

# Social Welfare Expenditures in the United States, 1954-55

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*One measure of a Nation's concern for the well-being of its people is the proportion of the national output that is devoted to social welfare. Articles reviewing the development of social welfare programs in the United States and public spending for these purposes since the mid-thirties have been presented in the Bulletin for February 1953 and for October 1955. The latter article also brings together current information on private welfare expenditures. Both articles (and the brief notes presented annually beginning in October 1951) show the trends in Federal, State, and local government spending for social welfare.*

*In the following article, social welfare expenditures for the fiscal year 1954-55 are related to those for selected years in the past two decades. This pattern will be followed in annual articles that will appear each October.*

THE expansion of the social insurance programs continued to be the major factor in the upward trend in social welfare expenditures during the fiscal year 1954-55, as it has been since 1950. About one-third of the total dollar increase in social welfare expenditures from 1953-54 to 1954-55 resulted from the increase in old-age and survivors insurance benefit payments. Social insurance payments under public programs are now of almost the same magnitude as total expenditures for public education. When veterans' service-connected pensions and compensation are included with social insurance payments, income-maintenance benefits paid without a needs test made up the largest single component of the total \$32.5 billion spent in 1954-55 for social welfare purposes under the definition used here.

## Growth and Scope of Social Welfare Programs

One general problem arises in any attempt to take an overall view of what the Nation is doing in the broad field of social welfare. There is, in the first place, no sure and generally accepted touchstone for deciding what should be included under the term social welfare. As used here, social welfare programs are broadly defined to include the major public programs directed specifically toward

promoting the well-being of individuals and families. Programs directed primarily toward economic development, price support, flood control, law enforcement, and related activities are not classified as social welfare programs, even though they may have important social welfare aspects or consequences. Direct military expenditures are also excluded.

Beyond the decisions as to inclusion and exclusion of entire programs, there is a problem of internal classification. None of the programs is a completely separate entity, and similar objectives may be approached in different ways and with varying emphases. Our schools provide health services and school lunches; veterans have long been entitled to income-maintenance benefits and welfare services that in one sense represent a cost of war but that are similar in function to benefits now available to other groups in the population; the public assistance programs are becoming an increasingly important source of publicly provided medical care for individuals; social insurance programs become involved in the provision of medical, rehabilitative, and other services, and so on.

The activities and expenditures of most of the social welfare programs can therefore be grouped and classified in several different ways. The most useful single classification for a continuing series, and the one that has been followed here, seems to be

that based essentially on administrative structure. Expenditures for the veterans' program are shown by type of benefit, so that they can be readily regrouped with other public expenditures for the same purpose—for example, pensions and compensation, education, and medical care—if it seems appropriate. Table 1 has also been expanded this year to show separately the amounts spent for medical services under all the programs for which such information is available in sufficient detail.<sup>1</sup>

*Social insurance.*—The most important factor in the growth of the social insurance programs has been the gradual maturing of old-age and survivors insurance. The United States went much further than most countries have wanted or felt themselves able to go in making it possible for workers approaching retirement age at the time the system was started to acquire full benefit rights. Nevertheless, in part because of limited coverage at the outset, it has taken the program 16 years to reach the point at which nearly 55 percent of the persons reaching age 65 have insured status as workers and perhaps another 20 percent are eligible for secondary benefits. This proportion will continue to grow for some years.

The successive increases made in the old-age and survivors insurance benefit amounts in 1950, 1952, and 1954 served first to bring benefits back into line with increased living costs and then—except for the higher-paid groups—to reflect a considerable part of the rise in wage levels and national output that has occurred since 1940. Such increases have been implicit in the cost estimates accepted by Congress as the financial basis for the

<sup>1</sup> This detail has previously been published in other tables prepared by the Division of Program Research (see, for example, table 4 in the *Annual Statistical Supplement, 1955 (Social Security Bulletin)*, 1956, page 8) but has not been shown earlier in the series.

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program, and it is reasonable to look for similar adjustments of benefit levels in the future. The effect of the 1954 amendments—both the expansion of coverage and the increase in benefit levels—shows up in the 1954-55 old-age and survivors insurance expenditures, which were 32 percent higher than those in the preceding fiscal year, in contrast to the 24-percent rise from 1952-53 to 1953-54.

The other social insurance programs have also grown in importance since 1940. Though the railroad retirement system started with a large beneficiary group taken over from the private pension plans of the railroads, it has expanded its coverage of the risks of disability and death and its benefit levels also have been raised as wage levels have gone up. The number of government employees covered by special retirement systems has increased substantially, with a growing number of the State and local systems now being supplementary to old-age and survivors insurance. Public provisions for temporary disability insurance, starting in Rhode Island in 1943, now cover more than one-fifth of the Nation's employees.

Under the impetus of the tax-offset provisions of the Social Security Act, all the States had adopted unemployment insurance laws and were paying benefits by July 1939. Since that time the major fluctuations in unemployment benefit payments from year to year have resulted from changes in employment conditions, although there have been some extensions of coverage and increases in benefits. The sharp rise in unemployment benefit payments during 1953-54 and the further increase in 1954-55 resulted primarily from the recession that occurred in 1954. Payments from Federal funds in 1954-55 included \$19 million paid to unemployed Federal workers under an amendment to the Social Security Act adopted in 1954.

