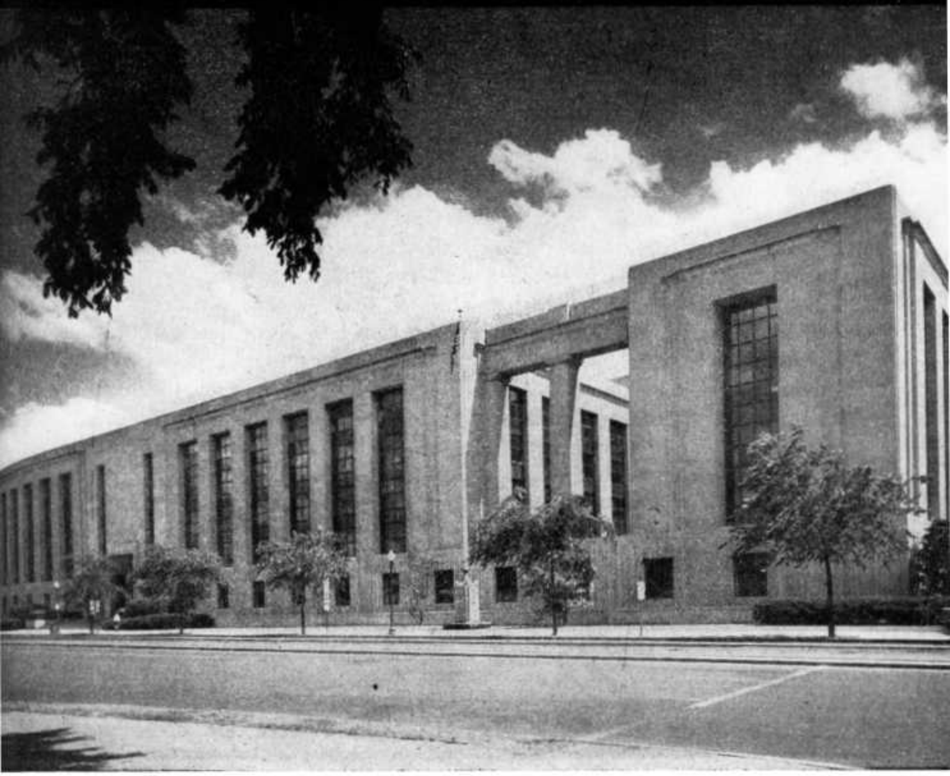
37. Social Security and Welfare



Social security and welfare embrace the many functions performed by the national government in its efforts to alleviate personal hardships occasioned by the lack of food, clothing, and shelter, and to promote minimum standards in such fields as education and health. These efforts, then, aim at the protection and preservation of individual men and women as units in the total of American human resources.

Every government of any consequence in the twentieth century has undertaken to execute certain forms of social security and welfare. For many years, strong interests and a considerable body of opinion in the United States resisted undertaking any steps toward what was believed to be an unwarranted extension of government functions. The ideal American individual, at least until recent years, was the self-sufficient person, the one who survived all disasters without recourse to government aid. Actually this person in many ways is as fictitious as the unicorn; a study of American history discloses that there have always been groups looking for welfare legislation from the national government. Critics of such measures today may point out that the Constitution at no point empowers Congress to legislate for the "general welfare." This term is mentioned only twice in the Constitution: first, in the Preamble—a statement of doctrine rather than law—where it is declared that the Constitution is ordained and established in order to, among other things, "promote the general welfare"; and second, in authorizing Congress to levy taxes "to . . . provide for the . . . general welfare. . . ." (Art. I, sec. 8, cl. 1). Hence, it could be argued, any law dealing with the general welfare is unconstitutional. However, the Supreme Court has often discovered grounds for upholding the constitutionality of statutes that provide for the general welfare. Sometimes the reasoning of the Court has been based upon the spending-power clause just cited; at other times clauses such as the interstate-commerce clause have provided the Court with ample justification for upholding welfare programs.

Indeed, it is almost inconceivable that there could exist a government that did not seek to enhance the general welfare. The true problem is: whose welfare shall it enhance? From its very beginnings the American government has been concerned with the welfare of some groups. When Alexander Hamilton urged the enactment of a protective tariff, he was directly promoting the welfare of American manufacturers and perhaps indirectly that of the majority of the people; when he recommended establishing a Bank of the United States, he was promoting the welfare of the creditor interests and of those wealthy enough to purchase stock in the bank. Deliberate governmental benefits to such groups were congruent with a then common theory about the national economy, according to which wealth is generated at the apex of the economic pyramid, to filter down to the levels below. In other words, if businessmen are prosperous, they will want full employment and will be able to pay the wages of labor. This viewpoint still lives in powerful and influential circles; its implementation can be seen in the Reconstruction Finance Corporation, instituted in 1932 partly to lend money to businessmen so that they could continue production.

Long before 1932, however, this theory had begun to yield ground to a different concept of the national economy, one holding that prosperity is initiated from the base of the economic pyramid, and thence rises to the apex. Otherwise phrased, this concept insists that if the low- and middle-income groups are not prosperous, their failure to have the funds with which they can demand goods and services will bring a depression to industry, commerce, and finance. Consequently social security and welfare legislation today aims at assisting those at the base of the pyramid directly and those at the apex only indirectly.

