

Borah's Speech Charging Waste of Relief Funds

WASHINGTON, Nov. 19.—Senator Borah's radio address tonight over the National Broadcasting Company's system was as follows:

On Nov. 9, 1934, speaking to the press in my office, I made the following statement:

"There is one thing about this matter of expenditures for relief that must have attention either from Congress or the Executive Department. Every one wants to see those who need relief get relief, but millions never reach those who need it. The amount expended before it gets to those in need is appalling. I have had brought to my attention instances in which the cost, or expense, of administering a fund was about half the fund to be administered. "Now, the load is heavy enough for the taxpayers at best, but this shameless waste, if not worse, will have to have an end, not only in the name of the hungry and the needy, but in the interest of decency."

I have nothing to add at this time to the statement then made. And subsequent facts brought to my attention do not justify modification.

I have not charged criminal conduct. I was not willing to make such charges on unsworn testimony. I have not charged graft as we ordinarily use that term. I wish to make it plain that I have not challenged the sincerity and personal integrity of Mr. Hopkins. But it is my deliberate conviction, after as thorough an investigation as one on the outside and without an investigating body can make, that if Mr. Hopkins can find the time to thoroughly investigate, he will find waste that will be as shocking to him as it is to the many people who have written me.

He will find, in my opinion, ample evidence in the files of his department which will enable him to thoroughly uncover this waste. While there is a difference, technically speaking, between graft and waste, yet when dealing with a relief fund, to my mind there is little moral difference.

Sent Evidence to Hopkins.

The facts upon which I base my charge of waste have been coming to my attention by letters and personal interviews for several months. Some of these written communications consisted of copies, which have been sent to Mr. Hopkins's office. I felt, however, I could do nothing prior to the election. Any action prior to the election would have been attributed to politics, would have defeated any real investigation, either before or after the election, and the people who are suffering because of this waste would get no relief.

But now the election is over. And it is up to all of us who have anything to do with this question of relief, either through legislation or administration, to survey the whole subject. I have no doubt there is waste. It seems to me it can be avoided. I feel that those who need relief are being deprived of relief because of the great cost of administering it.

The relief problem will be with us for a long time. It is going to take not only millions but it will run into billions. Every dollar saved in administration means food and shelter for the needy and the unhoused.

Calls for Thorough Inquiry.

Before we start upon a new program there ought to be a thorough, searching and dispassionate investigation by disinterested parties, not only as to things past but as to how best to deal with the matter in the future. With the cost and expense now being incurred, there is going to be a breakdown.

Even now, after all the stupendous effort of the government, there is great hunger and distress in this country. I take the position that under such circumstances any one who wilfully or

deliberately or carelessly wastes or connives at the waste of relief funds ought to be exposed and denounced.

The man who steals a loaf of bread to feed a hungry family goes to jail; a man or group of men who waste relief funds and make for deeper hunger and distress with many families is far the more to be despised of the two.

There is more than one reason and more than the administrative department of the government responsible for what I believe to be the present unfortunate situation with reference to relief.

First, the Congress was at fault in not passing an efficient, effective law, clearly outlining the method by which these funds were to be accounted for, fixing responsibility for misuse and punishment for the same. Congress owes something more to the public than to provide the money. It should throw every safeguard possible around its expenditures. It is to be hoped that it will for the rest of our present expenditures.

Declares Confusion Exists.

Secondly, if I am correctly informed—but of this I do not speak from first-hand knowledge—there is a hiatus in the organization relative to the administration of the funds. As near as I can ascertain, there is no specific responsibility for accounting for the funds. Many of the States seem to take the position that these are Federal funds and therefore the Federal Government is responsible for the administration in the States. While the Federal Emergency Relief Bureau, as I am authoritatively informed, takes the position that when the funds, or surplus commodity, are received by the State, the State is responsible for their administration.

If I am correctly informed as to this, the result is a no-man's land in the matter of accounting and responsibility. It naturally leads to loose and indifferent accounting. This should be corrected by law. The Federal Government should be responsible for the administration of Federal funds, and should require a strict accounting for every dollar of this money. It may be, and undoubtedly is, proper to select State officers and agents to administer the fund, but they should understand that they are administering the fund for the Federal Government. The Federal Government should be responsible for all their acts.

Charges Payroll Is Enormous.

But the source of waste seems to come from administration in the field. The administrative payroll is enormous. Those in authority in different sections of the country, through pressure or desire, seem to place a wholly unnecessary number of persons on the administrative payroll at salaries beyond what the service justifies.

Many of these persons cannot qualify on the basis of relief or of experience. They are not necessary to the economic administration of the fund. The payroll becomes clogged and padded and the cost of administration runs in some instances from 25 per cent to 50 per cent of the sum administered.

I give two illustrations showing what I have in mind. In one city of perhaps 200,000 population there are 808 administration employees in the central office. This is in a Middle Western State. Their salaries, together with incidental expenses, aggregate \$1,500,000 a year. Many of the salaries run from \$200 to \$380 a month.

This seemed to me worthy of investigation, particularly in view of the fact that, consulting with business men in that city, who of course do not desire to be involved, nevertheless declared that the administrative costs were double what they should be.