Workmen's compensation was the first social insurance program for workers in industry and commerce in the United States, as in most other countries. The program developed on a State-by-State basis, and it was not until 1948 that all States had such legislation. (A Federal system for employees of the Federal Govern-

ment was adopted in 1908.) The growth in total workmen's compensation payments from \$174 million in 1934-35 to \$970 million in 1954-55 resulted from expansion of coverage both through additional State programs and through amendment of existing legislation, rising payrolls and wages on which cash benefits are based, increasing costs of hospitalization and medical care, and changes in statutory benefit provisions.<sup>2</sup>

*Education.*—Throughout most of this century and earlier, public expenditures for education have been larger than the outlays for any other social welfare program. In 1929, expenditures for education amounted to about 60 percent of the total spent for social welfare. With the growth of other types of welfare programs, expenditures for education represent a smaller but still substantial part of all government expenditures for welfare—about one-third in 1954-55. If the special education benefits provided to veterans of World War II and the Korean conflict are included, expenditures for education in some recent years take on even greater relative importance.

Except for the veterans' program benefits, about 97 percent of all public expenditures for education in 1954-55 were from State and local funds. The Federal expenditures include the amounts spent for the Office of Education, Indian schools, Federal grants for land-grant colleges, vocational education, and construction of schools in Federally impacted areas, and a few smaller items. State and local expenditures for education increased from \$7.2 billion in 1949-50 to \$10.5 billion in 1954-55, with construction outlays accounting for about one-seventh of the total in 1949-50 and about one-fifth in the most recent year.

*Veterans' programs.*—One-third of the Federal social welfare expenditures in 1954-55 went into the veterans' programs, with pensions and compensation accounting for about 63 percent of the total outlay for veterans. Readjustment allowances,

which in 1945-46 and 1946-47 were almost as large as pension and compensation payments, have been of negligible importance in recent years. In the past 3 years this part of the program has shown net refunds. Beginning with 1952-53, unemployment benefits for Korean veterans have been paid through the Bureau of Employment Security of the Department of Labor, with the State employment security agencies acting as agents of the Federal Government in the administration of the programs. Expenditures for veterans' education benefits reached a peak of \$2.8 billion in 1948-49 and did not fall below \$1 billion until 1952-53.

*Health.*—Public expenditures for health and medical services under the programs directly identified as health programs amounted to \$3.3 billion in 1954-55. Of this amount more than \$3.0 billion came from State and local funds, and a little less than \$300 million—a substantial part of which represented grants in aid to the States—from Federal funds.

The largest part—almost \$1.8 billion—of the expenditures was used for the provision of hospital and medical care in mental, tuberculosis, and general public hospitals. About \$1.1 billion went into community health and sanitation services, including the activities of State and local public health departments, food and drug inspection, and the current operating costs of water and sewer systems. Capital outlays for water and sewer system construction—totaling in recent years about \$800-\$1,200 million a year—are not, however, included in the series. It is recognized that this is a debatable decision and that for certain types of studies or comparisons these amounts would appropriately be included. Expenditures for construction and capital improvements for hospitals and clinics are included here. They amounted to \$387 million in 1954-55. The remainder of the amount shown in table 1 under health and medical services is accounted for by two special health programs—maternal and child health services and services for crippled children—administered by the Children's Bureau in the Social Security Administration.

<sup>2</sup> See Dorothy McCamman and Alfred M. Skolnik, "Workmen's Compensation: Measures of Accomplishment," *Social Security Bulletin*, March 1954.

Table 1.—Social welfare expenditures under civilian public programs, selected fiscal years 1934-35—1945-55<sup>1</sup>

[In millions]