Granted that there are burdens of social security and welfare in the

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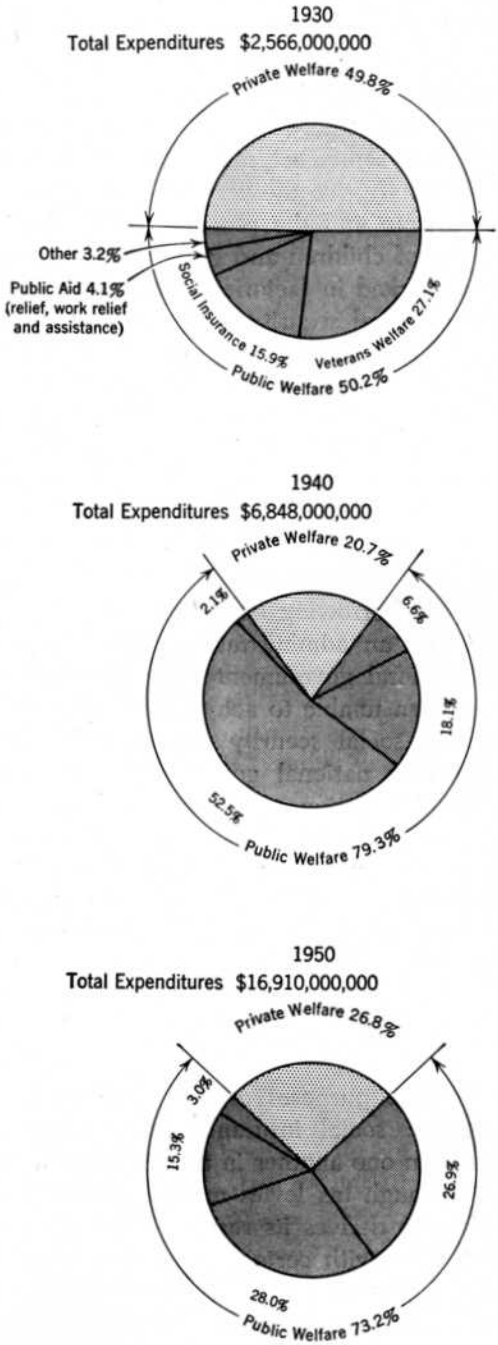
Department of Health, Education, and Welfare, Washington, D.C.



J. Frederic Dewhurst and Associates, "America's Needs and Resources: A New Survey" (New York: Twentieth Century Fund, 1955), p. 432

Figure 84. Total Public and Private Welfare Expenditures for the Last Three Decades, Excluding Public Health and Medical Services.

United States, one of the greatest problems has been the assignment of these burdens. Until about a century ago, these burdens have been assumed almost entirely by individuals, or, perhaps more exactly, by families. One must not lose sight of the fact that the United States until well into the twentieth century has suffered from a shortage of labor. Therefore unemployment has been somewhat rare; both children and grandparents could be assets to a family, for the work they could perform. With the rise of the factory system and the process of urbanization, the resultant change in the position of children and grandparents (especially the latter, since many children worked in factories), and the inability of families to support the weight of social security, a few State and local governments and many privately-supported welfare organizations tried to discharge these tasks. In passing social security and welfare statutes the State and local governments were quite within their constitutional limits; they were doing no more than to exercise their due police powers, those of legislating with respect to public morals, health, safety, and welfare, powers then supposedly denied to the federal government.

However, the depression of 1929 brought impositions that the States could not bear, if only because some of them had constitutional debt limitations that forbade borrowing beyond a fixed limit. The election of 1932 installed in power an administration and a Congress imbued with the notion that the federal government must intercede where the States had failed to act or been unable to act. Hence since the first election of Franklin D. Roosevelt social security and welfare legislation have depended largely upon the national government. Private welfare groups support a much smaller portion of the welfare programs of the nation than they once did, as Figure 84 shows, and State and local governments are active but have also shifted much of their burden to Washington. Although the constitutionality of federal legislation in this field was challenged, it was sustained by the Federal Supreme Court in 1937, and under the auspices of this decision is now unquestioned.

SOCIAL SECURITY

Social security, for the purposes of this chapter, includes two forms of government activity: social insurance and social assistance. These two activities differ from one another in two principal ways: (1) social insurance is financed through tax levies made specifically for that purpose, whereas social assistance derives its resources through general tax funds; and (2) social insurance, with certain exceptions, is paid as a matter of *right*, whereas social assistance is paid on the basis of *need*. Both social insurance and social assistance today are founded on the Social Security Act of 1935 and its amendments.

