

Battle of the Barons

by John J. Fialka

Reformers who believe that a federal takeover is the solution to the welfare mess will be interested in the following story about the Supplemental Security Income program.

SSI (and get your initials straight as we go along, because there's lots more to come) is the part of Pat Moynihan's Family Assistance Plan (FAP) that made it. Rather than federalize the entire welfare system through a negative income tax, as Moynihan (and others, such as candidate George McGovern) proposed, Congress voted in October 1972 to take over and administer directly only those programs providing extra money to the elderly, blind, and disabled.

The federal takeover was scheduled to begin on January 1, 1974. Giving away billions of dollars a year is not an easy job. Because it had a reputation as the most efficient agency in the government for this sort of thing, with the largest computer system ever devised for peacetime use, the job of writing the checks for the new program was given to the Social Security Administration (in recent years, a division of the Department of Health, Education and Welfare).

Social Security, which had expected the assignment and was proud of its reputation, had been preparing since 1971 to undertake this new task. The "can do" spirit was nourished with substantial amounts of overtime, some \$60-million worth a year. Training programs and other nonessential activities were curtailed throughout the agency as the SSI crunch approached. According to James B. Cardwell, the commissioner of Social Security, at one point 70 per cent of the agency's 86,600 employees were working on SSI.

Ed Cramer, public affairs officer for Social Security's San Francisco region, remembers standing in the Treasury Department's payment office in San Francisco on December 30, 1973. It was one of those moments that bureaucrats take pride in. The stacks of freshly printed gold checks (to distinguish them from the regular Social Security checks, which are green), were ready to go, arranged by zip codes. He passed his hands idly over the stacks of checks. Then he pulled out a few at random to see what they looked like. He was horrified. Under the new law, the maximum amount of an SSI check was supposed to be \$235.

"These checks were for between

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\$600 and \$800," Cramer later recalled. "We tried to stop the run."

John A. McConnachie, commissioner for the region, decided that would be impossible. There would be hell to pay if those checks didn't go out on time.

Early the following morning, New Year's Eve, McConnachie and a platoon of his office workers arrived at the payment center, determined to do what they could. Because there were millions of dollars' worth of checks stacked in there, Treasury officials were reluctant to let them in. McConnachie had to convince them that he was there to try to save federal money, not to steal it.

There wasn't time to go over all the checks by hand, so the team selected certain zip codes that appeared to have the most flagrant overpayments. By the end of the day, they had plucked out 3,000 checks, most of them sizable overpayments headed for Ventura County.

McConnachie thought he had pretty much cleaned up the problem. But he had barely scratched the surface. According to a team of state auditors who have examined a sample of the 540,693 California SSI cases, 55 per cent of the checks were wrong. A total of \$49,652,000 was overspent in California by SSI during the program's first six months of operation.

Six months later the scene was

repeated in Vermont. A quarter of a million dollars in overpayments went out to 2,366 recipients. Social Security chased those checks with mailgrams, notifying Vermont recipients that a mistake had been made and the federal government wanted the money back.

In October the people who had received the mailgrams got another batch of inflated checks. Within the SSI system, there was frenzy. The final blow came in November when, somehow, the system selected about 220 Vermonters who had dutifully returned their earlier overpayments and stopped their November checks entirely.

Nine months later, early last August, there was still another variation on the theme. Programmers discovered that a crossed signal had mistakenly told the computer that 15,000 SSI clients had been underpaid for about a year. In the twinkling of an eye, \$10,516,000 had gone out in overpayments.

At that time, government had paid out \$8 billion in the first year and a half of the new program. Over \$400 million of it was *known* to have been paid out by mistake. By 1976, this figure was up to \$547 million. Middle-level Social Security bureaucrats believe that when all the returns are in, the government will find that it paid out over \$1 billion too much during

the beginning months of the SSI program.

But only part of the damage caused by SSI's problems can be measured in numbers; the rest is measured in grief. *The Washington Star* has printed dozens of stories about people caught in the grip of this maladministered computer payment system. Social Security, having misspent the money, is bound to try to get back as much as it can. SSI clients, because they are the nation's blind, disabled, and elderly, are, by definition, the least likely to be able to pay it back.

A Case Study

Consider the case of Mrs. Frances Blakeney, 62, a widow who lives in a small cottage in the Watts section of Los Angeles. She has heart trouble and diabetes. She has no outside income and—like many people on SSI—measures her life by the checks that appear in her mailbox once a month.

