

6-1977

Determinants of Old Age Assistance in the American States

Roger A. Lohmann

Follow this and additional works at: https://researchrepository.wvu.edu/faculty_publications

 Part of the Gerontology Commons, Policy History, Theory, and Methods Commons, Public Policy Commons, Social Policy Commons, and the Social Welfare Commons

Determinants of Old Age Assistance in the American States

Roger A. Lohmann¹

A considerable body of research evidence has accumulated in the past two decades dealing with the question of variations in state-level public expenditures in the United States (Bahl & Saunders, 1965; Dawson & Robinson, 1963; Dawson & Gray, 1971; Dye, 1966; Fabricant, 1952; Fisher, 1964; Gold, 1969; Sachs & Harris, 1964; Sharkansky, 1967). Although a number of major disagreements are still present, there are also several principal themes widely agreed upon in the findings of these various studies. For example, there is the methodological issue of whether the states and localities should be considered jointly or dealt with separately. See the exchange between Morss and Sharkansky in 1966 issues of the *Journal of Politics*, for example. Also, there is an on-going debate among political scientist over the nature of political system predictors. See Dawson & Robinson (1963) and Dye (1966) as well as Fenton & Chamberlayne (1969) and Hofferbert (1972) for different approaches to this issue. It appears, for example, that there is widespread agreement among the investigators that interstate variance in total aggregate state government expenditures corresponds with tax efforts of the various state entities, so that it can be said that some measure of equilibrium between taxing and spending aspects of state activity exists.

Further, the relationship is a positive one so that those states that tax a relatively higher proportion of personal and corporate income for public purposes are also likely to be states with a relatively more extensive public sector, at least as measured by expenditures. Several investigators have also found expenditure levels to be strongly correlated with a variety of measures of demographic, social and economic conditions in the states whose public sectors were under study. Overall state expenditures have been found to vary with such variables as population density, population size, location, educational attainment, per capita income and other measure of income distribution among the population. Overall, a rather extensive list of mid-range generalizations regarding the association between state expenditures and other predictor variables can be developed based on contemporary research.

Having offered the outlines of coherent explanations for overall expenditure patterns in the states, quantitative investigators, as is their wont, have increasingly moved in other directions. Most interestingly from our perspective, has been movement in the direction of applying these insights to individual functional and programmatic areas within the sum of state expenditures. In general, evidence there seems to be compatible with the overall findings and to indicate that most functional areas correspond – to greater or lesser degrees – to the general patterns.

¹ At the time this was written, the author was an Assistant Professor in the School of Social Work at the University of Tennessee, Knoxville.

There has, however, been one outstanding and consistent exception to this general development. Variations among the states in public welfare expenditures have consistently been dissimilar enough, and the resulting correlation coefficients between welfare expenditures and this set of recognized independent variables low enough, to support the conclusion that public welfare expenditures are the single most outstanding exception with regard to the explanation of state governmental expenditures today. In fact, as things presently stand we can say virtually nothing affirmative about factors influencing the range of welfare expenditures found among the states despite the fact that there have been nearly a dozen recent studies in which such public welfare expenditures were one of the principal dependent variables under investigation.

In light of this circumstance, the purpose of this paper is three-fold:

1. To explore some of the reasons that public welfare is so unlike other public expenditures
2. To outline the principal findings of other studies bearing on this question (for what they did not find as well as what they did).
3. To report the results of a number of tests of plausible hypotheses for explaining major portions of the observed variations in the expenditure patterns.

For reasons noted below, the analysis will be focused on a single categorical assistance program, Old Age Assistance (OAA) which has been of consistent interest to researchers from its inception in 1935 to its replacement by the federal Supplemental Security Income program in 1974. (Because this research was already underway when Congress enacted the SSI program, the decision was made to continue, even though the results are now primarily of historical interest.)

Review of Relevant Research

The first major study of variations in state and local government expenditures was published by Solomon Fabricant (1952). Multiple regression analysis with a set of three independent variables as predictors – per capita personal income, the percentage of urban population in a state, and population density of a state – were used in a prediction equations that accounted for major proportions of the variations in aggregate state and local expenditures. Fabricant found that these three predictors accounted for roughly 70 percent of the total variance in combined state and local expenditures in 1952.

Numerous things are noteworthy about this study. In addition to being the first such study and a consequent benchmark for later studies, it was historical in nature, dealing with the period from 1900 to 1950. The results were reported in a fairly limited, circumscribed manner and no universal conclusions regarding the nature of the states and localities or their social, economic and political systems were reached. The general meaning attached to these data was that the total output of goods and services produced by the states and localities varied as a function of these three variables.