Social insurance

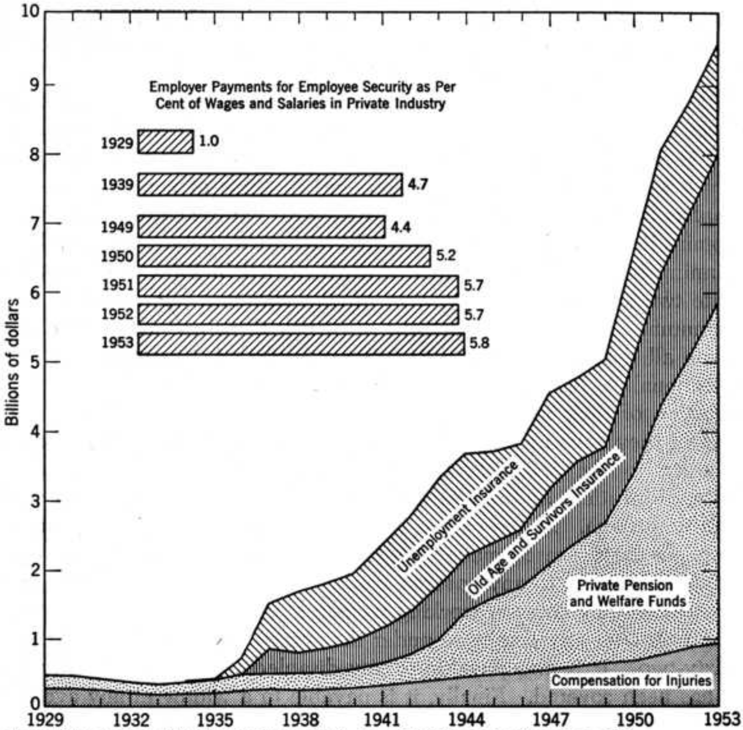
As will be seen in the ensuing paragraphs, there are two general forms of social insurance. One form is that of annuities, that is, pensions paid to retired workers or to their surviving dependents. The other form is that of unemployment insurance, or money paid to individuals who lose their jobs through no fault of their own.

Old Age and Survivors Insurance (*OASI*): Old age and survivors insurance (OASI) is the chief type of social insurance in the United States. OASI is entirely an undertaking of the federal government. Whereas originally it applied to only a limited number of kinds of employment, today it applies to virtually all working persons with the exception of physicians. It obtains its funds through contributions by both employers and employees. Beginning in 1957, owing to amendments passed in 1956, both must contribute two and one-fourth per cent of all wages and salaries up to $4,200 per annum. Self-employed persons must pay three and three-eighths per cent on all their income up to $4,200 provided that it amounts to $400 or more annually. It is true that self-employed individuals must pay a higher proportion of their incomes than clerical workers or industrial operatives; however, they have no employer to match their contributions. These sums are given to the Social Security Administration in the Department of Health, Education, and Welfare, which thereupon purchases government bonds with them. At the end of fiscal 1955 these contributions, even after deductions for expenses, made up a fund of more than $21 billions.

OASI is payable to any covered working man who retires at the age of sixty-five and any covered working woman at sixty-two. It is also payable to the widow of any employee under the system when she reaches the age of sixty-two. It is also payable to any disabled worker who is fifty years and has been covered. Finally, it is payable to a widow at any age if she has dependent minor children. However, a retired person between the ages of sixty-five and seventy-two may not earn more than $1,200 yearly if he wishes to receive the full annuity; all earnings above $1,200 are deducted from annuity payments. Persons of seventy-two years or more may earn any amount without suffering deductions. The size of the annuity depends upon the employee's average income during the years he was contributing to OASI, and the number of years he worked. As amended in 1954, the law now provides that no annuity shall be less than $30.00 per month; the largest annuity is $200.00 per month, for widows with two or more dependent children. In 1956 over eight million persons were receiving OASI benefits, at the rate of about $5 billions annually.

OASI has been criticized on several grounds, by both its supporters and its foes. One important criticism has been that OASI comprises a sort of charitable undertaking that no government should assume. However, today this argument is seldom heard; almost all political factions have accepted OASI, if only because they have discovered that promoting and perhaps expanding OASI is a political asset. Moreover, people who have reached an age at which they are unemployable might have to be supported by the government in any case.

Another significant complaint is that OASI funds, thanks to their being invested in government bonds, help the government procure revenue that Congress would not otherwise empower it to obtain. Thus, this argument



Adapted from National Industrial Conference Board, Inc., "Road Maps of Industry," no. 982

Figure 85. Employer Payments for Employee Security, 1929–1953.

continues, OASI funds once they are in the possession of the government are spent in the same manner as any other funds the government may receive. Finally, this argument concludes, although the Social Security Administration in theory has many billions of dollars behind it, actually it possesses only federal bonds, or promises by the government to pay on demand. Thus ultimately the government will have to either levy additional taxes or sell more bonds in order to get this money when it is needed to pay the annuities. Another aspect of this particular argument holds that whereas adherents of OASI state that through the purchase of government bonds the SSA is investing OASI funds, in fact such purchases do not constitute genuine investments for a government agency inasmuch as interest payments from government bonds can be made only by taxation.

Much of this criticism is valid; yet it is difficult to see precisely what the government would do with these billions of dollars if it did not purchase bonds with them. Some critics have recommended that the fund itself be discarded entirely, and that OASI be financed from current tax revenues. This proposal has been denounced, especially by labor union leaders, who maintain that its adoption would destroy the "insurance" nature of OASI, converting it into a dole. Since the government can and in fact does employ these funds to fulfill one function of ordinary revenues, that is, to pay government expenses, the fiscal advisers of the government are not inclined to eliminate the funds.

Since the end of World War II OASI has come to be associated with a host of private pension systems instituted by corporations for their employees. There is no doubt that OASI has stimulated this movement. Labor union officials have negotiated agreements with many large companies that officials of the company shall establish pension funds which, coupled with OASI, will assure retired employees a certain minimum annuity, usually no less than $100 per month. The management of such funds has today come to play a major role in the national economy, since these funds now contain many billions of dollars. The graph in Figure 85 shows employers' annual contributions to four different types of employee security; note how contributions to private pension and welfare funds have leapt ahead of all others, rising to almost $5 billions in 1953.

