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# A systems analysis of cooperative federalism : the disability insurance program as a case study.

David Carl Baker

*University of Massachusetts Amherst*

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A SYSTEMS ANALYSIS OF COOPERATIVE FEDERALISM:  
THE DISABILITY INSURANCE PROGRAM AS A CASE STUDY

A Thesis Presented

by

David Carl Baker

Submitted to the Graduate School of the  
University of Massachusetts in partial  
fulfillment of the requirements for the degree of

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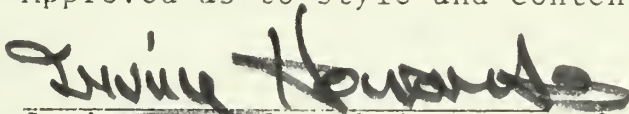
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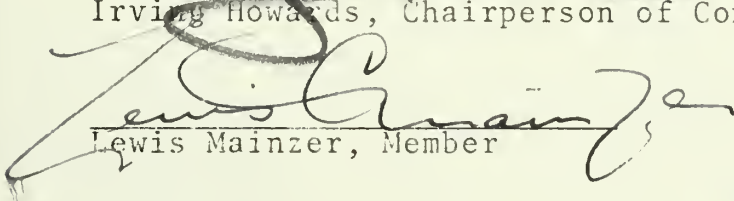
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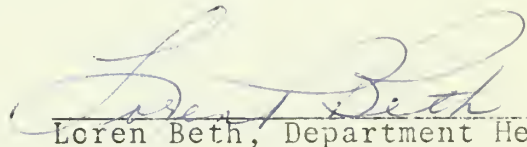
Approved as to style and content by:



Irving Howards, Chairperson of Committee



Lewis Mainzer, Member



Loren Beth, Department Head

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C H A P T E R   I  
PURPOSE, HYPOTHESES AND METHODOLOGY

Purpose

This study focuses on the Disability Insurance Program, initiated in 1956 as part of the Social Security Program. Disability insurance has been chosen for analysis since it provides a unique opportunity for determining the importance of the states within the federal system in the United States. As will be noted in greater detail in Chapter III, the Disability Insurance program is totally funded by the federal government and, as the name implies, is an insurance oriented program. In these particulars it is similar to the Old-Age, Survivors' Insurance (OASI) program of which it is a part.

A key corollary of the insurance orientation is that people receive benefits only if they qualify. (This is in contrast to the welfare orientation where benefits are awarded on the basis of need.) Because of the nature of the program, variations among the states in regard to the percentage of claimants granted insurance benefits are supposed to be nominal and to relate only to whether the claimant covered by the program meets the specifications detailing who is entitled to benefits.

However, the administrative implementation of disability insurance differs in one fundamental respect from OASI. Unlike



the latter, the basic decisions regarding who is entitled to benefits are made by state agencies. This study proceeds from the assumption that this arrangement has resulted in the extension of state influence over the disability program and that this influence is demonstrated by variance in the allowances among states.

The purpose of this study then is to determine the legitimacy of this contention and in so doing to help ascertain what degree of viability the states do have in relationship to the federal government. If it is possible to conclude that the states do exercise some influence on the ways decisions are made in this program of disability insurance, then the prominence of the states should be self-evident, especially since such influence will be demonstrated using a federally funded program as a test case. If, however, the results of this analysis suggest that state governments have little or no influence over this program, then one will have to place limits on the views held by some that the states remain significantly important in our federal system.

### Hypotheses

In order to test the basic hypothesis, i.e., that the states influence the awarding of benefits to disability claimants, a number of subsidiary hypotheses will be advanced and tested. These hypotheses follow:

1. Variability in the implementation of the Disability

- Insurance program among the states is an inevitable result of the existing federal system within the United States in which the states function as semi-autonomous polities with active roles to play in the formulation and implementation of most major policies.<sup>1</sup>
2. The importance of the states in general and within the disability program in particular can be suggested by the history of the establishment of the program and by the intentions of the policy makers involved.<sup>2</sup>
  3. Variability in the disability insurance program is influenced by socio-economic characteristics within the states and by the efforts of the state decision-makers to respond to the needs implied by those characteristics.<sup>3</sup>
  4. Variability in the disability program is related to the degree of inter-party competition in a state.<sup>4</sup>

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<sup>1</sup>Gabriel A. Almond and Sidney Verba, The Civic Culture (Boston: Little, Brown, and Co., 1965); William T. Bluhm, Ideologies and Attitudes: Modern Political Culture (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974); Donald J. Devine, The Political Culture of the United States (Boston: Little, Brown, and Co., 1972); Daniel Elazar, American Federalism: A View from the States (New York: Thomas Y. Crowell, Co., 1972).

<sup>2</sup>See Chapter III below.

<sup>3</sup>Thomas Dye, Politics, Economics, and the Public: Policy Outcomes in the American States (Chicago: Rand McNally, 1966); Understanding Public Policy (New Jersey: Prentice-Hall, Inc., 1972); Ira Sharkansky, Spending in the American States (Chicago: Rand McNally, 1968).

<sup>4</sup>Duane Lockard, "State Party Systems and Policy Outputs," in Oliver Garceau, ed., Political Research and Political Theory. (Cambridge, Mass.: Harvard University Press); Austin Ranney, "Parties in State Politics," in Herbert Jacob and Kenneth Vines, Politics in the American States, 2d ed. (Boston: Little, Brown, and Co., 1971).

5. Variability in the disability program is related to the degree of voter turnout within a state.<sup>5</sup>
6. Variability in the disability program is related to the strength of interest groups within a state.<sup>6</sup>
7. Variability in the disability program is influenced by the actions of the decision-makers within a state and by the organizational framework in which such decision-makers operate. Specifically, the following associations are suggested as relating to state variations in the implementation of the Disability Insurance Program:
  - a. Variability in the disability program is related to the degree of legislative professionalism in a state.<sup>7</sup>
  - b. Variability in the disability program is related to the degree of gubernatorial effectiveness in a state.<sup>8</sup>

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<sup>5</sup>Thomas Dye, Politics in States and Communities (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1969), pp. 66-70; Lester Milbrath, "Individuals and Government," in Jacob and Vines.

<sup>6</sup>Lewis Froman, "Some Effects of Interest Group Strength in State Politics," American Political Science Review 60 (December, 1966), 952-962; Harmon L. Zeigler and Michael A. Baer, Lobbying: Interaction and Influence in American State Legislatures (Belmont, California: Wadsworth Publishing Co., 1969); \_\_\_\_\_ and Hendrik van Dalen, "Interest Groups in the States," in Jacob and Vines.

<sup>7</sup>John G. Grumm, "The Effects of Legislative Structure on Legislative Performance," in Richard Hofferbert and Ira Sharkansky, State and Urban Politics: Readings in Comparative Public Policy (Boston: Little, Brown, and Co., 1971); The Citizens Conference on State Legislatures, State Legislatures: An Evaluation of Their Effectiveness (New York: Praeger Publishers 1971).

<sup>8</sup>Thad Beyle and J. Oliver Williams, ed., The American Governor in Behavioral Perspective (New York: Harper and Row, 1972) Joseph A. Schlesinger, "The Politics of the Executive," in Jacob and Vines.

- c. Variability in the disability program is related to the degree of administrative professionalism in a state.<sup>9</sup>
- d. Variability in the disability program is related to the degree of political innovation in a state.<sup>10</sup>
- e. Variability in the disability program is related to the degree of professionalism in the Disability Determining Units (DDU's), those state agencies which make the decisions on allowances and denials of disability benefits to claimants. DDU professionalism can be further analyzed into the background and qualification of examiners, and length of service in the DDU's.

### Methodology

In order to test the hypotheses stated above, a variety of statistical techniques will be utilized to determine whether correlations exist between the variables selected. Furthermore, material from several interviews conducted in a number of states will also assist in making determinations about the validity of the hypotheses. The use of these techniques and the nature of interviews will be given more emphasis in later chapters.

It is necessary and appropriate at this point, however, to suggest that the overall methodology which will be utilized

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<sup>9</sup>Ira Sharkansky, "State Administrators in the Political Process," in Jacob and Vines.

<sup>10</sup>Jack Walker, "Innovation in State Politics," in Jacob and Vines.

to order the hypotheses presented here is systems analysis. Systems analysis is an especially useful model for analyzing the variables in this study because it conceptually incorporates the variety of factors which have been specified as having possible influence on disability benefit rates and presents logical relationships of these factors to the disability allowance percentages. In this sense the systems model is more comprehensive than other models which have been suggested in the literature, such as the elite-mass model, the group model, the institutional model, the rationalist model, or the incrementalist model. An analysis of the essential features of each of these other models will demonstrate their limitations and also point to the general necessity of choosing the systems model.

Thomas Dye in his review of these models observes that the elite-mass model is one which is based on the supposition that public policy (in this study disability benefits) must be seen as the "preferences and values of a governing elite."<sup>12</sup> The elite, which is drawn from the upper socio-economic strata, may indeed work through the political system and may be "public regarding."<sup>13</sup> But the basic point is that policy created to deal with non-elite (or mass) problems is formulated and

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<sup>12</sup>Thomas Dye, Understanding Public Policy, p. 20.

<sup>13</sup>James Q. Wilson and Edward C. Banfield, "Public-Regardingness as a Value Premise in Voting Behavior," American Political Science Review 58 (December, 1964), 876-887.

implemented by the elite and not by the non-elite.

One of the attractive features of this model is its parsimony, i.e., the interrelationships of all of the members of the polity are placed under the basic concepts of "elite" and "mass" (or "non-elite"). Paradoxically, however, it is this economy of interpretive concepts which tends to vitiate the usefulness of this model, since it does not account for the whole range of variables in political reality which might be hypothesized as factors affecting the types of political process and specifically public policy in existence in a particular polity.

The group model, as the name implies, is based on the contention that the primary concern of analysis should be the struggle of groups to influence public policy determination. Government acts as a referee or manager of conflict among competing groups by setting up certain "rules of the game," recording compromises between groups in the form of public policy and enforcing the compromises by its authoritative position.<sup>14</sup> Thus public policy is a record of the "equilibrium" achieved in the contest between groups at any particular time.

As with the elite-mass model, the single-mindedness of this approach is appealing. However, it suffers from the same deficiencies (at least as far as this study is concerned) as the elite-mass model. The effort to subsume all of political

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<sup>14</sup>Thomas Dye, Understanding, p. 23.

reality under the concept "group" and particularly "interest group" produces dubious results since the membership of interest groups in the United States is a rather small portion of the total citizenry.

The institutional model rests on the common sense notion that public policy emanates from governmental institutions, i.e., it is "authoritatively determined, implemented, and enforced by governmental institutions."<sup>15</sup> As Thomas Dye states, "institutions may be so structured as to facilitate certain policy outcomes and to obstruct other policy outcomes."<sup>16</sup> Certain interests may receive more favorable attention than others because of the structure of an institution. Although the institutional model complements the two previous models, once again the lack of comprehensiveness in the approach makes it difficult for the researcher to cover adequately the complex of potential explanatory variables.

The other models for explaining policy bear a close relationship to the institutional framework. The "rationalist" model may be described most accurately as an "ideal" or "pure" type construction which proposes a way to arrive at "rational" decisions and public policies. A rational policy is one which is designed to maximize "net value achievement," which is attained when all the "relevant values" of a society are known and sacrifices and deprivations of one value are compensated for by the achievement of greater maximization of

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<sup>15</sup>Ibid., p. 32.

<sup>16</sup>Ibid., p. 33.

another value. The assumptions on which the pure model is based are of course several, ranging from the ability to perceive the values of all persons throughout the society, the ability to predict the consequences of particular policy implementations beforehand, and even the allowance by the citizenry of the "rational decision-making" procedures to be followed.<sup>17</sup>

Arguing against these assumptions, the incrementalist theorists have contended that there are no commonly held societal goals for each particular policy area, and that specific individuals and groups hold differing views and values which engender the conflict which is the basis of politics. The incrementalists argue that policy is primarily a continuation of previous policy decisions. Policy makers accept the "legitimacy" of existing programs and focus their attention upon the "incremental" increases or modifications of the base program. Constraints on human intelligence, on available time, and on available resources and finances all tend to preclude the decision-maker from expanding the necessary resources to arrive at a "rational" decision on every policy proposal.

Both the rationalist and incrementalist models bear a close relationship to the institutionalist approach, focusing as they do on the decision-maker himself as an integral unit within the institutional structure of the political

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<sup>17</sup> Ibid., pp. 27-30.



system. Since both of these models may be subsumed under the institutional schema, the same criticisms apply to them that were pointed to regarding the institutional model. What is needed is not a model which has a narrow focus but one which can encompass within its conceptual framework all of the relationships and structures emphasized by the other models.

It is then the limited nature of each of these models which, as indicated at the outset of the discussion, leads one, for the purposes of this study, to the adoption of the systems model. The systems framework, as elaborated by David Easton, assumes that the political system, consisting of the decision-makers and the institutional framework within which they operate, determine public policy according to the influences on the political system.<sup>18</sup> Easton conceptualizes the political system as a set of interactions among the members of a society concerned with the "authoritative allocation of values" for the society at large. Thus, the authoritative allocation of values is, for Easton, the function which distinguishes the political system from the other systems of society (e.g., social system, economic system) that constitute the environment of the political system.

Since a political system operates within a social and economic environment and develops within an historical time dimension, it is appropriate in this study of state decision-

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<sup>18</sup>David Easton, A Systems Analysis of Political Life (New York: Wiley, 1965).

making in the Disability Insurance program to assess the impact of these environmental influences upon the establishment and mode of implementation of the program. These environmental factors include: (1) the political context of federalism in which the states, functioning as semi-autonomous polities, have an active role to play in the formulation and implementation of policies established by the federal government; (2) the historical development of the federal system during which precedents were sufficiently established to assure the states a major role in the implementation of most federal programs; and (3) the social economic characteristics of the populations within each of the states. These factors then constitute the environment for the political system as it operates in regard to this particular program. Hypotheses 1-3 on pages 2 and 3 of this chapter indicate the expected relationships between these factors of the environment and the actions of the state political systems in responding through the implementation of the Disability Insurance program.

The systems model indicates further that inputs in the form of demands and supports emerge from the environment and exert pressures upon the political system to which the latter must respond. Since the "values" to be allocated by the political system are normally scarce, decisions as to their authoritative allocation have to be made which will not satisfy all groups within the society to the same extent. The "demands" on the political system from the environment

thus represent the claims of the members of the society upon the system. Hypotheses 4-6 listed on pages 3 and 4 of this chapter indicate the nature of the input demands into the political system that are expected to be associated with particular responses from the system.

Finally, systems analysis is concerned with those elements of the political system itself which could have a potential effect on the types of responses made by the decision-makers. Here the purpose is to ascertain those features of the political system which might structure the types of decisions made by state personnel determining whether or not to award allowances to disability claimants. Systems analysis provides an opportunity for ascertaining the flexibility of the political system in responding to the influences from the environment and the pressures on decision-makers from the various inputs. Hypothesis 7, together with its several subsidiary hypotheses, listed on pages 4 and 5 of this chapter, provides some tentative guidelines for thinking about the relationships of political system characteristics and the resultant types of policy implementation.

The further elaboration of the particular aspects of the environment, inputs, and political system itself and their relationships to the implementation of the Disability Insurance program will be presented in the following chapters. Chapter II will consist of a discussion of the importance of political culture and federalism as environmental influences upon the

operations of the state political systems. It will be argued that since the states do in fact participate in a federal system, their influence upon policy decisions is almost inevitable, even in those cases where programs are completely funded by the federal government. Chapter III discusses the history of the Social Security program in general and the Disability Insurance program in particular in order to demonstrate the importance of the states in determining the manner in which the policies were to be implemented. In the specific case of the Disability Insurance program, it will be shown that the states, because of their prominent positions within the federal system, were allowed to play a role in the administrative decision-making process of the program. In Chapter IV there will be an analysis of the social economic variables and their impact upon the types of decisions made by the state disability determining agencies responsible for the implementation of the program. Specifically, the purpose of this chapter will be to determine which of the socio-economic variables discussed are most important in explaining the ratio of allowance to denial rates among the states. Chapter V will deal with the input variables and will indicate any relationships existent between them and the variability in the percentages of disability benefits awarded to claimants among the states. In Chapter VI the analysis will focus on the political system variables and will include a discussion of the actual administrative operations of the Disability Insurance program in

the states. Of particular importance here will be the effect of the institutional framework within which administrators have to make decisions concerning the awarding of disability benefits to claimants. Chapter VII will conclude this study with an evaluation of the analysis in terms of the hypotheses indicated at the beginning of this chapter. Here the major concern will be to discuss the validity of the primary hypothesis of this study, i.e., that the states do in fact play a role in the administration of a federally funded program simply because of their central position within the federal system of the United States.

## C H A P T E R   I I

### AMERICAN FEDERALISM:

#### THE ROLE OF THE STATES IN THE AMERICAN POLITY

##### The Foundations of Federalism in American Political Culture

Although this study is in great part a case study of the role of the states in the implementation of a specific program, it is intended that the research be firmly rooted in the overall subject of federalism in the United States. For this reason this chapter will focus on the general topic of federalism itself and the attempts of scholars to elucidate its principal features. The purported importance of federalism leads one to inquire why the essential elements of federalism, i.e., division of governmental powers between federal and state governments and the consequent viability of the states as semi-autonomous political systems, continue to be maintained nearly two hundred years after the institution of federalism in the United States.

It is argued here that the resiliency of federalism in the United States may be attributed to the type of political culture which is predominant in America. Although the discussion of federalism and of the history of the Social Security and Disability Insurance programs will point to the importance of political culture in shaping both the govern-

mental tradition and the manner of implementing particular governmental programs, some discussion of the essential features of American political culture might be useful here.

Most scholars seem to agree that American political culture can be defined as essentially the "liberal tradition." This "liberal tradition" consists basically of a set of beliefs and values, shaped by historical experience and the environmental conditions in which they developed, which emphasize the importance of the individual as the primary unit of political society and his well-being as the objective of social and political existence. This emphasis on the individual in the American tradition has resulted in a tension between the notion of individualism and the concept of limited government on the one hand, and the idea of popular sovereignty and a more collectivist view of the polity on the other.<sup>1</sup>

Tracing its historical roots, William Bluhm indicates that "individualism appeared first as the individualism of men of property, in good Lockean fashion; this was an individualism which implied in the political realm the denial of all absolute power, no matter where vested--which implied, in

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<sup>1</sup>On the importance of American political culture in terms of the shaping of the American polity, see the following: William T. Bluhm, Ideologies and Attitudes: Modern Political Culture (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974); Donald J. Devine, The Political Culture of the United States (Boston: Little, Brown, and Co., 1972); esp. pp. 47-65; Louis Hartz, The Liberal Tradition in America (New York: Harcourt, Brace, and World, 1955).

short, constitutional government."<sup>2</sup> This belief found concrete expression in the American Constitution of 1789, with its mechanisms for balancing powers and providing for mutual checks among the branches of government. James Madison indicated the concern of the Founding Fathers with the problem of limited government when he wrote in The Federalist: "In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself."<sup>3</sup>

The notion of popular sovereignty in the American tradition was emphasized by Thomas Jefferson. In contrast to Madison, Jefferson argued that "the law of the majority is the natural law of every society of men."<sup>4</sup> He defined a "republic" as a "government by its citizens in mass, controlling directly and personally, according to the rules established by the majority."<sup>5</sup> Furthermore, Jefferson was less interested in preserving the same Constitution for an indefinite period of time, and insisted that each new generation would have to remake the fundamental institutions of government to suit the will of the majority at that time.

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<sup>2</sup>Bluhm, Ideologies and Attitudes, p. 71.

<sup>3</sup>Ibid., p. 71.

<sup>4</sup>Ibid., p. 72.

<sup>5</sup>Ibid., p. 72.



As Jefferson wrote:

We may consider each generation as a distinct nation, with a right, by the will of the majority, to bind themselves, but not to bind the succeeding generations. . . .

The idea that institutions established for the use of the nation cannot be touched nor modified . . . may perhaps be a salutary provision against the abuses of a monarch, but is most absurd against the nation itself.<sup>6</sup>

This emphasis on popular sovereignty and majority will manifests a more positive orientation to the role of government in a society or at least to the ability and right of the people through majority expression to designate the type of government which is most desirable at the time.

Throughout the history of the American republic, the principles of limited government (individualism) and popular sovereignty (collectivism) have remained central elements in American political culture. Alternating between periods of relative harmony and more pronounced conflict, they have nevertheless run in "counterpoint"<sup>7</sup> to one another, albeit with varying degrees of harmony and disharmony.

Since the late nineteenth and early twentieth centuries, the individualist element in the American political culture has been on the decline from its position of relative predominance in the early and middle nineteenth century. Movements such as Populism in the 1890s and Progressivism in the early 1900s sought to emphasize the 'collective-popular sovereignty element and were in varying degrees opposed to

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<sup>6</sup>Ibid., p. 72.

<sup>7</sup>Ibid., p. 73.

the individualistic principle.<sup>8</sup> Although the latter achieved a revival during the 1920s, after the inception of the Depression and the beginning of the New Deal, the positive role of government in the establishment of justice and promotion of general welfare and economic security became the predominant theme in American political culture.

It is important to remember, however, that the two principles of limited government and popular sovereignty continue to exist in a dynamic counterpoint. As will be pointed out in the chapter on the history of the Social Security programs, the notion of limited government influenced decision-makers in the way various social service programs were formulated and designed for administration. In particular, the states were given substantially more responsibility in these programs than one might suspect if one considered only the influence of the popular sovereignty element in American political culture.