One of the concerns that is readily apparent is that the implications of these three variables have changed drastically in the two decades since the end of Fabricant's study period. The total farm population has been in decline at least since the 1920s. This, together with the development of mass communications (particularly television) and the post-war spread of suburban sprawl, have drastically changed the meaning of the distinction Fabricant drew about the role of the percentage of urban population as a predictor. In addition, in the post-war period per capita personal income has increased several times over since 1945 in a trend John Kenneth Galbraith termed the rise of the affluent society (Galbraith, 1958) Note: Galbraith was a noted public intellectual and Kennedy-era liberal. In 2007, a conservative analyst, Brink Lindsey, looked at the period after Galbraith's study was published and reached similar conclusions regarding what he termed the age of abundance. (Lindsey, 2007; Thurow & Lucas, 1974) Finally, urban sprawl appears to have profoundly altered the nature of population density, which is a ratio of population to land area. It is not at all surprising therefore that recent studies have found that these three variables are less important than Fabricant found in explaining existing variations in state and local expenditures. Even so, many of the measures employed more recently are clearly derivatives of Fabricant original set of variables.

Glenn Fisher (1961) found that the three variables explained only about fifteen percent of the variance in state and local public welfare expenditures in 1957, although they accounted for fifty three percent of the variance in general spending. Bahl and Saunders (1965) found these same variables largely unrelated to changes in general expenditures between 1957 and 1960, accounting for only eighteen percent of the observed variance there.

In 1964, Fisher brought the proportion of explained variance (R^2) to .654 with a multiple regression equation of seven variables. The new variables that he deployed in this study were: percentage of families with less than \$2,000 income; yield of the representative tax system; population increases; levels of two party competition; and educational attainment of the adult population (over age 25). Fisher tested this equation against variations in state and local educational, highway, health, fire and sanitation expenditures as well as public welfare expenditures. While the specific relationships in all other cases conformed to the general finding, Fisher found only negligible correspondence between the predictor variables and public welfare expenditures ($R^2 = .194$).

For our purposes in explaining public welfare expenditures, this set of variables can be seen to have two implications: First, they account for roughly two-thirds of the variance in public state expenditures in 1960; and secondly, like other prior studies none of these factors – not even the proportion of low income people in the total population – explained to any important degree variations in state public welfare expenditures. Even so, the three categories into which Fisher divided these variables – economic, demographic and political – correspond with important distinctions that emerged in this literature later.

The variables that Fisher employed in this study are in large measure compatible with those used by Thomas Dye in his theoretical synthesis of research on comparative public expenditures in the United States with other policy outcome measures of state governmental activity (Dye, 1966). Dye's research design involved a comparison of a set of four economic development variables – industrial production, urban population, personal income and educational attainment – with a set of six political system measures as predictors of state policy outcomes of nearly 100 expenditure and program categories. In general, Dye concluded through the use of partial correlation procedures that the apparent effects of political system measures were in fact due to the intervening influence of the economic development of the economic development variables.

Once again, public welfare expenditures were found to be a major exception to Dye's conclusion. While some of the variance explained by his four economic development variables ranged upwards to .75 and beyond, the record in the area of public assistance is far less encouraging. The four economic development variables combined were found to account for only a very small percentage of the variance in Old Age Assistance expenditures, and the greater portion of this is probably due to the influence of a single variable (the correlation with urban population was .19).

Dye's study was based in part on the public expenditure literature already cited. The principal hypothesis, however, was drawn from the previously mentioned study published three years earlier by Dawson and Robinson (1963) which cast doubt on the general applicability of the orthodox political science explanation for welfare payment and expenditure levels. Previous to that welfare levels in the states were generally assumed to be a function of conflict between economic haves and have nots through the party system. Thus, high levels of individual payments to recipients were closely associated with high levels of interparty competition. Dawson and Robinson demonstrated that this hypothesized relationship was statistically spurious due to the intervening influence of what they termed economic development variables (and measured by per capital income data for the states). The welfare payment and expenditure data that they used was for Old Age Assistance programs, thus injection the topic of this paper into the core of the issue. Unfortunately, because of the Dye results noted, it does not follow that economic development is a major independent predictor of variation in assistance expenditures; only that it accounts for the spurious influence of interparty competition.

Other studies reported by Sharkansky (1967), Dawson and Gray (1971) and Gold (1969) also bear tangentially on aspects of the variation in welfare expenditures. In general, however, it is clear that public welfare in the states continues to be the single least understood category from the vantage point of public finance. The difficulty may be due, in part, to the aggregate nature of the variable: Public welfare expenditures do not represent a single uniform coherent program measure but are instead a summary measure of the different expenditure patterns of four distinct federal-state categorical aid programs – Aid to the Aged (OAA), Blind (AB),

Disabled (AD) and Families with Dependent Children (AFDC) as well as the general assistance provided in some, but not all, states. Table 1 below shows the large differences in total national expenditure levels for these four programs over the past four decades.