Railroad Employees' Pensions: Employees of American railroads have been placed under a pension system separate from, but similar to, OASI. This system is based on the Railroad Retirement Act of 1937. Like OASI, railroad employees' pensions are financed by contributions from both the railroads and the workers. Contributions under the Railroad Retirement Act are placed in the Railroad Retirement Account in the United States Treasury; the fund is administered by the Railroad Retirement Board. The Board consists of three persons appointed by the President and confirmed by the Senate; one represents the workers, another the railroads, and the third—the Chairman—is supposedly impartial. In 1956 there were 650,000 beneficiaries of the Railroad Retirement Act, receiving about $600 millions altogether. They received, therefore, almost $1,000 apiece; in the same year OASI beneficiaries averaged only a little more than $600, slightly more than three-fifths as much.

Civil Service Pensions: All employees of the federal government under the classified civil service, and most of those under the unclassified service, share in a pension system. Civil service employees' annuities are financed by a six per cent deduction from pay checks; if they wish a larger pension, workers may surrender up to ten per cent of their salaries. The size of the pension depends upon the salary received and the number of years worked. Retirement is compulsory at the age of seventy; those who have worked many years for the government may retire at an earlier age. In 1956 there were over 300,000 recipients of these annuities, who collected a total of about $375 millions, an average of more than $1,200 per person.

Unemployment Insurance: Unemployment insurance comprises money paid to individuals who are temporarily and unwillingly unemployed. The unemployment insurance system, unlike OASI and other government annuities, is financed and administered primarily by the State governments; however, it was adopted chiefly at the instigation of the federal government. The federal government imposes a tax of three per cent upon the payrolls of enterprises under the system, for each worker paid up to $3,000 per annum. However, the government refunds ninety per cent of such taxes to all employers in States having unemployment insurance systems that comply with certain requirements of the federal government. As noted in a previous chapter, the federal government does not *force* any State government to install such a system; however, this federal tax is of such a nature that employers would be certain to press for its adoption. Hence each State today has a system of unemployment insurance.

These State systems have certain fundamental likenesses combined with a few local distinctions. In most States the system is financed by a levy upon employers alone. Yet it is not easy to compute the true incidence of a tax, that is, the person or group that actually pays the tax. According to one line of thought, manufacturers do not pay this tax at all, but simply pass it on to consumers in the form of higher prices. Following this reasoning, it would not make much difference whether the employee did or did not contribute to unemployment insurance. These funds, although collected by the States, are entrusted to the United States Treasury, with separate accounts for each State, which may be drawn upon in the event of need.

States levy taxes up to 2.7% on employers' payrolls, this figure being equal to the ninety per cent refund of the federal government. In general, however, the States do not collect so high a percentage, inasmuch as they have sliding scales of tax rates based on the unemployment frequency of any given enterprise. The amount of insurance an unemployed person may receive is based on how long he was employed and what his wages were. States differ in the maximum available per week and the number of weeks that a person may receive checks; the range in October, 1955, was from $24 to $36 per week, with some States giving added allowances for dependents, and from sixteen to twenty-six weeks. In calendar 1955 there were about 4.6 million beneficiaries, who received about $1.4 billions of unemployment insurance payments; the average weekly payment was $25.08.

Unemployment insurance is administered through the State offices of employment; the federal government uses the ten per cent it does not refund to employers for subsidizing this administration. This method of administration is used so as to insure that beneficiaries actually are unemployed and are actively seeking employment. In most States, too, an individual is eligible only if he is unemployed through no fault of his own; those who leave their positions voluntarily, or who are discharged for misconduct, either may receive no benefits at all or else may receive them for a lessened period of time. Furthermore, the amounts paid to such persons may not be charged against the employer's account in the computation of his tax rate.

One important friendly criticism of unemployment insurance is that it does not cover enough persons; for example, it does not apply to some government workers. Another criticism of this sort is that the maximum amounts that may be paid have not been raised in proportion to the cost of living; that is, the payments available in 1939, although lower in dollars than those at hand in 1956, would purchase a great deal more.

Some observers question the ability of the system today to carry the burden of a prolonged economic depression; they note that since the system was inaugurated in 1935 the country has been relatively prosperous most of the time, so that States have collected far more money than they have expended. Actually at this time it appears rather unlikely that unemployment will in the near future reach the dimensions it attained in the 1930's, if only because the national government would take steps, or would attempt to take steps, to alleviate it. Consequently the ability of the States to support a really heavy burden of payments may never be tested. It should be pointed out here that railroad workers have their own system of unemployment insurance, just as they have their own pension system.

Social assistance

Social assistance comprises the distribution of money to persons who are suffering actual need. Social assistance is given to three important groups in the population: the aged, dependent children, and the blind. All social assistance programs, unlike OASI, are created and administered by the States. The sole function of the national government is to give money to State governments so that they can make larger payments. Again, although federal aid need not be accepted by the States, it has induced some State governments to allocate exceptional sums to the activities that are assisted by the federal government, possibly at the expense of other, equally meritorious programs that do not happen to have the support of the United States Treasury.