In the larger context than the formulation of any one program or group of programs, the two basic elements of American political culture have been important in preserving a federal system in the United States. Both the tendency to extreme decentralization and extreme centralization have been avoided as a result of the counterpoint between antagonistic principles. That both types of influences are necessary for

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<sup>8</sup>Ibid., pp. 76-77.

the proper functioning of a federal system can best be seen by analyzing the concept of federalism itself and summarizing the major findings of American political scientists on the nature of federalism in the United States.

The Influence of the States  
in American Federalism

The idea of a federal polity has been one of the "basic symbols of the American political tradition."<sup>9</sup> Both political actors and students of politics have used this symbol over the years to characterize the kind of political structure and network of relationships among the institutions of that structure which constitutes the American political system. To foreign observers also, the American system has become the archetype of the modern federal polity.

Since the idea of federalism has been so central to an understanding of the American way of government, there has been no dearth of attempts among scholars to identify the essential characteristics of this phenomenon. Perhaps one of the more suggestive offerings is one which is presented by Daniel Elazar. He has written that federalism is a

kind of political order animated by political principles that emphasize the primacy of bargaining and negotiated coordination among several power centers as a prelude to the exercise of power within a single political system,

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<sup>9</sup>Willmoore Kendall and George Carey, The Basic Symbols of the American Political Tradition (Baton Rouge: Louisiana State University Press, 1970).

and stress the value of dispersed power centers as a means for safeguarding individual and local liberties."<sup>10</sup>

As Elazar's definition suggests, the notion of a "political order animated by political principles" implies a set of distinct characteristics which must be manifested in a particular political system before the label "federal" may be legitimately applied. The most important of these principles is that of "non-centralization."<sup>11</sup> An essential characteristic of any federal polity is the presence of viable subnational political systems within the national polity itself, even though the national system retains the authority to govern in prescribed matters for the whole political society. It is this element of "noncentralization" or "the structured dispersion of power among many centers whose legitimate authority is constitutionally guaranteed"<sup>12</sup> that serves primarily to distinguish a federal system from both the "confederal" and "unitary" types, in which either the constituent political systems or the national system exercises all of the legitimate authority.

Within this context, then, it is important to distinguish between the notions of "non-centralization" and "decentralization" as defining characteristics of political

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<sup>10</sup>Daniel Elazar, "Federalism," International Encyclopedia of the Social Sciences, 5, p. 354.

<sup>11</sup>Daniel Elazar, American Federalism: A View from the States, 2nd ed. (New York: Thomas Y. Crowell Co., 1972), p. 3.

<sup>12</sup>Daniel Elazar, "Federalism and Intergovernmental Relations," in Elazar, et al., eds., Cooperation and Conflict (Itasca, Illinois: F.E. Peacock Publishers, Inc., 1969).

systems. Decentralization is a term that is often erroneously used to describe the relationships between the national and constituent political systems in a federal polity. The clearest explication of the difference between these two concepts is made by Daniel Elazar. He observes that:

Decentralization implies the existence of a central authority having a legitimate monopoly of governmental power which can concentrate, devolve, or reconcentrate functions more or less as it pleases but which generally chooses the middle course. Non-centralization (the keystone of every true federal system), on the other hand, implies the constitutional coexistence of a general government and governments with more particularized authority which share governmental power.<sup>13</sup>

Thus, within a decentralized political system, there is a substantially greater investment of power made in the central government than one finds within a federal political system. Although, as Elazar points out, the central government may well decide to devolve a number of political functions to the lower level governments, there is no guarantee that this will be the case. In effect, in a decentralized system of government, the extent to which the interests of the local political entities are taken into consideration rests solely upon the effectiveness of local representatives in the central government.<sup>14</sup>

However, within a non-centralized political system, both the central, or more precisely "general," government and

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<sup>13</sup>Ibid., pp. 18-19.

<sup>14</sup>Elazar, American Federalism, p. 3.

the constituent governments have a substantial share of legitimate authority to govern. As Elazar discusses this type of governmental arrangement: "In the non-centralized American system, there is no central government with absolute authority over the states in the unitary sense, but there is a strong national government coupled with strong state governments that share authority and power, constitutionally and practically."<sup>15</sup> This same conception of the non-centralized American federal system of government has also been very well expressed by Justice Salmon Chase in a decision which he wrote for the Supreme Court in the case of Texas v. White in 1869:

The preservation of the States, and the maintenance of their governments, are as much within the design and care of the Constitution as the preservation of the Union and the maintenance of the National government. The Constitution, in all of its provisions, looks to an indestructible Union, composed of indestructible States.<sup>16</sup>

Thus, the concept of non-centralization may serve as a shorthand method of characterizing one of the principal features of a federal polity--"the value of dispersed power centers as a means for safeguarding individual and local liberties."<sup>17</sup> It is within this overall context of non-centralization in the formal institutional structure of the federal system

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<sup>15</sup>Ibid., p. 3.

<sup>16</sup>Texas v. White, 7 Wall. 700 (1869).

<sup>17</sup>Elazar, "Federalism," IESS, p. 354.

that Elazar posits the principles of "negotiated coordination" or the "primacy of bargaining." These principles serve as the essential defining characteristics of Elazar's notion of "partnership."<sup>18</sup> Whereas the notion of non-centralization refers primarily to the constitutional arrangements between the levels of government within the federal system, the concept of "partnership" points beyond the constitutional framework of governance to the actual political arrangements and activities which characterize the federal polity as it engages in political action. As Elazar comments: "Partnership implies the distribution of real power among the several centers that must negotiate cooperative arrangements with one another in order to achieve common goals."<sup>19</sup>

The features of negotiation and bargaining have become topics of special concern to political scientists studying federalism within the United States. Scholars have undertaken studies to explore the multifaceted arrangements which manifest the cooperative nature of the American political system. However, it is important to realize that, although scholars have long realized that the American federal system is a model of a non-centralized polity, they have not until quite recently appreciated the complex nature of the institutional network through which "negotiated coordination" takes place.

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<sup>18</sup>Elazar, "Federalism and Intergovernmental Relations."

<sup>19</sup>Elazar, American Federalism, p. 3.

The change in perspective of political scientists toward the actual workings of the American federal system has been highlighted by the use of the concepts of "dual federalism" and "cooperative federalism" to distinguish the two most important theories of the political functioning of the federal institutions in the United States. The controversy over the most adequate conceptualization of the federal system, i.e., over the question of "dual federalism" versus "cooperative federalism," has emerged from the different aspects of the functioning federal system which have been studied by the proponents of the two models. Scholars who proposed the dual federalism model emphasized the constitutional and legal aspects of the federal structure rather than focusing on the actual functions performed by the various levels of the political system or on the various behaviors exhibited by the political actors. The result of this situation was that political scientists produced a number of studies on the "constitutional basis" of the American "partnership," but unfortunately there remained a dearth of material on the actual operations of the federal system.

More recently, political scientists have tended to focus on the hitherto neglected aspects of federal-state relationships. Studies have been undertaken to analyze such areas as political, administrative, fiscal, judicial, and personnel interactions between the two levels of govern-



ment.<sup>20</sup> Subsequent to this broadening of the scope of investigations into the operations of the federal system, scholars gradually have replaced the idea of dual federalism by that of cooperative federalism.

In order to understand the differences between the two approaches and to see how the latter theory has modified the former, it will be useful to present a summary analysis of the most important findings of the proponents of the dual federalism model. The central thesis of this theory was that the federal and state systems, besides being structurally autonomous and independent of one another in terms of laws, electoral procedures, personnel, and so forth, also perform different types of services for their respective communities. Public policies are formulated and implemented by each level of the political system to solve particular problems but there is no continuous interaction between them to determine the most suitable type of policy or service for the perceived problems. Any federal-state interaction perceived by the proponents of this theory rested almost solely on constitutional questions regarding the relationships between the federal and state governments that were adjudicated by the state and federal courts.

During the late nineteenth century, when this particular view was most prevalent, James Bryce, in his classic work

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<sup>20</sup> See the essays in the collection edited by Daniel Elazar, et al., American Federalism, and also Publius: Journal of Federalism.

on The American Commonwealth, summarized the essential features of this conception of American federalism as follows:

The characteristic feature and special interest of the American Union is that it shows us two governments covering the same ground, yet distinct and separate in their action. It is like a great factory wherein two sets of machinery are at work, their revolving wheels apparently intermixed, their bands crossing one another, yet each set doing its own work without touching or hampering the other.<sup>21</sup>

As late as the early 1950s, Professor Leonard White could write in a work on the relationship between the states and the federal government that, early in the nineteenth century, "a dual system of government and administration emerged, each level independent in its own sphere and operating without let or hindrance from the other, each supported by revenues of which it held full command."<sup>22</sup>

Thus, the predominant opinion of scholars for several decades was that the American federal system, for the greater part of its history, consisted of a set of autonomous political institutions performing separate functions in an independent manner for one political society. Many of these scholars, however, who wrote during and subsequent to the Depression of the 1930s, sensed a marked change in the institutional arrangements of the federal structure during this time period. No longer was the federal structure

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<sup>21</sup>James Bryce, The American Commonwealth (3rd rev. ed.; New York: Macmillan and Co., 1895), I, p. 318.

<sup>22</sup>Leonard White, The States and the Nation, excerpted in Daniel Elazar, et al., Cooperation and Conflict, pp. 46-47.

assumed to be one of pure dual federalism. Political scientists such as Jane Perry Clark, in The Rise of a New Federalism,<sup>23</sup> and George C. S. Benson, in The New Centralization,<sup>24</sup> noted both the increasing tendency of the federal and state government to cooperate in the administration of policies and also the tendency of the federal government to take the initiative in policy formation, even in areas which had supposedly until that time been the concern of the state governments. Although the authors differed somewhat in their evaluations of these new tendencies, Benson being more apprehensive about the future role of the states in a more "centralized" system, these two works point to the increasing concern of political scientists in the late thirties and early forties to investigate the actual functioning of the American federal system.

The view that the new orientation of the federal government might have adverse consequences continued into the 1950s and is very evident in White's remarks on the future of the states in his book on The States and the Nation.<sup>25</sup> White observed that, "if present trends continue

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<sup>23</sup>Jane Perry Clark, The Rise of a New Federalism: Federal State Cooperation in the United States (New York: Columbia University Press, 1938).

<sup>24</sup>George C. S. Benson, The New Centralization: A Study of Intergovernmental Relationships in the United States (New York: Rinehart and Co., 1941).

<sup>25</sup>Leonard White, The States and the Nation (Baton Rouge: Louisiana State University Press, 1953).

for another quarter century, the states may be left hollow shells, operating primarily as the field districts of federal departments and dependent upon the federal treasury for their support."<sup>26</sup> He explained the emergence of this new type of federal relationship in terms of the increasing complexity of modern industrial America, of the increasing welfare services provided since the inception of the New Deal, and of the desire of federal administrative officials to properly oversee the management of their programs by state officials.

Thus, until as recently as the last two decades, scholars were generally agreed that a system of dual federalism had prevailed in the American political system from the early nineteenth century until about the time of the New Deal. In characterizing the period from the 1930s to the 1950s, there seemed to be a consensus that changes had been made in the general relationships of the federal and state governments, but there was no firm conclusion on the effects of these changes on the role of the states in the federal system.

During the last several years, substantial empirical research has been done on the nature of the federal system in the United States and many, if not most, of the older conclusions about the historical arrangements of the American political institutions and the development of federalism since the New Deal have been called into question. Scholars working in this area now view their task as one of investi-

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<sup>26</sup>Leonard White in Elazar, Conflict and Cooperation, p. 45.

gating as rigorously as possible all of the multifaceted political, administrative, judicial, and financial arrangements which constitute the operating federal system in the United States.

One of the leaders of this new group of investigators was Professor Morton Grodzins, whose influential essay on "The American System"<sup>27</sup> proposed a new model of federal-state relations. Grodzins argued that, in regard to the implementation of policy or performance of services, "functions are not neatly parceled out among the many governments. They are shared functions. It is difficult to find any governmental activity which does not involve all three of the so-called 'levels' of the federal system."<sup>28</sup> In a direct challenge to the former conception of the history of American federalism, Grodzins wrote that "the American federal system has never been a system of separated governmental activities. There has never been a time when it was possible to put neat labels on discrete 'federal,' 'state,' and 'local' functions."<sup>29</sup>

The research to substantiate these claims has been carried out during the past several years by several political scientists. One scholar who has done much to develop and elaborate upon the work of Grodzins is Daniel Elazar. Elazar has centered his studies upon the general concept of coopera-

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<sup>27</sup>Morton Grodzins, "The Federal System," in Charles Press and Oliver P. Williams, ed., Democracy in the Fifty States (Chicago: Rand McNally, 1966).

<sup>28</sup>Ibid., p. 38.

<sup>29</sup>Ibid., pp. 40-41.

tion or collaboration, which he finds to be a ubiquitous feature of the functioning federal system in the United States. As he conceptualizes it:

Cooperative, or collaborative federalism can be defined as the sharing of responsibilities for given functions by the federal and state governments. In this sense, it is conceived to be the opposite of dual federalism, which implies a division of functions between governments as well as a division of governmental structures. Although the theory of cooperative federalism assumes a division of structures, it accepts a system of sharing that ranges from formal federal-state agreements covering specific programs to informal contracts on a regular basis for the sake of sharing information and experience.<sup>30</sup>

It is clear from this definition that the proponents of the cooperative federalism model do retain a major aspect of the older dual federalism theory. There is a basic agreement that the states exist as relatively autonomous political systems within an overall national polity. Thus, in both accounts, the central feature of any federal system, non-centralization, is given primary attention.

The fundamental criticism of the dual federal model by those who perceive the American system to be a set of cooperative arrangements focuses on the degree to which the states and national government are able to practice an autonomous politics, relatively free of influence from other levels of the political system. On the one hand, scholars who proposed the dual federalism model argued that both national

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<sup>30</sup> Daniel Elazar, The American Partnership: Intergovernmental Cooperation in the Nineteenth Century United States (Chicago: University of Chicago Press, 1962), p. 305.

and state political systems indeed did carry out political functions relatively independent of one another. However, proponents of the cooperative federalism model argue that in virtually no area of political action are the federal and state political systems autonomous in their formulation and implementation of public policy.

Such a model as cooperative federalism presupposes a whole array of institutionalized relationships between the federal and state polities within which the sharing or cooperative process takes place. In its most generalized form, the typical cooperative relationship manifests itself, according to Elazar, as follows:

The federal government, the states, and the localities share the burden for the great domestic programs by making the larger governments primarily responsible for raising revenues and setting standards, and the smaller ones primarily responsible for administering the programs. For each program, all governments involved contribute toward making policy in ways that often depend upon the forms of sharing involved."<sup>31</sup>

The forms of sharing have changed and multiplied during the development of the American polity. A comprehensive examination of the multifaceted aspects of the sharing process in the American system is beyond the scope of this paper. Attention will be focused primarily upon some of the basic formal and informal arrangements which the federal and state governments have devised during the past few decades.

The multiplication of governmental functions and

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<sup>31</sup>Daniel Elazar, American Federalism, pp. 47-48.

various forms of cooperation may be viewed as the prolonged effort of the political systems of both the federal and state levels to respond to the social and economic problems inherent in an industrialized society. On the most general level, this expanding role of the governmental sector manifests itself as an increase in the "velocity of government,"<sup>32</sup> or "the amount of governmental activity in relation to the total activity of society."<sup>33</sup>

It is important to realize, however, that a history of institutionalized cooperative federal relationships helped to shape the structure of the particular responses made by the political system to the various social and economic problems which it confronted. In the late nineteenth century and even more during the first three decades of the twentieth century, it became increasingly clear that the state political systems alone could not respond with sufficient resources to provide adequate services for the poor, aged, unemployed, and disabled, whose numbers increased under the impact of the rapid growing economic system. Within the context of an operating dual federal system, the pressures toward complete federal control over domestic service programs would have been far more intense than was possible within the confines of a pre-existing cooperative federal structure. Thus, as Elazar points out, the twentieth

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<sup>32</sup>Ibid., p. 50.

<sup>33</sup>Ibid., p. 50.



century has witnessed federal intervention in various policy areas as a means for stimulating and supplementing rather than preempting state action as would have been the case under a dual federal system.<sup>34</sup>

One of the most prominent examples of the stimulating rather than preempting character of federal action has been the development of the grants-in-aid programs. Grants-in-aid consist of federal transfers of funds to state governments and federal and state transfers of funds to local governments for specific purposes which are agreed upon by the governments participating in the program. Grants are normally subject to a measure of supervision and review by the granting government. The grant-in-aid programs developed greatly in this century, when, from 1911 to 1965, sixty-five new federal programs of this sort were established.<sup>35</sup> Although at times these types of programs have been considered to be solely formulated and supervised by the federal government, it is more correct to state that grant-in-aid programs have been essentially federal in nature, i.e., involving both the federal and state governments in cooperative efforts. Federal regulations have been designed essentially to stimulate the state governments toward more professional administrative organization and to increase the likelihood that state administrators might participate as partners with their professional

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<sup>34</sup> Ibid., p. 51.

<sup>35</sup> Daniel Elazar, et al., Cooperation and Conflict, p. 12.

counterparts within the federal agencies.

In the typical grant-in-aid program, in fact, each state is left the responsibility for planning the program, preparing the necessary budgets, enacting appropriate legislation, and providing funds for the implementation of the specific program. Although federal requirements do exist, in the form of Congressional enactment and the administrative regulations stipulated by the federal agencies, the state political systems have a number of opportunities to influence the actual policy making process in this type of program.<sup>36</sup>

Because of the number of grant-in-aid programs that have been established in the United States, political scientists have tended to concentrate their study of the cooperative elements of the American federal system in this particular area. However, those programs which do not neatly fall into this particular type of grant-in-aid category also merit considerably more study than has been undertaken until now.

One example of such a neglected policy area is that of the federal Disability Insurance program, enacted in 1956. Unlike the federal grant-in-aid categories, the Disability Insurance program is a policy area in which the federal

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<sup>36</sup>Daniel Elazar, American Federalism, pp. 160-171; also cf. Jerome T. Murphy, "The Education Bureaucracies Implement Novel Policy: The Politics of Title I of ESEA, 1965-1972," in Allan P. Sindler, Policy and Politics in America: Six Case Studies (Boston: Little, Brown, and Co., 1973).

government appropriates all of the funds and stipulates all of the regulations for the implementation of the program. However, within this framework, the states are authorized to administer the program themselves.<sup>37</sup> Thus, as with grant-in-aid programs, both the federal and state governments have a role to play in the implementation of the policy. In such a case, there exists a potential for cooperative relations between the federal and state administrative agencies in regard to the formulation of decision-making criteria and in regard to the actual execution of the policy within the individual states. One would not expect the states, in this type of program, to exercise the freedom of decision-making possible within a grant-in-aid program. However, the extent to which cooperative relations do exist between the federal and state governments within the Disability Insurance program and the exact nature of that cooperation should be investigated in order to determine how the institutional structure of a federal polity might affect the way in which a particular policy is formulated and implemented. One might ask, for example, how much of a role did the states, by the virtue of their key place within the federal system, play in the original formulation of the Disability Insurance program? What kinds of influence do the states have presently

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<sup>37</sup>See Chapter III for the details on the relationship between the federal and state governments in the Disability Insurance program.

over the actual decision-making processes in this policy area?

To set the framework for the analysis of the operation of the federal Disability Insurance program, the next chapter will concentrate on the historical development of the various programs under the Social Security Act and the relationship of the disability program to these grant-in-aid programs. This analysis will afford an opportunity to study more closely the actual process of formulation and implementation of policies within a cooperative federal system.

C H A P T E R   I I I  
DEVELOPMENT OF SOCIAL SECURITY AND  
DISABILITY INSURANCE PROGRAMS

Introduction

The depression of the 1930s had a major impact upon the development of American federalism. The events of this period illustrate well the tendencies for cooperation and partnership among the levels of government even in a period of serious political and economic stress. Furthermore, they exemplify the role of American political culture, in particular the counterpoint of individualism and popular sovereignty, which affects the orientations of decisions makers and acts to preserve the system of cooperative relations between the states and the federal government and to keep them in balance.

The duration and intensity of the economic turmoil of that period was unprecedented in the nation's history. Unemployment had begun to rise as early as 1928 and 1929. By April 1930 the number of persons out of work had increased to 3.8 million members of the civilian labor force. This steady rise in the number of people unemployed reached its peak in 1933, when more than 15 million people, or 28 percent of the civilian labor force, had no jobs.<sup>1</sup> During this same

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<sup>1</sup>Helen Clarke, Social Legislation (2nd ed.; New York: Appleton-Century-Crofts, 1957), p. 524.

time period, from 1929 to 1933, the gross national product dropped from 181.8 billion dollars to 126.6 billion. Only in 1939 did the GNP again reach its previous 1929 level, although the population of the country had grown by nine million during that period.<sup>2</sup>

As the depression worsened and its economic effects continued to produce financial insecurity for millions of people, growing numbers of public officials realized that the existing public programs providing relief for the indigent were decidedly inadequate. Up to this period the responsibility for assisting those persons with severe problems of economic insecurity rested largely with the states and their local subdivisions, and with private organizations.

Many explanations have been offered to account for the slow development of public welfare institutions in this country. Throughout the greater portion of the nineteenth century, agriculture, except in the South, was carried on basically by independent farmers on their own land. Economic dependence on the fluctuations of the business cycle was thereby kept to a minimum.<sup>3</sup> In those areas where industrialization was rapidly developing, economic growth was usually sufficient to absorb the growing population. When periodic

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<sup>2</sup>Gaston Rimlinger, Welfare Policy and Industrialization in Europe, America, and Russia (New York: Wiley, 1971), p. 196.

