



1938

## Relief and the New Deal, 1938

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RELIEF AND THE NEW DEAL

If there is one thing upon which all Americans are agreed, it is that no American citizen or family is to suffer in this rich country through lack of the ordinary necessities of life. The public is willing to be taxed, and the well-to-do are willing to give over and above their taxes to assure this. The New Deal government has no monopoly on benevolence. The natural and traditional mode of caring for the unfortunate, including the temporarily unemployed, has been to do it locally, through local public and private agencies. Neighbors know the conditions and circumstances and wants. Washington officials cannot. Where states or localities lack funds, no one denies that the federal government should advance necessary amounts to such states and through them to localities that are hard pressed. The issue is between economical, efficient, and non-political relief, carried out locally, and the wasteful, demoralizing and far too political relief administered by the New Deal bureaucracy from Washington.

That Works Progress Administration funds are used by the New Deal administration to influence votes has been charged on the floor of the Senate. Incredible as it seems, the President's chosen leader in the Senate has not been ashamed to block investigation of the charge. Under a proper non-partizan and local management of relief, persons receiving relief remain members of their communities, amenable to the opinion of their neighbors, who know whether the able-bodied are really unable to get ordinary employment, or whether they prefer a livelihood on easier terms. The New Deal relief system is converting large numbers of those receiving federal relief in one form or



another into a New Deal army of political mercenaries.

Any sensible system of relief for the able-bodied unemployed should of course be ~~one~~ part of an efficient employment service. Relief and job-finding should be closely coordinated. Relief employment should never be made so attractive as to compete with ordinary employment. Under New Deal methods it seems it often is. And there is so much red tape and complication about getting on and off federal relief that a person once on the rolls is often afraid to take a regular job for fear that, if he loses it, he may be long delayed in getting back on the relief rolls.

It is a dogma of the New Deal that a direct "dole" to those out of work demoralizes them; and that therefore unemployment relief must be given, so far as possible, through work. Whatever there may be in this theory, a government, and a people, who are getting dangerously near bankruptcy, simply must stop and consider whether they can afford work-relief. The policy of relief through work fits nicely into the discredited theory of "pump-priming". Both were tried in Great Britain and discarded as financially ruinous; and the policy of a direct dole, in connection with a real employment service, was adopted instead of work-relief. No great demoralization appears to have resulted. Here in the United States the young, who might most readily be demoralized by idleness, can be excellently cared for and trained to citizenship by extension of the admirable institution of the C.C.C. camps. For those past the formative age, a dole administered in connection with an active employment service would seem less demoralizing than the present system of pouring out money for unnecessary work, with its creation of a vast army of politically



controlled government job-holders.

There have been published estimates that relief through work costs seven times as much per person as relief through the "dole". Whether it is seven times or six times or three or four times, the difference is of ~~some~~ importance to a nation being led towards bankruptcy. The fantastic cost of the New Deal method of work-relief arises in part from the huge overhead expenses of its administration by a political bureaucracy. It is due in part to ~~great~~ sums spent in the purchase of materials, machines, tools and so on. In this way, under New Deal methods only a fraction of the tax burden cheerfully assumed to care for the unemployed is ~~actually~~ <sup>actual</sup> spent for relief.

The New Deal relief policies through W.P.A. and P.W.A. are strange ones for a tax-ridden nation to indulge in. They are curious in many ways. A generous people, resolved that none of their fellow citizens should lack the ordinary necessities of life while unable to find employment, hardly expected to foot a bill for anything like "union wages" or for expensive public buildings and public <sup>works</sup> of no pressing need. They did not contemplate paying for the swarming officials of W.P.A. and P.W.A. They were entitled to be surprised when W.P.A. sometimes paid more than the local going wage for ordinary work. They never authorized a sort of aristocracy of "white collar" relief recipients. They would scarcely sanction a policy under which, for example, writers, artists, sculptors and other particular categories of the population should receive special pay and congenial occupation. After all, worth while artists and good writers are a very small fraction of those who like to paint and write. It is



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surely a stretching of the idea of relief to interpret it in the sense that every person is entitled to receive it through whatever kind of work he has previously done or aspired to do. The public certainly never approved policies under which being on relief would become a sort of career, a vested interest, with "reliefers" acting as a pressure group, with organizations, strikes, leadership and all the trimmings.