Table 1. Differences in Expenditure levels of Four Public Assistance Programs (in Hundreds of Million Dollars)

Categorical Aid Program	1940	1950	1960	1970
Old Age Assistance	474	1511	2015	2085
AFDC	133	560	1131	4963
Aid to Blind	22	55	100	111
Aid to Disabled	**	**	303	1064

Data from United States Department of Health, Education and Welfare, National Center for Social Statistics Report F-5 (FY36-70) and covers program and administrative expenses combined.

**The Aid for the Disabled program was not established until 1950.

The table indicates relatively large increases in Old Age Assistance expenditures from 1940 to 1950 and 1950 to 1960, but much more modest increases between 1960 and 1970. This contrast sharply with the AFDC program, for which expenditures more than quadrupled during that latter decade. These two programs represent the extremes of variation among the four assistance programs. It seems doubtful that generalizations regarding public welfare expenditures patterns could be extended sufficiently to cover both of these extremes.

In what follows, I will deal with only one of these extremes: the Old Age Assistance program. My reasons for choosing this rather than the seemingly more dramatic case of AFCD are several. Most importantly is the dramatic growth of the aged population and the relatively high levels of poverty among older people. In addition, there is also the continuity provided by the prior history of studies of OAA expenditures noted above. One has, from the onset, at least some indication of which variables not to study, while in the case of AFDC, a considerably smaller number of variables have been considered and rejected.

Variations in OAA Expenditures

Our first undertaking in this regard must be to gain some understanding of the nature of the variations in Old Age Assistance expenditures in the states. Table 2

shows the range of variations of 1970 aggregate OAA expenditures and expenditures controlled for population size, as well as the rank order of the states on such expenditures and the coefficient of variation. The variation among OAA expenditures per capita (67.7) is considerably larger than that reported by Fisher for general state expenditures in 1965 (20.5) as well as for public welfare (38.4). This greater variance may account in part for some of the deviance demonstrated by public assistance expenditures in that study, and further reinforces the need to study public welfare categorical expenditures separately. This variance is also larger than that reported by Dawson and Grey (1971) for assistance payments.

As Table 2 illustrates it is not readily possible to account for this variance by simple visual observation of the data. One might attempt to cluster the state by region, for example but it quickly becomes obvious that this approach will not suffice. Even if population size is controlled no readily apparent groupings come to the fore. Therefore, in order to account for the variations in Old Age Assistance expenditures it is necessary that we look further.

Table 2A. Variations in Aggregate State OAA Expenditures, Per Capita Expenditures and Rank Order, 1970

States	Total AAA Expenditure (in 000's)	1970 Population (in 000's)	Expenditure Per Capita	Rank
Alabama	\$19,840	3,444	\$5.76	5
Alaska	-	-	-	-
Arizona	\$2,091	1,771	\$1.64	26
Arkansas	\$8,614	1,923	\$4.48	9
California	\$211,276	19,953	\$10.59	1
Colorado	\$12,774	2,207	\$5.79	4
Connecticut	\$4,800	3,032	\$1.58	28
Delaware	\$680	548	\$1.24	34
Florida	\$8,835	6,789	\$1.30	33
Georgia	\$11,268	4,590	\$2.46	17
Hawaii	\$1,254	769	\$1.63	27
Idaho	\$846	713	\$1.19	36
Illinois	\$10,654	11,114	\$0.96	42
Indiana	\$3,008	5,194	\$0.58	48

Table 2B. Variations in Aggregate State OAA Expenditures, Per Capita Expenditures and Rank Order, 1970 (continued)

State	Total AAA Expenditure (in 000's)	1970 Population (in 000's)	Expenditure Per Capita	Rank
Iowa	\$14,843	2,824	\$5.26	7
Kansas	\$4,681	2,247	\$2.08	22
Kentucky	\$8,228	3,219	\$2.56	15
Louisiana	\$27,763	3,641	\$7.62	2
Maine	\$2,489	992	\$2.51	16
Maryland	\$1,332	3,922	\$0.34	49
Massachusetts	\$32,014	5,689	\$5.62	6
Michigan	\$17,200	8,875	\$1.94	24
Minnesota	\$8,066	3,805	\$2.12	21
Mississippi	\$7,658	2,217	\$3.45	12
Missouri	\$27,321	4,677	\$5.84	3
Montana	\$945	694	\$1.36	32
Nebraska	\$1,470	1,483	\$1.99	41
Nevada	\$979	489	\$2.00	23
New Hampshire	\$3,159	738	\$4.28	10
New Jersey	\$7,791	7,168	\$1.09	40
New Mexico	\$1,188	1,616	\$1.17	37
New York	\$59,374	18,191	\$3.26	13
North Carolina	\$6,160	5,082	\$1.21	35
North Dakota	\$1,182	618	\$1.91	25
Ohio	\$12,298	10,652	\$1.15	39
Oklahoma	\$12,198	2,559	\$4.77	8
Oregon	\$2,448	2,091	\$1.17	38
Pennsylvania	\$26,989	11,794	\$2.29	18
Rhode Island	\$1,319	947	\$1.39	31
South Carolina	\$2,274	2,591	\$0.88	44
South Dakota	\$1,020	666	\$1.53	30