<sup>3</sup>Frances Fox Piven and Richard A. Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Vintage Books, 1971), p. 45.

economic distress did occur, it was not ordinarily serious enough to lead to major political disorder.<sup>4</sup> Furthermore, until the late nineteenth century, the frontier served to drain off a substantial number of those who were discontented in the urban areas.<sup>5</sup>

These factors helped to bolster the belief, prevalent in the United States throughout the nineteenth and early twentieth centuries, in economic individualism, which placed great emphasis on the individual as the sole protector of his own economic security. One writer has remarked, in a comparative study of the development of economic security legislation in a number of countries, that "in the United States the commitment to individualism, to individual achievement and self-help, was much stronger than in England or in France. The survival of the liberal tradition, therefore, was found to be stronger and the resistance to social protection more tenacious."<sup>6</sup> Poverty therefore came to be regarded in the United States as "the obvious consequence of sloth and sinfulness. . . . The promise of America was not affluence, but independence; not ease, but a chance to work for oneself, to be self-supporting, and to win esteem through hard and honest labor."<sup>7</sup>

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<sup>4</sup>Ibid., p. 46.

<sup>5</sup>Ibid., p. 46.

<sup>6</sup>Rimlinger, p. 62.

<sup>7</sup>Piven and Cloward, p. 46.

Throughout the nineteenth century, private charity organizations handled the majority of the cases of destitution and old-age. Public institutions such as almshouses and poor farms provided relief for those not helped by the private agencies.<sup>8</sup> These public agencies were financed and operated by local communities with virtually no assistance from the state or federal governments.<sup>9</sup>

#### Public Assistance Before 1935

To supplement the public aid provided by the almshouses on the local level, a number of state governments adopted programs which would provide cash payments to the indigent. One of the major categories of the cash payment program was public assistance. Public assistance programs were designed to provide monetary payments on a monthly or semi-monthly basis to those persons who could meet the requirements of financial need stipulated in the specific state programs. The two major public assistance programs adopted by the states before the depression were Aid to the Blind (AB) and Old Age Assistance (OAA). In regard to AB public assistance, Illinois enacted the first program in 1903, and by 1934, 24 states had adopted similar programs.<sup>10</sup>

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<sup>8</sup>Rimlinger, p. 63.

<sup>9</sup>Ibid., p. 63.

<sup>10</sup>Hilary M. Leyendecker, Problems and Policy in Public Assistance (New York: Harper, 1955), p. 54.



After Montana established the first OAA program in 1923, several states enacted similar legislation. By 1934 (one year prior to the adoption of the Social Security Act), there were 28 states with OAA programs.<sup>11</sup>

These public assistance programs stipulated several requirements that potential recipients had to meet in order to receive assistance. Provisions for length of residence of an applicant, his level of income, and condition of non-support by relatives or private agencies varied from one program to another, but generally tended to exclude a large number of people because of the stringency of the requirements.<sup>12</sup>

Local administrative agencies in the counties and cities implemented the public assistance programs and were given great latitude by the state governments in actual policy-making decisions.<sup>13</sup> However, to a great extent the effectiveness of an assistance program such as OAA or AB depended on the existence of financial participation by the states. In many instances the local communities did not have sufficient resources to enable them to provide public assistance without substantial financial support from the state governments.<sup>14</sup>

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<sup>11</sup>Ibid., p. 54.

<sup>12</sup>Robert J. Myers, Social Insurance and Allied Government Programs (Homewood, Ill.: R.D. Irwin, 1965), pp. 11-13.

<sup>13</sup>Ibid., pp. 11-13.      <sup>14</sup>Leyendecker, p. 55.

The states which had adopted the OAA and AB assistance programs were not equally committed to providing sufficient funds to the local governments to enable the latter to assist effectively those persons who would otherwise meet the requirements for receiving OAA or AB assistance. In 1934, only seventeen of the twenty-four states with AB assistance legislation had any form of state aid to supplement the expenditures of the local governments. Of the twenty-eight states with OAA programs, only sixteen were financed in part with state aid, although six of these states had programs totally financed by the state governments.<sup>15</sup> Thus, many of the pre-depression state public assistance programs were more symbolic in nature than substantive.

#### Social Insurance Before 1935

Before the enactment of the Social Security Act of 1935, social insurance programs were established largely by private organizations in order to provide financial aid to workers who had become unemployed. One of the major types of social insurance programs instituted during this period was unemployment compensation insurance. This program was established on a voluntary basis and was administered by private agencies. A Bureau of Labor Statistics study published in 1931 concluded that there were basically three types of unemployment compensation plans in existence, all

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<sup>15</sup>Ibid., pp. 11-13.

the result of private arrangements. These included plans established by employers, plans established as a result of the cooperation of employers and unions, and plans established solely by trade union organizations.<sup>16</sup> It was not until 1932 that Wisconsin enacted the first compulsory unemployment compensation insurance law.

Unlike the public assistance programs, which used financial need as the basic criterion for distributing assistance, the social insurance programs were designed to provide benefits as a matter of right to any person who participated in the program and who had become unemployed. Whereas public assistance programs relied upon a yearly appropriation of funds by the state legislatures, the social insurance programs were financed by the contribution of employers and/or employees to special trust funds from which employees could receive benefits if they became unemployed.

#### Social Security Act of 1935: Public Assistance

During the early 1930s public officials gradually began to realize that the state and local public assistance programs and provisions for social insurance established by private organizations were not adequate to deal with the problems of economic insecurity caused by the depression. The Social Security Act of 1935 was enacted in order to

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<sup>16</sup>John D. Hogan and Francis A. J. Ianni, American Social Legislation (New York: Harper, 1956), p. 493.

improve and to supplement the existing public and private programs. Public assistance and social insurance programs constituted the principal categories of this new legislation and thus may be viewed as an extension of the previous programs.

The major programs of public assistance established by the Social Security Act included Old-Age Assistance (OAA), Aid to the Blind (AB), and Aid to Dependent Children (ADC). Other minor aspects of the public assistance category consisted of a number of public health and child welfare services.<sup>17</sup> The principal goal of these programs was essentially the same as that of the previous state assistance programs, namely the provision of cash payments to indigent individuals on the basis of their financial needs as determined by the public agency implementing the program.

In order to achieve this goal, the federal government sought to stimulate state activity in a number of policy areas (e.g., OAA, AB, ADC) by providing sufficient financial support to enable the states to create and implement sound programs of public assistance. To this end, federal legislation provided that certain minimum standards be observed in the administration of the programs.

First, a state program had to include a provision for the establishment of a state administrative agency

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<sup>17</sup> Arthur J. Altmeyer, The Formative Years of Social Security (Madison: University of Wisconsin Press, 1966), p. 15.

either to implement the program itself or to oversee its administration by county or municipal jurisdictions. Second, a state program had to be in effect in all of the legal jurisdictions within the state, i.e., within all of the counties, cities or towns in the state. Third, a state program had to provide for the financial participation of the state in the public assistance program, whether the program was actually implemented by the state agency itself or by the county or municipal jurisdictions.

Other federal provisions imposed a number of procedural requirements on the state administrative agencies. One such provision consisted of requiring a fair hearing and appeal before a state agency for any individual whose application for financial assistance had been denied.

The federal government placed very few stipulations on the states' freedom to determine residence and citizenship requirements. Federal regulations specified only that states might impose a residence requirement restricting assistance to those persons who had lived in a particular state for five out of the previous nine years and one year continuously preceding application for assistance.

Although these federal standards imposed standards on the mode of implementation of these public assistance programs, the states retained a great amount of flexibility in designing the program to fit the particular requirements of their individual communities. In the important area of

definition and determination of recipient need, the federal statute specified only that awards had to be based on the presence of financial need. No attempt was made to specify in federal legislation the actual conditions to be met in determining financial need in a potential recipient.<sup>18</sup>

The states also retained the right to determine the amount of payments to public assistance applicants. The federal government reimbursed the states for a portion of the costs of the programs. For example, in the OAA and AB assistance programs, the federal authorities agreed to pay, in the 1935 provisions of the Social Security Act, fifty percent of the amount of state assistance to applicants per month, up to a maximum of \$30. In regard to the ADC program, the federal government would pay (again in the 1935 provisions) \$6 of the first \$18 spent by the states per month on the first child of a family, and \$4 of the first \$12 spent on each additional child in the same family.<sup>19</sup>

Although federal reimbursement was limited to a specific percentage of the state assistance spent on each recipient, federal aid was "open-ended" since there was no overall limit to the amount of aid that a state might receive. Thus, states that awarded small amounts of money to large numbers of applicants could potentially receive large amounts

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<sup>18</sup>Rimlinger, p. 224.

<sup>19</sup>Congress and the Nation (1945-1964): A Review of Government and Politics in the Postwar Years (Washington, D.C.: Congressional Quarterly Service, 1964), p. 1280.

of funds from the federal government. No matter how the states might allocate benefits in fact, they possessed a great amount of flexibility in their implementation of these public assistance programs. Ultimately, however, each of these programs was conceived to be only a temporary first line of defense against economic insecurity.

### Social Security Act of 1935: Social Insurance

The long-range goal of the federal policy makers was to replace the public assistance programs with functioning social insurance programs. The principal goal of the social insurance program was to provide cash benefits to persons as a matter of right, rather than financial need, and thus to avoid the "means" test imposed upon applicants for public assistance awards.

The more innovative of the two major social insurance programs incorporated into the Social Security Act was Old Age Insurance. Unlike the public assistance programs, which were financed by appropriations from the general revenue, the Old Age Insurance program relied upon the compulsory contributions of employers and employees in a special payroll tax. The statute provided that a payroll tax of one percent (on the first \$3,000 of the employee's earnings) be levied on all employers and employees in most major businesses. In the case of such an insurance program, a person who worked in a "covered" employment, one in which employers and

employees made regular contributions into the payroll tax for a specific length of time, could receive by right a monthly cash pension upon reaching age 65. The exact amount of the pension was subject to federal regulation and was based upon the average earnings received by a specific worker prior to his retirement.

The Old Age Insurance program was the only program incorporated into the Social Security Act to be administered solely by federal administrative personnel. This was done for the sake of administrative efficiency, since officials assumed that the tasks of keeping accurate records of all individual workers, many of whom moved from one state to another during their working careers, could be accomplished only by use of one centralized agency.

The other segment of the social insurance category in the Social Security Act consisted of provisions for an unemployment compensation insurance program. In this program, the federal policy makers sought to induce the states to create their own individual unemployment insurance programs, rather than to create a nationally administered program at the federal level. This task was accomplished by requiring all employers with four or more employees in their firms to pay a 3.1 percent federal payroll tax on the first \$3,000 of the annual wages of each employee. The statute provided, however that if a state established an unemployment compensation program (approved by federal law), employers in that state would receive



an offset of 2.7 percent from the 3.1 percent federal tax. In this case, the employers would pay a state payroll tax, receive credit against the federal tax, and pay the remaining 0.4 percent of the federal tax to the federal government. This tax-offset mechanism, in lieu of the more familiar grant-in-aid device to stimulate the states to set up or improve a particular public program, proved to be rather effective, and by the end of 1939, all of the states had initiated such unemployment insurance programs.

The administrative structure of the unemployment insurance program was rather similar to that of the typical public assistance policy. The state legislatures decided upon the amount of benefits to be awarded to the various unemployed workers, the length of time that benefits might be paid, and the requirements for attaining insured status in a covered employment.

The similarity between the public assistance and unemployment insurance programs, however, must not lead one to confuse the purposes of the two policies. The unemployment compensation program was instituted as an insurance program, to provide cash benefits to unemployed people who participated in the program. The qualifications for receiving benefits, although they varied in their particulars from state to state, were structured around the concept of covered employment rather than of need.

Post-1935 Developments in Public Assistance: General Trends

The adoption of the public assistance programs by the states after 1935 proceeded quite rapidly. By September 1938, all of the 48 states, the District of Columbia, and the territories of Alaska and Hawaii had adopted OAA programs approved by the Social Security Board. In June 1941, 44 jurisdictions had established ADC programs, and 43 had instituted AB assistance programs.<sup>20</sup>

The vast majority of the amendments to the Social Security Act focused on provisions dealing with financial aid to the states. There has been a steady increase in the percentage of financial assistance given to the states by the federal government.<sup>21</sup> Although it is not necessary for the purposes of this thesis to present a history of the changes in the public assistance programs, it is appropriate to mention one of the more recent important alterations in their structure and implementation. In a 1972 Amendment, three of the major grant-in-aid assistance programs, Aid to the Blind, Old Age Assistance, and Aid to the Permanently and Totally Disabled, were consolidated and transformed into one Supplementary Security Income (SSI) program. The effect of the amendment is to "nationalize" (or "federalize") these formerly

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<sup>20</sup>James A. Maxwell, The Fiscal Impact of Federalism in the United States (Cambridge, Mass.: Harvard University Press, 1946), p. 153.

<sup>21</sup>Congress and the Nation, pp. 1280-1283.

federal-state programs and to assure that federal benefits, under uniform rules, will be paid to all eligible claimants. These payments, financed by general revenues, and begun in January 1974, may be supplemented by the states in any assistance programs which they might choose to adopt. This new program is particularly relevant to the present study, because the Disability Determination Units, which administer the Disability Insurance program in each of the states, have the additional responsibility now of implementing the disability aspect of the new SSI program, formerly administered by state agencies under the APTD program.

Post-1935 S.S. Developments: Attempts  
to Institute a DI Program

One of the most important developments in the history of Social Security legislation since 1935 was the establishment of the Disability Insurance program in 1956. During the period from 1935 to 1956, there had been a great deal of controversy over the proper role of the federal government in regard to the support of disabled persons and concerning the form that support, if given, should assume.

Even in the middle of the 1930s, there existed several federal or state programs for assisting the disabled. For public and private employees, there were federal and state workmen's compensation programs which assisted persons injured while on the job by paying medical costs and certain living

expenses to the injured person and his family.<sup>22</sup> For the indigent blind person, whose blindness had been incurred in either work-related or non-work-related activity, the Social Security Act included a special public assistance program (i.e., Aid to the Blind), which provided regular monthly cash benefits for living expenses. Furthermore, the Railroad Retirement Act of 1937 made provision for the payment of some disability insurance benefits to disabled railway workers.<sup>23</sup>

The major problem with these programs, however, was that they provided assistance only to special categories of individuals or for special types of disabilities. Workmen's compensation programs, for example, covered only those injuries sustained by a person while performing his job; and the AB program assisted only those disabled by blindness. Likewise, the Railroad Retirement Act covered only employees in a specialized job category. Thus, coverage for persons afflicted with permanent or temporary disabilities was not provided in any all-inclusive program.

By 1937, the Social Security Board had already concluded that additional legislation was needed in order to cope with the problem. A. J. Altmeyer, representing the Board, pointed out that, although there existed protection against unemployment because of occupational injury, there was no "comprehensive protection against unemployment due to disability"

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<sup>22</sup>ibid., p. 1287.

<sup>23</sup>ibid., p. 1287.

in a "non-occupational capacity" in either state or federal legislation.<sup>24</sup> Whereas state workmen's compensation programs provided assistance to those disabled on the job, they did not cover persons incurring injuries off the job. The Social Security Board proposed that action be taken to institute a program to relieve the problem of temporary and permanent disability, that it come under the jurisdiction of the Old-Age Insurance program, and that payments be made both to the disabled and the dependents of disabled persons.<sup>25</sup>

However, responses from Congress were such that no attempt was made to present the proposals for Congressional consideration. There was firm opposition from the Republican party leaders in Congress to the development of any new program under the Social Security Act. As a result, when the Social Security Board submitted its three-year study of the development of the Social Security programs in 1939, it stated that no "positive recommendations" were being made "at this time" on the necessity for a Disability Insurance program.<sup>26</sup>

In 1939, however, Senator Robert F. Wagner introduced a bill to establish a federal-state cooperative disability grant-in-aid program, in which a maximum of freedom and re-

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<sup>24</sup>First Annual Report of the Social Security Board (Washington: U.S. Government Printing Office, 1937), p. 12.

<sup>25</sup>Susan Campbell, A Changing Federalism: Federal-State Relations in the Disability Insurance Program, Unpublished Masters Thesis, U. of Mass., 1967, p. 75.

<sup>26</sup>A Report of the Social Security Board to the President and to the Congress (Washington: U.S. Government Printing Office, 1939), p. 7.

sponsibility would have been given to the states to implement the policy. Had it been enacted into law, this proposal would have encouraged the states to institute public assistance programs for the disabled who were in financial need, as determined by the state agencies themselves. Thus, it would have operated as a typical federal grant-in-aid program.

Opposition to this bill was voiced by a number of interest groups during public hearings. Representatives of the American Medical Association (AMA), in particular, argued that such a program would eventually lead to a federally administered, compulsory insurance program.<sup>27</sup> The bill was defeated in committee. No significant progress was made in the institution of a Disability Insurance program during the remaining years of the administration of President Roosevelt.

During the administrations of President Truman, debate continued between the President and members of Congress who opposed the extension of the Social Security insurance program to cover disability. Opponents of a Disability Insurance program voiced their opposition to the possible harmful effects on the economy of increased public expenditures and to the increase of federal influence in any expanded program.<sup>28</sup>

Pressure for action, however, continued to increase.

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<sup>27</sup>U.S. Congress, Senate. Subcommittee on Education and Labor, Hearings, To Establish a National Health Program, 76th Cong., 1st Sess., 1939, p. 79.

<sup>28</sup>Campbell, p. 87.

Efforts at amending the Social Security Act were directed toward the establishment of a social insurance type disability program, to be administered in the same manner as the Old-Age Insurance program (i.e., federal administration, payroll tax, and provision of benefits as a matter of right to all those persons qualifying under the program). Other proposals were made for a public assistance type program to support disabled persons not eligible for insurance benefits.<sup>29</sup> This latter program would have operated in similar fashion to the proposed Robert Wagner program discussed above. Based on financial need as determined by the states, it would have acted to support those disabled persons unable to qualify under the disability insurance provisions.

In 1949 the House of Representatives passed an omnibus Social Security bill, containing both a disability insurance program tied to the Old-Age and Survivors' Insurance program and a new public assistance program for the disabled. The House had previously rejected an alternative measure which had proposed to drop the insurance provisions and to retain only the public assistance features. Because of opposition within the Senate, the disability insurance provisions were finally dropped, but the public assistance features of the bill were enacted into law and constituted the program of Aid to the Permanently and Totally Disabled (APTD). In the APTD

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<sup>29</sup>Congress and the Nation, p. 1287.

program, the Congress authorized the federal government to pay a percentage of the costs of the operation of a state's disability assistance program if the latter agreed to operate within the framework of minimum federal requirements. As with any grant-in-aid program, the states assumed the principal responsibility for instituting and maintaining the program within their respective jurisdictions.

The next major attempt to amend the Social Security Act in regard to disability policy occurred in 1952. One of the proposals in the omnibus Social Security Amendments bill that year consisted of a provision for a "disability freeze" to be added to the Old-Age and Survivors' Insurance program. This measure was designed to assist a worker with a long-term disability by preventing his period of disability from being counted against him in regard to (1) the computation of the number of quarters that he needed in covered employment to be eligible for OASI at 65 years of age; and (2) the computation of his average monthly wages on which the amount of the old-age pension was based.<sup>30</sup> Unlike a disability insurance provision, the disability freeze did not provide benefits to a disabled person, but only assured him that the requirements for OASI (i.e., a minimum number of quarters in covered employment) could be fulfilled during a period of long-term disability. In opposing this new bill, representa-

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<sup>30</sup>Ibid., p. 1288.



tives of the AMA contended that, by giving to the Federal Social Security Agency the right to supervise disability determinations, the program would lead to eventual federal regulation of medicine.<sup>31</sup> The bill was ultimately defeated.

At the beginning of the Eisenhower administration in 1953, there was an initial period of doubt about the attitude of the new President toward Social Security programs in general and toward the social insurance type of programs (e.g.. Old-Age-Survivors' Insurance; Unemployment Insurance) in particular. In 1954, however, he sent a Special Message to Congress in which he explained his support for the concept of social insurance as incorporated into the Social Security Act. He based his conclusions upon what he perceived to be the congruence between the idea of social insurance and the traditional American interest in individual initiative. He argued that the fundamental difference between the social insurance program and other private insurance programs was that the former enabled citizens to build the foundation for their individual security on a national scale.<sup>32</sup> Thus, operating as it did on the principle of requiring individuals to contribute to their own security, it was a "reflection of the American heritage of sturdy self-reliance."<sup>33</sup>

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<sup>31</sup>Ibid., p. 1288

<sup>32</sup>Dwight D. Eisenhower, The Public Papers of the President of the United States (Washington: U.S. Government Printing Office, 1960), Vol. 1954, p. 534.

<sup>33</sup>Ibid., p. 534.

Later in 1954, President Eisenhower requested the enactment of a "disability freeze." Unlike the previous attempt to adopt a disability freeze, this one passed through Congress with considerably less opposition. Undoubtedly, the influence of President Eisenhower and his views on the positive quality of a national social security program had an effect in assuaging opposition from members of Congress, especially those Republicans who had previously argued against any extension of the social security programs.

At least as important as this change in attitude among Congressional members, however, was the introduction into the disability freeze bill of features far less objectionable to potential critics than those in the 1952 bill. As in the 1952 bill, the new proposal for a disability freeze simply sought to provide assurance to long-term disabled workers that the requirements for receiving Old-Age Insurance could be fulfilled during their period of disability. There was no provision for the payment of benefits to disabled persons.