Old-Age Assistance: Every State today has some form of old-age assistance, or monetary relief for the aged. States differ considerably in the amounts they pay and the conditions under which they will pay anything. The State must decide whether an individual may own any property, such as a house; sometimes States make assistance contingent upon the individual's drafting a will that confers all his property on the State at his death. The federal government aids the States by giving them funds, in the form of grants-in-aid, which they may add to the total they pay. The amounts given by the federal government depend upon the size of the State allotments; hence wealthy States receive more money than impoverished States. In fiscal 1955 the States paid almost $1.5 billions in old-age assistance; they received over $900 millions from the federal government for this purpose.

The total given to any one person does not average $100 per month in any State; Connecticut, the State with the highest average, paid $89.43 in April, 1956, whereas West Virginia, the State with the lowest average, paid $28.46. However, particularly in the case of aged couples both of whom have been awarded assistance, they may receive enough money to enable them to live in their own homes independently.

Aid to Dependent Children: Aid to dependent children, like old-age assistance, is a State activity that is helped by federal grants-in-aid. It is available to families that have lost their financial support, as when a husband and father dies. The presumption is that if a woman has one or more small children she cannot leave the house to work; hence the State contributes funds for the support of the children. The amounts vary from one State to another and depend chiefly upon actual necessity; they are roughly proportionate to the number of children. In April, 1956, New York State, which made the highest payments per family per month, gave an average of $142.13 for that purpose; Connecticut, which paid the most per child per month, gave $42.04. Mississippi, which paid the least, gave $27.60 per family and $7.45 per child. The total expenditure on the dependent children program was about $550 millions, with the federal government contributing $376 millions, in fiscal 1955.

Aid to the Blind: Aid to the blind is also a State undertaking that the federal government assists with grants-in-aid. In fiscal 1954, more than 100,000 blind persons benefited from such aid. Massachusetts, which in April, 1956, granted the highest average payments, made awards of $102.24 per month; Alabama, with the lowest average, paid $33.28. The federal government allotted the States almost $36 millions in fiscal 1955 for these programs. The federal government provides one more form of assistance for blind persons: it authorizes them to deduct an additional $600 from their incomes in computing their income tax.

WELFARE

As pointed out in the introduction to this chapter, the federal government performs many functions that can be termed "welfare" activities. Scarcely any governmental activity benefits no one; also, every tax, such as the tariff and the progressive income tax, has in its incidence some measure of favoritism to some element of the public. Hence this chapter contains only a fraction of all federal welfare achievements. The functions that it does deal with may be distinguished by the fact that their principal aim is the *direct* benefit of the physical and mental well-being of large numbers of persons. They tend to fall into the category of the so-called "police powers." They are, then, fields in which the State and local governments also enact and execute laws. The work of the federal government consequently supplements that of the States and localities. There are three leading areas of national welfare legislation: health, education, and housing.

Health

For many years the federal government has taken a concern in the health of American citizens. The principal federal agency dealing with problems of health, the Public Health Service in the Department of Health, Education, and Welfare, stems from legislation enacted in 1798 authorizing the erection of hospitals for American merchant seamen. In later years, through the Social Security Act of 1935 and numerous other laws passed since then, the federal government has invaded the area of public health from many sides.

For example, the government has promoted the creation of several institutes of health for the study of particular diseases; typical of these bodies are the National Cancer Institute and the National Institute of Mental

Health. The federal government has established a system of grants-in-aid for the construction of hospitals; in 1954 these grants amounted to $90 millions. It also extended $29 millions to State and local governments for their programs of maternal and child health care, and a lesser sum for disease control and other public health projects. The government supports two large hospitals in Washington, D.C.; St. Elizabeths, for mental patients; and Freedman's, for Negroes. It maintains a number of other hospitals for civilians across the country, such as those for drug addicts at Fort Worth, Tex., and at Lexington, Ky., and the hospital for lepers at Carville, La. Of course, the government has a large group of hospitals for members of the armed forces and also for veterans of military service. The following figures show how the number of beds in federal hospitals compares with the number of beds in other types of hospitals:[1]

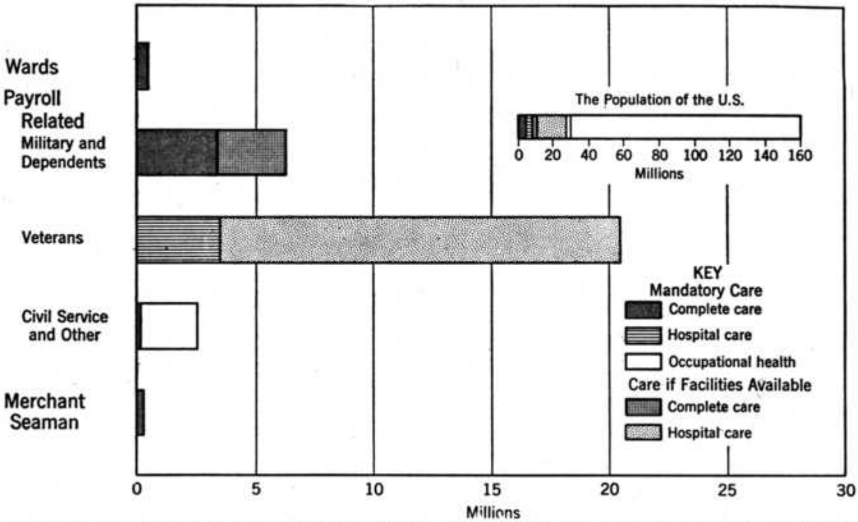
	Total	Federal	State and Local	Non-profit Associations and Proprietary
No. of beds	1,573,014	200,535	912,469	460,010
Per cent	100%	13%	58%	29%

One more significant health undertaking of the national government is the medical examination and, if need be, the quarantining of all immigrants. Figure 86 shows how many people were, in 1953, potentially eligible for federal medical service.

