

Social Welfare in the United States, 1934-54

by IDA C. MERRIAM*

THE past 50 years have been marked by a phenomenal increase in the productivity, the diversity of goods and services generally available, and the total national output of this country. These changes have been accompanied by a large increase in the share of the national output devoted to social welfare programs. The past 20 years have seen the establishment of a nationwide social insurance system and the expansion of public health, education, and welfare programs. The same period has seen also a continued growth and diversification of forms of private saving and of voluntary welfare activities.

A number of factors have contributed to the growth of social welfare programs. The shifts from rural to urban living and from a predominantly self-sufficient or barter economy to a predominantly money and credit economy have at once created new risks to family security and lessened the ability of families to take care of their own members. The large family group that cared—primarily through a sharing of home and food and services—for distant as well as immediate relatives who were sick, or old, or orphaned has almost disappeared. Increased mobility, the lure of new jobs and new communities, and the smaller quarters of urban living, as well as the increasing number of necessities that are to be had only in exchange for money, have helped to break up the old patterns of family and neighborhood support. All modern societies have faced the need for a more broadly organized method of channeling a part of the Nation's current output of goods and services to those who at a particular time cannot rely on current earnings for at least the major part of their support.

So this country, along with others, has developed social insurance programs to provide a continuing income to persons who have retired

from gainful employment either after attaining some specified age or because of long-continued disability, to orphans and their widowed mothers and to aged widows, and to workers during temporary periods of sickness or unemployment. To meet the special needs and circumstances that cannot well be covered by social insurance, the public assistance programs have been set up to provide income to persons in specified groups whose current resources are insufficient to meet what the community regards as their minimum needs.

Another factor contributing to the growth of social welfare programs, broadly defined, has been the remarkable development of medical science and technology. The Nation spends much more on public health and sanitation today than it did one hundred or even fifty years ago because so much more is known about disease and methods of prevention or control. With more widespread knowledge of what health programs

can accomplish, every lifesaving discovery, every advance in rehabilitation techniques, brings pressures to make these services available to all who need them.

The advance of science and technology has also been at least partly responsible for a continued expansion in public education. The United States was the first large country in the world to adopt the goal of universal public education. For many years, public education meant elementary education; only a relatively few children went on to high school or college. Around 1900, there began a tremendous expansion of public high school education, with both an increase in attendance and a broadening of the curriculum base, until now it is almost taken for granted that a child should finish high school. Today a somewhat similar expansion of education at the college level seems to be under way. The educational benefits under the GI Bill of Rights demonstrated the widespread

Individual and Social Welfare

Widespread interest in social welfare programs and their relation to economic and social development is increasingly reflected in national and international discussions and planning. Supplementing articles that appeared in the August anniversary issue of the *BULLETIN*, this issue presents a new summary of the development and present scope of social welfare programs in the United States, highlighting the 20 years from 1934-35 to the present.

The high standard of living of the American people is an outgrowth of the combined efforts and activities of individuals, of voluntary associations of many kinds, of industry, and of government at Federal, State, and local levels. We can be proud to tell the story of a prosperity widely shared, of freedom for the growth of private social security arrangements and voluntary welfare activities, of local communities and State governments playing the major part in the provision of public social welfare services, and of the Federal Government sharing costs or acting directly to carry out the national interest in the welfare of individuals and families.

The detailed estimates and analysis presented in the accompanying article bring together basic information that will be of use to all who are interested in this story.

CHARLES I. SCHOTTLAND
Commissioner of Social Security

*Division of Research and Statistics,
Office of the Commissioner.

desire among young people for more education and training and their willingness to make sacrifices to obtain it. The need for more highly trained people in basic research, in medicine, and in industry is generally recognized.

The social sciences have had far less support and made fewer dramatic advances than the natural sciences. Nevertheless, the social sciences too have developed concepts and understandings that press for application. Not all of these result in social welfare programs. Many find expression primarily in the field of industrial relations or of business or public administration. The techniques of economic planning, as reflected, for example, in the responsibilities given to the Council of Economic Advisers and the Joint Committee on the Economic Report by the Employment Act of 1946, are further developed than is generally recognized.