However, whereas the previous bill had contained a provision for allowing the Federal Social Security Agency the right to supervise the disability freeze, the new bill proposed that state vocational rehabilitation agencies administer the new program. The House Ways and Means and Senate Finance Committees explained the emphasis on state administration as follows: (1) the states had 34 years of experience in the

field of vocational rehabilitation; (2) state officials understood better the peculiarities of their "occupational terrains" (i.e., the opportunities for employment in a particular area), and (3) the states' proximity to the individual enabled them to judge more accurately whether a particular person was eligible for the disability freeze.<sup>34</sup> Thus, emphasis was placed not only on a decentralized system of administration but also upon the importance of vocational rehabilitation for the disabled. In this manner potential opponents of the measure were able to reconcile the idea of a disability freeze with their strong support for a free enterprise type of economic system based upon individual initiative.<sup>35</sup>

The disability freeze incorporated into the 1954 Social Security Amendments became operative in July 1955. For the purposes of the program, disability was defined as the "inability to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration."<sup>36</sup> In 1955 alone, 57,221 applications for the disability freeze were approved.

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<sup>34</sup>Campbell, p. 96.

<sup>35</sup>Ibid., p. 97.

<sup>36</sup>Charles Schottland, "Social Security Amendments of 1956: A Summary and Legislative History," Social Security Bulletin, 19 (September, 1956), p. 5.

Priority was given to workers over 65 years of age (or within six months of 65 years). While 57 percent of the decisions for allowance of the disability freeze were granted to persons 65 years or older, of the remaining 43 percent, one-half were in the age group 60-64.<sup>37</sup> Thus, the disability freeze, at least initially, was directed toward the elderly workers rather than toward the young and middle-aged workers.

### Institution of Disability Insurance Program

In 1955 members of Congress became concerned over the high costs of the Aid to the Permanently and Totally Disabled (APTD) public assistance program. Expenditures for APTD had risen to \$225 million in 1955 and one-half of this amount was paid to disabled persons under fifty years of age. In order to provide some remedy for these high costs, in 1955 a disability insurance measure was introduced into the House of Representatives as part of the omnibus Social Security amendments bill. The disability provision in the House bill consisted of a recommendation to reduce the age of eligibility for benefits under the social insurance provisions for those disabled from sixty-five to fifty years of age.

The Senate Finance Committee conducted open hearings on the bill in the early months of 1956. A number of interest groups (e.g., the AMA, the U.S. Chamber of Commerce) voiced opposition to the disability insurance features. Their

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<sup>37</sup>Social Security Bulletin, Annual Statistical Supplement, 1955, p. 2.

concern centered upon the possibility that this program would eventually lead to a national health insurance system. After some bargaining in a conference committee over the House and Senate versions of the new program, the bill finally passed in 1956.

With the formal establishment of the Disability Insurance program in July 1957, disability insurance benefits were paid for the first time to persons between the ages of 50 and 65 years who were afflicted with total and permanent disabilities. The new law was implemented in the same manner as the disability freeze of 1954, that is, by state agencies in each of the states. These agencies, or Disability Determining Units, are the principal administrative structures implementing the program. Since these DDU's make the major decisions in determining whether or not a disability claimant will or will not receive benefits, any inquiry into the importance of the states in the decision-making process of the Disability Insurance program must focus on these agencies and their role in determining the percentage of disability allowances for claimants in the states. This analysis will be included in the discussion of the political system variables in Chapter VI.

The method of financing the new Disability Insurance program was similar to that used in the OASI programs, i.e., that of a completely federal funded insurance strategy. (This differed from the old grant-in-aid approach utilized in the

APTD program.) Beginning in 1957, an additional tax (combined employer-employee) of one-half of one percent on wages of employees and of three-eighths of one percent on income of self-employed was imposed to cover the costs of the new program.<sup>38</sup>

Qualifications for the receipt of disability benefits included the following requirements: (1) the person had to be both fully and currently insured under the Old-Age Insurance program; (2) he had to have worked for twenty quarters in covered employment during the forty-quarter period that ended with the quarter in which the disability began; (3) in addition, he had to have a disability that would either result in death or be of long and indefinite duration; and (4) the potential beneficiary had to wait six months before the receipt of benefits, so as to rule out the possibility of temporary disability.<sup>39</sup>

The amount of the monthly benefits was to be the same as the "prime insurance amount," computed as though the worker had become entitled to OASI benefits in the first month of his waiting period. In the OASI programs, a worker who worked in covered employment for a specific length of time received a cash payment upon reaching 65 years of age, based upon his average earnings at the time of his retirement. In regard to the DI program, a worker's disability pay-

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<sup>38</sup>Schottland, p. 5.      <sup>39</sup>Ibid., p. 4.

ment would be calculated on the basis of his earnings at the time of incurring the disability. Unlike the OASI programs, in the Disability Insurance program there was no earnings test, whereby benefits would be suspended because a person's earnings exceeded a specified amount; the definition of disability precluded payment of disability insurance to anyone engaged in substantial gainful activity.<sup>40</sup>

As with the disability freeze legislation, vocational rehabilitation played an important role in the Disability Insurance program. Applicants for disability benefits were to be referred to the state Vocational Rehabilitation Agency for possible rehabilitation therapy, and monthly insurance benefits could be suspended if a beneficiary refused to accept rehabilitation services without good cause.<sup>41</sup>

After the institution of the Disability Insurance program, the disability freeze provisions still remained in effect. They provided disabled persons under 50 years of age an opportunity to have their period of disability counted as part of their worktime requirements for their Old-Age Insurance and possible Disability Insurance benefits, if the disability was permanent and lasted until they reached age 50.<sup>42</sup>

Besides a provision for adult workers between the ages of 50 and 65 who became permanently disabled, the Social

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<sup>40</sup>Ibid., p. 4.

<sup>41</sup>Ibid., p. 4.

<sup>42</sup>Ibid., p. 4.

Security Amendments of 1956 included, within the framework of the Disability Insurance program, a provision for dependent disabled children of a deceased or retired insured worker. This measure provided that if such a child had become totally disabled before reaching age 18, that child would be included in the Disability Insurance program. The same considerations regarding the permanency of the disability and the obligation to accept rehabilitation services were applied here as to the major adult insurance program.<sup>43</sup>

Finally, the initial provisions of the Disability Insurance program required that the amount of benefits paid to a disabled person be reduced by the amount he or she received from any other disability program. This would include benefits from such programs as APTD or any federal or state workmen's compensation programs received because of a claimant's physical or mental impairment.<sup>44</sup>

#### Post-1956 Disability Insurance Amendments

There have been several important amendments to the initial laws instituting the Disability Insurance program in 1956. The 1958 amendment extended disability insurance dependents' benefits to all those persons dependent upon a disabled person, including wives, dependent retired husbands.

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<sup>43</sup>Ibid., p. 5.

<sup>44</sup>Arthur Hess, "Old Age, Survivors, and Disability Insurance: Early Problems and Operations of the Disability Provisions," Social Security Bulletin, 20 (December, 1957), p. 12.



and children disabled prior to 18 years of age. The amendment also eliminated the tax offset provision which required the amount of benefits received from other federal or state disability compensation programs to be deducted from the amount paid under the Disability Insurance program.<sup>45</sup>

In the Social Security Amendments of 1960, there were two important provisions regarding the Disability Insurance program. The first consisted of a measure to abolish the minimum age of 50 years for receipt of disability insurance benefits. Henceforth, disabled workers of any age could receive benefits provided that they met the requirement of having worked twenty quarters in a covered employment and were permanently and totally disabled according to the program's definition of disability. The second major provision of the amendment granted that a disability beneficiary would be allowed a period of 12 months of trial work during which time the benefits or freeze to which he was entitled would be continued. Benefits to a beneficiary who recovered during this period would be continued for two months after the month in which he recovered.<sup>46</sup>

The 1965 Social Security Amendment eliminated the requirement that a worker's disability be expected to be of

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<sup>45</sup>Susan Campbell, p. 100; Congress and the Nation, p. 1288.

<sup>46</sup>Congress and the Nation, p. 1288; William Mitchell, "Social Security Legislation in the 86th Congress," Social Security Bulletin, 23 (November, 1960), p. 3.

"long-continued and indefinite duration." The new law provided that this particular eligibility requirement could be fulfilled if the disability could be expected to result in death, or had continued or could be expected to continue for a continuous period of not less than twelve calendar months.<sup>47</sup> Also in 1965 disability benefits were extended to those persons becoming blind before the age of 31 if they had worked in covered employment for six quarters or for one-half of the time between the age of 21 and the onset of their disability. Prior to this amendment, persons were required to have worked five of the previous ten years before the onset of their blindness.<sup>48</sup>

The 1967 Social Security Amendment extended to all persons disabled before the age of 31 a less stringent insured status requirement. Persons from age 24 to 31 were now required to have 50 percent of the quarters in which they worked from age 21 in covered employment. Persons with an onset of disability before age 24 needed one-half of the quarters from age 21 to 24 in covered employment.<sup>49</sup> Disability

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<sup>47</sup>Wilbur Cohen and Robert Ball, "Social Security Amendments of 1965, Summary and Legislative History," Social Security Bulletin, 28 (September, 1965), p. 14.

<sup>48</sup>Congress and the Nation (1965-1968): A Review of Government and Politics (Washington, D.C.: Congressional Quarterly Service, 1969), p. 759.

<sup>49</sup>Wilbur J. Cohen and Robert M. Ball, "Social Security Amendments of 1967: Summary and Legislative History," Social Security Bulletin, 31 (February, 1968) p. 11.

benefits were extended to blind persons age 55 or older who were not able to work in their previous employment. No substantial gainful activity standard was to be used in the case of this category of claimants.<sup>50</sup>

Also in 1967 disabled widows and disabled dependent widowers became eligible to reduced benefits at age 50; the actual amount of benefits was relative to the age of entitlement, i.e., at age 50, 50 percent of the spouse's primary insurance amount; at age 60, 71.5 percent of the amount; and at age 62, 82.5 percent of the primary insurance amount. Disability for this category of claimants had to occur either before the death of the spouse or within seven years after his/her death.<sup>51</sup>

The 1967 amendment furthermore attempted a clarification of the definition of disability. It noted that disability required that a claimant not be able to engage in substantial gainful activity in any job which exists within the "national economy," which the amendment defined as "work which exists in significant numbers in the region in which he (the claimant) lives or in several regions of the country, but without regard to whether a specific job vacancy exists for him, or whether he would be hired if he had applied for work."<sup>52</sup> Further discussion of the actual effect of this new

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<sup>50</sup>Congress and the Nation (1965-1968), p. 759.

<sup>51</sup>Cohen and Ball, "Social Security Amendments of 1967," pp. 10-11.

<sup>52</sup>Ibid., p. 11.

definition of disability will be presented in Chapter VI, in the analysis of administrative decision-making process.

### Conclusions

This chapter has provided an historical perspective on the development of Social Security legislation, particularly on the institution of the Disability Insurance program. As stressed in the introduction to this thesis, the study of the DI program is to be seen from the perspective of a theory of American federalism. Thus the historical development traced in this chapter must be seen within this context. In the second chapter it was concluded that the American political system is best viewed from the perspective of cooperative federalism. The present chapter illustrates the accuracy of this view of federalism. Even during the Depression and New Deal period, when pressure would have seemingly been greatest for the institution of completely federal welfare programs, the vast majority of the new programs granted the states ample freedom to devise their own policies, albeit within the framework of federal standards. With the creation of the Disability Insurance program in 1956, once again the notion of cooperative federalism manifested itself in legislation which provided for national standards to be created by the federal government but also for the opportunity of state agencies to administer the program within their own jurisdictions. Although the case of cooperation in regard to

the disability program is not so clear as in the typical grant-in-aid programs, nevertheless one can at least hypothesize that there will be points at which negotiated coordination between the federal and state personnel will be necessary for the effective implementation of the program. A detailed analysis of these matters must wait until Chapter VI, where the results of interviews conducted in several states will be analyzed.

Besides the contention that the cooperative theory of American federalism is accurate, it has been argued that political culture plays a major role in the maintenance of an effective system of cooperative federalism. The movement in counterpoint to the individualist and popular sovereignty orientations to American government has helped to preserve a system of cooperative relations between the states and to keep the balance from tipping too far in the direction of either the states or the federal government. Again the historical material dealt with in this chapter illustrates the tension that exists between proponents of limited government and those who favor increased governmental (usually federal) involvement in social welfare and health programs. The significant strengths of both viewpoints also points to an explanation of the continuing cooperative relations of the states and federal government in the formulation and implementation of public policy. With specific reference to the Disability Insurance program, this tension once again

manifested itself in the manner of implementation of the program; that is, the federal government has been allowed to formulate general policy but the states are called upon to administer that policy. Thus, the fact that the American political system is a federal system and the fact that the American system operates within a particular cultural milieu has important consequences for the manner in which public policy decisions are resolved.

C H A P T E R   I V  
IMPACT OF SOCIO-ECONOMIC VARIABLES ON  
THE DISABILITY PROGRAM

Introduction

The preceding chapters dealing with federalism and with the history of the development of the Disability Insurance program have supported the position that, even with the growing importance of the federal government, the states do retain a vital role in our federal system and furthermore that the struggle over the initiation of disability insurance reflects this fact through the establishment of the state Disability Determining Units as the basic decision-making agencies in determining who will receive disability benefits. The analysis will now turn to the impact of selected socio-economic variables on the functioning of the Disability Insurance program in the states, i.e., in terms of the variability in the disability insurance allowance rates among the states. This analysis will be followed in the next two chapters with discussions of the impact of the input and political system variables upon the dependent variable.

Levels of Decision-Making in the  
Disability Program

The common dependent variable to which the socio-

economic, input, and political system variables are to be correlated is the variability in the allowance rates for disability insurance benefits among the states. In order to attain a better understanding of the meaning of allowances (and denials) within the context of the Disability Insurance program, it is useful here to discuss the levels of administrative decision-making at which allowances and denials are made. This will provide a context for further elaboration of the exact meaning of the dependent variable. Analysis of the actual decision-making process within the Disability Determining units in the states will be presented in Chapter VI.<sup>1</sup>

Disability benefit claims are initiated at the federal level in any one of the 800 Social Security District Offices. The function of the District Office is to interview the claimant and to obtain from him the necessary OASDHI earnings data to determine whether there is technical eligibility for disability insurance. Until 1971 the District Office had the further responsibility of obtaining from the claimant and his physician the former's medical records, indicating the nature and extent of the supposed disability. Since then, the state Disability Determining Units (DDU's) have taken over this task of acquiring medical data. This change allows the state agencies to become involved in the claimant's case

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<sup>1</sup>The following analysis has relied heavily upon the work of Robert G. Dixon, Jr., in Social Security and Mass Justice--A Problem in Welfare Adjudication (Praeger Publishers, 1973).



at the very outset of the determination process. At the District Office, approximately fifteen to twenty percent of the claims are denied for technical reasons, such as lack of the sufficient number of quarters in covered employment.<sup>2</sup>

If a claimant is not denied for a technical reason, then a state examiner in the DDU makes a decision on whether or not the claimant is in fact disabled, utilizing federal rules and regulations as guidelines. The standards used in making decisions and the amount of flexibility involved from examiner to examiner or from agency to agency will be discussed in Chapter VI.

Until 1972 all of these initial determinations made by the state DDU's were reviewed by the Bureau of Disability Insurance (BDI), the federal agency in charge of the administration of the DI program. Since that time, BDI policy has been to review only five percent of the cases.<sup>3</sup> Explaining this action, BDI has argued that the five-percent sampling method allows an adequate check on the operations of the state agencies and also for more intensive analysis of the decisions made in the sample survey.<sup>4</sup> Although this may be the case, switching from 100 percent review to five percent review also means that BDI can only question the decisions on a small

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<sup>2</sup>Ibid., p. 26.

<sup>3</sup>Ibid., p. 28.

<sup>4</sup>U.S. Congress, House, Committee on Ways and Means, Disability Insurance Program. Staff Report (Washington, D.C.: Government Printing Office, 1974), p. 28.

percentage of the cases decided by the state agencies, thus giving the DDU's more control over the decisions they make.

Moreover, under both the old and new procedure, BDI must consult with the state DDU's when it considers a denial decision by the latter to be in error, although this is not necessary when BDI concludes that an allowance decision should be reversed. In both cases BDI has the explicit right to review decisions made by the DDU's, but the requirement for consultation in some cases indicates again that the states do not have simply a passive role in the administration of the program.

When a claimant is denied an insurance claim, he has a period of six months in which to request a reconsideration of his case. This reconsideration process is virtually identical to the initial determination outlined above. The reconsideration level of the decision-making process is not prescribed by statute but is authorized by Social Security Administration (SSA) regulations in order to provide a second attempt to correct "erroneous" denials before the hearing examiner level of decision making.<sup>5</sup> During the reconsideration stage, all of the state DDU's decisions are reviewed by BDI. As in the initial consideration stage, BDI must consult with the state administrators if it considers a denial decision by the latter to be in error. Reversals

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<sup>5</sup>Dixon, p. 32.

of previous denial decisions at the initial level is about 30 percent during the reconsideration process.<sup>6</sup>

If upon reconsideration the claimant is once again denied benefits, then the case goes to the Hearing Examiner or Administrative Law Judge, attached to SSA's Bureau of Hearing and Appeals (BHA).<sup>7</sup> At this level the claimant has the right to appear personally, and as in the other two levels of decision-making, has the right to be represented by counsel. New information concerning the claim may be presented. Unlike the reviews at BDI, the hearing examiner may reverse a state agency denial.<sup>8</sup> The rate of reversals of previous denials by the DDU's and BDI is about 53 percent.<sup>9</sup>

If the claimant is denied benefits by the hearing examiner, he may seek a hearing by the Appeals Council, although the Council may deny the claimant's request for review. The Council may review, affirm, modify, or reverse the decision of the hearing examiner.<sup>10</sup>

Unless the claimant commences a civil action in a District Court, the denial decision of the Appeals Council is final. In case the Council does not agree to hear the case, then the decision of the Hearing Examiner is final.<sup>11</sup> Any decision, however, made anywhere in the disability deter-

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<sup>6</sup>Staff Report, p. 32. <sup>7</sup>Dixon, p. 34.

<sup>8</sup>Ibid., p. 36.

<sup>9</sup>Staff Report, p. 32.

<sup>10</sup>Ibid., p. 31.

<sup>11</sup>Dixon, p. 46.

mination process may be reopened for "good cause" (for example, new evidence which would have a bearing on the case) within four years after the final decision. In the case of purported fraud, a case may be reopened at any time.

#### Disability Awards Variability as Dependent Variable

It is within this framework of levels of decision-making that examiners in the DDU's determine whether or not an applicant will receive disability benefits. Although the DDU's are involved in both the initial and reconsideration stages of the process, the disability dependent variable discussed in this study will be confined to the initial determination level. The dependent variable consists of the ratio between awards and denials of disability insurance benefits among the states in 1970. Since the population used for the measurement of awards and that used for the measurement of denials is not identical, a ratio of awards to denials has been presented as the most accurate form of the dependent variable. Although the time frames for the measurement of each aspect of the dependent variable, i.e., the percentage of awards and percentage of denials, are not identical, they closely approximate each other and both fall within the 1970 time frame. For these reasons, it is not technically correct to speak of the percentage of awards or percentage of denials when discussing the dependent variable. However,

because the ratio is symptomatic of a measurement of award and denial percentages, it may be translated into a percentage and will be referred to in this way in the analysis. The data on the variability of disability benefit percentages is derived from an analysis of all the states together and this precludes any discussion of award percentages for any particular state.

In discussing the variability of disability award percentages among the states, it is worth remembering that this is supposedly a federal program in which the state agencies only implement the federal statutes and administrative rules and regulations. The goal of "uniformity" in administrative implementation is one of the major tasks confronting the Bureau of Disability Insurance. Review procedures outlined above, frequent use of memoranda, further specification of rules and regulations, and other attempts to inculcate the purpose and governing regulations of the disability insurance program into the perspective of the disability examiners is a principal function for the federal agency. This type of continuous supervision should point to a situation in which percentages of awards and denials among the states vary only in a minimal way.

The analysis of the variability in the ratio of awards to denials of disability insurance benefits among the states indicates that this assumption is not true. Statistics on awards and denials by state Disability Determining

Units in 1970, issued by BDI and used in this study as a ratio of awards to denials of benefits among the states, shows that the ratios vary from 41 percent to 71 percent among the states, with the mean at 52 percent. (See Appendix to Chapter IV, pp. 97-98.) Thus some states approached a ratio of 41 percent awards to 59 percent denials, while others were closer to a ratio of 71 percent awards to 29 percent denials. These figures indicate quite a large span of variability among the states in providing claimants with disability benefits to which they presumably feel they are entitled. This conclusion is not incongruent with the basic hypothesis of the thesis, however, that the states in fact are able to exert their influence even when administering a completely federally funded program.

#### Identification of Independent Socio-Economic Variables

Having shown that the dependent disability variable does in fact vary to a significant degree among the states, it is now appropriate to begin an analysis of some of the proposed factors which should explain this variation. As suggested in Hypothesis Three on page 3 of Chapter I, it is expected that socio-economic characteristics, which constitute a part of the environment of the political system, have an impact on the variability of disability benefit award percentages among the states. Thirteen socio-economic variables

have been selected for use in this study. The rationale for the selection of each of the variables will be discussed in the next section of this chapter. Table 1 provides a listing of these socio-economic variables. As with the dependent disability variable, the percentages of the socio-economic characteristics refer to the states combined. Correlations between these independent variables and the dependent variable apply to the states as an aggregate and not to any individual state.