Table 2C. Variations in Aggregate State OAA Expenditures, Per Capita Expenditures and Rank Order, 1970

Tennessee	\$7,214	3,924	1.84	26
Texas	\$43,461	11,197	3.88	11
Utah	\$717	1,059	.68	47
Vermont	\$1,391	444	3.13	14
Virginia	\$3,439	4,648	.73	46
Washington	\$7,423	3,409	2.18	20
West Virginia	\$2,760	1,744	1.58	29
Wisconsin	\$10,070	4,419	2.28	19
Wyoming	\$313	332	.94	43

Source: *OAA Expenditures for Assistance to Recipient for Calendar year ending 12-31-70*. (Table 4. Source of Funds Expended for Public Assistance Payments: Calendar Year Ended 12-31-70, Department of Health, Education and Welfare, SRS, Program Statistics and Data System, NCSS, August 11, 1971 (NCSS #FI(CV70))

An initial point for investigation might be the suggestion that public welfare programs differ from other state activities (and expenditures) in a number of essential points that are likely to have an impact on explaining expenditure levels. First, throughout the entire history of federal assistance payments, fiscal relationships have been heavily intergovernmental, with the federal government providing anywhere from fifty to seventy five percent or more of the funds expended. Thus, the probable federal impact on the program is not only a contemporary one, similar to that of many other state programs today. It is also an historical one enduring throughout the entire duration of the program. Thus, since Sharkansky showed the existence of significant incremental effects in public welfare as well as other areas of expenditure one might assume that the longer duration of this federal relationship in public assistance is likely to have had its effects upon the incremental nature of assistance expenditures.

Secondly, unlike the categories of aggregate state expenditures, most sub-classifications of expenditures and overall public assistance spending, expenditures for Old Age Assistance have not risen rapidly, and in fact when measured relative to increases in the gross national product (GDP) public product expenditures or the relative growth of the aged population, as shown in Table 3, such expenditures have actually declined dramatically since 1950. One might suspect that this also would have important implications for the explanation of variations in assistance

expenditures. While most categories of spending have been growing with the economy, Old Age Assistance has quite clearly been in decline for some time.

Finally, it may appear to some readers not familiar with the operation of public assistance programs that an additional significant difference that sets them apart from other areas of state spending is the quasi-market nature of the process of expenditure determination. It is frequently assumed, for example, that an assistance program involves two levels of decision bearing upon expenditures: First there is the decision in the appropriations process allocating the state-matching share for the program. This decision virtually assures the corresponding federal share, since federal assistance expenditures are open ended. Then, the fiscal resource pool created by this decision is drawn upon by various welfare department caseworkers – subject, of course, to the state controls and regulations – as funds are needed by clients. The difficulties of this perspective are to be found in the phrase “controls and regulations” for, in fact, the very nature of the assistance programs in most states are such that these controls and regulations, and in particular the process of determining statewide payment standards, do not impinge upon but rather directly control this process of dispensing funds to clients. Payments are not made under OAA or any other program on the basis of the amount actually needed by clients. Rather, this is dependent on the amounts specified in these payment standards and there is no assurance whatsoever that these standards will correspond with the actual cost of living in a state, since there is no automatic adjustment mechanism built in. Thus, it seems likely that administrative and political considerations unique to the public assistance agencies in the various states may, by themselves, play a substantial role in explaining expenditure variations.

Testable Hypotheses

What then may be said to account for variations in Old Age Assistance payments in a measurable way?

First, it is clear that any explanation of Old Age Assistance expenditure patterns will be, like the other studies noted, multivariate in nature. It is implausible that any single variable can sufficiently explain the interstate variance observed. Secondly, given the strong federal role in the program, it seems likely that some variation in the nature of federal-state relations may be related to the existing variations in expenditure. Thirdly, because OAA expenditures have changed so little during the past decade while the rest of the economy was expanding rapidly, it seems rather pointless to attempt to link OAA expenditures to theoretical statements about economic development. Whatever may be responsible for the actual variation, it seems fairly certain that it is not differential economic growth. Thus, we would do well to look elsewhere for an explanation. One place we might look, for example, would be in the area of state political processes, although the Dawson Robinson (1963) study showed convincingly that at least one such process, inter-party competition, can be ruled out.

Federal Role in OAA

One plausible hypothesis worthy of further exploration is that variations in OAA expenditure levels are – perhaps more or less unintentionally – a direct result of federal fiscal policy. Specifically, state expenditures may vary directly with the financial lucrativeness for each state of the federal support – higher to states that stand to gain more from the program and lower in those states which gain less. In fact, this hypothesis of the impact of federal support was tested by Fisher in 1964, but rejected as involving a probable spurious statistical relationship. The principal issue in examining this possibility will therefore be to construct a non-spurious measure. This problem can be solved, for example, through reference to the formula cited in the assistance legislation to construct a theoretical maximization point at which states gain the maximum federal return for their investment.

