thirds of the first $15 in old-age assistance and aid to the blind and two-thirds of the first $9 in aid to dependent children, the Federal Government paid only 52.7 percent of all costs of old-age assistance in the United States, 50.6 percent of the total costs of approved plans for aid to the blind, and 39.4 percent of the total costs for aid to dependent children. In the five States with the lowest per capita income, however, Federal participation in old-age assistance ranged from 62.5 to 64.7 percent of total costs; in aid to the blind the Federal share ranged from 60.5 to 63.6 percent; and in aid to dependent children from 60.5 to 65.8 percent.

Federal, State, and Local Responsibility

Although it is beyond the scope of the present study to analyze the policy which should govern the over-all financing of public services in the United States and the relationship of the Federal Government to the States and localities, the Council wishes to express its belief that the only sound long-run method of preserving a workable State-Federal system lies in the readjustment of State-Federal tax and fiscal relationships. The principles of citizen participation in Government and maximum State and local responsibility will be promoted if States and localities are better able and more willing than at present to raise the funds necessary to finance their own activities. Two world wars and a major depression have introduced a degree of central fiscal authority and an aggregate tax burden undreamed of 50 years ago. Indeed, within the last few years the demands upon the Federal Government have increased much faster than anyone would have anticipated. Several years ago forecasts of the postwar Federal budget usually ran in the neighborhood of $15 billion to $25 billion a year. For example, the Committee for Economic Development in a study of the tax problem assumed that the budget of the Federal Government would be about $18 billion in dollars of 1943 purchasing power or about $23 billion in dollars of 1947 purchasing power. The budget is now more than $40 billion and is likely to remain at that level. Because of these developments and because of the ever increasing public demand for services from all units of government, means must be found to make sure that State and local governments have revenues adequate to finance the functions which they can best perform. These broad problems of intergovernmental relationships need the most careful study so that financial self-sufficiency and harmonious fiscal policy among the various governmental units may be promoted to the greatest extent possible.

Under the best possible division of fiscal responsibility, however, there will remain wide differences in the available tax and revenue resources of the States and localities. In order to encourage the States to provide the assistance required for health and decency, Federal participation in financing old-age assistance, aid to dependent children, and aid to the blind should be continued on a basis whereby the Federal Government will pay a higher proportion of the total cost of assistance in the low-income States than in those with high per capita income.

The Council believes, furthermore, that differences between the needs and resources of the various counties within States require a flexible use of State and Federal funds on an equalization basis so that State plans may be uniformly and equitably in effect in all parts of a State. The Council believes that this end may be attained by State action and by Federal participation in the development of State plans, and that further Federal legislation is not now required to effect the desired end.

Trends in Recipient Rates for Old-Age Assistance

By **Walter M. Perkins***

MORE PEOPLE were receiving old-age assistance in June 1948 than ever before in the history of the program. At the same time, relatively fewer aged persons were dependent on assistance in that month than at the time of Pearl Harbor. The proportion of all aged persons in the population who were recipients of old-age assistance was actually smaller by a tenth in June 1948 than in December 1941, when the recipient rate reached an all-time peak. Yet the number of aged persons in the total population had increased so rapidly in the 6½ years that the number of recipients was larger in the later month (chart 1). By relating the number of recipients to the age group from which they are drawn, a better perspective on changes in the assistance programs from year to to year is obtained and the relative size of various State programs at any given time can be measured. Heretofore the necessary population estimates, comparable from year to year, have not been available to permit analysis of trends in recipient rates for old-age assistance.[1]