Table 1  
Listing of Socio-Economic Variables

1. Median Age	8. % labor force working in Central Business District
2. % 18-65 in labor force	9. % persons using public transportation to go to work
3. % labor force unemployed	10. % population living in the same house as 5 years ago
4. Median years of education of population	11. Mean social security income per family
5. % population with vocational education	12. % people leaving labor force from 1960 to 1970
6. Median family income	13. % of population non-white
7. % foreign born	

In order to simplify the analysis and to give greater focus to the independent variables, socio-economic characteristics of similar type have been grouped into categories. This procedure allows the number of variables to be reduced from thirteen individual variables to eight categories of similar type variables. These categories are listed in Table 2.

Table 2  
Categories of Variables

Category	Variable(s) in Category
1. Age Status	1. Median age (1)
2. Employment Status	2. % 18-65 in labor force (2) % labor force unemployed (3) % leaving labor force (12)
3. Income Status	3. Median family income (6) Mean social security income per family (11)
4. Migration Status	4. % living in same house (10)
5. Race	5. % of population non-white (13)
6. Ethnicity	6. % population foreign born (7)
7. Spatial Status	7. % of persons taking public transportation to work (9)
8. Education	8. % population with vocational training (5)



Hypotheses on Relationships Between SES  
Variables and Disability Rates

In previous studies considering the relationships between socio-economic characteristics and welfare type policies in the states, researchers have usually found a strong correlation between measures of socio-economic development and the level of welfare services. This has been a consistent conclusion of a number of articles and books published on the subject during the last decade or more. It is important to keep in mind, however, that these studies have focused on those programs which award benefits to people on the basis of economic "need," rather with those based upon the insurance principle, in which benefits are awarded to persons who participate in the program and qualify under its regulations.

Research reported by Richard Dawson and James Robinson as early as 1963 provided a corrective to the then predominant view that the type of party system in a state was the primary factor in determining the level of welfare policies in a state.<sup>12</sup> Dawson and Robinson concluded that the socio-economic condition of the states was a greater determinant of the level of welfare policy than such political factors as inter-party competition and voting turnout. The specific socio-economic characteristics that they found to be

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<sup>12</sup>Richard E. Dawson and James A. Robinson, "Inter-Party Competition, Economic Variables, and Welfare Policies in the American States," Journal of Politics, 25 (May, 1963) 265-289.

the most fruitful predictors were measures of the wealth of a state, and the levels of urban and industrial development. This conclusion was supported in a comprehensive study by Thomas Dye, in which he showed that socio-economic environments (including educational level of the state population, as well as the variables used in the Dawson and Robinson study) of state political systems accounted for a higher percentage of the variance among the states in their welfare policies than did any other determinants.<sup>13</sup> Since the publication of Dye's study in 1965, his conclusions have been tempered somewhat by further research of other scholars, but they do tend to substantiate his conclusions about the influence of socio-economic characteristics on the decision-makers within the political system.<sup>14</sup>

In regard to this study, involving a program which does not grant benefits on the basis of economic need but utilizes the criterion of incapacitating disability, one can expect that the relationships between socio-economic characteristics and the rates of disability benefit awards among the states will not simply duplicate the types of relationships discovered in the analysis of welfare programs. Therefore, the categories of independent variables must be

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<sup>13</sup>Thomas R. Dye, Politics, Economics, and the Public (Chicago: Rand McNally, 1966).

<sup>14</sup>Ira Sharkansky and Richard Hofferbert, "Dimensions of State Politics, Economics, and Public Policy," American Political Science Review, 63 (September, 1969) 867-879.

discussed in terms of their likely relationship to the percentage of disability benefit awards, within the context of the design of the Disability Insurance program. The program design must in effect dictate the hypothesis offered in the case of the relationship of a particular socio-economic characteristic with the dependent variable. In this way it will be possible to determine: (1) whether or not socio-economic characteristics as a whole have an impact on the variance of awards of disability insurance among the states; and (2) whether it is only those socio-economic variables which, according to the program design, are permitted to account for variance in the award rates which do in fact explain the variance in the levels of the dependent variable in the various states.

Within the design of the Disability Insurance program, it is expected that ratios of awards to denials of disability benefits will vary among the states according to the social and economic profiles of the particular states. In fact, socio-economic characteristics are supposed to explain all of the variation in the levels of awards and denials of disability benefits among the states. However, not all socio-economic variables are seen as legitimate determinants of benefit variance. Therefore, by means of the selection of socio-economic characteristics which should account for variance and those which should indicate no correlation with the dependent variable, one should be able to determine

whether or not the program is being administered according to the goals of a federal Disability Insurance policy or whether in fact the state decision-makers are being influenced by criteria which are not applicable to this type of program or at least to its explicit design.

However, determining which of the specified socio-economic characteristics are "legitimate" predictors of disability benefits and which are in violation of the program's intent is enormously difficult. This is the case because the original conception of the program, i.e., that an applicant should receive benefits only when it had been medically determined that the disability prevented substantial gainful activity, was altered by the process ultimately utilized to determine who should receive such benefits. For example, as will be noted in more detail in Chapter VI, it is possible for an applicant to receive benefits even if the disability is "equivalent to" those for which benefits are specifically authorized, and if the claimant's education and work history is such that employment is unlikely. The point is that modifications in themselves suggest that benefits could be given to "need" oriented clients even though the disability might not warrant such a decision.

Given this development in the program's operation, three categories of socio-economic characteristics will be established: the first for characteristics which are clearly related to the insurance orientation of the program; the

second, where benefits are given based on characteristics which are not clearly related to the severity of the disability but upon other mitigating circumstances which at least raise questions about their relationship to the insurance orientation of the program; and last, a category of socio-economic characteristics which apparently influence the awarding of benefits even though they are factors which relate to need rather than the severity of the disability.

The age of the applicant is the only variable which fits into the first category. This is because the initial assumption, in line with the design of the Disability Insurance program, is that, as a state's population increases in age, there will be a higher percentage of disability awards to the percentage of denials. The disability program was originally designed to provide benefits to disabled persons between the ages of 50 and 65 years, thus assuming that the older members of the population are more susceptible to disabilities than are the younger. Previous studies focusing on more restricted sample surveys have found that disability recipients tend to fall within the higher age brackets, thus giving added weight to the hypothesis presented here.<sup>15</sup>

The second category of variables consists of education, race, and ethnicity. In regard to education, it is

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<sup>15</sup>Phoebe H. Goff, "Disabled-Worker Beneficiaries under GASDHI: Regional and State Patterns," Social Security Bulletin, 36 (September, 1973), see Table 3, p. 93; and Henry Brehm, "The Disabled on Public Assistance," in Social Security Bulletin, 33, pp. 26-30; see Table 3, p. 93.

assumed that the more educated a state's population, the lower will be the disability benefit award percentage. This is because it is permitted, as already noted, for the DDU examiners to take into consideration the educational level of claimants in those cases in which a claimant's disability is not so severe that he would be granted benefits immediately. A claimant's level of educational background, therefore, may partially determine whether or not he will receive disability benefits. Furthermore, studies conducted prior to this one have shown that disability beneficiaries tend to be persons with lower educational backgrounds.<sup>16</sup> However, these findings do not negate the point that the consideration of educational levels rather than disability severity at least raises the possibility that benefits can be given under such circumstances for applicants who are poorly educated and therefore are unable to find employment given their disability rather than on the basis of the precise nature of the disability.

The last two variables in this second category are race and ethnicity. Previous studies have shown that non-white and other minorities account for a higher percentage of the total number of beneficiaries than their percentage of the

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<sup>16</sup>Brehm, see Table 4, p. 93; and Kathryn H. Allan and Milfred E. Cinsky, "General Characteristics of the Disabled Population," Social Security Bulletin, 35 (August, 1972), pp. 24-37.

population would normally indicate.<sup>17</sup> It could be argued that these characteristics are indeed related to the issue of the nature of a disability since it is most likely the case that these people have a greater tendency to be employed in more physically demanding jobs and therefore have a greater propensity for incurring disabilities. However, it could also be suggested that the issue of an applicant's race or ethnicity results in benefits being awarded on the assumption that, because of the applicant's race or ethnicity, job opportunities will be less likely given the claimed disability. If this is the case, then the issue of need is at least partially present.

Distinct from the first two classifications of variables are the following socio-economic characteristics which, according to the disability program design, should show no relationship with the dependent variable. These variables--spatial status, employment status, income status, and migration status--are used in order to determine the extent to which federal rules, regulations, and other program controls are effective in guiding the actions of the decision-makers in the DDU's.

The special status category includes two distinct components: the percent of persons with their place of work within the central business district and a measurement of

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<sup>17</sup>Phoebe Goff, see Table 3, p. 93; Goff, "Disabled Beneficiary Population, 1957-1966," Social Security Bulletin, 34 (July, 1971), pp. 32-42; see Table 3, p. 93; and Brehm, see Table 3 p. 93.

the availability of public transportation in a person's residential area (i.e., for the purposes of transportation to his place of employment). It is assumed that in areas where there is a higher percentage of people who work within the central business district, there will be a lower percentage of award recipients; and that in areas with more adequate public transportation facilities there will be a negative impact upon the percentage of disability awards. Both aspects of the spatial status category therefore should explain some of the variance in the dependent variable, because they will affect the possibilities of a claimant engaging in substantial gainful activity in his area of residence. Yet, as Chapter VI will suggest, a Congressional amendment to the Social Security Act in 1967 explicitly stated that benefits were not to be given merely because an individual was unable to find employment in the area of his residence. Given this restriction, awarding of benefits on the assumption that a claimant will not be able to find a job in his area of residence runs counter to the expressed design of the disability insurance program.

The employment status category is utilized in order to determine whether or not there is an association between a state's employment situation and the percentage of disability benefit awards to claimants. Since the program under study is an insurance program and not a welfare program based simply upon economic need, there should be no correla-



tion between employment status and the percentage of disability benefit awards among the states. The employment situation in a particular area is not one of the criteria which DDU examiners are supposed to take into consideration in making judgments about the eligibility of claimants for disability benefits.

The income status category can be viewed as another indicator of whether or not the disability program is being administered in the states as an insurance program or as a welfare program based upon economic need. In a welfare type program, it might be plausible to suggest that states with lower levels of median family income probably have a higher percentage of welfare recipients than do states with higher levels of median income. In regard to the Disability Insurance program, however, such reasoning is inappropriate, since the program is entirely federal-funded and administrators are not supposed to take into account in making determinations the income level of the claimants. Any correlation between income status and the percentage of claimants receiving disability awards will, therefore, suggest that administrators are not conforming to the explicit design of the disability program.

Migration status, consisting of the percentage of people 18-64 years of age who have participated in interstate, intra-state, or inter-county migration from 1965 to 1970, is the final variable within the classification of

variable which should not relate to the dependent variable. Migration may be considered a function of unemployment, rather than of unemployability because of disability. It is assumed that there will be a greater tendency for people who move about to be unfamiliar with the job situation in their particular area of residence and therefore to use a disability impairment as an opportunity to benefit from some type of unemployment compensation.

#### Impact of Socio-Economic Variables on the Disability Award Rates

Having presented the hypotheses concerning each of the categories of variables, it is now possible to proceed to the analysis of the effect of the socio-economic characteristics on the percentage of benefit awards to claimants among the states. The analysis here has utilized the statistical technique of multiple regression. This procedure allows one to measure the combined effect of a number of independent variables on a dependent variable.<sup>18</sup> The closeness of association between the independent and dependent variables can be indicated by the multiple-correlation coefficient ( $R$ ). It is, however, more useful to report the square of the multiple-correlation coefficient ( $R^2$ ) which is referred to as the coefficient of multiple determination. It indicates the percentage of the variance in the dependent

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<sup>18</sup>Dennis Palumbo, Statistics in Political and Behavioral Science (New York: Appleton-Century-Crofts, 1969), p. 210.

variable explained by the combined effect of the independent variables.<sup>19</sup>

When the socio-economic characteristics are correlated with the dependent variable, the results indicate that the thirteen independent variables explain 64 percent of the variance in the dependent variable. Although this is a substantial percentage of the variance in the level of disability award rates among the states, it is less than one might expect since the program was intentionally designed to preclude any determinants of variation except socio-economic factors. Consequently, it would appear that other unknown factors have entered into the picture. The possibility that input characteristics and aspects of the political system itself have an impact on the administration of the program will be explored in Chapters V and VI of this thesis.

When the significant variables were divided into the three categories according to their theoretical relationships with dependent variable, the following results were obtained. Median age was the only variable eligible for the first category, which consisted of any variable which, according to the design of the Disability Insurance program, was permitted to influence the awarding of disability benefits. The correlation in this case did not prove to be statistically significant, and so no conclusion about the impact of the age variable can be presented.

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<sup>19</sup>Ibid., p. 214.

In the second category of variables, those which manifested an ambiguous relationship to the dependent variable, all three of the variables proved to be significant. They are listed in Table 3, together with the amount of variance in the dependent variable which each one explains. The ethnicity variable is the most important predictor, explaining ten percent of the variance in the award percentages among the states. The second variable listed in the table is education, which adds five percent to the total variance explained. Race is the third variable, which adds an additional three percent to the variance explained and brings the total to 18 percent. These findings at least suggest that there are ambiguities in the administration of the Disability Insurance program in the states, since these socio-economic variables have been hypothesized to be at least potentially of a type which should not manifest any correlation with the dependent variable.

Table 3  
Significant Variables in Category Two

Variable	$R^2$
Ethnicity	10%
Education	5%
Race	3%
Total	18%

More conclusive findings are available from the analysis of the third category of socio-economic characteristics and their impact upon the variance in the disability benefit award rates in the states. All four of the variables in this category proved to be statistically significant and they are listed in Table 4. As the table indicates, migration status is by far the most important predictor, alone explaining 28 percent of the variance in the benefit award percentages among the states. Also of prime importance is the employment status variable which accounts for an additional 12 percent of the variance in the dependent variable. Finally, income status and spatial status contribute three percent to the total explained variance of 46 percent for the variables in this third category. Even more than with the variables in the second category, the results of these correlations must be judged within the context of the disability program design, which indicates the effect that any particular variable should have upon the benefit award levels among the states. From this perspective, one comes to the rather surprising conclusion that nearly two-thirds of the variance explained by the socio-economic variables (46 out of 64 percent) is accounted for by the socio-economic characteristics in this third category which should, theoretically, show no correlations with the levels of awards and denials of disability benefits. As was indicated in the hypotheses for each of these variables, the expressed purpose of the Disability

Insurance program, in regard to its administrative implementation, was to eliminate the possibility that factors such as migration status and employment status would influence the decisions of state DDU administrators in making allowance and denial determinations. These findings bolster the conclusions of the analysis in regard to the second category of variables and, furthermore, compound the inadequacy of any conclusion that socio-economic characteristics alone can explain the variance among the states in the levels of awards and denials of disability insurance benefits.

Table 4  
Significant Variables in Category Three

Variable	R <sup>2</sup>
Migration Status	28%
Employment Status	12%
Income Status	5%
Spatial Status	3%
Total	46%

The conclusions to be drawn from the above analysis must be tentative. Because of the design of the disability program and the complex of federal statutes, rules, and regulations instituted to insure that the states administer the program along strict federal guidelines, the percentage of variance in the award/denial rates among the states

explained by the socio-economic variables is too low. Furthermore, many of the variables which, according to the design of the program, should not have had an impact upon the variance in the dependent variable, in fact did manifest sometimes strong correlations with levels of disability awards among the states. Obviously, the number of socio-economic characteristics used in this study was limited, and therefore no rigid conclusions should be inferred from the analysis. However, the possible independence of the state DDU administrators from the strict federal guidelines set down for the administration of the program, as evidenced by the findings presented in this chapter, points to the appropriateness of considering the impact of input and political system characteristics upon the disability insurance benefit award levels among the states. This will be the task of the following two chapters.

Appendix to Chapter IV

Further explanation of the nature and method of acquisition of the data constituting the dependent variable is appropriate. Data on the awards and denial rates of disability benefits of the state Disability Determining Units (DDU's) was provided by the Bureau of Disability Insurance (BDI) of the Social Security Administration. This data was transformed into ratios of awards to denials of disability benefits for each of the states, and the variance among the states in these ratios from 41 percent to 71 percent is discussed in the text. The variations of ratios among the states can be seen more clearly by listing the various percentages together with the number of states which manifested a particular ratio of awards to denials of disability benefits:

<u>Percentage</u>	<u>No. of States</u>	<u>Percentage</u>	<u>No. of States</u>
41%	1	54%	3
44%	1	56%	1
47%	3	57%	8
48%	1	58%	3
49%	4	60%	2
50%	11	61%	1
51%	2	62%	2
52%	3	66%	1
53%	2	71%	1

In order to confirm the accuracy of the data constituting the dependent variable for this study, one might refer to Staff Report of the House Committee on Ways and Means on the Dis-



ability Insurance program.<sup>20</sup> In this report, data is presented on the denial rates of the state DDU's for the years from 1966 to 1973. (Tables 41 and 42, pp. 223-224.) For 1970, the average rate of denials was 44.7 percent, with the range extending from 28 percent to 60 percent. (Table 43, pp. 225-226.) This complements the average award rate of 52 percent presented here, thus indicating that the statistics in both studies tend to confirm one another. Incidentally, the ranges of percentages of denial rates for 1967 to 1973 listed in the House study show wide variations in these rates over a period of several years, thus indicating that the data for 1970 is by no means representative of an aberration in the behavior of the DDU administrators.

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<sup>20</sup>Staff Report.

C H A P T E R   V  
INPUT VARIABLES AND VARIABILITY  
IN DISABILITY AWARDS

Introduction

The results of the analysis of the relationship of selected socio-economic characteristics and the variance in the level of disability insurance benefit awards among the states indicated that these environmental variables were not able to account for the total variance in the dependent variable. Although as a whole they explain 64 percent of the variance in the award/denial ratios, a significant percentage of the variance is left unexplained. Furthermore, individual socio-economic characteristics which contributed to this percentage of explained variance did not manifest relationships with the dependent variable that could be considered appropriate given the design of the program and the supposedly passive role of the state DDU examiners within it.

In order to ascertain other sources of explanation for the variance in the disability awards, the analysis shall follow the theoretical outline of the systems model discussed in Chapter 1 and focus next upon the "input" characteristics as potential explanatory variables. As explained in the

earlier discussion of the systems model, inputs represent the demands and supports being transmitted from the environments of the political system into the system itself. The level and intensity of inputs vary from state to state and among the multifarious contending groups within each of the states. Moreover, the resources available to decision-makers within the political systems are normally scarce, and this necessitates responding in an unequal manner to the demands placed upon the decision-makers. This dynamic tension of demands and responses, with the results depending in large measure upon the structure of the input characteristics and the resources of the political decision-makers, justifies the assumption that input characteristics will have some impact upon the variance in the disability insurance benefit awards among the states. Only a "neutral relationship," one in which speculation on the positive or negative direction of the relationship is not appropriate, can be expected in this case, however. In a program such as Disability Insurance, in which active state political involvement is considerably less than in the variety of welfare programs, input characteristics cannot be reasonably hypothesized to be so closely associated with the levels of disability benefit awards as to enable one to propose that the former will determine the specific directional movement of the latter.

Hypotheses on Relationships Between Input  
Variables and Disability Program

With these theoretical points in mind, the discussion will turn to an elaboration of the specific input variables selected for use in this study. The first of the variables to be considered is inter-party competition in the states. This variable measures the extent to which there are two equally matched political parties in a state, each of which has an opportunity of being elected as a majority to the available offices in the legislative and executive branches.<sup>1</sup> The theoretical assumption underlying the formation and use of this variable by political scientists within the system's framework is that the responsiveness of a state political system will be conditioned in part by the likelihood that political officials in one party will be replaced by those in another if the former representatives are not responsive to the demands of the public which they represent.

The importance of this assumption in stimulating scholars to explore the relationships between degrees of inter-party competition and types of public policy produced by the political system can hardly be exaggerated. For the purposes of this study, however, it is sufficient to review the discussion of researchers on the association between inter-party competition and the welfare policy formulated in a

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<sup>1</sup>Austin Ranney, "Parties in State Politics," in Herbert Jacob and Kenneth Vines, eds., Politics in the American States, 2nd. ed. (Boston: Little, Brown, and Co., 1971), 82-121.

state political system. There has been considerable debate among scholars over the extent of the direct effect of inter-party competition on public policy in general and welfare policy in particular. The earlier studies of these relationships were conducted by such students of American political parties as V.O. Key, and many of his former students, including Duane Lockard and John Fenton. In a major study of Southern Politics,<sup>2</sup> Key found that those states which had bifactional one-party systems were more likely than states with multifactional party systems to pursue more "liberal" welfare-type policies. Later, Lockard, in his study of New England State Politics,<sup>3</sup> found that those states with two-party systems (e.g., Massachusetts, Connecticut, and Rhode Island) instituted more liberal welfare policies than did states with one-party systems, such as Maine, New Hampshire, and Vermont. These scholars concluded from their studies that inter-party competition was a primary cause of the higher level of public policy outputs in the states.

In 1966 Thomas Dye produced the most comprehensive challenge to the older interpretation of the role of inter-party competition in state politics. Dye, in a study of the relationships between socio-economic characteristics, political

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<sup>2</sup>V. O. Key, Jr., Southern Politics in State and Nation (New York: Knopf, 1951), see especially pp. 298-314.