The New Deal relief policy is a strange phenomenon. Even if it were good in itself, the hard pressed workers and taxpayers of the land, who support both government and unemployed, cannot much longer foot the bill. The New Deal relief policy is the most unnecessarily costly that could be devised. The beneficiaries of relief must themselves realize that "government money" is far from being inexhaustible; that government credit will break, if strained to the limit; and that the earnings and incomes of their fellow citizens, which supply both through taxes, can be drained to a point of general ruin.

We have just had a \$12,000,000,000. congress, with relief, New Deal style, the heaviest item. The national economy is not immune from the same natural laws that affect the economy of a family. It is safe to say that the New Dealers, and their congressional supporters, do not run their own personal affairs with the reckless abandon they bring to the management of the national budget. Yet there, they are handling, not their own, but the taxpayer's money, of which they are in a very real sense trustees. The law would punish any private trustee who so giddily wasted an estate.



Social Security.

This phrase Social Security is outstanding among those vague and glittering generalities that pass for the "aims" of the New Deal, to be achieved, President Roosevelt has repeatedly told us, by "readjustment of many of our social and economic arrangements". These "aims" that include making everybody secure and comfortable in a "more abundant life" are, taken at their face-value, alluring. They are so alluring that there is great danger of forgetting to inquire whether they are attainable in this imperfect world; whether they would be wholly good, if attainable; and whether their pursuit, by New Deal methods, is not ruining the nation, morally and economically, and is not, in the long run, pretty sure to leave us all, and especially the poor, a good deal worse off than ~~than~~ before.

<sup>One</sup> The trouble with New Deal idealism (~~if one should grant that there~~ <sup>it has any</sup> is that it appears to be solely materialistic. The ancient query 'What profiteth it a man to gain the whole world if he lose his own soul?' seems to have been relegated to the limbo of "hore-and-buggy" days", along with the ideas of working for a living, thrift, saving for a rainy day, filial piety, and various others. We all want a wider and ~~more~~ equitable distribution of material well-being, and such security as is to be got in a world where there are no safe places, <sup>where</sup> and the nearest approach to security is, perhaps, a life passed in a well run penitentiary. But we want our State and national governments to work <sup>deliberately, and wisely</sup> towards those difficult ends without unnecessary sacrifice of the moral qualities and best characteristics of the nation. <sup>without risking moral as well as financial bankruptcy in money and other things</sup> No aim should be pursued by means whose cost, in every way <sup>outweighs</sup> outweighs the hoped-for advantages, and which, indeed, make attainment of the aim itself highly unlikely.

Some New Deal measures have been bad because their purpose was in itself evil, as well as hypocritical. In this category were court-packing and the "reorganization" bill. And now we have the pious-sounding exten-



sion of the Civil Service, with which the public associates the idea of a non-partizan merit system. So far from being what it sounds like, this measure is just a dodge to perpetuate in office thousands of postmasters and over a hundred thousand more employees of new Roosevelt agencies of this "emergency" government, who were practically all chosen for political reasons, who are not required to take any competitive examination, and who are counted upon to remain financial contributors, voters, and protagonists to help perpetuate the New Deal, ~~and its policies.~~

Other New Deal measures are bad because based upon falacies. Still others are calamitous because a good general aim is pursued in wrong ways, and without counting the costs, financial and moral, due to haste, ineptitude, or ulterior motive. It is quite clear that social and economic reforms are tasks for statesmen; and that it is exceedingly dangerous to entrust them to mere politicians, aided by visionary reformers, second-string professors, and young radical "smarties". <sup>legislative</sup> The monstrosity called the Social Security <sup>Act</sup> ~~law~~ partakes of all the <sup>or</sup> faults <sup>that are so</sup> characteristic of measures of the current Administration.