Thomas Dye (1966, 127) has already noted the relation between this distribution formula and benefit payments:

Under the distribution formula, the federal government pays a larger share of minimum benefits and a lesser share of additional benefits up to a certain maximum benefit level after which it pays nothing Since the formula means that the federal government pays a higher proportion of lower benefits, the federal government actually (disproportionately) rewards the states for low payment per recipient.

My own research tends to validate this relationship within the context noted above. That is, in the case of OAA expenditures, state appropriations represent the intervening variable between federal contributions to the state and payments to clients and acts to regulate both. Additionally, as noted, payment standards determine payment size. Thus, to the extent that state action is affected by the pattern of variable rewards and disincentives created by the federal formula, the formula itself can be said to exercise an intervening influence on expenditures through several channels.

The variable impact of the federal distribution formula on the states to which it distributes funding can be measured by the following formula: states are reimbursed one hundred percent of the first \$38.00 of assistance expenditures per recipient per month and 31/37th of the next \$37.00. Beyond payments of \$75/month, state and local supports rise to one hundred percent. Thus, the state return of federal funds is highest at the lowest levels, where the federal return is one hundred percent. Payments between \$38 and \$75 are reimbursed at the diminished rate and above that there is no federal return on state and local investments of funds at all. The entire burden of spending is borne within the state. Therefore, based on the assumption that states will be most willing to invest when there is at least some additional federal return, the theoretical point of maximum state investment can be computed by multiplying these figures by the number of recipients receiving assistance in the state during the period under study.

Other Hypotheses and Other Variables

An Alternative Urban Hypothesis

Another plausible hypothesis worthy of investigation is that the original relationship established by Fabricant between urbanism as measured by the percentage of urban population may still hold, if one properly takes into account changes in the nature of the urban population since 1940. Particularly after 1945, the growth of suburbs and the spread of urban sprawl dramatically changed the actual meaning of urban in this country and elsewhere in the world. Thus, if we substitute for the variable of percent of population in communities of 2,500 or more, the measure of city populations – those in communities of 10,000 or more we may have a better measure of urbanism. In addition, we may also wish to reconsider the role of population density.

An Alternative Industrialization Hypothesis

Even though the general trend of the data have been discouraging, we might also test for additional measures of industrial development in the states. One such measure, which takes into account a dozen separate dimensions of industrial development is the Sharkansky-Hofferbert industrialization factor score (Sharkansky & Hofferbert, 1969). One might argue that industrial production is only relevant for public assistance spending in so far as that production is taxed by the states. In that case, some measure of the relative productivity of the state's tax system could be hypothesized as a possible predictor of assistance expenditures. However, this relationship was considered and rejected by Fisher, using a measure of the "Yield of the Representative Tax System (Fisher, 1964). Considering the possibility that the problem might have been one of measurement error, a different measure of this concept was developed for this study. The new measure consists of the ratio of the aggregate personal income of a state to the total tax receipts and is labeled "Wealth of the Public Sector."

Poverty and State Spending

Fisher also found the seeming anomaly that the size of the poor population – as measured by the percentages of families with incomes below \$2,000 – was significantly correlated with every other measure of state spending tested there was no statistically significant relation to public welfare. Thus, this relationship was not tested in this study. Any possible correlation between this variable and public assistance spending would probably be most meaningful in the context of AFDC anyway.

Administrative Influence

Another plausible hypothesis is that the relative impact of the agencies administering the Old Age Assistance program may itself account for the variations in state expenditures (Sharkansky, 1965). Thus, a very powerful Department of Public Welfare in one state may be able to attain higher expenditures, while a less

powerful department in another state may only be able to negotiate a lower rate with the governor and state legislators. One crude measure of such variations in department administrative influence can be constructed using the percentage of all state government employees working for a state's Department of Public Welfare.

Political Culture

A number of other political measures may also be important because of the continuing controversial nature of public welfare in the U.S., the climate of opinion bearing on state decision makers is likely to be of some significance in impacting the level of possible expenditures. Public opinion measures would not likely be very effective in measuring this dimension since they tend to be both volatile and erratic while OAA rates remain fairly consistent over the long haul. A more acceptable measure of this dimension could be what Patterson has labeled the political cultures of the states. Patterson applied Almond and Verba's pioneering approach to comparative political culture as the "system of empirical beliefs, expressive symbols and values which define the situation in which political action takes place." (See also Elazar, 1966, 79-116).