One measure that has been proposed several times but has never approached enactment is national health insurance. This measure would provide medical service and hospitalization for all Americans; it would be financed, like OASI, by compulsory deductions from pay checks. President Truman stoutly backed such legislation. Opponents of this measure have dubbed it "socialized medicine," a term that demonstrates the trend of their arguments. The contention is that this project would lower the standards of medicine and destroy the personal relations between doctor and patient. The chief antagonist of national health insurance has been the wealthy and influential American Medical Association.

In his State of the Union message in 1956, President Eisenhower did not recommend national health insurance. He did urge, however, that Congress adopt legislation that would give financial aid to private health insurance bodies. According to the President, the government should reinsure policies held by such companies; this practice would, in effect, subsidize private insurance companies to expand their operations, in that the government would share the risk on any capital that the companies used to insure people against illness. In this respect the President followed those who assert that voluntary group health plans can perform much of the task that is expected of national health insurance, without the danger of converting the medical profession into a thoroughgoing bureaucracy. Figure 87 shows the per-

[1] *Journal of the American Medical Association, The 1953 Census of Hospitals,* May 15, 1954, cited in Commission on Organization of the Executive Branch of the Government, *Task Force Report on Federal Medical Services,* February, 1955, p. 5.



Commission on Organization of the Executive Branch of the Government, "Task Force Report on Federal Medical Services," February, 1955, p. 27

Figure 86. The Number of People Potentially Eligible for Federal Medical Service, 1953.

centage of medical expenditures that was covered by private insurance in 1952.

Education

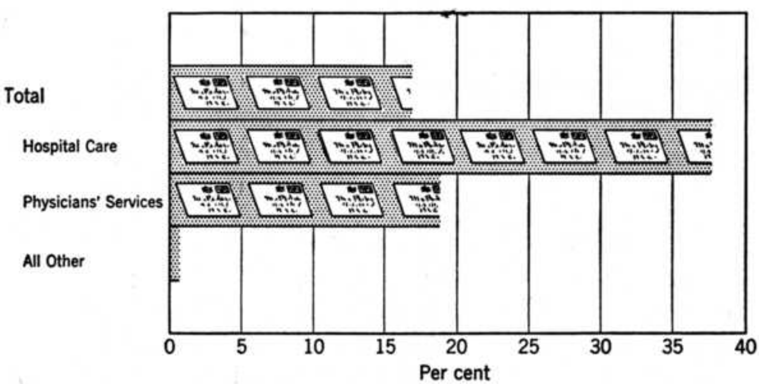
The federal government has taken a profound interest in public education since its earliest days. In this sentiment the American national government has behaved like most other countries in the world. In the 1956 *Political Handbook of the World*, of the sixty-six countries discussed, only seven had no cabinet or council official with the word "education" in his title: Australia, Canada, Germany, El Salvador, Switzerland, Vatican City, and Yugoslavia. It is true that the United States has had such a cabinet official only since 1953; yet, inasmuch as the United States has a federal government, and inasmuch as education falls in the province of the States, each State government has had as one of its leading officials a superintendent of education, or a magistrate bearing a like title. Of the seven exceptions listed above, all but El Salvador and Vatican City are also federal states. However, there has been an Office of Education in the American government since 1867, which has been chiefly a statistical and consultative body.

Federal aid to education began even before the adoption of the present Constitution, with the Ordinance of 1785, which gave one square mile out of each thirty-six in the western lands to the States for the benefit of public education. Since that era Congress has enacted many other laws extending federal assistance to education. Yet, it must be remembered, public education lies chiefly under the authority of the State and local governments; federal laws do little more than add to State activities, furnishing States and localities with more funds for educational enterprise.

One of the most important gestures of the national government with relation to schools has been the Morrill Act of 1862, whereby the federal government gave lands to the States so that they might found public colleges emphasizing training in the mechanical and agricultural sciences. Consonant with this act, every State has established at least one such college, and some States have more than one. The government also demands that each of these schools provide military training to its students; hence all contain units of the Reserve Officers Training Corps (ROTC). Finally, each college must maintain an agricultural experiment station to conduct research on behalf of farmers. In the 1953 school year the federal government provided these colleges with more than $49 millions through regular appropriations made as grants-in-aid, and almost $120 millions additional for research projects.

The federal government has also subsidized certain kinds of education. For instance, through the Smith-Hughes Act of 1917 it helps to pay the salaries of public school teachers of agriculture and of home economics, and helps the State finance the preparation of such teachers. The federal government also contributes to vocational rehabilitation programs instituted by the States, operating once more on the theory that it is ultimately less expensive to retrain a disabled person so that he can support himself than it is to provide relief for such a person. The federal government supports Howard University for Negroes, in Washington, D.C. It provides schools for the Indian children who are the wards of the government on reservations. It furnishes free lunches to pupils of many schools, spending $83 millions on this project in 1954. Undoubtedly the most expensive educational endeavor of the government was the schooling of veterans of World War II; in the 1951 academic year alone the cost was in excess of $2.1 billions. Veterans of the Korean War were granted the same type of assistance.

