.

The inevitable result was that during the first few months of federal relief grants there was a wide divergence in the standards of state and local relief administration throughout the country.<sup>34</sup> The F. E. R. A., however, armed with the power of withholding federal relief grants, set out to remedy the situation. The most defective state organizations were naturally dealt with first. In some cases it was merely insisted that key

<sup>33</sup> This need for reorganization was most evident in Vermont and New Hampshire.

<sup>34</sup> See an article by Donald Stone, "Reorganizing for Relief," *Public Management*, September 1934, pp. 259-261.

personnel in the state organizations be improved; in other cases more or less complete scrapping and reorganization was required.<sup>35</sup> Further, the F. E. R. A. demanded that state organizations improve the administration in their political subdivisions. Here, as in the case of the state organizations, the main point insisted upon was that suitable personnel be employed. In many places untrained personnel were making haphazard decisions concerning eligibility for relief of applicants and assigning budgets which were not based on a proper consideration of the factors going to make up need.<sup>36</sup> Pressure also had to be exerted upon some state administrations to secure the institution of proper financing and accounting practices and a comprehensive system of reports. Obviously the states could not make adequate reports on expenditures, numbers aided, etc., until they in turn were receiving this information from all their local agencies.

In this connection the classic case is often cited of a local Middle West relief office which kept its case records and accounts on a white painted wall. Such extreme cases were rare but there were not a few localities in which bills were often paid three or four months after due, and moneys were accounted for whenever the local officials thought it desirable to report. Pressure from the federal relief agency resulted in the improvement of local accounting methods. After financial reports had been made to the state by the local relief agencies, expenditures were checked and finally audited either by the regular auditing department of the state government or by a special auditing division within the state relief administration.<sup>37</sup> The audited reports were then forwarded to the F. E. R. A. Likewise the states were soon receiving reports on the numbers aided, and the age, sex, and occupational characteristics of those on relief rolls, and transmitting state totals to the F. E. R. A. on a monthly basis.

<sup>35</sup> See *infra*, chap. iv, pp. 154-158.

<sup>36</sup> *Monthly Report of the F.E.R.A.*, March 1936, p. 2.

<sup>37</sup> See *Expenditure of Funds, F.E.R.A.*, Senate Document No. 56, 74th Cong., 1st Sess. (1935), Exhibit S, p. 646.

Thus, during the period of F. E. R. A. grants, emergency relief administration consisted of three layers: the F. E. R. A. at Washington, the state emergency relief administrations, and the local relief administrations. As indicated above, the F. E. R. A. did not have direct contacts with relief applicants; the actual administration of relief to the needy was a local function. It should be clearly understood, however, that while relief was handled locally, the Administrator controlled to a very considerable degree the way in which relief was administered in the localities.

As the next chapter will indicate in detail, the primary purpose of the F. E. R. A. was to make certain that all needy unemployed persons and their dependents received adequate relief. The second objective of the federal relief agency was to encourage states and localities to set up work relief projects for as many employable persons as possible, since it was the view of the F. E. R. A. that direct relief for able-bodied workers led to the loss of skills, work habits and morale. Diversification of the relief program was a third objective. The emergency relief group was made up of men and women, aged and young, resident and transient, farm owner and agricultural laborer, white collar worker and manual worker. States were therefore encouraged to set up special programs to meet the special needs of these groups.

Before proceeding to a discussion of F. E. R. A. objectives, it is desirable to sketch briefly at this point the size of the relief problem during the period of active operation of the federal relief agency. Table 3 shows the trend in the numbers receiving emergency relief during the period from January 1933 through December 1935. As previously indicated, the first federal relief grants were made in the latter part of May 1933. The last major F. E. R. A. grants were made in December 1935.<sup>38</sup>

<sup>38</sup> The F.E.R.A. itself was not liquidated as of this date and the final grants were spent subject to its regulations and supervision. See *infra*, chap. vi, for the gradual liquidation of the F.E.R.A.

TABLE 3

NUMBER OF FAMILIES, SINGLE PERSONS, CASES, TOTAL PERSONS, AND PER  
CENT OF POPULATION RECEIVING EMERGENCY RELIEF UNDER THE  
GENERAL RELIEF AND SPECIAL PROGRAMS

CONTINENTAL UNITED STATES

January 1933 through December 1935

Month	Resident cases			Total resident persons		Trans- ient per- sons <sup>b</sup>
	Families	Single persons		Number	Per cent of popu- lation <sup>a</sup>	
		Single persons	Total			
<i>1933</i>						
January	3,850,000 <sup>c</sup>	440,000 <sup>c</sup>	4,290,000 <sup>c</sup>	17,380,000 <sup>c</sup>	14	e
February	4,140,000 <sup>c</sup>	470,000 <sup>c</sup>	4,610,000 <sup>c</sup>	18,600,000 <sup>c</sup>	15	e
March	4,560,000 <sup>c</sup>	520,000 <sup>c</sup>	5,080,000 <sup>c</sup>	20,500,000 <sup>c</sup>	17	e
April	4,422,675 <sup>d</sup>	491,000 <sup>d</sup>	4,913,675 <sup>d</sup>	19,900,000 <sup>d</sup>	16	e
May	4,247,450 <sup>d</sup>	476,000 <sup>d</sup>	4,723,450 <sup>d</sup>	19,100,000 <sup>d</sup>	16	e
June	3,754,290 <sup>d</sup>	437,000 <sup>d</sup>	4,191,290 <sup>d</sup>	16,900,000 <sup>d</sup>	14	e
July	3,455,414	452,654	3,908,068	15,385,275 <sup>d</sup>	13	e
August	3,352,201	408,453	3,760,654	15,085,183 <sup>d</sup>	12	e
September	3,005,850	398,971	3,404,821	13,402,581 <sup>d</sup>	11	e
October	3,010,510	434,870	3,445,380	13,609,815	11	e
November	3,366,102	463,296	3,829,398	15,081,542	12	e
December	2,631,080	447,019	3,078,099	11,671,639	10	e
<i>1934</i>						
January	2,481,287	473,166	2,954,453	11,083,868	9	e
February	2,593,318	559,184	3,152,502	11,636,036	9	126,873
March	3,053,816	642,766	3,696,582	13,763,650	11	145,119
April	3,791,210	653,698	4,444,908	16,842,325	14	164,244
May	3,803,455	631,473	4,434,928	17,181,692	14	174,138
June	3,753,467	577,332	4,330,799	16,829,316	14	187,282
July	3,837,578	557,259	4,394,837	17,203,083	14	195,051
August	4,033,727	586,322	4,620,049	18,116,583	15	206,173
September	4,068,930	673,172	4,742,102	18,300,876	15	221,734
October	4,074,856	739,537	4,814,393	18,323,547	15	235,903
November	4,213,963	790,255	5,004,218	18,947,688	15	266,790
December	4,459,263	821,572	5,280,835	20,058,149	16	288,955

TABLE 3 (Continued)

Month	Resident cases			Total resident persons		Trans- ient per- sons <sup>b</sup>
	Families	Single persons	Total	Number	Per cent of popu- lation <sup>a</sup>	
<i>1936</i>						
January	4,617,038	873,385	5,490,423	20,685,803	17	297,058
February	4,585,461	887,721	5,473,182	20,611,525	17	300,460
March	4,588,924	904,640	5,493,564	20,580,178	17	299,509
April	4,468,611	902,698	5,371,309	20,044,831	16	293,676
May	4,304,997	883,437	5,188,434	19,279,305	16	273,824
June	4,025,163	796,508	4,821,671	17,960,602	15	263,668
July	3,681,528	715,524	4,397,052	16,161,517	13	253,340
August	3,553,903	695,895	4,249,798	15,552,062	13	245,266
September	3,263,531	669,892	3,933,423	14,231,178	12	218,722
October	3,084,946	656,128	3,741,074	13,433,006	11	157,634
November	2,853,100	625,871	3,478,971	12,383,778	10	112,277
December	2,084,141	531,868	2,616,009	8,914,617	7	64,409

<sup>a</sup> Based on the 1930 Census of Population.

<sup>b</sup> As reported by the Mid-Monthly Census of Transients under care.

<sup>c</sup> Estimated (incomplete reports from all states to the R.F.C.).

<sup>d</sup> Partially estimated (complete reports from some states but only partial reports from others).

<sup>e</sup> Data not available.

Source: *F.E.R.A.*, Division of Research, Statistics and Records.

A bare statement of the numbers receiving emergency relief during the period of F. E. R. A. grants will give some idea of the problem before the Administrator. The total number of relief cases (families and single persons) on emergency relief rolls in May 1933 was approximately 4,720,000, representing with their dependents more than 19,000,000 people or 16 per cent of the total population of the United States. Numbers on relief rolls dropped rather sharply through the summer and fall of 1933. A rise in numbers took place in November 1933. There can be no question that the numbers on relief rolls would have jumped sharply throughout the winter of 1933-34 had it not been for the institution of the Civil Works Program by the Civil Works Administration.<sup>39</sup> That organization, which

<sup>39</sup> A brief account of the Civil Works Administration is given, *infra*, in chap. iii.

inaugurated a federal work program in the latter part of November, was, within a few weeks, furnishing unemployment to over four million persons, about half of whom were taken directly from relief rolls. Chiefly as a result of the operations of this Civil Works Program, the number of families and single persons receiving emergency relief declined to 2,954,000 in January 1934.

Following the termination of the Civil Works Program in the spring of 1934, the number of cases on relief rolls increased rapidly to 4,445,000 in April 1934. During the summer of that year serious drought conditions prevailed throughout most of the agricultural sections of the country, and a steady rise in numbers requiring assistance in the latter part of 1934 was due in large part to this drought situation. The all-time peak of emergency relief was reached in the early part of 1935 when almost 5,500,000 cases, representing about 20,700,000 people, received emergency relief. These figures meant that about 17 per cent of the population were receiving emergency relief at the time.

After the peak reached in the early part of 1935, there was a steady decline through December 1935 in the number receiving emergency relief. This decline was made possible chiefly by careful reinvestigation of the needs of families on relief rolls, increased employment in industry and agriculture, and the inauguration of the new Works Program in July. The Works Program was a particularly potent factor in November and December, many employable persons being transferred from relief rolls to the new program in these two months.

The amount of obligations incurred for emergency relief should also be noted in picturing the problem before the Administrator. Table 4 indicates the obligations incurred from January 1933 through December 1935. It will be noted that total expenditures for 1934 rose sharply over those for 1933 and that 1935 expenditures were slightly higher than those incurred in 1934. Each year both states and local political subdivisions put up more money than they had done the previous

**TABLE 4**  
**AMOUNT OF OBLIGATIONS INCURRED FOR EMERGENCY RELIEF BY SOURCES OF FUNDS\***  
 CONTINENTAL UNITED STATES  
 Quarters of 1933, 1934 and 1935

Year and quarter	Total	Federal funds		State funds		Local funds	
		Amount	Per cent	Amount	Per cent	Amount	Per cent
<i>1933</i>							
First .....	\$ 209,408,216	\$ 122,380,457	58.4	\$ 20,032,060	9.6	\$ 66,995,699	32.0
Second .....	210,099,057	136,602,816	65.0	21,240,048	10.1	52,256,193	24.9
Third .....	180,900,237	113,652,556	62.8	27,394,630	15.2	39,853,051	22.0
Fourth .....	192,380,723	108,037,200	56.1	44,597,921	23.2	39,745,602	20.7
Total 1933 .....	792,788,233	480,673,029	60.6	113,264,659	14.3	198,850,545	25.1
<i>1934</i>							
First .....	180,859,993	87,556,295	48.4	61,303,535	33.9	32,000,163	17.7
Second .....	365,600,105	266,690,384	73.0	41,818,794	11.4	57,090,927	15.6
Third .....	421,673,678	315,681,181	74.9	36,072,278	8.5	69,920,219	16.6
Fourth .....	507,658,553	393,484,858	77.5	46,382,923	9.1	67,790,772	13.4
Total 1934 .....	1,475,792,329	1,063,412,718	72.0	185,577,530	12.6	226,802,081	15.4
<i>1935</i>							
First .....	565,600,106	440,019,219	77.8	54,349,865	9.6	71,231,022	12.6
Second .....	546,421,692	416,515,414	76.2	61,802,466	11.3	68,103,812	12.5
Third .....	429,706,008	324,522,011	75.5	48,060,918	11.2	57,123,079	13.3
Fourth .....	286,265,925	178,864,734	62.6	60,336,364	21.0	47,064,827	16.4
Total 1935 .....	1,827,993,731	1,359,921,378	74.4	224,549,613	12.3	243,522,740	13.3
Total .....	\$4,096,574,293	\$2,904,007,125	70.9	\$523,391,802	12.8	\$669,175,366	16.3

\* Includes relief extended to cases under the General Relief Program, cost of Administration and Special Programs; beginning April 1934 these figures also include purchases of materials, supplies and equipment, rental of equipment (such as team and truck hire), earnings of non-relief persons, and other costs of the Emergency Relief Program.

Source: F.E.R.A., Division of Research, Statistics and Records.

THE GRANT-IN-AID APPLIED TO RELIEF

year, but supplied a smaller proportion of total expenditures. Thus, during 1933 federal grants accounted for 60.6 per cent of all obligations incurred, the states and localities providing 14.3 and 25.1 per cent respectively. By 1935 the federal government was meeting 74.4 per cent of total expenditures.

These general percentages for the country as a whole naturally do not indicate the importance of F. E. R. A. grants to any individual state. Thus, to give the two extremes, the federal government supplied only 39.3 per cent of the emergency relief funds disbursed by Rhode Island during the years 1933-1935, whereas the federal government supplied 98 per cent of the funds disbursed by South Carolina during the same period.<sup>40</sup>

Suffice it here to point out that the F. E. R. A. was face to face with a dynamic problem of unprecedented magnitude which was subject to wide fluctuations for reasons entirely beyond the control of the grant agency. Fundamentally, of course, the amounts states could be induced to contribute to relief purposes were limited by general economic conditions. The size of relief rolls naturally bore relationship to gains or losses in employment. In addition, such factors as drought and flood, the increasing relief needs in areas where long-term unemployment was slowly destroying savings and other personal resources, and such seasonal factors as increased need for fuel and clothing in winter had to be considered. These changing factors and the constant tendency of Congress to place the F. E. R. A. on almost a month-to-month basis with respect to funds, make clear why the federal relief agency had to pursue an opportunistic policy. Its rules and its procedures changed—often rapidly—in order to meet the ever-changing relief problem. These changes of method, however, were all designed to further the achievement of three primary objectives. A description of the objectives, as revealed in the rules and policies which the federal agency imposed upon state and local relief administrations, is contained in the following chapter.

<sup>40</sup> See *Monthly Report* of the F.E.R.A., June 1936, p. 57. Some of the reasons which may be advanced in support of these wide variations in state contributions are explained *infra*, in chap. v.



## CHAPTER III

### MAJOR OBJECTIVES OF THE F.E.R.A.

THE three primary objectives of the F. E. R. A. were adequacy of relief, use of the work principle for employables, and diversification of the relief program. These three goals were not set forth specifically in the relief statute of 1933. The act did not define with any exactness the group of people to whom states receiving federal aid could give assistance nor did it outline what kind of relief was to be offered. No preference was expressed either for direct or work relief; the act contained no statement about differentiating programs to meet special relief needs. Administrator Hopkins and the key men of his staff, however, had definite ideas concerning the manner in which relief should be administered. The Administrator therefore determined to use the power conferred upon him by the act<sup>1</sup> to bring states and localities in line with what he conceived to be the best relief practices.

The hearings on the Federal Emergency Relief Act and the debates in Congress on the act would seem to indicate that Congress, insofar as it gave thought to the problem, more or less assumed that the details of relief administration would be left in the hands of the states and localities. Many of the details were worked out by state and local officials. The F. E. R. A., however, had a good deal to say concerning general objectives, and in many cases insisted upon prescribing fairly minute regulations designed to insure accomplishment of these broad objectives. Section 4 (a) of the Federal Emergency Relief Act of 1933 had merely provided that grants should be made to the several states "to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment in the form of money, services,

<sup>1</sup> The following chapter, "Control Devices and Sanctions," discusses the methods used by the Administrator to secure compliance with federal regulations.

materials and/or commodities to provide the necessities of life to persons in need as a result of the present emergency and/or to their dependents, whether resident, transient or homeless." Thus it devolved upon the Administrator to pour further meaning into the phraseology of the statute and to indicate more clearly to the states the purposes for which federal moneys could be expended.

The pages that follow will discuss the objectives which were sought. The written rules issued by the federal agency will be described in detail in order to clarify these objectives. It should be remembered, of course, that the F. E. R. A. did not rely solely upon the written word in conducting its relationships with states. Field representatives played a great part through personal contacts with state officials, and many important matters were ironed out by Washington officials by telephone or field trips. Generally speaking, however, it may be said that the important compulsory rulings of the federal agency found their way into the printed rules and regulations of the F. E. R. A.<sup>2</sup>

Shortly after the creation of the F. E. R. A., Rules and Regulations Nos. 1, 2, and 3 were promulgated by the Administrator.<sup>3</sup> These regulations were considered basic to the operation of an adequate program of relief. Rule No. 1, promulgated on June 23, 1933, prescribed that all federal moneys must be administered by public agencies. ". . . The unemployed must apply to a public agency for relief, and this relief must be furnished direct to the applicant by a public agent." August 1, 1933, was set as the deadline for terminating any agreements which states might have entered into with private agencies. In

<sup>2</sup> The reader interested in a compilation and digest of important rules issued by the F.E.R.A. will find of great value the publication compiled by Doris Carothers, *Chronology of the Federal Emergency Relief Administration, May 12, 1933 to December 21, 1935*, Research Monograph No. VI (Washington: Government Printing Office, 1937).

<sup>3</sup> These three important regulations are printed in full in the *Monthly Report* of the F.E.R.A., May 22 through June 30, 1933, pp. 7-16.

order that experienced relief workers in those agencies might be utilized in the new set-up, however, it was suggested that some of these workers be made public officials working under public authority. As a general rule, therefore, all federal relief funds were distributed to relief clients through public agencies after August 1933. A notable exception was in the case of Chicago, where Catholic charity organizations, despite the F. E. R. A. edict, were utilized for some time after August 1933 in distributing relief funds.

On the whole, there were good reasons for instituting the public agency rule and the results achieved appear to justify the promulgation. Much of the money advanced to states and localities through the Reconstruction Finance Corporation under the Emergency Relief and Construction Act had subsequently been given to private charities for actual disbursal to relief persons. When outright federal grants were made, however, it was thought that this matter could not be left properly to state discretion. Many private agencies were primarily instituted to aid particular groups (Catholic, Protestant, and Jewish charities, etc.) and discrimination in disbursal of federal funds might have resulted had they been entrusted with the expenditure of federal funds.

Some confusion arose in the states concerning the terms "public agency" and "public agent" and a section was therefore inserted in a later rule to define these terms more closely. The relevant section of this rule stated:

(a) Public Agency.—A public welfare department, supported by tax funds and controlled by local government, if approved by the State emergency relief administration to administer unemployment relief, is a "public agency." Where a public welfare department does not exist and a local unemployment relief administration is responsible for unemployment relief this local unemployment relief administration, in order to be recognized as a "public agency" in the meaning of that term as used in Rules and Regulations No. 1, must have the following factors:

(1) It must have the full sanction and recognition of the State emergency relief administration.

(2) It must be vested with full authority and control in the expenditure of State and Federal public funds appropriated for relief purposes.

(3) It must conform to the rulings of the State emergency relief administration.

(4) It must keep such records and forms as are required by the State emergency relief administration.

NOTE—This interpretation recognizes as a “public agency” an agency created and sustained by Executive action in the absence of creative local legislation.

(b) Public official or public agent.—“Public official” or “public agent” in the meaning of the term as used in Rules and Regulations No. 1, includes every person who is engaged in carrying out the purposes of the public agency, and so must be:

(1) A member of the official staff of the public agency responsible to the chief executive employed by the public agency to administer the entire organization of unemployment relief. This relationship must be made official by definite appointment and acceptance of such appointment.

(2) The compensation of the “public official” or “public agent” may or may not be paid from public funds. Such official may be loaned by a private agency, but when so loaned must become a member of the official staff of the public agency.<sup>4</sup>

Where such loans of personnel were made, the F. E. R. A. insisted it be made clear that these officials were not functioning in their private capacity. The name of the public agency had to be on the door, receipts and order forms had to be made out in the name of the public agency, and all direct relief payments, relief wages, and other expenditures were to be made directly by the public agency.

Rule No. 2 was issued July 1, 1933, and provided that “Grants of Federal relief funds cannot be made on the basis of expenditures for rental of buildings used for relief opera-

<sup>4</sup> Rule No. 3, issued July 11, 1933.

tion; salaries of regularly employed public employees other than those employed full time in connection with emergency unemployment relief and under the supervision of the unemployment relief authority; salaries of relief workers not working directly under the supervision of the unemployment relief authority; and the purchase of automobiles and other equipment used in connection with relief administration."

The primary object of the Federal Emergency Relief Act undoubtedly was to help states provide assistance for the able-bodied needy and their dependents, those whose distress was occasioned by the great rise in unemployment following 1929. The act did not specifically exclude unemployables, however. The federal agency was therefore faced with the task of prescribing the circumstances that would justify state expenditure of federal funds to provide relief for such persons. Rule No. 3, issued on July 11, 1933, indicated that federal funds could be spent to assist "all needy unemployed persons and/or their dependents. Those whose employment or available resources are inadequate to provide the necessities of life for themselves and/or their dependents are included." In an effort to limit federal responsibility<sup>5</sup> this same rule stated that direct relief could not be given out of federal funds ". . . where provision is already made under existing laws—for widows or their dependents, and/or aged persons." The federal agency was committed to the proposition that no one should starve in the emergency, however. Thus, from the outset it permitted unemployable persons to be placed on state emergency relief rolls when the localities were utterly unable to finance their relief.<sup>6</sup>

<sup>5</sup> Rule No. 1 had limited federal responsibility to some extent by the provision that federal moneys were not to be used "... for the boarding out of children, either in institutions or in private homes, or for providing general institutional care. These necessary services to the destitute should be made available through State or local funds." See J. Prentice Murphy, "Children in the New Deal," *The Annals*, CLXXVI (1934), 121-130.

<sup>6</sup> The natural tendency of states to shift as many unemployable persons as possible to state emergency relief rolls is discussed *infra*, in chap. vi.

In order to conserve federal funds for those in genuine distress, certain minimum standards of investigation and service were prescribed for all local relief agencies expending federal funds. Rule No. 3 therefore further provided that each local relief administration should have at least one trained and experienced investigator on its staff, and that the larger public welfare districts should have at least one supervisor, trained in case work and relief administration, to supervise not more than twenty investigating staff members. Central registration of all relief clients was also required, in order to avoid duplication of relief benefits. Relief was to be given "only to persons in need of relief, and on the basis of budgetary deficiency established after careful investigation." Minimum investigation of applicants for relief, and of those potential relief cases which were reported to the office, was to include "a prompt visit to the home; inquiry as to real property, bank accounts, and other financial resources of the family; an interview with at least one recent employer; and determination of the ability and agreement of family, relatives, friends, and churches and other organizations to assist; also the liability under public welfare laws of the several states, of members of a family, or relatives, to assume such support in order to prevent such member becoming a public charge." Reinvestigation of relief cases was also to be carried on at regular intervals to establish continued need.

With regard to adequacy of relief, Rule No. 3 stated that, insofar as possible, the states must ". . . see to it that all such needy unemployed persons and/or their dependents shall receive sufficient relief to prevent physical suffering and to maintain minimum living standards." In interpreting this statement the ruling states the amount of relief to be given must be based on the following:

(1) An estimate of the weekly needs of the individual or family including an allowance for food sufficient to maintain physical well-being, for shelter, the provision of fuel for cooking and for warmth

when necessary, medical care and other necessities. Taxes may be allowed in lieu of allowances for shelter, and not to exceed the normal rent allowance—providing such tax allowance is necessary in order to maintain the shelter or home of the relief recipient.

(2) An estimate of the weekly income of the family, including wages or other cash income, produce of farm or garden, and all other resources.

(3) The relief granted should be sufficient to provide the estimated weekly needs to the extent that the family is unable to do so from its own resources.

Thus, in essence, the F. E. R. A. set up the budgetary deficiency standard with respect to adequacy of relief. Relief needs of each family were to be appraised in the light of their need for food, shelter, fuel, etc. The income of the family was then to be ascertained. The relief agency was to supply the difference between "needs" and income.

Rule No. 3 provided that any or all of the following types of relief, or the equivalent in cash, could be granted:

(1) Food orders in an amount determined by the number, ages and needs of the members of each family in general accordance with standard food schedules.

(2) Orders for the payment of current rent or its equivalent whenever necessary.

(3) Orders for light, gas, fuel, and water for current needs.

(4) Necessary household supplies.

(5) Clothing or orders for clothing sufficient for emergency needs.

(6) Orders for medicine, medical supplies, and/or medical attendance to be furnished in the home.

One further major rule and regulation outlining federal policy on adequacy of relief remains to be described. Rule No. 1 had briefly indicated that federal funds might be used to pay for medical attention or medical supplies for those on relief rolls. Rule No. 7, issued on September 10, 1933, covered this

question in much greater detail.<sup>7</sup> The desire not to supplant existing facilities in the states and localities is evidenced by several important sections of this rule. An agreement on medical care, instituting a uniform policy which would preserve as far as possible the "traditional relationships" between medical practitioners and their patients, was to be entered into by the relief administration and the state and/or local organized medical, nursing, and dental professions. It was expressly stipulated that the federal emergency funds were to augment but not to replace clinics, hospitals and other medical, nursing and dental services, already established in the community.

Fairly complete provisions governing the types of medical, nursing and dental care which might be paid for out of federally-granted funds also appeared in Rule No. 7, though details might differ from state to state according to the agreements made between relief officials and physicians. A check on conformance was provided by requiring that itemized bills for each patient be submitted monthly by the doctors to the local relief administration. The state relief administration was held responsible by the federal agency for seeing that all local programs were in accord with the federal regulations.

The rules and regulations which have just been outlined were mandatory upon the states, and as indicated in chapter 4 the F. E. R. A. did not hesitate to enforce these general provisions through threats of withholding federal funds. It was recognized, however, that state administrations should be allowed considerable leeway in applying federal standards to local problems which varied widely in their nature from state to state. For this reason many of the rules subsequently issued were permissive, rather than mandatory in character, and even the mandatory rules were often drafted in a sufficiently general fashion to make possible considerable local variation. The very section of the mandatory Rule No. 3 which set out the objects

<sup>7</sup> For complete text of this rule, see *Monthly Report* of the F.E.R.A., August 1933, p. 17.



for which relief moneys might be expended contains the following declaration:

"A broad interpretation of direct relief may be followed by the State relief administration where such is called for in meeting the immediate needs of individuals or families, or in aiding such needy persons in providing the necessities of life for themselves and/or their dependents."

Thus the regulation points out that "feed for livestock cannot be allowed as a relief expenditure except feed for domestic livestock may be allowed as a relief expenditure where such allowance makes it possible for the distressed family to produce additional food for the immediate family need." The rule further points out that seed for gardens would likewise be allowed under the same reasoning. Actually, the matter was finally adjusted on a case basis. From time to time states sought the advice of the F. E. R. A. concerning expenditures for various objectives. Over the first year of relief grants, a great body of precedent was built up.

In conformity with its announced objective of adequacy of relief the F. E. R. A. attempted to spread its grant funds so as to permit a gradual rise in relief benefits in those states where relief was inadequate.<sup>8</sup> During the period of federal relief grants, there was a fairly steady increase in the average relief benefits from the low levels of the spring of 1933. The extent to which the increase differed in various sections depended in part upon whether allowances at the beginning had been reasonably adequate, and in part upon relief policies in each state. Sectional differences in relief benefits may be attributed to variations in the proportion of the population that was partially or wholly dependent upon relief, to differences in the amount of state and local relief contributions, and to diversities in wage levels and standards of living. Average relief benefits for the country as a whole climbed upward from

<sup>8</sup> For an article attacking the adequacy of relief benefits during the early period of F.E.R.A. grants, see "Twenty Million On Relief," *The Nation*, August 22, 1934, pp. 200 *et seq.*

\$15.15 per month in May 1933 to a peak of \$30.45 in January 1935.<sup>9</sup>

The Administrator accepted as elementary that all needy persons and their dependents should receive sufficient relief to prevent physical suffering and to maintain a minimum standard of living. That this objective of the federal relief agency was only partially achieved is indicated by the following excerpt from a report to Congress by the F. E. R. A. "Generally speaking, actual physical suffering was prevented. It was never possible, however, to achieve living standards of minimum decency for the entire unemployed population in need of relief. Adequacy of relief was more nearly achieved in those localities where the state or its subdivisions made a liberal contribution to relief funds."<sup>10</sup>

The relief budget may be broken down into such broad categories as food, shelter, medical attention, light and heat, wearing apparel, and essential household articles. While it is difficult to generalize, it may be said that most states and localities placed primary emphasis on food and this item of the budget was covered more adequately than any of the others.<sup>11</sup> During the early period of F. E. R. A. grants, state and local rent policies varied widely.<sup>12</sup> In a great many localities rent was allowed in the budget only as a last resort to stave off eviction; in others no funds were available for rent until

<sup>9</sup> Such averages as the above always understate the actual amount received during a month by a family wholly dependent on relief since the average is affected by the inclusion of families receiving relief during only part of the month and by those receiving only supplementary relief.

<sup>10</sup> See *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill* for 1936, April 8, 1936, Appendix E, p. 359. See also an article by Josephine Brown, "Social Service Division," *Monthly Report* of the F.E.R.A., March 1936, pp. 1 *et seq.*

<sup>11</sup> The surplus commodities distributed by the Federal Surplus Relief Corporation were of importance in this connection. See *infra*, pp. 142-144.

<sup>12</sup> See Marietta Stevenson, "Standards of Public Aid," *The Annals*, CLXXVI (1934), p. 63.

after eviction.<sup>13</sup> As relief allowances were raised in 1934 and 1935 the great majority of states came to include a small regular rent allowance in the budget. The latter period of federal relief grants likewise saw a considerable improvement with respect to the furnishing of other budgetary items. At no time, however (throughout the country generally), was sufficient allowance made in relief budgets for light and heat, clothing, medical attention, and household supplies.<sup>14</sup>

The emergency relief which was given by states and localities during the period of F. E. R. A. grants was of two types—that afforded under the so-called “maintenance” principle and that given under the “work” principle. It has been estimated that during this period of relief grants roughly three-fourths of the heads of families of all emergency relief cases were employable in the sense that they were capable of doing useful work.<sup>15</sup> Not all of these heads of families were fully employable in the sense in which the term is used in private industry. Some were too old to expect private employment except in periods of great industrial activity and labor shortage. The great majority of the employable group, however, had been employed in private industry, possessed qualifications which during such so-called normal years as 1920-1929 would have given them reasonable assurance of employment, and were waiting for jobs to become available in private industry. The F. E. R. A. was anxious to give useful work to as many of these people as possible.<sup>16</sup>

13 The common procedure after an eviction was to pay one month's rent for the evicted family in a new domicile. No further rent was paid until eviction had occurred again.

14 See Mary Aylett Nicol, “Family Relief Budgets,” *Monthly Report of the F.E.R.A.*, June 1936, pp. 140 *et seq.*

15 See Arthur E. Burns, Director of the Economic Analysis Section of the F.E.R.A., “The Federal Emergency Relief Administration,” *Municipal Year Book*, 1937 (Chicago: International City Managers' Association, 1937), p. 393.

16 This objective is clearly outlined in Hopkins, *op. cit.*, chap. v.

The type of work which states and localities were encouraged to provide for their employables was definitely not a form of "work test." The idea of a work test, which had often been used in connection with the administration of the old poor laws, did not appear to the F. E. R. A. to provide any of the benefits commonly associated with work relief. In essence, under a work test, relief applicants are required to perform some hard manual labor, such as work on the woodpile, in order to receive any relief whatsoever. The amount of labor required bears little relationship to the relief received. There are no regular hours and wages, nor is there any attempt to place the workers at useful employment. The idea is to place workers at any form of labor—useless or otherwise, the more disagreeable the better, and to scare off all applicants who are work shy. Work relief, on the other hand, springs from an entirely different philosophy and the methods employed are diametrically opposed to those used in connection with the work test. The main idea lying behind work relief is to maintain the morale, skills, and physical condition of employables forced to accept relief.

When the F. E. R. A. was initiated in 1933, not only was direct relief being utilized by the states and localities to meet the emergency relief problem, but approximately 1,900,000 people were receiving some form of work relief. In some communities, however, the so-called work program was little better than a work test. The projects were makeshift, and workers' pay was in no way commensurate with their hours of labor or skills.<sup>17</sup> Even in those localities attempting to run real work relief programs, early attempts were by no means uniformly successful.<sup>18</sup> Lack of experience in initiating projects and limited funds were the major causes for the doubtful value of

<sup>17</sup> For an account of some of these work-for-relief programs, see an article by Arthur E. Burns, "Work Relief Wage Policies, 1930-1936," *Monthly Report of the F.E.R.A.*, June 1936, pp. 23-29.

<sup>18</sup> See an article by Henrietta Liebman, "Work Relief in Certain States, 1930-1933," *Monthly Report of the F.E.R.A.*, May 1936, pp. 34 *et seq.*

many of the early local work programs. The chief kinds of work relief were light construction, road building and maintenance jobs.<sup>19</sup>

The unsatisfactory nature of many of the work programs antedating the F. E. R. A. brought out the need for formulating a clear-cut policy of genuine work relief. Properly administered, a good work program can offer much to both the unemployed and the communities in which they are employed on work projects; a poorly planned work program, however, is merely an expensive and slipshod method of meeting relief needs. Early in the history of the F. E. R. A., federal relief officials took the position that at least three major rules must be observed if a work relief program were to achieve maximum economic and social values. First, the projects on which relief workers are to be employed must be useful and they must be carried out in workmanlike fashion. Ill-conceived projects, it was felt, would merely result in the squandering of relief funds for materials, a sapping of the morale of the workers, and a general public reaction against the entire relief program.

Secondly, according to F. E. R. A. theory, a successful work program must be sufficiently diversified to give relief workers employment in line with their previous job experiences. Naturally, these jobs cannot usually be at precisely the same type of work which the relief worker has been performing in previous years. One reason for this is the feeling that a work program should not furnish employment in industries which would compete with private industry. There must be some relationship, however, between the worker's previous occupation and his work relief assignment. The Administrator believed it obvious that little was to be gained by offering a lawyer or violinist the chance to use a pick and shovel.

<sup>19</sup> For an excellent account of early local work relief programs in the United States in 1930-1931, see Joanna C. Colcord, *Emergency Work Relief* (New York: Russell Sage Foundation, 1932).

A third factor of importance in administering a program of work relief was considered to be the problem of wage and hour policies. If the morale of a relief worker is to be maintained, his hours, wages and working conditions must bear some relationship to conditions in private industry. If workers on the same type of job in private industry are receiving two or three times the hourly rate paid to the relief worker, the latter comes to the obvious conclusion that he is on a made-work job and being thrown a sop for his efforts. This does not mean that the federal relief agency took the position that total monthly or weekly wages of relief workers should correspond to those prevalent in private industry. If relief workers are to have the incentive to return to private industry, their total weekly or monthly earnings must be less than those afforded by private employment. Total earnings of relief workers must therefore be limited by some such device as the budgetary deficiency arrangement of the F. E. R. A. or the present wage policies of the Works Progress Administration.<sup>20</sup> Prevailing hourly rates are thus paid to relief workers for the time they put in, but total earnings are limited by restricting the hours which the relief client may work.<sup>21</sup>

During the first few weeks of its existence the F. E. R. A. was too occupied with details to concern itself with encouraging states and localities to improve their work programs in

20 For a discussion of W.P.A. wage policies see *infra*, chap. vi, p. 254.

21 For statements by Administrator Hopkins and Corrington Gill, Assistant Administrator of the F.E.R.A., dealing with this aspect of the wage problem, see *Hearings* before the Committee on Appropriations, U. S. Senate, 74th Cong., 1st Sess., on H. J. Res. 117, *Emergency Relief Appropriation Bill* for 1935, January 31, 1935, p. 106, and *Supplemental Hearings, op. cit.*, February 11, 1935, p. 9, respectively. Further statements by the Administrator on the same question may be found in *Hearings* before the Subcommittee of the Committee on Appropriations, U. S. Senate, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill* for 1936, May 13, 1936, p. 30; *Hearings* before the Subcommittee of House Committee on Appropriations, *ibid.*, April 8, 1936, p. 193; and *Hearings* before the Subcommittee of House Committee on Appropriations, 75th Cong., 1st Sess., on H. R. 3587, *First Deficiency Appropriation Bill* for 1937, January 13, 1937, pp. 78 *et seq.*

accordance with the principles discussed above. The first attempt to mold local work relief programs is to be found embodied in Rules and Regulations No. 3 issued by the F. E. R. A. on July 11, 1933. The relevant section covered a few important policy considerations in general fashion; it was not intended to be a final statement of policy even on the questions discussed, but was rather in the nature of a provisional list of principles hastily drafted to cover certain major points until a more definite and complete set of policies could be formulated.

In an effort to raise the standards of work projects, the rule provided that "all local work-relief projects must be submitted for approval to the State emergency relief administrations." With respect to the eligibility of projects two general principles were outlined. First, "Work relief projects must be projects undertaken on Federal, State, or local public properties." Work projects for private institutions or agencies, non-profit or otherwise, were expressly forbidden "except as such projects, undertaken by governmental units, may benefit the public health or welfare as, for example, the prosecution of a drainage project which may benefit private interests but is withal of definite benefit to the public health of the community."

Secondly, the rule provided that "work relief projects under this act must be for work undertaken by a State or local administration independent of work under a contract or for which an annual appropriation has been made. It must be, in general, apart from normal governmental enterprise and not such as would have been carried out in due course regardless of an emergency." The object of this policy was to prevent work relief from becoming a substitute for the normal construction activities of the state and local governments. As time went on, however, it became clear that states and localities, because of extreme shortage of funds, were postponing construction projects which would have been performed in normal years. These were useful projects and federal work relief policy slowly relaxed in the latter part of 1933 and the early part of 1934 to the extent of approving normal construction projects as

relief projects, provided these projects would not otherwise have been constructed.<sup>22</sup>

The Federal Emergency Relief Act of 1933 was silent concerning the question of wage policies and gave no indication of the will of Congress in this respect. The provisions set out in Rule No. 3 were a tentative attempt at introducing some measure of uniformity throughout the country with respect to work relief hours and wages. As has been indicated, state and local wage and hour policies varied widely in the period prior to 1933. Furthermore, these policies gyrated wildly from time to time within a given community. These variations may be partially attributed to the desire of administrators to change policies on the basis of experience. The primary cause for fluctuation, however, was the chronic shortage of funds in most localities, a shortage which led inevitably to erratic variations in wage policy in order to conserve funds.<sup>23</sup> The federal relief agency therefore attempted to introduce some order into this situation. Recognizing the need for allowing considerable local leeway, however, as well as the need for further experience before promulgating too definite a set of policies, the first federal rules were couched in extremely general terms: "All

<sup>22</sup> Whether a given construction job would or would not have been performed if F.E.R.A. funds had not made possible the performance of the work as a relief project, is seldom an open and shut question. There is no doubt that in some cases cities did take advantage of relief projects to shift this normal burden—partly at any rate—to the federal government. *Work Relief in the State of New York*, a report issued by the Governor's Commission on Unemployment Relief in 1936, pp. 61-88, indicates that this practice existed to some extent in New York.