And Another Dimension of Political Parties

Finally, there is the possibility that rather rejecting the importance of political parties entirely on the basis of the findings previously cited regarding interparty competition, we might only reject that single dimension. On this basis then it could be hypothesized that some other dimension of political party activity such as the degree of partisanship or integration of their internal organizations is displayed by the political parties of the various states as an impact on public welfare expenditures. Indices of these two measures are also available in the literature of comparative state political studies and can be employed here. These measures as well as that for political culture are published in (Citizens Conference on State Legislators, 1971).

Methodology

In all, a total of nine independent variables have been suggested as possibly relevant to the explanation of variations in assistant payment levels for OAA in the American states: the federal maximization point, percentage of urban population, population density, industrial development, wealth of the public sector, percentage of state employees working for DPW, state political culture, political party integration and party partisanship.

Each of these independent variables was compared with the level of aggregate expenditures for Old Age Assistance benefits per capita in 1970 using zero order, partial and multiple correlation techniques. Per capita OAA expenditure was set as the dependent variable to control for the effects of population size in the states. A sample of 46 states was tested. Alaska was eliminated because of the small size of the OAA population there. California and Louisiana were eliminated because of the historical effects of the Townsend, McLain and Huey Long movements, all of which

had significant impact on spending for the aged in those states. The District of Columbia was also not included.

Pearson product-moment coefficients of correlation were computed for the relationship of each of the nine independent variables with the dependent variable, as were coefficients of multiple correlation (R) and coefficients of multiple determination (R^2). These latter two items were computed in stepwise fashion, in which the single most significant variable is entered into the equation first, then the second most, and so forth. At each level or “step” in the analysis, the results show an estimate of the total predictive significance of that combination of variables as well as the numerical value and rank order of each variable’s contribution to the total variance explained. In addition, partial correlation coefficients between the expenditure level and each variable, controlling for the variables already in the equation were computed. The partial correlation coefficients reported in Table 4 represent the partial for each variable at the step before it was introduced into the equation. As such, this may be construed as a weak test for spurious correlation, in that a partial correlation coefficient considerably smaller than the zero-order coefficient, and approaching zero can be interpreted in this context as evidence that the apparent significance of that correlation is actually attributable to the intervening influence of variables already in the equation. Other partial correlation coefficients were examined in a similar manner although the results are not reported here. Table 4 reports the outcome of those procedures.

Table 3. The Withering Away Thesis in Old Age Assistance

Year	OAA Exp. (\$000)	Total PA Exp. (\$000)	OAA as Pct. Of PA	Total Govt. Purchases (in Billions)	OAA as Pct. Of Govt. Purchases	GDP (In \$ Billions)	OAA as Pct. Of GDP
1940	474,400	1,123,600	42.2	14.0	3.39	99.7	.48
1945	743,984	1,028,000	72.4	82.3	.90	211.9	.35
1950	1,510,933	2,488,831	60.7	37.9	3.98	284.8	.61
1955	1,686,441	2,939,570	57.4	74.2	2.27	398.0	.42
1960	2,014,736	4,039,433	49.9	99.6	2.02	503.7	.40
1965	2,179,076	5,868,357	37.1	137.0	1.59	684.9	.34
1970	2,085,440	14,346,912	14.5	220.5	.95	986.5	.21

Table 4. The Relationships between Aggregate Expenditures Old Age Assistance and Eight Possible Predictors.

Order of Entry	Variable Name	Correlation Coefficient	Partial Correlation	Multiple Correlation Coeff (R)	Coeff. Of Multiple Determination (R ²)	Addition to R ²
1	Federal Maximization Point	.496*	---	.446*	.246	.250
2	Political Culture	.067	-.239*	.538*	.289	.043
3	Urban Population (Pct.)	-.053	-.203	.564*	.318	.029
4	State Employees in DPW	.256*	.251*	.601*	.361	.043
5	Population Density	.105	.273*	.640*	.409	.047
6	Public Sector Wealth	.031	.141	.648	.421	.012
7	Industrialization	.054	.094	.653	.426	.005
8	Party Integration	.180	.049	.654	.427	.001

* Relationship is significant at the .05 level.

Findings

Five of the nine independent variables were found to be correlated with aggregate Old Age Assistance expenditures in the American states. Three other variables were found not to be related and one of the original nine variables was eliminated on the basis of multi-collinearity.

The five significant variables in rank order of their correlations are: the federal maximization point for a state, the state political culture, the percentage of urban population in communities above 10,000 population, the proportion of state employees in the Department of Public Welfare and population density in a state. These represent two demographic measures – population size and population density- and three measures of political system characteristics: intergovernmental relations, the political culture of a state, and administrative politics. The three nonsignificant variables at the zero order level were the measures of the wealth of the public sector of a state, the industrialization of the state and the level of political party integration. The degree of partisanship was dropped from the analysis because it approaches identity with political culture and is of less value as a predictor.

In general, these findings are in keeping with previous studies in which different but related measures were found to correlate highly with other forms of state expenditure, but not with welfare expenditures. It remains to test the relationships between the significant variables found here and other forms of state expenditures and between the non-significant variables isolated here and other types of public welfare expenditures to see if any of these relationships hold more generally.