The social welfare programs play a significant role in relation to economic stabilization and economic security. The direct impact of the social sciences on social welfare programs, however, has been largely in the expanding field of social services. Increasing knowledge and expansion of the fields of psychology, sociology, social work, and related disciplines are reflected—to give a few examples—in guidance and counseling services, attempts to prevent or mitigate the effects of juvenile delinquency, new emphasis on part-time work and special services for the aged, and the growing interest in mental health. Such types of service are still limited in application but of growing importance.

Accompanying the other changes that have led to the current importance of social welfare programs have been a redefinition and broadening of the sense of community responsibility. The ethical principles that underlie modern social welfare programs are many centuries old, but the community in which they must operate has become a series of communities—local, regional, nationwide, and in some measure worldwide. If there remain gaps and inadequacies in many of the programs, both the goals and the achievements that can

be recorded are encouraging and significant.

Scope and Development of Social Welfare Programs

While the term social welfare has come to be widely used, there is no agreed definition as to just what it should encompass. Differences of usage, between countries and within countries, are often related to the way in which particular programs develop. Agricultural programs, for instance, may have social welfare aspects, either because of the help given to low-income farm families, the use of surplus commodities for relief purposes, or other features. Certain programs designed to increase employment opportunities can be regarded either as labor programs or as social welfare programs. The classifications adopted may affect both international and historical comparisons.

As used here, the term social welfare is broadly defined to include education, health, social security, social service, and veterans' programs—the major programs that are directed specifically toward promoting the well-being of individuals and families. It excludes expenditures associated with programs directed primarily toward economic development, price support, flood control, and so on, even though some of these may have important social welfare aspects or consequences. The term also excludes direct military expenditures, such as the medical care provided to those in military service. Expenditures for public housing are omitted, not for conceptual reasons but because it has not been possible to develop comparable data. This grouping is similar to that which is used in other countries. It conforms in large measure, also, to the functional budget classifications of most government units.

There has never been a time, from colonial days on, that this country has not had social welfare programs. Although all levels of government were involved from the beginning, such programs were for many years primarily local. The States began to play an important role after the middle of the nineteenth century. Not until the depression of the 1930's

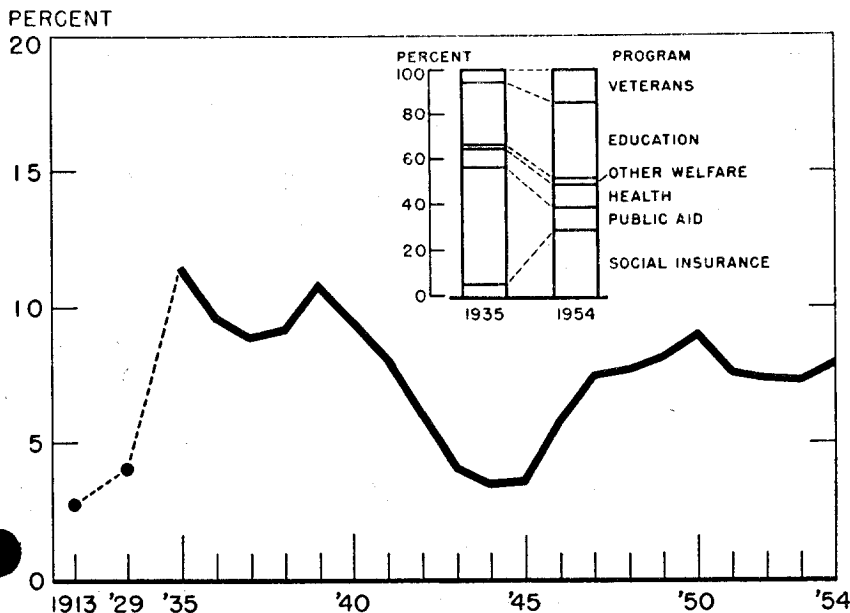
did the Federal Government assume any major responsibilities for social welfare measures.¹ The role of the States has been further strengthened since the 1930's by the increasing number of programs in which the Federal Government exercises its responsibility through making Federal financial aid available to the States while leaving program administration to the States or localities. At the present time about 60 percent of all public expenditures for social welfare come from State and local funds and 40 percent from Federal funds. About one-fifth of the Federal expenditures are for grants-in-aid to the States. Consequently about 68 percent of the total goes to programs administered by State or local governments. Social welfare expenditures represent a far larger portion of total State and local government budgets and activities than they do of the Federal budget.