Program	1934-35	1939-40	1944-45	1949-50	1952-53	1953-54	1954-55
Total							
Total	\$7,872.0	\$9,140.0	\$7,879.1	\$23,773.2	\$26,475.2	\$29,193.1	\$32,464.4
Social insurance	383.7	1,216.0	1,317.5	4,723.5	6,600.9	8,244.5	9,893.9
Public aid	4,057.9	3,673.5	1,037.8	2,488.8	2,725.9	2,786.6	3,001.4
Health and medical services <sup>2</sup>	641.8	799.2	995.9	2,180.4	2,814.0	3,001.8	3,334.2
Other welfare services	113.9	132.1	210.1	544.9	791.5	913.6	923.6
Education	2,224.9	2,780.0	3,392.6	7,289.1	9,275.7	10,066.7	10,853.4
Veterans' programs <sup>3</sup>	449.8	535.0	914.2	6,534.5	4,220.4	4,115.1	4,369.3
Public housing <sup>4</sup>		4.2	11.0	12.0	46.8	64.8	88.6
From Federal funds							
Total	2,966.6	3,313.7	2,364.7	9,583.9	10,525.5	11,387.7	13,172.4
Social insurance	98.7	351.2	706.6	1,911.7	4,214.7	5,066.2	6,430.7
Old-age and survivors insurance		28.1	266.8	784.1	2,716.9	3,364.2	4,436.3
Railroad retirement		116.8	144.9	304.4	465.1	490.4	575.6
Public employee retirement <sup>5</sup>	90.0	107.5	184.8	433.7	655.3	728.0	801.2
Unemployment insurance and employment service <sup>6</sup>	(7)	65.8	90.5	213.6	230.6	291.4	354.1
Railroad unemployment insurance		18.9	4.3	119.6	57.8	100.4	158.7
Railroad temporary disability insurance				31.1	45.4	45.8	54.2
Workmen's compensation, total	8.7	14.1	15.3	25.2	43.6	46.0	50.6
Hospitalization and medical benefits <sup>8</sup>	3.8	5.6	2.9	4.3	6.0	6.3	6.9
Public aid	2,373.7	2,320.7	427.4	1,095.8	1,358.8	1,417.9	1,502.7
Public assistance, total <sup>9</sup>		279.4	417.6	1,095.8	1,358.8	1,406.0	1,440.7
Other <sup>10</sup>	2,373.7	2,041.3	9.8			11.9	62.0
Health and medical services <sup>2</sup>	16.8	61.2	126.0	255.7	341.8	312.0	297.8
Other welfare services	2.7	9.9	66.0	171.9	194.1	269.0	251.1
Vocational rehabilitation, total	1.0	2.2	7.5	21.0	23.7	23.6	26.0
Medical rehabilitation <sup>8</sup>			.7	3.2	4.4	4.4	5.7
Institutional and other care <sup>11</sup>	1.6	6.1	9.3	25.0	29.0	61.9	48.6
School lunch <sup>11</sup>			47.8	121.6	133.7	176.3	169.5
Child welfare		1.6	1.4	4.3	7.7	7.2	7.0
Education	24.9	41.5	112.6	73.4	275.7	258.3	308.4
Veterans' programs <sup>3</sup>	449.8	535.0	914.2	6,063.4	4,106.3	4,012.3	4,307.7
Pensions and compensation <sup>12</sup>	390.2	447.8	755.9	2,092.8	2,467.7	2,534.3	2,712.5
Readjustment allowances			24.1	148.3	(13)	(13)	(13)
Health and medical care <sup>14</sup>	58.9	86.2	114.5	742.0	737.4	740.1	761.1
Education			9.7	2,689.1	704.6	590.0	699.9
Welfare and other <sup>15</sup>	.7	1.0	10.0	391.1	197.1	148.1	134.4
Public housing		4.2	11.0	12.0	34.1	51.1	74.0
From State and local funds							
Total	4,905.4	5,826.3	5,514.4	14,189.3	15,949.7	17,805.4	19,292.0
Social insurance	285.0	864.8	610.9	2,811.8	2,386.2	3,178.3	3,463.2
Public employee retirement <sup>5</sup>	120.0	147.0	198.0	299.5	460.0	515.0	565.0
Unemployment insurance and employment service	(7)	485.9	71.3	1,868.2	912.9	1,588.8	1,759.9
State temporary disability insurance, total <sup>16</sup>			4.9	69.1	197.9	210.5	218.9
Hospitalization and medical benefits <sup>8</sup>					14.9	17.6	20.6
Workmen's compensation, total <sup>16</sup>	165.0	231.9	336.7	669.7	815.4	864.0	919.4
Hospitalization and medical benefits <sup>8</sup>	39.2	89.4	122.1	195.7	264.0	283.7	333.1
Public aid	1,684.2	1,352.8	610.4	1,393.0	1,367.1	1,368.7	1,498.7
Public assistance, total <sup>9</sup>	1,684.2	843.2	610.4	1,393.0	1,367.1	1,368.7	1,498.7
Other <sup>10</sup>		509.6					
Health and medical services <sup>2</sup>	625.0	748.0	869.0	1,924.7	2,472.2	2,688.9	3,036.4
Other welfare services	111.2	122.2	144.1	373.0	597.4	644.6	672.5
Vocational rehabilitation, total	1.2	2.2	2.7	9.0	11.6	12.4	15.1
Medical rehabilitation <sup>8</sup>			.7	3.2	4.4	4.4	5.7
Institutional and other care	110.0	120.0	140.0	325.0	415.0	450.0	460.0
School lunch			(7)	39.0	57.2	63.0	69.0
Child welfare	(7)	(7)	<sup>18</sup> 1.4	(7)	113.6	119.2	128.4
Education	2,200.0	2,738.5	3,280.0	7,215.7	9,000.0	9,808.4	10,545.0
Veterans' programs <sup>3</sup>				471.1	114.1	102.8	61.6
Public housing		(7)	(7)	(7)	12.7	13.7	14.6

<sup>1</sup> Data represent expenditures from public funds (general and special) and trust accounts, and other expenditures under public law; exclude transfers to such accounts and loans; include capital outlay for hospitals, public elementary and secondary schools and publicly controlled higher education; include administrative expenditures. Fiscal years ended June 30 for Federal Government, most States, and some localities; for other States and localities fiscal years cover various 12-month periods ended in the specified year. Data for education and workmen's compensation relate to continental United States only; for other programs, data include some payments and expenditures outside continental United States. (State temporary disability insurance programs operate in 4 States only.)

<sup>2</sup> Represents expenditures for hospital and outpatient care in public institutions, hospital construction and maintenance costs, maternal and child health and crippled children's services, community health and sanitation operating expenditures, expenditures for medical research and public health training and for the Food and Drug Administration; excludes expenditures for domiciliary care (in institutions other than mental and tuberculosis) included under institutional care; excludes health and medical services provided in connection with veterans' programs, public education, public assistance, workmen's compensation, State temporary disability insurance, and vocational rehabilitation (included in total expenditures shown for those programs); also excludes international health activities, medical expenditures of the Military Establishment and the Atomic Energy Commission and those provided subordinate to the performance of other functions, such as those of the Civil Aeronautics Authority.