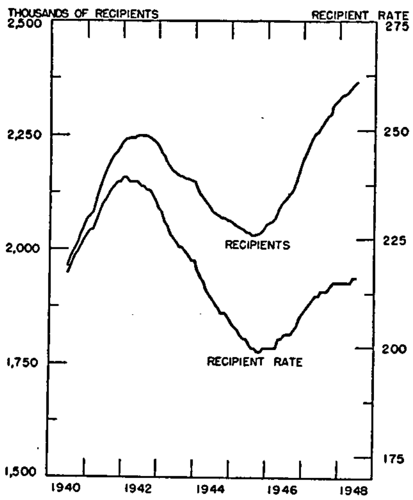
The national recipient rates in June 1940 and in June 1948 were almost identical (table 3). In 1940 and again in 1948, Oklahoma had the highest recipient rate and the District of Columbia the lowest. Closer observation reveals, however, that extensive changes have taken place in the rates and the ranking of most of the States, and very few States in 1948 can be said to have recipient rates similar to their 1940 rates. Alabama, for example, ranked fortieth among the States in recipient rate in 1940, but

*Bureau of Public Assistance, Division of Statistics and Analysis.

[1] The Social Security Administration has recently prepared a series of estimates of State population aged 65 and over as of July 1 of each year from 1940 through 1948. Previously, no attempt had been made to revise estimates for earlier years in the light of better information and for consistency with estimates for later years. The latest estimates, from which the recipient rates for this article were produced, base the trend in the aged population of each State on the trend in the number of deaths among the aged in that State. By counting all deaths of persons 65 years of age and over residing in a State, account is taken of in-migration and out-migration as well as natural increase among the aged.

was fourth in 1948; Georgia moved from thirty-fourth in 1940 to second in 1948; Nevada, from seventh to twenty-fifth; Montana, from sixth to twenty-first; and Minnesota, from ninth to twenty-fourth.

Chart 1.—*Number of recipients of old-age assistance and rate per 1,000 population aged 65 and over, June 1940–June 1948*



Correlation With Wealth

Perhaps the most significant development in the shifting pattern of State recipient rates has been the emergence during the 8-year period of a rather clear-cut relationship between the per capita income of a State and the proportion of its aged persons who are needy. It was by no means certain, in the early years of the program, that this relationship would show up in the recipient rates; low per capita income is logically associated not only with a greater number of needy persons, but also with less fiscal capacity to aid them. In June 1940 the recipient rates of many of the low-income States were clustered in the quartiles nearest the average, reflecting a midcourse between greater-than-average need and less-than-average ability to meet that need. The 12 States with lowest per capita incomes were equally divided between States with recipient rates above the median and States below the median; only two out of the 12 appeared in the highest quartile of recipient rates. By June 1948, however, the picture had changed. Eleven of the 12 lowest-income[2] States had recipient rates above the median, and eight of these were among the 12 highest in recipient rates.

TABLE 1.—*Recipient rates for old-age assistance in 12 lowest-income States according to quartile rank among all States, June 1940 and June 1948*

Month and year	Lowest quartile	Third quartile	Second quartile	Highest quartile
June 1940	Alabama (150)	Georgia (182) Arkansas (185) New Mexico 192) Mississippi (193) North Dakota (223)	North Carolina (232) Tennessee (237) South Carolina (251) Kentucky (258)	Louisiana (274) Oklahoma (498)
June 1948	----------------	West Virginia (185)	North Carolina (233) Kentucky (245) Tennessee (254)	Mississippi (333) New Mexico (335) South Carolina (380) Louisiana (404) Arkansas (410) Alabama (430) Georgia (495) Oklahoma (581)

High fiscal capacity makes it possible for a State to aid persons recognized as needy, though the proportion of persons who are needy tends to be smaller in the wealthier States. Even in 1940, therefore, the higher per capita incomes were, in general, associated with the lower recipient rates. Only four of the 12 States with highest per capita incomes in 1940 had recipient rates above the median; in June 1948 only three of the wealthiest States had relatively high recipient rates. In both years only one of these States was among the 12 States with highest recipient rates.

The general movement of the high-income States toward lower recipient rates and of low-income States toward higher recipient rates is brought out sharply through composite recipient rates for the two groups of States. The 12 States with the lowest per capita incomes aided, on the average, 247 recipients for each 1,000 aged population in 1940, whereas these lowest-income States in 1948 aided 354 recipients per 1,000 aged population. The average recipient rate for the 12 States with the highest per capita incomes, on the other hand, was low in 1940 (187 recipients per 1,000 aged population) and was even lower in 1948 (154 recipients per 1,000 aged population).

