

The Significance of the Money Payment in Public Assistance¹

By Jane M. Hoey*

Under the Social Security Act the public assistance for which Federal grants are made is defined as "money payments"² to or in behalf of needy persons. In accordance with the intent expressed by Congress in framing the law and with judicial definitions, the Social Security Board has interpreted money payments to mean that "payments must be in cash, checks, or warrants immediately redeemable at par, and that payments must be made to the grantee or his legal guardian at regular intervals with no restriction on the use of the funds by the individual."³

THE MONEY PAYMENT in public assistance under the Social Security Act is one milestone in the long road toward recognition that need itself, not the needy person, is the danger to society, and that the security of society includes security of the poor. It is one of several provisions in the act which affirm that recipients of assistance have the same personal rights and responsibilities as their friends, neighbors, and others in the community.

Recognition that the needy have a right to public aid is more than three centuries old among English-speaking peoples. The act's specification of "money payments" and the interpretation of that phrase to assure the recipient's right to use his payment as he would money received from any other source is new in principle, however, and still not fully realized in practice.

Poor-Law Philosophy and Social Security

The money payment as a method of providing assistance reflects a long, progressive development in concepts

of social responsibilities. The full significance of the method is sharpened by comparing the philosophy underlying most practice in the nineteenth century with recent legislation establishing rights to public aid. The principle underlying the money payment is diametrically opposed to the philosophy of the poor laws, which dominated public relief for many generations and still, unfortunately, colors some current practices. Early statutes assumed that the fact that a person was in need in itself branded him as incompetent or worse. "Poor relief" accordingly was based on the premise that needy persons were suffering from a weakness or vice against which society must protect itself and them.

As the price of exercising their right to public aid, needy persons had to enter workhouses or poorhouses under what sometimes amounted to penal discipline. Even now some persons who receive public aid in the United States are, for that reason alone, stigmatized by the publication of their names in pauper lists, deprived of the right to direct their family affairs, and denied any opportunity to decide how best to use whatever aid can be supplied for them.

All these penalties, it should be emphasized, react upon the community as well as on the persons who receive aid, because they weaken or destroy the recipient's capacity for self-direction, judgment, and self-reliance and thus tend to perpetuate his dependency. They constitute as vicious a circle as the old penal practice of imprisoning a debtor and so depriving him of any opportunity to pay his debt.

The term "social security" epit-

omizes the difference between the poor-law philosophy and the present-day approach to problems of dependency in the United States and other countries. It is the security of society, including the poor, not "relief of the poor" which is at stake. The focus is on the factors or conditions which make for or perpetuate poverty and insecurity, not on the imputed failings or vices of individuals. The effort is to enable the individual to keep or regain a responsible place in the life of his family, neighborhood, and community—not to cast him out, humiliate or scare him, and deny him an opportunity for self-direction. The basic objective is to conserve human resources in the interest not only of the individual but also of the community and Nation of which he is a part.

The advance from the old poor-law philosophy may be seen in a remark in an annual report of the Local Government Board of London in the 1870's which declared: "Relief given as of right must tend to encourage improvidence to a greater degree than that which, being a matter not of right but of voluntary, precarious, and intermittent charity, cannot be so surely anticipated as a future resource."⁴ The report pointed out further that the poor must be given clearly to understand that private outrelief, as contrasted with the workhouse, would be granted "only as an indulgence to deserving cases."⁵ To this view, one might reply in the words of another Englishman, Winston Churchill, speaking 35 years later. "If terror be an incentive to thrift, surely the penalties of the system which we have abandoned ought to have stimulated thrift as much as anything could have been stimulated in this world . . . where there is no hope, be sure there will be no thrift."⁶

The Social Security Act is designed to prevent or counteract economic need arising from several major causes—unemployment, old age, death of the family breadwinner, blindness, and loss of parental sup-

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¹This article is based in part on "Money Payments to Recipients of Old-Age Assistance, Aid to Dependent Children, and Aid to the Blind," a statement on policy and legal and administrative considerations of money payments under the Social Security Act (Bureau Circular No. 17, March 1944, prepared by the Bureau of Public Assistance in collaboration with the Bureau of Accounts and Audits, Social Security Board, and the Office of the General Counsel, Federal Security Agency).

²Sections 6, 406, and 1006.

³*Guide to Public Assistance Administration*, Bureau of Public Assistance Circular No. 9, sec. 211, p. 1, August 11, 1941.

⁴Local Government Board, *Third Annual Report*, 1873-74, quoted by de Schweinitz, Karl, *England's Road to Social Security*, 1943, p. 160.

⁵Ibid., p. 169.