In another city in the Middle West they have 1,506 administra-

tion employes in the central office, the salaries and incidental expenses amounting to about two million dollars a year. These two instances given are not exceptional.

In a Southwestern State the administrator declared that the cost of administration was about 25 per cent of the fund administered, and further declared that this was modest compared with other States with which he was familiar. I contend that 25 per cent for administration is waste upon the face of it.

In another State it was discovered that it cost \$628.15 to administer \$125.72 in one county. Investigation disclosed that similar circumstances prevailed in many other counties. Aroused public sentiment forced the elimination of a large number of people on the administrative payroll.

That is precisely what ought to be done and could be done in a large number of payrolls in many, if not all, of the States. In another Middle Western State the cost of administration, as stated by the administrator, is nearly 20 per cent of the fund administered.

I now call attention to some figures based upon an official report in another State. This report was made evidently by a clean, able and courageous public official. A like investigation throughout by an equally impartial official will reveal similar conditions in other States. This report discloses that for \$5.47 expended for relief, \$2.68 was expended for administration. Taking 100 counties in the State, the report discloses that the administrative costs in administering \$4,700 was \$5,100. In another county, the administrative cost was \$572, the amount administered \$4. In another county it cost \$576, the amount administered \$6.

Finds Some "Improvement."

It is fair to say that some improvement has been made. For instance, we find, according to the last report available, in one county relief cost \$912.80, administrative cost \$851.56. In another county, relief cost \$947.58, administration cost \$826.68. In another county, relief cost \$1,763.35, administration cost \$1,081.98. In another county the relief cost \$692.10, administration cost \$692.15.

Other figures might be cited. But while improvement is being made and is to be commended, what about money which was shamefully wasted? What demand has been made upon the parties responsible? What accounting has been called for? This is relief money we are dealing with. Every dollar should be accounted for.

When I was in the West this Summer, evidence was brought to me tending to show a waste of from two and one-half to three and one-half million dollars. But as the grand jury has returned indictments against certain parties and the matter was in court, I advised parties to await the action of the court and the full revelation which might be brought out in the trial.

Charges Were Dismissed.

According to the press dispatches, the indictments have been dismissed. I do not assume to criticize the dismissal. I assume, of course, there was no evidence establishing crime or criminal intent.

But I am now advised that no one has controverted the proposition that this vast sum of money was actually wasted and squandered in ways that cannot be justified. The facts upon which the grand jury proceeded have not been controverted. The only question involved in the dismissal was legal proof of criminal intent.

According to the press dispatches, the able gentlemen representing the government in asking for dismissal seemed to commend the grand jury and to fully concede the waste which had taken place, but instead there was

no evidence upon which to convict. But the matter in which I am interested, the question of waste, seems to have been established beyond all question.

The relief money is gone. Certainly, before further appropriations are made, we must either devise a new system of administering this fund or we must reorganize and rebuild our present system. If the fault is in part with the law, that can be remedied. If the fault is in the administration, that must either be remedied or a new system adopted.

The salaries could be reduced, the number on the payroll can be reduced, a more exacting and searching system of accounting is indispensable. No such system would be tolerated in administering money other than public money. We are now getting along to the point where public expenditures are an indispensable item in recovery. One of the things which at this time retard the distribution of purchasing power, without which there can be no recovery, are public expenditures and taxes.

Of course, the unemployed must be cared for. But every effort should be made to administer the fund with as little cost as possible.

This afternoon a gentleman whom I know well comes to me from one of the States presenting what seems conclusive proof that \$1,000,000 is unaccounted for in that State, that in some way or other it has utterly disappeared.

These matters to which I have called attention, these facts and figures, seem to me to show waste, and shameless waste. All these instances, with a possible exception of the last, are known to the FERA at Washington.

Hopkins Not Held Responsible.

I do not charge that these matters have been brought to the personal attention of Mr. Hopkins. But the information is there and it is subject to his call. They seem to me to warrant his personal attention. Other facts which may not be within the possession of the office in Washington, I have not presented, and shall not present, until I know what is the program with reference to the matters to which I have called attention.

A few days ago William Green, president of the American Federation of Labor, stated publicly that there were more men and women out of jobs than there were a year ago. It is also true that the purchasing power of the great body of the people, when tested by the prices of the things they must buy, is no greater than it was a year ago. Twenty million mouths are to be fed, they tell us, by the first of February.

It is but fair to the public, to the people, to the taxpayers and to the unemployed that this matter be investigated by a wholly disinterested committee or tribunal. For myself, I do not propose to remain silent. It is an unpleasant duty, but there is no higher duty resting upon a public official than to give voice to the millions in distress who cannot speak effectively for themselves.

It seems appropriate to say here that an examination of the records of the Red Cross, covering the Mississippi Flood Relief of 1927 and the Florida and Puerto Rico hurricane relief of 1928, discloses that the administrative expense, including family workers for service following the main work, was about 6½ per cent.

I wish to say also, that I may not be in any sense misunderstood, and I have been speaking, and am speaking solely, with reference to the administration of public relief. Nothing I have said must be construed as relating in any way to the work of private welfare agencies. In so far as I have been able to advise myself, there would be no justification for criticism of private welfare agencies in the matter of administrative expenses.