[2] Since per capita income figures for 1948 are not available, determination of the lowest-income States in June 1948 was based on 1947 per capita income data.

Greater Variability

In the process of the shifts that have occurred, State recipient rates have become more widely dispersed. Thus, in June 1940, recipient rates per 1,000 aged population ranged from 82 to 498, with an average difference of 68 between the State recipient rates and the median. By June 1948, recipient rates ran all the way from 45 to 581, and the average deviation of the State rates had increased to 94.

Since standards and administrative practices differ from State to State, it might be inferred that re-

TABLE 2.—*Recipient rates in 12 highest-income States according to quartile rank among all States, June 1940 and June 1948*

Month and year	Lowest quartile	Third quartile	Second quartile	Highest quartile
June 1940	Dist. of Col. (82) New Jersey (109) Rhode Island (124) New York (128) Delaware (131) Connecticut (132) Maryland (150)	Michigan (221)	Massachusetts (229) Illinois (242) California (254)	Nevada (334)
June 1948	Dist. of Col. (45) Delaware (54) New Jersey (66) New York (95) Connecticut (97) Rhode Island (137)	Illinois (180) North Dakota (188) Nevada (217)	Montana (235) California (238)	Colorado (426)

cipient rates would vary more than the proportion of aged persons who are needy; this inference, however, appears inconsistent with the fact that from 1940 to 1948 recipient rates became more widely dispersed and, at the same time, more closely correlated with per capita income. Furthermore, such an inference does not explain why similar wide variations exist among county recipient rates inasmuch as standards and administrative practices do not vary as much from county to county as they do from State to State. In recent analyses, for example, it was found that county recipient rates varied in one State from about 200 per 1,000 aged population to well over 900, and in another State, from about 175 to 800. The variations in recipient rates in both these States proved to have high inverse correlations with per capita assessed valuation and indexes of level of living.

Factors Underlying Increases

One important factor enabling low-income States to provide assistance to more of their needy aged persons has been the increased Federal participation in payments of old-age assistance resulting from the 1946 amendments to the Social Security Act. These amendments provided, within the maximum limitations on participation in individual payments, a Federal share of two-thirds of the first $15 of the average payment, plus one-half the balance. Previously, the Federal share was one-half of all payments within the Federal maximum. Although the formula for determining Federal funds was not specifically devised to provide proportionately more funds to low-income States as such, in general the Federal share amounted to a larger proportion of payments in the low-income States because average payments in these States were lower than in the country as a whole.[3]

A part of the increase in the number of recipients in the lowest-income States, especially between 1946 and 1947, was due also to a more complete count of recipients already receiving assistance. Before the 1946 amendments became effective, the practice of giving a single payment of old-age assistance to cover the needs of an aged couple was prevalent in a number of Southern States. The 1946 amendments had the effect of increasing the Federal share of payments to aged recipients by $2.50 for each recipient counted; they thus gave the States a strong incentive to make separate payments to aged husbands and wives whenever both were eligible for assistance. The under-count in 1944 of the total number of aged persons for whom assistance payments were actually intended is estimated at about 3 percent of recipients reported for the Nation, although several Southern States had about 20 percent more recipients than they were reporting. At present the under-count of aged recipients is negligible.

The increased Federal participation, by itself, would not have financed the large increases in case load in a number of the low-income States if the States and localities had not been able to put more of their own funds into the program. Each of the 12 lowest-income States in 1947 spent considerably more for old-age assistance from State and local funds in

Table 3.—*Number of recipients of old-age assistance per 1,000 population aged 65 and over, by State, for June of each year 1940–48* [1]