⁶Ibid., p. 189 (speech at Dundee on unemployment, October 10, 1908).

port or care by reason of a parent's death, incapacity, or absence from the home. The act makes two approaches to these causes of insecurity: social insurance to offset wage losses and thus help to prevent poverty, and public assistance to meet current need. It is significant that our basic social security legislation combines both these approaches in a single act and under a single administrative agency. Moreover, several of the administrative methods required by the act are the same for social insurance and public assistance.

Under both types of programs, there must be provision for a fair hearing for persons who believe their claims or applications have been denied unjustly; for both, it is required that personal information concerning applicants and recipients shall be held confidential; and both assistance and insurance benefits must be paid regularly, under established and known conditions, and must be paid in money. These and other parallels suggest a common denominator which Congress intended should characterize administration of social insurance and public assistance. The form and character of the assistance for which Federal funds are authorized are thus an integral part of the comprehensive purposes and objectives of the social security program as a whole.

The Money Payment and Other Forms of Assistance

The money payment is the only form of assistance provided under the Social Security Act. Other forms in common use are assistance in kind, voucher relief and payment to the vendor, and restricted cash payments. Assistance in kind may be given in the form of institutional care or through provision of services or goods. The restricted cash payment is, as the term implies, a payment given under some condition or limitation which the agency imposes on the recipient's use of the money—for example, a check given with the specific understanding that the client will use it for a particular purpose, such as buying eyeglasses or paying a plumber's bill.

The agency's decision on the form of assistance may be controlled by law and often is influenced by other factors, including community atti-

tudes toward public assistance. In determining the form of assistance to be provided, legislators and administrators should recognize the capacity of persons who live in a money economy to use money and the importance of making it possible for recipients to keep or develop capacity for handling money and planning expenditures.

Many persons with low incomes have become, of necessity, good shoppers and improvisers. Their skill in the use of money may be greater than that of agency personnel in handling it for them. Since in our economy the use of money plays so large a part in maintaining normal personal and community relationships, the money payment has come to be widely accepted as the method of assistance which best meets the needs of the great majority of persons who require public aid. It is the only form of assistance in which the Federal Government can participate financially under the Social Security Act, and it now represents a very large part of all public aid in the United States.

The money payment leaves the recipient fully responsible for deciding what use of his assistance check will best serve his and his family's interests. It is an indication to him and to his family, friends, and neighbors that he has not, through financial dependency, lost his capacity or responsibility for handling his affairs. It is to the interest of the community, as well as of the individual, that these capacities be conserved and encouraged and that public administration in this field should be in keeping with the ideals and traditions of a democracy.

That a few recipients may use their money payments unwisely does not vitiate use of the principle for the great majority. Perhaps it does not vitiate it even for the unwise few when the long-range implications of other practices are considered. One of the basic issues at stake in the recipient's right to use his assistance as he deems best was stated recently by a judge in a letter explaining the court's refusal to force a poverty-stricken and illiterate parent to accept institutional care for her child.⁷

⁷ Letter from the Hon. Marlon G. Woodward, Judge of the Superior Court No. 3, San Joaquin County, Calif., published, by permission, in the *American Journal of Public Health and the Nation's Health*, Vol. 34, No. 5 (May 1944), pp. 532-534.

"Ordinary poverty," he writes, "is generally the excuse but it is not always a justification for interference . . . a poverty-stricken illiterate does not necessarily by that fact alone, forfeit the natural right of being the head of his family and making decisions for his minor children." The judge points out that, while these decisions may not always be wise, the application of force to an indigent person may not be justified by the fact that something apparently is "good" for him. "In recent years," he continues, "we have seen whole populations abroad yield to the seduction of paternalism . . . only to be ruthlessly exploited and persecuted. We do not want the lust for power which is now dominating the minds of so many little men, to wreck our heritage of freedom and individual initiative."

Development of Payments in Money

Like the philosophy on which it is founded, the money payment is of relatively recent origin in this or other countries. The record of its development is a long unsuccessful trial of other forms of public aid and of cautious experimentation in the use of cash relief, typically hedged about with many restrictions and safeguards.

Apparently the first real trial of cash relief in the United States was in Chicago after the great fire of 1871. For 2 years after the fire, the Chicago Relief and Aid Society bought and distributed food, clothing, bedding, furniture, fuel, and the like, believing that it "could purchase in large quantities at lower rates, and disburse [the goods] with greater economy and satisfaction than individuals could procure them."⁸ In May 1873 that plan was abandoned because of "the expense of keeping up several large storehouses, the inevitable waste and loss in handling, and numerous complaints as to quantity and quality."