<sup>3</sup> Excludes Federal bonus payments, appropriations to Government life insurance trust fund, and accounts of several small revolving funds.

<sup>4</sup> Federal and State subsidies (and administrative costs) for low-cost housing.

<sup>5</sup> Excludes refunds of employee contributions to those leaving service. Federal expenditures include retirement pay of military personnel.

<sup>6</sup> Includes unemployment compensation for veterans of the Korean conflict (beginning 1952-53) and for Federal employees (beginning 1954-55).

<sup>7</sup> Not available.  
<sup>8</sup> Included in total shown directly above; excludes administrative expenditures, not separately available but included for entire program in preceding line.

<sup>9</sup> Old-age assistance, aid to dependent children, aid to the blind, aid to the permanently and totally disabled (beginning 1952-53), and, from State and local funds, general assistance.

<sup>10</sup> Work program earnings, other emergency aid programs, and value of surplus food distributed to needy persons.

<sup>11</sup> Includes value of surplus foods for school lunches or nonprofit institutions.

<sup>12</sup> Includes burial awards.

<sup>13</sup> Net refunds: 1952-53, \$508,564; 1953-54, \$244,996; 1954-55, \$200,473.

<sup>14</sup> Includes hospital construction; through 1944-45 includes domiciliary care; for other years domiciliary care included under "welfare and other."

<sup>15</sup> Vocational rehabilitation, specially adapted homes and automobiles for disabled veterans, counseling, beneficiaries' travel, loan guarantees, and, beginning 1949-50, domiciliary care.

<sup>16</sup> Payments by private insurance carriers, State funds, and self-insurers of benefits payable under State law and estimated costs of State administration. Administrative costs of private insurance carriers and self-insurers not available.

<sup>17</sup> Excludes administrative expenditures.

<sup>18</sup> Represents expenditures for day-care programs.

<sup>19</sup> State expenditures for bonus and other payments and services for veterans; local data not available.

When account is taken of the expenditures for medical care under workmen's compensation programs, the hospitalization benefits paid under temporary disability insurance in California and New York, vendor payments (direct payments to the providers of medical services) under public assistance, medical services provided under the vocational rehabilitation program, and medical care provided to veterans, the total identifiable expenditures for health and medical services under civilian public programs for 1954-55 become \$4.7 billion.

[In millions]

Program	Total	From Federal funds	From State and local funds
Total.....	\$4,676.9	\$1,071.5	\$3,393.6
Public health programs	3,334.2	297.8	3,036.4
Hospital and medical care	1,777.1	70.9	1,706.2
Hospital construction	386.8	80.8	306.0
Health services for children and mothers	92.8	23.6	69.2
Other community services	1,077.5	122.5	955.0
Veterans' program	761.1	761.1	-----
Hospital and medical care	728.1	728.1	-----
Hospital construction	33.0	33.0	-----
Public assistance (vendor payments)	211.9	( <sup>1</sup> )	( <sup>1</sup> )
Federally aided programs	145.6	( <sup>1</sup> )	( <sup>1</sup> )
General assistance	66.3	( <sup>1</sup> )	( <sup>1</sup> )
Workmen's compensation (hospital and medical care)	340.0	6.9	<sup>2</sup> 333.1
Vocational rehabilitation program (medical rehabilitation)	9.1	5.7	3.5
Temporary disability insurance (hospital and medical benefits)	20.6	-----	<sup>2</sup> 20.6

<sup>1</sup> Total excludes public assistance vendor payments; distribution by source of funds not available.  
<sup>2</sup> Includes amounts paid by private insurance carriers and self-insurers under public programs but not from public funds—about \$265 million for workmen's compensation and \$14.6 million for State temporary disability insurance programs.

To the figures in this tabulation should be added possibly \$70 million for school health services provided through State and local school authorities and included in the figures for education in table 1. Reported expenditures for school health services were \$32 million in 1951-52 and \$58 million in 1953-54.

Expenditures for health services from public funds would be smaller

than the figure shown for expenditures under public programs with the exclusion of the amount of workmen's compensation medical benefits paid by private insurance carriers and self-insurers (about \$265 million in 1954-55) and the hospital and medical benefits privately insured under the California and New York State temporary disability insurance programs (about \$14.6 million).

Information is not available on what part of the vendor payments for medical services under the public assistance program came from Federal or from State and local funds since, in the matching provisions that have been in effect, no distinction is made between vendor payments and cash assistance payments.<sup>3</sup> Total vendor payments were \$155 million, \$175 million, and \$212 million in the fiscal years ended June 30, 1953, 1954, and 1955, respectively. In addition to these payments, which the public assistance agencies made directly to the suppliers of services, the public assistance agencies make allowances for medical care in determining money payments to recipients. An estimated \$100 million was thus included in assistance budgets for medical services in the four Federally aided categories in 1953-54 and 1954-55. These amounts are included as assistance payments in table 1 but are not counted as health expenditures in the tabulation above.

Expenditures by the Department of Defense for medical care for members of the Armed Forces (and to a very limited extent for other persons) amounted to \$266 million in 1954-55. These sums and the approximately \$25 million spent by the Atomic Energy Commission for medical research—primarily on problems of special concern to the Armed Forces—have not been included in this series. Small amounts spent by various Federal agencies for employee health programs or for medical or quasi-medical research (by the Department of Agriculture, for example) are also omitted.