A growing trend to incredible complexity and to multiplication of paper work has long been conspicuous in American laws and regulations. When Huck Finn proposed a simple plan for one of their pranks to Mark Twain's immortal Tom Sawyer, Tom replied, "Why certainly it would work--- But it's too blame simple. There ain't nothing to it. What's the good of a plan that ain't no more trouble than that? ~~Why, Huck, it wouldn't~~ ~~make no more talk than breaking into a soap factory.~~ I should hope we can find a way that's a little more complicated than that, Huck Finn." Then, of Huck's revised plan, Tom said, "That's more like. It's real mysterious, and troublesome, and good; but I bet we can find a way that's twice as long." Tom Sawyer would have found complexity to his heart's desire if only he could have read, for example, Secretary Wallace's agricultural measures, the income tax ~~haberynth~~, and this Social Security Act of 1935.

It would require much time, space, and expert knowledge to do justice



to this legislation by anything like comprehensive analysis. A recent report to the American Bar Association described it, with great restraint, as ineptly drawn, and went on to say: The most important respect in which it should be amended is by the elimination of the present so-called old-age reserve account, the substitution of a pay-as-you-go policy, and the requirement that sums collected under the act be earmarked and set aside solely for the purpose of the act." It is indeed true that this crowning absurdity of the Act throws all its other defects into the shade.

An employer is defined as ~~At-present~~ one employing eight or more persons. Agricultural laborers, domestic servants, seamen, and some others are left out of the scheme. At present all employees <sup>covered</sup> ~~comprehended~~ by the plan have 1% of their wages or salaries withheld by their employers and paid to the federal government as a tax. Their employers are similarly taxed the same amounts. <sup>In both cases \$3,000 is the limit of the tax basis per person in any one year.</sup> Gradually rising, these taxes are to stand at 3% beginning January 1, 1949.

On reaching the age of 65, and retiring from work, the employee who has paid these compulsory taxes, is supposed to receive a "federal old-age benefit". The amount of it is calculated upon percentages of the total earned between the time he was <sup>"covered"</sup> covered by the plan until he reaches sixty-five. The more he has earned during his <sup>"covered"</sup> working life, the more he will get;

but the total monthly payment cannot exceed \$ 85. For example, if a man's <sup>"covered"</sup> total wages <sup>of all</sup> ~~ever~~ <sup>Since January 1, 1937</sup> received shall have amounted to \$75., he is supposed to get \$ 58.33 per month after the age of sixty-five. Employers who are also employees of some company, and are quite well-to-do, also have Social Security cards and numbers and will be eligible as years go by for the maximum old age benefit, of which they <sup>will usually</sup> have no need whatever. In the event of death before sixty-five, the <sup>the estate of</sup> "covered" employee is to receive a lump sum equal to 3 1/2 % of his wages since January 1, 1937, when this law took effect.

Those who reach sixty-five without earning as much as \$ 2,000. since that same date also receive the last mentioned percentage. <sup>of the sum earned while "covered"</sup> It will thus be seen that the hoped for benefits do not become of much importance to any employ-



ees except rather young ones who will not reach sixty-five for a great many years after 1937.

And now comes the unbelievable part of the scheme. All these taxes for social security are being spent by the government like any other taxes. The Federal Old Age Reserve Account is to be kept replenished, as necessary, by purchase for it or issuance to it of U. S. Government bonds or government guaranteed obligations, bearing 3%. These This process has been described as "just a clever device to get the national debt over into the (social security) reserve account." While employee and employer are being taxed to provide for social security, Congress is at the same time "authorized to appropriate for each fiscal year an amount sufficient to provide for the payments required". It seems that the trustee spends the money and trusts to his ability to replace it when called for.

When, with the passage of years, the contemplated old-age payments reach their peak, it <sup>is</sup> estimated that between forty and fifty billions of dollars in 3% government obligations will be required for this reserve fund alone. In other words, a national debt of, say, \$ 45,000,000,000. will be permanently obligatory. And the tax-payers will be called upon to pay every year the 3% interest on it. That means an annual tax bill ~~of~~ of \$ 1,350,000,000. solely for service of the debt held in the social security fund. This one item <sup>of annual taxation</sup> exceeds the cost of the entire federal government some forty years ago. And this one item of forty-five billions of national debt comes to about the same figure <sup>as</sup> ~~of~~ the general <sup>Federal</sup> ~~national~~ debt now being reached for all other purposes.