Education

The Federal Government, as early as 1785, set aside land from the public domain to be used for the support of public education. Many communities quickly took advantage of the offer. The movement for tax-supported public schools available to all groups and classes met with substantial opposition, however, and its success was not assured until well into the second half of the nineteenth century. The first compulsory school attendance law was passed in Massachusetts in 1852, and was 1920 before all States had such laws, and they could not be effective while child labor was accepted and widely used. Tax support of high schools began in the 1870's, although the widespread development of secondary education did not occur until after 1900. Public support for colleges and universities also began before 1900 but reached major proportions only after World War I. In more recent years, the schools have provided increasingly special-

¹ An earlier article on the same subject in the February 1953 *Bulletin* contained somewhat more information on the historical development of the programs. The expenditure estimates in the earlier article and in the October 1953 and October 1954 issues of the *Bulletin* are superseded by the revised estimates presented here.

Chart 1.—Public social welfare expenditures as a percent of the gross national product, fiscal years 1935–54



ized programs and types of service. The jump in the birthrate following World War II and the foreseeable large increase in school and college enrollments during the next decade are presenting the educational system of the country with new problems and a new challenge.

Health

Public health activities for a time centered primarily around quarantine and related controls. The Federal Government early made special provision for the health of merchant seamen. Beginning in 1798, compulsory deductions from seamen's wages were used to establish and maintain hospitals for the care of sick and disabled seamen in the various ports. In 1884 the payroll deductions were replaced by a tonnage tax and later by general revenue financing. The Marine Hospital Service established under the early legislation developed into the U. S. Public Health Service, which thus traces back its history for more than 155 years.

Largely as a result of the insistent concern of one woman, Dorothea Dix, a major step forward was made in the 1850's in the care of the mentally ill, through the establishment of separate State institutions

for them and for other dependent groups. The modern public health movement got well under way in the 1890's with the establishment or development of State boards of health in a number of States. Environmental sanitation and general public health services gradually became an accepted function of State and local governments in most parts of the country. By 1935, however, when the Social Security Act was adopted, it was estimated that no more than one-fourth of the counties in the Nation had full-time health departments and that no more than half the cities had the minimum essential health services.

To stimulate State and local public health activities and to provide a financial basis for their extension, the Social Security Act authorized Federal grants of \$8 million annually. In 1944 the public health title (VI) of the Social Security Act was transferred to the Public Health Act adopted in that year. Federal grants-in-aid to the States for public health activities have subsequently expanded tremendously, both through an increase in the amounts authorized and through the enactment of new categorical grant programs: venereal disease control, 1938; tuberculosis control, 1944; hospital survey

and construction, 1946; mental health and cancer control, 1947; heart disease control and water pollution control, 1949; expanded hospital construction (institutions for the care of the chronically ill, diagnostic centers, and so on), 1954; poliomyelitis control, 1955. Federal expenditures for medical research have also expanded in recent years.

One special public health program—Federal grants of funds to the States to help support maternal and child health services—was enacted in 1921, and all but three States were receiving such grants in 1927, when Congress announced its intention of making no further appropriations for this purpose after the following year.

The Social Security Act provided special grants-in-aid to the States for maternal and child health services and for crippled children's services (as well as for child welfare services). The amounts of Federal funds authorized for these programs have been increased from the original \$3.8 million a year for maternal and child health and \$2.85 million for crippled children to \$16.5 million and \$15.0 million respectively. The full amount authorized under the 1950 amendments has never been appropriated for maternal and child health services and was first appropriated for crippled children's services for the fiscal year 1955–56.