It is often recommended that the federal government assume a broad policy of subsidizing schools throughout the nation. The chief justification for this policy lies in the fact that some States, being much wealthier than



J. Frederic Dewhurst and Associates, "America's Needs and Resources: A New Survey" (New York, Twentieth Century Fund, 1955)

Figure 87. Share of Private Medical Care Expenditures Covered by Voluntary Insurance Benefits, 1952.

others, can pay higher salaries to teachers and erect more school buildings. The aim of the government, then, would be to remove some of these differences by giving poorer States more money. This type of subsidy already exists on a small scale in some States, whose governments contribute money from general funds to the less prosperous school districts. Opponents of this recommendation contend that its effect would be to place ultimate control of schools in the hands of the federal government. Certainly State governments have shown themselves capable of exploiting their grant systems to bring pressure upon school district administrators.

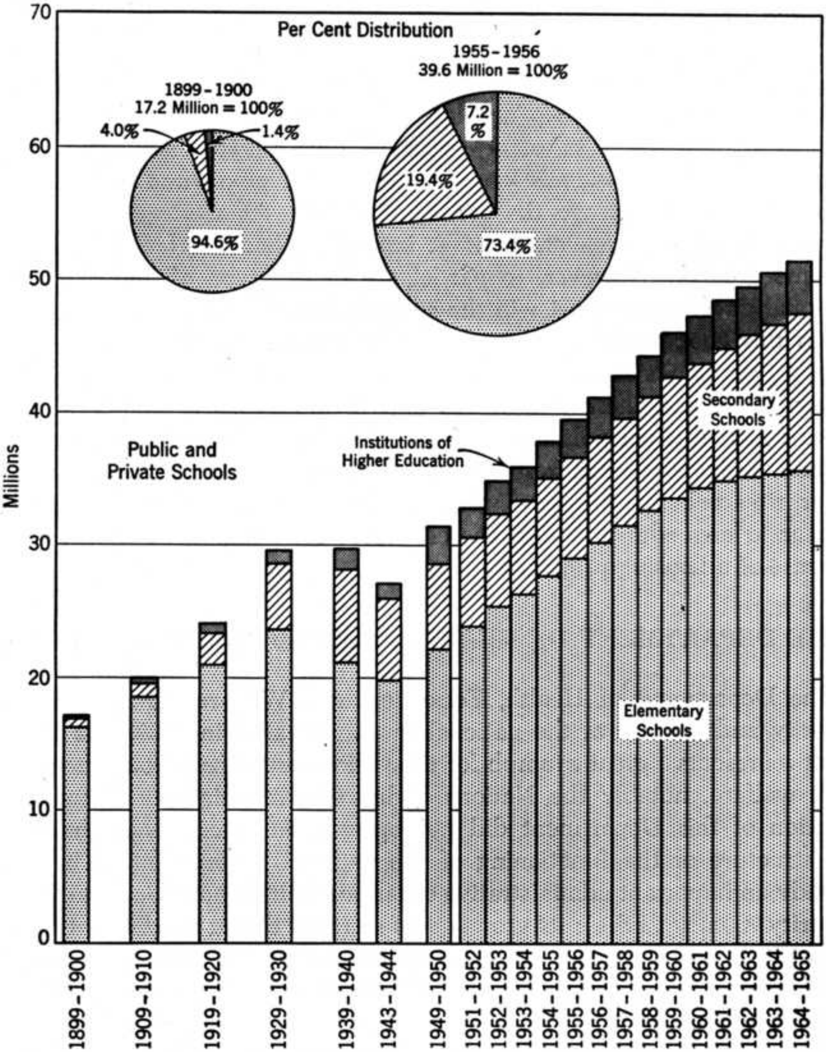
In rebuttal, those who support this proposal insist that localities would continue to dominate educational policies so long as the federal government made the grants without requiring States or localities to satisfy any particular conditions. Others are of the opinion that the federal government would have better school policies than the States, even if the federal authorities gained power through the move; they point out that the federal government would hasten the integration of Negro and white children in the same schools, thus carrying out more easily the unanimous decision of the Supreme Court against segregation. Not surprisingly, the southern States, where education was segregated in 1954, comprise the section of the country in which federal control is viewed with the greatest hostility.

Another problem confronting the supporters of a federal subsidy is that of dealing with private, church-controlled schools. Surely these schools would feel entitled to a share of any federal subsidy, for they have assumed part of the weight of educating the young; yet a federal subsidy to them might be interpreted as state support of religion, which is banned by the First Amendment. One other question that is not often contemplated is that of the actual relation between high teachers' salaries and the excellence of instruction. Some people take this relationship for granted. Yet more money does not solve all problems of public education, and may not solve the more important ones. The need for money, however, grows more and more acute as the flood of school-children rises (see Figure 88).