Coming generations, including recipients of old-age benefits, will hardly feel grateful to those responsible when they find themselves under such a tax burden even before they begin to pay for army, navy, and all other <sup>ordinary</sup> costs of government. *And consider this handicap of huge debt they will be under if compelled to go to war!* Commenting on the working of the plan one banker recently made this illustrative remark. "The Government, through its collection of \$ 1,038,000,000. in Social Security taxes is actually taking away that amount of



purchasing power from the people and although it is presently being re-distributed as current income to other persons on relief and through project work, there is a delay between the collecting and distributing, which is a factor which retards business; and the book-keeping is unsound in that 3% Treasury obligations are being issued to the Social Security Tax Department for these funds, which is an additional form of borrowing."

The Social Security Act is an Act "To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes." For all the State activities <sup>above</sup> enumerated, the Washington <sup>government</sup> is authorized to give financial aid, provided that the State's laws, regulations, and administration meet conditions set up in the Act. The Social Security Board has supervisory powers and, in some cases, the Department of Labor.

In the matter of State odd-age assistance, the Federal government contributes one dollar for every dollar the State contributes. In the State of Connecticut, for example, citizens from 21 to 60 years old pay an old age assistance tax of \$ 3 each year. To have paid this tax while a citizen of the State, to be without means for a "reasonable standard of health and decency", and without relatives able to support one, and to have reached the age of sixty-five, are among conditions of eligibility for State odd-age assistance. Wisely, the obligation of relatives to support the aged of their families is enforced, although no doubt the knowledge that, if they cannot, then the State will do so, is a deterrent to thrift on the part of relatives, just as prospective reliance on the State is a deterrent to thrift on the part of the aging people. The other welfare activities of States are financially assisted by Washington in various sums and on different bases..

Like practically all New Deal laws, this Social Security Act tosses



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about a few \$10,000. salaries, the majority of which land in the laps of faithful New Dealers. And, also characteristically, it sets up a complicated scheme involving the maximum possible "paper work", and consequently the maximum number of jobs for New Dealers, new battalions of bureaucrats, and quite unnecessarily tremendous administrative costs. Money is given to the States. Money is deposited in Washington by the States. Federal politicians check, re-check, and counter-check State politicians. A well paid, busy time is had by all,--at the expense of the taxpayers, including particularly the poor and those who hope to be benefitted by this wholesale largesse.

Returning to the Social Security Act, particularly its old-age benefits, obviously, to tax the employer for every person he employs is to put a premium upon getting along with as few employees as possible. From 1949 on the social security taxes will reduce by 3% the purchasing power of every "covered worker" and will take another 3% from the employer's funds for paying wages. And this additional tax on the employer, as an additional cost of production, will add just so much to the price of goods produced. Various allusions to labor organizations in the Act reflect the New Deal's <sup>policy</sup> of forcing unionization, whether those concerned happen to wish it or not.

The Social Security Act proceeds upon the theory that Americans are too reckless and improvident to save even 3% of their earnings, and too foolish to invest it wisely if they did. It is assumed they will mortgage their futures and run into debt, like their government, and will never forego a present satisfaction in order to secure a future one; that in economic sense they rank far below the squirrels, the bees, and the dog that burries a bone for later on.. We are informed that "usually" the covered worker "will get back more than he could make by saving the amount of his taxes in any other way". "Usually"? One wonders.

French economic life was most meticulously regulated so long ago as the reign of Louis XIV. The Germans love regimentation, and plenty of government

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Another deterrent to Thrift is the fact that, to draw State old-age assistance a person must have made himself destitute by owning nothing, or else by assigning to the State any little property he may have.



government paternalism. Individual initiative, as untrammelled as practicable by government, and the greatest measure of individual <sup>have,</sup> freedom, ~~on the other~~ <sup>contrary,</sup> ~~hand,~~ been the characteristic preference of the English-speaking peoples. Hence the British Empire. Hence the fabulous development of the United States. When Lloyd George, the Liberal Party leader, introduced various measures of social insurance into England, some wise men shook their heads and predicted a progressive weakening of the fibre of the British people. Be that as it may. There, at least, the measures adopted were relatively sensible, ~~were~~ administered by an honorable civil service, <sup>and</sup> were well ~~and~~ not politically administered, and were not such as to wreck the national finances and defeat the purposes of the measures themselves. Moreover, the British masses have a great fund of common sense; the country is crowded; and it is small enough for intelligent administration <sup>of</sup> "social security" laws and regulations from the centre of national government.