A program of emergency maternity and infant care for dependents of servicemen in the lower grades of the Armed Forces was carried out during World War II through Federal grants to the States provided under successive annual appropriation acts.

The expenditures shown in table 1 for health and medical services do not include certain items that can properly be classified as health expenditures and that would be so classified in a compilation relating to health programs alone. For the purposes of this analysis, it has seemed preferable that the health or medical care expenditures made as an incident to other welfare programs be included in the totals for those other programs. Federal expenditures for health and medical services under the veterans' program are shown separately in table 1 and

Table 1.—Social welfare expenditures in the United States

[In millions]

Program	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44
Total										
Total	\$7,872.0	\$7,438.1	\$7,756.8	\$8,137.5	\$9,533.3	\$9,118.3	\$9,071.3	\$8,510.1	\$7,249.7	\$7,016.6
Social insurance	383.7	425.4	473.2	790.9	1,114.6	1,214.9	1,267.7	1,313.5	1,207.7	1,239.5
Public aid	4,057.9	3,377.3	3,431.7	3,247.9	4,231.0	3,657.1	3,486.6	2,738.9	1,484.3	1,036.3
Health and medical services ²	641.8	665.0	724.0	750.6	807.0	799.2	754.5	790.6	805.0	897.5
Other welfare services ²	113.9	114.7	115.6	116.1	126.5	132.1	154.5	159.6	155.6	179.7
Education	2,224.9	2,375.4	2,527.3	2,737.9	2,741.0	2,780.0	2,873.1	2,970.0	3,041.2	3,040.7
Veterans' programs ⁴	449.8	480.3	485.0	494.1	513.2	535.0	534.9	537.5	555.9	622.9
From Federal funds										
Total	\$2,966.6	\$2,945.7	\$3,167.9	\$2,910.5	\$3,783.1	\$3,292.0	\$3,294.8	\$2,924.3	\$2,122.0	\$1,962.4
Social insurance	98.7	115.4	121.8	243.2	303.2	350.1	430.9	480.6	525.7	626.8
Old-age and survivors insurance			(9)	5.4	13.9	28.1	61.2	137.0	176.8	217.2
Railroad retirement			1.5	82.5	108.6	115.7	124.1	129.1	133.2	136.5
Public employee retirement	90.0	93.0	96.5	98.5	101.0	107.5	113.6	119.0	122.4	104.9
Unemployment insurance and employment service	(5 ^a)	14.7	12.9	46.6	64.6	65.8	68.0	73.6	76.5	90.4
Railroad unemployment insurance					1.7	18.9	21.1	11.4	3.9	3.7
Railroad temporary disability insurance										
Workmen's compensation	8.7	7.7	10.9	10.2	13.4	14.1	12.9	10.5	12.9	14.1
Public aid	2,373.7	2,300.3	2,489.8	2,090.3	2,872.1	2,304.3	2,150.6	1,661.4	753.5	432.3
Public assistance ⁶		20.2	142.6	212.5	244.3	279.4	333.5	373.5	395.0	409.6
Other ⁷	2,373.7	2,280.1	2,347.2	1,877.8	2,627.8	2,024.9	1,817.1	1,287.9	358.5	22.0
Health and medical services ²	16.8	21.0	40.0	38.6	44.0	51.2	54.5	60.6	73.0	100.0
Other welfare services ²	2.7	3.3	4.0	4.3	9.6	9.9	20.8	22.0	32.7	47.7
Education	24.9	25.4	27.3	40.0	41.0	41.5	103.1	162.2	181.2	126.5
Veterans' programs ⁴	449.8	480.3	485.0	494.1	513.2	535.0	534.9	537.5	555.9	622.9
Pensions and compensation ⁸	390.2	415.1	413.0	419.2	433.7	447.8	453.1	452.6	467.6	520.5
Readjustment allowances										
Health and medical services ¹⁰	58.9	64.1	71.1	74.0	78.4	86.2	80.8	84.1	87.6	100.9
Education										
Welfare and other ¹¹	.7	1.1	.9	.9	1.1	1.0	1.0	.8	.7	1.5
From State and local funds										
Total	\$4,905.4	\$4,492.4	\$4,588.9	\$5,227.0	\$5,750.2	\$5,826.3	\$5,776.5	\$5,585.8	\$5,127.7	\$5,054.2
Social insurance	285.0	310.0	351.4	547.7	811.4	864.8	836.8	832.9	682.0	612.7
Public employee retirement	120.0	125.0	129.0	135.0	142.0	147.0	151.0	161.0	174.0	187.0
Unemployment insurance and employment service	(5 ^a)	(5 ^a)	3.3	182.9	447.8	485.9	435.7	371.4	176.1	61.1
State temporary disability insurance									.8	4.7
Workmen's compensation ¹²	165.0	185.0	219.1	229.8	221.6	231.9	250.1	300.5	331.1	359.9
Public aid	1,684.2	1,077.0	941.9	1,157.6	1,358.9	1,352.8	1,336.0	1,077.5	730.8	604.0
Public assistance ⁶	1,084.2	942.8	636.6	778.0	857.3	843.2	773.9	687.7	615.6	604.0
Other ⁷		134.2	305.3	379.6	501.6	509.6	562.1	389.8	115.2	
Health and medical services	625.0	644.0	684.0	712.0	763.0	748.0	700.0	730.0	732.0	791.0
Other welfare services ³	111.2	111.4	111.6	111.8	116.9	122.2	133.7	137.6	122.9	132.3
Education	2,200.0	2,350.0	2,500.0	2,697.9	2,770.0	2,738.5	2,700.0	2,807.8	2,860.0	2,914.2
Veterans' programs										