Her case should not be very complicated. She is entitled to \$195 a month in normal Social Security widow's benefits, benefits paid for by the payroll deductions taken from her late husband. This comes in the form of a monthly green check.

She also is entitled to a gold check for \$85 a month from SSI because she is disabled and cannot work.

During the spring and summer of 1974, Mrs. Blakeney found herself receiving checks made out to two different names. One was for "Francis C. Blackeney," and one had the proper spelling of her name on it.

The widow says she called her local Social Security office right away and was told not to worry because they were probably retroactive checks that she was entitled to because of her disability claim. A case worker, she said, explained how she could cash them by signing them Francis C. Blackeney and then signing her right name underneath.

There were six or seven of the Blackeney checks; Mrs. Blakeney is

not quite sure. She remembers spending them, though.

"I stocked up quite a bit on staples. I must have a lot of sugar-free, low-salt food and that's pretty expensive," she explained. "I bought some clothes, some underclothes, and a new black-and-white television. That's all the recreation I have, you know," she said.

Then the computer caught up with her. Computer-written form letters began arriving in her mailbox in August. The first one said her payment would be cut because "you and your spouse are now living together in your own household."

Now that *was* disturbing, because Mrs. Blakeney's husband died in 1970. She complained to her local office and they apologized for the error.

About a week later another computer letter arrived. This one said, "we made an error," and promised that one of her two monthly SSI checks would stop.

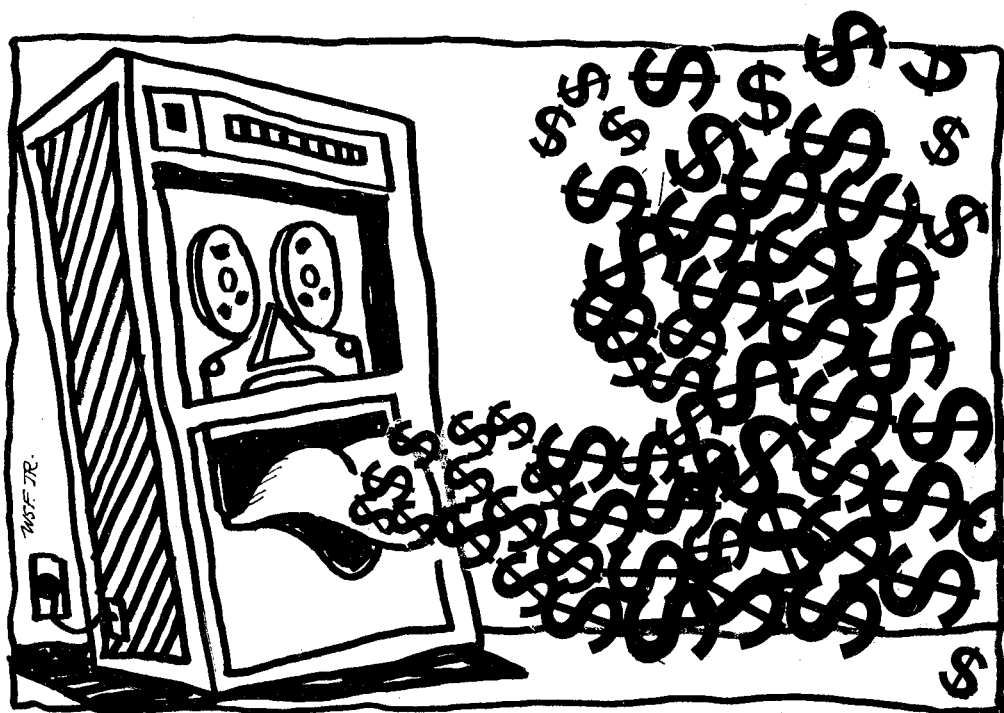
In September, the Blackeney checks stopped, and Mrs. Blakeney thought little about the matter until seven months later, in April 1975, when Social Security summoned her to her local office for an interview and presented her with a bill for \$2,099.

The agency, she was told, was preparing to subtract \$50 a month from her SSI check for 80 months. That was a considerable blow to the widow who, in good months, may build up as much as \$20 in her savings account.