Taken together, the five significant variables in this study account for roughly 40 percent of the previously unexplained variance in aggregate Old Age Assistance expenditures when population size of the states is controlled for. Over half of this variance is accounted for by the single variable of the federal maximization point, a finding whose explanation requires further investigation not only for the case of public assistance programs (especially AFDC) but also in the case of other federal grant-in-aid programs. The policy implications of this relationship may be quite profound: at least a portion of the deficiencies which have historically been attributed to the states with respect to the operation of public assistance programs may, in large measure, be due instead to the effect of the patterns of incentives created for the states by the federal distribution formulas.

It is worth noting here that this relationship is not, as it may at first appear, a spurious one in which aggregate expenditures are the product of available federal funds and a constant. For one thing, the measures selected here eliminate this possibility as a mere statistical artifact. The aggregate expenditures variable is controlled for population size and the federal formula variable is extended by the size of the client population (which is not a constant function of total population) since the proportion of aged persons in the population of each state varies widely. Secondly, at a substantive policy level, each state has the option of how far beyond

the point of maximum federal return they wish to go and the evidence is clear (see Table 2) that states have exercised this option in a highly diverse manner.

Beyond this, several other things might be said about this set of findings: For example, it raises serious doubt about the appropriateness of the economic development framework for explaining variations in welfare spending among the states. While two measures of urbanization were found to be significant predictors of these variations, the composite measure of industrialization was rejected from the equation. (Rejection here was based on both a low contribution to the explained variance and an F-score suggesting that this might be a purely chance relation. This, combined with the previously noted non-significance of the Wealth of the Public Sector variable, is generally supportive of this conclusion.

The measures of urbanism employed here are more closely associated with the phenomenon of city life than the indicator used in previous studies and this fact alone appears to have increased the predictive significance of these variables. This suggests, among other things, a possible pathway for future study: substituting a measure such as the proportion of population in urban setting of 50,000 or even 100,000 people. Also, bringing the excluded states – Alaska, California, Louisiana and the District of Columbia – back into the mix would also be important in further understanding the importance of urbanism here. We can conclude from this study that some level of urbanism is quite clearly related to welfare expenditure levels for the aged even though the statistical significance of these two measures together accounts for only about seven percent of the total observed variation.

Equally important here is the rejection of two of the three political party-related variables – the party integration and partisanship measures. A third political system variable – political culture – was found to account for roughly an additional four percent of variance. Given the widely held polarity of views for and against public welfare, and the general premise that humanitarian values toward the poor and social welfare programs are distinctly urban phenomena, it seems altogether plausible that the level of urbanism and a favorable political culture in a state might act together to suppress or enhance the level of welfare spending for the aged.

Finally, about four percent of the unexplained variance and ten percent of the variance explained here can be attributed to the size of the state's public welfare agency in proportion to total state government. This was introduced as a weak measure of agency politics as a factor in explaining OAA expenditure levels. Given this finding and the importance of the state maximization point, further study should seek to include stronger measures of the role of the public welfare bureaucracy in influencing the state contributions above the federal maximization point.

In the context of past research on this topic in which predictors of state and local spending have been divided into political, economic and demographic measures, what is particularly surprising about the findings here is the general prominence of the demographic factors. Even among the political variables, those most closely

associated with distributive decision-making (partisanship and party integration, and the previously rejected inter-party competition) were found to be not significant, while the most social structural of these, political culture, is found to be most important. Perhaps most surprising of all, however, is the general insignificance of measures of political economy as predictors of welfare expenditures in the case of the aged.

Conclusions

What this all appears to suggest is the general conclusion that economic conditions and considerations in a state – historically the very things that led to the initial adoption of the OAA program during the Great Depression – are relatively unimportant in explaining variations in one of the four public assistance programs, Old Age Assistance. While the general tendency in the literature previously discussed was for public assistance spending to resist explanation, roughly forty percent of the explained variance can be accounted for by the five variables identified in this study. Particularly important in this regard is the significance of two variables – federal influence, as measured by the maximization point and the impact of the state’s political culture. These two measures together account for nearly one third of the observed variance.

Equally as significant as these findings are the non-relationships established in these data. While variables measuring facets of the economic development and tax aspects of the state environment appear relevant to state spending in a variety of other domains, they appear to account for virtually none of the variance observed in OAA expenditures. As noted above, this is probably due to the intervening influence of the federal-state fiscal relationship built into the legislation creating public assistance, which can be seen to diminish the reliance of a state on its in-state environment for revenue generation.

Also significant are the non-relationships established between assistance expenditures and the measure of political party activity – party integration. While at the level of zero-order correlations this appears at least slightly significant when the other variables are controlled, its influence is virtually eliminated. Meanwhile, all of the other seven variables are strengthened by the same procedure. Further, this variable was selected last by the step-wise regression procedure and with the other seven variables in the equation, it accounts for less than one percent of explained variance. All of this suggests that state-level political party integration is not a factor of any importance in explaining state spending on Old Age Assistance.