The agency then tried issuing orders or vouchers on dealers in various parts of the city, who delivered the goods to relief families in their own homes. This plan, however, "soon proved less satisfactory than the first." Charges of fraud in quantity or quality of the goods provided were

⁸ Chicago Relief and Aid Society, *Sixteenth Annual Report*, 1873, quoted in Colcord, Joanna C., *Cash Relief*, 1936, p. 9.

no less frequent. It was then decided to abandon relief in kind except for fuel, blankets, and shoes, and to give money for all other purposes. "Whatever objections may be urged against this policy," the agency reported, "we think that it is justified by experience . . . The applicants can in most cases make as good or better use of the money in providing only that which they most need, and being obliged to receive nothing they do not want."⁹

The principal objection to giving cash, the report continued, "is the possible abuse of money by some. The proportion of such cases is small, and any kind of goods can very readily be diverted by the intemperate. The mass of worthy, honest, and economical poor should not be treated as thieves and paupers, because large numbers of these last classes attempt to defraud us, or because a few of them may possibly succeed in doing so."

Within the next half century a cash "allowance" became the accepted basis of practice in private relief agencies, which largely discontinued grocery orders, clothing bundles, and other relief in kind in "realization of the need of conserving family independence and self-respect . . ." ¹⁰ When, in the first quarter of this century, States began to establish special programs for assistance to selected groups of needy persons in their own homes, the principle of a cash allowance was adopted from the beginning.

Possibly following the example of the pensions which long had been paid to war veterans and their widows and orphans, State aid for widowed mothers, the aged, and the blind was generally called a "pension" and paid in cash. These "pensions" went to groups whose need could readily be attributed to some objective factor not within their individual control. An objective basis also was evident in the cash awards to injured workers or their survivors under the Federal and State workmen's compensation laws which, beginning with 1908, began to establish the principle of social responsibility for preventing and offsetting wage losses under the first

substantial development of social insurance in the United States.

In general public assistance, however, the philosophy of the poor law remained, and the use of relief in kind was the usual practice until the depression of the 1930's. Even at that time, when need was widespread and its cause was dramatically evident, public agencies in many areas were very reluctant to accept the invitation of the Federal Emergency Relief Administration to experiment with cash relief. Oppressed by the administrative burdens of trying to administer relief in kind, several agencies, however, made a cautious trial of substituting cash allowances for voucher relief or relief in kind. As experience lengthened, city after city reported, often in surprise, that clients who were entrusted with money were paying their rent and other bills regularly and were using the money wisely, often with greater ingenuity and skill than the agency could have exercised in their behalf. Nearly all recipients greatly preferred to receive relief in cash.

Cash relief or a "cash allowance," which suggests the allowance given by a parent to a child, ordinarily differed basically from the money payment established by the Social Security Act. A description of private agency practice in 1923 refers to the "tremendous advantages of the *carefully supervised* cash allowance because of the training which it gives in household management and individual budget planning."¹¹ In common practice, recipients of private or public cash relief were required to show receipted bills or account for their expenditures of relief in other ways or received money only on condition that it be spent for purposes approved by the agency. Though far more satisfactory than the dole of groceries, clothing, and the like, cash relief remained something of an "indulgence" meted out by the agency to selected families or groups which won and retained the agency's approval by acting in accordance with its idea of what was best for them.

Client-Agency Responsibilities in Public Assistance

In contrast to the paternalism so often inherent in older forms of aid,

the money payment predicates a relationship in which both the agency and the recipient carry definite and separate responsibilities.

The assistance agency is responsible for interpreting to the recipient the purpose and eligibility requirements of the program and his rights and obligations under its provisions; for considering, with him, his requirements and resources and determining, on the basis of sound and equitable standards, the amount of assistance required to meet his need; for providing, within legal, financial, and administrative limitations, assistance to enable the individual to meet that need without loss of his personal freedom and responsibility; and for making available services consistent with the function of the agency to facilitate his use of money payments and other personal, family, and community resources.

The recipient, on his part, has responsibility for informing the agency of his needs and for supplying the information on his requirements and resources which is pertinent to the determination of need and to other factors in establishing his eligibility. His responsibility for directing his affairs, managing his money, and discharging his obligation remains the same as that of any other member of the community.

The provision for money payments in the Federal statute does not imply any lack of appreciation on the part of legislators or administrators of the services which may be required by needy persons, like others, and which may be met appropriately through the public assistance program. On the contrary, both in policy statements of the Board and in studies and specific statements of the Bureau of Public Assistance, the importance of such services has often been asserted.¹² The character of the money payment is affirmative. It is an assertion that economic need does not in itself abridge or weaken the personal rights or lessen the personal responsibilities of members of a democracy, and that the present and future interests of society, as well as of the individual, are best served by maintaining these rights and responsibilities.

¹² See, among other statements, *Sheltered Care and Home Services for Public Assistance Recipients*, Bureau of Public Assistance Report No. 5, 1944.

⁹ *Ibid.*, p. 10.

¹⁰ Colcord, Joanna C., "Relief," *The Family*, Vol. 4 (March 1923), p. 14.

¹¹ *Ibid.* Italics supplied.