Mrs. Blakeney appealed her case to a Social Security administrative law judge, who admitted he could not figure out from the records just how much the widow had received in overpayments. He decided that it would be "prohibitive" to take \$50 a month, so he ruled the agency should deduct \$25 a month for the next 80 months.

Fighting Tooth and Nail

At this point the average recipient might have given up, but Mrs. Blake-



ney was angry. She took her case to the Appeals Council in Washington, which functions as Social Security's administrative version of the Supreme Court.

"No, honey," she told a reporter who inquired about her case. "I'm fighting this thing tooth and nail. I admit I got it [the money], but I don't think it's right that we should pay for somebody else's mistake."

Then there was another shock. On the Saturday before Christmas, while this appeal was pending, Mrs. Blakeney looked in her mailbox and found a check from Social Security for \$1,813.90. There was no accompanying explanation.

The following Monday she called her local Social Security office. The case worker wanted to know whether it was a gold check or a green check. It was green, the widow said.

The case worker said that meant it was safe to go ahead and cash it because it was from one of Social Security's regular programs. "They don't make mistakes like they do with SSI," she said.

Then, before Mrs. Blakeney had figured out what the green check meant, a computer letter arrived say-

ing that because she had received such a large check she would be deemed ineligible for SSI.

The agency wanted \$251 back for the months of October, November and December. This was \$100 more than she had received in SSI funds, because the agency had begun taking out \$50 a month in November.

In February, the administrative fog that had gathered around the Blakeney case was finally parted. The Appeals Council ruled that she was without fault in cashing the duplicate checks and added that any recoupment attempt would mean a hardship for the widow. And Social Security finally sent her a letter admitting that the \$1,813.90 check was issued because she had been entitled to receive her widow's benefits one year before she had been declared eligible. The money had been owed her since 1973. The agency has promised to restore the money that it deducted from her monthly checks. "I'm so happy I could scream," said Mrs. Blakeney. "Now they owe me money."

Bigger Battle

But there is a much bigger battle

involving SSI that is just getting underway. The House Ways and Means Committee, the Senate Finance Committee, and the General Accounting Office have all launched investigations to find out why a program that was thought to be the "wave of the future" had turned into an administrative disability case.

The Supplemental Security Income program (SSI) is administered, logically enough, by the Bureau of Supplemental Security Income (BSSI) of the Social Security Administration (SSA) of HEW. In essence, what BSSI had to run was a computer program—80 different computer programs, actually. Part of what went wrong is known around SSA (that's right, Social Security Administration) as "The Battle of the Barons." Each "baron," or chief of an SSA bureau, controls a little chunk of what should have been a relatively simple operation.

BSSI, for example, does not control the agency computer system. The Bureau of Data Processing (BDOP) does.

Determining who is entitled to disability payments is up to the Bureau of Disability Insurance (BDI).

Drafting claims policy regulations is the job of the Bureau of Retirement and Survivors Insurance (BRSI).

Case workers in the 1,200 field offices administering the program work under the Bureau of District Office Operations (BDOO).

Natural Metaphors

The man who runs BSSI is not himself a career "baron." His name is Sumner G. Whittier, a former lieutenant governor of Massachusetts, and he was 64 years old when he arrived at Social Security in 1972 to take over the fledgling program. He is a friend of Elliot Richardson (another former Massachusetts lieutenant governor), then head of HEW.

Whittier, who served in the Navy as a lieutenant during World War II, has a penchant for describing things in nautical terms. He also has a penchant for

writing memos. "The orders are full speed ahead, and try to ignore the torpedos," he wrote in a memo issued to his staff shortly after he took command of BSSI. "Uncertainty is natural on a shakedown cruise."

In theory, the barons were supposed to work together in what was known as the "coordinative system" under former Social Security Commissioner Robert M. Ball. But Ball retired in March 1973. For six months the Nixon Administration left the commissioner's slot unfilled. Elliot Richardson followed his wandering political star to the Defense Department, and Whittier found himself awash in a sea full of torpedos.

SSI was launched with not one but three field manuals telling local office staffs how to run the new program. One was drafted by BSSI, another by BDI, and a third by BDOO.

A computer expert retained by Social Security in the winter of 1974, after a year of electronic chaos, found that at least three different bureaus were making changes in the programs without consulting each other and without making records of the changes. One result was that 170,157 cases were found to have been "lost" within the computer's memory banks. Some of them were not located until the summer of 1975, 18 months after the program started.