Arthur E. Burns, "Federal Emergency Relief Administration," *Municipal Year Book, 1937, op. cit.*, p. 393, states: "... There is little question that in some cases municipalities merely shifted their burden to the work relief program. . . . It is apparent, of course, that this practice led to a loss of jobs by regular municipal employees and thus partially defeated the purpose of work relief. It is impossible to estimate the amount of this shifting of local responsibility. In some areas it was undoubtedly extensive, but for the country as a whole the probable amount of displacement was relatively small."

<sup>23</sup> Arthur E. Burns, "Work Relief Wage Policies," *op. cit.*, p. 24.



work-relief wages shall be based upon the relief need of the individual and/or his dependents.

“ The rate of wages should be a fair rate of pay for the work performed. Total compensation should meet the budgetary requirement of the relief recipient.

“ Payment shall be by check, in cash, or in kind.

“ Allowance should be on the basis of days' wages, or the equivalent, for the hours worked.

“ Where skilled personnel is required, skilled wages for skilled work must be paid. . . .”<sup>24</sup>

The F. E. R. A. thus accepted as a basic principle that the total monthly earnings of the relief worker were to be limited strictly to need as ascertained by a case worker. The “ fair wage ” proviso was clearly intended to put a stop to the work test tactics of some localities of paying five or ten cents an hour for relief labor. Likewise, the provision calling for a daily wage, “ or the equivalent, for the hours worked,” was intended to force localities to cease paying work relief benefits without regard to the hours worked. The requirement of “ skilled wages for skilled work ” was aimed at the rather widespread practice of many localities of paying flat rates regardless of skills. While this provision and the “ fair wage ” proviso were not specific, the general intent was to set the ball in motion toward the goal of prevailing wage rates.<sup>25</sup>

Unfortunately for the intentions of the F. E. R. A., however, the localities paying depressed wages and requiring excessive hours of work were not inclined to regard their wage policies as “ unfair.” For this reason Rule No. 4 was issued on July

<sup>24</sup> In addition, the section of Rule 3 concerning work relief stressed the fact that only employable persons were to be given jobs and “ there shall be no discrimination because of race, religion, color, citizenship, political affiliation, or because of membership in any special or selected group.”

<sup>25</sup> The desire of F.E.R.A. officials to move toward prevailing wages may also be explained in part by their acceptance of the generally held view that the payment of less than prevailing rates to relief workers had a depressing influence on the private wage rate structure.

21, to be effective August 1, 1933.<sup>26</sup> The crux of this ruling lies in the paragraph which states that "on and after August 1, 1933, grants made under the Federal Emergency Relief Act of 1933 can be used in paying work relief wages *only* at or above 30 cents an hour. The local prevailing rate of pay for the type of work performed should be paid if it is in excess of 30 cents an hour."<sup>27</sup>

In addition to forbidding state and local relief administrations to employ any persons under sixteen years of age on work projects, Rule No. 4 also included a limitation on hours of labor.

"On and after August 1, 1933, no one employed on a work relief project shall be allowed to work more than 8 hours in any 1 day, nor more than 35 hours in any 1 week (or 150 in any 1 month) if the work involved is physical labor. If the work relief project is in an office (involving the use of clerical employees, et cetera) no one shall be allowed to work more than 8 hours in any 1 day nor more than 40 hours in any 1 week. The number of hours of work-relief given per week or per month should be only enough to provide for the budgetary needs of the family."<sup>28</sup>

The principles outlined in Rule 4 did not increase the total earnings of relief workers, since the budgetary deficiency was still operative as the measure of total benefits. The creation of a prevailing wage policy buttressed by a thirty cent minimum clause, and the limitation of hours to be worked, did operate,

<sup>26</sup> A complete text of the rule may be found in the *Monthly Report* of the F.E.R.A., July 1933, p. 11.

<sup>27</sup> No machinery was set up by the F.E.R.A. to determine prevailing wages in the localities. This was a function of the local relief administrations.

<sup>28</sup> The wage and hour policies for administrative employees were set forth in Rules and Regulations No. 5, effective as of August 1, 1933. This ruling forbade the employment of any persons under 16 years of age and specified that no persons (except executives) should be employed for more than forty hours in any one week. In addition, minimum weekly rates of pay, ranging from fifteen to twelve dollars according to degree of urbanization of the locality where the worker was employed, were set.

however, to smooth out many previously existing inequities. Since the localities themselves determined the budgetary deficiency of their relief cases, and this principle had long been used by them, there was little criticism by them of this aspect of the federal policy. A number of protests were made, however, concerning the ruling requiring prevailing wages to be paid. The complaints came, in the main, from employers who asserted that the payment of these rates resulted in labor shortages from time to time since there was alleged to be no incentive for relief persons to leave relief rolls for private employment.<sup>29</sup> The answer to these charges was that although prevailing rates were paid, total relief benefits were limited to a budgetary deficiency, and that relief workers were only too willing to take decent offers of private employment.

The requirement of a thirty cent minimum was productive of considerable criticism, particularly in the South<sup>30</sup> where this rate appears to have been considerably above the prevailing rate for certain types of labor in some areas. Critics of the thirty cent minimum clause asserted that persons would rather go on relief than take private employment at less than thirty cents an hour. Thus the F. E. R. A. was occasionally charged not only with creating labor shortages, but with attempting, under the cover of relief regulations, to establish what were in effect minimum hourly wages for the country as a whole. The position taken by the Administrator was again, of course, that total benefits were strictly limited and therefore neither a thirty

29 For an article asserting that federal work relief wage policies from the outset were so generous as to encourage large scale voluntary unemployment, see Kendall K. Hoyt, "Costlier Employment Burden Net Result of Retreat From Expensive F.E.R.A.," *The Annalist*, January 24, 1936, pp. 165-166. For an article *contra*, bitterly attacking work relief benefits paid under the F.E.R.A. work program as inadequate to provide even a minimum standard of living, see James Rorty, "America on the Work Dole," *The Nation*, June 27, 1934.

30 See Walter Wilbur, "Special Problems of the South," *The Annals*, CLXXVI (1934), 49 *et seq.*

cent minimum nor payment of prevailing wages offered any threat to the labor supply of businessmen offering decent jobs.<sup>31</sup>

The great weight of evidence points to the conclusion that labor shortages were greatly exaggerated in some quarters<sup>32</sup> and that there were very few unjustified job refusals by relief persons during the years 1933 through 1935.<sup>33</sup> Most complaints of labor shortages came from those seeking cheap agricultural labor (chiefly seasonal) and those desiring domestics.<sup>34</sup> Complaints of shortages in these fields have been prevalent for decades. The plain fact is that seasonal agricultural employment and domestic service, with their long hours of hard labor at poor wages, have long been unattractive to workers. There is no evidence, however, of serious shortages in these fields during 1934 and 1935.<sup>35</sup> Press stories of crops rotting in the ground

31 See statements by the Administrator in *Hearings on H. J. Res. 117, op. cit.*, January 31, 1935, p. 106, and *Hearings on H. R. 3587, op. cit.*, January 13, 1937, pp. 78 *et seq.*

32 It must be remembered that, throughout the entire period of F.E.R.A., there were millions of unemployed persons *not on relief* who were seeking work.

33 The F.E.R.A. from time to time investigated charges of alleged refusals by relief clients to accept suitable private employment. A series of such studies were conducted in 1935. The results of a study in Baltimore are to be found in the *Monthly Report* of the F.E.R.A., April 1935, pp. 6 *et seq.* The *Monthly Report* for June 1935, pp. 1 *et seq.*, contains the results of studies in Washington, D. C.; Alleghany and Frederick Counties, Virginia; and Hammonton, New Jersey. The *Monthly Report* for November 1935, pp. 6 *et seq.*, contains a summary of these four studies and of two others undertaken in Memphis and Buffalo. The concluding sentence of this last article states: "These studies have shown conclusively that job refusals do not constitute a problem of major importance in the administration of relief."

34 During 1935 a few complaints began to be heard of shortages in skilled manufacturing and skilled construction. The F.E.R.A. had very few such skilled workmen on its projects and does not appear to have been a serious factor in the situation. The primary cause behind these shortages (which became more serious in 1936 and 1937) appears to have been the almost complete abandonment of apprentice training in these fields since the depression of 1929. This question is treated in an unpublished study of the W.P.A. by John B. Parrish, "The Work Program and Shortages of Labor in the United States."

35 See B. Mitchell and L. P. Mitchell, *Practical Problems in Economics* (New York: Henry Holt and Company, 1938), chap. vi.

for lack of labor were seldom founded in fact and there is no evidence that work relief wage policies were a serious factor in the situation. True, much of the seasonal employment offered small incentive to relief workers to renounce their relief status. In the last analysis, however, the local relief administrations determined the eligibility of applicants for relief. In practically every case these local organizations simply cut off relief until the seasonal work was accomplished.<sup>36</sup>

In addition to making efforts to place work relief on a higher plane through the utilization of the principle of payment of a fair wage for work performed, the F. E. R. A. set about to improve the quality of the work projects and to diversify them to meet the varied job qualifications of those on relief rolls. The task before the federal relief agency in this connection was stupendous, and it may be said that the early work relief program (from the inception of the F. E. R. A. through the beginning of the C. W. A. program in November 1933) fell far short of reaching its objectives.

In the first place, many of the states and localities had had little experience in operating work relief programs. A major defect was that relief funds were scarce and there was a general tendency for the local relief organizations to skimp on money for materials.<sup>37</sup> This form of economy naturally resulted in the institution of many projects which required little outlay for materials, but which when completed offered no substantial or lasting benefit to the community. Still another major defect was the failure of localities to plan a diversified program. The failure to provide suitable work for white-collar workers and women was most notable.

Attempts in the summer and fall of 1933 to swerve localities from steadfast adherence to precedent concerning types of work

<sup>36</sup> See an article by Daniel M. Kidney, "Harvest and Relief," *Survey Graphic*, XXIV (September 1935), 421 *et seq.*

<sup>37</sup> Arthur E. Burns, "The Federal Emergency Relief Administration," *Municipal Year Book*, 1937, *op. cit.*, p. 395.

projects were largely fruitless.<sup>38</sup> A few of these efforts, however, deserve special mention. Thus, in a letter of August 1, 1933, the Administrator informed governors and state relief organizations that work relief labor might be employed on federal property or under the direction of federal departments. This attempt to diversify programs and to gain expert direction for projects was followed up by two Administrative Orders<sup>39</sup> issued on September 22 elaborating upon the scheme of federally supervised work projects and giving details concerning the initiation, approval, conduct, and financing of such projects.

The states and localities, however, were not quick to cooperate by accepting federal projects.<sup>40</sup> Simple inertia was enough in most cases to explain the failure of states and localities to carry forward these projects; the additional fact that localities preferred to institute projects which were of purely

38 In some respects of course, as indicated in chap. ii, the primary task of the F.E.R.A. in the first few months of its existence was to help build up adequate state and local relief organizations. Little could be done to improve the various work relief programs in some states until a general house cleaning had been effected which would permit efficient operation of a program.

39 A-5 and A-5-1—Generally speaking, these federal projects were to be planned by various federal departments, and regardless of the agency originating the plans, etc., final approval was to rest with the state relief agency. Upon approval by the state agency full data were to be forwarded to the F.E.R.A. concerning "the location of the project, the number of men to be used on it, the nature of the work to be done, and the Federal Department under whose auspices it is to be carried out." These federal projects were to be carried out under the supervision of the federal agency planning the project. No federal relief funds were to be allocated specifically for these projects; thus expenses were to be met by the state and local relief organizations.

40 An Administrative Order, A-24, of October 20, 1933, sent to the states to stimulate their interest, indicates some of the types of federal projects which the F.E.R.A. had worked out with various federal departments. These included possible projects for "Malaria Control," "Rural Sanitation," and "Control of Rats as Carriers of Disease," under the direction of the Public Health Service of the Treasury Department, and "Mosquito Control" projects to be supervised by the Bureau of Entomology of the Department of Agriculture. Many of these and similar projects were later carried into execution under the C.W.A. program.

local interest and benefit also militated against the choice of "federal" projects. The preference for purely local undertakings persisted despite the admonition contained in an Administrative Order of September 22 that "in deciding whether to carry out these projects, when it is a choice between them [federal projects] and purely local projects, it should be remembered that Federal Relief Funds are being used to pay a considerable portion of the entire relief bills of all the States."

Other early federal efforts to persuade states to diversify their work relief programs likewise met with failure. Little progress was made prior to the C. W. A. in establishing programs providing useful work for such classes on relief rolls as the white-collar group, the professional group, unemployed teachers<sup>41</sup> and unemployed women.<sup>42</sup>

The F. E. R. A. itself recognized the faults which made the early work program only a partial success. The following comment by Corrington Gill (Assistant Administrator of the Federal Emergency Relief Administration, Civil Works Administration, and Works Progress Administration) illustrates this view. Writing with reference to this early F. E. R. A. period, he states: "Moreover, the local work relief activities, financed by F. E. R. A., state, and local funds, left much to be desired. The projects were frequently of little value, the work provided was almost entirely unskilled manual work, supervisory personnel and materials were inadequate, earnings were meagre, and efficiency was generally low."<sup>43</sup> As similarly stated by

41 In August 1933 the Administrator participated in a series of conferences with State Superintendents of Education and representatives of educational associations. It was not until October, however, that a few unemployed teachers from relief rolls were given employment on work relief projects specially designed for them. The emergency education program was subsequently expanded greatly and is discussed later in this chapter.

42 As late as October 10, 1933, the Administrator stated in an Administrative Order, A-21, to the states that "very little has been done to develop a program of work relief for women." Subsequent efforts to develop work projects for women are treated later in this chapter.

43 Corrington Gill, "The Civil Works Administration," *Municipal Year Book*, 1937, *op. cit.*, p. 420.

Arthur E. Burns, economist of the F. E. R. A. and the W. P. A.: "The superior features of an efficient and diversified work relief program are evident. However, both efficiency and diversification were generally lacking in the work relief programs of the localities prior to the C. W. A. era. This work relief, which employed approximately 2,000,000 persons in March, 1933, and 1,500,000 in November, was largely abandoned when the C. W. A. was initiated in the latter month. Indeed, this latter program was established partly to replace the haphazard local work relief projects which had been financed largely by F. E. R. A. grants."<sup>44</sup>

Unlike the F. E. R. A., the Civil Works Program was not built upon a grant-in-aid structure; it was a federally operated work program.<sup>45</sup> The general objectives of the Civil Works Program are outlined here, however, because the program was an important link in the evolution of federal policies on work relief. The Civil Works Program was of short duration, and as it drew to a close in April 1934, the joint work relief program of the states and the F. E. R. A. (operated under a grant relationship) was renewed in an expanded form. This new work relief program, known as the Emergency Work Relief Program, utilized many of the principles worked out in the laboratory of the Civil Works Program, and was greatly superior to the work programs conducted in the early F. E. R. A. period. A brief discussion of the manner in which the

<sup>44</sup> See Arthur E. Burns, "The Federal Emergency Relief Administration," *Municipal Year Book*, 1937, *op. cit.*, pp. 395 *et seq.*

<sup>45</sup> The decision to run the C.W.A. as a federal program was based in part on the belief that direct federal action would contribute to the much-desired speed. Inducing the states to come into line would have been a slow process, particularly since the relatively high wages to be paid C.W.A. workers might have constituted a major point of disagreement. A federally run program was also thought to help differentiate civil works from the work relief programs of the states and localities, and to facilitate the return to work relief wages when the C.W.A. program ended. Thirdly, it was felt that under a brief federally operated program, project standards could be raised and a good example given to states and localities of an adequate work program.



states and localities co-operated with the C. W. A.<sup>46</sup> in advancing the work program is also given in the hope that it will serve, by contrast, further to clarify the intergovernmental relationships under the F. E. R. A.

Dissatisfaction with the early work relief program of the summer and fall of 1933 was only one of the major reasons which led to the institution of the Civil Works Program in November. A second reason was to provide much-needed employment during the winter. The rather sharp upturn in business in the summer of 1933 had been followed by a period of recession, and both unemployment figures and relief rolls began to turn upward again in the fall. It had been thought that the construction program of the Public Works Administration would offer considerable employment by the winter of 1933-34. Unfortunately, however, planning and reviewing of public works projects had taken considerable time, and the Public Works Program had become snarled in many unforeseen technical and legal difficulties associated with the passage of needed state and local enabling legislation, with debt limits, bond elections, advertising for bids and letting of contracts, etc.<sup>47</sup> As it became obvious that the Public Works Program could not be counted upon to provide any great surge of employment throughout the winter of 1933-34, it was decided to institute a short-term program for that specific purpose. A third major reason for its creation was a desire to inject a great quantity of purchasing power into the economic system in a short period of time.

46 See Corrington Gill, "The Civil Works Administration," *Municipal Year Book*, 1937, *op. cit.*, pp. 419 *et seq.* For a general account of the creation of the C.W.A. and its objectives and early accomplishments, see the testimony of the Administrator, *Hearings* before the Subcommittee of House Committee on Appropriations, 73d Cong., 2d Sess., on H. R. 7527, *Federal Emergency Relief and Civil Works Program*, January 30, 1934, pp. 19 *et seq.*

47 See J. K. Williams, "The Status of Cities Under Recent Federal Legislation," *American Political Science Review*, XXX (1936), 1107-1114. A monograph by the same author, treating in detail the administration of the public works non-federal program, and entitled *Grants-in-Aid Under the Public Works Administration*, is soon to be published.

The Civil Works Program was inaugurated with no more than a week's notice. On November 8, 1933, Mr. Hopkins sent telegrams to the state relief administrators announcing that the President would soon create the Civil Works Administration.<sup>48</sup> On November 9, acting under authority of Title II of the National Industrial Recovery Act, the President through Executive Order<sup>49</sup> declared: "I hereby establish a Federal Civil Works Administration, and appoint as Administrator thereof the Federal Emergency Relief Administrator as an agency to administer a program of public works as a part of, and to be included in, the comprehensive program under preparation by the Federal Emergency Administration of Public Works, which program shall be approved by the Federal Emergency Administrator of Public Works and shall be known as the 'civil works program.'" While this order would appear to indicate a close tie-up between the Civil Works Program and that of the Public Works Administration, in actuality, when the Civil Works Program got under way it did not function under the direction or approval of the Public Works Administrator. This official was concerned primarily with speeding up his laggard long-term program of public works;<sup>50</sup> control of the Civil Works Program rested exclusively with the Civil Works Administrator. The Executive Order also allocated to the newly created agency \$400,000,000 of funds out of the

48 Telegram of November 8 in the files of the F.E.R.A. The telegram went on to explain that "the purpose of this agency is to provide employment to 4 million persons able and willing to work, now unemployed. The first task of this agency will be to provide regular work at regular wages for the 2 million now on so-called work relief. The Federal Emergency Relief Administration will name its State and local emergency relief administrations as State and local Civil Works Administrations."

49 Executive Order No. 6420-B.

50 See a pamphlet, *Proceedings of the General Meeting and Executive Meeting*, Federal Civil Works Administration, Washington, D. C., November 15, 1933, pp. 27 *et seq.*, for a brief statement by the Public Works Administrator covering the many difficulties experienced in attempting to speed up the program.

appropriation of \$3,300,000,000 authorized by section 220 of the National Industrial Recovery Act.

On November 10, 1933, a telegram from the Administrator informed state emergency relief administrators of their appointment as state civil works administrators. On November 15 an important conference<sup>51</sup> of governors, mayors and state and local civil works administrators was held in Washington. The Federal Civil Works Administrator explained the purpose of the program and answered questions. Transfers of workers from the early F. E. R. A. work program began the next day and the Civil Works Program was officially under way.<sup>52</sup>

The immediate objective of the Civil Works Administration was to provide work for 4,000,000 unemployed men and women on socially and economically desirable projects. The speed with which the program was placed in operation was little short of miraculous. Civil Works employment for the week ending November 23 was slightly more than 800,000 persons. For the week ending December 7 nearly 2,000,000 persons were employed. Nearly all of these persons were transferees from the early F. E. R. A. program. One week later approximately 2,700,000 persons were at work, and the peak of the program was reached the week ending January 18, 1934, when 4,260,000 persons received employment. Generally speaking, this peak total was composed of about 2,000,000 employable persons transferred from the relief rolls; the remainder were unemployed persons without relief status.<sup>53</sup>

The work relief activities of the state and local relief agencies were greatly curtailed during the period of active operation of the Civil Works Program (November 1933 through March 1934) and nearly all of the personnel which had been operat-

<sup>51</sup> *Ibid.*

<sup>52</sup> For a photographic record of the Civil Works Program, see Henry G. Alsberg, *America Fights the Depression* (New York: Coward-McCann, 1934).

<sup>53</sup> For a brief account of the C.W.A., see the *Monthly Report* of the F.E.R.A., December 1933, pp. 13 *et seq.*

ing these programs in the states were sworn in as federal officials to staff the state and local civil works administrations.<sup>54</sup> Indeed, without the wholesale swearing in of state and local officials which occurred it is doubtful whether the program could have been placed in operation with the requisite swiftness. These factors, however, tended to confuse the programs in the public mind. It was not generally understood that, technically, the C. W. A. was entirely distinct from the F. E. R. A., although operating simultaneously and with much the same personnel.<sup>55</sup>

For purposes of this study, the major point of distinction between the F. E. R. A. program and that of the C. W. A. lies in the federal nature of the Civil Works Program. Complete authority for the proper prosecution of the Civil Works Program was vested in the Civil Works Administration at Washington and was exercised through its subdivisions—the state and local civil works administrations. All state and local civil works administrators were appointed by the Federal Civil Works Administrator, and their administrative staffs were composed of sworn federal officials. Unlike the grant program, federal funds were not made available to the states for expenditure, but rather were disbursed in the states by federal disbursing agents upon the order of the state and local subofficers of the federal civil works administration. Sponsors forwarded lists of those working on projects, and these people were paid by federal checks. Materials necessary to completion of projects were purchased federally and then turned over to sponsors.<sup>56</sup>

54 Federal Civil Works Administration Rules and Regulations No. 1, issued November 15, 1933, states: "It is the intention of the Federal Civil Works Administrator to use, insofar as is practicable, existing work divisions of the Federal, State and local emergency relief administrations. Additional technical personnel, if found necessary, will be appointed by the Federal Civil Works Administrator."

55 For a general description of the federal-state relationships under the various relief programs, see an article by the writer: "Intergovernmental Relationships Under the Emergency Relief Program," *Monthly Report of the F.E.R.A.*, May 1936, pp. 1 *et seq.*

56 As stated in the *Monthly Report of the F.E.R.A.*, December 1933, p. 15:

The distinction between the F. E. R. A. and the C. W. A. was further blurred in the public mind by the simultaneous existence of the Civil Works Service Program—a work relief program specially designed for white-collar people and operated by the F. E. R. A. through the making of grants to the states. The Civil Works Service Program of the F. E. R. A. was instituted because the first allocation of funds to the C. W. A. came from section 220 of the National Industrial Recovery Act and could thus be used only for construction purposes. Actually, the C. W. A. program ultimately succeeded in operating many projects which afforded white-collar employment, but which also could be tied up with some form of construction activity. However, in order to make possible the operation of white-collar projects which bore no relationship whatsoever to construction, the F. E. R. A. made grants to the states for purely white-collar projects. Although employment on these projects was restricted to relief clients, the undertakings were operated under practically the same rules (hours, wages, etc.) as the projects of the C. W. A. They were, however, under the direction of the state emergency relief administrations, subject to the rules of the F. E. R. A. The funds provided through the Act of February 15, 1934, to continue the C. W. A. program were not restricted to construc-

“The problem of paying of wages to 4,000,000 men every week, purchasing of material and the proper accounting for these expenditures would have been insurmountable had it not been for the unemployment relief organization that was in existence in every State previous to the inauguration of the Civil Works Program.

“The Veterans' Administration, with the largest disbursing system in the Federal Government, was called upon to cooperate by acting as the disbursing agency for the Federal Civil Works Administration. Their special disbursing officer in each State was utilized as the nucleus of a disbursing system which was extended within 2 weeks into every county in the country; approximately 4,000 assistant disbursing officers were bonded to the Federal Government and authorized to disburse United States Treasury checks to meet local pay rolls. Payment for the purchase of equipment and materials rests solely with the Veterans' Administration's special disbursing officer in each state so that the purchasing of these items is kept centralized and meets the rigid requirements of the Federal Government's procedure.”

tion purposes. The C. W. A. therefore began to operate its own white-collar projects, and grants by the F. E. R. A. to the states for the Civil Works Service Program were discontinued.

While the Civil Works Program was a federal program, the states and localities played an important part in the actual administration of the program. Indeed, in some respects, the degree of control exerted by the C. W. A. over its so-called purely federal program was no greater than that achieved by the F. E. R. A. over subsequent federal-state work relief programs through the grant-in-aid device. A brief statement concerning projects will indicate the role of state and local governments under the C. W. A. The projects operated under the Civil Works Program were sponsored by localities, states, and various federal departments and agencies. Local sponsors (cities, counties, etc.) submitted their proposals for undertakings to the various civil works administrations. If approved, they were forwarded to the office of the civil works administration in their state. Final approval rested with this body, and when secured, work was begun almost immediately. Projects sponsored by various departments of the respective state governments required approval solely by the state civil works administration.<sup>57</sup> State and local participation did not stop, however, with the planning of projects. It is true that in a few instances the state or local branch of the civil works administration itself supervised the actual carrying on of the projects. Generally speaking, however, the governmental unit sponsoring the project was charged with the responsibility for supervising the working force, paying the supervisory expenses and supplying tools, equipment, and whatever share of the material costs it could provide.

These state projects, and more particularly the local projects, formed the bulk of the Civil Works Program. Although it was

<sup>57</sup> The vesting of powers of final approval for state and local projects in the state civil works administration is explained in large part by the desire of the Federal Civil Works Administration to place large numbers of projects in operation as soon as possible.

originally planned to place 1,000,000 persons on federal projects, the full quota was never attained.<sup>58</sup> The projects which were carried out under the various federal departments, however, were among the most useful undertaken and provided the greatest number of positions for non-manual and professional workers. Among the outstanding federal white-collar projects were the Public Works of Art Project under the Treasury Department which employed about three thousand artists, painters and sculptors; and the Rural Tax Delinquency Survey under the Department of Agriculture which employed about eleven thousand persons in securing data on tax delinquency, farm mortgage foreclosures and land values. In addition, many projects benefiting the public health, such as "Rural Sanitation" and "Malaria Control" projects were carried on.<sup>59</sup>

Federal projects were sponsored by federal agencies at Washington and were forwarded to the Federal Projects Division of the C. W. A. for approval. The projects were put into actual operation by sending orders to the various state civil works administrations to furnish the federal agency with a designated number of workers at prescribed rates of pay and to honor vouchers for material costs, etc. Thus, in carrying on federal projects, no money was actually given to the federal sponsoring agencies except such small sums as might be necessary to cover supervisory personnel and cost of travel.

Only brief reference can be made to the types of projects prosecuted under the Civil Works Program.<sup>60</sup> As has been

<sup>58</sup> It is impossible to secure an estimate of numbers working on federal projects since the Civil Works Administration's reporting system on numbers employed made no distinction between federal and non-federal projects.

<sup>59</sup> The federal projects may be grouped as follows: projects benefiting the public health; projects to control or eliminate pests; projects which improve public property; projects having to do with statistical research and surveys; projects which improve, preserve, or survey natural resources; projects for the improvement or the preservation of public records and documents; and projects not properly classifiable under the preceding types.

<sup>60</sup> Broadly speaking, the C.W.A. adopted the two general principles of the F.E.R.A. work relief program: that work must be done on public property

indicated, the greatest number of projects were originated by local political subdivisions. These local undertakings may be loosely grouped into the following classes: streets, roads and highways; schools; parks and playgrounds; public buildings; improvement to public lands; pest control; sanitation, waterways and water supply; utilities; and administrative, professional and clerical. While it is true that manual labor was mainly employed (projects involving road repair or construction alone accounting for almost 35 per cent of total expenditures under the Civil Works Program), the various construction projects were much more diversified than they had been under the early F. E. R. A. work relief program. In addition, both state and local and federal projects provided numerous opportunities for white-collar workers.

The problem of determining how many Civil Works jobs were to be allotted to each state was handled through the use of a simple formula based on two factors.<sup>61</sup> In making up the employment quotas for each state, population was weighted 75 per cent and number of cases on state relief rolls was weighted 25 per cent.<sup>62</sup> This formula was not rigidly adhered to, however. In a number of cases the states which were quick to offer

and that the projects undertaken should not be those normally performed by states and localities. As had been the case in the early F.E.R.A. program (see *supra*, pp. 101-102), however, the latter rule was soon relaxed to allow the institution of work normally done by the sponsors themselves—but which, for financial reasons, was being indefinitely postponed. Here again, there is no doubt that some cities which were contemplating instituting certain activities in the near future, had them performed as C.W.A. projects, largely at federal expense. However, such shifting of burden does not appear to have been great.

<sup>61</sup> *Proceedings of the General Meeting and Executive Meeting, op. cit.*, p. 42.

<sup>62</sup> The same general formula was used by the state agencies in making allotments to political subdivisions within the state. The states were instructed by telegram from the Administrator on November 18 that three-fourths of the employees and dollar allotments should be distributed among the cities and counties in accordance with their population and one-fourth in accordance with their respective proportion of the total case load of the state.



useful projects were allowed to exceed their original quotas when a definite need for further employment could be shown.<sup>63</sup>

The C. W. A. received its funds for allocation from three main sources. The first funds received by the C. W. A. were provided by diverting to it \$400,000,000 from P. W. A. balances under the National Industrial Recovery Act. As these funds dwindled, the C. W. A. obtained \$88,960,000 from the F. E. R. A. These funds were granted by the F. E. R. A. to the states with the understanding that the respective governors would endorse the checks and return them to the Federal Treasury for a Civil Works working account. The last funds were provided under the Act of February 15, 1934; after various transfers the C. W. A. received \$345,000,000 from this source.

Total expenditures for both the Civil Works and the Civil Works Service programs were \$931,103,000. This sum includes \$31,000,000 granted by the F. E. R. A. for Civil Works Service projects. The federal government provided \$844,000,000 of the total cost, local governments through sponsors' contributions provided somewhat over \$80,000,000, and the balance was contributed from state funds. Thus, federal contributions amounted to about 90 per cent of the total.<sup>64</sup> At the inception of the program it had been hoped by Federal Civil Works officials that state and local sponsors would contribute all the expenses of materials and possibly some of the labor costs. In actual practice, some sponsors made fairly liberal

63 The great stress which the C. W. A. formula placed on population does not appear to have been warranted. Generally speaking, the use of unemployment figures, had they been available, would have been more desirable. Extensive reliance upon the population factor can only be justified on the assumption that unemployment and need for relief are related rather closely to population, an assumption open to grave doubts. The desire to speed up the Civil Works Program, however, precluded the adoption of a complicated formula. The F.E.R.A. method of allocating funds to the states is given extended treatment *infra*, in chap. v.

64 Arthur E. Burns and Edward A. Williams, *A Survey of Relief and Security Programs* (Works Progress Administration, May 1938), pp. 26 *et seq.*

contributions; others undoubtedly managed to evade contributing their just share. The C. W. A. had no hard and fast rule concerning sponsors' contributions.<sup>65</sup> Only when the C. W. A. was firmly convinced that a given sponsor was shirking would projects be disapproved.

The C. W. A. rules governing employment of workers offer sharp contrast to those prevailing under the early F. E. R. A. work relief program. The C. W. A. did not employ the "budgetary deficiency" concept and half of its workers, although unemployed, were without relief status. Since the first allocation of funds to the C. W. A. came from Public Works Administration moneys made available under the National Industrial Recovery Act, it was necessary to spend them in conformity with the minimum wage rates and maximum working hour regulations established by the P. W. A. for public works employment. Briefly stated, these rules classified the states into three zones and set up minimum hourly rates as follows:<sup>66</sup>

	Southern Zone	Central Zone	Northern Zone
Skilled .....	\$1.00	\$1.10	\$1.20
Unskilled .....	.40	.45	.50

On November 23, Rules and Regulations No. 6 of the Federal C. W. A. ordered that where either prevailing rates or union rates exceeded these minimum zone rates, the higher rate should be paid.

The zone rates did not make provision for rates for semi-skilled workers or clerical and general white-collar workers. Rates for these workers were established under Rules and Regulations No. 10 of the Federal C. W. A. Under this regulation it was ordered, in effect, that semi-skilled workers be paid the local hourly prevailing rate. A "prevailing weekly

<sup>65</sup> See *Hearings* before the Committee on Appropriations, U. S. Senate, 73d Cong., 2d Sess., on H. R. 7527, *Federal Emergency Relief and Civil Works Program*, February 3, 1934, p. 11.

<sup>66</sup> The wage rates fixed by the various state highway departments were used on C.W.A. road projects. In many instances, therefore, unskilled rates for road work were below the 40, 45 and 50 cent minima.

wage" was ordered for clerical and white collar work, but in no case were weekly rates to be set below \$18, \$15, and \$12 respectively in the Northern, Central, and Southern Zones.

The early regulations of the C. W. A. provided for a maximum 30-hour week and 8-hour day for manual labor,<sup>67</sup> and a maximum working week for clerical employees of 39 hours.<sup>68</sup> On January 18, 1934, in an attempt to reduce federal expenditures, hours were drastically reduced to a maximum of 24 in urban areas and to 15 in open country and towns of less than 2,500 inhabitants. Total wages of course suffered a sharp decline, dropping from an average of \$15.04 for the week of January 18 to \$11.52 for the following week.<sup>69</sup> As a result, many Civil Works employees were forced to ask for direct relief to supplement their inadequate earnings.

The original zone system of hourly wage rates was dropped on March 2. This action was taken partly to reduce expenditures and partly because of the vigorous protests from employers (chiefly of agricultural labor) that the zone rates were well above prevailing rates. The new policy provided for the payment of prevailing wages, with a thirty cent minimum. Thus, as the C. W. A. drew to a close it returned to the same hourly wage policy which characterized the early work relief program of the F. E. R. A.

Liquidation of the Civil Works Program began in February. Early reductions in employment were achieved by discharging those least in need of work and by making major reductions in areas where seasonal or other employment opportunities were developing. Employment dropped from almost four million on the first of February to about two million at the end of March, nearly all these cases having relief status. Effective April 1, a new work relief program, known as the Emergency Work Relief Program, was placed in operation. To this joint pro-

<sup>67</sup> Rules and Regulations No. 1, November 15, 1933.

<sup>68</sup> Rules and Regulations No. 10, December 13, 1933.

<sup>69</sup> *Monthly Report of the F.E.R.A.*, June 1936, p. 37.

gram of the states and the F. E. R. A. (characterized by a grant-in-aid relationship) were transferred many of the incom-  
pleted projects of the Civil Works Program, and nearly all  
their relief workers.<sup>70</sup>

It is not easy to appraise the Civil Works Program; in many  
respects this first federal mass employment program has been  
the most praised and most damned of all federal activities in  
the field of relief. Criticism came primarily from those who  
objected to its cost and from those employers who objected to  
its high hourly wage rates.<sup>71</sup> Many persons also questioned the  
usefulness of much of the work done under C. W. A.<sup>72</sup> In  
some localities the non-relief C. W. A. jobs were handed out,  
in part at least, on a patronage basis by politicians and this  
kindled resentment.

On the other hand, the program won wide favor with local  
merchants and retailers, particularly those dealing in foodstuffs  
and other necessities. This group has ever since been a potent  
factor in urging a liberal relief policy upon Congress. Another  
powerful adherent was won in the vast majority of state and  
local public officials.<sup>73</sup> C. W. A. workers were naturally pleased  
by the program—and their disapproval of its discontinuation

<sup>70</sup> Civil Works employment for the week of April 5 stood at 1,179,000;  
for April 12, at only 104,500. The program was slowly liquidated thereafter,  
provision being made for the retention of sufficient workers to complete a  
few federal projects and to wind up accounts, etc. The last pay roll for  
work relief employees was for the period July 13-14; the last administrative  
pay roll was for the period from December 15-December 31, 1934.

<sup>71</sup> Criticism, particularly in the South, that the zone rates were consider-  
ably in excess of those usually paid in the locality appears to have been  
justified. The rates were sometimes avoided by classifying workers in lower  
skill groups.

<sup>72</sup> See Roger F. Evans, "Unemployment in Urban Centers," *The Annals*,  
CLXXVI (1934), pp. 85-86.

<sup>73</sup> In Congressional debate on the First Deficiency Appropriation Bill for  
1936, Senator Schwollenbach made the following statement: "In a letter of  
April 17, 1934, to President Roosevelt, Governor Landon said: 'This civil-  
works program is one of the soundest, most constructive policies of your  
administration, and I cannot urge too strongly its continuance.'" See *Con-  
gressional Record*, 74th Cong., 2d Sess., LXXX, Part VIII, 8513.

was evidenced by many local demonstrations and letters of protest to Washington.

In any evaluation, it must be emphasized that the Civil Works Program was an emergency and temporary program; it was never conceived of as having even the relative "permanency" of the F. E. R. A. The primary objectives were to carry a large number of employable relief persons and unemployed through the winter of 1933-34, and to give business a powerful stimulus. This, the program accomplished. However, those who assumed the responsibility for placing four million men at work within a few short weeks were bound to make errors, and some glaring mistakes were made. Taking into account the speed with which the program was inaugurated and its emergency character, however, the Civil Works Program needs no apology; from the point of view of intergovernmental relationships it stands out as the most amazing example of federal and state-local co-operation ever witnessed in this country. Only in time of war has this nation ever experienced the will to action, the federal-state co-operation, and the cutting of red tape which prevailed throughout the C. W. A. era.<sup>74</sup>

Undoubtedly the quality of some of the projects instituted under the program could have been much improved had there been time for more advance planning. The adverse weather conditions under which the program was prosecuted further

<sup>74</sup> The intergovernmental relationships under the C.W.A. may be further illustrated by the problem of suppressing malfeasance and misuse of federal funds. All irregularities (whether reported by outsiders or by those holding C.W.A. positions) were referred to the Division of Investigation of the Federal Emergency Administration of Public Works during the early period when the C.W.A. was financed by Public Works funds. Under the later appropriation (February 15, 1934), however, such cases were handled by the Bureau of Investigation of the Department of Justice. Because, under the C.W.A., the funds were federal and the officials were national officers, necessary prosecutions were conducted by federal prosecutors in federal courts under federal law. See *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill for 1936*, April 8, 1936, pp. 190 *et seq.*, for an account of the legal differences in prosecuting under a grant-in-aid program as opposed to a federal relief program.

hampered the projects. A number of projects of extremely questionable value were carried on in some areas. In other regions, where local officials used ingenuity in planning and proposing projects, work of considerable value to the community resulted. The Civil Works Program (with the exception of the federal projects) of necessity could rise no higher than the level of the projects submitted by the state and local officials.<sup>75</sup> It may be said, however, that scarcely a community in the United States was not richer for some useful project, after the C. W. A. had passed on.<sup>76</sup>

The stopping of the Civil Works Program did not spring from a change of heart on the part of the President or federal relief officials concerning the value of the "work principle." As the Civil Works Program drew to a close, it was promptly replaced by the Emergency Work Relief Program of the F. E. R. A. which began operations on April 1, 1934, and continued in force through the latter part of 1935, at which time it was in turn replaced by the federally operated Works Program. Diversification of work relief also continued to be a major objective, as shown by the following excerpt from the White House Press Release of February 28, 1934, announcing the objectives of the Emergency Work Relief Program:

. . . Every effort will be made to continue opportunities for work for the professional groups in need—teachers, engineers, architects, artists, nurses, and others.