<sup>3</sup>Duane Lockard, New England State Politics (Princeton: Princeton University Press, 1959).

input and system variables, and policy outputs, concluded that input variables such as inter-party competition did not have an independent effect upon policy. He argued that socio-economic characteristics were the primary determinants and that the effects of political inputs were negligible.<sup>4</sup> Although Dye has repeated his conclusions in a later study,<sup>5</sup> other scholars have found that his conclusions needed to be modified. Two major efforts in this regard were published by John Fenton, in People and Parties in Politics,<sup>6</sup> and by Ira Sharkansky and Richard Hofferbert.<sup>7</sup> Both of these studies concluded that inter-party competition indeed did have a substantial effect upon the level of public policy in general and welfare policy in particular.

In regard to the expected relationship between inter-party competition and the variance in the levels of disability insurance benefits among the states, the hypothesis (see Hypothesis Four on page 3, Chapter I) is that there will be a correlation between the two variables which will indicate that inter-party competition is able to account for

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<sup>4</sup>Thomas R. Dye, Politics, Economics, and the Public (Chicago: Rand McNally, 1966).

<sup>5</sup>Thomas R. Dye, Understanding Public Policy (Englewood Cliffs, New Jersey: Prentice-Hall, 1972), Chapter 11.

<sup>6</sup>John H. Fenton, People and Parties in Politics (Glenview, Ill.: Scott, Foresman and Co., 1966).

<sup>7</sup>Ira Sharkansky and Richard Hofferbert, "Dimensions of State Politics, Economics, and Public Policy," American Political Science Review, 63 (September, 1969), 867-879, esp. 877.

some of the variance in the award levels. That there should be any relationship at all runs contrary to the policy design for the disability program, but the specific associations discovered in the previous chapter lead one to expect that other variables besides socio-economic ones could have an impact upon the variance in the levels of disability benefit awards.

The second input variable selected for this study is voter turnout. This variable represents the percentage of eligible voters who participate in state-wide elections. For the purposes of this study, state-wide elections will refer only to elections for the governors of the states. It is logical to assume that states with higher levels of voter turnout have a greater percentage of citizens with interest in political activity and a willingness to express their wants and needs. Higher levels of political input activity place greater demands upon the political system decision-makers to respond favorably to the desires of those participating. As in the case of inter-party competition, there has been a debate among political scientists over importance of voter turnout as a direct determinant of particular levels of policies among the states. The major proponents of each side of the discussion are the same. Thomas Dye, in two major studies, concluded that the importance of voter turnout as an independent variable is minimal when compared to the overwhelming effect of socio-economic characteristics.<sup>8</sup>

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<sup>8</sup>See esp. Dye, Understanding Public Policy, pp. 254-257.

However, Sharkansky and Hofferbert found in their study that high voter participation was one of the most important "political factors" in determining the level of welfare spending in the states.<sup>9</sup> Furthermore, Fry and Winter, in a study of the determinants of redistribution policies in the states, concluded that political participation was strongly associated with policies which address themselves to the wants and needs of the lower income classes.<sup>10</sup>

With the results of these studies in mind, one might hypothesize (see Hypothesis Five on page 4, Chapter I) that there will be an explanatory relationship between the levels of voting turnout in the states and the variance of disability benefit awards among the states. Any significant correlation between these two variables will provide more evidence of the impact of the states in the administration of this federal program and support the findings in the previous chapter that state DDU decision-makers do not simply follow the regulations of the program in a passive manner.

The strength of interest groups in the states constitutes the third input variable for this analysis. In modern, urban-industrial societies, interest groups have been one of the principal means for the articulation of demands by those people who feel that the political system should respond

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<sup>9</sup>Sharkansky and Hofferbert, p. 877.

<sup>10</sup>Brian Fry and Richard Winters, "The Politics of Redistribution," American Political Science Review, 64 (June, 1970), 508-522.



to their needs. The number, strength, and amount of activity by interest groups differs from state to state. Harmon Zeigler and Hendrik van Dalen concluded from their study of interest group systems in the states that the strength of these groups seemed to be inversely correlated to the degree of inter-party competition in the states and also to the socio-economic status of the states.<sup>11</sup> Thus, states with stronger interest groups tend to have one-party systems and lower levels of urbanization, industrialization, and per capita income. This conclusion serves to indicate that states whose system of party competition is not adequate for the articulation of needs of the various groups within the states have developed more complex and active interest group systems to compensate for the lack of competition among the parties.

In regard to the present study, it is hypothesized (see Hypothesis Six on page 4, Chapter I) that variance in the strength of interest groups in the states will act, in analogous fashion to the two other input variables discussed above, as an explanatory factor in accounting for the variance in the disability benefit awards dependent variable.

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<sup>11</sup>Harmon Zeigler and Hendrik van Dalen, "Interest Groups in the States," in Jacob and Vines, pp. 122-160, esp. p. 127; and Lewis Froman, "Some Effects of Interest Group Strength in State Politics," American Political Science Review, 60 (December, 1966), 952-962.

## Impact of Input Variables on Disability Program

The analysis of the relationships between the input characteristics and the dependent disability insurance benefit awards variable follows the same statistical procedures specified in Chapter IV. They include the use of the multiple regression technique to produce the coefficient of multiple determination ( $R^2$ ) which indicates the percentage of the variance in the dependent variable explained by either a single independent variable or a set of them.

The results of the statistical analysis indicates that two of the three input variables do show a moderate explanatory association with the dependent variable, but also that no more than tentative conclusions can be drawn from these correlations.

Table 5 indicates that there is a low to moderate association between two of the input variables and the variance in the percentage of disability awards among the states. Voting turnout proved to be the most useful variable in explaining the variance in levels of disability insurance awards granted to claimants by the DDU's in the states. The interest groups variable indicates a relatively weak association with the dependent variable and thus allows for only tenuous inferences about its predictive value. The inter-party competition variable showed no statistically significant correlation with the dependent variable.

Table 5  
Input Variables and DI Benefit  
Awards Association

Variable	$R^2$
Inter-party Competition	-----
Voting turnout	10%
Interest groups	4%
Total	14%

It is not really surprising that voting turnout should prove to be the most suggestive variable. It is less remote than the other input characteristics in indicating a potential direct influence upon the variance in the percentages of benefit awards among the states. Voting turnout represents a more direct measure of the participation of citizens and their predisposition to express their wants and needs through the input channels into the political system.

Although the three input variables together explain only 14 percent of the variance in the disability benefit awards variable, the results still appear to be rather significant. In the first place, it should be noted that the Disability Insurance program is not a welfare program. In the latter, state decision makers actually have a primary role in formulating policy and establishing the rules and

regulations for the program. In the disability program, federal governmental officials are responsible for making the rules and overseeing the administration of the program by the state DDU's. Therefore, in this type of situation, there can be no hypothesis of direct cause and effect relationships between any of the input variables and the variance in levels of disability insurance benefit awards. One can expect only that these independent variables will have an indirect association with the dependent variable, and that they will provide "climates" which may be conducive to varying levels of disability benefit awards to claimants.

It seems fair to conclude that the percentages of the variance explained by two of the three input variables tends to indicate that the hypotheses presented in this chapter are correct. The input characteristics help to account for a significant percentage of the variance in the disability variable which was not explained by the socio-economic characteristics. Furthermore, the results give greater credence to the hypothesis that the states do have a substantial role to play in the determination of the mode of administration of this federal program. The following chapter, which will include a discussion of the impact of political system characteristics upon the variance in the percentages of disability benefit awards among the states, will afford a greater opportunity to ascertain the role of the states in a completely federal program and thus to pro-

vide a better understanding of the reality of federalism  
in practice in the United States.

C H A P T E R   V I  
THE POLITICAL SYSTEM AND DISABILITY  
AWARD VARIABILITY

General System Characteristics  
and Award Variability

In the preceding four chapters, the analysis has centered upon either the environmental conditions or input factors which were considered likely to have an effect on the operation of the Disability Insurance program in the states. In this chapter the focus shifts to a consideration of the role of the state political systems in general and the DDU's within the state administrative structure in particular in explaining the variance in the percentage of benefit awards to claimants. As noted in Chapter III, the DDU's perform the function of implementing the Disability Insurance program on the state level and making the actual decisions about who will receive awards of disability benefits.

In the discussion of the systems model in Chapter I, the analysis pointed out that the key decisions concerning the "allocation of values" for a society are made by actors within the political system. Their actions are conditioned by the environments within which they operate and by the inputs emerging from the environments into the political

system. Responses to the multitude of demands made upon the political system decision-makers are made within the context of the limited resources available. The principal task of this chapter will be to examine the effects of actions by decision-makers within the DDU's, in regard to their impact as explanatory variables, on the variance in the levels of awards and denials of disability insurance benefits to claimants. This analysis will be prefaced, however, by a discussion of specific characteristics of three general political system institutions--the legislature, executive, and administrative--which might have a predictive relationship to the variance in the dependent variable. As with the input variables discussed in the previous chapter, only a "neutral relationship" can be hypothesized to exist between the political system variables and the variance in the percentage of disability benefit awards in the states. Again, the nature of the Disability Insurance program precludes any reasonable assumption that general political system characteristics can determine a specific level of percentage of disability benefit awards, since the states do not play an active role in the program as they do in the multifarious welfare programs. However, in the discussion of the impact of the state DDU administrators on the dependent variable, reasons for specific levels in the award percentages among the states will be suggested. In this case, the relationship between the DDU's and the disability insurance benefit award variability is

direct, and speculation about cause and effect associations in terms of specific directions of movement between the two sets of variables is pertinent.

The discussion in Chapter II and III showed that the states participate in a system of cooperative federalism which insures them a fundamental role in the formulation and implementation of public policy. Analysis of the research of scholars such as Morton Grodzins and Daniel Elazar indicated that at the center of the relationships of the state and federal political systems is the notion of "negotiated coordination" or the principle of bargaining in order to arrive at a particular policy acceptable to both federal and state political system actors. The history of the development of the social security programs in general and the Disability Insurance program in particular has illustrated this relationship by showing the ability of the states to acquire basic decision-making roles in the implementation of the particular programs, especially Disability Insurance. The analysis of the explanatory impact of the socio-economic and input variables on the variance in the percentages of disability awards among the states has given even greater credence to the conclusions of Elazar and others that the states in fact continue to exert a major influence on both the formulation and implementation of federal and state policies.

Therefore, it is appropriate now to consider what



characteristics of the state political system institutions might be most useful as explanatory variables of the variance in the disability insurance benefit awards among the states. It is suggested here that the relevant quality, possessed to some degree by the legislatures, executives, and administrative institutions of all of the state political systems, is professionalism. Thus three political system variables may be labelled variously as legislative professionalism, gubernatorial professionalism (effectiveness), and administrative professionalism. It may be argued further that a fourth variable, political innovation, is germane here, and it shall be used as a further indication of the professional quality of state political systems.

Legislative professionalism was developed as a variable in the analysis of comparative state legislatures by John G. Grumm. He explicated this category by the use of the following attributes: members and committees well-staffed; informational services available when needed; legislators well-paid, work full-time, and regard their roles as professional.<sup>1</sup> Neither with this variable nor with any of the other three professional political system variables discussed below is there any suggestion of a direct cause and effect

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<sup>1</sup>John G. Grumm, "The Effects of Legislative Structure on Legislative Performance," in Richard Hofferbert and Ira Sharkansky, State and Urban Politics: Readings in Comparative Public Policy (Boston: Little, Brown, and Co., 1971), pp. 298-322, esp. p. 309; and The Citizens Conference on State Legislatures, State Legislatures: An Evaluation of Their Effectiveness (New York: Praeger Publishers, 1971).

relationship between the independent variables and the variance in the percentage of awards of disability benefits among the states. It is hypothesized only that there will be an association between each of the independent variables and the dependent variable strong enough to indicate that the former serve an explanatory function in regard to the variance in the dependent disability award benefit variable. Therefore, in the case of the legislative professionalism variable, it is hypothesized (see Hypothesis Seven-a on page 4, Chapter I) that professionalism in the legislative institutions of the state political systems will account for some of the variance in the disability awards among the states.

Gubernatorial effectiveness, the second political system variable selected for this study, was formulated by Joseph Schlesinger in order to determine the relative position of the governors in their administrative-political relationships with the other major institutions of the state political systems. Schlesinger measured various aspects of the formal powers of the governor, such as tenure potential, appointive powers, budget powers, and veto powers.<sup>2</sup> These various aspects of the governor's power indicate the degree of effectiveness that he possesses in his relationships with the administrative and legislative institutions with which

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<sup>2</sup>Joseph Schlesinger, "The Politics of the Executive," in Jacob and Vines, pp. 210-237; and Thad Beyle and J. Oliver Williams, The American Governor in Behavioral Perspective (New York: Harper and Row, 1972).

he must deal. In regard to this study, it is hypothesized (see Hypothesis Seven-b on page 4, Chapter I) that gubernatorial effectiveness will be correlated with variance in disability benefit award levels among the states and will thus act as an indirect determinant of variability in award rates.

Administrative professionalism, the third political system variable, has been operationalized by Ira Sharkansky. He has designed a measurement for administrative professionalism within state administrative organizations. Sharkansky argues that the quality of professionalism is attributable to administrators who have had "advanced training in their fields of specialization," who have "an active concern to stay abreast of the latest developments," and who have a "desire to implement the most advanced level of service available."<sup>3</sup> Since, as Sharkansky argues, no really adequate measurements for administrative professionalism exist presently, salaries of top personnel in the administrative organization and average salaries and fringe benefits for all state employees were used as indicators of professionalism among state administrators.<sup>4</sup>

Applying the notion of administrative professionalism to the present study, one may hypothesize (see Hypothesis Seven-c on page 5, Chapter I) that the professional quality of state administrative structures will have an explanatory

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<sup>3</sup>Ira Sharkansky, "State Administrators in the Political Process," in Jacob and Vines, p. 261.

<sup>4</sup>ibid. p. 262.

impact on the variance in the percentages of disability benefit awards among the states. One might even suggest that there should be a greater closeness of association between the two variables than could be expected from the legislative professionalism and gubernatorial effectiveness variables. The Disability Determination Units (DDU's) are of course a part of the state administrative organization and therefore are presumably more sensitive to attributes of the administrative part of the state political system.

The fourth and last of the general political system variables is political innovation. This particular variable was developed by Jack Walker, who sought to measure the "relative speed with which states adopt new programs."<sup>5</sup> Hence, Walker has focused upon the length of time that it takes states to adopt programs which have been established either at the federal level or by one of the state governments. Although not identical with any of the professionalism indices discussed above, it is fair to assume that there is a close affinity between states with high scores on these measures of professionalism and those states which are more innovative in adopting new programs. Therefore, one may hypothesize (see Hypothesis Seven-d, on page 5, Chapter I) that political innovation will act in analogous fashion to the other professionalism indices as an explanatory factor

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<sup>5</sup>Jack L. Walker, "The Diffusion of Innovation among the American States," American Political Science Review, 63 (September, 1969), p. 881

of the variance of disability benefit awards among the states.

With these hypotheses in mind, it is possible now to proceed to a summary of the results of the statistical analysis. Table 6 indicates that the political system variables relating to the general professional stature of the state governmental institutions were quite fruitful in accounting for variance in the levels of disability benefit awards among the states. As shown in the Table below, administrative professionalism proved to be the most significant variable, explaining 16 percent of the variance in the benefit awards variable. This variable was followed by the gubernatorial effectiveness and political innovation indices, which accounted for 7 percent and 6 percent respectively of the variance in the dependent variable.

Table 6  
Political System Variables and  
DI Benefit Awards Association

Variable	$R^2$
Administrative Professionalism	16%
Gubernatorial Effectiveness	7%
Innovation	6%
Legislative Professionalism	---
Total	29%

The legislative professionalism measure did not report a statistically significant correlation. It is interesting to note that the two institutions closest to the operation of the DDU's represented by the administrative professionalism and gubernatorial effectiveness variables, accounted for the bulk of the variance explained by these political system characteristics. Furthermore, a moderately strong coefficient of determination ( $R^2$ ) of 29 percent clearly points to the existence of other factors than socio-economic characteristics in explaining the variance of disability insurance benefit awards among the states. Although the input variables discussed in Chapter V hinted at this conclusion, the political system characteristics discussed in this section of the present chapter have added substantial evidence in support of this view.

The results of the statistical analysis presented here do allow one to conclude tentatively that certain state political system characteristics do indeed account for some of the variance in the levels of disability award rates. However, more conclusive evidence for the correctness of the hypothesis can only be obtained by examining the decision-making process within the Disability Determining Units themselves. Since it is within these state agencies that the actual decisions about whether or not to allow a claimant disability benefits are made, one would expect that the most useful explanatory determinants of the variance in

benefit award percentages among the states would be found there. Ascertaining the validity of this hypothesis will be the task of the next section of this chapter.

#### The DDU's and DI Benefit Awards among the States

Having examined the impact of selected socio-economic, input, and political system variables upon the variability in the benefit award rates among the states, it is now appropriate to consider the role of the Disability Determining Units themselves in accounting for the variance among the states in the implementation of the program. Since the administrators in the DDU's are the key decision-makers in the initial and reconsideration stages of the disability determination process, it is likely that their attitudes and actions will have a major effect upon the variance in the levels of awards and denials among the states. Although the quasi-independent action of the administrators implied by this hypothesis runs contrary to the established goals of the Disability Insurance program, evidence from the previous analysis of the explanatory impact of environmental, input, and general political system characteristics points to the actions of DDU examiners and directors as further explanations for the variability in the disability program among the states.

The information, upon which the following analysis

is based, was obtained through a series of interviews at six state DDU offices and three federal regional disability insurance offices. State DDU directors, supervisors, and whenever possible examiners themselves, were interviewed in the state agencies. In each of the Regional offices, the representative of the Social Security Administration in charge of the Disability Insurance program in a particular region of the country was interviewed. Interviews took place at the DDU's in Massachusetts, Vermont, Connecticut, Wisconsin, Oakland (a sub-state regional office of the California state DDU), and Louisiana. The regional representatives were interviewed in Boston, Chicago, San Francisco and Baton Rouge.<sup>6</sup> Although these interviews actually constitute a series of case studies from which any generalizations must be tentative, care has been taken in selecting states not only in various regions of the country, but also with significant variations in the ratios of awards to denials of disability benefits.

In order to determine the extent to which the attitude and actions of disability examiners, supervisors, or DDU directors have an impact upon the variance in the levels of awards and denials in the disability program, it is neces-

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<sup>6</sup>The Dallas Regional Representative was present during the interviews with the DDU administrators in Baton Rouge. The interviews with the DDU officials and the regional representatives were conducted by Professor Irving Howards of the Department of Political Science of the University of Massachusetts. This writer was present at all of the interviews within the New England area.



sary to examine in some detail the actual disability determination process as it occurs in each of the DDU's. Through this examination it is hoped that factors pointing to subjectivity in decision-making by state DDU administrators will be revealed. This process of disability evaluation is referred to here as the "sequential analysis" and consists of a series of stages of decision-making in which disability claimants are judged as to their eligibility for benefits. The sequential analysis moves from cases of clear-cut disability toward those in which more judgment on the part of examiners is needed. As Robert Dixon explains, "the tests are successive in the sense that they set forth a progression from 'hardcore' disability to 'borderline' disability, and a determiner cannot reach a conclusion to deny a claim until he has considered all the tests."<sup>7</sup>

The first stage of the sequential analysis consists of an objective medical determination of the purported disability of the claimant. Examiners rely upon the physician's diagnosis of the physical or mental impairment of the claimant. Thereupon, they consult the Handbook for Physicians<sup>8</sup> in order to determine whether a claimant's disability "fits"

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<sup>7</sup>Robert G. Dixon, Jr., Social Security and Mass Justice--A Problem in Welfare Adjudication (New York: Praeger Publishers, 1973), p. 54.

<sup>8</sup>U. S. Department of Health, Education, and Welfare, Social Security Administration, Disability Evaluation under Social Security: A Handbook for Physicians (Washington, D. C.: Government Printing Office, 1970).

any of the categories of disability listed in the schedule of impairments. If a claimant's disability is listed in this schedule, then disability benefits are awarded without inquiring further into the residual work capacity of the applicant or his potential ability to overcome his disability.

Persons interviewed in the DDU's agreed that this stage of the sequential analysis is a straightforward determination of whether a claimant meets the listings in terms of a specific disability or impairment. The element of judgment on the part of the examiners is negligible in these cases, which constitute approximately ten percent of the total number of disability insurance claims processed through the DDU agencies.

The second stage in the sequential analysis centers on a determination of whether or not a claimant's disability, failing to meet the listings in the Handbook, will nevertheless conform to the "spirit" of those disability categories. This involves a judgment as to whether a multiple number of disability impairments of a claimant equal a category stipulated in the listings. Although not an area where great evaluation is called for, the examiners nevertheless have to decide what an "equivalent" set of disabilities is and whether or not to consult a physician in any particular case to obtain expert medical advice. Several DDU administrators interviewed claimed that only minimal judgments are made in this category of cases by the examiners. Some sug-

gested, however, that the meaning of "equivalent" does in fact introduce the possibility of varying interpretations. These people also mentioned the problem of determining the "residual functional capacity" of the claimant to engage in "substantial gainful activity," in those cases in which the particular disability does not automatically place one under a medical listing where benefits are granted immediately.

Although these two concepts will be discussed in greater detail in the examination of the third stage of the sequential analysis, essentially the problem concerns the determination of the ability of the claimants to perform jobs that would allow them to earn a basic living wage. Examiners must determine whether or not a claimant has a disability which, although it does not meet the medical listings prescribed in the Handbook, precludes him from participating in employment sufficient to provide him with a minimum wage.