Whittier's major struggle was with Robert Bynum, the director of field operations (BDOO, you will recall), who insisted that the field force would decide just how SSI should be controlled in the local offices.

"What is BSSI's role?" Whittier asked Bynum in a memo late in 1973. "BSSI has responsibility, but no authority. The actual operation is performed by BDOO in the taking of applications and deciding of eligibility. If BSSI has the responsibility—the responsibility for what? The job description says 'management focus.' I'm in an impossible grind among many strong, tough, experienced forces. My black and blue spots are showing."

Messiah of the Month

Time and time again Whittier was bested by the other barons who knew the ins and outs of the agency's machinery. In his frustration, Whittier himself launched some of the torpedos that damaged SSI.

Unable to shake up the staffs of the other barons, Whittier continually changed around his own staff. One month he would delegate policy making to one person, the next month that person would be frozen out, and another staffer would be placed at the controls. It happened so often that the chosen one was dubbed "Messiah of the Month" by the rest of the staff. Whittier said he did it to encourage greater efficiency, but his fellow barons disagree. "He was playing office over there," sniffs one of the career bureaucrats.

Whittier's incentive system is the oldest one known to bureaucrats. He rewarded people who told him that SSI's development was coming along nicely. Doubters were not likely to be promoted and, of course, could never expect to become Messiah of the Month.

As the hectic year of 1973 wore on, one of the work products of Whittier's shop was a collection of memos mocking the florid, nautical tone of Whittier's memos.

"As we jet along on course, smoke billowing from our sails," begins one, "we realize that we have finally reached our goal. I am very much reminded of the parallels that exist between our splendid BSSI effort and the exemplary deeds of that great American, Christopher Columbus.

"As you remember, when Captain Chris set sail he did not know exactly where he was going; upon arriving at his goal he did not know where he had been. Fortunately, this was accomplished through federal funding."

We Can Do It

While the bureaucrats played their games, the problems multiplied. These

are some fairly typical comments taken from routine field reports in August 1975, 19 months after Ed Cramer first noticed that there might be trouble ahead:

"The instructions for this [how to figure out payment formulas] come in daily and from every known resource within the agency," wrote the manager of Salinas, Kansas, office. "We can't tell what supersedes what! We have SSADRS [computer] messages, Bynum memos, SSIH [disability program] transmittals, parallel DO [district office] instructionals, RO [regional office] instructionals, BSSI circulars, Claims Manual transmittals, etc., all on this same subject."

"It is apparent," wrote the manager of the Fort Lauderdale, Florida, office, "that systems-generated overpayments to the extent of thousands of dollars weekly are occurring continuously. . . .we estimate that at least 95 per cent are waivable under current instructions. . . ." He called SSI a "paper-clogged administrative nightmare."

"...the 'we can do it' attitude of the DO staff that confronted any organizational or service problem in the past has been replaced by 'we'll do what we can' or 'whatever you say,'" wrote the manager of the Farmington, New Mexico, office.

"As administrators and taxpayers, we find this not only disturbing, but frightening," wrote the manager of the Springfield, Massachusetts, office, after describing how \$70,000 worth of overpayments had been waived in three days.

Grandfather Clause

There was yet another "baron" who felt the need to make "input" on SSI during 1973. This was Russell Long, chairman of the Senate Finance Committee. As originally written, SSI contemplated a uniform maximum payment for all recipients, regardless of where they lived or how much they had been getting under the old state or county programs.

In June 1973, Long learned that the uniform payment scheme meant that, while many would have their welfare payments raised, some would have to take cuts when SSI came into being. Specifically, he was worried about 45,000 voters in his home state of Louisiana who would suffer decreases. The uniform payment system was one of the major bulwarks of SSI. That was what made the program "simple."

Some congressmen spend years trying to pass major changes in social programs. It took Long two weeks.

He worked up a "grandfather clause" that would require Social Security to figure out what a person's welfare check would be under the rules of the 1,149 local welfare programs (many of which have a variety of different payment formulas). If the federal payment was lower than that, the Long amendment forces the state to make a "mandatory supplement" or face a loss in Medicaid funds.

Long tucked it into a bill, "Extending the Renegotiation Act of 1951." It was hardly debated by Congress, but it forced Social Security to replan SSI at a time when the agency had expected to be putting on the finishing touches. Suddenly, the old welfare system had been grafted onto the new system.