State (ranked by 1947 per capita income)	1940	1941	1942	1943	1944	1945	1946	1947	1948
Total	217	234	237	224	211	201	203	213	216
Nevada	334	324	293	259	241	223	216	213	217
New York	128	127	121	111	104	97	94	95	95
North Dakota	223	229	232	217	209	202	197	198	188
Connecticut	132	133	129	112	99	94	97	96	97
Delaware	131	120	109	87	69	57	51	51	54
California	254	267	257	236	236	227	223	228	238
Montana	335	333	322	298	274	255	246	238	235
District of Columbia	82	83	81	70	59	51	46	45	45
Illinois	242	251	251	240	205	189	189	186	180
New Jersey	109	108	101	88	81	73	69	68	66
Rhode Island	124	125	130	125	122	120	123	132	137
Colorado	431	441	439	424	419	408	401	413	426
Wyoming	269	270	261	244	226	225	229	236	238
Maryland	150	143	129	107	93	85	83	83	81
Massachusetts	229	231	225	211	193	185	193	202	207
Ohio	226	250	247	233	213	197	190	194	191
Michigan	221	259	262	242	230	219	225	228	215
Washington	269	388	418	391	369	363	378	368	346
Pennsylvania	144	149	137	124	116	109	111	113	108
South Dakota	331	331	320	298	275	261	255	248	232
Wisconsin	211	217	212	194	179	166	166	165	164
Kansas	173	181	192	182	171	166	171	193	199
Idaho	280	288	300	293	293	279	280	292	284
Indiana	229	230	238	217	195	179	175	159	156
Oregon	206	220	222	195	190	190	195	200	197
Nebraska	262	270	270	244	224	210	207	211	196
Utah	449	457	451	415	390	366	354	337	252
Missouri	282	342	339	314	293	278	286	302	302
Minnesota	294	290	285	268	251	235	227	222	218
Vermont	157	166	156	154	148	144	144	148	160
New Hampshire	118	142	146	137	130	126	125	126	125
Iowa	240	246	240	226	212	200	193	190	187
Maine	171	155	196	194	186	182	182	182	157
Texas	342	391	478	488	457	434	454	470	479
Arizona	342	350	354	341	321	302	297	309	298
Florida	270	289	329	296	265	265	283	309	327
Virginia	114	129	123	109	97	88	85	88	89
New Mexico	192	201	212	207	216	233	264	309	335
West Virginia	176	187	222	181	169	166	166	177	185
Oklahoma	498	520	519	508	500	499	542	584	581
Tennessee	237	231	224	215	206	200	198	236	254
Louisiana	274	304	293	301	290	280	284	360	404
North Carolina	232	238	242	223	199	188	184	210	233
Georgia	182	331	418	439	429	407	422	457	495
Kentucky	258	303	293	262	274	240	217	228	245
Alabama	150	149	155	160	205	224	267	354	430
South Carolina	251	222	260	257	256	255	275	342	380
Arkansas	185	244	232	238	246	249	242	347	410
Mississippi	193	236	236	217	217	234	231	324	333
Hawaii [2]	136	133	119	100	95	88	88	96	111

[1] Population as of July 1 for each year; totals for 1940–46, excluding Hawaii, estimated by Bureau of the Census (release P–47, No. 3); State data for all years and totals for 1947 and 1948 estimated by Social Security Administration; data for Alaska not available. Rates for 1940–46 are understatements for some States because only 1 recipient was reported when a single payment was made to husband and wife, both 65 years or over.

[2] Data on per capita income not available.

[3] It should be noted that where per capita income is lower, recipient rates tend to be higher while average payments tend to be lower.

the fiscal year 1948 than in 1940. For the 12 States as a group, State and local expenditures in the fiscal year 1948 were two and three-fourths times what they were in the earlier year.

The increased appropriations made by the lowest-income States in 1948 reflected in large measure their improved economic position; the per capita income for these States also averaged about two and three-fourths times more in 1947 than in 1940. The proportion of total income payments devoted to old-age assistance in these States, therefore, was about the same in both years. The upward adjustments of State appropriations in approximate ratio to increased per capita incomes are evidence that the areas of unmet need existing in low-income States in 1940 resulted primarily from the inability rather than the unwillingness of these States to meet the need.