The Emergency Work Relief Program was operated under the same co-operative grant-in-aid relationships which characterized the early F. E. R. A. work program. Two further im-

<sup>75</sup> Further, the brevity of the program precluded the institution of any but relatively short term projects, and ultimately resulted in the failure of some projects to be completed. Most of these unfinished projects, however, were completed under the subsequent Emergency Work Relief Program.

<sup>76</sup> See Paul V. Betters, J. Kerwin Williams and Sherwood L. Reeder, *Recent Federal-City Relations, op. cit.*, pp. 80 *et seq.* See also Paul V. Betters, "Washington and the Cities: 1934," *National Municipal Review*, XXIII (1934), 415.

portant distinctions between the Civil Works Program and the Emergency Work Relief Program should be noted. One important distinction concerns the economic status of the people employed under the respective programs. While the C. W. A. gave certain preferences in filling its quota of four million workers to persons coming from relief rolls, the program was primarily an employment program and over two million self-sustaining unemployed were given work on the program at its peak. The Emergency Work Relief Program, on the other hand, had for its objective the furnishing of work to employables on relief rolls. Generally speaking, destitution as shown by relief status was a prerequisite to a position on the program.<sup>77</sup>

Wages also furnish an important point of difference between the two programs. While all employees under the C. W. A. were allowed to work the same number of hours during any given week, employees under the Emergency Work Relief Program were definitely limited in the number of hours they could work by the budgetary allowance of the person in question.<sup>78</sup> The Emergency Work Relief Program, however, retained the hourly wage policy which was in effect at the close of the Civil Works Program. This wage policy provided for the payment of a prevailing hourly rate, but in no case was the

<sup>77</sup> The F.E.R.A. permitted certain exceptions to the requirement that employment be limited strictly to relief persons. Since it was often impossible to carry on complicated projects solely with relief labor, the F.E.R.A. allowed the employment of a limited number of persons who were not eligible for relief but whose special qualifications made them necessary to the successful prosecution of the projects. The number of such non-relief persons, however, was kept at a minimum, and during a typical week ending September 20, 1934, they numbered less than 5 per cent of the total of all persons working under the program. In addition, emergency work program employment (unlike that furnished by C.W.A.) could continue only on the basis of continued need as established periodically through investigation by the social service division of the local relief agencies.

<sup>78</sup> See WD-1, issued March 6, 1934, the first of a series of regulations issued by the Work Division of the F.E.R.A. concerning the Emergency Work Relief Program.

hourly rate to fall below 30 cents.<sup>79</sup> Strong opposition to the 30 cent minimum continued to manifest itself, however, and the minimum wage policy was dropped on November 19, 1934.<sup>80</sup> From then on, until the end of the program, wages were based solely on the "prevailing" rate criteria. Total earnings, of course, were governed by the "budgetary deficiency" principle.<sup>81</sup>

In order to facilitate the determination of prevailing rates, the F. E. R. A. urged that, whenever feasible, local wage rate committees be set up. These committees were to consist of "one representative each from organized labor, and the local relief administration, and a third member from local business or profession selected by the first two."<sup>82</sup> In determining the prevailing wage the local committees were to be bound by the following factors:

If there are wage agreements or understandings between local labor organizations and employers in the locality, such rates will be recognized as the prevailing rates. If there are no wage agreements in existence in the locality, the prevailing rate will be determined by the commission by acting on information concerning governmental—Federal, State, and city—rates, local payroll data, and so on. Whenever the prevailing wage rate changes upwards or downwards, the change shall be recognized by the wage

<sup>79</sup> *Ibid.*

<sup>80</sup> As previously stated, many employers, particularly those in the South, had protested immediately against the 30 cent minimum, when it was first introduced under the early F.E.R.A. program. Hourly wage rates were immediately reduced in the South upon abolition of the minimum clause—some rates falling as low as ten cents per hour. Pressure to reduce rates below ten cents was resisted by state and federal officials.

<sup>81</sup> Maximum hours were 30 per week and 128 per month, with a few exceptions for special groups. The average number of hours actually worked was about 60 per month. (See a table on p. 11 of the *Monthly Report* of the F.E.R.A., February 1935.) Average monthly earnings for the typical months of October, November, and December 1934, were \$27.01, \$29.13, and \$26.95 respectively. (See a table on p. 43 of the *Monthly Report* of the F.E.R.A., June 1936.)

<sup>82</sup> F.E.R.A., *Manual of Work Division Procedure*, November 15, 1934.



rate committee. In each case the committee has as its primary function the discovery of rates now in effect and not the task of setting a new rate. . . .<sup>83</sup>

The local wage committees had no power to enforce their "findings"; the local relief administrations accepted or rejected the findings as they chose.<sup>84</sup> The importance of the committees and the degree to which they functioned cannot be ascertained. In some sections, the committees appear to have performed efficiently; in others they appear to have been mere window dressing.<sup>85</sup> Indeed, in many areas, committees were never set up. Thus, during the prevalence of the 30 cent minimum clause, they appear to have been regarded as superfluous in the South, since prevailing rates for unskilled labor were below this standard.

Generally speaking, in the determination of the hourly wage policy, the federal organization was torn between two desires. First, it was desired that the morale of relief workers be sustained by payment to them of the prevailing hourly rate. On the other hand, the F. E. R. A. realized that it would be administratively impossible for it to attempt to set prevailing rates for all the localities throughout the country. Further, the placing of authority for determining prevailing rates in the state and local relief organizations was advisable in order to avoid charges of federal usurpation and to secure local cooperation in furthering the work program. During the early period of the Emergency Work Relief Program, however, the federal relief agency was unwilling to give full autonomy on the question of determining rates, and therefore set a 30 cent rock bottom. To the extent that prevailing wages were below this minimum in certain areas, local autonomy on the question was denied. As has been stated, constant bickering resulted between businessmen and many local officials and the F. E.

<sup>83</sup> *Ibid.*

<sup>84</sup> In some states (notably Arkansas and Minnesota) rates were centrally established by state officials.

<sup>85</sup> *Monthly Report of the F.E.R.A.*, June 1936, p. 41.

R. A. at Washington concerning the 30 cent minimum, a dissension which was ended only with the abolition of the clause.

The Work Division of the F. E. R. A. had primary responsibility for improving the quality and diversity of work projects and keeping states and localities in line generally with federal work policy. Shortly before the beginning of the Emergency Work Relief Program, the federal agency required the state and local relief organizations to set up work divisions.<sup>88</sup> These state and local work divisions, of course, were responsible for the actual conduct of the work program—subject to rules emanating from Washington.

Thus, the work divisions of the states and localities planned the projects (often with the assistance of the field engineer of the F. E. R. A.) and assigned workers to projects. Each project undertaken had a sponsor under whose jurisdiction and supervision the project was carried to completion. The state work division sometimes acted as sponsor for undertakings under its own supervision; in most cases, however, the projects were carried forward under the sponsorship of other divisions of the relief administration or other public bodies. The federal agency specifically ruled that all work was to be carried on by force account (day labor) rather than by contractors.

While, as in the case of hourly wage policies, the F. E. R. A. often exerted strong pressure to secure its objectives, the work division was not infrequently able to secure results through advice and consultation rather than through mandatory rulings. This may be illustrated by the work of the safety organization. In order to minimize accidents, it was ruled that an adequate safety organization must be maintained in each state, with an experienced state safety director approved by the F. E. R. A. and a staff varying in size according to the number of workers and the hazards inherent in the projects being carried forward in the state. The Safety Division at Washington issued only a few mandatory regulations, and confined itself almost exclu-

sively to offering information and advice on safety problems to state safety organizations.<sup>87</sup> Numerous advisory bulletins on all types of hazards were forwarded to the state organizations.<sup>88</sup>

There was a steady improvement in the quality of the projects throughout the period of the Emergency Work Relief Program. Also, the projects as a whole were definitely superior to those prosecuted under the earlier grant program and the Civil Works Program.<sup>89</sup> In part, this improvement was accom-

87 See an article by W. O. Wheary, "Safety Policies on Federal Work Relief Programs," *Monthly Report* of the F.E.R.A., March 1936, pp. 18 *et seq.*

88 Incidentally, the closely allied problem of compensation for workers killed or injured on relief projects provides an excellent illustration of the different intergovernmental relationships prevailing under the Civil Works Program and the Emergency Work Relief Program. Workers under the former program were clearly not state employees. Through February 15, 1934, therefore, workers injured in performance of duty on Civil Works projects were granted federal benefits under a modification of the Federal Compensation Act of 1916. Later, however, an act of Congress (Public No. 93, 48 Stat. 351) restricted drastically the benefits payable to Civil Works employees. Persons employed on the Emergency Work Relief Program by the states were not regarded as federal employees, despite the fact that the program was largely financed by federal funds. The problem of providing compensation for workers killed or injured on relief projects was thus placed squarely upon the states and localities. Injured work relief employees in a number of states were held to be eligible for benefits under state compensation laws, but in other states they were not regarded as falling properly within the term "public employees" as defined in the various state compensation acts. See an article by W. M. Aicher, "Workmen's Compensation on Work Relief Programs," *Monthly Report* of the F.E.R.A., July 1935, pp. 1 *et seq.*

89 The files of the F.E.R.A. contain thousands of letters from local officials and interested citizens commenting approvingly on the value to the communities of the work projects. The United States Conference of Mayors has warmly endorsed the projects. The report to the Governor of New York on "Work Relief in the State of New York" (1935) concludes that "the products of work relief have been of substantial value to the communities of the State and the benefit of the larger share of them will be evident for many years to come." A number of projects were poorly selected and poorly executed; these projects would appear to have been given undue publicity by the newspapers of the country.

plished by adding to each state relief organization a staff of engineers having supervision over the progress of work projects. These state engineers were aided, and controlled to some extent, by the regional engineers of the F. E. R. A. whose duty it was to supervise generally the engineering activities in various sections of the country.

The program grew from 1,088,421 persons employed in April 1934 to a peak of 2,446,266 in January 1935—declining steadily from that point throughout the rest of the year. While the percentage varied from state to state, at no time did the numbers employed exceed 47 per cent of the total numbers (direct and work relief) receiving assistance during the period of the program. This does not mean that the program could or should have expanded to cover all the cases receiving direct relief benefits.

In the first place, many of the persons receiving direct relief during the period were not capable of performing useful work on work projects. Valid reasons may also be assigned for the failure to provide work relief for all the truly employable persons on relief rolls. Under the budgetary deficiency set-up, each worker was necessarily limited to the number of hours which would permit him to earn his budgetary deficiency. This made for numerous shifts of workers, and on occasion seriously impaired the development of the projects. Those employable persons with extremely low budgetary deficiencies were therefore excluded from the work program. It was also impossible to set up work projects in many sparsely populated areas merely because a few employable persons were present on relief rolls. Also, only those types of work projects which did not compete with private industry could be instituted. Many employable persons (chiefly with factory employment backgrounds) could therefore not be given work in line with their past job experiences. In addition, of course, the F. E. R. A. never had sufficient funds to finance a work program for all employable persons on relief rolls. These factors make clear why the theoretical objective of work for all employables was never achieved.

The attempt to diversify the Emergency Work Relief Program sufficiently to provide jobs fitting the wide range of skills and experience of persons on relief rolls met with mixed results. As has been indicated, the fact that relief projects could not compete with private industry meant that many workers had to be given work which was but distantly related to their previous occupations. Most of the projects were of the public construction and maintenance types, including such projects as work on roads, parks, playgrounds and sewers, sanitation projects, and construction and improvement of public buildings.<sup>90</sup> Work on projects of this sort provided about 78 per cent of the employment furnished under the program. The jobs furnished under these construction projects were mainly for unskilled labor.<sup>91</sup>

Recognizing that the type of employment offered by public construction projects was not suitable for large numbers of employable persons receiving relief, determined efforts were made to have states and localities institute appropriate projects for women and white-collar workers. A minute description of the projects is, of course, beyond the scope of this study, but a brief outline of these special projects is given in order to illustrate the goal of diversification of the work program.

Very few efforts were made prior to the F. E. R. A. to institute special projects for women. This meant that most women were unable to secure work relief since the usual type of project was of a construction nature. The determination of the Administrator to change this situation was evidenced by

<sup>90</sup> As the Emergency Work Relief Program drew to a close, the state relief organizations were ordered by the F.E.R.A. to send in complete reports concerning the work program in their state. Many of these state reports were well written and profusely illustrated and, taken as a whole, the reports offer a most useful source of information concerning the program. These reports were the source of much of the material to be found in "The Emergency Work Relief Program of the Federal Emergency Relief Administration," a report submitted by the Work Division of the federal agency to the Administrator, and presenting a complete account of the program.

<sup>91</sup> Arthur E. Burns, "The Federal Emergency Relief Administration," *Municipal Year Book*, 1937, *op. cit.*, p. 396.

the appointment on October 10, 1933, of a director of a newly created Women's Division. On that date it was also ordered that each state relief organization appoint a qualified woman, subject to F. E. R. A. approval, to serve as the head of a women's division in each state agency.<sup>92</sup> It was the function of these divisions to plan special projects for women, and to exert pressure upon other divisions of the relief agencies in order that women might obtain equal consideration on projects where suitable work opportunities existed. Little was accomplished in this respect under the early F. E. R. A. work program; of the peak total of 4,000,000 persons working under the combined Civil Works Service and Civil Works Program, however, approximately 216,700 were women.<sup>93</sup> The Women's Division continued in active operation throughout the Emergency Work Relief Program<sup>94</sup> and in March 1935 a peak total of nearly 300,000 women were employed under the program.<sup>95</sup> Among the projects providing work for women were sewing room projects in which clothing, bedding, towels, etc., were fabricated for distribution to persons on relief rolls; food canning projects; nursing and teaching projects; and various research and statistical surveys.

Federal encouragement of white-collar projects has been productive of more bitter criticism than any other single activity of the various federal relief agencies. Even those critics who have held their peace with respect to the concept of providing

<sup>92</sup> Administrative Order A-21.

<sup>93</sup> *Monthly Report of the F.E.R.A.*, July 1935, p. 44.

<sup>94</sup> No great enthusiasm was displayed in some areas for the development of work projects for women and it was necessary for the Administrator to exert continued pressure to secure their institution. Thus, the Administrator wrote (W-33) on May 14, 1934: "Information has come to this Administration that in certain States the position of Director of Women's Work is being discontinued under the new program. This is contrary to the desire of this Administration. In the new program we expect that women will receive their full share of the jobs among those persons you are employing and it is highly desirable that this work be directed by some competent person on your staff."

<sup>95</sup> *Monthly Report of the F.E.R.A.*, July 1935, p. 44.

useful construction work for manual workers, have balked at applying the principle to furnishing white-collar workers with jobs utilizing their special skills. Much of the criticism which has been heaped upon relief agencies with respect to white-collar projects has arisen from a misunderstanding of the importance of the white-collar group in the United States and the peculiar problems which beset the relief agencies in attempting to meet adequately the relief needs of those white-collar workers who were forced to apply for relief.<sup>96</sup>

Various definitions have been given of the term "white-collar worker"; the definition adopted by the F. E. R. A. was broad and included: (1) professional and technical workers; (2) managers, proprietors, and officials; (3) office workers; (4) salesmen and related workers. Using this definition there were about 560,000 white-collar workers between the ages of sixteen and sixty-four on the relief rolls in March 1935.<sup>97</sup> This white-collar group therefore constituted about 11 per cent of all employable persons on relief rolls at this time; in many urban areas, of course, they formed a much larger proportion of the total able-bodied relief clients.<sup>98</sup>

<sup>96</sup> In order to express their contempt for white-collar projects, critics coined the phrase "boondoggling" projects. For a defense of the principle behind white-collar projects by Harry L. Hopkins, see *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill* for 1936, April 8, 1936, pp. 102 *et seq.* On p. 103 of the *Hearings* the reader will find Exhibit B, the report of an impartial committee reporting favorably on an investigation of a group of Works Progress Administration white-collar projects in New York City. On p. 111 there appears a defense (Exhibit C) of a few of the W.P.A. projects (both white-collar and construction) which were subjected to considerable criticism in the press of the country. Exhibit C absolves the projects, and makes abundantly clear that a large segment of the press did not inquire into the facts before throwing open their pages to charges of "boondoggling."

<sup>97</sup> *Workers on Relief in the United States in March 1935*—A Census of Usual Occupations, Division of Social Research, Works Progress Administration, January 1937.

<sup>98</sup> As a group, however, white-collar workers were under-represented on relief rolls. Applying the F.E.R.A. definition of white-collar workers to 1930

The failure of the early work relief program of the F. E. R. A. to provide suitable employment for white-collar workers may be explained in large part by the fact that states and localities had had little experience in furnishing work relief for this group. Further, funds were limited and the usual tendency of local officials was to proceed along established lines and to furnish work solely for manual labor. Thus, it was not until the establishment of the C. W. A. that special programs for white-collar workers were instituted.<sup>99</sup>

The Emergency Work Relief Program, instituted at the close of the Civil Works Program, made provision for three special classes of projects for white-collar workers: (1) planning; (2) public health, welfare and recreation; (3) education, arts and research. These undertakings were slow in getting under way, but for the period from August 1934 through April 1935 employment on these special projects averaged between 8 and 10 per cent of all persons on work relief. In the spring of 1935 there were approximately 200,000 white-collar persons working on these special projects.<sup>100</sup>

census figures, white-collar workers were 30 per cent of the total gainful workers of the United States. The relatively small proportion of white-collar workers on relief rolls (11.2 per cent of those able to work) may be explained, in large part, by two main factors: First, as a general rule, white-collar workers have greater resources than manual workers and thus tend to be able to avoid relief for a longer period after loss of employment. Secondly, white-collar workers, as a class, have accepted relief only as the last possible resort. This latter factor was one of the reasons that the F.E.R.A. sought to provide work relief for this group—in order to avoid, insofar as possible, the stigma which white-collar workers have always felt was attached to the acceptance of direct relief.

<sup>99</sup> See the discussion earlier in this chapter of the Civil Works Program and the attempt of federal officials to diversify the program.

<sup>100</sup> These three special types of undertakings did not, of course, provide all the employment which was available to white-collar workers. Many of the construction projects also utilized the skills of engineering, professional and clerical workers. For a more complete account of the white-collar program, see an article in the *Monthly Report* of the F.E.R.A., December 1935, pp. 59 *et seq.*



Planning projects were few in number, giving work to only about 1 per cent of all work relief employees.<sup>101</sup> These undertakings employed engineers, statisticians, economists, etc., in devising projects for white-collar workers and in furnishing data on the desirability of projects in other fields of work relief activity. The second group of the three types of projects specially instituted for white-collar workers (public health, welfare and recreation) was of considerable importance from the point of view of numbers employed, approximately 75,000 doctors, nurses, dietitians and welfare and clerical workers being employed on these projects in the spring of 1935.<sup>102</sup> The third group of projects (education, arts and research) provided the greatest white-collar employment. These projects provided research and clerical work; library work, including the cleaning, repairing and cataloging of books; and suitable work for musicians, artists and actors.

The emergency education program must also be considered in any discussion of the efforts made by the F. E. R. A. to achieve a diversified work program for white-collar workers.<sup>103</sup> This program was begun in October 1933 and had for its purpose the furnishing of work relief to unemployed teachers who had lost their positions as a result of economy moves by state and local governments. In March 1935, at the peak of the program, more than 44,000 persons were employed and the number of pupils was slightly in excess of 1,724,000.<sup>104</sup>

Plans for the emergency education program were drafted in each state by the State Department of Education. These plans had to be approved both by the state relief administrator and the F. E. R. A. before a program could be placed in opera-

101 *Ibid.*, p. 63.

102 *Ibid.*, p. 64.

103 The emergency education program was not a part of the Emergency Work Relief Program of the Work Division and its employment figures, etc., were not combined with those of the Emergency Work Relief Program.

104 See the *Monthly Report* of the F. E. R. A., June 1935, for a more complete analysis of the program. See also Beulah Amidon, "Emergency Education," *Survey Graphic*, XXIII (September 1934), 415.

tion.<sup>105</sup> Each state was free to develop or emphasize any or all of the following categories, depending upon state decisions based on local conditions:<sup>106</sup>

- (1) General adult education.
- (2) Literary classes for adults.
- (3) Vocational education.
- (4) Vocational rehabilitation.
- (5) Nursery schools for pre-school children from under-privileged homes.

Federal grants for emergency education were available only for salaries, with the exception that 5 per cent of a federal allotment could be spent for supplies in those communities unable to afford them. Federal regulations required that teachers be qualified persons on relief. The need for relief and the qualifications for teaching, however, were determined by the local relief offices and local school officials, respectively. Perhaps because education is generally admitted to be necessary, the emergency education program was widely approved, and never provoked the criticism directed against the art, music and drama projects.

In like manner, the college student aid program received but little criticism.<sup>107</sup> The program was instituted to provide part-

<sup>105</sup> Submission of plans by the state was a prerequisite to the operation of all special programs of the F.E.R.A. For a discussion of this "control device" see chap. iv.

<sup>106</sup> Education has long been regarded as a state function to be carried on through its political subdivisions. For this reason federal relief funds were not advanced for the regular city public school systems, since federal aid might have tended to break down local initiative in supporting schools and to cause employed instructors to be replaced by teachers at relief wages. An exception was made to this general principle, however, under the rural school continuation program of 1934 and 1935 in the case of rural schools for which state and local funds were completely exhausted. See the *Monthly Report* of the F.E.R.A., October 1935, pp. 21 *et seq.*, for a discussion of the rural school continuation program.

<sup>107</sup> This special program was operated under the supervision of the same section of the division (Relations with States) which operated the emergency education program and was therefore not a part of the Emergency Work Relief Program.

time employment for those college students who would otherwise have been unable to continue their education. State and local relief agencies were responsible for the actual conduct of the student aid program, subject to the regulations accompanying federal grants for the purpose. Actually, the projects for the students were planned and supervised in large part by the college authorities, with the local work divisions offering advice and supervision where necessary.

In making grants for the purpose, the F. E. R. A. provided that each state could receive federal aid at the rate of fifteen dollars per month for each student actually receiving part-time employment under the program. The number of students thus aided could be as high as 12 per cent of the total enrollment of the colleges within the state as of October 1934.<sup>108</sup> In choosing students for employment, the colleges were required to place primary emphasis upon the need of the student for assistance, although character and scholarship were also to be considered. At the peak of the program in March 1935 over 104,000 students were receiving part-time employment.<sup>109</sup>

At the outset of this chapter it was indicated that adequacy of relief and development of the work principle were two of the major objectives of the federal relief agency. In an attempt to reach these objectives numerous regulations were attached to grants of funds to the states. The major regulations issued

108 When the program first began in February 1934, the F.E.R.A. provided that aid might be extended up to 10 per cent of the enrolled students at \$15 per student aided. The immediate success of the program caused the Administrator to expand the authorization to 12 per cent.

109 Generally speaking, federal funds could not be used to replace college funds previously available for student aid nor for routine activities that would be normally paid for by the institution itself. The work performed under the program included clerical, library, museum and research work, as well as considerable construction work in publicly owned institutions. Rates of pay were those commonly paid by the institutions for the type of service rendered, with a thirty cent minimum per hour. Students earned up to twenty dollars per month, the average student receiving thirteen dollars per month. For a more complete analysis of the program see an article in the *Monthly Report* of the F.E.R.A., July 1935, pp. 39 *et seq.*

have been outlined, both to clarify the F. E. R. A. objectives and to indicate the extent of attempted control.<sup>110</sup> The third major objective was to diversify the relief program in each state to the end that suitable and differentiated treatment be accorded to the many different types of persons on relief rolls. Much of this diversification, as we have seen, was achieved through the development of a work program. Indeed, the work principle is based on the concept that employable persons should be given a different type of relief from that afforded to unemployable persons. Further, the F. E. R. A. attempted to obtain diversification of the work program itself—in order that persons be given suitable employment. The special projects for women and the white-collar program sprang from the insistence upon diversification. Likewise, the emergency education program and the college student aid program were instituted to meet the special problems of teachers and students.

There remain to be treated briefly four other special programs which were designed to provide diversified treatment for special problems and groups of persons in need. These are the Rural Rehabilitation program, the work of the Federal Surplus Relief Corporation, the Self-Help Co-operative program, and the Transient program.

As indicated in chapter 2, the rural rehabilitation program was instituted on the assumption that the rural relief problem could be differentiated from the urban relief problem. The objectives of the program and the intergovernmental relationships under which it operated were also discussed in the last chapter.<sup>111</sup> By far the most important work under the program, from the point of view of numbers assisted, was accomplished through the "rehabilitation in place" activities of the various

<sup>110</sup> See *infra*, chap. iv, for a discussion of the devices and sanctions utilized by the Administrator to secure compliance with F.E.R.A. regulations.

<sup>111</sup> For an article covering the Rural Rehabilitation program in detail, see the *Monthly Report* of the F.E.R.A., August 1935, pp. 14 *et seq.* See also Lawrence Westbrook, "Rehabilitation of Stranded Families," *The Annals*, CLXXVI (1934), 74-79.

State Rural Rehabilitation Corporations.<sup>112</sup> Rehabilitation in place was accomplished primarily through the making of advances (loans) by the corporations to farm families for such essential capital goods as seed, fertilizer, equipment, livestock, etc. Only those families which were adjudged capable of self-sustaining effort (if given assistance through loans) were given advances, and the loans were covered by notes payable to the corporations, secured by first liens on property and/or crops.<sup>113</sup> Generally speaking, the need for the program was greatest in the South, and since the structure of the agricultural economy in these states made rehabilitation there more easy than in other areas, most advances were made in these states.

In a number of cases, the Rural Rehabilitation Division sought to accomplish its work of rehabilitation through the creation of rural communities. Some of these communities were primarily, if not exclusively, agricultural, that is, the persons who were rehabilitated through sale of land therein by the Rural Rehabilitation Corporations were expected to derive nearly all their income from the land. In other cases, communities were located at points to which it was hoped to attract various private industries. These latter communities were thus often predicated upon a decentralization of industry which would afford the rehabilitants some industrial employment. Members of all these communities were also afforded loans for equipment, livestock, etc., through the corporations, and in some cases work centers were set up. These work centers, which were financed initially through the corporations, were put on a

112 See Hopkins, *op. cit.*, chap. vii.

113 Amortization was provided for according to the type of advance made. Payments on land were amortized over a thirty-five year period; payments for buildings and equipment over a period not to exceed the lease or useful life of the goods; livestock repayments were to be made within three years; subsistence advances were required to be paid within a year. Repayments were to be made primarily through private employment and sale of crops. In some cases, however, payment was facilitated by giving employment to rehabilitation cases on Emergency Work Relief Program projects connected with the rehabilitation program—such as erosion control projects.

self-liquidating basis through the exaction of fees from rehabilitants using the centers, and afforded facilities for canning, repairing tools, etc.

As has been indicated, one of the objectives of the Rural Rehabilitation Division was to assist "stranded" populations. Some of the above communities, notably that of Matanuska, Alaska, were utilized in this connection.<sup>114</sup> When the rehabilitation program was transferred to Resettlement, these communities, nearly all in process of construction, were transferred to that agency.<sup>115</sup>

The first advances to families for rehabilitation were made in April 1934 when 325 families received loans. The number receiving advances grew steadily and in the month of June 1935, the period immediately preceding the transfer of the program from the F. E. R. A. to the newly created Resettlement Administration, approximately 200,000 families received advances. At the time of transfer, approximately 364,000 cases were "under care," that is, they had received loans which had not yet been repaid in entirety. During the period when the Rural Rehabilitation Division functioned as a part of the F. E. R. A., a total of \$60,000,000 was expended under the rehabilitation program.<sup>116</sup>

114 The approximately 200 families, representing 900 persons who were selected as rehabilitants for this colony were relief persons selected from the Lake States cut-over regions of Minnesota, Wisconsin, and Michigan. The rehabilitants would have been hopelessly trapped in these areas; the soil was poor, and abandoned copper and coal mines and cut-over land were the only signs remaining to indicate that employment had once flourished in these areas. For an article dealing with the Matanuska Valley project, see *Monthly Report of the F.E.R.A.*, April 1936, pp. 30 *et seq.*

115 The communities at Red House, West Virginia, and Woodlake, Texas, were completed at time of transfer. Four other communities were left under the jurisdiction of the F.E.R.A. These were the completed communities of Cherry Lake Farms, Florida; Pine Mountain Valley, Georgia; Dyess, Arkansas; and Matanuska, Alaska. The first three now receive the advice and counsel of the W.P.A.; the Matanuska Community was placed under the Department of the Interior in September 1938.

116 Of the total of \$60,000,000, about \$49,000,000 represented advances to families for subsistence goods (\$14,000,000) and capital goods, such as

The attainment of another major objective of the rural rehabilitation program was entrusted to the land program section<sup>117</sup> which was created as part of the Rural Rehabilitation Division on June 18, 1934. This second objective was to purchase the unproductive or "submarginal" land of rural relief cases in certain areas, and in co-operation with other federal agencies,<sup>118</sup> to convert the land to such uses as grazing, forestry, and recreation. No families were forced to sell their land to the government, and it was recognized that those who did should receive government assistance in securing suitable land elsewhere where they might become self-supporting. The duty of planning rehabilitation measures for farmers displaced by the land program was entrusted to other sections of the division.

The land program section of the Rural Rehabilitation Division was transferred to the Resettlement Administration on April 30, 1935. During the short period of its existence as a part of the F. E. R. A. the section had investigated land use problems in 45 states; 18,869,000 acres had been proposed for purchase; 14,278,000 acres had been appraised; and 6,243,000 acres optioned. Final approval had been given 82 projects, involving 5,417,000 acres, the total cost for the land improvements thereon amounting to \$25,592,000. This aspect of the equipment, livestock, etc., (\$35,000,000). The remaining \$11,000,000 was spent for construction of houses and administrative expenses. It is believed that a very considerable proportion of the total outlay will ultimately be repaid to the Rural Rehabilitation Corporations.

117 For a more complete analysis of the work of the land program section, see the *Monthly Report* of the F.E.R.A., April 1935, pp. 9 *et seq.*

118 Thus, the National Park Service of the Department of the Interior helped to develop submarginal land areas for recreational purposes; the Bureau of Biological Survey of the Department of Agriculture established wildlife refuges; the office of Indian Affairs of the Department of the Interior participated in the program through the selection of areas to be added to Indian Reservations, primarily for grazing. Title to land purchased under the program was taken by the United States. Where qualified federal agencies were available to administer the proposed use of the land, title remained with the United States; in other cases the lands were turned over to state agencies for administration, often on a long term lease basis.

work of the Rural Rehabilitation Division was of course operated solely on the federal level—that is, the land program did not involve grants-in-aid.

In short, the basic aim of the Rural Rehabilitation Division was, insofar as possible, to do away with the need for relief in rural areas. This was to be accomplished by “rehabilitating in place” those on good or fair land, moving those on sub-marginal land to good land, and moving stranded groups to communities where self-sustaining activities were possible. The Federal Surplus Relief Corporation, which was under the executive direction of the F. E. R. A.,<sup>119</sup> represents still another special attempt to help keep farmers on a self-sustaining basis.<sup>120</sup> This Corporation was utilized for two main purposes. First, the Corporation helped to keep farmers above the destitution level by serving as an agency for removing price-depressing surplus commodities from the open market, and secondly, it was the instrument through which these surplus commodities were made available to the state and local relief administrations for distribution to relief clients.

The commodities which the Corporation distributed to state relief organizations came from three main sources. First, the Agricultural Adjustment Administration gave the Corporation large quantities of commodities purchased under its crop and price adjustment program. Secondly, the Corporation, acting

119 The Federal Surplus Relief Corporation was a non-stock, non-profit corporation, chartered by the state of Delaware on October 4, 1933. The certificate of incorporation provided that “there shall be three members and that such members shall be the persons who from time to time may occupy the offices of the Secretary of Agriculture of the United States, Federal Emergency Administrator of Public Works, and Federal Emergency Relief Administrator, respectively.” The original incorporators were, therefore, Henry A. Wallace, Harold L. Ickes, and Harry L. Hopkins. Subsequently, the Governor of the Farm Credit Administration was added to the original incorporators. These directors advised on policy questions; executive direction was a responsibility of the Work Division of the F.E.R.A.

120 See Hopkins, *op. cit.*, chap. viii, and an article by Edward A. Williams on the Corporation in the *Monthly Report* of the F.E.R.A., July 1935, pp. 17 *et seq.*



as agent for the states, purchased surplus commodities for distribution.<sup>121</sup> Local crop purchases were a third source of commodities distributed by the Corporation. These purchases were made directly by the state relief administrations situated in the crop-surplus areas; purchases were closely supervised by the Corporation, however, and paid for by funds specifically granted to the states by the F. E. R. A. for that purpose.<sup>122</sup>

Processing of the commodities was sometimes done for the Corporation under contract, and sometimes by the work divisions of the state relief agencies in collaboration with the Corporation. Storage of these commodities and their distribution to state commodity distribution centers were responsibilities of the Corporation. Upon receipt at the centers, title to the goods passed to the states and actual distribution to relief clients was accomplished through the state and local relief organizations. In practice, however, the Corporation, through the issuance of regulations, controlled to a considerable degree the manner in which commodities were distributed.<sup>123</sup>

121 All purchases made directly by the Corporation were handled through its division of procurement which was in charge of an officer detailed from the Supply Corps of the United States Navy. All purchasing and collateral operations were carried on in accordance with United States Navy procedure, bids being required for all commodities or services. Funds were likewise disbursed by a bonded officer detailed from the Supply Corps of the Navy.

122 In addition, some surplus foodstuffs were donated to the Corporation by growers in preference to allowing the food to spoil. In such cases, the gathering of the surpluses was usually undertaken as a work relief project.

123 A basic rule was that all commodities must be distributed to relief clients on an "over and above" basis; that is, in addition to aid normally extended on a budgetary deficiency basis. The purpose of this ruling was to raise relief benefits and to prevent competition of surplus goods with those emanating from private industry. The surplus commodities distributed by the Corporation included canned, fresh, and boned veal and beef; pork; sausage; mutton; lard; rice and other cereals; a wide variety of fruits; eggs; and many processed articles. Many of the surplus commodities provided useful projects for the various state work divisions. Thus, cotton and cotton textiles were distributed to women's workrooms where they were made into clothing, bedding, towels, blankets, etc., for relief clients. Canning projects were instituted to can surplus fruits and vegetables; wool was woven into goods for clothing for relief persons.

It should be emphasized that the activities of the Corporation were limited to the purchase and distribution of surplus commodities; the states remained their own purchasing agents for all other foods they needed. The Corporation did occasionally negotiate with large producers for the sale to state and local relief agencies of needed commodities at special rates.<sup>124</sup> The extent to which each state utilized these special arrangements, however, was purely a state matter.

The activities of the Corporation thus were of immediate aid both to farmers and relief clients.<sup>125</sup> The program both benefited certain farm groups and made possible more adequate diets to persons on relief. Farmers generally approved the program in that it helped to remove price-depressing surpluses. This certainly was of immediate value to many farmers; the long term aspects of this program, or any other program designed to help remove surpluses are of course beyond the scope of this study. From the point of view of those on relief rolls, distribution of these surplus products (sporadic as the distributions were) made possible greatly needed supplementation of the extremely low minimum budgets prevalent in many areas.

Unlike many of the special ventures of the F. E. R. A. which have been described in the pages immediately preceding, two special programs were foreshadowed by the provisions of the Federal Emergency Relief Act of 1933<sup>126</sup> specifically conferring upon the Administrator the power to make special grants for self-help co-operatives and transients.

124 Such arrangements were made with respect to the sale of cod liver oil and liver extract.

125 As the active period of the F.E.R.A. drew to a close, executive direction of the Corporation was transferred to the Agricultural Adjustment Administration in November 1935, and the name of the Corporation was changed to the Federal Surplus Commodities Corporation. The functions of the new Corporation were much the same as those of its predecessor, however. For the period from October 4, 1933, through October 31, 1935, the F.S.R.C. distributed to states commodities valued at \$265,271,056.

126 Public No. 15, 73d Cong., approved May 12, 1933, Sec. 4 (c).

The self-help movement had begun to achieve some importance in 1931. These early efforts were often confined almost exclusively to bartering.<sup>127</sup> Lacking money as a medium of exchange, individuals set up "trading posts" at which goods and services were bartered. In some cases the members of an "exchange" unit bartered the labor services of the group in exchange for part of a crop they helped to harvest. In nearly all cases, barter was the primary factor; some goods were occasionally produced for the members' own use, but the groups seldom attempted to produce goods and sell them in the open market as a co-operative enterprise. The act of 1933 attempted to aid some of these early co-operatives by authorizing the making of grants to states to facilitate the "barter of goods and services." Generally speaking, the immediate aim was to help these groups to produce goods for themselves, and to facilitate the exchange or barter of other goods needed by the members of the co-operative but which could not be produced within the group. Through this "self-help" device it was hoped that persons in the co-operatives might achieve better living standards than could be furnished through the granting of corresponding sums for direct relief.

The section of the F. E. R. A. charged with supervising the self-help program was placed in the division which administered the work relief program. The self-help co-operative program was never of great importance from the point of view of money spent or numbers assisted. During the period from August 1933 through December 31, 1935, approximately \$3,182,000 (adjusted for authorized transfers) was granted to 25 states, 2 territories, and the District of Columbia for the development of self-help co-operatives. As of December 1, 1935, federally aided co-operatives reported the expenditure of \$1,727,000 and assets of \$1,265,000 in equipment and in-

127 For an article dealing both with production-for-use and the self-help activities of the F.E.R.A., see P. A. Kerr, "Production-for-use and Distribution in Work Relief Activities," *Monthly Report of the F.E.R.A.*, September 1935, pp. 1 *et seq.*

ventories. Goods and services estimated at \$3,200,000 had been distributed to members during the period. It has been estimated that about 30,000 workers and their dependents, or about 100,000 persons in all, were assisted through the program.<sup>128</sup>

The relatively small size of the program may be traced in part to the general fear and hostility with which business groups viewed the production activities of the self-help co-operatives. This hostility was, of course, overcome to some extent by the ruling that co-operatives receiving federal funds could not sell their goods in the open market.<sup>129</sup> Other difficulties, however, also served to prevent the expansion of the self-help idea. It was difficult to obtain capable management and the workers themselves were often untrained for production methods. The market for goods was limited almost entirely to the needs of the group itself, except for such exchanges as could be carried on with other similar groups. The obtaining of sufficient cash was always a major problem. Grants were therefore made only to a few co-operatives which seemed to have the most chance for success; the grants which were made appear to have been justified.<sup>130</sup>

128 For a statement on the self-help co-operatives, see "The Emergency Work Relief Program of the Federal Emergency Relief Administration," *op. cit.*, pp. 69 *et seq.*

129 Exceptions were allowed to this ruling only in those cases where the goods produced were of a non-competitive nature; the chief articles produced, food and clothing, were of course not allowed to enter the open market. In some cases the state relief organizations purchased some food and clothing from the co-operatives for distribution to relief clients. Even this policy caused great protest from dealers who asserted that but for the co-operatives they might have sold the required goods to the relief agencies.