Forty of the 80 computer programs governing SSI operations had to be completely rewritten. New information had to be solicited from 48 states, and new contracts had to be negotiated with 31 states which would have to pay the supplement.

The resulting delay meant that some of the computer programs intended for SSI would not be ready when the system began. One of these was the link-up or "interface" between SSI records and records of other government benefits, such as Social Security retirement and survivor's insurance payments and veterans benefits. Knowing that recipients have other government income gives SSI a way to check a client's real

needs and reduce his benefits accordingly.

The link-up with regular Social Security benefit records took place 18 months after SSI began. The link-up with records of the Veterans Administration may take place sometime next year. These delays are now believed to be major causes of overpayments.

Can Do

The "can do" attitude was one that SSA director Cardwell had tried hard to preserve—one that he shared himself. As the January 1 deadline approached, Cardwell refused to exercise the option Congress had given him of delaying the start of the program if there were problems. Cardwell felt the option was really a phantom. Powerful people like Long in the Senate and Caspar Weinberger at HEW had parental feelings about SSI. Cardwell felt he could not disappoint them. As he put it later, explaining his decision to go ahead:

"Our political system, the way it operates—I have difficulty conveying this to people—doesn't permit in a period of, say, 30 to 60 days the development of an abrupt change in this kind of policy. We would have had to prove, I think, beyond the shadow of a doubt, that we couldn't make it happen in order to get a consensus within either the executive branch or the Congress that a delay was necessary."

The scenes in Weinberger's office when Cardwell came to report must have resembled those described in Albert Speer's *Inside the Third Reich*: Goering assuring Hitler more and more confidently, as the situation deteriorated, that the troops at Stalingrad would be supplied by air. "I personally guarantee [it]," he said. "You can rely on that."

So the battle of the barons, the interfering politician, and the misplaced "can-do" spirit all conspired to disable this first attempt at a rational national welfare program. ■

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Thinking Like a Lawyer

A familiar device of legal advocacy is known as "arguing in the alternative." This means that a lawyer's arguments on behalf of his client needn't be consistent with one another, because of the hallowed principle that the advocate's job is advocacy, and not pre-censorship of arguments that the judge or jury might find convincing.

An early example of arguing in the alternative is that of a man accused of borrowing a pot and returning it cracked. His lawyer offered three defenses: 1) He never borrowed the pot; 2) it was cracked when he borrowed it; and 3) he returned it in perfect condition.

Senator Philip Hart recently caught the oil companies playing this game. Before his antitrust subcommittee, and in national advertisements, they have been anxious to insist that they are highly integrated operations, and that any attempt to break them up would lead to inefficiency and higher energy prices. In Wisconsin and South Carolina tax cases, however, the Exxon Corporation has been arguing—for some different reasons—that its principal divisions are essentially self-contained and profit-making on their own. Exxon supplied information in the state tax cases to prove this point—information it had told Hart's subcommittee was unobtainable because records are not kept on a divisional basis.

Debits on the left and credits on the right. No, credits on the left and debits on the right. No wait, it's . . .

The District of Columbia government, about to topple into bankruptcy, apparently has taken a hint from that old puzzler about whether a tree falling in the forest makes any noise if no one's around who can hear it. The General Accounting Office complained recently that, despite four years of complaints by Congress, the District's bookkeeping system is in such disarray that it cannot be audited; and that until the books are straightened out, there is no way of telling what the city's financial condition really is.

Office Space: One

A perceptive man named Al Ripkis at the Department of Housing and Urban Development has discovered a Malthusian relationship between the growth of the federal bureaucracy and the growth of office space needed to contain it.

His observations, reported in the "Federal Column" of *The Washington Star*, are as follows: The HUD building opened in 1968 with space for 4,279 people—at that time the entire department. In 1976 the headquarters building holds only 3,756 bureaucrats—523 fewer—while HUD pays \$500,000 annual rent for office space at five other locations around Washington.

Ripkis' explanation: bureaucrats at different levels take up different amounts of space. Along with the general explosion of government employees has come inflation of titles—more chiefs, relatively fewer Indians. In 1968, for example, there were six HUD employees at the assistant secretary level; today there are twelve. Each assistant secretary is entitled to 2,840 square feet. A GS-5 clerk, by comparison, gets only 60 square feet.