We should not conclude from this that state-level political factors in general are unimportant in explaining variations in state spending for OAA since two other political variables – state political culture and welfare agency political impact – together account for nearly one third of the total explained variance. Further, it is entirely plausible that the social/demographic variables found significant in this study are, in fact, measuring dimensions of other state-level political phenomena.

These findings also suggest some possible future directions for research. First, it would seem necessary to utilize this same individualized programmatic approach to examine AFDC, Aid to the Blind and Aid to the Disabled programs if one is to account for increased portions of the variance in those programs as well. Of the variables tested here it seems plausible that some of them – the federal formula, DPW administrative politics and political culture – may also prove to be of importance in those programs as well. In addition, because of the controversial nature of the AFDC program in particular, additional state political variables including the two political party measures that proved to be of little importance in the case of OAA, would be worth further examination. One of the roles that a state political party system might play with respect to public welfare assistance might be to modulate these kinds of political controversies and conflicts. It is noteworthy that to the present old people have long been regarded as “the worthy poor” and Old Age Assistance has never been the kind of political football that AFDC has become.

Even with these results we still can account for only slightly less than half of the total observed variance in Old Age Assistance expenditures. It seems entirely likely that a major portion of the unexplained variance will remain unexplained without extensive and detailed examination of the administrative and political context of the program. Since the program itself has now been replaced by the uniform national Supplemental Security Income (SSI) program, this research will be a task for quantitatively oriented historians.

References

- Almond, G. A., & Verba, S. (1965). *The civic culture; political attitudes and democracy in five nations, an analytic study*. Boston: Little, Brown.
- Bahl, R. W., & Saunders, R. J. (1965). Determinants of Changes in State and Local Government Expenditures. *National Tax Journal*, 18, 50-57.
- Citizens Conference on State Legislators. (1971). *State Legislatures: An Evaluation of their Effectiveness*. New York: Citizens Conference on State Legislators.
- Dawson, R. E., & Robinson, J. A. (1963). Inter-party competition, economic variables, and welfare policies in the American states. *The Journal of Politics*, 25(2), 265-289.
- Dawson, R. E., & Gray, V. (1971). State Welfare Policies. In H. Jacob & K. N. Vines (Eds.), *Politics in the American States* (pp. 433-476). Boston MA.
- Dye, T. R. (1966). *Politics, economics, and the public: Policy outcomes in the American states*. Chicago: Rand McNally.
- Elazar, D. J. (1966). *American federalism; A view from the States*. New York: Crowell.
- Fabricant, S. (1952). *The Trend of Governmental Activity in the United States Since 1900*. New York: National Bureau of Economic Research.
- Fenton, J. H., & Chamberlayne, D. W. (1969). The Literature Dealing With the Relationships Between Political Processes, Socio-Economic Conditions and Public Policies in the American States: A Bibliographic Essay. *Polity*, 388-394.
- Fisher, G. W. (1961). Determinants of state and local government expenditures: A preliminary analysis.
- Fisher, G. W. (1964). Interstate variation in state and local government expenditure. *National Tax Journal*, 17, 57-64.
- Galbraith, J. K. (1958). *The affluent society*. Boston: Houghton Mifflin.
- Gold, Ronald. (1969). Fiscal Capacities and Welfare Expenditures of States. *National Tax Journal*, 496-505.
- Hofferbert, R. I. (1972). State and community policy studies: A review of comparative input-output analyses. *Political Science Annual*, 3, 3-72.
- Lindsey, B. (2007). *The age of abundance : how prosperity transformed America's politics and culture*. New York, N.Y.: Collins.
- Patterson, S. C. (1968). The political cultures of the American states. *Journal of Politics*, 30, 187-209.

- Rainwater, L. (1974). *Social problems and public policy: deviance and liberty*. Chicago: Aldine Pub. Co.
- Sachs, S., & Harris, R. (1964). The Determinants of State and Local Government Expenditures and Intergovernmental Flow of Funds. *National Tax Journal*, 17.
- Sharkansky, I. (1965) State administrators in the political process. In H. Jacob & K. N. Vines (Eds.), *Politics in the American States* (Second ed.).
- Sharkansky, I. (1967). Economic and Political Correlates of State Government Expenditures: General Tendencies and Deviate Cases. *Midwest Journal of Political Science*, 11, 173-192.
- Sharkansky, I., & Hofferbert, R. I. (1969). Dimensions of state politics, economics and public policy. 63, 858-866.
- Thurow, L. C., & Lucas, R. (1974). The American Problem of Income: A Structural Problem. In L. Rainwater (Ed.), *Social problems and public policy: deviance and liberty* (pp. 77-88). Chicago: Aldine Pub. Co.