One regional representative admitted that "considerable judgment" is required in determining whether the educational level of a claimant is adequate for him to engage in substantial gainful activity, even in those cases falling within this second stage of the sequential analysis. Furthermore, an interviewee in one of the DDU's stated that this stage of the decision-making process is "largely judgmental," mainly because the meaning of the term "equivalent" is judg-

mental. This same response was elicited from members of at least one other DDU, who suggested that the "equal to" phrasing led to "considerable judgment" on the part of disability insurance examiners. Finally, persons interviewed in some DDU's remarked that the problem of determining whether or not a claimant can perform substantial gainful activity has become a focus of attention even in this stage of the decision-making process.

That these concerns should be mentioned in discussion this stage of the sequential analysis with respondents in the DDU's is somewhat surprising since many other administrators argued that this aspect of the decision-making process is free of any major judgments on the part of the examiners. This controversy of opinion in most of the DDU's where administrators were interviewed suggests that administrative regulations themselves cannot preclude administrators from making judgmental decisions where criteria such as "residual functional capacity" and "substantial gainful activity," which cannot be rigidly defined, are involved.

The role of the medical consultants in this stage of the sequential analysis sheds further light upon the difficult duties of the examiners in this area of decision-making. In at least one of the DDU's, one of the supervisors pointed to the problem of the attitude of the medical consultants to allowances of benefits. This respondent

argued that doctors defined disability in terms of their own private practice and were not sufficiently concerned with specific regulations of the disability program. Furthermore, a medical consultant in one DDU argued that, among doctors, there are "allowance specialists" and "denial specialists," thus indicating the reality of interpretation and judgment among the physicians themselves in regard to the disabling effects of particular impairments. Although the examiners themselves make the final decisions within the DDU's, varieties of interpretations from the medical consultants can only add to the amount of judgment already present at this particular stage in the decision-making analysis.

The evidence of subjective judgment in this strictly medical phase of disability determination process encourages one to proceed to the third stage of the sequential analysis. Claimants who are not able to meet the listings directly or through equivalent impairments, but who nevertheless have a "moderately severe" disability fall within this category, which consists of 60 to 70 percent of the cases. Although the principal criterion for evaluating the eligibility of the applicant's claim remains the severity of the disability, the examiner cannot rely upon the listings in the Handbook or a judgment that multiple impairments are equivalent to a particular category in the listings. Rather, the concepts of "residual functional capacity" and "substantial functional activity" mentioned above play major roles as criteria for evaluation.

Unfortunately, the central notion of "substantial gainful activity" has a history of definitional ambiguity and this is reflected in the diverse interpretations of this concept by the DDU state administrators. A short digression to outline the principal areas of controversy will therefore be appropriate. The ability to engage in substantial gainful activity was originally intended to assist disability examiners in determining whether or not claimants' impairments were severe enough to be considered eligible for disability insurance. Although the Handbook for Physicians was also available to assist examiners, the percentage of the cases falling within the first two stages of the sequential analysis was continually under 30 percent of the total number. Substantial gainful activity (SGA) required not only that a claimant's medical impairment prevent him from working in his previous job, but also that it prevent him from performing satisfactorily in other types of employment. Thus, persons who were able to acquire other skills or persons who were unemployed simply because of the socio-economic conditions in their residential areas and not because of a physical or mental impairment were precluded from receiving disability benefits.

In the early 1960s, however, the courts reviewing appeals of claimants who were denied disability benefits became dissatisfied with the precision of the definition of SGA. In 1960, Judge Friendly declared in the case of Kerner v. Flemming that disability determination "requires resolu-

tion of two issues--(1) what can applicant do, and (2) what employment opportunities are there for a man who can do only what applicant can do. Mere theoretical ability to engage in substantial gainful activity is not enough if no reasonable opportunity for this is available."<sup>9</sup> Thereafter, greater emphasis was placed on the types of jobs in the economy which the claimant could perform in the reports of disability determining examiners. This did not include, however, reference to specific jobs in the economy that were available at the particular time for the claimant.

As a corrolary to this problem, the issue of the geographical area in which employment opportunities had to be available arose. In 1961, for example, in the case of Butler v. Flemming, the court ruled that employment should be available within the "general area where the claimant lives."<sup>10</sup> The issue was supposedly resolved in the 1967 Congressional amendments to the Social Security Act, in which it is stated that a claimant can be considered disabled

Only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any

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<sup>9</sup>Kerner v. Flemming, 283 F. 2d 916 (2d Cir., 1960), quoted in Staff Report of Committee on Ways and Means of the U. S. House of Representatives on "The Disability Insurance Program" (Washington: U. S. Government Printing Office, 1974), pp. 46-47.

<sup>10</sup>Butler v. Flemming, 288 F. 2d 591 (5th Cir., 1961), quoted in Staff Report, p. 49.

kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied to work.<sup>11</sup>

Although this is a fairly tight definition of SGA, the qualifiers of age, education, and previous work experience do leave room for interpretation by the state disability examiners. Furthermore, it allows the state administrators to use their judgment in determining whether or not a claimant has sufficient "residual functional capacity" to perform in certain types of employment. As was pointed out in the discussion of the second stage of the sequential analysis, these particular criteria necessarily require the examiner to make judgments about awards or denials even in those cases where medical criteria are presumably the principal determinants.

It is in the third stage of the decision-making process, however, that evidence is most readily available to illustrate the impact that disability examiners may have upon the variability in the percentages of disability insurance awards among the states. Administrators interviewed generally admitted that residual skills of the claimant, his age, and educational background constitute the principal criteria in determining whether or not a person applying for disability benefits can engage in substantial gainful activity.

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<sup>11</sup>Staff Report, p. 49.



In the process of determining the residual functional capacity of a claimant, the state DDU agencies vary considerably in their use of vocational rehabilitation facilities which might provide valuable consultations in particular cases. In one state, for example, the DDU has a full-time vocational expert who is able to assist the disability adjudicator. Moreover, difficult decisions in regard to determining residual functional capacity are sent to a Vocational Evaluation Center (a private, non-governmental agency) where a claimant can be evaluated on the basis of tasks that he is able to perform. In one other state, on the other hand, the DDU administrators make their own decisions solely on the basis of their own judgment of the merits of the cases. Speaking of the state DDU's within his jurisdiction, one regional representative stated that there are real problems with the notions of "significant impairment" and "residual functional capacity," and that some state DDU agencies allow under almost any circumstances, regardless of the abilities of the claimants.

Although residual functional capacity does have an important role in the determination of a claimant's eligibility for benefits, the principal criterion in this third stage of the sequential analysis remains the ability of an applicant to engage in substantial gainful activity. The attempt of the Congress in the 1967 Amendments to the Social Security Act to give a final precise definition to

this concept has apparently not succeeded. There was a consensus among the DDU administrators interviewed that the attempt to use the national economy as a standard for the determination of the availability of substantial gainful work has not proved successful. Nearly all of them agreed that this particular rule is simply not realistic and consequently, is not followed in making decisions. A director of a DDU noted that the national economy standard is of "no consequence" and that only opportunities for employment in the immediate region are relevant to the DDU decision-makers in his state. One regional representative went even further than this and contended that the "area of the state where the applicant resides" is the appropriate geographic area to consider in determining the availability of substantial gainful employment for a claimant.

There were exceptions to this lenient attitude, however, as in the case of one DDU director, who apparently decided to interpret the statute literally and thus insisted upon denying claimants' benefits if substantial gainful activity for which they are suited is available in their region or in the national economy in general. He argued that the disability program is essentially an insurance program and not simply a "social welfare" type program. Interviews in another DDU elicited a difference of opinion among two of the administrators on this issue. One insisted upon using the "national economy" standard and denying claims to those

persons for whom jobs are available somewhere in the country, while the other argued that "concern about his state" dictated a policy in which the conditions in the claimant's own state would be taken into consideration. This difference of opinion among administrators interviewed suggests that the state agencies have the opportunities to transform the rules and regulations of the disability program when they do not consider them to be applicable in a "realistic" way to the facts of the situation in their own states.<sup>12</sup>

Regardless of the geographic area involved, the disability examiners must still decide whether there is substantial gainful work available which the claimant can perform. To assist the examiner, the Directory of Occupational Titles (DOT), which lists the types of jobs theoretically present in a particular state or region, is available for the adjudicator's use. Opinions of the respondents differ, however, on the usefulness of the DOT as a realistic indicator of the availability of substantial gainful work in a particular region, and on its proper place among the criteria for determining whether claimants should receive disability insurance. The varying attitudes of the administrators interviewed on this subject can be illustrated by discussing the views of two DDU administrators in the same agency. One

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<sup>12</sup>For a comprehensive study of the problem of administrative discretion in regard to rules and regulations, cf. Henry J. Friendly, The Federal Administrative Agencies (Cambridge, Mass.: Harvard University Press, 1962).

examiner insisted that, although the "national economy" standard is being ignored, the DOT manual is followed very closely in determining whether there are jobs available which a claimant with a particular level of residual functional capacity can perform. He explained that if the listings included jobs which a claimant can theoretically perform, then this constituted proof that opportunities for SGA are available. This particular perspective was echoed in other DDU agencies, but wide variance among the states in levels of awards and denials and the fact that such socioeconomic variables as employment status and ethnicity account for a portion of the variance in the dependent variable, lead one to question the accuracy of this view.

An interview with a supervisor in that same agency elicited the conclusion from the respondent that there is "extreme discretionary power" in the hands of the examiners. He stressed that he instructs his examiners to ascertain the feasibility of a disability claimant obtaining a job in competition with a non-disabled person. Furthermore, he stated that examiners have to empathize with the employers doing the hiring of disabled persons and try to determine the realistic prospects of the claimant being hired. This supervisor felt that benefits should be given in borderline situations, because the job of the examiner is to serve the claimant while still working within the framework of rules and regulations of the program. As this supervisor phrased

it: "Is it really feasible for this person (i.e., a disability insurance claimant) to compete with an average person applying for a job?" His answer was that it is probably not reasonable and therefore a certain amount of flexibility is needed.

This type of attitude is also discerned in the responses of a number of other administrators interviewed. The Director of one DDU, for example, emphasized the importance of transferrable skills in a "practical" sense, i.e., the reasonableness of a particular person (of particular age, educational background, etc.) finding another job, given the types of employment opportunities available. One regional representative noted the example of a claimant with a "significant impairment" who was 55 years of age with six years of education, and not able to transfer his skills. He stated that this type of claimant would receive benefits, even though there might be "theoretical" jobs listed in the DOT which the claimant could perform.

This latitude in interpreting the statutes prescribing the rules and regulations for the implementation of the program was certainly not the intention of the legislators. It is clear from the preceding discussion that strict guidelines do not preclude the state DDU administrators from allowing their own subjective judgments to dictate the operative standards that will be utilized in determining the eligibility of claimants to disability benefits, especially in the third stage of the sequential analysis where medical

considerations are not the only principal criteria. These findings, however, do support the principal hypothesis of this thesis, that the states, and in particular the state political systems, do play an active role in guiding the implementation of this totally federally funded program, even if this means giving personal interpretation to some of the regulations to make them conform to what, in the judgment of individual DDU administrators, is the most practical solution to problem areas within their respective states.

The search for reasons to explain this variability in the administrative implementation of the Disability Insurance program is not exhausted by demonstrating the flexibility of regulations as applied by the examiners. This situation merely sets the context in which other causal factors, more directly related to the state DDU administrators, may operate. As stated in the hypotheses at the beginning of the thesis (see Hypothesis Seven-e on page 5, Chapter I), it is expected that the degree of professionalism of the administrators in the state DDU's will partially explain the variability in the percentage of benefit award rates among the states. In this particular case, professionalism was further analyzed into factors such as background and qualification of examiners and length of service of examiners within the DDU's.

The DDU director himself determines the method of

recruitment for examiners in each of the states. Qualifications required of new examiners vary from state to state. In one DDU, for example, examiners must have earned a B. A. degree and have three to five years of experience in related fields. Respondents indicated that only a "few" of the examiners are selected from civil service lists, i.e., by way of the merit system. Newspaper ads and unemployment security offices seem to be the principal means of recruiting new examiners in this particular state. One supervisor in this particular DDU indicated that his examiners were largely teachers, clergymen, and social workers.

Another DDU director indicated that common sense experience of "learning from the world of experience" was much more important than formal education for this particular type of job that examiners perform. Although the required experience in his agency at one time was a B. A. degree and two years of experience, presently it consists of possessing a high school diploma and six years of experience, two of which are in the DDU itself. The director noted that in this manner clerical staff can be appointed to positions of examiners if they are qualified.

At the other extreme of the spectrum is at least one DDU, where examiners must have earned not only a B. A. degree in behavioral or related science, but also must attain a M. A. degree within three years of their appointment. Furthermore, this DDU operates completely within the state

merit system, and all of its selections are approved by the State Department of Education, the controlling unit of the DDU.

Finally, in the Mid-West, only one state requires that administrators possess an M. A. degree, and then only in the case of supervisors of examiners. In one instance, there exists a "career candidate entry system" through which candidates with qualifications for potential jobs as examiners are selected. The criteria for screening candidates, however, are stipulated by the director of the DDU.

This state by state fluctuation in the manner of selection and in the prescribed qualifications for new examiners may account for some of the variation among the states in the percentages of disability insurance benefit awards. It is interesting to note in this regard that disability award levels for three states show an inverse relationship to the level of professionalism of the DDU examiners, determined on the basis of their manner of selection and qualifications at the time of hiring. One state, with comparatively low educational standards for examiners, has the highest allowance rate of the three states, whereas another, with the strictest qualifications has the lowest award rates. The third state is in the middle both in terms of award levels and the level of qualifications for new examiners.

Together with the variables of qualifications and



means of selection of examiners, the length of experience of the typical examiner in a DDU may be an important causal factor in explaining the variance in disability award rates among the states. For example, the director of one DDU stated that his staff consisted primarily of "trainees," that he had no "trained" adjudicators and had not had any in the past. This rather amateurish operation may well be a reason for the comparatively high percentage of disability awards given in this state. Likewise, in another state with high disability award rates, examiners were said to be "mostly inexperienced," i.e., with one year or less of experience in the DDU. (Qualifications for examiners in this particular state consist of having a B. A. degree, with no practical experience necessary.) One regional representative suggested that states vary in award rates in part because of the length of experience of examiners in the DDU's. He noted that about 60 percent of the examiners in his region have less than one year of experience on the job and argued that this is likely to influence the kinds of determinations rendered by examiners.

The age and social attitudes of examiners are further factors which may have a bearing on the kinds of judgments made by disability examiners in the DDU's. One DDU administrator suggested that many of the younger examiners are more aware of such phenomena as the "black liberation movement" and the problems of "poverty" and are therefore more likely

to be quite liberal in decisions to allow disability benefits to claimants. One of the examiners in another DDU admitted taking into account questions of ethnicity and race when determining whether a claimant with a "significant impairment" can perform substantial gainful activity.

Although all of these responses of administrators interviewed concerning the qualifications, experience, and attitudes of disability insurance examiners are fragmentary at best, they do afford one the opportunity to see the importance of the DDU administrator in the actual implementation of the Disability Insurance program. The state DDU agencies do differ in the degree of professionalization of their operations, and it is reasonable to conclude that this variability accounts for some of the differences in the percentages of disability insurance benefit awards among the states.

The bulk of the above analysis of the role of the DDU's in the administrative implementation of the program has centered on the decision-making process, and on the importance of the examiners in determining the types of decisions made in terms of awards and denials of disability benefits. It is appropriate now, however, to set this analysis in the context of a discussion of the DDU's within the federal-state administrative structure in which they function. Because of the manner of the implementation of the Disability Insurance program, the DDU's find themselves in a rather ambiguous

position, administering a federal program but situated within a state administrative structure. Although, as one regional representative emphasized, the federal offices "maintain their interest in every conceivable way," there is a necessary element of negotiation since "appropriate supervision" over the DDU's must be tempered with sensitivity to the viewpoint of the states. He commented further that the "states are not our branch offices" and that the administrative arrangements between the federal and state agencies "is an awkward system." This "awkward system" is of course in actuality the phenomenon of cooperative federalism and the following problem areas will be discussed in this context.

The most significant points of controversy in regard to the position of the DDU's are those of personnel and budgetary policy in the agencies and relationships between the DDU's and the vocational rehabilitation offices to which the former are normally subordinated in the state administrative structures. The principal problem areas of personnel policy are those of the number, salaries, and classification status of persons working in the DDU's. Each aspect of this particular area of policy manifests the active role of the states in the implementation of a federal policy within a cooperative federal system.

The maintenance of or increase in the number of personnel in a DDU is a function of the need to stabilize or to expand the program in the states in order to provide adequate

services to claimants. The policy decisions in terms of new personnel are made by the federal authorities; but, because the DDU's function within state administrative networks, the state legislatures and executives must approve any proposals for new personnel. According to persons interviewed within the DDU's, the states do not automatically assent to the wishes of the federal or DDU administrators. Decisions to contravene the plans of the federal Bureau of Disability Insurance (BDI) or a regional office to expand the program in a particular state are made, even though no costs were to be incurred by the states, since the program is completely federally funded. One DDU director, for example, noted that his state vetoed the authorization by the regional office of an administrative assistant, determining that it was an unnecessary addition of personnel. Administrators in another DDU stated that the major problems they encountered in their relations with the state governments were precisely in this area of the acquisition of new personnel and replacement of retired personnel. A DDU director remarked that the "political climate" of a state can influence the attitudes of legislators and governors in instituting personnel ceilings which will affect the size of the DI program in a particular state.

Two other aspects of personnel policy include salaries and classification status of personnel in the DDU's. Here the presence of the states is even more pronounced,

since the federal administrators have virtually no voice in these kinds of decisions. Opinions among the administrators interviewed differed over the extent of the problems in this area. Some claimed that they were non-existent, and others complained that, although they were part of a federal program, their salaries and classification status were completely determined by the states and that as a consequence they were not equal to their federal counterparts.

Closely associated with the problems of personnel policy are those of budgetary policy. Here again, one finds a situation in which the federal authorities may propose a level of spending in the DDU's, but in which the states have an opportunity to decide whether or not to approve the requests. States which have instituted "austerity" measures may include budgetary items of the DDU's within their attempts to control spending. In terms of the operations of the DDU's, the states can control the salaries of the personnel, the total amount of money available for salaries (thus determining the number of personnel that a DDU will have at any particular time), and also funds available for equipment and other expenditures essential to the operation of the DDU's. Furthermore, budgetary procedures must be followed according to state regulations, such as "line-item" budgeting; thus a state may delete a particular item if it so chooses, even though it does not have to appropriate any of the funds for the DDU budget.

One of the potentially most controversial aspects of the relationships of the DDU's with the states concerns the former's relationships with the Vocational Rehabilitation agencies to which they are normally subordinated in the state administrative structure. Complaints from those administrators interviewed focus upon the faulty understandings of vocational rehabilitation people concerning the purposes and regulations of the Disability Insurance program. One DDU director, for example, stated that his office is "buried" under state agencies and people who do not understand the responsibilities of the DDU. He noted that his agency is subordinated to the Division of Vocational Rehabilitation, the Department of Social and Rehabilitation Services, and the Human Services Agency. In another case, the administrative organization is such that the DDU is subordinated to the Division of Vocational Rehabilitation, which in turn is part of the State Department of Education. As the director of this DDU explained, the Vocational Rehabilitation office is "so much larger than the DDU, they are overwhelmed," and furthermore the vocational rehabilitation people do not understand the mission of the DDU. In the opinion of this DDU director, his agency is considered a "step child" under the control of the parent state agency.

These areas of controversy, emanating from the fact that the DDU's are situated within state administrative structures, tend to support the previous analysis concerning

the role of the DDU examiners in explaining variance in the percentage of disability benefit awards to claimants. The individual states do have opportunities to affect the mode of operation of the Disability Insurance program within their jurisdictions.

### Summary

The discussion in this chapter has demonstrated the fruitfulness of the systems framework as an analytical model at an important juncture in the analysis, i.e., in determining the impact of the general political system institutions and the role of the DDU administrators on the variability in the percentage of disability benefit awards among the states. Following the conclusions of others that notions such as "partnership" and "negotiated coordination" were descriptive of the relationships between state and federal political systems in implementing public policies, it seemed appropriate to hypothesize that state political systems would exert an influence upon the disability awards dependent variable. It was suggested that the most relevant quality in each of the major political institutions discussed here, legislative, executive, and administrative, seemed to be professionalism. Political innovation was added as a fourth variable, another indicator of professionalism in state political systems.

The analysis indicated that these general political

system variables were quite useful in accounting for variance in the levels of disability benefit awards among the states. The total variance explained by these variables was 29 percent, with administrative professionalism alone accounting for 16 percent of this variance. It was followed by gubernatorial effectiveness (7 percent) and political innovation (6 percent). The legislative professionalism variable did not prove to be statistically significant. These results showed that professionalism in the administrative and executive institutions of the state political systems; those nearest the actual operations of the DDU's, were most significant in explaining the variance in the dependent variable.

The statistical analysis was given substantial support by the case studies of the operations of several state Disability Determining Units (DDU's), by way of interviews with DDU personnel and regional representatives of the federal Bureau of Disability Insurance (BDI). An analysis of the decision-making process in the DDU's, the so-called "sequential analysis," indicated that legislative amendments, and administrative rules and regulations do not preclude state DDU administrators using their own judgment in deciding disability benefit award cases. In those instances where medical factors are not the sole determinant of an award or denial decision, the DDU examiners do indeed interpret the regulations and apply them to particular cases. In order to determine whether a claimant can engage in sub-



stantial gainful activity, the examiners have to determine the "residual functional capacity" of the claimant, and to decide, on the basis of the claimant's age, educational background, and his previous work experience, whether or not he is presently employable.