*Surplus agricultural commodities.*—The value of surplus agricultural

<sup>3</sup> The 1956 amendments that provide for special matching of vendor payments go into effect July 1, 1957.

commodities distributed to school lunch programs, to nonprofit institutions, and to needy persons has been included this year for the first time in table 1 under the expenditures shown for school lunches, institutional care, and other public aid, respectively. While the basic purpose of price-support legislation is the stabilization of the agricultural economy—and therefore in a series showing all government expenditures these amounts would more appropriately be classified as agricultural—the specific welfare uses of the surplus commodities has come to be so definitely recognized in recent legislation that their inclusion here seems desirable.<sup>4</sup>

*Public housing.*—Another addition to table 1 is expenditures for public housing.<sup>5</sup> These data were omitted from the earlier articles only because the staff time necessary to develop estimates comparable with the figures for other programs had not been available. A major problem in analyzing public housing expenditures results from the fact that the annual amounts shown in the reports of the Bureau of the Census and elsewhere for State and local government expenditures in this field are gross rather than net figures. They represent primarily funds borrowed through public bond issues for low-rent public housing construction, which will be more than repaid from future operations of the projects. From the point of view of the housing program, the stimulating effect of State and local government action authorizing and encouraging public housing authorities is of basic importance. It is only the net monetary costs of the government activities, however, that represent social welfare expenditures.

During the past 25 years Federal, State, and local governments in the United States have engaged in several different types of activities related to housing. As a result of the depres-

<sup>4</sup> For a description of the school lunch program, see this issue, pages 21-22 ff.

<sup>5</sup> The detailed work underlying this analysis was done by Thomas Karter of the Division of Program Research. The cooperation of the Public Housing Administration in providing information and reviewing this section of the article is gratefully acknowledged.

sion of the thirties, the Federal Government was drawn into a program designed to assure adequate housing credit. The Home Owners Loan Corporation was organized in 1933 to refinance the mortgages of distressed homeowners. The Reconstruction Finance Corporation made some loans for housing. The system of Federal Home Loan Banks, which provide credit facilities for home-financing institutions, was created in 1932. The National Housing Act of 1934 created a system of insurance for individual funds (up to \$5,000, increased in 1950 to \$10,000) invested in savings and loan associations; and it established, under the Federal Housing Administration, insurance programs designed to encourage the production, purchase, repair, and improvement of residential structures. These programs have over the long run resulted in no net cost to the Government; indeed, several of them have paid surpluses or dividends to the Federal Treasury.

From 1933 through 1937 the Public Works Administration directly financed and built about 22,000 housing units; more than half the units have now been transferred to local housing authorities, which will pay to the Federal Government any net income from the projects over a 40-year period. A number of "greenbelt" towns and rural subsistence homestead projects built during the thirties were subsequently sold.

The Federal Government again became involved in the construction of housing during World War II. Much of the defense housing was of temporary construction; a substantial number of units were dormitories. Some of these wartime housing units were subsequently converted to provide accommodations for veterans; others were sold on a competitive basis or transferred to local housing authorities or other local bodies that will pay income to the Federal Government for a period of 40 years on those used for low-rent housing projects. It is therefore not clear what the final net cost to the Federal Government of the war housing program will be. Because these were primarily war expenditures, none of the direct outlays are included in table 1. It may be argued that at least the direct

cost of converting war housing units for the use of veterans should be regarded as a social welfare expenditure. The \$418 million spent for this purpose was all paid out in the fiscal years 1946-49.

Since 1937, and on an expanded basis since 1949, the Federal Government has also provided loans and subsidies to local public housing authorities for low-rent housing. The Federal Government pledges itself to pay annual contributions sufficient to cover the debt service, if necessary, on bonds sold to the public by local housing authorities. Rising income levels in recent years have held down the amount of the annual Federal subsidy. The total Federal contribution for low-rent housing in the fiscal year ended June 30, 1955, including costs of administration, was \$66.6 million.

Most States have adopted legislation authorizing the establishment of local public housing authorities with the power to acquire, own, and operate low-rent housing projects and to engage in slum clearance and urban redevelopment programs. A few States also provide loans (repayable) and annual subsidies to local housing authorities. The local government financial contribution to the cost of low-rent housing is primarily in the form of reduced tax collections, since local housing authorities must be exempted from local taxes to receive Federal loans and subsidies. On the other hand, payments amounting to 10 percent of the shelter rents of the housing projects are made in lieu of taxes by the housing authorities to local governments. It is not clear that there is always a net loss to the locality, particularly when account is taken of the decreased expenditures for police and fire protection and other services and the increased value of surrounding properties when slum areas are replaced by public housing projects. No attempt has been made to estimate the value of such local contributions. As indicated earlier, the direct money outlays of the local housing authorities are made primarily from money borrowed through the sale of bonds and covered by the income of the project.

Both State and local governments made some direct expenditures for veterans' housing in the years from

1946 to 1948. State grants to localities for this purpose amounted to more than \$200 million. Local governments contributed primarily by providing land and utilities or selling land to veterans at reduced prices and freezing the tax rates on veterans' rental projects for a number of years. The amounts shown in table 1 for expenditures for public housing from State and local funds are the annual State contributions or subsidies to local housing authorities. For the years covered, these amounts—plus the expenditures from Federal funds shown—represent total net government expenditures for public housing.