¹ 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 include some payments and expenditures outside continental United States.

² Includes hospital construction and medical research; excludes health and

medical services provided in connection with veterans' programs, public education, public aid, workmen's compensation, and vocational rehabilitation (included in total expenditures shown for those programs); also excludes 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.

³ Represents vocational rehabilitation, child welfare services, school lunch program, and institutional care.

⁴ Excludes Federal bonus payments, appropriations to Government life insurance trust fund, and accounts of several small revolving funds.

can, if desired, be added to the "health and medical services" figure. Expenditures for hospital and medical care provided through school health programs, under workmen's compensation (amounting in 1953-54 to about \$290 million), the California temporary disability insurance program (\$17.6 million), and the vocational rehabilitation programs (\$8.7 million), and through public assistance (\$280 million in 1953-54, \$175 million of which was paid directly by

the public agencies to the providers of care) are included in the figures shown for the respective programs.²

Certain other health expenditures have been omitted entirely; the most important of the omissions are those for international health activities, medical care provided to the Armed

Forces, and the medical research expenditures of the Atomic Energy Commission (almost \$25 million in 1953-54). Some question might be raised as to whether at least a portion of the Atomic Energy Commission expenditures should not be included in the civilian health total. Since, however, the general emphasis of this research appears to be on health problems of special concern to the military, the figure has not been included in this series.

² For similar data for 1951-52 and 1952-53, as well as more detailed breakdown of the "health and medical services" total, see the *Bulletin*, September 1955, table 4, page 29.

under civilian public programs, fiscal years 1934-35—1953-54¹

[In millions]