130 For an article defending the practicality of the self-help concept, see Udo Rall, former director of the Division of Self Help Co-operatives of the F.E.R.A., "Self Help—Practical and Proved," *Midmonthly Survey*, LXXIII (November 1937), 346 *et seq.* See also Paul S. Taylor and Clark Kerr, "Putting the Unemployed at Productive Labor," *The Annals*, CLXXVI (1934), 104 *et seq.*

The need for a special program for transients soon became manifest.<sup>131</sup> Localities have always regarded the indigent transient as an undesirable character and a drain upon local resources. During the depression this age-old dislike was fanned by the fear that a non-resident who was seeking relief might at any moment take some job which "properly" belonged to a local person. Thus, some transients were held to be "loafers" seeking to sponge from a community other than their own; other transients were viewed as competitors in an already overcrowded labor market. Whether considered as "loafer" or "potential worker," however, the indigent transient was unwelcome.

The unwillingness of states and localities to provide for transients is seen in the state settlement laws; these statutes, which are a part of the poor law of each state, provide that relief need only be given to those who have a "settlement" within the state or community. The word "settlement" has a technical legal meaning, but generally speaking a person acquires settlement in a town by living there under the conditions and for the length of time prescribed in the settlement statute.<sup>132</sup> The settlement is lost by absenting oneself from the community for a period of time mentioned in the law. These statutes usually contain "teeth" authorizing local public officials to remove non-resident dependents to the state where they have settlement. Thus, prior to the institution of the F. E. R. A. transient program, states and localities, reluctant to use funds for non-residents, met the transient problem by rounding up non-residents and forcing them to move elsewhere.

131 Hopkins, *op. cit.*, chap. vi. See also Ellen C. Potter, "The Problem of the Transient," *The Annals*, CLXXVI (1934), pp. 66 *et seq.*; and William J. Plunkert, Director of Transient Activities, F. E. R. A., "The Transient Program," *The Social Service Review*, VIII (1934), 484-491.

132 Most states require a period of one year; the F. E. R. A. accepted this definition and defined as a transient one who had lived less than the twelve preceding months in the state in which he was applying for aid. For an article by the writer on "Legal Settlement in the United States," see the *Monthly Report* of the F. E. R. A., August 1935, pp. 25 *et seq.*

The Transient Division of the F. E. R. A. was established in July 1933. In an effort to encourage states and localities to expand their relief programs to cover transients, the federal agency volunteered to furnish all the necessary funds for a transient program in those states which drew up an approved plan for dealing with transients. Local antagonism toward transients was so great, however, that despite the fact that no state and local funds were required, only a few states had applied for funds before September 1933, and it was not until the latter part of December that forty states and the District of Columbia were operating transient programs. According to one official of the F. E. R. A.: "Careful estimates place the maximum size during the operation of the transient relief program at 200,000 unattached persons and 50,000 family groups."<sup>133</sup> During the period of over two years in which the program was in operation, transient relief bureaus existed in most of the large cities and along the main travel routes. At these bureaus the transients were given food and shelter, and when feasible, a job on the bureau work program. In many instances, large transient camps were set up on the outskirts of cities where work projects were instituted.

Generally speaking, strong federal control over the transient program was inevitable. The funds were wholly federal, and those states and localities using federal funds for this purpose evinced little interest in administering the program. On May 1, 1934, an administrative order<sup>134</sup> was issued in an attempt to decentralize administration and force states to take more responsibility for the operation of the program. This order declared that the transient program must be regarded as an integral part of the state relief program and emphasized the responsibility of the state relief administrator for its successful

<sup>133</sup> See John W. Webb, "The Transient Unemployed," *Monthly Report* of the F.E.R.A., January 1936, p. 9. See also a doctoral thesis by the same author, *The Transient Unemployed*, Works Progress Administration, Research Monograph No. III (Washington: Government Printing Office, 1935).

<sup>134</sup> A-50.

operation. Despite this order, however, in nearly all states the state transient director continued to be regarded as more or less of an outsider dealing with a problem peculiarly federal and of no interest to the state. As stated by the former Assistant Director of transient activities of the F. E. R. A.: "State transient directors took their directions from and their troubles to the federal office. Many State relief administrators either refused responsibility for the transient program or ignored its existence."<sup>135</sup> The program of course could not remedy the basic causes of transiency, but the adequacy of treatment afforded to transients stands in sharp contrast to their miserable treatment before the institution of the program.<sup>136</sup>

135 Elizabeth Wickenden, "Transiency—Mobility," *Midmonthly Survey*, LXXIII (October 1937), 308.

136 The transient program drew to a close in the fall of 1935. Although some employable transients were given employment under the new W.P.A. Program, the old practice of localities of "dumping" transients elsewhere was immediately resumed.

## CHAPTER IV

### F.E.R.A. CONTROL DEVICES AND SANCTIONS

THE character and number of the regulations issued by the F. E. R. A. indicate that the federal agency believed it necessary to take a strong hand in shaping state and local relief policies and administration. The federal relief officials were not satisfied with attempting to establish safeguards for the honest expenditure of federal moneys by the states; a further objective was to channel state and local spending in such a manner as to carry out definite social policies.<sup>1</sup>

In justification of the regulations, it may be observed that the F. E. R. A. rightly assumed it could not limit itself to merely supplying funds to the states for relief to be spent at will. The agency operated on the assumption that when the federal government was called upon to supply funds for relief, it had the right to set up sufficient safeguards to ensure the proper use of federal moneys. The principle that federal conditions should accompany federal grants has been an integral part of all but a few federal subventions. True, the F. E. R. A. attempted to assume a higher degree of control over state administrations than had prior grant agencies. The constant stream of regulations which flowed from the Washington office to the state organizations far exceeded the number issued by the "old line" grant agencies. There were many reasons for this development. Emergency relief was a new function of government. State and local relief administrations had had little or no experience in dealing with emergency relief. The F. E. R. A. was not created to make advances to long-established state agencies with years of practical experience. The state emergency relief agencies had suddenly sprung up in a period of crisis. They had no fixed routine and were literally overwhelmed with the problem facing them. Under these circum-

<sup>1</sup> See *supra*, chap. iii.



stances, the new federal agency determined to take a strong hand in seeing that state organizations were molded along proper lines.<sup>2</sup>

As its major policies crystallized, the F. E. R. A. issued regulations designed to accomplish its objectives. Mere issuance of regulations, however, was not enough. The regulations had to be implemented by other control devices designed to secure substantial compliance with federal regulations and policies. They included the review of advance plans submitted by the state, insistence upon proper personnel, a complete system of state reports, reports from field representatives who were assigned to study administration in the states, and the activities of the Division of Investigation of the F. E. R. A. In the last analysis, of course, all these control devices were based upon the administrator's power to withhold funds or to federalize relief in a given state. These last resort "sanctions" are discussed later in the present chapter.

In the case of the old line grant agencies, a most efficacious method of bringing state administration of a federally aided service into conformity with broad federal aims has been some form of advance approval of state "plans" and "budgets."<sup>3</sup> The F. E. R. A., however, could not utilize the advance approval device to any great extent because the probable period of existence of the federal agency was not known. The fact that federal grants had to be made for very short periods, usually from month to month, rendered advance planning both by the federal agency and the states virtually impossible.

Insofar as the general relief program was concerned, there was no requirement of state plans or budgets unless one

<sup>2</sup> Paul Webbink, at one time Assistant Director of the Division of Research, Statistics, and Finance, may be quoted in this connection: "Responsible officials and leaders, in and out of politics, in the States have on the whole been well aware that an incompetent or dishonest or extravagant relief administration would blow up itself and those responsible for it." See Senate Document No. 56, *op. cit.*, Exhibit S, p. 644.

<sup>3</sup> Key, *op. cit.*, chap. ii.

stretches these terms to include the information presented in connection with monthly state applications for relief funds. The statements and briefs supporting these applications outlined completely the need for funds during the coming month and the general purposes for which they were to be spent. The chief object of the F. E. R. A. in reviewing these applications was to determine how much money should be granted to each state.<sup>4</sup> The typical procedure of prior grant agencies, on the other hand, had been to examine budgets with a view to making certain that states were dividing their predetermined allotment in the most effective manner.

The special programs came closest to utilizing the advance approval procedure of other grant agencies. The federal relief agency from its inception required that the state relief organizations must first submit basic plans as a prerequisite to receiving federal funds for an emergency education program, transient program, self-help co-operatives, rural rehabilitation, or college student aid. The plans prepared covered state activity in the particular field for the period of the program. They included a description of the proposed administrative set-up and details concerning the proposed program. For example, the plan for a transient program submitted by Arizona in August 1933 outlined the administrative set-up under which the plan was to be executed, the places where transient centers were to be instituted, and gave considerable detail concerning the kind of relief to be furnished to the various types of transients. The Arizona plan discussed this problem in terms of transient men, boys, women, and transient families, dividing them into such categories as the "automobile transient," the hitchhiker, the health seeker (usually afflicted with tuberculosis), the seasonal laborer (usually cotton pickers), etc. The F. E. R. A. would not make funds available for any special program unless the proposed state plans conformed with federal policies. In the case of transient programs, for instance, the Washington

<sup>4</sup> See *infra*, chap. v.

office held up approval of all plans proposing the appointment of obviously unqualified persons to run the program. The federal agency also insisted that the transient centers be located at points of greatest need, that accommodations be adequate, and that the type of relief be diversified.

After the general plans had been approved, states were required to submit budgets, usually at monthly intervals, in order to secure federal funds. The budget for an education program would include a statement of the sums to be spent for such purposes as training in vocational agriculture, vocational home making and vocational trades, adult classes in elementary reading and writing, and general education other than rural elementary. In the case of transient programs, for example, these budgets would reveal the outlay for monthly administrative salaries in the state office and at the treatment, transportation, and feeding centers; the costs for travel and for office supplies; the amount spent for meals, lodging, clothes, and medical care for the transients. The transient and other special program budgets were carefully checked against state reports of expenditures for the previous month for the same general items. The budgets were sufficiently detailed and frequent to afford the federal relief officials with an index of the scope of the particular special program, and its conformity with general federal objectives.

Moneys were ordinarily granted for the special programs at the same time that grants were made for the general relief program. The funds allotted to a state for a special program were definitely earmarked, however, and could not be diverted to other purposes without special permission from the F. E. R. A. Through the requirement of advance submission of state plans and budgets, and the earmarking device, the federal relief agency was able to control to a considerable extent the administration of the special programs.<sup>5</sup>

<sup>5</sup> In regard to grants made to the states for "rehabilitants," the F.E.R.A. had a major control device peculiar to this type of program. As indicated in chap. ii, the stock of the state rehabilitation corporations was pledged to the

With respect to the emergency relief program as a whole, however, primary reliance had to be placed upon techniques other than advance approval. Insistence that the state appoint a suitable administrator and proper personnel was always a most important means of maintaining as close an adherence as possible to federal regulations concerning the spending of relief funds by the state and local governments. As early as June 14, 1933, the Administrator had announced at a meeting in Washington of governors and state relief administrators that state relief personnel would have to conform to federal standards. Administrative Order No. 8, of September 26, reiterated that state personnel must be approved by the F. E. R. A. and stated: "The field representative of this Administration whose territory includes your state is authorized to extend or withhold this approval." No personnel rules were ever drafted by the federal agency. In the last analysis, therefore, state personnel had to conform to the general ideas of fitness entertained by the field representatives and the Washington office.

The degree of control over state and local personnel which the F. E. R. A. exerted through its field representatives varied widely from state to state. The approach of the F. E. R. A. to the problem of personnel was a pragmatic one. There was no formalized procedure and as much federal control was assumed as appeared warranted and could be obtained. Where the federal agency was supplying nearly all the funds spent by a state for emergency relief, it naturally was able to exert greater control than in those states where state and local contributions were a major factor. Further, the F. E. R. A. devoted its main energies to raising standards in those states which most required attention.

Generally speaking, federal attention was concentrated upon the higher state administrative positions. Members of state relief commissions had to be acceptable to the Washington office. Likewise, the federal relief officials insisted that the Federal Administrator to ensure conformity with the program agreed upon prior to the making of the grant.

qualifications of state relief directors and their main assistants correspond to F. E. R. A. standards. Nor did personnel control stop here. On occasion, the federal grant agency insisted that relief administrators in metropolitan areas be removed.<sup>6</sup> Usually the F. E. R. A. was content with forcing the state to appoint suitable persons to key positions. While complete scrapping of state organizations was not unknown,<sup>7</sup> an effort was made not to arouse local antagonism. Thus, as a field representative reported to the Administrator in a communication of July 11, 1933: "We have put up with a relatively inefficient administration in the state of ——— because it was not feasible to have a commission to supervise the work. However, ——— and his assistants have as a result of several months of experience developed into a pretty good crew, and the last thing I would wish to do at this stage of the game is to say anything that would look like criticism of the state relief personnel."

No attempt was made to influence the selection of local relief personnel except in the large cities where appointments to certain key positions were scrutinized carefully. Relief officials at Washington did, however, make considerable effort to induce local relief organizations to secure professional personnel insofar as possible. In many areas it was particularly difficult to persuade local officials that it was not desirable to hire anyone who happened to be available and set these untrained persons at such tasks as investigating applicants for relief and formulating their budgetary deficiency. The files of the F. E. R. A. indicate that the field representatives spent considerable time checking the size of family budgets in various localities, and when the budgets seemed either excessive or too low, the federal field men required investigation of the matter by the state relief authorities.

<sup>6</sup> For example, after an investigation at the instance of the F.E.R.A. field representative, the federal relief agency insisted that a new administrator be appointed in Portland, Maine, in the fall of 1933.

<sup>7</sup> See an article by Corrington Gill, Assistant Administrator of the F.E.R.A., "Unemployment Relief," *The American Economic Review*, Supplement, XXV, No. 1 (1935), 176-185.

Rule No. 3 issued by the F. E. R. A. on July 11, 1933, expressly provided that each local relief administration should have at least one trained and experienced investigator on its staff. Here, again, the field representatives played an important role in maintaining adequacy of investigations, as indicated by the following letter of August 3, 1933, from a field representative to the Administrator: "I am also checking up with \_\_\_\_\_, Supervisor of Investigation for the states. The work that she is doing is trying to get the investigation service on a sound footing. In some counties they have found the relief rolls so badly padded that they have thrown in a force of outside investigators to clean up the rolls in two or three weeks." Rule No. 3 further provided that there should be not less than one supervisor (thoroughly familiar with case work and relief administration), who was to supervise not more than twenty investigating staff workers.

In many localities, because of the size of the relief program and the speed with which it developed, it was impossible for the local relief administrations to secure "visitors" who had had the necessary training and experience. Thus, many states held institutes in order to acquaint case workers with the basic problems involved. The F. E. R. A. took an active hand in helping to meet this shortage by granting funds to thirty-nine state relief administrations for the purpose of sending a number of case workers to accredited schools of social work for a half-year each. The remaining nine states had a fairly adequate supply of trained social workers and were therefore not included in the program. Approximately one thousand persons received instruction under the program.<sup>8</sup>

The retention of adequate personnel was also regarded as important by the federal relief agency. A notable case occurred in California where State Administrator Raymond C. Branion, nominally a Republican, came under fire of Senator McAdoo of California who desired that a Democrat be appointed. The

<sup>8</sup> *Monthly Report* of the F.E.R.A., March 1936, p. 2.

F. E. R. A. refused to appoint a federal administrator for California or to bring pressure upon the Governor to remove Branion whose administration was considered satisfactory both by Field Representative Pierce Williams and the Washington office. The movement against Mr. Branion culminated in an attempt to convict him in a federal court for alleged misuse of C. W. A. funds. Pierce Williams, who had displeased the McAdoo faction by supporting Branion, was also indicted on June 20, 1934. Regarding the charge as politically motivated, several members of the F. E. R. A. resigned in order to furnish legal assistance to Williams.<sup>9</sup> Funds were raised by groups of social workers in the East for Branion's defense.<sup>10</sup> On November 12, Joseph B. Keenan, Assistant United States Attorney General, who had been appointed as special prosecutor to handle the case appeared in court and asked that the indictment be dismissed since there was not "a scintilla of evidence" against the defendants. The request was granted the same day.

The central control which was exerted over state and local personnel was accomplished despite the fact that the Federal Emergency Relief Act of 1933 did not contain a specific mandate authorizing such control. From time to time local officials and Senators pointed out that the act had made no mention of controlling state and local personnel. Thus, at the Senate hearings on the Emergency Relief Appropriation Bill for 1935, the following questioning took place:

Senator McCarran: "You select the personnel?"

Mr. Hopkins: "No; we approve the personnel."

Senator McCarran: "You selected the personnel in my State."

Mr. Hopkins: "Yes; for all practical purposes, I did."

Senator McCarran: "By what authority did you do that, may I ask?"

<sup>9</sup> Alan Johnstone, Walter Wilbur and Robert Kelso resigned to act as counsel for Williams.

<sup>10</sup> See Lillian Symes, "Politics vs. Relief," *Survey Graphic*, XXIV (January 1935), 8 *et seq.*

Mr. Hopkins: "It is not a matter of authority. I did not appoint the Administrator in the State. The Governor actually appointed the man. The Governor consulted me about who the man should be and you have one of the best men in the country out there on that."

Senator McCarran: "Of course, I do not agree with that."

The extreme interest of the Administrator and his staff in personnel is easily understandable. Federal grant agencies have varied widely in the degree of control which they have sought to impose over the selection of state personnel.<sup>11</sup> The F. E. R. A. does not appear to have had much choice in this connection, however. The extreme emergency, the huge sums being spent, and the obvious possibility that federal funds might be diverted to patronage or used for boodle purposes, all meant that the new relief agency had to use its power of withholding funds, etc., to secure close control over state and local personnel.

This personnel policy was not influenced materially by the political complexion of the respective governors. As Key states, "Personnel requirements were energetically enforced on many governors who were loyal New Dealers, and as a matter of fact, the most vociferous complaints against the F. E. R. A. policies came from Democratic governors and Congressmen."<sup>12</sup> Whether the F. E. R. A., operating as a grant agency, could have maintained the strong control over personnel for a long period of time is a moot question.<sup>13</sup> It seems probable that a grant agency operating under more normal circumstances would find it politically impossible to exert such a strong check over state personnel.<sup>14</sup> Suffice it to say that the F. E. R. A. did

<sup>11</sup> Key, *op. cit.*, chap. x.

<sup>12</sup> *Ibid.*, p. 270.

<sup>13</sup> Key suggests (*ibid.*, p. 273) that resentment against the energetic personnel policies of the F.E.R.A. "undoubtedly had much to do with the inclusion in the Social Security Act of provisions specifically prohibiting the imposition of federal personnel standards in certain state activities."

<sup>14</sup> See *infra*, chap. vi, for a discussion of the friction created in the grant mechanism due to conflict over personnel.



closely scrutinize state relief appointments, and did prevent the looting of the federal treasury.<sup>15</sup>

Unlike the personnel control, which was established without a specific statutory mandate, the power of the Administrator to require full reports from all states rested upon statutory foundation in section 5 of the Federal Emergency Relief Act. The F. E. R. A. insisted that states put pressure upon all local relief agencies to institute adequate reporting practices. The next task was to aid states in setting up uniform and detailed systems of weekly and monthly reports to the Washington office. These reports were of vital importance for two reasons. First, they served as a means of checking upon the use to which federal funds had been put. In addition, the complete state reports were one of the best means of getting a full picture of the size and character of the relief problem for the country as a whole. They kept the federal relief officials informed on the problem and were essential to that organization in estimating the need for present and future grants.

The reports were checked by the regional examiners and, upon their receipt in Washington, by various divisions of the F. E. R. A., chiefly the Division of Research, Statistics and Records. In this connection, the latter division made a minute analysis of state administrative costs each month. Copies of the analyses were forwarded to regional examiners for further examination and, where necessary, appropriate action was taken through the field representatives to secure a reduction in administrative costs.

The percentage of total relief expenditures utilized for administrative costs in each state ranged between 5.4 per cent (Vermont) and 18.3 per cent (South Carolina). The average for all the states for the period July 1933 through December

<sup>15</sup>Key (*op. cit.*, p. 273), corroborates this view: "The F.E.R.A. kept within relatively modest proportions what could have been the greatest spoils saturnalia of our history; it succeeded in improvising an organization to handle a problem of unprecedented magnitude; to do this its personnel policies were absolutely essential."

1935 was 10.7 per cent.<sup>16</sup> In translating these figures, it must be borne in mind that the term "administrative costs" as used by the F. E. R. A. had a broad meaning. The salaries of executive personnel constituted only one item in each state's "administrative costs." Other expenditures classified under that heading were the salaries and expenses of social workers, investigators, clerks and stenographers; general supervisory personnel of the Emergency Work Program and the transient, educational and rehabilitation programs; the cost of distributing surplus commodities to relief recipients; travel expenses, equipment, supplies, rent, heat, and printing. The state administrative costs did not include, of course, expenditures for the central staff of the F. E. R. A. or its offices in the field.<sup>17</sup>

No necessary correlation existed between the efficiency of a state relief organization and low administrative costs. There were a number of valid reasons for the variations between states in the percentages of total relief funds used for administrative costs.<sup>18</sup> The geographical features of a state, for example, affected the number of offices required. Concentration of relief clients in a small area tended to reduce administrative costs, since social workers were able to investigate and handle more cases. The standard of relief in a community also affected the *percentage* of administrative costs; although the cost of investigating an applicant was approximately the same in the South as in the North, administrative costs constituted a larger proportion of total relief costs in the South because of the much smaller relief allowances per family.

16 For a state-by-state table of expenditures for emergency relief and the obligations incurred for administration for the period July 1933 through December 1935, see *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill* for 1936, April 8, 1936, Table E-14, p. 374.

17 This cost incidentally was quite low. In 1934, for example, for every \$1,000 granted to the states, the federal staff spent 80 cents for administrative, investigatory and research activities. See Senate Document No. 56, *op. cit.*, Exhibit S, pp. 643-646.

18 See William Haber, "Relief Costs—How Much is Too Much?," *The Survey*, LXXI (April 1935), 105-106.

The place of the field agents in the organizational plan of the F. E. R. A. has been outlined.<sup>19</sup> As an instrument of control to effectuate federal relief policies they deserve special mention. Reports and statistics are useful tools, but they can never take the place of men who are in direct contact with a situation.

The field representatives and their staffs were the eyes and ears of the F. E. R. A. As time went on, their statements came to have great weight in the states, for Washington was inclined to back them up on nearly all occasions. The field representatives established contact with all persons connected in any way with the relief situation and were as familiar with the relief politics of the state legislatures as they were with the problems of the social workers. They knew the imponderables in the relief situation, the petty politics that were blocking state and local relief appropriations, the local attitudes toward various aspects of the relief program, etc., and were thus invaluable in putting the solid meat of reality around the bare statistics furnished to Washington.<sup>20</sup>

One of the primary functions of the field representatives and their assistants was inspectional—that is, to make certain that the rules attached to grants were being obeyed. The field men and their staffs were also of great aid in raising the standards of adequacy, improving engineering and accounting methods, and in general contributing to greater administrative efficiency. The important role that they played with respect to state and local personnel has already been sketched. In addition, for a

<sup>19</sup> See *supra*, chap. ii.

<sup>20</sup> Most of the field representatives were men of exceptional ability and wide experience in social work. Three of the early field representatives (Pierce Williams, Rowland Haynes, and Robert Kelso) had served as field men for the Emergency Relief Division of the R.F.C. Another field representative (Aubrey Williams, later Deputy Administrator of the F.E.R.A. and W.P.A.) had served as a field representative of the American Public Welfare Association. Other early field representatives had had wide experience with the Red Cross (T. J. Edmonds), with local community chests, etc. (Howard Hunter, Alan Johnstone, and Charles Stillman), with state or local emergency relief agencies (Major E. O. Braught and Robert H. Hinckley), or in private business and government (Malcolm Miller).

very considerable time after the creation of the F. E. R. A., state and local officials were still too busy with emergency action and decisions to withdraw temporarily and take a good look at the problems besetting them. The field representatives were able to do this, and their contacts with methods and problems of other states sometimes enabled them to furnish state organizations with suggestions which were of considerable value. Further, as indicated in chapter 5, the Administrator placed great reliance upon the views of the field representatives with respect to the validity of state reports concerning their ability to finance relief.

The field representatives were often utilized also as "shock troops" when serious attacks on federal relief rules or policies began to crop up in a state or locality. For example, the files of the grant agency indicate that field representatives were often called upon to help in smoothing out difficulties occasioned by protests against relief wage scales in the Southern states. In these areas, as indicated in chapter 3, protest was made that the wages offered by relief agencies were causing workers to refuse jobs in the cotton fields. The field representatives investigated such charges and, where job refusals seemed unjustified, consulted with state relief officials concerning the dropping of workers from relief rolls to meet labor shortages.

In a few states, when relief administration had been very unsatisfactory to the Washington officials, the federal agency exerted pressure upon governors to appoint field representatives or members of their staff as acting state administrators. In their capacities as state administrators the field men of course acted as state officials. A field representative acted as state administrator in Tennessee for several weeks in 1935; a field examiner was made administrator for a considerable period in California in 1934; and a field examiner functioned as state administrator in Maine for a period during 1935.

Still another major control device for keeping state and local relief organizations in conformity with federal policy remains to be described. Many state and local organizations

were new and untried units. There was special need, therefore, for a check upon possible misuse of federal funds. As already indicated, the prime weapon of the grant agency in this connection was its insistence upon adequate state and local personnel. The possibility of a good deal of petty grafting nevertheless remained.<sup>21</sup> This was beyond the scope of the field representatives to remedy. The result was the creation of the Division of Investigation of the Federal Emergency Relief Administration.<sup>22</sup>

The powers and functions of this division can only be understood in the light of the basic tenet that once a federal grant agency has delivered federal funds to the appropriate state agency, title to the funds passes to the state. This is of utmost importance with reference to the broad problem of federal control over the policies and administrative procedure of state agencies receiving grants. When title passes to the state the control which the federal grant agency can exert over expenditure of the funds is limited.

A leading case in this connection is *State of Wyoming, ex rel. Wyoming Agricultural College et al. v. William C. Irvine*.<sup>23</sup> In this case a suit was commenced in the courts of Wyoming by the Wyoming Agricultural College with the aim of forcing the treasurer of the state to turn over to the Agricultural College, rather than to the University of Wyoming, certain funds which he had received from the federal government as a grant-in-aid to the state for agricultural education.<sup>24</sup> Judgment was rendered against the college and the decision was affirmed on appeal to the Supreme Court of the United States.

21 Henry J. Bittermann, *State and Federal Grants-In-Aid* (New York and Chicago: Mentzer, Bush & Co., 1937), chap. xi, "Unemployment Relief Administration."

22 See a brief article by Dallas Dort, "Division of Investigation," *Monthly Report* of the F.E.R.A., March 1936, pp. 25-27.

23 206 U. S. 278 (1907). See also *King County v. Seattle School District No. 1*, 263 U. S. 361 (1925).

24 These funds were granted to the state under the Morrill Act of 1862 as amended by Act of August 30, 1890 (26 Stat. 417, chap. 871).

The Supreme Court clearly indicated that whatever the merit of the claim of the Agricultural College as the logical recipient of the grant might be, once the state had received the funds from the federal government they were wholly state funds and subject to its disposal solely. Regardless of the intent of Congress, the Agricultural College was said to have no title or right to the funds, for "as has been shown, both the fund and its interest and the annual appropriation are the property of the State and not of any institution within it."<sup>25</sup>

Both the Administrator and the legal department of the F. E. R. A. consistently maintained the position that funds granted by that agency to states became state funds upon receipt by the respective governors.<sup>26</sup> This, too, was the position taken by all federal agencies called upon to rule concerning the matter. The Comptroller General, after a statement of facts concerning relief grants had been put before him by Harry L. Hopkins, in effect ruled on January 2, 1934 that since federal relief funds became state funds upon receipt by the governor of the state, expenditure of the funds within the state could be accomplished without reference to federal accounting and purchasing procedure.<sup>27</sup> Likewise, the Commissioner of Internal Revenue, in a decision of February 25, 1935, ruled that the funds granted by the F. E. R. A. to the states became state funds upon receipt by the respective governors and were therefore not taxable under Section 620 of the Revenue Act of

<sup>25</sup> *Brown University v. R. I. College of Agriculture and Mechanical Arts*, 56 Fed. 55 (1893), is to the same general effect. See also *Yale College v. Sanger*, 62 Fed. 177 (1894).

<sup>26</sup> Copies of letters in the files of the F.E.R.A., written by its officials to state officials and interested attorneys, reveal that the F.E.R.A. steadfastly adhered to this principle. The F.E.R.A. assumed administration of emergency relief in a few states under powers granted to it by the Act of February 15, 1934. This "federalization" is described on pp. 175-179. In these federalized states, of course, grants were made to federal administrators in the states and remained federal funds until expended.

<sup>27</sup> See ruling of the Comptroller General, A-56783 of January 2, 1934.

1932 as amended, when the funds were used by the state for the purchase of gasoline, etc.<sup>28</sup>

The leading case in state courts on this question of title to funds granted by the federal relief agency to a state, and one which is squarely in point, is that of *Harris v. Fulp, Administrator*.<sup>29</sup> In that case one Harris alleged that he had been employed as a foreman of a "cattle project" by the South Carolina Emergency Relief Administration from August 1, 1934, through January 31, 1935, at 60 cents an hour. The plaintiff further alleged that he had been paid for only a fraction of the hours he had worked and asked that judgment be given for the balance. The first question taken up by the lower court was that of determination of title to relief funds in the possession of the state emergency relief administration. In this connection the court stated:

" . . . This court finds and holds that when the Federal Emergency Relief Administration makes the several grants to the Governor, under the above referred to Acts of Congress, that these funds become the funds of the State of South Carolina, and when the Governor, as the Governor of the State of South Carolina, turns said funds over to the Administrator of the South Carolina Emergency Relief Administration, in this case, the defendant, J. D. Fulp, that he occupies, with reference to such funds, the same position that the Treasurer of the State of South Carolina occupies with relation to other funds of the State of South Carolina." Since no express statute existed authorizing the state to be sued, decision was therefore rendered against the plaintiff and affirmed on appeal.

An important case which may appear to be contra the general grant theory and more particularly appears to be in opposition to the doctrine of *Harris v. Fulp* is the case of *Wiseman v. Dyess*.<sup>30</sup> Wiseman, State Commissioner of Revenues in Arkansas, sought to impose various state taxes on autos and

<sup>28</sup> Internal Revenue Bulletin, XIV, No. 8, February 25, 1935, 16-17.

<sup>29</sup> 183 S. E. 158 (1935).

<sup>30</sup> 72 S. W. (2) 517 (1934).

gas used by the state relief agency and purchased from funds made available through the F. E. R. A. The state relief administrator, Dyess, contested the taxes, and the case was tried in the lower court on an agreed statement of fact submitted by Wiseman and Dyess. The text of this agreed statement asserted that Dyess was an appointee of Harry L. Hopkins and seemed to point to the conclusion that the state agency, although receiving its funds via the governor, was in reality a federal agency. The lower court therefore ruled that the funds were federal and were not taxable, and its decision was sustained on appeal. The federal agency soon afterwards pointed out to Dyess that he had been appointed by Governor Futrell and not by the Federal Administrator, and that the agreed statement of facts was entirely out of line with the actual grant relationship which existed between the F. E. R. A. and Arkansas. Dyess thereupon reopened the case; the true relationship was explained to the court, but it refused to reverse its decision.<sup>81</sup> The case, however, cannot be considered to be contra *Harris v. Fulp*; for the Arkansas court held that the decision did not hinge upon whether the funds were state or federal. In essence, the court disregarded the title issue and declared, "these funds appropriated by the National Government for such beneficent purposes should not be diverted."

The operations of the Division of Investigation were naturally circumscribed by the legal precedents and opinions which have just been described concerning the passing of title to states of federal relief funds upon receipt by state governors. After the federal relief agency had made a grant to a state governor the funds became state property. Unlawful expenditure or defalcation of these funds was therefore a crime against state and not federal law.<sup>82</sup> Furthermore, the state and local relief

<sup>81</sup> 76 S. W. (2) 979 (1934).

<sup>82</sup> There were, however, instances in which a federal question might be raised. See *U. S. v. W. L. Stumbo et al.*, 90 Fed. Reporter 2d 828 (1937), in which persons who had misappropriated relief funds of the state of Tennessee were convicted in a federal court on the issue of using the United States mails to defraud.



officers were state officials and malfeasance on their part did not constitute a violation of any federal statute. The Division of Investigation, however, could and did investigate irregularities and put pressure upon state officials to prosecute those guilty of misconduct under state statutes.<sup>33</sup> This indirect method of safeguarding federally granted funds was one of the weak points of the grant system because state and local officials were not always zealous in bringing offenders to justice.<sup>34</sup>

During the first year of federal relief grants, no formal investigating unit was established. In this early period, investigations of fraudulent activities were conducted by local police officers who, in some cases, were aided by special investigators attached to state and local relief offices. It became obvious, however, that sound administrative principles required the federal government to supplement this work through a special investigating division functioning as a part of the F. E. R. A. This procedure made possible the full-time employment of trained investigators, insured a more uniform handling of investigations in the states, and placed the federal government beside the states and localities in a co-operative effort to avoid misuse of relief funds.

The Division of Investigation was established in July 1934 under authority of section 3 (c) of the Relief Act of 1933.

<sup>33</sup> A rather unusual decision by the highest court of Maine blocked state prosecution in one such case. In the case of *State of Maine vs. George W. Martin*, 187 A. 710 (1936), the defendant was indicted and convicted in the lower court for accepting bribes in connection with his duties as an employee of the state emergency relief administration. The conviction was reversed in the upper court on the ground that there had been a complete failure to establish the legal existence of a state relief agency. True, the court admitted, the Governor of Maine had been applying for and accepting F.E.R.A. funds. But, said the court, since the legislature had never created a state relief agency, the governor and state officials who had disbursed funds must have done so as federal agents. The federal money never became state funds, therefore, and no offense against the state had been committed by Martin.

<sup>34</sup> One of the advantages of the Works Progress Administration system is that W.P.A. funds remain federal funds, thus facilitating prosecution by federal officials in cases of malfeasance. See *infra*, chap. vi.

Generally speaking, personnel appointments were limited to applicants who had legal or accounting training or a considerable background of previous investigative experience. Many of those appointed had had training and experience with such federal investigatory bodies as the Secret Service, the Department of Justice, and the Federal Trade Commission. Headquarters of the staff were at Washington, and agents were assigned to areas where investigations were required.

Early in 1935, however, it was found desirable to establish field offices in certain sections of the country, each office covering a number of designated states. This revised set-up was useful in that it decreased traveling expenses, made possible immediate investigation and enabled the agents attached to a regional office to acquaint themselves thoroughly with the particular type of problems found in their respective areas. All reports of investigations were forwarded, after approval by the field agent in charge of a district office, to the Washington office for review.

When the reports indicated that criminal irregularities had taken place, copies of the charges were forwarded to state prosecuting officials for appropriate action. In quite a few cases, however, it was necessary to put informal pressure upon prosecutors to secure action. When prosecutions were instituted, cooperation was given by the federal investigators in assembling witnesses and evidence and preparing the cases for trial. As already indicated, defendants were prosecuted and tried by local prosecutors and judges under state law since the misuse of state funds (although the source may have been federal) was not a federal crime. In some cases the reports of the field investigators merely suggested that administrative action (demotion or discharge of officials) was necessary. In such cases the reports were transmitted with recommendations to the state relief organization.

The Division of Investigation commenced investigations only where some indication had come to its attention, usually through complaints or charges, that an irregularity might exist.

These complaints came from a wide variety of sources, the regular F. E. R. A. field staff, Senators, Congressmen, state and local officials, and interested citizens. Some complaints were handled by transmitting the charges to the investigatory unit of the state relief administration with a request for a complete report. Other complaints, chiefly those of the most serious nature, were investigated by the Division of Investigation itself. The most common charges were those relating to political activity by relief officials, political or other discrimination against relief applicants or clients, forgery of checks, bribery, pay roll padding, kickbacks (payments or refunds on the part of workers to foremen or others in order to keep their jobs), embezzlement of money, equipment or other relief property, and collusive action with contractors, chiefly with respect to purchase of materials. The Division of Investigation conducted inquiry into 1,472 cases through April 1, 1936. The charges were found to be false in 940 cases. Ninety-seven convictions were obtained during the period.<sup>35</sup> On the whole, considering the size of the sums spent and the speed with which the relief organizations were set up, it may be said that relatively few irregularities took place. Most of these were of a petty nature. To those familiar with state and local politics it will seem altogether probable that this record could not have been achieved without federal supervision.

Advance planning, state reports, federal control over state personnel, and the activities of the field representatives and the Division of Investigation, were all useful control devices for keeping states in line with federal regulations and policies. Behind these controls, and giving them life and strength, were two major "sanctions." First, the F. E. R. A. could withhold funds from any state which refused to obey its regulations or the orders of its duly constituted representatives. If threatened or actual withholding of funds failed to secure compliance, the

<sup>35</sup> See *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill* for 1936, April 8, 1936, p. 193.

federal relief agency had one further card to play. It could completely abandon its grant relationship with the recalcitrant state and federalize relief operations in the state.

There is no doubt that the primary coercive power of the F. E. R. A. with respect to the states lay in its ability to withhold funds from those states which refused to obey its regulations. The power of withholding grants is the most formidable weapon held by federal grant agencies. The Morrill Act of 1890 was the first federal legislation to confer the power upon a grant agency and it is now commonly accepted as an integral part of federal grant-in-aid policy. Some acts provide for a formal appeal to Congress, the President, or the Secretary of Labor (in the case of the Wagner-Peyser Act), in the event that the state agency feels that funds are unjustifiably being withheld.<sup>86</sup> No such appeal, however, was provided for as against the ruling of the Federal Emergency Relief Administrator.

Had the power of withholding funds been absent, there can be no question that the agency could not have gained the degree of control which it came to possess over state and local relief administrations. There is a common tendency, however, to overestimate the potency of the so-called "club" of withholding funds from states. A cardinal fact must always be borne in mind. The federal agency itself was extremely reluctant to withhold funds, primarily because the use of this sanction fell with the greatest force upon those in need of relief. State officials were perfectly well aware of this reluctance.<sup>87</sup> In short, power to stop federal grants fell far short of being an all-powerful sanction. It was always in reserve to be used, however, and was occasionally called into play.<sup>88</sup>

<sup>86</sup> Key, *op. cit.*, chap. vi.

<sup>87</sup> See *Hearings* before the Subcommittee of House Committee on Appropriations, 73d Cong., 2d Sess., on H. R. 7527, *Federal Emergency Relief and Civil Works Program*, January 30, 1934, pp. 14-15.

<sup>88</sup> See testimony of the Administrator, *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R.

From the foregoing discussion of "control devices" and "sanctions" it is obvious that the F. E. R. A. was in a position to control state and local administration of relief to a very considerable extent and to ensure general obedience to the rules and regulations which it attached to the making of grants. The state organizations kept the local organizations in general conformity with the broad mandatory rules and policies of the federal agency. From time to time some of the major regulations were not observed, but the Washington office usually was able to secure substantial conformity by exertion of pressure upon the state relief agencies.

Perhaps the best example of the practical limitations on the powers of the F. E. R. A. is seen in the question of state and local contributions for relief. This subject is given extended treatment in chapter 5. Suffice it here to say that theoretically the federal relief agency always held to the proposition that its financial responsibility for relief was purely residual, that is, that it would supply only those funds which were required to supplement those which the states and localities could raise themselves. There can be no question that, relying upon the federal government to come to the rescue, some states and localities did not overexert themselves in securing funds. The files of the grant agency attest to the constant and at times embittered discussions which took place between it and states which it conceived to be "lying down on the job." Poker-minded state officials did not always come off second-best in these contests, despite the fact that the F. E. R. A. could always play its trump card of withholding funds.