Housing

The federal government has entered the field of housing only in recent years. Through the nineteenth century it was assumed that individuals and families should supply themselves with housing; moreover, so long as most people lived on farms, housing was not an important consideration for American governments at any level. As the United States became a nation of cities, however, local, State, and national authorities all became concerned with the housing of the population. The first governmental acts regarding housing were those of local bodies exercising their police powers over such matters as sanitation. When President F. D. Roosevelt in 1933 announced that one-third of the nation was "ill-fed, ill-housed, and ill-clad," he signalized the intention of the federal government to invade the field of housing. The first steps of the government in this direction were aimed more at creating work for the unemployed than at inaugurating a major plan for razing the slums. Subsequent legislation, however, was designed frankly to improve the housing of the low- and middle-income groups.

The housing activities of the federal government today are carried out by the Housing and Home Finance Agency, an independent administrative body. The chief officer of the Agency is the Administrator, appointed by the President with the consent of the Senate. The Agency contains several important subordinate bodies. One of these is the National Housing Council, which operates more or less as a staff for the Agency. Another significant body is the Federal Housing Administration (FHA); the FHA may be regarded as primarily an insurance agency that guarantees loans made to private and public owners of housing.



Adapted from National Industrial Conference Board, Inc., "Road Maps of Industry," no. 1039, Nov. 25, 1955

Figure 88. Actual and Predicted School Enrollment from 1899 to 1965. Data for 1952–1953 through 1964–1965 are estimated.

A third major unit is the Public Housing Administration (PHA), which lends money to local governments that plan to build houses or apartments for low rentals. The PHA also subsidizes low-rent housing by paying local authorities the difference between the rents actually charged and the rents needed to pay for the original cost and upkeep of the buildings. A body that is independent of the Agency but that complements its work is the Federal Home Loan Bank Board. The Board is a bipartisan independent agency whose three members are appointed by the President, and confirmed by the Senate, for four-year terms. The Board supervises the Federal Home Loan Bank System, which extends credit to savings and loan associations and kindred organizations. The system includes eleven Federal Home Loan Banks in as many cities across the country; they are analogous to Federal Reserve Banks, in that their stock is entirely owned by private member banks and associations.

The federal government, then, with a few exceptions such as in defense-plant neighborhoods, does not build houses; rather, it lends money to groups that propose to erect housing, insures loans made by private organizations to individuals who plan to build a home, and executes other functions that encourage the construction of residences. A considerable portion of these endeavors aims at improving housing facilities for low-income groups. However, to participate in this type of undertaking the national government must win the cooperation of local authorities. Sometimes this cooperation is very difficult to secure. Real estate boards are almost unanimous in their hostility to housing subsidized by the national government, and these boards are among the strongest and most active groups in municipal politics. To win the cooperation of local officials the federal authorities must resort to such arguments as that slum-clearance enterprises enhance property values and that the crime rate which slums appear to engender may cost the city more for police protection than the expense of a housing project.

THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

The Department of Health, Education, and Welfare administers social security and welfare at the national level. Created in 1953, this Department represents a great triumph for the various organized groups concerned with welfare, notably the National Education Association. Actually the creation of this Department did not bring about exceptional changes in the structure or the functioning of the national government. There was already an important administrative organ for welfare activities, the Federal Security Agency (FSA); its growth was so rapid that it needed but a name to put it on equal terms with the other chief agencies. When the Department was created, the bulk of its obligations were those of the FSA that were transferred to it.

Hence the establishment of this Department did not mean that the national government was assuming many new burdens. Rather, the impact was psychological; the conversion of the FSA into an executive Department brought its officers into the councils of the President, since the Secretary is a member of the Cabinet. This creation also emphasized to the people the determination of the government to support welfare activities; for a cabinet post enjoys many times the publicity given to the administrator of an independent agency, an office which, regardless of its importance, is frequently quite obscure.

The Department of Health, Education, and Welfare is one of the smaller executive Departments; with 44,856 civilian employees on January 1, 1956, it was larger only than the Departments of State, Commerce, Labor, and Justice. However, it has a large budget; in fiscal 1956 it spent over $2 billions, ranking it behind only the Departments of Defense, the Treasury, and Agriculture. The principal officer is the Secretary; beneath the Secretary are an Under Secretary and two Assistant Secretaries. The chief subdivisions of the Department are the Public Health Service, the Office of Education, the Social Security Administration, the Office of Vocational Rehabilitation, and the Food and Drug Administration. There are also three institutions that are partially supported by the federal government and that are to some degree supervised by the Department: the American Printing House for the Blind, at Louisville; Gallaudet College, for the deaf, in Washington; and Howard University, also in Washington.

QUESTIONS AND PROBLEMS

1. Name and discuss the principal objections that have been made to the undertaking of social welfare and assistance programs.
2. Describe the OASI system.
3. What problems arise from the method of investing funds of the OASI? What method do you prefer? Why?
4. Could OASI be replaced by entirely voluntary means of insurance against old age and death? How? Would such means be practical? Would they be preferable to the existing system, according to your principles?
5. What are two major differences in the methods by which OASI and unemployment insurance systems are *administered*?
6. Are there any kinds or groups of American citizens who are at the present time quite unprotected with respect to youth or old age, unemployment, or medical care? If so, name them, and explain your answer.
7. What are the major reasons why a general program of federal aid to schools had not been adopted by 1957?
8. Describe briefly the several forms of federal aid to housing.
9. List all federal agencies that deal with problems of health, education, welfare (including old age and unemployment), and housing; state in each case the essential structure by which they are administered.