1944-45	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	Program
Total										
\$7,870.5	\$11,799.8	\$16,544.1	\$18,749.0	\$21,383.8	\$23,602.6	\$23,564.0	\$24,833.1	\$26,050.8	\$28,307.4	Total.
1,316.3	2,576.2	2,655.0	2,863.7	3,631.7	4,723.5	4,761.5	5,677.0	6,585.8	8,211.4	Social insurance.
1,037.8	1,449.6	1,440.6	1,700.4	2,087.1	2,488.8	2,584.3	2,582.5	2,725.9	2,774.7	Public aid.
995.9	1,102.5	1,191.4	1,493.5	1,930.4	2,144.8	2,396.3	2,597.8	2,736.9	2,876.8	Health and medical services.
213.7	246.0	278.4	326.6	370.7	421.9	533.0	695.1	707.4	729.4	Other welfare services.
3,392.6	3,711.2	4,289.5	5,485.2	6,355.0	7,289.1	7,782.8	8,560.7	9,074.4	9,600.0	Education.
914.2	3,014.3	6,689.2	6,879.6	7,008.9	6,534.5	5,506.1	4,720.1	4,220.4	4,115.1	Veterans' programs.
From Federal funds										
\$2,356.2	\$4,532.2	\$8,565.7	\$8,602.6	\$9,358.8	\$9,523.1	\$9,592.5	\$9,763.7	\$10,405.9	\$11,176.1	Total.
705.4	858.4	1,116.7	1,314.3	1,580.0	1,911.7	2,712.5	3,341.9	4,199.6	5,020.1	Social insurance.
266.8	357.9	466.4	559.1	660.5	784.1	1,568.5	2,067.0	2,716.9	3,364.2	Old-age and survivors insurance.
143.7	154.4	177.6	227.3	282.5	304.4	321.0	400.4	466.5	513.1	Railroad retirement.
184.8	193.3	256.0	306.9	354.7	433.7	555.9	586.9	664.9	736.8	Public employee retirement.
90.5	110.6	148.8	141.5	184.3	213.6	177.8	195.3	204.5	209.1	UI and employment service.
4.3	24.2	51.2	35.9	50.5	119.6	28.3	26.3	57.8	100.4	Railroad unemployment insurance.
15.3	18.0	16.7	28.6	32.0	31.1	28.9	27.7	45.4	45.8	Railroad temporary disability ins.
427.4	448.1	615.9	722.5	939.5	1,095.8	1,187.7	1,209.1	1,358.8	1,406.7	Workmen's compensation.
417.6	446.0	615.9	722.5	939.5	1,095.8	1,187.7	1,209.1	1,358.8	1,406.7	Public aid.
9.8	2.1									Public assistance.
126.9	128.5	152.7	148.7	182.8	266.7	320.8	350.4	341.7	312.9	Other.
69.7	73.3	96.2	93.1	100.8	112.1	117.3	124.3	125.1	124.1	Health and medical services.
112.6	57.0	53.9	60.4	66.9	73.4	82.8	160.7	274.4	300.0	Other welfare services.
914.2	2,966.9	6,530.3	6,263.6	6,488.8	6,063.4	5,171.4	4,577.3	4,106.3	4,012.3	Education.
755.9	1,265.7	1,830.6	1,910.7	1,983.2	2,092.8	2,120.8	2,195.0	2,487.7	2,534.3	Veterans' programs.
24.1	1,037.2	1,511.6	714.9	540.7	148.3	11.0	(9)	(9)	(9)	Pensions and compensation.
114.5	244.8	571.7	560.4	710.9	742.0	691.1	764.8	737.4	740.1	Readjustment allowances.
9.7	362.7	2,251.1	2,619.8	2,818.7	2,689.1	2,020.5	1,382.2	704.6	590.0	Health and medical services.
10.0	56.5	365.3	457.8	435.3	391.1	328.1	234.7	197.1	148.1	Education.
										Welfare and other.
From State and local funds										
\$5,514.3	\$7,267.6	\$7,978.4	\$10,146.3	\$12,025.0	\$14,079.5	\$13,971.5	\$15,069.5	\$15,644.9	\$17,131.3	Total.
610.9	1,717.8	1,538.3	1,549.4	2,051.7	2,811.8	2,049.0	2,335.1	2,386.2	3,191.3	Social insurance.
198.0	216.0	286.7	256.5	276.0	299.5	367.0	414.0	460.0	515.0	Public employee retirement.
71.3	1,091.1	837.2	759.7	1,198.0	1,868.2	872.7	991.8	912.9	1,588.8	UI and employment service.
4.9	4.7	15.3	34.3	51.7	69.1	139.6	178.0	197.9	211.7	State temporary disability ins.
336.7	406.0	449.1	498.9	526.0	575.0	669.7	751.3	815.4	875.8	Workmen's compensation.
616.4	701.5	824.7	977.9	1,147.6	1,303.0	1,396.6	1,373.4	1,367.1	1,368.0	Public aid.
610.4	701.5	824.7	977.9	1,147.6	1,303.0	1,396.6	1,373.4	1,367.1	1,368.0	Public assistance.
863.0	974.0	1,038.7	1,348.8	1,747.6	1,878.1	2,075.5	2,247.4	2,395.2	2,563.9	Other.
144.0	172.7	182.2	233.4	269.9	309.8	415.7	570.8	582.3	605.3	Health and medical services.
3,280.0	3,654.2	4,235.6	5,424.8	6,288.1	7,215.7	7,700.0	8,400.0	8,800.0	9,300.0	Other welfare services.
	47.4	158.9	616.0	520.1	471.1	334.7	142.8	114.1	102.8	Education.
										Veterans' programs.