There is considerable evidence that some states were lax in enforcing certain mandatory regulations of the Washington office, particularly when local sentiment was antagonistic or lukewarm to the order. For example, the federal agency had great difficulty in securing the treatment which it desired for Negroes, transients, and strikers.

12624, *First Deficiency Appropriation Bill* for 1936, April 8, 1936, p. 154. See also *infra*, chap. v, pp. 203-205.

The rules of the F. E. R. A. expressly forbade discrimination in the furnishing of relief because of race. This order ran counter to the generally held view in southern states that white persons should receive preferential treatment in relief. Naturally, there was no open defiance of the federal orders; no rules expressly designed to effect discrimination were printed and issued by southern state and local relief administrations. Generally speaking, the discriminations which resulted came about through the use of the old political trick of relaxing regulations where whites were concerned and enforcing regulations strictly where Negroes were concerned.

Thus, the need of a Negro for relief was generally questioned more rigorously than that of a white person. Once accepted for relief, the Negro was often given a lower budget than were whites.<sup>39</sup> He was expected, and forced, to drop off relief rolls even if a potential private job were only for a few days and at miserably low wages. If assigned to work relief, the Negro was almost invariably classified as unskilled, regardless of his training. Negro white-collar workers suffered particularly from discrimination; they usually secured jobs as laborers or not at all. Such discriminations against Negroes, while most apparent in the southern states, were by no means confined to that area. By and large, federal relief officials were almost powerless to cope with local prejudice in this respect.

The transient program, as has been indicated in chapter 3, was greatly affected by the general indifference and hostility of localities toward transients. Since localities could not be induced to put up funds for transients, the F. E. R. A. provided all the funds for the program. The state relief administrations, however, continued to be indifferent to the program. The State Transient Director received his orders from Washington, and was quite generally left to his own resources by other members of the state staff. The program was therefore

<sup>39</sup> An F.E.R.A. study of certain counties in the South revealed an average relief budget per month of \$8.31 for Negro families and \$12.65 for white families. See *Monthly Report* of the F.E.R.A., March 1936, p. 14.

run practically as a federal activity, although the grant procedure continued to be used.

Another federal policy which proved difficult to impose upon state relief organizations concerned relief for strikers. The F. E. R. A. policy on relief to strikers came as a distinct bombshell in many quarters. The position of the federal grant agency in this connection was clearly set forth in Administrative Order No. 17, of October 5, 1933, which states in part: "The Federal Emergency Relief Administration will not attempt to judge the merits of labor disputes. State and Federal agencies exist, as well as the courts, which are duly qualified to act as arbiters and adjusters in such disputes. Unless it be determined by the National Labor Board of the National Recovery Administration that the basis for a strike is unreasonable and unjustified, the F. E. R. A. authorizes local relief agencies to furnish relief to the families and strikers after careful investigation has shown that their resources are not sufficient to meet emergency needs."

This order on strikers was naturally unpopular in conservative quarters and also ran counter to the views of a considerable number of local relief officials. Some social workers were staggered by the proposition that a striker might refuse to go back to work under certain conditions and, if need be proven, still be eligible for relief funds.<sup>40</sup> Considerable friction arose from federal attempts to enforce the rule. There can be no question that, despite the edict, some local relief officials took steps to keep strikers off relief rolls where possible. The tactics employed were to investigate a striker's need at great length in the hope that the strike would be settled in the interim.

In order to promote cordial relationships with the states and localities, federal relief rules were often made permissive in character; effort was made to draft rules in such a fashion as to accomplish a desired result while at the same time giving the localities leeway with respect to methods. For example,

<sup>40</sup> See Joanna C. Colcord, "The Challenge of the Continuing Depression," *The Annals*, CLXXVI (1934), p. 20.

the ranking officials of the F. E. R. A. were quite generally in favor of the practice of payment of cash to relief persons rather than the giving of commodities. Commenting upon the belief of some authorities that relief recipients could not be trusted to buy the correct foods, etc., the Administrator has observed: "It is a matter of opinion whether more damage is done to the human spirit by a lack of vitamins or complete surrender of choice."<sup>41</sup> Many local relief officials, however, dominated by the old conception that relief persons were prima facie incapable of spending money wisely, were opposed to cash relief.

Faced with the fact that there was considerable local opposition to cash relief, the first ruling of the Washington office on the subject<sup>42</sup> merely stated that relief payments could take the form of rent orders, food orders, or the cash equivalent. As time went on, however, the F. E. R. A. determined to break up the issue into two parts. Thus, it continued to allow cash or commodities as a means of providing for those persons not on work relief, although at all times encouraging the states and localities to use the cash method. In connection with work relief, however, the federal relief agency felt so strongly on the question of payment of cash that it abandoned its permissive ruling in this respect in April 1934. A ruling in that month therefore stated: "All persons working on work projects shall be paid in cash or by check. *This is mandatory.*"<sup>43</sup>

In short, the F. E. R. A. was loath to force state action except in those cases where it conceived a vital issue to be at stake.<sup>44</sup> Even in such cases, it was realized that in the last analysis the localities were responsible for direct administration

<sup>41</sup> Hopkins, *op. cit.*, p. 105.

<sup>42</sup> Rules and Regulations No. 3 of the F.E.R.A., July 11, 1933.

<sup>43</sup> *Manual of Work Division Procedure of the F.E.R.A.*, sec. 1, November 15, 1934, p. 14. In May 1934, 5.9 per cent of work program earnings were still paid in kind. Pressure from the F.E.R.A. steadily reduced this percentage to 0.8 in June 1935.

<sup>44</sup> See *supra*, chap. iii, for an account of the regulations of the F.E.R.A. and the major objectives sought to be achieved through them.



of the programs and that considerable leeway must be allowed to them in applying general principles to particular situations. The relief officials at Washington insisted upon major points of policy being followed, but did not require that the localities achieve these general objectives exactly in the manner the federal grant agency thought best.

Throughout the entire period of its existence, the F. E. R. A. attempted to preserve amicable relations with state and local agencies and to achieve its objectives through attaching conditions to grants. Under this normal grant procedure, actual administration of relief to the needy remained with the states and localities, subject of course to the rules and regulations accompanying the federal grants. The federal officials did not want to assume direct responsibility for actually contacting relief clients and administering a relief program in any state.<sup>45</sup> There were times, however, when complete disagreement arose between the federal grant unit and various state agencies, and the co-operative grant method could no longer be continued. When such situations arose, the F. E. R. A. was forced to discard its usual grant-in-aid pattern and to "federalize" relief in the state in question.

The first attempt to vest full power in the federal relief agency to take over the relief administration in a state is to be found in the last sentence of section 3 (b) of the Federal Emergency Relief Act of 1933 which states:

"The Administrator may, under rules and regulations prescribed by the President, assume control of the administration in any State or States when, in his judgment, more effective and efficient co-operation between the State and Federal authorities may thereby be secured in carrying out the purposes of this Act."

While the purpose of this section was clear enough, it was not until the passage of the Act of February 15, 1934,<sup>46</sup> that

<sup>45</sup> Senate Document No. 56, *op. cit.*, pp. 647-648.

<sup>46</sup> Public No. 93, 73d Cong.

complete power of federalization was vested in the F. E. R. A. This situation arose from the fact that while the Federal Emergency Relief Act of 1933 provided for federal assumption of administration, other clauses of the act provided that application for funds must be made by the *State Governor* (section 5) and that the funds be allocated to the states. Thus, these sections were interpreted to mean that the governor must apply and give receipt for all federal funds, even if the federal agency were desirous of assuming administration. This meant that, until the passage of the Act of February 15, 1934, the F. E. R. A. had to continue to co-operate at least to some extent with the state governors, if federal funds were to be available in a state. Thus, there was no formal federalization prior to February 1934.

The Act of February 15, 1934, however, cleared up this anomalous situation by providing that "nothing contained in the Federal Emergency Relief Act of 1933 shall be construed as precluding the Federal Emergency Relief Administrator from making grants for relief within a State directly to such public agency as he may designate." This provision enabled the Federal Emergency Relief Administrator to create state branches of the F. E. R. A. and to make grants directly to those agencies.<sup>47</sup> When "federalization" occurred, the state administrator of the federal relief agency applied for grants and they were made directly to him. Federalization was, of course, of the utmost importance from the legal and administrative point of view. Under the normal procedure, as previously indicated, the F. E. R. A. made grants to state governors. Upon receipt by the governor, the funds which had been granted became state funds, and were spent as such, although the states were subject to the control previously outlined. When federalization occurred, however, the grants made to the administrator

<sup>47</sup> For a statement by the Administrator concerning the need for enactment of such a provision, see *Hearings* before the Committee on Appropriations, Senate, 73d Cong., 2d Sess., on H. R. 7527, *Federal Emergency Relief and Civil Works Program*, February 3, 1934, pp. 7 *et seq.*

of a "federalized" state (a federal official) remained federal funds—subject to expenditure under complete federal control.

The first formal<sup>48</sup> "federalization" took place in Oklahoma on February 23, 1934, shortly after passage of the Act of February 15, 1934. This action became necessary when Governor William H. Murray of Oklahoma announced that he would not apply for or accept federal funds for relief unless he were allowed to spend them without regard to federal rules and regulations. On February 15, 1935, control was returned to state authorities, a new governor having been elected who was willing to accept federal funds subject to the rules and regulations accompanying these grants.

The second formal federalization of relief occurred in North Dakota on March 1, 1934, chiefly as a result of investigation of charges that employees of the state relief administration were being assessed for contributions for political purposes. Control in this instance was returned to state officials on December 15, 1935.

The federalization which took place in Massachusetts was of a peculiar variety. Under various state statutes it was necessary for all grants from states to local political subdivisions to be allocated on a population rather than a need basis. The F. E. R. A. objected to its funds being distributed in this fashion by the state of Massachusetts and therefore resorted to the process of federalizing relief there on March 7, 1934. However, only the work program was "federalized." Massachusetts had been operating its own direct relief program without federal financial aid. Federalization did not affect this situation; the state of Massachusetts and its localities continued to control and finance their own direct relief program.

It was a little more than a year before "federalizing" was resorted to again, this time in the case of Ohio on March 16,

<sup>48</sup> It is true, of course, that to all intents and purposes, a degree of federalization had taken place in some states, notably in Kentucky and Georgia, even prior to the first formal federalization occurring in Oklahoma. In these cases, however, applications for federal funds and receipt thereof were made by state governors; formal federalization did not occur.

1935. Several important issues help to explain this federalization of relief. In the first place, the Administrator had for some time been engaged in a dispute with Ohio officials concerning their failure to supply what he conceived to be a fair share of relief funds. This issue led to an open break when the Ohio Legislature failed to take action desired by the Administrator in March 1935. In addition, the Administrator had been presented with evidence that the governor was asking firms selling goods to the state relief administration to contribute campaign funds to the governor's political party.

Federalization occurred in Louisiana on April 8, 1935, and in Georgia on April 19, 1935. Cordial relationships had not existed between the F. E. R. A. and the governors of these states for some time; the federal agency finally came to the conclusion that the two states did not intend to co-operate in raising their standards of relief administration and that federalization was the only possible way out of the situation.

It should be understood that where federal control of emergency relief was instituted in a state, "federalization" did not extend to the expenditure of state and local funds which were distributed through state and local agencies. This does not mean that in federalized states the F. E. R. A. set up a completely new and distinct emergency relief organization. Usually, the head of the old state relief agency took the oath of office as a federal official; then all or most of the remaining members of the old state organization were sworn in as federal officials also. Needless to say, when federalization of relief took place, the tendency of state and local officials was to let the F. E. R. A. do the job.<sup>49</sup> Local relief agencies, however, continued to spend some state and local relief funds, though the sums were usually small. The personnel in these local agencies in federalized states

<sup>49</sup> When federalization occurred, the emergency relief problem of the state was broken up and full responsibility for part of the problem was given to the state and local relief agencies. The lines of responsibility were not uniform or clearly defined. For example, in Massachusetts the federal agency took responsibility for the work program; in other instances the division of financial and administrative responsibility was on a geographical basis.

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acted as local officials in this connection, although they were often sworn in as federal officials to disburse F. E. R. A. funds. Since "federalization" tended to reduce state and local participation in the relief problem, the F. E. R. A. made every effort to continue its grant-in-aid pattern with all states and abandoned the co-operative grant method only as a last resort. When federalization of relief was resorted to as a crisis measure, the normal pattern of grant-in-aid was reverted to as soon as possible.

## CHAPTER V

### ALLOCATION PROBLEMS OF THE F.E.R.A.

THE problem of determining an equitable basis for the allocation of federal relief funds to the states was, in many respects, the most difficult task encountered by the F. E. R. A.<sup>1</sup> Preceding chapters have described the rules promulgated by the F. E. R. A. to govern the expenditure of these funds, the methods of control that it utilized, and the main objectives that the F. E. R. A. sought to achieve through the initiation of its various programs. Before programs or regulations could be put into effect, however, the funds had to be distributed among the states, and the determination of a just and workable method of dividing the federal funds thus underlay and affected every other aspect of the relief program.

The F. E. R. A. received its funds under the provisions of five different acts of Congress.<sup>2</sup> The table which follows shows the net funds made available to the F. E. R. A. for allocation to the states under each of these acts.

During the period from May 1933 through October 1937, the F. E. R. A. granted to the states and territories for relief purposes the huge sum of \$3,067,000,000.<sup>3</sup> Close study of these grants is warranted not only because of the size of the sums allocated, but also because of the several methods of allocation

<sup>1</sup> A general discussion of problems associated with "The Division of the Costs of Federally-Aided Activities" may be found in Key, *op. cit.*, chap. xi.

<sup>2</sup> See an article by Arthur E. Burns, "Federal Financing of Emergency Relief," *Monthly Report of the F.E.R.A.*, February 1936, pp. 1-17.

<sup>3</sup> Nearly all of this total, or \$3,045,459,000, was granted during what may be termed the period of active operation of the F.E.R.A., from May 1933 through December 1935. In January 1936 the F.E.R.A. started its process of liquidation and grants made by it subsequent to that date were primarily for the orderly liquidation of certain state programs. See *infra*, chap. vi, for an account of the liquidation of the F.E.R.A.

TABLE 5  
FUNDS MADE AVAILABLE TO THE FEDERAL EMERGENCY RELIEF ADMINISTRATION

	Total author- izations and allocations	Reallocated to other agencies	Net available after trans- fers
Federal Emergency Relief Act of 1933 (Reconstruction Finance Corporation funds) <sup>a</sup> .....	\$500,000,000	\$88,960,000	\$411,040,000
Act of February 15, 1934 <sup>b</sup> ....	605,000,000	—	605,000,000
National Industrial Recovery Act <sup>c</sup> .....	25,035,000	25,000,000	35,000
Emergency Appropriation Act, fiscal year 1935: <sup>d</sup>			
Title II, par. 1:			
Appropriated for relief and other purposes by the Act .....	143,000,000	—	143,000,000
Reconstruction Finance Corporation balances .	500,000,000	—	500,000,000
Public Works Administra- tion balances:			
Balances of funds re- ceived under National Industrial Recovery Act .....	148,000,000	—	148,000,000
Balances of funds re- ceived under Emerg- ency Appropriation Act, fiscal year 1935	114,000,000	—	114,000,000
Title II, par. 2:			
Appropriated for drought by the Act .....	276,980,000	53,390,000	223,590,000
Total, Emergency Ap- propriation Act, fiscal year 1935 .....	1,181,980,000	53,390,000	1,128,590,000
Emergency Relief Appropria- tion Act of 1935 <sup>e</sup> .....	938,530,085	3,687,726	934,842,359
Grand total .....	\$3,250,545,085	\$171,037,726	\$3,079,507,359

<sup>a</sup> Public, No. 15, 73d Cong. (H. R. 4606), approved May 12, 1933.

<sup>b</sup> Public, No. 93, 73d Cong. (H. R. 7527), approved Feb. 15, 1934.

<sup>c</sup> Public, No. 67, 73d Cong. (H. R. 5755), approved June 16, 1933.

<sup>d</sup> Public, No. 412, 73d Cong. (H. R. 9830), approved June 19, 1934.

<sup>e</sup> Public Res. No. 11, 74th Cong. (H. J. Res. 117), approved April 8, 1935.

Source: Finance Division of F. E. R. A.

which were utilized. The usual method applied by Congress in previous grants had been to appropriate a fixed sum for distribution.<sup>4</sup> This sum was then apportioned amongst the states according to a formula prescribed by Congress or by the grant agency itself. Generally speaking, the formula was statutory and allocated the funds according to some such criterion as state population or area. The formula merely provided quotas, however. The states, in order to receive federal funds, were required to match the federal money, usually on a dollar for dollar basis.

F. E. R. A. grants were not allocated on these old traditional principles. On the contrary, the vast bulk of the funds was allocated on a discretionary basis, and with little regard for the often used criteria of state population. Secondly, nearly all the funds were distributed without reference to the old "matching" requirements of earlier grants-in-aid. The first and only attempt of Congress to dictate such a requirement for distributing federal relief funds may be seen in the Act of 1933; the subsequent relief appropriation acts left the F. E. R. A. free to apportion funds without the use of a matching requirement.

The original appropriation of \$500,000,000 made to the F. E. R. A. in 1933 was divided into two equal parts. The first \$250,000,000 was to be allocated under section 4 (b) to the states in the following manner. Each state was to receive one federal dollar for every three dollars of public funds spent by the state and its subdivisions during the preceding quarter. Congress did not dictate a formula for the allocation of the remaining \$250,000,000; section 4 (c) provided that this sum was to be allocated on a discretionary basis to states which required greater federal assistance than they were able to secure under section 4 (b). Section 4 (d) then provided that "after October 1, 1933, notwithstanding the provisions of subsection (b), the unexpended balance of the amounts available for the purposes of subsection (b) may, in the discretion of the Admin-

<sup>4</sup> The percentage grant idea was not really introduced into permanent federal legislation until the passage of the Social Security Act with its public assistance provisions. See Key, *op. cit.*, p. 319.



istrator, and with the approval of the President, be available for grants under subsection (c)."

The insertion of two different bases for making grants to the states was in reality the result of a compromise between two schools of thought in Congress.<sup>5</sup> One group was determined to proceed cautiously and limit federal financial participation in relief. These legislators were opposed to giving discretion to any federal official concerning the size of grants, and therefore insisted that grants be made on some automatic basis such as that inserted in section 4 (b). Further, they asserted that this automatic percentage formula was an equitable method of allocating funds. According to their argument, relief expenditures were roughly equivalent to the relief needs of a state, and the formula was declared equitable in that it gave more to those states with the greater expenditures or "need."

The opposing group of Congressmen believed that the relief needs of the country were so great, and state and local abilities so inadequate in many cases, that distribution of all federal funds for relief by the method prescribed in section 4 (b) would result in failure on the part of the most needy states to secure the aid they required. These Congressmen denied that past relief expenditures approximated need, pointing out that the poorer states had been unable to spend the sums they really needed to meet their relief requirements. Thus, they argued, the matching provision of section 4 (b) would merely accentuate inequalities amongst the states, since the states that spent the most would receive the most federal funds. As a result, discretionary grants were made available under section 4 (c) in the event that a state could not continue to meet its relief problem through aid furnished under the matching section.

During the first months of operation of the F. E. R. A., the majority of grants were made on the matching principle of section 4 (b). This action by the Administrator was in accord-

<sup>5</sup> See *Congressional Record*, 73rd Cong., 1st Sess., LXXVII, Part II, 2109-2132.

ance with the intent of the statute that no discretionary grants be made to a state until an attempt had been made to apply the matching system. Thus, in the period from May to September about \$138,000,000 was granted under this matching section as opposed to \$37,000,000 of discretionary funds.<sup>6</sup> It should be remembered that the distribution of funds under the matching section was a purely automatic process and required no exercise of discretion whatsoever on the part of the F. E. R. A. Each state's claim to its matching grant was in essence a matter of "right" since the amount of the matched grant was automatically fixed by law. The sole problem was to ascertain the amount of public funds spent for relief in the previous quarter; when this was ascertained the federal grant was automatically computed.

Nevertheless, the F. E. R. A. experienced some difficulty in making its first matching grants which were designed to help meet relief costs of the second quarter, and were to be equivalent to one federal dollar for every three dollars of public moneys expended in the state during the first quarter. At the time of the creation of the federal relief agency in the latter part of May, nearly two-thirds of the second quarter of the year had already elapsed. It was therefore essential that first quarter expenditures be computed as rapidly as possible, in order to make second quarter allocations available during the last month of that quarter.

Since formal reporting systems were not in operation in many states, it was necessary to verify state claims of first quarter expenditures on the basis of whatever information was available. Thus, in some cases, reports of state relief agencies were used; in other cases the statements of expenditures accompanying state applications for Reconstruction Finance Corporation funds were utilized. In the last analysis, however, the F. E. R. A. was forced to rely in the main on the sworn word

<sup>6</sup> See *Monthly Report of the F.E.R.A.*, September 1933, p. 13.

of each state governor making application;<sup>7</sup> there was no method under which it could really obtain information enabling it carefully to check state claims covering first quarter expenditures.

Grants for the third quarter were based on much more complete information. Early in June, special reporting forms were sent to all the state relief organizations. These forms required each state to report, on a county basis, amounts of expenditures and the number of families and single persons receiving care during the second quarter, comprising April, May and June 1933. During July these forms were further refined to secure additional information necessary to the computation of matching grants.<sup>8</sup> On November 11, 1933, when approximately \$200,000,000 had been granted under the matching section, Administrator Hopkins wrote to the President urging that the remaining balances under this section be made available for discretionary grants.<sup>9</sup> This request was granted, and with the exception of a few matching grants which were under consideration at the time, the remaining balance under this section was disbursed on a discretionary basis.

The immediate reason for the discontinuation of matching grants is to be found in the Administrator's letter, which states in part:

Under the Civil Works program which is being initiated, \$400,000,000 are to be allotted by the Federal Emergency Public Works Administration to the Civil Works Administration. It appears to be probable that if subsection (b) of Section Four of the Federal Emergency Relief Act . . . were to remain in force the several

<sup>7</sup> In applying for matching funds under sec. 4 (b) the governor filled out F.E.R.A. Form 5 (subsequently 5-A) certifying that the amount requested to be granted did not exceed one-third of the *amount* spent for relief (as defined by the F.E.R.A.) by the state in the past quarter.

<sup>8</sup> The F.E.R.A. did not make a formal audit of these state relief expenditures; the figures were merely checked for accuracy.

<sup>9</sup> As of this date approximately \$57,000,000 had been granted under the discretionary section 4 (c).

States might reasonably apply after January 1st, 1934, for one third of the amounts of Federal Emergency Public Works Administration funds expended by the Civil Works Administration in addition to one third of any sums expended from other funds for direct relief purposes. This would obviously create serious administrative problems, and would not be in accord with the apparent intent of the Federal Emergency Relief Act.

I desire, therefore, to exercise the discretion given me by subsection (d) of Section Four of the Act, as quoted above, and request that you indicate your approval of this action.<sup>10</sup>

While the above letter gives the immediate cause of the discontinuation of the matching principle of section 4 (b), there can be no doubt that more fundamental considerations explain why later appropriations were enacted without matching provisions. The fact that even 50-50 matching requirements run counter to the philosophy of equalization makes their use questionable.<sup>11</sup> The matching provisions of 4 (b) were particularly unsuited to the realities of the emergency relief situation of 1933-35. During this period many states and localities simply did not have the tax resources or the borrowing power<sup>12</sup> to meet their relief needs; this, indeed, was the reason for the creation of the F. E. R. A.<sup>13</sup> It is true that under ordinary

<sup>10</sup> A complete copy of the letter is to be found in the *Monthly Report* of the F.E.R.A., December 1935, pp. 8-9.

<sup>11</sup> See Key, *op. cit.*, p. 351.

<sup>12</sup> For an account of the extent to which states utilized their borrowing power to finance their relief requirements, see L. Laszlo Ecker-R, "State Relief Borrowing," *Monthly Report* of the F.E.R.A., August 1935, pp. 1-14.

<sup>13</sup> As Dr. Bittermann observes: "Back of federal relief is the fact that huge relief expense was needed at a time when the states and local governments were unable to finance it, although relief had traditionally been a function of the local communities." See Henry J. Bittermann, *State and Federal Grants-in-Aid* (New York and Chicago: Mentzer, Bush & Co., 1937), p. 22. See also Doctoral thesis of Arthur E. Burns, "The Economic Significance of Relief," *Summaries of Doctoral Theses, 1934-36* (Washington: The George Washington University, 1936). See also *Social Security in America* (Washington: Government Printing Office, 1937), chap. xix, "The Need for Federal Support of Social Security Programs," by Dr. Joseph P. Harris.

circumstances even such a percentage grant as that of subsection (b) would tend to equalize the tax burden to some extent. This is clearly the case to the extent that federal taxes are levied over the whole country and collected primarily on the basis of ability to pay. However, the use of subsection (b) probably resulted in an increase of burden in some areas. All states, poor or rich, contribute to federal revenues. During the crisis of 1933, although the poor states had contributed to the general federal pool of revenue, they could not spend much for relief and were therefore unable to secure substantial assistance through matching. Rich states, on the other hand, capable of spending more generously for relief, were able to suck back large sums under the matching provisions. Thus the very object of federal aid for relief, the assistance of those states unable to bear their relief burden, tended to be thwarted by such a provision as section 4 (b).

The discontinuation of section 4 (b) was of importance from still another point of view. As has been indicated, grants under this section went to states more or less as a matter of right upon proof of expenditures for the past quarter. Had this purely automatic scheme of allocation continued, there is small question that the F. E. R. A. would not have been able to prescribe the course of relief policy which has been outlined in chapter 3. It is true, of course, that the Administrator might have refused grants even under 4 (b) to states diverting the funds to other purposes. But he could scarcely have played so important a part in shaping relief policy, however, had allocations continued on a non-discretionary basis.

It must be emphasized that the abandonment of the matching concept with respect to federal grants for relief did not mean that Washington had lifted the entire burden from the states and localities. On the contrary, it was stressed that state and local governments must continue to contribute to the extent that their financial situation permitted, while the federal government confined itself, in principle, to a purely "residual" responsibility. In short, the F. E. R. A. followed the clear intent

of the act in financing different proportions of the relief burden of the various states, always maintaining that each state should bear as large a share of the burden as it could possibly carry.<sup>14</sup>

The official view concerning this matter was stated clearly in a letter of June 27, 1933, to the Governor of Texas from the Federal Emergency Relief Administrator, who that day had approved the first discretionary grant made under subsection (c) in the sum of \$808,429. In announcing this grant to Texas the Administrator wrote in part as follows:

"In making these funds available to Texas, I wish to point out that it is going to be possible to carry only a part of the cost of unemployment relief in the State of Texas out of federal funds. I understand that there is pending a proposal to amend the State constitution so as to permit the legislature to bond the State up to twenty million for relief of the unemployed. What I wish to make clear is that funds must be made available by the State and/or its political subdivisions, by this or some other means, if we are to continue to make grants from the federal funds.

"I understand that the people are to vote on the \$20,000,000 bond proposal for the unemployed in August. It being true that between now and that time there is no way by which the State could make available funds, we shall continue to grant funds upon proper showing by your official state agent, for the period between now and the election. Following the date of election, however, we shall have to require you to provide from state or

<sup>14</sup> While, contrary to previous grant appropriations, Congress did not outline a precise apportionment formula, the Federal Emergency Relief Act of 1933 did indicate a broad basis for distribution. Thus section 4 (c) stated: "The balance of the amounts made available by this Act, . . . shall be used for grants to be made whenever, from an application presented by a State, the Administrator finds that the combined moneys which can be made available within the State from all sources, supplemented by any moneys, available under subsection (b) of this section, will fall below the estimated needs within the State for the purposes specified in subsection (a) of this section . . ." Ability and need were therefore major factors in the formula drafted by the F.E.R.A. The methods used by the federal agency to determine need and ability are discussed later in this chapter.

local funds your fair share if any further funds are to be granted from federal funds.”<sup>15</sup>

The F. E. R. A. was therefore officially dedicated to the proposition that its function was to supply to states only that portion of their total relief requirements which they were unable to finance themselves. This meant that the federal relief agency was faced with two extremely difficult problems. First, it had to ascertain the total relief requirements or needs of each state. Secondly, it had to ascertain the sum which the states and localities were capable of raising to meet these total requirements. The difference between each state's total relief needs and its ability to finance these needs constituted state need for federal funds, or the maximum sum which the federal agency would be willing to grant.<sup>16</sup>

Since the primary objective of the F. E. R. A. was to equalize, or to give each state that financial assistance which it required, it was obviously impossible to apply the often used formula of total state population as the sole basis for relief allocations to the states.<sup>17</sup> Distribution solely on a population

15 Letter in files of the F.E.R.A., dated June 27, 1933. Incidentally, a constitutional amendment authorizing the bond issue referred to in the Administrator's letter was approved by the voters of Texas on August 26, 1933. Under the amendment, the state legislature was given the power for two years to permit the issuance of relief bonds not to exceed \$20,000,000 in all. Accordingly, in October 1933 a bond issue of \$5,500,000 was authorized; \$5,000,000 in February 1934; \$6,000,000 in September 1934; and \$3,500,000 in March, 1935. See *Summary Data Regarding Unemployment Relief, Texas*, as of July 8, 1935, a memorandum prepared by L. L. Ecker-R, Municipal Finance Section, F.E.R.A.

16 On many occasions, of course, the F.E.R.A. had to trim down all state requests merely because of the limited total amount of funds at its disposal.

17 Perhaps the most notable variation on the population system of allocation was that employed in making highway grants before the depression. Population was but one of three factors in highway grants which were distributed "one-third in the ratio which the area of each State bears to the total area of all the States; one-third in the ratio which the population of each State bears to the total population of all the States, as shown by the latest available Federal census; one-third in the ratio which the mileage

basis would have ignored the fact that widely varying percentages of the population were on relief rolls in the various states. Thus, in November 1933, a typical month, the percentage of all families receiving relief in the individual states varied from less than 5 per cent to 29 per cent. Obviously, a far greater strain was placed on those states supporting nearly one-third of their families on relief. In addition, the economic ability of the various states to finance relief was a factor which had to be taken into consideration. Per capita wealth, per capita income, and per capita tax-paying ability vary widely in the states. All these factors were therefore considered, in addition to total population, in determining the proportionate amount of the cost of relief which the various states would be called upon to assume.<sup>18</sup>

In recent years the federal government has been urged to emphasize equalization when making grants to the states.<sup>19</sup> The activities of the F. E. R. A. represent the first conscious attempt by the federal government to distribute funds with this aim in view. Grants were clearly made with the objective of enabling all states to maintain a minimum level of service for their needy people. A discussion of the difficulties encountered by the federal agency in working out equalizing formulas will indicate some of the exceedingly complex problems which must be met by any agency seeking to base its grants primarily on an equalization concept. These difficulties do not prove that rough equalization cannot be achieved, nor that it is not a desirable objective for some types of grants. They do prove, however,

of rural delivery routes and star routes in each State bears to the total mileage of rural delivery routes and star routes in all the States."

The Weeks Act (36 Stat. L. 961) providing for subsidies for forest fire prevention left the matter of apportionment in the hands of the Secretary of Agriculture, whose ruling made need the basis of allocation.

See Key, *op. cit.*, chap. xi.

<sup>18</sup> See text below.

<sup>19</sup> See National Resources Committee, *Public Works Planning* (1936), pp. 194-196, for a general discussion of equalization.



that much work remains to be done in the field of creating formulas for equalization purposes.<sup>20</sup>

The problem which confronted the F. E. R. A. in this respect had two major parts. It was necessary, first, to devise some means of measuring total state needs;<sup>21</sup> i.e., of determining the total amount that would have to be spent in each state to care for the destitute. The second part of the allocation problem consisted of finding a measure for each state's *ability* to meet its relief needs. The next step by the federal agency was to subtract the amount of the state's financial ability from the amount of its total relief needs, thus determining state need for federal assistance. It was then necessary, of course, to adjust all state grants to bring the total into agreement with the funds available for distribution by the F. E. R. A.

The federal relief agency, faced with these problems, had to gain a detailed knowledge of the relief situation in each state. The information was obtained in part by requiring the states to submit certain basic documents when applying for funds. These gave the state's version of its needs, ability, and consequent need for federal assistance. As will be indicated, the findings and conclusions of the state documents were by no means accepted as final; field representatives and federal officials at Washington made independent surveys to be used as a check against state assertions.

The basic state documents used by the federal relief agency as a guide in determining state need for federal assistance were the governor's sworn application for funds, statistical forms known as "supporting statements" which accompanied each application,<sup>22</sup> and "supporting briefs," often containing twenty

<sup>20</sup> For an interesting analysis of some of the problems of equalization still to be solved, see J. Roy Blough, "Equalization Methods for the Distribution of Federal Relief Funds," *Social Service Review*, IX (1935), 423-444.

<sup>21</sup> The term "total relief needs of each state" should not be confused with "state need for federal assistance." The latter term, as used in this chapter, refers to the difference between total state relief needs and state ability to finance those needs.

<sup>22</sup> The governor's application and supporting statements were made on

or thirty pages of narrative material, describing factors in the state affecting the relief problem and need for funds.<sup>23</sup>

The first of these three types of basic state documents submitted with each application for federal funds, the formal "Application of Governor," threw little light on the problem of ascertaining state needs and ability. This application, which was filled out and signed by the governor, and attested to, was merely a formal request for a stated sum of money pursuant to section 5 and section 4 (c) of the relief act of 1933 "to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship resulting from unemployment in said State during the month or months of \_\_\_\_\_, 193—." After the governor had filled in the specific sum which he believed represented *state need for federal assistance*, he certified that the combined moneys which could be made available within the state from all sources would fall below the estimated relief needs within the state during the period for which the federal grant was asked.

regular forms prescribed by the F.E.R.A. The first form for discretionary grants, F.E.R.A. Form 11, "Application of Governor," was issued on July 7, 1933. The later revised forms, F.E.R.A. Forms 11-A and 11-B, were similar in most respects but required in addition that the applicant indicate the period which the requested funds were to cover. Under the revised procedure, applications for all programs were made in one lump sum, rather than at different intervals on separate application forms. Form 11-B and copies of the forms for supporting statements are printed in entirety in the *Monthly Report* of the F.E.R.A., December 1935, pp. 112-114.

<sup>23</sup> Applications for funds for states with federalized relief agencies (see *supra*, chap. iv) were presented by the state emergency relief administrators on special forms, F.E.R.A. Form 11-C, "Application of Emergency Relief Administrator," supported by statements and briefs similar to those described above. Allotments were determined in like manner. The grants, however, were of course made to the administrators rather than to the governors. State administrations in such states were federal agencies, and were therefore subject to all applicable federal laws and regulations, including the rules of the United States Treasury. For an article describing the financial procedure in these six states, see F. S. Bartlett, "Financial Procedure in the Federally Operated Relief Administrations in Six States," *Monthly Report* of the F.E.R.A., June 1936, pp. 134 *et seq.*

The next section of the prescribed application form was a statement that the governor agreed to give a receipt, as governor, for the sum paid to him, and to expend the funds in accordance with the provisions of the relief statute and the rules and regulations of the Federal Emergency Relief Administrator. Finally, on each application form the governor agreed to file monthly with the Federal Administrator, and in the form required by him, a report of the disbursements made under the grant as provided by section 6 of the act of 1933. In short, the "Application of Governor" contained little more than a sworn statement by the governor concerning the sum which he believed should be given to his state for relief needs for the next month, and a promise to spend the funds in accordance with the rules and regulations of the F. E. R. A.

The supporting statements and briefs, on the other hand, were prepared by the state administrators for the governors with the express purpose of showing in detail total state needs for the next month; the state and local funds which were available to meet these needs; and the ensuing need for federal assistance, that is, the sum mentioned in the "Application of Governor." The supporting statements were purely statistical in nature. One of the major supporting statements (Form 101) was divided into four main sections or statements.<sup>24</sup>

Statement A was a summary of the current relief program covering the month during which application was made. Applications arrived at Washington about the twenty-first of each month and grants were made by the first of the following month. Thus, if funds were being asked for the month of April, Statement A would set out the available balances of federal funds at the beginning of March, any federal funds which had been granted during that month, and the estimated total of state and local funds available during the month. These totals would

<sup>24</sup> Form 101, with minor changes, was used until April 18, 1935, at which time F.E.R.A. Forms 102 and 103 were instituted. Form 102 was a combination of Forms 101 and 195 (later described) and gave the required information in somewhat greater detail.

then be added on the form to indicate total available funds for March. From this total were deducted the cash outlays during the month of March and the outstanding commitments at the end of the month; this of course gave the total estimated balance which would be available for April, i.e., the month for which application for funds was being made.<sup>25</sup>

Statement B of Form 101 would then be used to outline the estimated cost of the state relief program for the ensuing month of April. This statement indicated the estimated case load (sum of families and single persons) for the current month and for the ensuing month, broken down according to the general relief program and all the special programs, and the estimated cost for each program.

Statement C was used to ascertain the total need for federal assistance. Thus, to continue the illustration, the statement set out the total sum which could be made available from state and local funds during the month of April. This total was added to the balance for March found in Statement A. The last total, funds available from all sources, was then deducted from the estimate of total cost of Statement B. The resulting figure showed the amount of federal assistance for which the state was making application. Statement D then was utilized to show the breakdown of this requested amount according to the type of program for which the funds were to be utilized.<sup>26</sup>

The supporting statements thus gave a purely statistical account of state need for federal assistance; these statements, however, were explained and amplified by supporting briefs in which the applicant state substantiated its request for federal

<sup>25</sup> For a detailed account of the mechanics of making federal grants to the states, see M. R. McCormick, "Federal Emergency Relief Administration Grants," *Monthly Report* of the F.E.R.A., December 1935, pp. 1-33. Mr. McCormick has also written an unpublished master's thesis on "The Distribution of Federal Funds for Unemployment Relief," typed copies of which are available at the library of American University, Washington, D. C.

<sup>26</sup> In order to obtain a complete picture of the financial status of the state emergency relief administration at the time of application, it was required that an accounting form (195) accompany each application.

funds by a detailed narrative analyzing the state and local relief situation. Specific instructions were issued by the F. E. R. A. in July 1933 regarding the type of information which was to be contained in these narrative briefs. By the early part of 1934, however, the rules were relaxed, and a more general description was permitted in the briefs. This change was possible because much of the information which had previously been required to appear in the briefs was being received in the form of regular reports to the various divisions of the Washington office. The requirements laid down, however, did bring about a certain uniformity in the presentation of the information and placed requests on a comparable basis as among states and between the successive applications of individual states. The instructions were as follows:

The exact scope of information included in the brief required to justify the application and supporting statement may vary from month to month, in accordance with conditions. Every effort should be made, however, to incorporate in these briefs authoritative and exact information of present and past conditions as well as the best possible forecasts for the ensuing month.

Each brief should give for the particular program discussed therein all details required for the preparation of the forecast contained in the "Supporting Statement to Application for Grant." These briefs should show separately the estimated number of families and of single persons requiring relief during the current and ensuing months. Full explanation of changes in financial conditions, case loads, administrative expense and other important data should be included in these briefs. Particular care should be exercised in outlining the measures being taken for the securing of local and State support for each program. The failure of State and local units to provide funds in accordance with previous estimates or assurances should be explained in full detail.

The forecast of expenditures and commitments to be incurred under the various programs should be supported by specific and complete data. Thus, the forecast of expenditures under the general relief program should show the past and current as well as the anticipated relief load, administrative expenses, both local and

State, and other types of expenditures required to conduct the program.