In this decision-making process, the statutory and administrative rules function as a context within which the administrator must operate, but they do not preclude him from selectively applying the regulations when he thinks that the situation demands it. In regard to the 1967 amendment to the Social Security Act, indicating explicitly that the "national economy" was to be the area in which substantial gainful activity should be sought for a claimant, many administrators have simply refused to look beyond their own states in ascertaining whether or not there is employment available which a claimant could perform. Furthermore, the Directory of Occupational Titles (DOT), the guide to the jobs which are theoretically available in a state, in many instances has not been used by DDU examiners because it is not considered a realistic indicator of the availability of jobs which a claimant could really perform or for which he would be realistically employable.

When reasons were sought to explain the existence of these rather flexible operating standards for determining whether or not claimants would be granted disability benefits, the major explanatory variable again seemed to be profession-

alism. Moreover, it was discovered that the background and qualification of examiners and length of service of examiners within the DDU's varied sufficiently to suggest that professionalism was directly related to the specific percentages of disability benefit awards in the states. There was also some evidence to indicate that age and social attitudes of the DDU administrators may have an impact upon the types of decisions made. Although these findings point to a situation which clearly differs from the intended mode of operation of the program, it is nevertheless congruent with the theoretical formulations of Grodzins and Elazar on the nature of the federal operation in the United States. That their notions of "partnership" and "negotiated coordination" apply even in this completely federally funded program is further evident from the discussion of the relationships of the DDU's with the state political systems. In the areas of personnel policy, budgetary matters, and relationships with the state Vocational Rehabilitation Agencies, to which the DDU's are usually subordinated in the state administrative organizations, the presence of the states as a factor in the mode of operation of the program was evident. Thus, the findings presented in this chapter have tended to confirm and reinforce the conclusions from Chapters II through V, that the states do play an active role in the American federal system even in policy areas where their involvement might not be

initially expected.<sup>13</sup>

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<sup>13</sup>On the problems encountered by federal agencies in regulating the activities of state administrative agencies, cf. Herbert Kaufman, Administrative Feedback (Washington, D. C.: The Brookings Institution).

C H A P T E R   V I I  
S U M M A R Y   A N D   C O N C L U S I O N S

The purpose of this thesis has been to study the operation of the Disability Insurance program within the context of American federalism. Since this program is completely federal-funded and one in which the states do not have a primary role in formulating substantive policy, as they do in the more typical grant-in-aid programs, this study has provided an opportunity to investigate the role of the states in a policy area in which their principal function is simply the administration of the program, with the major policy decisions, administrative rules and regulations having been formulated at the federal level. The purpose of the disability insurance policy has been to provide insurance benefits to claimants who qualify under the provisions of the program and, as a corollary to this, to insure that the program is administered in a uniform manner among the states. It was assumed that variance in the percentages of claimants granted insurance benefits among the states would be minimal and be related only to whether or not they met the explicit standards of the program in regard to severity of disability and unemployability because of minimal "residual functional capacity" to engage in "substantive gainful activity."

An important feature of this program, in terms of its administrative framework, is the fact that state administrative agencies, the Disability Determining Units (DDU's), have a key role in its implementation. It is the administrators within these agencies who make the actual decisions concerning who will receive disability benefits. This study proceeded from the assumption that this arrangement has resulted in an extension of state influence over the Disability Insurance program far beyond the original intentions of the policy makers who established this program and, indeed, in spite of the efforts of federal administrators to maintain a uniform program.

In order to determine the validity of this assumption, a number of hypotheses were advanced to be tested by the analysis in Chapters Two through Five. These hypotheses included references to the proposed importance of the federal system in which the states function as semi-autonomous polities, playing active roles in the formulation and implementation of most major policies; to the history of the development of the Social Security programs in general and to the Disability Insurance program in particular as illustrations of the impact of the states; to the socio-economic environments of the state political systems; to the input and political system characteristics themselves; and finally to the role of the DDU's in the implementation of the Disability Insurance program. All of these variables

were considered to be potential factors in pointing to the impact of the states on the administration of this particular policy.

In order to present this material in a coherent manner, a suitable analytical framework had to be selected. After discussing a number of potentially useful models, the systems framework was chosen, since it seemed to be the most fruitful in terms of comprehensiveness, permitting the above-mentioned hypotheses to be categorized in terms of environmental, input, and political system characteristics which might have an impact upon the actual implementation of the program. The socio-economic, input, and political system variables were discussed in Chapters Four, Five and Six respectively. This analysis was prefaced, however, by two chapters devoted to a discussion of the environmental context of federalism in theory and in practice, using the development of the Disability Insurance program as a case-study.

One of the most significant aspects of the political system in the United States is its federal character, exemplified in multifaceted negotiated coordination that constitutes the basic element of any federal political system. During the past two decades, political scientists have worked to develop a theory of federalism in operation, moving away from the older, more legalistic perspective that tended to focus upon the dual nature of the federal and state political systems. This either-or conception of levels

of government, in which the federal and state governments did not both operate in any single policy area but confined themselves to different areas of endeavor, had proven to be unsatisfactory. Scholars such as Morton Grodzins and Daniel Elazar suggested a more flexible theory of the operation of the federal system, one that would take into consideration the points of contact and the overlapping of functions of the federal and state political systems. According to this theory of overlapping functions, the state and federal political systems undertake few major programs that do not involve the other as an active partner at least in the formulation of the policy and usually also in the actual implementation of the programs.

Within this framework one of the major purposes of research has been that of elucidating the role of the states in the primarily federal programs and the federal government in the state programs. The third chapter of the thesis, on the development of the Social Security grant-in-aid and insurance programs in general and the Disability Insurance program in particular, afforded ample opportunity to illustrate the validity of the hypotheses of Grodzins, Elazar, and others. A common denominator in the administration of most of these programs was the impact of the states in obtaining active roles for themselves in their implementation. This applied with special effect to the establishment of the Disability Insurance program in 1957. Although the federal

Bureau of Disability Insurance (within the Social Security Administration) was charged with creating the network of administrative rules and regulations and other enforcement controls to insure uniformity in the administration of the program, state administrative agencies (i.e., the Disability Determining Units) were assigned the duties of making the actual decisions about who would receive disability benefits.

Viewed through the perspective of the systems framework, the discussion of the nature of the federal system and the history of the background of the development of the Disability Insurance program could serve as a context within which to insert the analysis of the more immediate influences on the variance in the implementation of the program among the states. This federal context is very important, however, and it functions as a crucial environmental influence on the actual operations of the state political systems. This became more clear in the analysis of the impact of the political system, and in particular of the DDU's, on the variance in the disability program among the states in Chapter Six.

In Chapters Four through Six, the analysis followed closely the systems analytical framework, using its central categories of "environment," "inputs," "political system," and "outputs" to order the presentation of the findings. Before proceeding with the analysis of the varying impacts of the socio-economic, input, and political system variables,



however, it became necessary to specify more clearly the actual content of the dependent variable. It was defined as the ratio between the awards and denials of disability insurance benefits among the states in 1970 or, more simply, the percentages of benefit awards among the states for that year.

Given the explicit goals of the Disability Insurance program and the complex means for review of state DDU's decisions, it was certainly not evident a priori that there was great variation among the states in the manner of the implementation of the program. To be sure, the analysis of federalism and the history of the development of the disability program had given some indication that this might well be the case. However, more specific evidence was needed to establish that there was indeed a legitimate output "variable" existent.

Statistics on the award and denial rates of state DDU's for 1970 confirmed the assumption about the existence of wide variance from state to state. For that year, according to the figures issued by the Bureau of Disability Insurance (BDI), the ratio of awards to denials varied from 41 percent to 71 percent among the states, with the mean at 52 percent. The accuracy of these statistics was confirmed by those presented in a Staff Report of the House Committee on Ways and Means on the Disability Insurance Program, which indicated that for 1970, the range of disability benefit

denials was from 28 percent to 60 percent, with the mean at 44.7 percent, thus complementing rather well the statistics derived from BDI on the variance in the award rates among the states. These figures were sufficient to indicate that variance indeed did exist in the implementation of the disability insurance program among the states.

Following the outline of the systems framework, the analysis turned first of all to a number of socio-economic environmental variables in order to discover some of the causes for the discrepancy between the explicit goals of the program and its actual operation. Theoretically, it was assumed, some socio-economic characteristics might be the primary causal factors in explaining the variance in the dependent variable. Variables such as per capita income, level of industrial development, and level of urbanization had proven to be fruitful predictors of levels of welfare expenditures among the states. In the case of the Disability Insurance program, however, the peculiar design of the program with its principal criterion of incapacitating disability had to be used in determining how the specific socio-economic variables should be categorized in terms of their relationships to the variance in the percentages of disability benefit awards among the states. This proved to be rather complicated since, in the course of the development of the program, medically determined disability as the principal criterion had been supplemented by an "equivalent to"

criterion and by such factors as education and work experience if those prevented a claimant from pursuing "substantial gainful activity." These additional criteria suggested the possibility that benefits might be given occasionally on the basis of "need," even though a disability might not be so severe as to warrant an allowance decision. Therefore, in using socio-economic characteristics as one of the probable primary causal factors in determining the level of benefit awards among the states, the purpose was both to determine whether these types of variables did in fact account for any variance and further to ascertain what specific characteristics would have the most impact upon the dependent variable.

The results of this analysis gave substantial evidence to support the assumption about the active role of the states in this program. When the socio-economic characteristics were correlated with the dependent disability variable, the findings indicated that they explained (statistically) 64 percent of the variance in the levels of disability benefit awards among the states. Although this was a substantial portion of the variance in the dependent variable, it was considerably less than one could have legitimately expected, since the disability program was intentionally designed to preclude any determinants other than socio-economic factors from influencing the attempt at a uniform administration of the program among the states. This finding opened up still further the possibility that other factors, such as "input"

characteristics, political system characteristics, or the DDU's themselves, were having a decisive impact on the variance of disability benefit allowances among the states.

Even more important than the specific amount of variance explained, however, were findings concerning the types of variables which contributed most to this 64 percent explanatory variance. When the variables were classified according to their expected relationships to the dependent variable, three main categories were proposed: (1) for variables which should show relationships with the disability award variable; (2) for variables about which there was some discrepancy in according them "legitimate" status in being associated with the percentage of awards among the states; and (3) for variables which definitely should manifest no relationships to the dependent variable.

The results of the analysis determined that the major proportion of the variance explained was contributed by the third category of socio-economic variables--migration status, employment status, income status, and spatial status, those which should have indicated no relationship with the dependent disability benefit awards variable. They accounted for 46 percent of the 64 percent of the variance explained by the socio-economic characteristics. Migration status and employment status were most significant, explaining 28 percent and 12 percent of the variance respectively. These findings reduced even further any expectations about discovering uniformity in the implementation of the disability program and

also about its being administered solely as an insurance program rather than, at least in part, as a "needs" program similar to the typical (i.e., before the establishment of the SSI programs in 1974) welfare-oriented programs.

Partial confirmation of these conclusions was presented through the analysis of the variables in the second category, ethnicity, education, and race, which had an ambiguous relationship to the dependent variable. They contributed 18 percent to the total explained variance, with ethnicity (10 percent) being the predominant contributor. It must be remembered that there is a certain ambiguity concerning the legitimacy of the relationships between these socio-economic characteristics and the variance in the percentages of disability benefit awards. Even if one were to grant, however, that they should correlate without question with the dependent variable, the percentage of the variance which they explained would not lessen the impact of those variables in the third category which definitely should not have had an impact on the awarding of allowances, according to the program design. The only variable which was classified in the first category, median age of the population, proved ironically to be statistically insignificant.

Following the systems framework, it was appropriate to focus next upon the "input" characteristics as potential explanatory variables. Since inputs represent demand and supports being brought into the political system from the

environment and thus necessitating responses from the system decision-makers within the limits of the resources available to them, it was assumed that input characteristics would have some impact upon the variance of the disability benefit award rates among the states. The three input variables selected for this study were inter-party competition, voting turnout, and interest group strength in the states. Together they explained 14 percent of the variance in the disability award rates, with voting turnout contributing 10 percent and the interest group variable four percent of the total variance. The inter-party competition variable was not statistically significant. As stated in the analysis in Chapter V, the predominant impact of the voting turnout variable was a logical outcome, since it is less remote than the other two variables in representing a direct measure of the participation of citizens and their predispositions to express their wants and needs through the input channels into the political system.

The results of the input analysis pointed with greater sureness to the importance of the states in ascertaining the reasons for the wide variance in the disability allowance levels. Even though the variance explained by the input characteristics is relatively small (14 percent) and no direct cause and effect associations with the dependent variable were hypothesized, it seemed appropriate nevertheless to speak of "climates" provided by the input

characteristics which might be conducive to varying levels of disability benefit awards among the states. Combined with the conclusions gleaned from the analysis of socioeconomic variables in Chapter Four, the findings in this chapter gave greater credence to the hypothesis that the states do play a substantial role in determining how this federal program will be administered within their jurisdictions.

The sixth chapter of the thesis shifted the analysis to the state political systems themselves, and to the DDU's within the state administrative structures in particular, in order to focus more directly upon those structures which were deemed likely to have a decisive impact upon the variance in the granting of disability benefit allowances among the states. Both the theoretical systems framework and the conclusions of political scientists on the nature of the American federal system pointed to the importance of the political system actors in making those decisions which "allocate values" for the whole society.

Moreover, the previous analysis in the thesis had consistently pointed to the possibility of state, and in particular state-administrative, influence on the implementation of the program. The second chapter suggested that the major premise of recent research on the federal system was that "partnership" and "negotiated coordination" were the fundamental, essential qualities of American federalism.

The validity of these conclusions was illustrated in the historical developmental analysis of the Disability Insurance program, in which it was shown that the states did indeed have some impact upon the decisions relating to the formulation and implementation of the program. The analysis in Chapter IV was crucial to the evaluation of the primary hypothesis (i.e., that the states do indeed have an impact on the implementation of this federal-funded program), since there was a theoretical possibility that certain socio-economic characteristics might have "legitimately," i.e., within the framework of the program design, accounted for all the variance in the benefit allowance rates among the states. This did not prove to be the case, however, and those socio-economic variables which were the most powerful predictors were in fact those which should have had no impact upon the dependent variable. Furthermore, this finding suggested the possibility that the states were making their impact upon the program by transforming it, in at least some instances, into a "needs" program in which the principal criterion, medical disability, would be supplemented by economic need. The input variable analysis once again substantiated the assumption of the active role of the states in the implementation of the program.

Thus, in Chapter Six, the analysis reached a logical concluding point in its investigation of the role of the political system and the DDU's in the implementation of the



Disability Insurance program. In regard to the general political system discussion, it was hypothesized that professionalism would be the most pertinent characteristic of the major political system institutions to indicate their influence upon the variance in disability benefit allowance rates among the states. Measurements of legislative, executive, and administrative professionalism were used together with an additional professionalism indicator, political innovation, to test the hypothesis. The analysis indicated these variables were quite fruitful in predicting variance in the dependent variable. Together they accounted for 29 percent of the variance in the benefit award percentages, with administrative professionalism alone explaining 16 percent of this variance. It was followed by gubernatorial effectiveness (7 percent) and political innovation (6 percent), with the legislative professionalism variable proving to be statistically insignificant. As important as the percentage of variance explained, however, was the fact that the most important predictors, administrative professionalism and gubernatorial effectiveness, were those most closely associated with the actual operations of the DDU's within the state administrative structures.

The analysis of the attitudes and behavior of the decision-makers within the DDU's presented the most detailed and substantial support for the hypothesis concerning the impact of the states on the implementation of the Disability

Insurance program. Obviously, in a completely federal-funded program, in which the states do not have a primary policy-making role, the center of state activity in the program implementation must be located within the state agencies which perform the specific administrative implementing functions. Consequently, the DDU's became a primary focus for attention in order to determine whether or not the indicators derived from the various sets of statistical analyses would indeed prove to be accurate, that indeed the state decision-makers were exerting an important influence over the administration of the program. Previous discussion had indicated that uniformity in program implementation was only a goal and not an operational reality and furthermore that in some instances, DDU administrators might well have been administering the program as a welfare-oriented "needs" type of policy without explicit reference to the primary criterion of medically ascertained disability so severe as to prevent a claimant from engaging in substantial gainful activity.

The first part of the analysis centered on the actual decision-making process, the so-called "sequential analysis," within which DDU's administrators operate in making decisions about each claim for benefit awards. The three stages in the decision-making process are concerned with the following types of cases: (1) medically-ascertainable severe disabilities which can be categorized under one of the types

of disability listed in the Handbook for Physicians; (2) "equivalent to" cases, i.e., disabilities whose combined severity equal a specific listing in the Handbook; and (3) cases of moderately severe disability (about 60 to 70 percent of the total number), which do not meet the listings in the Handbook and which therefore require greater use of the criteria of "residual functional capacity" and "substantial gainful activity" in order for disability examiners to determine whether or not these claimants should receive disability benefit awards.

Each of the successive stages in the decision-making process results in further complications and increasing room for interpretation for examiners. Although respondents agreed that the first stage of the sequential analysis is quite routine, they noted that already in the second stage there are the problems of "equivalency" of disabilities, the need to consult physicians on doubtful cases, and the determinations of residual functional capacity. The fact that medical consultants do not at all times agree with one another of the merits of particular cases adds a further complication for the disability examiners.

It is in the third stage of the decision-making process, however, where the majority of the disability cases are found, that the clearest opportunities for differing interpretations among examiners arise. Here examiners face the most difficult decisions, because "residual functional

capacity" and "substantial gainful activity" come to play a role that is at least as significant as the medical severity of the disability of the claimant. Consequently, whether the disability program is administered uniformly among the states as an insurance program or whether it is transformed, at least partially, into a "needs" oriented program will be decided at this stage in the decision-making process. To be sure, statutory and administrative regulations function as a context within which the administrator must operate even at this stage of the sequential analysis. However, they do not preclude him from selectively applying the regulations when he thinks that the situation demands it. Furthermore, if the standards are ambiguous or are considered "unrealistic" by the DDU administrators, then this only serves to compound the problems associated with the notion of substantial gainful activity.

In Chapter Six, a short history of the controversy over the problem of defining "substantial gainful activity" was presented. It was noted there that a 1967 Congressional amendment attempted to solve the problem by stipulating that the "national economy" was to be the area in which SGA might be sought for a claimant. However, it also specified that factors such as "age," "education," and "work experience" should be taken into consideration in determining whether or not a claimant could be expected to engage in substantial gainful employment. Both the problems of

"unrealistic" and ambiguous standards were manifested in this attempt to clarify the notion of SGA, and this has consequently affected the manner of implementation of the Disability Insurance program among the states.

In regard to the "national economy" standard, most administrators in the DDU's have simply refused to follow it and have substituted their own particular states as the proper location for determining the existence of substantial gainful activity that a claimant could perform. Furthermore, the seeming inability to define precisely such notions as age, education, and previous work experience in an a priori abstract manner has provided DDU examiners with the opportunity of allowing benefits to be granted to claimants even if the severity of their disability does not warrant such a decision. As the analysis from the interviews indicated, some DDU administrators seemed to be more concerned with whether claimants would actually find employment than with the question of their employability per se. This tension was brought out in the discussion of the use of the Directory of Occupational Titles (DOT) by state disability examiners. Many persons interviewed seemed to feel that this index of the availability of various types of jobs in a state was not very valuable because it was not a realistic indicator of the availability of particular jobs which any particular claimant could perform. Although no rigid conclusions are warranted here, one must wonder how lenient an administrator

can become before an insurance oriented program, with strict standards concerning the severity of disability as a criterion for awarding of benefits, has been transformed into something that resembles more clearly a needs oriented program where the issue is whether or not a claimant is actually employed.

The flexibility of administrative regulations, however, was only one factor in explaining the variability in the implementation of the disability program among the states. The professional quality of the administrators themselves seemed to be another primary cause. The analysis showed that background and qualification of examiners and length of service of examiners with the DDU's varied sufficiently to suggest that professionalism was directly related to the specific percentages of disability benefit awards among the states. Furthermore, there was some evidence to indicate that age and social attitudes of the DDU administrators might have an impact upon the types of decisions made.

The analysis of the role of the DDU administrators in the implementation of the program thus has substantiated the conclusions gleaned from the discussion in the earlier chapters on the nature of federalism, the history of the disability program, and the impact of socio-economic, input, and general political system variables. Although conclusions must be tentative because of the nature of the data, it would seem that responses gained from those persons interviewed have indicated strongly the active presence of the DDU

administrators in determining the types of decisions that are made in the implementation of the program and in many instances the specific criteria to be utilized in arriving at specific decisions to award or to deny benefits to claimants. This has proven to be true especially in the third stage of the sequential analysis where flexibility of decision-making standards and low degree of administrative professionalism may combine to transform the explicit purposes of an insurance program into a covert needs oriented policy.

Whatever the consequences for the integrity of the Disability Insurance program, the substantial role of the DDU's in the implementation of the disability program serves only to indicate with even greater force the importance of the states in the operation of the American federal system. Even beyond the actual impact of the state DDU's on the variance in the percentage of disability benefit allowances, the analysis in Chapter Six pointed to the areas of personnel policy, budgetary matters, and relationships with the state Vocational Rehabilitation Agencies and the DDU's, where additional state influence could be brought to bear upon the operation of the disability program in the states. It would seem to be true indeed that "partnership" and "negotiated coordination" are quite viable concepts in the analysis of any major policy area, even one in which the states, at first glance, do not seem to have a major role to play.

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