Since 1949 the Federal Government has also had a program of loans and grants to localities to assist in slum clearance and urban redevelopment projects. Grants and costs of administration for this program amounted to \$35.7 million in 1954-55. These expenditures are not included in the social welfare series because their purpose is more closely related to general community development expenditures, such as those for improved highways, transportation facilities, and related utilities.

### *Social Welfare Expenditures and National Output*

The growth in social welfare expenditures over the past 20 years has been affected by population growth and price changes as well as by program developments. With an increase of 30 percent in the total population and of 36 percent in the number under age 18 and 81 percent in the number aged 65 and over, most of the programs would have spent more money merely to maintain the same level of service per capita. In addition, prices almost doubled during the period, and a larger dollar outlay has been required for the same level of service. At the same time, national productivity and real national output have continued to expand, and part of this increase—varying from program to program—has been channeled into the improvement of social welfare services.

The proportions of the total national output used for social welfare programs (table 2) reflect the interaction of all these factors—program

development, population growth, price change, and improved levels of program adequacy. A far more detailed analysis than is possible here would be required to separate the influence of each of the significant factors. Several broad generalizations, however, can be made. One is that general economic and social conditions and the size of the national income itself are of major importance in determining the uses of the national income. Social welfare expenditures represented more than 11 percent of total national output in the fiscal year 1934-35, in part because national output had fallen sharply and in part because of the emergency relief programs, designed to mitigate and correct that situation. These expenditures took less than 4 percent of the national output in 1944-45, primarily because of the tremendous expansion in the output directed to war purposes.

The reasons for the growth in social insurance expenditures were discussed earlier. The peak of expenditures for veterans in relation to the national output (3 percent) came in 1946-47, when both the special readjustment allowances and education benefits were at high levels. With most veterans back in civilian employment, expenditures for this program now reflect primarily the income-maintenance and health services provided to disabled and aged veterans or to their survivors.

The increases during the past few years in expenditures for health and medical services and for education reflect a number of common factors. In both programs, there has been an accelerated building program—largely to catch up with the wartime deficits in school and hospital construc-

tion. The increased use of public funds for hospital construction, resulting largely from the grants under the Hill-Burton Act of 1946, got under way and reached at least a temporary peak earlier than the school building program (table 3). Total expenditures for both health and education have also been affected by the fact that salaries of health and education personnel, which had lagged behind the average for wage and salary workers, have in the past few years increased proportionately more than the average and thus reduced the difference. Medical care costs have shown a particularly sharp increase in the past few years. The medical care component of the consumer price index (based on the period 1947-49) had gone up 31.4 percent by March 1956, compared with 14.7 percent for all items. Increases in the cost of hospital care have been primarily responsible for the more rapid rise in medical costs. The adjustment to the current price level shown in table 4 for all the programs was, however, made on the basis of the overall index.

When adjusted for price level changes, total social welfare expenditures about doubled between 1934-35 and 1954-55. Adjusted expenditures per capita increased 65 percent.

### Social Welfare and Other Government Expenditures

In the fiscal year ended June 30, 1955, social welfare expenditures as defined in this article accounted for a little less than one-third of all government expenditures for all purposes (table 5). Excluding social insurance payments, social welfare expenditures from general revenues make up one-fourth of all government expendi-

Table 3.—Capital outlays from public funds for schools and hospitals, fiscal years 1949-50, 1952-53, 1953-54, and 1954-55

Fiscal year	Total	Schools <sup>1</sup>	Hospitals	
			Veterans <sup>7</sup>	Other
Total:				
1949-50.....	\$1,532.7	\$1,014.2	\$156.2	\$362.3
1952-53.....	2,400.3	1,889.9	90.0	420.4
1953-54.....	2,772.3	2,362.0	52.2	358.1
1954-55.....	3,206.2	2,786.4	33.0	386.8
From Federal funds:				
1949-50.....	222.4	5.9	156.2	60.3
1952-53.....	341.3	139.9	90.0	111.4
1953-54.....	268.1	119.8	52.2	96.1
1954-55.....	255.2	141.4	33.0	80.8
From State and local funds:				
1949-50.....	1,310.3	1,008.3	.....	302.0
1952-53.....	2,069.0	1,750.0	.....	309.0
1953-54.....	2,504.2	2,242.2	.....	262.0
1954-55.....	2,951.0	2,645.0	.....	306.0

<sup>1</sup> Includes capital outlays for public elementary and secondary schools and publicly controlled higher education.

tures from general revenues. The picture is somewhat different when expenditures from Federal funds and from State and local funds are examined separately.

About 40 percent of all social welfare expenditures in 1954-55 came from Federal funds, and 60 percent from State and local funds. Because the Federal expenditures, other than those for social insurance and the veterans' programs, take the form primarily of grants in aid to the States, two-thirds of the total expenditures were used for programs administered by the States or localities.