In connection with new programs to be undertaken during the period, a specific statement should be submitted showing the need for such program, its proposed organization, and the method of operation. The cooperation of State and local units will affect the final determination of the Federal Emergency Relief Administration in providing funds to carry out the program.

In accordance with these instructions, the state administrators (who actually filled in the supporting statements for the governors) attempted to include in the supporting briefs all the major factors contributing to state needs and the factors influencing their ability to raise funds to meet these needs. In addition to such information as case loads, etc., which appeared each month in the briefs of all states, the administrators would mention any unusual factors tending to create additional needs. Thus, state administrators would cite such factors increasing immediate need as floods, droughts, hurricanes, and other natural calamities.<sup>27</sup> Seasonal influences such as the onset of winter weather were often cited in the briefs as factors lessening employment opportunities and increasing the cost per case of supplying clothing, fuel, etc. Strikes were still another extraordinary factor often mentioned by states as creating emergency needs for relief funds.<sup>28</sup>

The supporting brief submitted by each state administrator also contained data on state and local ability to meet relief needs.

<sup>27</sup> As examples, the supporting briefs to applications of Montana for October 1934, Kansas for March 1935, and Texas for March 1935, described drought conditions creating special relief needs within these states. The November 1935 brief for Nebraska mentioned crop failure; the Texas brief for July 1935 and the Missouri brief for August 1935 described flood conditions.

<sup>28</sup> Textile strikes are discussed in the brief supporting South Carolina's application for September 1935; sawmill strikes and mine shutdowns and a laundry workers' strike are reported in the brief supporting Alabama's application for May 1935; and a coal strike is cited in the brief supporting New Mexico's application for July 1935. See *supra*, chap. iv, for F.E.R.A. policy concerning relief to strikers.

These briefs varied widely in the completeness of their presentation of the relevant facts. One brief might give little more than a narrative statement of the amounts which the state would be able to contribute. Another administrator would not only attempt to give a fairly complete picture of the basic economic factors underlying his state's ability to raise funds, but would include also all political and legal factors that had any bearing on ability to finance relief. In addition to mentioning such basic economic factors affecting ability as the extent of unemployment, real estate values, retail sales, and such disasters as droughts, floods, crop failures, etc., which not only increased needs suddenly but also resulted in a decline in ability to raise funds, he might put forward debt-limitation provisions as an obstacle to local ability to meet relief needs. On the other hand, prospective changes in debt-limitation statutes or financing methods would sometimes be cited as pointing to a future increase in state or local ability to furnish relief funds. The adjournment or meeting of a state legislature, or the holding of a bond referendum, might also receive the administrator's comments in his narrative report.

The formal applications of the various governors, with the supporting statements and briefs, began to arrive at the F. E. R. A. about the twenty-first day of each month.<sup>29</sup> Governors were ordinarily notified on the first of each month or shortly thereafter concerning the amount of federal funds which they were to receive. Thus there was usually little more than a week to check these requests for accuracy and to determine to what extent the sum requested should be granted.

All applications were received by a grant unit of the Division of Research, Statistics and Finance. In this unit, the applications were recorded in a chronological summary. One copy of the supporting statements for each application was then transmitted to the statistical unit of the F. E. R. A. which reviewed

<sup>29</sup> The applications here referred to, of course, were the regular monthly applications. In cases of extreme emergency caused by floods, etc., additional requests for funds might be made at other periods in the month.

them to determine statistical accuracy. The grant unit from time to time attached comments suggesting the possible need for revision of the applications of those states which were found habitually to overestimate their total relief needs. The grant unit likewise transmitted to the F. E. R. A. divisions directly concerned the state requests for funds for special programs accompanied by an abstract of data from the supporting statements and briefs. These divisions then returned the state requests to the grant unit with their recommendations as to the sum to be granted. In addition, the entire application and supporting documents were reviewed by the Municipal Finance Section with respect to declarations by states concerning their ability to raise funds for relief. The comments of this section, as well as the recommendations of all the other units mentioned above, were then transmitted to the Assistant Administrator in charge of relations with the states. This official, in the main, was responsible for the determination of the sum which was to be granted to each state. In doubtful cases the Assistant Administrator consulted the Administrator before making a decision. All grants, of course, were subject to the approval of the Administrator; the determination of the Assistant Administrator, however, was often accepted in substantially the form in which it was received.

In making his decision, the Assistant Administrator was influenced to some extent by the comments of the various divisions of the F. E. R. A. (described above) which reviewed the state applications and supporting papers. In the last analysis, however, the Assistant Administrator relied most heavily upon the opinions of the field representatives and his own personal contacts with the states. This was inevitable. The governors' applications and the supporting statements and briefs merely served to give the states' views concerning their need for federal assistance. The F. E. R. A. soon learned to take these applications with a grain of salt. The natural tendency of the states was to emphasize total state needs and to furnish pages of statistics and narrative tending to minimize state ability to



furnish funds for relief. The field representatives were an excellent corrective for the state views concerning need for federal assistance.<sup>30</sup> They knew the general relief needs of the states, and they could point out in their monthly reports to the federal agency those states which were "playing poor."

Thus, for example, a field representative reporting to the Administrator in a letter of October 20, 1933 writes:

"I talked to the most important leaders in Louisville, including all bankers, Mr. Cox, Chairman of the Governor's Advisory Committee, and it looks to me like another session of the legislature. . . .

"I recommend that we continue to make it very plain indeed to the State of Kentucky that we will not go further than we have promised. . . .

"For the immediate present, I am to see the Governor next week in an attempt to form a State Relief Commission, to get a definite decision as to what actual money will be forthcoming, and to assist them in any way I can."

The Assistant Administrator in charge of relations with states often made field trips to various states. In making recommendations for grants for certain states he could therefore often rely on his own personal observations and the interviews he had had with persons familiar with local relief conditions. Thus, the period of grant determination (from the twenty-first of the month to the first of the next month) was a period during which relief officials at Washington weighed and balanced state views concerning need for federal assistance against their own views and those of the field representatives. During this period, the Assistant Administrator and the Administrator were in frequent telephonic communication with governors, state emergency relief administrators, and field representatives.

<sup>30</sup> See *supra*, chap. iv, for a detailed account of the work of the field representatives.

The final sum granted to a state was often less than that which had been requested in the governor's application. In some cases this was so because the F. E. R. A. believed that the governor had overstated total relief needs; in other cases, the reduction reflected the belief that the state itself should supply a larger part of the total cost. A third factor was that the combined federal grants had to be kept within the total funds available to the Administrator for allocation. It was often necessary for the F. E. R. A. to prune grants all along the line. Generally speaking, this was not done by horizontal slashes such as cutting all state grants by 10 per cent. When it was observed that the preliminary total of all grants for the month was too large, each state application was examined again. The necessary cuts were then distributed amongst those states which, in the light of all the circumstances, appeared most able to bear them.

Throughout the period in which grants were under consideration, the F. E. R. A. of course received numerous requests from senators and representatives for information with respect to the grants which were to be made to their states. It was the policy of the relief agency not to answer these requests until the governor had been informed of the size of the grant to be made. There can be no question that these congressional requests were in some cases supplemented by indirect attempts to influence federal officials with respect to the generosity of the grant in question. There is no evidence that these actions influenced the F. E. R. A. grant policy.<sup>31</sup>

In some respects, of course, the arrival of the governors' applications each month merely thrust into the limelight a problem which was constantly with the federal relief agency. In short, the problem of determining state need for federal

<sup>31</sup> H. R. Baukhage and Theo. R. Goldsmith, upon the basis of a careful examination of federal grants for relief and recovery since 1933 assert: "... a careful analysis of the figures fails to disclose any evidence of favoritism, among the states, which can clearly be traced to a political motive." See H. R. Baukhage and Theo. R. Goldsmith, "Accusations of Political Spending May Have Profound Effect on Future Policy," *The Annalist*, August 31, 1938, p. 299.

assistance could not be shelved in the period between applications. The underlying problem of state ability to raise funds had to be kept under constant federal scrutiny, and not merely revived periodically when applications were pending. States could not have been suddenly notified on the twenty-first day of a month to increase their relief contributions materially for the next month. Such increases in state and local contributions often meant that bond issues must be arranged; in some cases special referenda had to be held. If the increases were to be met out of current revenues, time had to be allowed for legislatures to meet and vote taxes and appropriations. It could not be expected that such action would be taken in a few days.

In short, therefore, the federal relief agency did not ordinarily use the information supplied in the applications to effectuate large immediate changes in the numbers of those on relief rolls or the costs of the relief program, nor did it ordinarily use the applications as a sudden lever for forcing states to contribute greatly increased amounts. These ends had to be achieved through constant spade-work in the states over a period of months. In this task, the field representatives were vitally involved.

The field representatives were in frequent contact with state officials concerning adequacy of relief in the respective states. It was a common practice for a state relief director to consult the federal field representative before advising the governor concerning the sum which he should request in his next application for funds. Generally speaking, the field representatives found it necessary to urge the state relief authorities to take a more moderate view of total state needs. State authorities were influenced by this advice, for they were aware that the field representatives sent in an independent report each month which served as a check upon their statements.

In a few cases it was necessary for the field representatives and Washington officials to urge state officials to present larger

estimates of total state needs.<sup>32</sup> Such attempts to secure an upward revision of a state's estimate of total needs may seem paradoxical in view of the limited total of federal relief funds available for distribution among the states. The fact that adequacy of both coverage and benefits was a major objective, however, prompted that agency to strive for at least minimum standards of relief in all the states. Thus, influence was brought to bear on those states which kept needy people off relief rolls because of racial or other discrimination or a desire to make very cheap labor available.

Generally speaking, the frequent discussions of field representatives, Washington officials, and state officials concerning total state needs were on a friendly basis, and many of the differences of opinion in this connection were ironed out before applications were made. This was not true of the efforts of the field representatives to force states to put up a larger amount of state funds. Indeed, the question of state and local contributions was a constant thorn in the side of the F. E. R. A. In some instances, state and local governments made reasonable attempts to produce funds; in other states, however, there were continual attempts to unload the entire burden of emergency relief upon the federal agency.<sup>33</sup> As a field representative observed in re-

<sup>32</sup> See testimony of the Administrator concerning his policy of forcing certain states (chiefly in the South) to raise their relief budgets, *Hearings* before the Subcommittee of House Committee on Appropriations, 74th Cong., 2d Sess., on H. R. 12624, *First Deficiency Appropriation Bill* for 1936, April 8, 1936, p. 153.

<sup>33</sup> See letter of the Administrator to Senator Glass, Senate Document No. 56, *op. cit.*, p. xix, which states in part as follows: "Unfortunately, in some instances, State authorities, because of failure to familiarize themselves with the Federal Emergency Relief Act or for other reasons, have taken an attitude in complete reversal to that assumed by Congress in passing the Act. These authorities have assumed that it was the obligation of the federal government to bear all or substantially all of the relief burden and accordingly, have resented insistence by the Relief Administrator that their States contribute a fair proportion of relief expenses even when the determination of that portion was based upon consideration of economic conditions, total amount of relief required, existing revenue systems, attitude towards relief, and other factors that might affect a State's proper contribution."

porting to the Administrator in July 1933: ". . .—is just one more governor who is willing to have money for relief in the state as long as the money is not supplied by the taxpayers of the state. . . ." The result, of course, was bickering between the F. E. R. A. and certain states, accompanied by threats upon the part of the F. E. R. A. to withhold all federal funds or to assume direct control of relief if suitable state action were not forthcoming.<sup>34</sup>

In some instances, such threats were actually carried out. While disagreement over state contributions was not the sole reason for the "federalization" of relief that occurred in six states,<sup>35</sup> it was at least a contributing cause in most of the cases. Withholding of federal relief funds took place in the course of several disputes over the proper amount of state contributions. For example, Administrator Hopkins telegraphed Governor Johnson of Colorado on December 20, 1933, that he had discontinued all federal relief funds for Colorado until the legislature "acts to cooperate on a reasonable basis." Upon receipt of the governor's reply that the state would contribute \$200,000, a federal grant was immediately made.<sup>36</sup> A similar case occurred in 1935, when Mr. Hopkins sent a telegram to Governor Park of Missouri: "Will make no further grants until State Legislature has given evidence of cooperation in meeting relief burden." The governor's answer came fifteen days later (May 1, 1935): "General Assembly passed special appropriation of \$500,000 for May. Please release funds at once." The grant to Missouri was made available the next day.

34 See *supra*, chap. iv, for a general discussion of the "control" devices utilized by the F.E.R.A. in securing its major objectives. See also Key, *op. cit.*, chap. vi, "Withdrawal of Federal Cooperation," which contains an excellent discussion of the problems facing a grant agency forced to withhold grants from some states.

35 See *supra*, chap. iv, for discussion of this "sanction" and the states affected.

36 Gov. Johnson to Mr. Hopkins, Jan. 21, 1934: "Just signed bill making money available \$200,000 March 1. Make application for \$500,000 advance until state revenues available."

In other cases, the mere threat of withholding federal funds was sufficient. In 1933, for example, the Federal Administrator warned the Governor of Alabama that "further grants of federal funds will depend on action taken by Alabama."<sup>37</sup> The following year, state relief administrator Reynolds of Illinois received a warning from the Federal Administrator that he proposed to shut off relief until the state advertised its bonds.<sup>38</sup>

The field representatives played an active role in the attempts made to influence states to utilize their financial resources to the utmost. The pressure of the field men was augmented by action on the part of the Assistant Administrator in charge of relations with states, and not infrequently by the Federal Administrator himself. Correspondence, telephonic conversations, and conferences were used by the federal relief officials to urge states to make the fullest possible relief contributions.

Governors, of course, were frequently interviewed by the field representatives. In addition, the field men often talked to leading members of the state legislatures, and their appearance before legislative committees or a caucus of legislative members was not infrequent.<sup>39</sup> The levying of special taxes was sometimes urged; state legislatures were asked to relax hampering debt limits, to repeal provisions making for delay in the floating of bond issues, and to take full advantage of all legal means of borrowing money. Influence was also brought to bear upon the governor to call a special session of the legislature, if necessary, and to seek larger appropriations for relief. On July 11, 1933, for example, Administrator Hopkins telegraphed the Governor of Kentucky that unless a special session of the legislature were

<sup>37</sup> Telegram in files of the F.E.R.A., Mr. Hopkins to governor, August 2, 1933.

<sup>38</sup> Communication from Mr. Hopkins to Mr. Reynolds, dated Jan. 15, 1934.

<sup>39</sup> A letter to the Administrator from a field representative, dated April 27, 1934, describes his appearance before a caucus of House Members of the Delaware legislature; a similar report of January 19, 1934, gives a field representative's account of his recent appearance before a joint committee of the Kentucky legislature.

called to provide funds, no further federal funds would be available to Kentucky beyond August 15. The governor agreed to a special session shortly thereafter.<sup>40</sup>

While the combined data obtained from the states themselves, from field representatives, and from the various divisions of the F. E. R. A. at Washington probably gave the federal relief agency a fairly good index of state financial ability, this method of ascertaining ability was subject to several major objections.<sup>41</sup> Perhaps the most important objection was that the system was an open invitation to states to "bluff" since there was no touch of finality to estimates procured in this fashion. In order to alleviate this situation a Municipal Finance Section was set up in the Division of Research and Statistics in the summer of 1933.<sup>42</sup> During the very early existence of the F. E. R. A., J. Roy Blough, Lent D. Upson, and others were connected with this unit and gathered data concerning the fiscal abilities of the various states. During the last year and a half of federal relief grants the Municipal Finance Section was under the direction of L. Laszlo Ecker-R. The early approach of this unit to the problem was to take up the states individually and to concentrate upon those states supposed not to be contributing to the full extent of their abilities. A prime function of the unit appears to have been to arm the Administrator with text, charts, and tables preparatory to his holding a conference on state contributions with a given governor. The Administrator and the members of the section knew that the calculations were only approximations; the data supplied, however, appear to have been of value in beating down some of the objections raised by the governors.

40 Telegram in files of the F.E.R.A.

41 Donald Stone, "Reorganizing for Relief," *Public Management*, September 1934, pp. 259-261.

42 In a circular to the governors of July 20, 1933, the Administrator announced that he was "... establishing in the F.E.R.A. technical services to assist in determining the extent to which further resources can be made available in states and local subdivisions and what may be considered a fair division of responsibility as between the individual states and the Federal Government."

This system of measuring each state's ability separately was superseded in large part in the fall of 1934. At that time, it was decided to attempt, insofar as possible, to work out a mathematical formula which could be used to measure roughly the respective ability of states to contribute to relief, and the proportion of a fixed national total which each state might reasonably be asked to raise for relief purposes during the year 1935. Furthermore, since forty-three state legislatures were scheduled to meet during 1935, the F. E. R. A. felt that the time was opportune for taking a definite stand concerning the respective abilities of the states, and for exerting as much pressure as it could upon state legislatures to raise the amounts estimated as possible.

Before indicating the manner in which it was sought to measure relative state abilities for 1935 by formula, it is advisable to indicate the broad problems of measurement which had to be faced. First, it was necessary to determine the general economic ability of the states; this of course involved the measurement of state wealth and state income. Next, the F. E. R. A. had to consider all temporary or short term factors which at the moment were influencing the general or long term economic capacities of the states. The short term factors were such phenomena as the depression and existence of droughts, floods, etc. In pure theory, consideration of all the above factors would have been sufficient to estimate state ability to finance relief.

It also had to be recognized, however, that pure economic capacity and immediate ability to raise funds are by no means the same thing. Many states and localities were barred by constitutional and statutory restrictions from exerting their borrowing and taxing powers to the utmost.<sup>43</sup> Secondly, it was necessary to consider a wide variety of intangible factors dealing with willingness of the states to raise funds. Public opinion was a potent factor; the attitude of the public toward the unemployed determined to a large extent the intensity of the

<sup>43</sup> See William J. Shultz, "Limitations on State and Local Borrowing Powers," *The Annals*, CLXXXI (1935), 118 *et seq.*



efforts which governors and legislatures were willing to make to secure relief funds. The Administrator could bring pressure to bear,<sup>44</sup> but he could not change these attitudes over night. Previous social policy and relief experience, and previous borrowing and spending policies, had to be taken into account. These factors did not affect "ability" to any great extent; they did, however, affect the willingness of the states to exert themselves.

Many of the above factors obviously are not subject to precise measurement; nevertheless, the F. E. R. A. performed a good deal of useful work in drafting its formulas, work which will prove of service to all those who in the future take up the problem of adopting the grant technique for equalizing purposes. The formulas worked out were purely tentative, however. The federal agency clearly realized the shortcomings of its formulas, and the state quotas were merely used as a basis for discussion between the Administrator and the various states.

Still another major point should be clarified concerning the formulas that were worked out for testing each state's respective ability to contribute to relief. Generally speaking, there are two possible approaches to the problem of measuring ability. One approach is for the granting unit to require the local unit to prove absolute inability before any funds are granted for equalization. This method has often been used by states in apportioning funds to "poor" or so-called "weak" school districts.

Absolute inability on the part of a governmental unit to finance a particular activity is, beyond question, a nebulous matter. A state might, theoretically, have been able to finance its entire relief expenditures if it had been willing to bear excessively burdensome taxation or to retrench on other important activities. In practice, however, states could not be asked to shoulder a back-breaking tax load or to eliminate entirely their expenditures for vital services such as education,

<sup>44</sup> See *supra*, chap. iv, for a discussion of F. E. R. A. control devices.

public safety, or health; nor could they be forced at once to institute constitutional or statutory changes in state or local debt-limits or methods of public borrowing.<sup>45</sup> Thus, no attempt was made to determine the actual zero point of ability at which states stood in indubitable need of federal financial assistance.

As seen by the F. E. R. A., therefore, the purpose of the formulas devised in 1934 was not to determine the point of absolute state inability to finance relief. The goal of the federal grant agency was rather to range the states in rank order according to their relative economic powers and ability to raise funds in 1935, and to take whatever measures were possible to ensure that each state was putting forth the same degree of effort and bearing the same relative burden in raising funds. To effectuate these purposes, the F. E. R. A. worked out what seemed to the federal officials to be equitable quotas based upon a study of various "economic ability series" or measuring-rods of relative economic status.

In order to understand the 1935 quotas that were set by the Municipal Finance Section the following basic facts must continually be borne in mind. During 1934, total expenditures for emergency relief amounted to \$1,475,792,000. The federal government paid the major part of this bill, the states and localities contributing roughly only \$412,300,000. Of this total, about \$185,500,000 was contributed by state governments, and \$226,800,000 by the localities. There was a generally held opinion, both within and without the F. E. R. A., that state governments had not over-exerted themselves in producing funds. In any event, after obtaining information from field representatives, etc., it was decided to proceed on the basic assumption that the states and localities should be able to contribute approximately \$500,000,000 toward meeting the emergency relief costs of 1935. While the looked-for increase in state and local relief contributions was based in part on a "hunch,"

<sup>45</sup> See Earle K. Shawe, "An Analysis of the Legal Limitations on the Borrowing Power of the State Governments," *Monthly Report* of the F.E.R.A., June 1936, pp. 121-133.

a substantial increase of about 20 per cent appeared quite possible on the basis of the factual data available to the federal relief agency. This general notion that total state and local contributions for relief in 1935 should be raised about 20 per cent over those for 1934 underlies all the subsequent action taken by the federal agency with respect to state quotas.

In a sense, of course, the F. E. R. A. begged the entire question of determining ability to finance relief by assuming that total ability of all the states and localities for 1935 should be about \$500,000,000. Acting on this assumption, there was no need to measure absolute ability. All that remained to be done was to group the states in rank order according to their economic powers and then to fix a rate of assessment which, while taking into account differences in ability, would at the same time produce the lump total of \$500,000,000 which it was believed the states and their political subdivisions should be able to produce.

In order to formulate state quotas, therefore, data were gathered on those factors bearing on state ability to finance relief which were available on a comparable basis for each state.<sup>46</sup> Generally speaking, the important series of data gathered may be grouped loosely under four main headings. The first grouping may be said to include a major series of statistics having direct bearing on basic economic capacity. This group included the latest available statistics on a state basis for manufacturing,<sup>47</sup> mineral,<sup>48</sup> and agricultural production.<sup>49</sup> Also included were the latest series on retail sales,<sup>50</sup> wholesale sales,<sup>51</sup>

46 For an account of the statistical series gathered for this purpose, see Senate Document No. 56, *op. cit.*, pp. xi-xvi.

47 Manufacturing output, 1931, U. S. Department of Commerce, Bureau of the Census.

48 Mining output, 1932, U. S. Department of the Interior, Bureau of Mines.

49 Agricultural output, 1933, U. S. Department of Agriculture, Bureau of Agricultural Economics.

50 Retail sales, 1933, Bureau of the Census.

51 Net wholesale sales, 1933, Bureau of the Census.

spendable money income,<sup>52</sup> estimated national income,<sup>53</sup> estimated taxable wealth,<sup>54</sup> savings deposits,<sup>55</sup> and automobile registrations.<sup>56</sup>

A second class of data brought together by the F. E. R. A. concerned various kinds of population statistics. Thus, figures were secured on the total population of each state, the number of gainful workers,<sup>57</sup> the percentage of urban dwellers, the per cent of colored, the per cent receiving relief benefits, and the numbers and per cent filing income tax returns. A third grouping was made of the statistical data available on federal tax collections,<sup>58</sup> both income and excise, in the respective states.

The fourth grouping of statistics was assembled in an attempt to gain an idea of the relative financial status of the respective states and localities as of 1932.<sup>59</sup> This group included series covering such items as governmental cost payments and revenue receipts, public debt, the assessed value of property, and the ratio of assessed value to true value of property.

In addition to the four main series outlined above, the federal agency gathered such material as it could concerning a number of so-called modifying factors. These modifying factors included drought, general crop conditions, farm income, amount of tax delinquency, etc. The modifying factors were utilized primarily to bring up to date, insofar as possible, the

<sup>52</sup> Spendable money income, 1933, Sales Management, April 20, 1934.

<sup>53</sup> National income, National Bureau of Economic Research.

<sup>54</sup> Estimated taxable wealth, 1931, Preliminary Report of a Subcommittee of the Committee on Ways and Means, Double Taxation (Washington: U. S. Government Printing Office, 1933).

<sup>55</sup> Savings deposits as of July 1, 1933, Savings Division, American Bankers Association.

<sup>56</sup> Passenger car registrations, U. S. Department of Agriculture, Bureau of Public Roads.

<sup>57</sup> Gainful workers, 1930, U. S. Bureau of the Census.

<sup>58</sup> These figures were obtained from the Treasury Department.

<sup>59</sup> The figures for the series of this group were obtained, in the main, from the 1932 figures of the Bureau of the Census.

relative financial abilities of the states in 1932 as indicated by the previous series.

Having gathered information and statistics concerning all of the factors mentioned above, the F. E. R. A prepared four tentative quotas for each of the states. These four estimates of state economic ability were checked against each other, resulting in a fifth tentative quota, which was adjusted to produce a final quota. The first of the five tentative quotas was worked out as follows. Per capita figures were determined on such items from group one above, as retail sales, value of manufacturing, mineral, and agricultural production, and estimated national income. These results were combined to form a composite picture of per capita economic ability in each state, and the states were ranged in rank order from the highest per capita rate to the lowest. The ranking was altered in some cases, however, to take into account such factors as droughts, floods, or other modifying elements. The states were then divided into six groups of about eight each; the states in the highest group were assessed six dollars per capita, with successively smaller quotas down to one dollar per capita for the states in the lowest group. Apparently the chief reason for using these particular figures (\$6-5-4-3-2-1) was that when applied to the six groups, they would result in a total yield approximating the \$500,000,000 quota believed possible for all the states combined.

The second tentative quota was determined by ranging the states in the same order as before, and then splitting the list into three parts.<sup>60</sup> States in the first group were assessed 2 per cent of the amount of their respective retail sales; the other groups were assessed 1.5 per cent and 1 per cent respectively. The decision to use these percentages was likewise based on the fact that the yield would approximate the desired total of \$500,000,000. The resulting figure in each case was the second "tentative quota" for that state.

<sup>60</sup> Group 1 included 23 states; group 2, 18 states; and group 3, 7 states.

The third tentative quota was derived by using a somewhat larger set of economic series than that used for the first two quotas and assigning a weight to each. The economic series and their respective weights were: gainful workers, 1930 (4); estimated net individual income, 1929, (3); manufacturing, agricultural, and mining output for the years 1931, 1933, and 1932 respectively (3); retail sales, 1933, (3); passenger car registrations, 1933, (2); governmental cost payments, 1932, (1); revenue receipts, 1932, (1); assessed valuation, 1932, (1); net government debt, 1932, (1); and estimated taxable wealth, 1931, (3). The percentage which each state had of the national total of gainful workers, retail sales, etc., was first determined. Next a composite percentage, reflecting the weighting assigned to each series, was arrived at. This composite percentage represented the fraction of a fixed national total which each state might be expected to contribute.

The contribution of each state was then figured on the basis of three different national totals of \$300,000,000, \$400,000,000, and \$500,000,000. As the Administrator has explained: "If a state had been badly damaged by drought or its known low economic capacity was generally recognized, the allocation was made according to the \$300,000,000 total. If, on the other hand, States were known to be wealthy and to have suffered relatively less than others from the depression, they were placed in the \$500,000,000 group. The balance of the States were placed in the \$400,000,000 group and tentative quotas assigned accordingly."<sup>61</sup>

A uniform tax system which had been worked out by a special committee of the National Tax Association was utilized in constructing the fourth set of tentative quotas for the states. This uniform tax system, which does not vary greatly from that devised by Dr. Newcomer,<sup>62</sup> provided for the following

<sup>61</sup> Senate Document No. 56, *op. cit.*, p. xii.

<sup>62</sup> For a study of relative state and local ability to finance education, based primarily on the yield of a model tax system, see Mabel Newcomer, *An Index of the Taxpaying Ability of State and Local Governments* (New York: Teachers College, Columbia University, 1935).

main types of taxes: personal income, real estate, business income, corporation organization and stock transfer. The uniform tax system was applied to each state in order to provide an estimate of the yield possible under such a system. It was then assumed that the tentative state quota in every instance should be set at 10 per cent of the total income possible under the uniform tax system.

Having worked out the four tentative quotas outlined above,<sup>63</sup> a fifth tentative quota was devised through a process of adjusting and bringing together the four tentative quotas. These fifth, or adjusted quotas, of some states were then still further modified to take account of a number of imponderable factors which were not subject to measurement.

The imponderables included such factors as constitutional and statutory restrictions on taxation and incurring of indebtedness, local attitudes with respect to raising relief funds, and the tax systems actually in existence in the several states. The final adjustment often resulted in slight downward revision in state quotas though the quotas of a few of the more wealthy states were substantially increased. The final quotas thus prepared served as a basis of discussion between the states and the Federal Administrator.

The sum total of the final state quotas established by the Municipal Finance Section called for state and local contributions of \$509,480,000 for emergency relief for the year 1935. Actually, however, only \$468,000,000 was obtained. It is, of course, impossible to state categorically whether the quotas as a whole were too high, or too low.

The interesting observation may be made, however, that there was a strong correlation between the quotas asked and the actual contributions made during 1935. In only fifteen states was there a difference of more than five places in the rank order of states as they were listed on quotas and the rank order of

<sup>63</sup> The tentative state quotas arrived at under each of the four different methods of measuring state ability naturally added up to four different totals. The highest total was \$496,470,000; the lowest, \$435,770,000.

the states on actual performance in 1935. In seven cases this deviation reflected the fact that contributions were larger than quotas; in eight instances the difference was due to quotas being larger than contributions.<sup>64</sup>

All in all, the work of the Municipal Finance Section is of great interest since it represents by far the most extensive inquiry that has been made by a federal grant agency into the problem of finding an equitable and objective basis for sharing the financial burdens of states and localities. The extreme interest of the F. E. R. A. in equalization techniques was due in large part to the fact that the huge relief problem called unmistakably for a pooling of resources by the federal, state and local governments. Unlike many earlier grants-in-aid, the federal relief grants were not mere contributions for fostering state and local activity, but instead were vitally necessary financial aids.

The validity of the various economic series used in measuring relative state abilities to finance relief cannot be completely proved or disproved. A most serious difficulty faced by the Municipal Finance Section was that comparable *up-to-date* statistics for all the states simply were not available. The section therefore had to work with whatever tools were at hand. It may be demonstrated, of course, that any single measurement such as net wholesale sales or passenger car registrations, taken alone, might give a distorted picture of financial ability in many states. The combination and weighting, however, of a large number of different series, all of which have received some recognition from statisticians and economists as giving a rough clue to financial ability, provided a more reliable method.

In evaluating the work of the Municipal Finance Section, it is easy to lay too much stress on how far the formulas approached absolute exactness in measuring state economic abilities. It must always be borne in mind that the formulas

<sup>1</sup> 64 Betsy Knapp, *Federal Emergency Relief Expenditures: Factors Affecting the Distribution of Relief Funds Among the States and the District of Columbia* (Unpublished Study by the Works Progress Administration).



were not intended to give an index to *absolute* economic ability; they were merely expected to help in ranging the states in the order of *relative* ability. There is no recognized and definite standard against which the economic series used by the Municipal Finance Section can be tested. Obviously, if such a standard existed, there would have been no need for the F. E. R. A. to devise formulas.

It would be even more unrealistic to compare with some hypothetical "perfect measure" of state ability the actual state quotas which were finally arrived at by the Municipal Finance Section on the basis of the various economic series plus subjective judgment. The amount which a state was "able" in theory to contribute might be considerably less than the amount which in practice it could be urged to give. The F. E. R. A. had to deal with realities. Popular reluctance to spend additional money for relief, and state constitutional stumbling-blocks such as debt limitations and procedural difficulties in floating bond issues had to be considered in addition to actual financial "ability" in determining how much of a state contribution the F. E. R. A. could reasonably expect to secure.

In the last analysis, of course, it cannot be too often emphasized that the federal agency never regarded the final quotas arrived at through the formulas as more than approximations. Indeed, in the light of all the difficulties involved, it is extremely doubtful whether any purely mathematical equalization formulas can ever be constructed which will be able to stand alone without the need for modification by the application of more "subjective" judgments. At any rate, in dealing with the states as they applied for funds throughout 1935, the F. E. R. A. continued to rely heavily on the observations of field representatives, the general information gathered by the Assistant Administrator in charge of relations with states, and the views of the Administrator.

From the inception of the F. E. R. A. in May 1933, until the end of 1935, the total expenditures for *relief* from federal, state and local sources reached \$4,096,574,293. Expenditures for the

work programs of the C. W. A., W. P. A., and C. C. C. are not included in this total. As Table 4 in chapter 2 reveals, over the period May 1933–December 1935, federal contributions constituted 70.9 per cent of this total, state expenditures accounted for 12.8 per cent, and localities supplied the remaining 16.3 per cent. The percentage supplied by the federal government rose from 60.6 in 1933 to 72 per cent in 1934 and 74.4 per cent in 1935. State and local contributions varied in the same period from 14.3 and 25.1 per cent respectively in 1933, to 12.6 and 15.4 per cent in 1934, and 12.3 and 13.3 per cent in 1935.

The percentage decline in state and local contributions, it should be emphasized, did not result from a shrinkage in the absolute amounts supplied from those sources. Rather, the increased percentage of F. E. R. A. funds meant that a great expansion took place in the amount of federal expenditures for relief. From 1933 to 1934, for example, F. E. R. A. outlays rose from \$481,000,000 to \$1,063,000,000; for the year 1935 the federal expenditures reached a peak of \$1,360,000,000. As Table 4 in chapter 2 indicates, state and local contributions in actual dollars also rose throughout this same period.

A state by state analysis of the sources of emergency relief funds during the years 1933 through 1935 shows further significant data (see Table 6). One of the most striking points revealed is the widely differing proportion of the relief burden borne by the various states. Less than 60 per cent of the emergency relief funds spent in the New England states were supplied by the federal government; at the other end of the scale, with the F. E. R. A. supplying more than 90 per cent of the total emergency relief funds, were the Southern states.<sup>65</sup>

<sup>65</sup> For a plea for greater state and local efforts in financing emergency relief, see an address by Winthrop W. Aldrich before the Commonwealth Club of San Francisco, California, December 3, 1934, *The Financing of Unemployment Relief* (New York: The Chase National Bank, 1934). See also John C. Gebhart, *Federal Relief—What Next?* (New York: The National Economy League, 1936).

**TABLE 6**  
**F.E.R.A.: AMOUNT OF OBLIGATIONS INCURRED FOR EMERGENCY RELIEF\* FROM PUBLIC FUNDS,**  
**BY SOURCES OF FUNDS, BY STATES**  
**(January, 1933, through December, 1935)**

State	Total amount	Federal funds		State funds		Local funds	
		Amount	Per cent	Amount	Per cent	Amount	Per cent
Alabama .....	\$ 47,318,376	\$ 44,762,571	94.6	\$ 312,212	0.7	\$ 2,243,593	4.7
Arizona .....	19,214,371	16,170,501	84.2	2,660,321	13.8	383,549	2.0
Arkansas .....	41,524,165	40,001,661	96.3	305,136	0.8	1,217,368	2.9
California .....	235,096,613	158,041,750	67.2	38,209,480	16.3	38,845,383	16.5
Colorado .....	46,509,880	39,269,117	84.4	2,100,257	4.5	5,140,506	11.1
Connecticut .....	53,526,634	23,514,388	43.9	5,300,394	9.9	24,711,852	46.2
Delaware .....	5,194,435	2,103,468	40.5	2,107,942	40.6	983,025	18.9
District of Columbia ..	20,012,872	14,665,529	73.3	—	—	5,347,343	26.7
Florida .....	42,376,989	40,361,552	95.3	15,492	a	1,999,945	4.7
Georgia .....	47,730,325	44,793,264	93.8	5	a	2,937,056	6.2
Idaho .....	15,883,655	13,359,321	84.1	806,612	5.1	1,717,722	10.8
Illinois .....	308,672,762	232,791,591	75.4	62,119,849	20.1	13,761,322	4.5
Indiana .....	80,303,842	51,782,792	64.5	164,635	0.2	28,356,415	35.3
Iowa .....	41,764,128	24,126,482	57.8	4,169,752	10.0	13,467,894	32.2
Kansas .....	54,747,935	39,949,245	73.0	470,877	0.9	14,327,813	26.1
Kentucky .....	45,078,692	38,819,639	86.1	2,573,998	5.7	3,685,055	8.2
Louisiana .....	53,126,959	51,495,793	96.9	1,697	a	1,629,469	3.1
Maine .....	23,299,386	11,787,577	50.6	2,087,142	9.0	9,424,667	40.4
Maryland .....	45,916,020	33,349,321	72.6	10,127,288	22.1	2,439,411	5.3
Massachusetts .....	218,996,550	114,510,390	52.3	560,381	0.3	103,925,779	47.4
Michigan .....	173,020,332	127,137,454	73.5	26,466,306	15.3	19,416,572	11.2
Minnesota .....	88,657,414	67,695,056	76.3	5,545,818	6.3	15,416,540	17.4
Mississippi .....	32,179,719	30,948,147	96.2	208,334	0.6	1,023,238	3.2
Missouri .....	82,747,423	64,083,417	77.4	9,008,186	10.9	9,655,820	11.7
Montana .....	25,334,633	22,439,392	88.6	451,219	1.8	2,444,022	9.6

TABLE 6. (Continued).

State	Total amount	Federal funds		State funds		Local funds	
		Amount	Per cent	Amount	Per cent	Amount	Per cent
Nebraska .....	28,091,784	21,583,107	76.8	2,748	<sup>a</sup>	6,505,929	23.2
Nevada .....	5,724,742	5,074,574	88.6	130,489	2.3	519,679	9.1
New Hampshire .....	12,299,611	5,493,617	44.7	3,664,359	29.8	3,141,635	25.5
New Jersey .....	138,413,433	94,725,915	68.4	32,832,757	23.7	10,854,761	7.9
New Mexico .....	15,269,713	14,738,853	96.5	351,293	2.3	179,567	1.2
New York .....	726,684,294	385,601,208	53.1	125,445,319	17.2	215,637,767	29.7
North Carolina .....	39,657,112	38,402,296	96.8	—	—	1,254,816	3.2
North Dakota .....	28,802,104	24,856,991	86.3	41,938	0.1	3,903,175	13.6
Ohio .....	219,473,200	170,540,527	77.8	33,017,460	15.0	15,915,213	7.2
Oklahoma .....	51,874,144	44,864,484	86.5	364,785	0.7	6,644,875	12.8
Oregon .....	27,717,907	22,018,553	79.4	2,582,754	9.3	3,116,600	11.3
Pennsylvania .....	446,355,327	316,686,933	70.9	104,695,574	23.5	24,972,820	5.6
Rhode Island .....	20,190,295	7,940,253	39.3	5,299,281	26.3	6,950,761	34.4
South Carolina .....	36,613,734	35,866,576	98.0	1,324	<sup>a</sup>	745,834	2.0
South Dakota .....	35,957,208	32,234,557	89.6	—	—	3,722,651	10.4
Tennessee .....	36,897,618	34,449,851	93.4	893,324	2.4	1,554,443	4.2
Texas .....	97,152,410	76,693,808	78.9	19,412,654	20.0	1,045,948	1.1
Utah .....	25,041,740	19,754,620	78.9	3,370,051	13.5	1,917,069	7.6
Vermont .....	6,013,946	3,406,100	56.6	39,845	0.7	2,568,001	42.7
Virginia .....	26,361,447	23,779,324	90.2	34,452	0.1	2,547,671	9.7
Washington .....	48,890,429	39,965,184	81.7	5,919,720	12.1	3,005,525	6.2
West Virginia .....	57,232,504	50,655,633	88.5	5,016,987	8.8	1,559,884	2.7
Wisconsin .....	109,901,020	79,669,888	72.5	4,234,316	3.8	25,996,816	23.7
Wyoming .....	7,724,461	7,044,855	91.2	267,039	3.5	412,567	5.3
Total .....	\$4,096,574,293	\$2,904,007,125	70.9	\$523,391,802	12.8	\$669,175,366	16.3

\* Includes relief extended to cases under the general relief program, cost of administration, and special programs; beginning April, 1934, these figures also include purchases of materials, supplies and equipment, rentals of equipment (such as team and truck hire), earnings of non-relief persons and other costs of the Emergency Work Relief Program.