Factors Underlying Decreases

The general level of employment and other business indexes indicate that economic conditions were better in June 1948 than in June 1940. It would be anticipated, therefore, that other things being equal, the proportion of aged persons who were needy in June 1948 would be smaller than in 1940. This assumption receives some corroboration in the fact that recipient rates in the wealthiest States, where need was presumably met more adequately in 1940, were generally lower in 1948 than in 1940.

The growth in the number of beneficiaries of old-age and survivors insurance also has had its effect in decreasing need among the aged. Monthly benefits under the program were first payable in January 1940; in June of that year, aged beneficiaries numbered less than 10 for each 1,000 aged persons in the population. The program grew slowly during the war period, and the rate for aged beneficiaries was less than 100 per 1,000 aged population until late in 1946. By June 1948 the number receiving benefits was 133 per 1,000 aged—well over half the recipient rate for old-age assistance. As with the recipient rates for old-age assistance, rates for aged beneficiaries of old-age and survivors insurance varied greatly from State to State. The highest beneficiary rate in June 1948 was 227 per 1,000 aged in the population, and the lowest, 36 per 1,000. Inasmuch as the proportion of covered employees tends to be higher in the wealthier industrial States, the effect of old-age and survivors insurance in reducing the need for old-age assistance is felt especially in those States. In 6 of the 12 wealthiest States in June 1948 more aged persons received old-age and survivors insurance than received old-age assistance.

Federal Credit Unions

By **Erdis W. Smith***

THE COUNTRY'S 4,000 Federal credit unions were placed under the supervision of the Social Security Administration on July 29, 1948, when Public Law 813 (80th Cong., 2d sess.) became effective. A new Bureau of Federal Credit Unions, set up as part of the Administration within the Federal Security Agency, charters, examines, and supervises Federal credit unions, as specified in the Federal Credit Union Act.

The Social Security Administration is the third agency that has had jurisdiction over Federal credit unions. The Farm Credit Administration supervised the program from June 26, 1934, when the Federal Credit Union Act was passed, to May 16, 1942. At that time, supervision was transferred by Executive order to the Federal Deposit Insurance Corporation. Under all three jurisdictions, however, the program has had continuity of leadership; Claude R. Orchard, who is now Director of the Bureau of Federal Credit Unions, has headed Federal credit union administration and supervision since the passage of the Federal law.

Development of the Movement

The credit union movement in the United States is usually considered as dating from 1909, when Massachusetts passed the first State credit union law. Between 1909 and 1934, when the Federal law was passed, 38 States and the District of Columbia had adopted similar legislation. Operating under these laws in 1934 were approximately 2,450 credit unions, with 427,000 members and $35.5 million in assets.

The concept of credit unions preceded the Massachusetts law by 60 years, however, and this year the movement is celebrating its hundredth anniversary. The original idea developed in Germany in 1848, when social and economic dislocations, accompanied by serious famines, had caused widespread bankruptcy. The proposal was made that individual family groups that had no credit would, by pooling their resources, be able to assist themselves. Accordingly, a number of self-help financial cooperatives were established. They proved to be successful, and the plan took root and grew.

Over the years, credit unions were introduced in most of the countries of Europe and Asia, and in 1900 the plan reached Canada through the efforts of Alphonse Desjardins, a Montreal journalist. From there it spread to the United States; Mr. Desjardins and others, including Edward A. Filene, a Boston merchant who later contributed more than a million dollars to further the credit union idea in the United States, were instrumental in obtaining passage of the Massachusetts law.

Enactment of the Federal credit union law gave impetus to the movement. At the close of 1941 there were 10,456 credit unions in the United States and Hawaii, with a membership of 3.3 million and assets totaling $322.2 million. Federal credit unions chartered by the Credit Union Section of the Farm Credit Administration made up nearly half the total.

During World War II the movement was greatly retarded, as the war effort absorbed the time and energy of many of the persons from whom credit unions usually obtain their leadership and as large segments of

*Bureau of Federal Credit Unions, Division of Programs and Reports.