On the other hand, of total government expenditures (including social insurance payments) of \$99 billion in 1954-55, \$69 billion was spent by the Federal Government and \$30 billion by State and local governments.<sup>7</sup> Social welfare expenditures accounted for 19 percent of all Federal expenditures, including social insurance and related payments, and for 11 percent of all Federal expen-

Table 2.—Social welfare expenditures as percent of gross national product, selected fiscal years 1934-35-1954-55

Fiscal year	Gross national product (in billions)	Social welfare expenditures as percent of gross national product						
		Total	Social insurance	Public aid	Health and medical services	Educa-tion	Other welfare services	Veterans' Programs
1934-35.....	\$68.7	11.5	0.6	5.9	0.9	3.2	0.2	0.7
1939-40.....	95.7	9.6	1.3	3.8	.8	2.9	.1	.6
1944-45.....	218.3	3.6	.6	.5	.5	1.6	.1	.4
1949-50.....	263.0	9.0	1.8	.9	.8	2.8	.2	2.5
1952-53.....	357.9	7.4	1.8	.8	.8	2.6	.2	1.2
1953-54.....	359.7	8.1	2.3	.8	.8	2.8	.3	1.1
1954-55.....	373.1	8.7	2.7	.8	.9	2.9	.2	1.2

<sup>7</sup> State unemployment insurance benefit payments are here treated as State expenditures; in the Federal Budget and in the national income series of the Department of Commerce from which the government expenditure data used here are derived, State withdrawals from the unemployment insurance trust fund appear as Federal expenditures.

**Table 4.—Social welfare expenditures per capita under civilian public programs, actual and 1955 prices, selected fiscal years 1934–35—1954–55**

Fiscal year	Per capita <sup>1</sup> social welfare expenditures								Social welfare expenditures in 1955 prices	
	Total <sup>2</sup>	Social insurance	Public aid	Health and medical services	Other welfare services	Veterans' programs	Education		Total <sup>3</sup> (in millions)	Total Per capita <sup>1</sup>
							Per capita	Per child aged 5-17		
1934-35.....	\$62.08	\$3.03	\$32.00	\$5.06	\$0.90	\$3.55	\$17.54	\$70.78	\$15,526.6	\$122.44
1939-40.....	69.63	9.26	27.98	6.09	1.01	4.08	21.18	92.77	17,543.2	133.64
1944-45.....	61.97	10.36	8.16	7.83	1.65	7.19	26.68	119.68	11,848.3	93.19
1949-50.....	159.67	31.72	16.72	14.64	3.66	43.89	48.96	239.52	26,892.8	180.62
1952-53.....	171.14	42.67	17.62	18.19	5.12	27.28	59.96	274.14	26,581.5	171.83
1953-54.....	185.28	52.33	17.69	19.05	5.80	26.12	63.89	277.89	29,076.8	184.54
1954-55.....	201.98	61.56	18.67	20.74	5.75	27.18	67.53	296.73	32,464.4	201.98
Percentage change, 1955 from 1935:										
Actual expenditures.....	+225	+1,932	-42	+310	+539	+666	+285	+319	+312	+225
Expenditures in 1955 prices.....	+65	+929	-70	+108	+223	+288	+95	+113	+109	+65

<sup>1</sup> Per capita figures relate to total civilian population of continental United States as of end of December.

<sup>2</sup> Includes public housing, not shown separately.  
<sup>3</sup> For actual expenditures, see table 1.

ditures from general revenues. They accounted for 62 percent of State and local expenditures, including social insurance payments, and 57 percent of expenditures from the States' general revenues (table 5). These proportions reflect the traditional division of functions and responsibilities between the Federal and the State and local governments in this country, as modified by changing economic circumstances. They may also provide some clue as to why many persons in other countries, looking only to the Federal Budget, may still think of the United States as a country that neglects the welfare needs of its people.

The comparison of social welfare expenditures with all government expenditures omits the payments made under the State workmen's compensation and temporary disability insurance programs by private insurance carriers. These amounts are not public funds and should not be included in any figure on total government expenditures. Since the payments are required by law and in most States may be insured under public funds or through private carriers at the employer's option, they are included with social insurance program expenditures in all tables other than table 5.

### Private Welfare Expenditures

Information on private welfare expenditures is too inexact and incom-

plete to provide a firm basis for detailed, year-by-year comparisons. The general relationships between private and public welfare expenditures changed little between 1953-54<sup>8</sup> and 1954-55. A few summary comparisons can, however, be made.

In discussing private expenditures for welfare purposes, it is important to distinguish between two different though not unrelated concepts. One has to do with the total amount spent privately for education or health or old age, disability, or life

<sup>8</sup> See Ida C. Merriam, "Social Welfare in the United States, 1934-54," *Social Security Bulletin*, October 1955, pages 13-14.

**Table 5.—Social welfare expenditures in relation to government expenditures for all purposes, selected fiscal years 1934–35—1954–55**

(In millions)

Fiscal year	Social welfare expenditures			Social welfare expenditures from general revenues			
	Total as percent of government expenditures for all purposes <sup>1</sup>	From Federal funds as percent of Federal expenditures for all purposes	From State and local funds as percent of State-local expenditures for all purposes <sup>2</sup>	Total as percent of all government expenditures from general revenues	From Federal funds as percent of all Federal expenditures from general revenues		From State and local funds as percent of all State-local expenditures from general revenues
					All Programs	All other than veterans'	
1934-35.....	59.9	47.1	72.2	58.3	45.8	38.6	70.3
1939-40.....	49.5	36.4	63.1	45.6	33.0	27.1	59.0
1944-45.....	7.5	2.5	66.8	6.5	1.8	.8	63.6
1949-50.....	37.2	23.2	64.7	32.2	19.1	4.0	59.7
1952-53.....	25.7	13.9	62.0	20.8	8.7	3.1	58.1
1953-54.....	29.1	16.2	62.3	23.5	9.9	3.6	57.6
1954-55.....	32.0	19.1	61.5	24.8	10.7	3.9	56.7

<sup>1</sup> Expenditures from general revenues and from social insurance trust funds; the portion of workmen's compensation and temporary disability insurance payments made through private carriers was

insurance; the other concerns the amount of private philanthropic contributions for these and other "welfare" purposes.