<sup>a</sup> Less than one tenth of one per cent.

Source: F.E.R.A. Division of Research, Statistics and Records.

A number of important factors may be adduced in explanation of the widely differing proportions of federal assistance accorded to the various states. Some critics assert that the primary reason was the practice of certain states of shirking their rightful burden. The writer holds to the view, however, that other and more fundamental reasons were of primary importance. While state "shirking" was a very important single factor, basic differences in the needs and abilities of the respective states were more important in accounting for the wide variations in federal contributions.<sup>66</sup>

The fact that some states made decidedly less effort than others to secure their own funds appears indisputable. No recourse to the analyses of the Municipal Finance Section is needed to prove this point; it may be demonstrated upon the basis of readily available figures on state relief expenditures and state economic abilities. In choosing the states of North Carolina, Florida and New Jersey as illustrations here, the writer is not attempting to prove that the three states mentioned were the outstanding examples, or that they were regarded as prime "shirkers" by the F. E. R. A. The following data are introduced to show, however, that not all states appear to have acted in accordance with the basic principle that the responsibility of the federal grant agency was limited to financing that portion of a state's relief needs which the state could not finance through its own efforts.

The state government of North Carolina, throughout the entire period of F. E. R. A. grants, made no contribution whatsoever. The localities of the state supplied \$1,254,816, or 3.2 per cent of the total expense during the period. For the year 1935, the local governments supplied only \$48,558. During that year, therefore, the federal government supplied 99.7 per cent

<sup>66</sup> See testimony of the Administrator, *Hearings* before the Committee on Appropriations, U. S. Senate 74th Cong., 1st Sess., on H. J. 117, *Emergency Relief Appropriation Bill for 1935*, January 31, 1935, pp. 111 *et seq.* See also Jane Perry Clark, *The Rise of a New Federalism* (New York: Columbia University Press, 1938), p. 163.

of the emergency relief funds in the state. It may be conceded that North Carolina ranks low in economic capacity in common with the southern states generally and that it could not have been expected to bear a major part of the relief burden during the period in question. It is also true, however, that other and still poorer southern states during 1935 provided both a larger total amount toward relief costs and a higher proportion of all relief funds.<sup>67</sup>

Granting that Florida was unusually hard hit by the depression which began in 1929, the state does not appear to have taken every possible step to supply relief funds during the period of F. E. R. A. grants. With respect to economic ability this state ranked (on a per capita basis) well above all the other southern states.<sup>68</sup> Throughout the period of relief grants, however, Florida supplied only \$2,015,437 (\$1,999,945 local funds; \$15,492 state funds) or 4.7 per cent of her relief bill. The federal government supplied 95.3 per cent of the total emergency relief costs of the state. The efforts made by Florida appear inadequate when one observes that the federal government was called upon to supply Alabama and Georgia with only 94.6 and 93.8 per cent of their relief costs for the same period. Further, as indicated in the table, both of these states contributed larger total sums to be used for emergency relief than

67 For example, on two such important series as income (1929) and retail sales (1933), North Carolina (on a per capita basis) ranked 45th and 44th respectively amongst the states. Mississippi ranked 47th and 48th respectively in these two series; expressed in dollars its per capita ability was considerably less than that of North Carolina. During 1935, however, Mississippi supplied \$928,374 toward emergency relief (\$853,777 local funds; \$74,597 state funds) in sharp contrast to the North Carolina total of \$48,558. The income series referred to above are those of Leven, Moulton and Warburton, *America's Capacity to Consume* (Washington: The Brookings Institution, 1934). The retail sales data used are those collected by the Bureau of the Census.

68 For example, Florida ranked 30th amongst the states on a per capita basis according to the Brookings series on income (1929) and 26th according to the retail sales series (1933) of the Census Bureau. Alabama ranked 44th and 47th respectively on these two series; Georgia ranked 43d and 42d respectively.

did Florida. The fact that Florida is the only state in the Union whose constitution specifically forbids the laying of an income tax is an index of the general unwillingness of the state government to tap tax sources fully.

The New Jersey record on relief contributions was extremely spotty and considerably below that of such states as Connecticut and Massachusetts which appear to have had approximately the same per capita economic ability.<sup>69</sup> The very poor showing made by New Jersey for the year 1934 (when the federal government was called upon to assume 85.6 per cent of the total emergency relief bill of the state) can clearly be traced in large part to factors other than economic capacity. Specifically, state government contributions during that year were not what they should have been because of previously self-imposed constitutional restrictions on incurring debt. During the delay incident to securing approval of a bond issue by the legislature and the electorate, the federal government was called upon to meet approximately 94 per cent of the state's relief bill during each of the last three quarters of 1934.

With reference to state contributions generally, it may be said that local governments not only contributed a larger total than did the state governments;<sup>70</sup> they also put forth greater efforts to secure funds for their unemployed. This was perhaps to have been expected, for local governments had traditionally borne primary responsibility for relief. The localities, forced to rely almost exclusively upon a general property tax, were faced with the dilemma of seeking to increase their tax revenues in the face of sharply falling real estate values and mounting

69 Thus, New Jersey ranked 5th amongst the states on a per capita basis according to the Brookings series on income (1929) and 8th according to the retail sales series (1933). Connecticut ranked 4th and 7th on these two series; Massachusetts ranked 8th and 4th respectively.

70 Localities overshadowed state governments in financing emergency relief in New England; in a number of states, however, state governments contributed more than local governments. State financing was prominent in such states as Arizona, Delaware, Illinois, Maryland, New Jersey, Pennsylvania, and Texas.

tax delinquency.<sup>71</sup> They appear to have taxed real property heavily during the period of F. E. R. A. grants, to have cut expenditures for other governmental services to the bone, and to have made reasonable efforts to borrow for relief. The failure of state governments generally to put forth effort equal to that exerted by the localities may be explained to a great extent by the fact that relief had seldom been regarded as a state responsibility. The failure of some states to provide larger sums can be explained in part by petty politics and other considerations; thus in some instances state legislatures which were dominated by rural interests were unwilling to vote funds to care for the unemployed in urban areas.<sup>72</sup>

The conclusion should not be drawn, however, that because the state and local governments in Rhode Island, for instance, were able to supply approximately 60 per cent of all emergency relief funds spent in the state during the period of F. E. R. A. grants, all states could have done likewise. No doubt some states could have supplied a considerably larger percentage of total funds than they actually did.<sup>73</sup> Unwillingness of states to supply funds, however, does not wholly account for the widely differing proportions of the relief burden borne by various states. Differences in total state needs and abilities made for great variation in the proportion of federal funds required.

It cannot be overemphasized that the percentage of persons receiving assistance under the various relief programs operated with federal financial aid varied greatly from state to state. The extent to which states differed in the proportion of their popu-

<sup>71</sup> See L. Laszlo Ecker-R, "Sources of Local Emergency Relief Funds," *Monthly Report of the F.E.R.A.*, December 1935, pp. 34 *et seq.*

<sup>72</sup> *Ibid.*, p. 42.

<sup>73</sup> States relied primarily on borrowing to provide funds for relief. That they did not tap this source adequately is indicated by the following comment by L. Laszlo Ecker-R of the Municipal Finance Section of the F.E.R.A.: "Viewing the State relief borrowing of the past, it can be concluded that its volume was less than might have been expected; less, in fact, than prudent fiscal practice might well permit." See L. Laszlo Ecker-R, "State Relief Borrowing," *Monthly Report of the F.E.R.A.*, August 1935, p. 13.



lation receiving relief is shown by the following table. In two-thirds of the states, the relief population ranged between 10 and 17 per cent of the total population of the state. Eight states, however, had less than 9 per cent of their population on relief, while an equal number were at the other end of the scale with more than 17 per cent of their population receiving public

TABLE 7\*  
AVERAGE PERCENTAGE OF POPULATION ON RELIEF  
JULY 1933—DECEMBER 1935

6.0—8.9 %	10.0—16.9 %	17.0—23.5 %
Delaware	Other 32 states and the District of Columbia	Arizona
Iowa		Florida
Maine		New Mexico
Nevada		North Dakota
New Hampshire		Oklahoma
Vermont		South Dakota
Virginia		Utah
Wyoming		West Virginia

\* Prepared by Miss Knapp for the Municipal Finance Section of the F.E.R.A.

assistance. Vermont, the state with the lowest percentage of relief persons, had only 6 per cent of its population on emergency relief rolls throughout the period from July 1933 through December 1935.<sup>74</sup> Mississippi, ranking twenty-fifth in this respect, had 11.9 per cent of its population on relief rolls during the period. South Dakota had 23.5 per cent of its population in need of assistance, and ranked forty-ninth in the list of states.<sup>75</sup>

<sup>74</sup> The percentages which appear here include some persons receiving aid for part of the period covered, as well as persons receiving aid during the entire period. Differences undoubtedly existed among the states in the numerical importance of the group under care part of the time; hence, relief figures for the different states are not strictly comparable. The averages do give a fair indication, however, of the most important differences in relief burdens.

<sup>75</sup> Including the District of Columbia as a state for the purposes of calculation.

Various factors may be advanced as reasons for the much larger percentages of relief cases in certain states. The industrial depression struck with greater ferocity in some areas, particularly urban regions dependent upon one or two major industries severely affected by business conditions; the drought helps to explain the extremely high percentages of those in need in the Dakotas and Oklahoma; and the exceedingly bad conditions in the coal industry during the period serve in part to explain the high percentage of those requiring assistance in West Virginia. Whatever the cause, however, it is obvious that those states called upon to support nearly one-fourth of their population were placed under a much greater strain than those supporting less than one-tenth of their population during the period. This factor explains to a great degree the widely varying percentages of the total relief burden of the various states which the F. E. R. A. was called upon to assume.

An incidental factor contributing to widely differing need for federal assistance concerns the varying cost of caring for individual relief cases in different sections of the United States. Even when the same percentage of the state population was in need of relief, the type of relief required might be more costly than in another state. These differences were due to varying local standards of relief, variations in living costs, and differences in the type of program operated.

The cost of maintaining a specified standard of living varies from region to region within the United States; within each region the costs of living tend to be in direct correlation with the degree of urbanization. Furthermore, ideas of what constitutes a "minimum" standard of living vary greatly in different areas.<sup>76</sup> Naturally, the amount considered necessary per relief case was larger in a state where relief standards and living costs were higher. Figures on total relief needs in such

<sup>76</sup> These facts are brought out in such studies as that prepared for the W.P.A. by Margaret Loomis Stecker, *Intercity Differences in Costs of Living in March 1935, 59 Cities*, Research Monograph No. XII (Washington: Government Printing Office, 1937).

a state would therefore be higher and, after state ability to meet these needs had been measured, the federal government's "residual" responsibility would be larger.<sup>77</sup> The size and extent of a state's work program also influenced to some degree the cost of care per case. The federal relief agency recognized that work relief resulted in a higher cost per case,<sup>78</sup> and there can be no doubt that this factor played a part in explaining the widely different proportions of the relief burden that the F. E. R. A. bore in the various states.<sup>79</sup> Still another factor influencing cost per case was the structure of the relief load. In this connection it is apparent that where certain economic groups or races with very low living standards were present in larger numbers on the relief rolls of a given state, the average cost per case was decreased. The number of persons constituting each relief "case" also influenced relief costs.<sup>80</sup>

Even more important than total state need, in contributing to the wide divergency in need for federal assistance, were the

<sup>77</sup> It may appear contradictory at first glance that in certain southern states, where relief standards and living costs were relatively low, the proportion of relief funds supplied by the federal government was very high. This circumstance, however, does not invalidate the assertion that low relief standards and low living costs tended to reduce "total state needs," thus keeping the state need for federal assistance lower than it would otherwise have been. The proportion of federal assistance was high in these southern states because state ability was extremely low and because the imponderable elements, such as debt limitations, the extent of popular willingness to support relief, etc., often tended to keep state and local contributions at a low level.

<sup>78</sup> See *supra*, chap. iii.

<sup>79</sup> On the other hand, the maintenance of self-help co-operative programs, garden programs, and production for use activities helped slightly to reduce cost per case in some areas.

<sup>80</sup> Thus, let us assume a town with 100 relief cases representing in all 150 persons in need. Then assume another town with 50 relief cases, but also representing 150 persons in need of assistance. Since large case units can be cared for at less cost per person than small case units, the cost of relief would almost inevitably be higher in the first mentioned town. Using relief data for January 1935, Miss Knapp points out in her study that the percentage of single person cases for that month ranged from 5.7 per cent in Oklahoma to 44.6 per cent in Nevada.

widely varying economic abilities of the respective states. It is axiomatic that, even in so-called normal times, the great differences in economic capacity of the various states have resulted in marked differences in ability to finance essential governmental services. In a period of stress such as 1933-35, these differences in abilities were accentuated in some instances. Here, perhaps, it should be emphasized that government, unlike business, cannot safely retrench in periods of depression. Indeed, as business retrenches and dismisses workers, the need for governmental services grows more urgent. This is particularly true of relief. When needs outran local and state financial ability it was necessary to adopt some method through which the federal government could supply the funds which states and localities lacked. The federal government accomplished this roughly during the period of F. E. R. A. grants.

It was generally recognized during the period of relief grants that, had it been feasible, it would have been desirable to use a completely automatic formula for apportioning federal relief funds to the states. A relief program, to accomplish its purposes effectively, must have public support. This support is more likely to be obtained if federal funds are allocated among the states on an automatic, "tamper-proof" basis, and one readily understandable to the majority of citizens.<sup>81</sup>

The allocation of funds solely on a "matching" basis, possibly utilizing some automatic distribution criterion such as population to determine maximum state allotments, would not have been in harmony, however, with the realities of the situation.<sup>82</sup> Such a method would have glossed over the widely differing needs and abilities of the various states. While, in the opinion of many, the method would have forced greater state and local participation in the financing of relief, it would undoubtedly have created serious problems in the poorer states.

<sup>81</sup> See Jane Perry Clark, *op. cit.*, p. 182.

<sup>82</sup> Unemployment totals, had they been available, would have been better than population figures but even unemployment figures would not have shown with accuracy the need for federal relief funds.

Violent social disorders in many areas would have been the probable result.

The only procedure, therefore, was to do substantially what the F. E. R. A. did. The use of an equalizing technique which opened up the entire question of state needs and abilities undoubtedly made it possible for certain states to avoid their full responsibilities. This was unfortunate because the federal relief agency never had enough funds to supply the total relief needs of all the states; to the extent that it failed to obtain the fullest possible contribution from certain states, relief persons in other states were deprived of needed federal assistance.

However, the fact that the F. E. R. A. did not set up perfect systems of measurement, nor secure maximum state contributions in every instance, does not brand the federal relief agency as defective from the point of view of administration. As has been indicated in the previous discussion, it was impossible to devise absolute formulas to measure respective state abilities to contribute to relief. Even in the event that perfect measures of state economic ability could have been devised, such formulas would not have taken into account the important imponderable factors that affect state contributions. Further, the federal relief agency was created to deal with what was conceived to be a temporary situation. It was never given the opportunity to plot out its future relationships with the states on a long term basis; its task was thought of by Congress as pumping vitally needed federal relief funds into states for a short period in rough proportion to their need for them. The Administrator, therefore, could not have been expected to do more than check the subjective judgment of the federal relief officials with working formulas which gave a clue to state economic ability. The failure to secure maximum contributions from all states grew out of the fact that the F. E. R. A. was after all a grant agency, possessing strong but not all-powerful controls and sanctions.<sup>83</sup> Despite these difficulties the federal

<sup>83</sup> See *supra*, chap. iv.

relief agency succeeded in achieving rough equalization and prevented in large degree the human suffering which would have accompanied the use of any other technique for distributing federal funds.<sup>84</sup>

<sup>84</sup> Grants became state funds once they had been receipted for by the governors. The distribution by states of these funds, and the funds raised by the state itself, involved much the same problem faced by the F.E.R.A. in allocating funds to the states. With a few minor exceptions, state legislatures vested discretion in the state relief authorities for distribution of the funds. Generally speaking, state funds were distributed on the same residual basis which characterized F.E.R.A. grants to the states. Thus state funds were usually allocated to make up the difference between a political subdivision's total needs and its ability to meet these needs. For an excellent article on the subject, see Anita Wells, "The Allocation of Relief Funds by the States Among Their Political Subdivisions," *Monthly Report* of the F.E.R.A., June 1936, pp. 56 *et seq.*

## CHAPTER VI

### APPRAISAL OF THE GRANT METHOD AS APPLIED TO RELIEF

THE year 1933 was significant in the history of relief because it marked the active entrance of the federal government into the field of relief. The year 1935 also was a relief milestone because of the far-reaching changes that it brought in federal relief policies and programs. The program of the F. E. R. A. was slowly contracted during the summer and fall of 1935 and the active life of the agency came to a close in December. The same year marked the establishment of a new federal work program and the passage of the Social Security Act. Both of these developments have served in part to fill gaps left by the passing of the F. E. R. A.

Why was the F. E. R. A. grant program discontinued? Had use of the grant method during 1933 and 1934 indicated that it was not a suitable vehicle for federal participation in the relief problem? If so, why was the grant method retained as a means of conducting the public assistance provisions of the Social Security Act? On the other hand, why was the traditional grant method rejected with respect to work relief and replaced by new federal-state-local relationships making possible closer federal control? No single answer can be advanced to any of these queries. The following appraisal of the F. E. R. A. grant system, however, will indicate many of the cross currents that played a part in bringing about the highly significant changes which occurred in intergovernmental relationships in the field of relief in 1935.

In a summation of the accomplishments and defects of the grant-in-aid device as it was applied to the relief problem through the F. E. R. A., several major factors must always be borne in mind. First, prior to the great wave of unemployment which followed the economic crash of 1929, it had been quite generally accepted that the relief of destitution was en-

tirely a matter of local concern. This view was based, in the main, on the premises that the causes of destitution were local, that the responsibility for amelioration was local, and that the problem would be best met by local officials familiar with the local situation. Secondly, for reasons outlined in the first chapter, little attempt had been made to improve the administration of local public relief; in many states, indeed, very little improvement had been made for over a century.<sup>1</sup>

This local relief set-up, and the philosophy underlying it, were utterly unsuited to the unemployment relief problem which steadily increased in intensity from 1930 through the early part of 1933. Rising relief costs and diminishing local revenues forced local governments to seek and secure state aid during this period. State aid was inadequate and assistance had to be sought from the federal government.<sup>2</sup> Starting with mere encouragement and advice offered through the Woods and Gifford Committees, the federal government went on to the donation of surplus wheat and cotton through the Red Cross. The next step was Title I of the Emergency Relief and Construction Act of 1932 which provided for repayable advances by the federal government to states and localities. From this statute, it was but a short step to appropriation of federal funds for relief purposes in 1933.<sup>3</sup>

When federal financial assistance became inevitable, Congress was faced with the task of determining the mechanism through which this aid was to be extended. The Federal Emergency Relief Act of 1933 provided for two distinct methods. First, the F. E. R. A. was empowered to make periodic grants to the states. Under this method, the actual administration of relief remained in state and local hands under certain federally-prescribed rules and regulations. Realizing that this method might not prove effective in all cases, Congress further pro-

1 See *supra*, chap. i.

2 Summary of Doctoral Thesis of Arthur E. Burns, "The Economic Significance of Relief," *op. cit.*, p. 27.

3 See *supra*, chap. i.



vided that the Administrator might, when necessary, assume control of the administration of relief in any state, in order to carry out the purposes of the act.<sup>4</sup> It is quite clear, however, that the Congress intended the grant method to be the normal procedure; direct federal administration of relief in a state was to be resorted to solely in those cases where the grant method had broken down.

The primary dependence upon a grant-in-aid system rather than direct federal action in the relief sphere was probably a natural choice in view of the previous course of relief history which has just been described. Relief had always been considered a local problem, and direct federal "intervention" would have aroused considerable local opposition. Further, the federal government lacked experience in the relief field as well as the necessary organization for carrying on relief functions. While the state emergency relief administrations that had been established in the period from 1931 to 1933 were inexperienced and new, they did at least offer an established medium through which federal funds could be funneled to local relief organizations to be spent for the destitute.

In any appraisal of the work of the F. E. R. A., the emergency nature of these state and local relief organizations must be borne in mind. Although they were hastily constructed and new to their task, the F. E. R. A. had no choice but to work through them. In the case of previous federal grants-in-aid, the federal grant agency could withhold funds until a smoothly functioning state organization was in operation. Also, the federal grants could be kept small until the states had become accustomed to the new activity. No such period of marking time was possible for the federal relief agency. Immediate and grave need for federal relief funds existed in every one of the forty-eight states; grants had to be made, therefore, even to hastily built and wobbly state emergency relief administrations. Furthermore, the federal grants could not be limited to a mere

<sup>4</sup> As indicated *supra*, in chap. iv, this power to "federalize" relief was implemented by the Act of February 15, 1934.

trickle pending the development of state relief organizations to a high point of efficiency. In brief, the state and local organizations had to be molded into efficient units at the same time that they were spending large sums of federal money and conducting the most extensive relief program ever attempted up to that era.

Helping to mold suitable state relief agencies on short notice was only one of the major "rush" jobs of the federal relief agency. In addition, it was in effect given the duty of drafting hastily a relief policy for the federal government. Few Congressmen in 1933 had even a slight acquaintance with the relief problem and the Relief Act of 1933 did little more than provide federal funds to be disbursed through a grant agency. The act set only the vaguest sort of standards of adequacy of relief. No indication was given of the relative importance to be assigned to work and direct relief. F. E. R. A. officials soon came to the conclusion that standards of adequacy had to be raised, that work relief should be given to the able-bodied, and that the program must be diversified to fit the needs of the various relief groups. The fact remains, however, that major relief policies had to be worked out quickly by officials under constant pressure.<sup>5</sup>

An extremely serious obstacle was the inability of the federal relief agency to plan ahead because of uncertainty concerning the funds which would be available. Throughout the period of relief grants Congress continued to treat the relief problem as an emergency condition. As a result, the funds that it voted and made available to the President for allocation to the F. E. R. A. were sometimes insufficient to finance relief activities for more than a few months. The President in turn was usually unable to make advance commitments to the Administrator. The reluctance on the part of Congress to supply funds on a long-term basis was probably due in the main to a fear that if the F. E. R. A. were to obtain advance commitments, and in turn make commitments to the states, relief rolls would be

<sup>5</sup> See *supra*, chap. iii.

frozen at high levels. The Bureau of the Budget also threw its influence against making funds available to the F. E. R. A. for more than short periods. The agency usually received its funds, therefore, more or less on a month to month basis. It was only for a period in 1935 that federal relief officials had sufficient assurance of funds to be able to get together with state officials, talk over plans on a three months' basis, and give their word that the federal agency would probably be able to make certain grants during the period.

In short, the F. E. R. A. was not only faced with the ordinary difficulties encountered by grant agencies, it also had to contend with the unusual difficulties just described. To the credit of the F. E. R. A. it may be said, however, that on the whole, in terms of the basic problem created by mass destitution, the federal grant agency functioned effectively. There can be little question that the destitute unemployed of America received more humane, more adequate and more intelligent care during the period of F. E. R. A. grants than they had ever been accorded previous to that time.

Among the accomplishments of the federal relief agency were the beneficial effects upon state and local administration of relief. The first grants of necessity were made to new and poorly organized state relief agencies. The rapidity and comparative success with which the F. E. R. A. raised the personnel standards and improved the administrative practices of the state and local agencies to which federal funds were entrusted for expenditure are notable in federal grant history.<sup>6</sup>

While the F. E. R. A. obviously could not divorce state "politics" completely from state and local relief agencies, it could and did take steps to bar political interference of a sort that would hamper the program. This task was facilitated because the central office at Washington was itself almost completely free from politics. Administrator Hopkins realized the necessity, however, of maintaining harmonious relations with

<sup>6</sup> See *supra*, chap. iv.

the states whenever he could honestly do so. Without going out of his way to antagonize state politicians on petty matters, the Relief Administrator did prevent political pressure from hamstringing the relief program.<sup>7</sup>

Considerable progress was made toward the three main objectives of raising the adequacy of relief, obtaining diversified relief programs, and bringing about the establishment of useful work relief programs for the able-bodied needy.<sup>8</sup> While the improvement in work relief projects and labor conditions was noteworthy under the F. E. R. A., the work principle was not applied in its highest form until the creation of the federally operated Works Progress Administration.

Although the federal relief agency pushed forward steadily in the attainment of its objectives, the smoothness with which the grant mechanism worked did lessen noticeably as time went on. Indeed, F. E. R. A. history may be divided into two periods, set apart by the very different degree of federal-state harmony which prevailed in each.

During the first period, which ran roughly from the creation of the F. E. R. A. through the winter of 1933-34, the federal agency and the states and localities worked together with a minimum of friction. This harmony may be explained in large part by the attitude of mind then prevalent amongst state and local officials. Ever since 1930 the relief problem had been a constant worry, particularly for those local officials who had had to bear the brunt of criticism from those in need of relief. These officials were usually extremely grateful when federal aid was offered and they were eager to co-operate even though such co-operation meant acceptance of detailed federal rules. While the insistence upon trained personnel did not evoke enthusiasm on the part of many political leaders, even this requirement was not regarded as too high a price to pay for federal aid for relief. Mingled with the appreciation motif there was also an awe of federal authority which manifested

<sup>7</sup> *Ibid.*

<sup>8</sup> See *supra*, chap. iii.

itself in great deference toward the federal relief agency. The fact that a regulation emanated from Washington gave it a special significance in the eyes of local officials, at least during the early days of the program when federal-local contacts were still novel.

During the second period of F. E. R. A. grants, a certain amount of friction developed in the relationships between the federal agency and the state and local governments. This is not to imply, of course, that complete harmony had previously prevailed. As time went on, however, the friction increased in intensity. During 1934 and 1935 state and local officials began to lose both their sense of extreme gratitude and their fear, and to resent the dominating role which had been assumed from the outset by the grant agency.<sup>9</sup>

No small part of the resentment may be traced to the inability of these officials to "do business" with the federal agency. The F. E. R. A. at Washington had been staffed at the outset with social workers and economists who were determined to keep political influence over the program at a minimum. The field representatives also performed their duties without paying any great attention to "suggestions" from political sources. Thus, slowly but surely, under pressure from Washington, the key positions in state and local relief organizations were filled with trained personnel. While all this won the praise of civic leaders, some local politicians resented the fact that a great many of the key positions were taken out of their control.

Another major source of friction and resentment was the fact that states and localities did not always see eye to eye with the Administrator in respect to relief policies. The rules of the federal grant agency on certain policies were often minute and definite, and in some instances were diametrically opposed to

<sup>9</sup> Even some local officials who were quite willing to have Washington lead the way were annoyed by the rather abrupt fashion in which the F.E.R.A. sometimes changed its regulations. Lack of precedent, limited funds, etc., serve to explain these quick shifts in policy; the sudden maneuvers did confuse and agitate local officials nevertheless. See *Social Service Review*, VIII (1934), 417.

local sentiment and prejudices. In every state, there were groups who objected strongly to one or more of the major policies of the F. E. R. A. Thus, some people (particularly certain business men or farmers in search of cheap labor) were opposed to the wage policies of the work relief program on the ground that they encouraged people to stay on relief rolls. Persons who believed in the old "poor law" principles felt that the F. E. R. A. was going too far in raising relief benefits generally. The theory of these objectors was that relief persons should receive only the barest minimum necessary for subsistence, and that the aid should not be given in cash. Those holding this view, particularly in the South, stubbornly resisted the raising of relief standards, even though the funds to be used were almost entirely federal in origin.<sup>10</sup> F. E. R. A. insistence that strikers were not *ipso facto* barred from receiving relief met with considerable opposition in certain quarters. In some areas, the insistence that no racial discrimination be practiced resulted in resentment on the part of many people.<sup>11</sup>

All those who felt that the federally-prescribed relief policies affected their purse or their labor supply naturally sought to influence state and local officials to take action favorable to their point of view. This resulted in further friction in the grant mechanism. Nominally, at any rate, the state relief agencies were a part of the state administrative set-up and subject to control by state political officials. Actually, however, as has been indicated, the state relief administrators were often handpicked by the F. E. R. A. and ratified as a formality by the governor. As a general proposition, the state relief agencies looked primarily to Washington and not to the governor for advice. In some states, indeed, the state and local agencies followed federal regulations and suggestions so closely as to make them in fact operating units of the F. E. R. A. rather than independent state agencies.<sup>12</sup> While the F. E. R. A. was

<sup>10</sup> Key, *op. cit.*, p. 364.

<sup>11</sup> See *supra*, chap. iv.

<sup>12</sup> See Linton B. Swift, "Relative Responsibilities—Public and Private," *The Annals*, CLXXVI (1934), 149.

often willing to give ground to conform to local views, it stood firm on its major policies. In addition, of course, some governors or other political officials of the state sought to gain full control over the state relief administrations for purely political purposes. Some attempts were made to use state and local relief agencies as a means of influencing the voting of relief persons. The Federal Administrator struck back whenever such attempts came to his attention. The inevitable result was, however, that state political leaders began to wage a battle with the F. E. R. A. for full control of the state relief agencies.

In addition to these difficulties over personnel and relief policies, another source of friction was encountered in finances. The problem of contributions of state and local governments, which has been faced by most federal grant agencies, assumes considerable importance when the governmental activity in question is both expensive and vitally necessary. Some states and localities made every reasonable effort to raise funds for the relief program; in other states little effort was made to provide funds. The general attitude in these latter states came to be that the F. E. R. A. was a "gravy train." They would not or could not understand that the F. E. R. A. was attempting to allocate its funds on the basis of "equalizing" the ability of the states to meet their particular relief problem. Only by constant pressure and argument, and shaking the big stick of threatened "federalization," were certain states forced to make reasonable efforts.<sup>13</sup> Much of this argument could have been avoided if an automatic formula for calculating relief grants had been devised. It does not appear, however, that any automatic formula could have been devised which would have resulted in the necessary equalization.

Another difficulty with the states which caused growing resentment in Washington grew out of the tendency of many states and localities to shift as much of the relief burden as possible to the federal government. This desire manifested itself in two forms. First, there was a tendency in many states and

<sup>13</sup> See *supra*, chap. v.

localities to attempt to avoid the expense of maintaining their old categorical and poor relief systems.<sup>14</sup> As a result, these states, to a greater or lesser degree, padded their emergency relief rolls with categorical relief and unemployable poor relief cases since emergency relief expenses were met in large part by the F. E. R. A. The attitude of the F. E. R. A. in this connection was that while states and localities must maintain their old organizations for unemployables, the federal agency would not object to inclusion on emergency relief rolls of unemployables from localities which were absolutely unable to provide for them without federal assistance.<sup>15</sup> From time to time, in an effort to force certain states to assume their rightful responsibility for unemployable cases, the F. E. R. A. demanded that these states purge their emergency relief rolls of the old poor law cases. However, there was a pronounced tendency for the unemployable cases to gravitate to state emergency relief rolls, even in those localities where local financial support could and should have been afforded. Objections were made to this practice not only because of financial considerations but also because the practice of shifting large numbers of unemployables to emergency relief rolls was slowly breaking down local responsibility.

In addition, some critics were alarmed by the fact that the federal government was financing widely varying proportions of the costs of maintaining the emergency relief rolls of the respective states. As has been indicated in the preceding chapter, this situation may be partially justified by the widely varying needs and financial abilities of the states during the period of federal relief grants. Nevertheless, there was truth in the contention of critics that some states were coasting along and making little effort to raise funds, while other states were in effect penalizing themselves by making strenuous efforts to raise funds for relief purposes.<sup>16</sup>

<sup>14</sup> See *supra*, chap. iii. See also Bittermann, *op. cit.*, p. 322.

<sup>15</sup> See *supra*, chap. iii.

<sup>16</sup> See *supra*, chap. v.



Finally, a source of contention between the federal relief agency and certain states was the question of the validity of relief rolls in some localities. It may be taken for granted that "chisellers" will apply for public assistance under any sort of relief program. Some of these persons, despite every precaution, will obtain a foothold on the relief rolls. There are a few indications that since the federal government was bearing so large a proportion of relief costs, some local relief officials were not overactive in preventing chisellers from gaining a place on relief rolls. This does not appear to have been a problem in most areas, however.

The factors sketched above tended to create friction and to make more difficult the smooth operation of the grant mechanism. Ultimately, indeed, the Administrator abandoned the grant method in six states<sup>17</sup> and resorted to "federalizing" relief therein. In a number of other states, friction became so great that federalization of relief was a distinct possibility on more than one occasion. Balancing this situation was the fact that in most states, despite occasional differences of opinion between state and federal officials, the program was operated throughout on an amicable basis.

On the whole, it can be said that the relief problem was a test of the efficacy of the grant mechanism in American government, and that from 1933 through 1935 the F. E. R. A. met the test adequately. The adoption of the grant method appears to have been fully justified. Part of its success, however, during the two and a half years which followed, must be attributed to an "emergency psychology" on the part of state and local governments. Willing co-operation characterized the federal-state relationships during that period. As has been indicated above, rumblings of trouble and dissension began to be heard in the latter part of the F. E. R. A. period, giving warning that the grant method should not be uncritically accepted as the most desirable method for meeting all aspects of future relief problems.

<sup>17</sup> See *supra*, chap. iv.

## RELIEF POLICY CHANGES IN 1935

President Roosevelt, in his message to Congress on January 4, 1935, set the stage for the great changes in federal relief policy which were to transpire in 1935. After analyzing the relief situation and outlining the respective roles which he conceived should be played in the future by the states, localities, and the federal government, the President classified the cases on relief (November 1934 data) and differentiated between the problems and responsibilities involved. The 5,000,000 cases were divided into two general categories, those in whose families there was no employable person and those in whose families one or more members were capable of self-sustaining effort. Of the unemployable group of 1,500,000, he said:

“Most of them are unable for one reason or another to maintain themselves independently—for the most part, through no fault of their own. Such people, in the days before the great depression, were cared for by local efforts—by States, by counties, by towns, by cities, by churches, and by private welfare agencies. It is my thought that in the future they must be cared for as they were before.” The President then pointed out that “the security legislation which I shall propose to the Congress will, I am confident, be of assistance to local effort in the care of this type of cases.” The President thus reaffirmed the traditional principle of local responsibility for unemployables, although federal grants were to be available for certain categories through the Social Security Act.

Pointing out that the remaining relief problem, that of the employables, could not be settled on the same basis, the Chief Executive said: “With them the problem is different and the responsibility is different. This group was the victim of a Nation-wide depression caused by conditions which were not local but national.” The President’s analysis therefore placed primary responsibility for alleviating unemployment upon the federal government, and he strongly urged the establishment

of a large-scale work program as the best means of meeting this responsibility.

The new division of relief responsibility which the President sketched in his message received Congressional approval in 1935.<sup>18</sup> During the latter part of that year, F. E. R. A. grants for direct relief were discontinued<sup>19</sup> and the states and localities were called upon to assume primary responsibility for the care of unemployables, although aided to some extent by federal grants under the Social Security Act<sup>20</sup> for certain classes of categorical relief. As its share of the existing burden, the federal government assumed primary responsibility for the destitute unemployed through the institution of a large-scale Works Program. The major role in the new program was destined to be played by the Works Progress Administration, a new agency specially created to carry forward in improved form the work relief activities of the F. E. R. A.

The federal assistance to unemployables made possible under the Social Security Act is effectuated, in the main, through a system of regular federal grants to states for certain relief categories: the aged, the blind, and dependent children.<sup>21</sup> These

18 Emergency Relief Appropriation Act of 1935, Pub. Res. No. 11, 74th Cong., approved April 8, 1935.

19 Formal authority for liquidation of the F.E.R.A. was given under the Emergency Relief Appropriation Act of 1936, Title II, Pub. No. 738, 74th Cong., approved June 22, 1936, which authorized and directed the Administrator to liquidate the F.E.R.A. and provided that funds were to be available for this purpose until June 30, 1937. The Emergency Relief Appropriation Act of 1937, Pub. Res. No. 47, 75th Cong., approved June 29, 1937, postponed final liquidation of the F.E.R.A. by providing that funds were to be available for this purpose until June 30, 1938.

20 Pub. No. 271, 74th Cong., approved August 14, 1935.

21 In addition to the three major public assistance provisions, there are other aspects of the Social Security Act which are of slight fiscal significance and have a less immediate and direct bearing upon the non-employable group problem. Grants are possible under the act for the purpose of extending the services of the United States Public Health Service and federal vocational rehabilitation services; federal assistance is also available for the development of programs under the direction of the Federal Children's Bureau for crippled and underprivileged children.

grants are available only after approval by the Social Security Board of state programs for assistance to these categories. One of the major prerequisites to such approval is that the plan be state-wide in operation. As indicated in chapter 1, many of the state laws for categorical assistance prior to the enactment of the Social Security Act had been based on the optional principle, that is, the counties were free to institute a program or not, as they chose. As a result, many counties did not provide assistance; it was this situation which resulted in Congress providing that the Board must require state-wide operation of a plan.<sup>22</sup>

A second important requirement for approval is that states must participate in the financing of the program. Complete local responsibility for financing categorical relief had been common prior to the Social Security Act and had resulted in many instances in an inadequate program.<sup>23</sup> The requirement of state participation in financing was prompted by the desire both to ensure adequacy and to stimulate state interest in local standards of administration. In a further attempt to secure better and more uniform administration, Congress required that no state plan was to be approved unless it provided for administration of aid directly by the state itself or under state supervision.<sup>24</sup>

22 On October 1, 1938, all 48 states and the District of Columbia, Hawaii, and Alaska were operating approved plans for public assistance to the aged; 40 states were co-operating with the Social Security Board in aid to the blind; and 42 states were carrying out federally approved programs for aid to dependent children.

23 The *First Annual Report of the Social Security Board*, Fiscal Year 1936, 75th Cong., 1st Sess., House Doc. No. 147 (Washington: Government Printing Office, 1937), p. 9, states: "At the end of 1934, 14 of the 30 old-age assistance laws provided for financing wholly from local sources, as did 12 of the 25 laws for aid to the blind. Of the 42 State laws for aid to dependent children in operation at that time, 28 were financed entirely by the States . . . local resources often were inadequate to cope with the financial load, especially during the depression."

24 The act provides that the Board may, after due notice to a state and the granting of a hearing, suspend all grants to a state until such state bring

In order to put a ceiling upon federal expenditures, the federal grants are by statute proportional to the sums which the states themselves contribute toward the support of the needy class in question, and the total amounts the federal government will provide per person are limited.<sup>25</sup> Thus, with respect to dependent children, the Social Security Act provides for a federal contribution of one-third of the state's outlay for such children, including costs of administration. In any single month, however, the federal government's contribution may not exceed six dollars for one child in a home and four dollars for each additional child. Federal assistance for the blind under the Social Security Act is equal to one-half of the total benefits paid to blind persons, but the federal share may not exceed fifteen dollars per month, plus an additional contribution toward administrative expenses of 5 per cent of the federal matching grant.