Here conditions were quite different. There was no widespread suffering among the aged for lack of "a reasonable standard of health and decency". State, County, City, and Town institutions, private ones, hospitals, visiting nurses, and doctors were doing a pretty good job. And relatives felt keenly the filial duties of caring for their kin. For the improvident and lonely a well run poor farm was probably more cheerful than life on a small pension would be. Furthermore, in this country the national solvency and the ability to pay taxes were already sufficiently strained to provide for millions of unemployed or destitute of all ages. Aside from the serious question of the merit of direct Federal old-age benefits, why was it necessary in such a situation, and in the depths of depression, to choose this as the proper time to initiate the experiment, and to rush through this ill-conceived statute?

The answer seems to be, as usual, politics. It is one more way to seek votes for the New Deal, to increase bureaucracy, to teach Americans to lie down on the Federal government, to weaken State and local responsibility and authority, and to aggrandize Washington. It is one more example of the doctrine that the government is to support the people, instead of the people the government; one more step away from individualism and towards paternalism



and therefor towards socialism. It is another case of copying European inst  
stead of developing American methods,--and making a woefully poor copy.

The alternative would have been to encourage, even compel, cooperation  
of owners, labor, and management of our industries, and, through their cooper-  
ation, the various insurances a reasonable "social security" would call for.  
Instead, all such promising systems that were developing have been broken up  
by importation of the foreign idea of "Class war". ~~Any~~ Any arrangements  
for "social security" should encourage, not discourage thrift. A low basic  
old-age assistance allowance like the \$7. per week allowed in Connecticut, fo  
example, to those whose relatives cannot support them and who are not cared fo  
in institutions, might be the guaranteed pension for the improvident. To en-  
courage thrift and to help the thrifty, the State might add a certain percent  
age to the individuals income from savings, <sup>over a certain figure</sup> until the income reached some such  
amounts as those to be gained by the most fortunate under the Social Security  
Act. Current taxes should always meet this State obligation. Old-age bene-  
fits, like all other social <sup>measures,</sup> ~~legislation,~~ should always be a responsibility of  
the States, acting through their local subdivisions. Only so can their admin-  
istration be economical, equitable, and intimately informed. There should be  
Federal subsidy to States, where and when necessary, conditioned on the equit  
of their laws ; but no expensive administration from Washington and no shift  
ing of State responsibility.

Those who, old or young, live off the government, only live on their fel  
low citizens, especially the less well-to-do ones, and notably on themselves.  
A research study of the actual expenditures of families made back in 1936  
showed <sup>what</sup> ~~that~~ amazingly large percentages in indirect and hidden taxes <sup>are levied</sup> ~~are~~ levie  
on family incomes down to about \$1200. a year, aside from direct taxes; and  
as things are going, there is more and worse to come. Let no poor man imagin  
he is not paying the lion's share for the New Deal. As Niel Crothers, the ec  
onomist, said in a recent article, " If every American <sup>man in</sup> knew <sup>exactly</sup> what he is paying  
<sup>he pays,</sup> <sup>Present government</sup> in taxes, <sup>next the</sup> this Administration would not last beyond next November. <sup>elections.</sup>

\* For next Sunday figures.



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One more thought may be commended to the attention of all those who wish to live at government (i.e. tax-payers') expense is this. Germany had a very elaborate system of government insurances, benefits, pensions, and all sorts of paternalistic legislation. The budget was not balanced, taxes rose, business languished, government debts were repudiated, inflation came, prices went sky-high,--and the money in which all pensions, benefits, insurance policies, and fixed incomes of every description were to be paid became worth exactly nothing. With a continuance of New Deal policies, the same can easily happen here.