In considering first the relation between total private and total public spending for purposes that have become identified as social welfare purposes, it is useful to compare the general magnitudes involved. For education, between 75 percent and 80 percent of all expenditures in the United States are from public funds. Private expenditures for education in 1954-55 included about \$400 million for construction and \$2.8 billion in current expenditures, primarily tuition fees. About 40 percent of these current expenditures went for higher education, compared with about 12 percent of public expenditures (excluding construction). This difference reflects the lesser extent to which higher education, compared with primary and secondary education, has been made available without direct charge to all young persons who want it.

Medical care and health services, on the other hand, are paid for primarily through private expenditures. Private expenditures for medical services amounted to about \$10.9 billion and private funds for hospital construction to about \$350 million in 1954. Public funds thus supported a little less than 30 percent of the combined total outlay for civilian medical and health care.

Private pension plans paid perhaps

omitted in computing percentages.

<sup>2</sup> Includes expenditures from State accounts in the unemployment trust fund, but excludes Federal grants-in-aid.



\$540 million in age and disability benefits in the fiscal year 1954-55. For most of the persons receiving such benefits, the private annuity was designed to supplement an old-age and survivors insurance benefit. Increasingly, employee benefit plans and individuals are adjusting their life insurance coverage to reflect the availability of survivor benefits under old-age and survivors insurance. The Institute of Life Insurance estimates that death benefit payments under group life insurance amounted to almost \$600 million in 1955 and under all types of policies, including those individually purchased, to \$2.2 billion. Private cash sickness insurance payments (not including payments by private carriers or self-insurers under the public laws of California, New Jersey, and New York), plus paid sick leave, amounted to about \$1.2 billion in 1954.

Private contributions for all philanthropic and religious purposes in 1954, the latest year for which data are available, amounted to about \$5.4 billion. About \$2.8 billion of the total went to religious organizations. Private charitable organizations spent for health purposes—medical and hospital care, research, health information, hospital construction—about \$750 million, including about \$80 million spent by religious organizations for health services. Perhaps \$1.1 billion, including \$270 million from church funds, went for welfare services—family counseling, specialized services for children, recreation, group work, institutional care, and similar services.

### **Conclusion**

From the earliest period of its history, the United States has worked toward the goal of social welfare through a variety of public and private programs and activities. Before the end of the eighteenth century the Federal Government had set aside land from the public domain for the support of public education, established quarantine regulations and a

marine hospital service, and begun the payment of pensions to veterans and their survivors. The nineteenth century was marked by a steady growth first of local action and then, from about the middle of the century, of State action in the field of education, health, and welfare. During the same period, private social welfare groups were giving impetus and direction to reform efforts. The first and second decades of the twentieth century saw the beginning of social insurance for all workers, with workmen's compensation legislation in most of the States (special retirement systems for State and local government employees began somewhat earlier), and the beginning of modern public assistance programs, with the development of State mother's aid and later State old-age pension laws.

The Social Security Act of 1935 established or laid the basis for a large part of our present social welfare structure. The national system of old-age insurance it established has become the old-age, survivor, and disability insurance system, covering almost all persons who work for a living. The nationwide system of State unemployment insurance programs made possible by the act provides a stabilizing influence on the economy as well as partial support to unemployed workers and their families. The Social Security Act also marked the acceptance of Federal responsibility for other health and welfare needs and the use of Federal grants in aid to strengthen State programs of public assistance, maternal and child health and child welfare services, and vocational rehabilitation and general public health programs. The health and vocational rehabilitation grants were subsequently placed under separate legislation and expanded in scope and amount.

The growth in the public programs in the past 20 years has been accompanied by a substantial growth in private pension and other employee benefit plans supplementing and filling in gaps in the public programs.

There has also been an expansion of private welfare services of many kinds and a new interest in the non-monetary needs of such groups as the aged or families and young people with special problems or subject to particular strains.

In spite of the tremendous expansion of social welfare expenditures since 1934-35, the amounts thus channeled into public education, health, and welfare programs represented in the fiscal year 1954-55 less than 9 percent of our national output. Some further expansion both in dollar expenditures and in the proportion of our total production devoted to these programs is probable. The dollar outlays will rise as a result of population increases even if price levels remain stable. As more and more of the persons reaching retirement age or becoming disabled qualify for old-age, survivor, or disability benefits, more of the total goods and services used by these groups in the population—that is to say, more of the total national output—will be distributed through this insurance program. There is evidence that the American people are likely in the next few years to give a sufficiently high priority to improving and expanding public education so that the share, as well as the volume, of the national product used for education may increase. Health needs and potentials are also attracting increasing attention.

The gains of increasing productivity can be used in many ways—more leisure, higher personal incomes, improved social services, increased participation in worldwide technical development, and other measures for national security. It is probable that in the future, as in the past, such gains will be used in all these ways. As tightly as most of the existing social welfare programs are woven into the fabric of our economic and social institutions, there remains a wide and continuing range of choice and decision as to the direction and pace of their future development.