The old-age assistance movement has gone forward with tremendous strides during the period since 1929. From 1931 through 1934 the number of persons receiving pensions increased from 76,663 to 235,265. That this latter figure did not include all the needy aged, however, is made quite clear by the fact that the relief census taken by the F. E. R. A. in October 1933 revealed 477,000 persons on emergency relief rolls who were sixty-five years of age or older. A substantial

its plan, and the administration thereof, into conformity with the requirements of the Board. The first case of such suspension occurred on July 27, 1937, when, after hearings in the early part of July, the Board suspended old-age assistance grants to the state of Illinois. Grants were resumed August 30, 1937. Grants to Oklahoma for all three types of assistance were suspended on March 2, 1938, after hearings on February 23 and 24 established beyond doubt that, due to inadequate records and administration, the state was paying out benefits to numerous persons not properly eligible for aid. In May the Board ordered resumption of payments to Oklahoma as of April 1, 1938. Old-age assistance grants to Ohio were discontinued as of October 1, 1938 after hearings in September. Grants were resumed on November 1.

<sup>25</sup> For a discussion of the public assistance provisions of the act, see Eveline M. Burns, *Toward Social Security* (New York and London: McGraw-Hill Book Co., Inc., 1936), chaps. iii, v, and vi.

number of these aged persons had undoubtedly been shifted from state programs for the aged to emergency relief rolls in order to secure federal financial aid for them. With respect to both numbers aided and expenditures incurred the public assistance provisions for the aged under the Social Security Act seem destined to be of the utmost importance. As with blind assistance, the federal government stands ready to pay half the benefits paid to each aged person, but limits its total monthly contributions to fifteen dollars per person. An additional sum (5 per cent of the federal matching grant) may also be given to cover costs of administration or payment of benefits.

The act also provides for two other programs which, based on the insurance principle, seek to set up a barrier against future destitution for certain classes of individuals. These two programs, the old-age benefit<sup>26</sup> and unemployment compensation<sup>27</sup> systems, have important repercussions upon the relief situation but are based upon concepts entirely different from the public assistance provisions sketched above. The basic distinction between the assistance and insurance programs is simply this: persons are not eligible for aid under the public assistance provisions until the need for assistance is demonstrated. Thus, old-age "assistance" is available only for the needy aged; old-age benefits and unemployment compensation, on the other hand, are not associated with need, and payments are made as a matter of right to eligible applicants. The assistance provisions are aimed at a current need for relief, the old-age benefits and unemployment compensation provisions are an attempt to forestall a potential relief problem of the future by social insurance methods.<sup>28</sup>

In order to finance the old-age benefit plan, federal taxes are levied in equal amount upon both employers and employees,

<sup>26</sup> *Ibid.*, chap. ii.

<sup>27</sup> *Ibid.*, chap. iv.

<sup>28</sup> Two pioneer works in the field of social insurance are: Abraham Epstein, *Insecurity: A Challenge to America* (New York: Harrison Smith and Robert Haas, 1933); and I. M. Rubinow, *The Quest for Security* (New York: H. Holt and Company, 1934).

the taxes being assessed upon that portion of a worker's salary which is not in excess of three thousand dollars a year. The old-age benefit system, in contrast to all other aspects of the Social Security Act, is administered directly by the federal government. It should be noted that many classes of workers are not covered by the plan, notably those engaged in agriculture, maritime service, domestic service, casual labor, governmental service and those working for non-profit organizations.<sup>29</sup> Generally speaking, those persons in occupations coming under the act, and making the required contributions during their working years, become eligible for annuities at sixty-five years of age. Among the major prerequisites are those which require that a claimant must have been employed for at least one day during each of at least five years and that he must have received in all a total of not less than two thousand dollars in wages. Monthly benefits vary according to earnings by the worker in covered employment, and will range from ten to eighty-five dollars. These monthly benefits will not be payable until 1942.

The old-age benefit plan will serve to some extent to decrease the number of aged persons seeking aid under the public assistance provisions in future years. Since a very considerable portion of the population is not covered by the plan, however, it cannot by any means eliminate the need for pensions. Thus, those aged destitute persons who have worked in excluded occupations or as self-employed will have no rights to payments. Moreover, especially during the earlier years of benefit payments, supplementation by pension money will be necessary in a number of cases where the benefits are inadequate.

The unemployment compensation plan is the second aspect of the social security program utilizing insurance concepts to avoid future destitution. The Social Security Act encourages the setting up of state systems of unemployment compensation.

<sup>29</sup> Employees engaged in the railroad industry are also excluded, but the insurance principle is extended to them through a system instituted under the Railroad Retirement Act of 1935.

This end is accomplished by placing a federal tax on pay rolls; in states with mandatory state systems of unemployment compensation approved by the Social Security Board, employers may credit their payments to the state fund, up to 90 per cent of the federal tax. In short, while the act does not itself set up a system of unemployment compensation, it does offer a powerful inducement to states to set up their own.<sup>30</sup>

The coverage extended by the various state unemployment compensation laws varies widely from state to state. The Social Security Act provides that employers in all industries are exempted from the federal tax if they have not employed at least eight workers during twenty weeks of a given year. Further, the act excludes from federal taxation the employers of seven groups of labor, regardless of the size of the establishment. These excluded occupations are agriculture, domestic service in private homes, service of members of the immediate family,<sup>31</sup> shipping within the navigable waters of the United States, service of the federal government and of state and local governments, and services performed for non-profit organizations. The federal act merely states that the above classes of employers are not subject to the federal tax; there is nothing to prevent states from extending their compensation systems to cover some of these classes if they so desire.<sup>32</sup>

<sup>30</sup> By the end of July 1937 all forty-eight states, the District of Columbia, Alaska and Hawaii had enacted unemployment compensation laws which had been approved by the Board. By way of contrast, only one state, Wisconsin, had passed such a law prior to 1935.

<sup>31</sup> Except when the children are over twenty-one and the parent's business meets other necessary requirements.

<sup>32</sup> Thus, about one-half the state laws (as amended up to August 31, 1937) provide that coverage should extend to firms employing less than eight persons. As a further example, the New York State law extends coverage to domestic service in a private home if four or more domestic workers are employed. See the *Second Annual Report of the Social Security Board*, Fiscal Year 1937, 75th Cong., 3d Sess., House Doc. No. 474 (Washington: Government Printing Office, 1938).



In order that states might have the opportunity to accumulate a reserve before payments began, the Social Security Act provided that no unemployment benefits should be paid until two years after the first day upon which contributions became payable. In consequence, in only one state (Wisconsin) were unemployment benefits paid before 1938. Benefits became payable in twenty-nine states and the District of Columbia during 1938. Benefits become payable in the remaining states in 1939. All of the state laws, of course, provide for a limited duration of benefits, a fact which must be kept in mind in estimating the effectiveness of unemployment compensation as a defense against destitution.<sup>33</sup>

To sum up the objectives of the Social Security Act, it may be said that its provisions attack the relief problem on three fronts. The act makes possible federal assistance for certain unemployable groups, community services are provided, and social insurance devices are utilized to guard against destitution arising from old-age and temporary unemployment.

Provision of work for the able-bodied jobless was the other major task assumed by the federal government in 1935. A new Works Program, for which \$4,880,000,000 was made available under the Emergency Relief Appropriation Act of 1935, was therefore instituted to carry forward in improved form the work relief activities of the F. E. R. A. The dominant role in the new program was soon assumed by a newly created agency, the Works Progress Administration.<sup>34</sup> In addition to the W. P. A., however, more than forty federal agencies, in-

<sup>33</sup> The early hopes that the unemployment insurance provisions of the act would greatly cut unemployment relief costs seem, in the light of experience in 1938 at any rate, to have been illusory.

<sup>34</sup> See an article by Emerson Ross, Director of the Division of Statistics and Economic Research, "Works Progress Administration," *Municipal Year Book*, 1937, *op. cit.*, pp. 433 *et seq.* The W.P.A. was created, and its powers set forth, in Executive Order No. 7034, dated May 6, 1935, issued under authority of the Emergency Relief Appropriation Act of 1935. These powers were continued and made applicable to later appropriations by Executive Orders No. 7396, of June 22, 1936, and 7649, of June 29, 1937.

cluding old line federal bureaus, received funds under the 1935 act and sponsored work projects. Newly created agencies (including Resettlement) and previously established emergency agencies such as the Public Works Administration and the Civilian Conservation Corps, also received funds under the 1935 act and instituted work activities. The F. E. R. A. work program and the Works Program were in simultaneous operation in the summer and fall of 1935. The grant program was slowly contracted during this period as the Works Program employment mounted, until by the end of the year it had been practically liquidated.

It is not possible here to give an account of the federal-state-local relationships arising from the work of *all* the federal agencies that have helped to furnish employment under the Emergency Relief Appropriation Act of 1935 and subsequent acts,<sup>85</sup> nor can the relationships between the W. P. A. and other Works Program agencies be sketched.<sup>86</sup> For comparative purposes, however, it is desirable to indicate briefly here the inter-

<sup>85</sup> The agencies co-operating in federal emergency work activities have received their funds under seven appropriation acts: The Emergency Relief Appropriation Act of 1935 (Pub. Res. No. 11, 74th Cong., approved April 8, 1935) made available up to \$4,880,000,000; the Emergency Relief Appropriation Act of 1936, Title II, First Deficiency Appropriation Act, Fiscal Year 1936 (Pub. No. 739, 74th Cong., approved June 22, 1936) provided \$1,425,000,000; the First Deficiency Appropriation Act, Fiscal Year 1937 (Pub. No. 4, 75th Cong., approved Feb. 9, 1937) provided \$789,000,000; the Emergency Relief Appropriation Act of 1937 (Pub. Res. No. 47, 75th Cong., approved June 29, 1937) provided \$1,500,000,000, and a supplemental act of March 2 (Pub. Res. No. 80, 75th Cong., approved March 2, 1938) provided \$250,000,000; the Emergency Relief Appropriation Act of 1938 (Pub. Res. No. 122, 75th Cong., approved June 21, 1938) provided \$1,425,000,000, and a supplemental act of January 1939 provided \$725,000,000. Funds voted under the later acts were spent almost entirely by the W.P.A., agencies which had previously shared in the emergency relief appropriations came to receive separate and direct appropriations.

<sup>86</sup> The W.P.A. was entrusted with the general duty of co-ordinating the work activities of all agencies receiving funds under the 1935 act. The powers of the W.P.A. in this connection were always nebulous, however. By the early part of 1938 the W.P.A. co-ordinating activities consisted of little more than assembling reports on the activities of the other agencies.

governmental relationships which have arisen through the creation of the W. P. A. The comments that follow apply solely to the projects and program of the W. P. A.<sup>37</sup>

The W. P. A. program, unlike that of the F. E. R. A., was set up as a federal program. All the W. P. A. officials, of course, from Washington down through the district offices, are federal officials. While there are numerous differences in procedure from the Civil Works Program, the W. P. A. has been operated through substantially the same intergovernmental relationships that characterized the C. W. A.<sup>38</sup> It should be stressed that the program, while not operated as a grant-in-aid system, was nevertheless designed as a co-operative federal-state-local venture. Considerable effort has been made to encourage state and local initiative and participation.

To sketch the new organization briefly, the W. P. A. at Washington was manned at the outset almost entirely through a transfer of F. E. R. A. personnel. The Administrator appointed by the President was Harry L. Hopkins, who had guided both the F. E. R. A. and the C. W. A. Mr. Hopkins was appointed Secretary of Commerce in the latter part of December 1938. Colonel F. C. Harrington, formerly in charge of the Engineering Division, was then designated to head the W. P. A. The functions of the Washington office were divided among major divisions, each of which was under the supervision of one of the Assistant Administrators. State works progress administrators were appointed for each state, and separate administrators for New York City,<sup>39</sup> the District of Columbia, and Hawaii. A further subdivision was made into district W. P. A. organizations, each state having from one to

<sup>37</sup> The reader interested in comprehensive summaries of federal emergency work activities since the latter part of 1935 will find of great value reports issued by the W.P.A. from time to time and entitled "Report on Progress of the Works Program."

<sup>38</sup> See *supra*, chap. iii, for an account of the C.W.A.

<sup>39</sup> See John D. Millett, *The Works Progress Administration in New York City* (Chicago: Public Administration Service, 1938).

twenty district organizations. In the early period of W. P. A. operations the district office was the basic operating unit. During 1937, however, the state offices absorbed more and more power previously exercised by the district offices, and the latter were abolished in many areas.

In order to maintain adequate control over the state and district organizations, the W. P. A. created five regional offices, each directed by a field representative. Every regional field representative was given a staff of regional engineers and examiners, a regional director of the Division of Women's and Professional Projects, and a regional Director of the Division of Employment. As was the case during the F. E. R. A. period, these field representatives play an extremely important part in keeping the state organizations in line with the W. P. A. regulations issued at Washington. Their task in this connection is, of course, simpler than it was during the F. E. R. A. period, for the state and local W. P. A. organizations are merely operating units of the W. P. A. at Washington and completely subject to its control. The field men also play an important part in advising the Administrator concerning the sums which should be allocated to the various state organizations. Finally, they serve as a check upon the quality of projects and stand ready to offer instructions or advice on the numerous technical questions constantly arising within the states.

W. P. A. rules now require, with certain possible exemptions for individual projects, that at least 95 per cent of the project workers for the state as a whole must be drawn from persons certified as in need of relief.<sup>40</sup> As a general rule, this certifying function is entrusted to the local relief agencies.<sup>41</sup> Having

<sup>40</sup> As of December 1938 about 97 per cent of the W.P.A. workers had been so certified.

<sup>41</sup> It is practically impossible to generalize concerning certification. In a number of states, sometimes because of local political squabbles and sometimes because states will not or cannot provide funds for the process, the W.P.A. has been compelled to set up its own certifying machinery. During the latter part of 1938 the W.P.A. was certifying and cancelling in Oklahoma, New Mexico, South Carolina, Missouri, Kentucky (in part) and the District

determined need, the local relief office, in conformity with the W. P. A. rules on eligibility, sifts the applicants and certifies eligible persons to the W. P. A.<sup>42</sup> Certification, of course, does not automatically ensure employment on a project. The W. P. A. has never had sufficient funds to employ all persons certified to it by local relief agencies. Actual selection of project workers from the group of certified persons is a function of the W. P. A.;<sup>43</sup> those who are not assigned continue to be a responsibility of the local relief agencies.

As was the case under the C. W. A., projects of the W. P. A. are, in the main, planned, initiated, and sponsored by cities, counties, and other public agencies.<sup>44</sup> The sole exceptions are a few "federal" projects sponsored by the W. P. A. itself or by other federal agencies.<sup>45</sup>

A brief sketch of the role played by sponsors will further clarify the importance of states and localities with respect to the W. P. A. program. When proposing a project, the state of Columbia. In a number of other cases, the W.P.A. has made personnel available to the local relief agencies to assist in certifying, notably in Cleveland, Ohio. In some areas, the W.P.A. Division of Employment makes a very thorough check of persons certified to the W.P.A.; in others, its check is perfunctory.

42 With minor exceptions, the W.P.A. requires that all persons must be registered with the United States Employment Service or an office designated by it, before assignment to a W.P.A. project. Those granted exemption must register as soon as feasible after assignment.

43 When a project is initiated, the supervising agency or department sends a requisition to the appropriate W.P.A. office. The W.P.A. Division of Employment assigns workers with the required skills to the project.

44 Thus, according to the December 1937 *Report on the Progress of the Works Program*, municipalities (cities, incorporated boroughs, villages, and towns) had sponsored projects amounting to about 50 per cent of the total estimated cost of all projects placed in operation through August 31, 1937. Counties had sponsored projects accounting for 23 per cent of this total; states, 18 per cent; and townships 6 per cent.

45 Federally sponsored projects comprise only about 3 per cent of the estimated cost of all W.P.A. projects; the W.P.A. itself sponsors about two-thirds of all such projects. Federal undertakings, in the main, are white-collar projects—censuses, library work, research studies, and the well known W.P.A. Arts Program of art, music, theater and writers' projects.

or local sponsor must furnish a detailed description of the work to be performed, including an estimate of the amount and kind of labor required and the costs. Although the W. P. A. stands ready to offer technical assistance, the sponsors must supply the detailed engineering, architectural and legal planning necessary to the institution of the project.

The responsibility of the sponsors does not end with the planning and suggestion of a project; they are also called upon to assume a substantial share of the cost of projects. The sums expended by sponsors from the inception of the program through June 1938 represent about 15.5 per cent of the total project cost. During the fiscal year ending in June 1938 there was a tendency for sponsors' contributions to rise. Expenditures by sponsors for this period amounted to 21.3 per cent of total project costs.<sup>46</sup>

A major point of distinction between the C. W. A. and the W. P. A. may be observed in the method of approval of projects. As was indicated in chapter 3, approval of projects was highly decentralized under the C. W. A., final approval of all projects (with the exception of federal undertakings) being vested in the respective state branch of the Federal Civil Works Administration. In the case of the W. P. A., on the other hand, approval of locally sponsored projects by local and state works progress administrations does not constitute final approval. The projects are then checked and approved by the W. P. A. at Washington. Upon approval by the President, the project is ready for operation.<sup>47</sup> Not all projects receiving this approval are actually embarked upon, however. From the reservoir of

<sup>46</sup> Sponsors' contributions do not all involve cash expenditure. The W.P.A. allows credit for use of city-owned trucks, tools and equipment. Sponsors are also allowed to credit the cost of supervision of projects by their engineers, etc. In estimating the cash value of such contributions, sponsors have sometimes tended to exaggerate.

<sup>47</sup> Projects approved by the President are subject to review by the General Accounting Office to ascertain whether they come within the purposes of the statute.

approved projects, the state W. P. A. office selects from time to time the projects which are to be put into actual operation.

The degree of control exerted by sponsors over the carrying out of a project varies greatly. At the outset of the program, the W. P. A. tended to think of itself as being primarily a supplier of labor; responsibility for furnishing the direction necessary to carry a project forward to completion was thought of as belonging to the sponsor. This view no longer prevails. It is true that some sponsors still name the project supervisor and exert general control over the project. Sponsor control is most often possible in the larger cities which maintain well staffed departments of public works.<sup>48</sup> As a general rule, however (particularly in small localities), the W. P. A. has deemed it desirable to supply the necessary trained supervisors and foremen. When such W. P. A. supervisors are provided, the wishes of the sponsor are followed as closely as possible concerning the manner in which the work is to be carried forward.

As was the case under the C. W. A. and the F. E. R. A., W. P. A. projects are largely of a construction nature. Construction activities account for about three-fourths of the estimated total cost of all W. P. A. projects initiated through March 31, 1938. Roughly one-half of this construction work is for repair and improvement and one-half for new construction. The latest available figures<sup>49</sup> indicate that highway, road and street projects account for 35.5 per cent of the total cost of all projects placed in operation as of March 31, 1938. These projects are followed in order by white collar projects (13 per cent), public buildings (11.2 per cent), parks and other recreational facilities (10.7 per cent), sewer projects (9.9 per cent), goods projects (8.9 per cent) conservation projects (4.4 per cent), airports and other transportation (2.6 per cent), sani-

<sup>48</sup> An example of strong sponsor control may be seen in the park projects run under Robert Moses, Park Commissioner of New York City.

<sup>49</sup> See the *Report on Progress of the W.P.A. Program*, June 30, 1938, Table 15, pp. 142-143.

tation and health (2.3 per cent), and miscellaneous (1.5 per cent).

While the localities suggest these undertakings, the projects are not operated unless federal specifications are met as to utility, cost, and employment to be furnished. Further, the federal allotments are not actually handed over either to the state or to the local government sponsoring a project. The workers on all W. P. A. projects are paid directly by check through the disbursing machinery of the United States Treasury; materials and supplies furnished by the federal government are also secured through the Treasury procurement machinery.<sup>50</sup> The W. P. A. also exerts complete control over hour and wage policies,<sup>51</sup> thus avoiding most of the difficulties experienced by the F. E. R. A. in this connection.<sup>52</sup>

An off-shoot of the W. P. A. program which deserves special mention here is the National Youth Administration. This program of student and youth-aid, instituted by Executive Order of June 26, 1935, was placed under the direction of Deputy Administrator Aubrey Williams of the W. P. A.<sup>53</sup> The policy was an outgrowth of the College Student Aid Program of the F. E. R. A. Its objective was to provide part-time employment for needy students between sixteen and twenty-five years of age. High school as well as college and graduate students were

50 See Gladys Ogden, "Municipalities and the Federal Works Program," *National Municipal Review*, XXVI (1937), 62 *et seq.*

51 Originally, the W.P.A. provided its workers with a monthly "security wage" which varied from \$19 to \$94 according to broad geographical regions, urban or rural areas, and major occupational groups. The average was about \$50 per month. Hourly wage rates were not considered in the fixing of these monthly security wages. The Emergency Relief Appropriation Act of 1936 required that not less than the prevailing rate be paid, however, and a somewhat similar stipulation was made in the 1937 act. As a result, W.P.A. workers are paid at an hourly rate not less than the "going rates" paid in the particular locality for work of a similar nature. They work only for the number of hours, however, sufficient to bring their total monthly wages up to the applicable "security wage."

52 See *supra*, chap. iii.

53 See *Survey Graphic*, XXIV (December 1936), 581.



made eligible to receive the benefits of this program.<sup>54</sup> Youths between eighteen and twenty-five and not in school are aided by the N. Y. A. through employment on certain kinds of work projects, and paid approximately one-third of the standard monthly security wage.<sup>55</sup> In 1939 the N. Y. A. was severed from the W. P. A. and given independent status.

In addition to the social security recipients and those receiving emergency federal employment, discussed in the preceding pages, there is a large group of persons who receive so-called "general relief" under the laws of the various states. As has been stated, all states had been notified by December 1935 of the amounts of their final F. E. R. A. grants; since early 1936 the general relief programs have been financed and administered solely by the states and localities.

The group receiving general relief includes both able-bodied persons and unemployables.<sup>56</sup> Among the persons included are those employables for whom work is not available on the undertakings of the W. P. A. or other federal agencies giving emergency employment. This situation is sometimes due, of course, to a shortage of funds and sometimes to the fact that the needy workers are too scattered or possess skills for which suitable local work projects cannot be devised. Some of the persons on general relief rolls are aliens, a class not eligible for W. P. A. employment. Others on general relief are persons whose W. P. A. earnings or earnings in private industry are so small that supplementation by relief is required. The bulk of those who depend on general relief, however, are the unemployables who do not come within the particular categories aided by the social security grants. These persons either belong to classes of un-

<sup>54</sup> In April 1938 a total of 335,401 students were being aided.

<sup>55</sup> As of July 1938, 214,491 youths were receiving part-time employment on this aspect of the N.Y.A. program.

<sup>56</sup> In January 1936 about 2,216,000 families and single persons were receiving "general relief." The numbers on general relief rolls declined through July 1937 to a low point of 1,267,000 cases. The trend then turned upward and in March 1938 there were 2,029,000 cases, representing 6,614,000 persons receiving aid. In October there were 1,520,000 cases.

employables for which no provision has been made in the social security law, or else they are denied benefits because they fail to meet the age, citizenship, or residence requirements of the state laws.

Thus, the new division of relief responsibility inaugurated in 1935 has not always worked out smoothly. There is considerable unevenness in the adequacy of relief offered to various needy persons. Lack of funds on the part of the W. P. A. has meant that many able-bodied needy are denied the relatively desirable employment opportunities on the W. P. A. program and are left instead on the general relief rolls of the states and localities.<sup>57</sup> The necessity for excluding from W. P. A. employment numerous jobless persons eligible for such work gives some scope for favoritism or the charge of favoritism.

Furthermore, the fact that the federal government, through its social security grants, is putting a premium on state aid to such classes as the needy aged and the blind, has given the states an incentive to concentrate on relief to these groups at the expense of other destitute persons. Both state funds and state attention are thus diverted from general relief, for which no federal assistance is provided.<sup>58</sup> This situation may become increasingly serious if the federal government continues to confine its financial aid to a few selected categories of needy persons. When states originally adopted the categorical approach, it was with the commendable intent of removing certain classes of deserving persons from the humiliating effects of the state "poor laws."<sup>59</sup> By making grants available only for certain groups, however, the federal government tends to perpetuate such differences because states with limited funds

<sup>57</sup> See Senator Byrnes's Preliminary Report from the Special Committee to Investigate Unemployment and Relief, *Senate Report No. 1625*, 75th Cong., 3d Sess., published April 20, 1938.

<sup>58</sup> Key, *op. cit.* See also Eveline M. Burns, "The Impact of the Social Security Act on the Relief Problem," *National Municipal Review*, XXVII (1938), 13 *et seq.*

<sup>59</sup> See *supra*, chap. i.

for relief have a strong incentive to concentrate their expenditures in fields where federal aid is available.

An outgrowth of the same federal policy is the tendency of certain states and localities to cut down the general relief rolls by pushing as many persons as possible into the federally aided groups. Thus, there is a constant temptation to certify for W. P. A. employment persons who are in reality unfit for work, and to strain every point to bring a needy individual within one of the public assistance categories of the Social Security Act.

There are other defects which, like the foregoing, are not inherent in the grant system as such but do exist at the present time. For example, some needy persons otherwise eligible for benefits are excluded because of residence requirements. Even for covered groups, benefits are sometimes woefully inadequate. These flaws are not irremediable. Pressure groups will probably bring about larger payments in the future. Certainly we can look for recurring spurts of "Townsendism," at least with respect to the aged who constitute the big and growing part of the group dependent upon categorical assistance.

The successful working out of the re-division of relief responsibility of 1935 has also been hampered by the suddenness with which federal grants for general relief were terminated. Standards of state and local relief administration had been built up during the period of F. E. R. A. grants. When the federal government ceased to finance and mold the state general relief programs, however, the relief administrations in a number of states were disbanded and there was a drop in administrative standards and adequacy of relief in many states.<sup>60</sup> It is reasonable to suppose that had nominal federal grants, accompanied by conditions, been maintained for an indefinite period, the federal government could have made permanent many of the gains in state general relief administration achieved during the period 1933 through 1935.

<sup>60</sup> *Second Annual Report of the Social Security Board, op. cit.*, p. 48. See also Louise V. Armstrong, *We Too Are the People* (Boston: Little, Brown and Company, 1938), chap. xiv.

FUTURE INTERGOVERNMENTAL RELATIONSHIPS IN THE FIELD  
OF RELIEF.

One of the purposes of this study is to indicate what the F. E. R. A. experience has shown about the grant method and its applicability to future problems of relief. Relief is certain to be a vital governmental problem of the future, and will require the utmost co-operation between the federal government and the states. It will be a major test of their ability to work together. The heart of the problem will be to avoid undue centralization while at the same time to secure at least minimum standards throughout the country and the most effective expenditure of federal funds.

When the F. E. R. A. grant system was dismantled in 1935, the federal government embarked upon a policy of offering its co-operation to the states through two main vehicles, the Social Security program and the Works Program. The grant method, as has been indicated, was selected for use with respect to the public assistance sections of the Social Security Act for the aged, blind, and mothers with dependent children.<sup>61</sup> On the other hand, the W. P. A. method was adopted for unemployment relief in preference to the grant technique.

In the case of the public assistance provisions of the Social Security Act, use of the grant method appears justified.<sup>62</sup> The type of relief provided for under these grants for categorical assistance has long been regarded as primarily a local responsibility.<sup>63</sup> The social security public assistance program rightly

61 The insurance aspects of the social security program, while of the utmost importance, are not discussed in this connection because they are not strictly relief activities, but rather are aimed to prevent possible future problems of destitution. These insurance programs are outlined, pp. 244-247.

62 Eveline M. Burns, *Toward Social Security*, *op. cit.*, chap. xi.

63 At the time the Social Security Act was being drafted, advocates of the grant method stressed the fact that programs of categorical assistance were already in operation in many states. It was urged that these programs, imperfect as they were, were "going concerns" and could be improved by federal supervision. A direct federal program, it was pointed out, would

leaves the major share of responsibility for administration with the states. Although there is a certain national interest in providing suitable categorical relief, it is not of a nature or extent which calls for direct federal action in this field. National interest is by no means so direct as in the case of unemployment and its relief. Furthermore, social security for unemployables is a relatively static problem, the amount of grants needed can be estimated months in advance, and a large part of the administrative responsibility can safely be left in state hands.<sup>64</sup>

The present public assistance provisions of the Social Security Act have had certain major drawbacks in operation. A good many of the defects, however, grow out of shortage of funds, restrictive eligibility requirements, etc., rather than any fault in the grant system itself.<sup>65</sup> Perhaps the gravest sore-spot is the existing method of apportioning funds. The present matching grants to states for the needy aged, the blind, and mothers, take no account of widely differing state abilities. Limited state contributions mean small federal contributions. As a result, many of the categorical groups are receiving monthly payments which are utterly inadequate under any known budget. Some states simply cannot match up to the full federal amounts available. Even if they did, the benefits to the needy in some cases would still fall far short of adequacy. Under the method of apportionment used by the F. E. R. A., differences in respective state abilities to finance relief were taken into account. The apportionment methods prescribed by Congress for the Social Security Board, however, put into practice the old saying that "to him that hath, it shall be given."<sup>66</sup> In short,

mean the scrapping of these state activities and the painful task of building a program from the ground up.

<sup>64</sup> It is obvious, however, that strong federal action will have to be taken from time to time to prevent the improper use of federal funds. See *supra*, footnote 24, p. 242.

<sup>65</sup> See *supra*, pp. 256-257.

<sup>66</sup> See Key, *op. cit.*, p. 335, on the disadvantages of the "percentage grant."

the present federal allocating methods are defective in that they have no tendency whatever to equalize throughout the nation.<sup>67</sup>

The question still remains whether the grant method, suited to the public assistance provisions of the social security program, should be used by the federal government to extend its assistance with respect to unemployment relief.<sup>68</sup> On the other hand, should the W. P. A. type of relationship be continued? This question cannot be answered *in vacuo*; back of any choice lies the basic question whether the federal government should accept work relief as a long-term policy in meeting the destitution arising from unemployment.

If the work relief principle were to be discarded, there would be no point in discussing whether or not the administrative device exemplified by the W. P. A. should continue to be used. Work relief for the able-bodied needy appears, however, to be the desire of the majority of the American people at this time.<sup>69</sup> Those who oppose the W. P. A. do not ordinarily attack work relief as such; rather they object to the present system on the ground that a work program would be "better" operated through use of a grant technique.<sup>70</sup> Assuming, therefore, that the federal government is to embark on a long-range policy of work relief, the issue is whether this should be accomplished

67 The social security grants have not served, either, to equalize benefits between the various classes of persons aided under the program. For example, the greater percentage of federal aid for the aged has led states to concentrate on this group as compared with dependent children.

68 Republicans in Congress have generally urged that the grant system be resumed. Senator Vandenberg, with Republican support, has offered such an amendment to every major relief appropriation bill since 1935. See *Congressional Record*, LXXX, Part VII, 7076, debate on the Emergency Relief Appropriation Act of 1936; LXXXI, Part VI, 6118, debate on the Emergency Relief Appropriation Act of 1937; and LXXXIII, Part VIII, 9219, debate on the Emergency Relief Appropriation Act of 1938.

69 See results of the Gallup Poll in *The Washington Post*, April 24, 1938.

70 For a statement by Charles P. Taft, expressing this point of view as a spokesman for the Community Mobilization for Human Needs, see *Hearings* before a Special Committee to Investigate Unemployment and Relief, U. S. Congress, Senate, 75th Cong., 3d Sess., I, 425 *et seq.*

through a return to the grant method either immediately or at some future date when the work principle has become more generally accepted and the need for strong federal control has lessened.

It is the writer's contention that if work relief is to be accepted as a long-term policy, an immediate return to the grant system would be undesirable. A federal grant agency operating at this time would have to face the almost impossible task of preventing certain states from neglecting the work program in favor of the cheaper direct relief. There exists at present no emergency psychology (such as sustained the F. E. R. A. in its early period) that would aid in obtaining state compliance, and the idea of a work program has not had time to take sufficient root everywhere.

With respect to techniques to be employed in the more distant future, the choice between a grant system and the W. P. A. method is less clear. Administration of an adequate work program under a system of grants to the states might be possible after the country had become habituated to the work principle. There are certain arguments, however, for retention of the W. P. A. method even should the work relief idea gain a strong hold in all sections of the country.

There is great merit in the contention that the federal government should take the lead in unemployment relief instead of merely spurring on and stimulating state action. In the first place, a basic underlying difference exists between work relief and the type of aid that is given under the public assistance provisions of the Social Security Act. Unemployment is a national problem. Widespread joblessness is a phenomenon with causes beyond the ability of states or localities to remedy. Most important, the cost of alleviating large-scale unemployment is far too great a burden for state and local resources and credit.<sup>71</sup>

<sup>71</sup> For an excellent discussion by Dr. Joseph P. Harris of the fiscal abilities of states and localities and their need for federal assistance in meeting various aspects of the relief problem, see *Social Security in America* (Washington: Government Printing Office, 1937), chap. xix.

These considerations make it imperative that the federal government assume major responsibility for unemployment relief.<sup>72</sup> With this large share of financial responsibility, good administrative practice requires that the federal government should have strong control to ensure the carrying out of an honest and efficient program.

It is sometimes argued, however, that the W. P. A. type of relationship results in more centralization than is necessary. Inquiry will show that the W. P. A. has not brought about undue centralization. A direct federal program might do so, but as has been pointed out, the local governments participate in all stages of the program. Certification of needy workers to the W. P. A., with minor exceptions, is a local function. The local governments also plan and propose their own projects. They contribute part of the cost of the undertakings, and they play a part in carrying on the work. By and large, the W. P. A. program has been operated with less complaint of federal domination from state and local officials than was the case during the latter period of F. E. R. A. grants. The fact that the mayors of our largest cities have steadily upheld the W. P. A. program and asked for its continuance and expansion suggests that there is no Washington "strangle-hold" on local governments sponsoring W. P. A. projects.<sup>73</sup>

Despite the not inconsiderable amount of local participation, the W. P. A. system does have the controls needed to mold work relief policy and to keep the projects at a higher standard than would otherwise be possible. One of the advantages connected with a federally-run system is that the central office at Washington retains complete control over the approval of

<sup>72</sup> This view is ably presented by Dr. Arthur E. Burns in a doctoral thesis on "The Economic Significance of Relief." See *Summaries of Doctoral Theses, 1934-36, op. cit.*

<sup>73</sup> It is sometimes suggested that the mayors bitterly resent Washington "interference" but accept it as the price for needed federal assistance. For evidence to the contrary, see the concluding chapter of Paul V. Betters, J. Kerwin Williams, and S. L. Reeder, *op. cit.*



project applications. Strong control over the carrying out of the projects is also possible. Minimum standards of social and economic desirability can thus be maintained over the whole nation.<sup>74</sup> It is, of course, impossible to state categorically just how much of the improvement in the quality of work projects during the last few years may be attributed to the adoption of the W. P. A. technique in 1935. The superiority of present work projects over those operated during the F. E. R. A. period may well be traced, in part at least, to the added experience of public officials dealing with the problem. In part, too, the improvement may be due to the fact that more money has been spent for materials under the W. P. A. program. There can be little question, however, that the strong federal control which is possible under the W. P. A. system has been a potent factor in raising the general level of the utility of work projects throughout the country. Secondly, the W. P. A. method gives the federal government complete control over accounting, and thus the wastage of money through maladministration or "playing of local politics" can be kept to a minimum.

A major advantage of the W. P. A. method over lump-sum grants to the states is that direct federal-local contacts may be made. As has been indicated, the W. P. A. is not exactly a direct federal program, but rather is a cross between direct federal action and the old straight-grant method. The hybrid method which results makes it possible for the W. P. A. to co-operate directly with cities, where the greatest unemployment distress usually exists. In a number of states, rural representatives are in control and are unwilling to plan or look to the needs of the cities. Replacement of the W. P. A. by the old grant pattern might well revive such difficulties as the cities

<sup>74</sup> In his study of the W.P.A. in New York City, Dr. Millett observes: "A comparison, however, of the operation of work relief under the Works Division of the E.R.B.—a local agency subsidized by the state and federal governments—with the New York City W.P.A. leaves little doubt but that the latter has been by far the more effective agency." See John D. Millett, *op. cit.*, p. 215.

faced in getting a fair share of emergency road projects under Title II of the National Industrial Recovery Act.<sup>75</sup>

Defects there undoubtedly have been in the W. P. A. For one thing, Congress still continues to treat unemployment relief as an emergency problem; the W. P. A. has been unable to plan ahead to any great degree. The United States Employment Service has not yet been developed and integrated to the point where it can be of the fullest effectiveness to the W. P. A.<sup>76</sup> There is still room for improvement in the utility of the projects. Politics have broken out in some state W. P. A. organizations. This was due in considerable part to the unfortunate requirement in the Emergency Relief Appropriation Act of 1935 that state administrators of the W. P. A. receiving yearly salaries of \$5,000 or over must receive Senatorial confirmation.<sup>77</sup> An important potential control over the federal work

<sup>75</sup> This was a striking example of an intended neglect of municipalities by state highway commissions to which the Bureau of Public Roads had made emergency road grants from W.P.A. funds. Despite the fact that construction employment was badly needed in urban areas, some state highway departments publicly announced that they would spend all the allotted funds in rural areas. A protest by the United States Conference of Mayors was necessary before definite rules were laid down forcing state highway departments, as a condition of the grants, to spend at least one-fourth of the moneys on urban roads.

<sup>76</sup> Proposals recently made for co-ordination of some or all of the federal relief and welfare activities in a proposed Department of Social Welfare raise the questions (1) whether the W.P.A. is to be "permanent" enough to deserve inclusion in such a department, and (2) whether its inclusion would improve integration with such related agencies as the Employment Service, the Social Security Board, etc. See *Brookings Institution Report No. 8 to the Select Committee to Investigate the Executive Agencies* (Washington: Government Printing Office, 1937), and *Report of the President's Committee on Administrative Management* (Washington: Government Printing Office, 1937). An Administration-sponsored general reorganization bill (S. 3331, 75th Cong., 3d Sess.) providing in part that the President in his discretion might bring agencies together in a welfare department, passed the Senate but never reached a vote in the House.

<sup>77</sup> Sec. 3, par. 2, Emergency Relief Appropriation Act of 1935. This requirement does not appear in the 1938 act. For an account of W.P.A. "politics" in certain states in 1938 see: *Report of the Special Committee*

relief program had thus been taken from the W. P. A. Administrator. The outbreak of politics has thus far been kept within bounds, however, and there is no reason to suppose that a return to a grant system would reduce state and local politics.<sup>78</sup>

These faults are not inherent in the W. P. A. mechanism; to a large extent the defects are remediable. They do not detract from the validity of the conclusion that, if work relief is the goal, a return to the grant system would be distinctly disadvantageous, at least for the present. On the question of an eventual return to grants, some time must elapse before a definite answer can be made. In making this decision, due consideration will have to be given to certain important potential advantages that the W. P. A. method has over a grant system in the administration of a work relief program financed largely with federal funds.

*to Investigate Senatorial Campaign Expenditures and Use of Governmental Funds in 1938*, Report No. 1, Part 1 and Part 2, 76th Cong., 1st Sess.

<sup>78</sup>On this point, see the reply of Senator Robinson, Democratic leader, to Senator Vandenberg who led the Republican fight in 1936 for a resumption of relief grants, *Congressional Record*, 74th Cong., 2d Sess., LXXX, Part VI, 7293. A well reasoned exposition expressing the same view was inserted in the *Record* by Senator Barkley, 74th Cong., 2d Sess., LXXX, Part VIII, 8785-8788.

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