⁵ Less than \$50,000.

¹⁰ Not available.

⁶ Old-age assistance, aid to dependent children, aid to the blind, aid to the permanently and totally disabled and, from State and local funds, general assistance.

⁷ Work program earnings, subsistence payments, and other emergency aid programs.

⁸ Includes burial awards.

⁹ Net refunds in 1952-53 amounted to \$508,564 and in 1953-54 to \$244,996.

¹⁰ Includes hospital construction; through 1945-46 includes domiciliary care;

from 1946-47 through 1950-51, domiciliary care included under "welfare and other."

¹¹ Vocational rehabilitation, specially adapted homes and autos for disabled veterans, counseling, beneficiaries' travel, loan guaranty, and, beginning 1946-47, domiciliary care.

¹² Represents 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.

¹³ Excludes administrative expenditures prior to February 1936.

Veterans

In this country, as in most countries, public pensions were provided for special groups long before the adoption of retirement or survivor insurance for the population in general. Pensions for disabled veterans of the Revolutionary War were paid by the Federal Government in 1789, and shortly thereafter for widows and orphans of men who died in service. The provisions for veterans have become increasingly more gen-

erous over the years with respect to both veterans of earlier wars and more recent veterans.

Pensions have been paid at successively shorter intervals after each war to veterans with non-service-connected disabilities—usually at a lower rate than the amounts paid in service-connected cases. In the absence of a general social insurance system, it was perhaps to be expected that as large numbers of veterans reached the age when disabling in-

firmities become more frequent there would be strong pressures to broaden and liberalize eligibility for veterans' pensions. Such pressures have in the past been stronger in periods of economic depression. Non-service-connected disability pensions for veterans of World War II, however, were enacted in May 1944.

Medical services available to veterans have also gradually expanded. Special medical and institutional care for those suffering from service-con-

nected injuries are provided primarily in veterans' hospitals. Veterans with non-service-connected disabilities may also receive care at these hospitals if room is available and they cannot afford to pay for the care elsewhere. Since World War II, the Veterans Administration has also paid for care obtained under approved arrangements by veterans with service-connected disabilities from private physicians and dentists in their home towns.

In recognition of the disadvantage suffered by many young men and women in the interruption of their education by military service, a new type of benefit was provided for veterans of World War II and of the Korean conflict by the education program. This program provided for the payment of tuition and subsistence allowances for veterans taking courses in approved educational institutions. Millions of veterans have taken advantage of this opportunity, many of whom would have been unable to continue their education and training without such help. Another major new benefit provided to veterans of World War II and subsequently continued for Korean veterans was readjustment allowances—cash payments analogous to unemployment benefits and paid through the State unemployment insurance agencies. More than 9 million World War II veterans were aided over the period between discharge and reemployment in civilian life with the help of these benefits. Special provisions were also made to give veterans coming out of the service survivorship rights under old-age and survivors insurance, thus assuring them of protection for their families for a reasonable period until they could get into covered employment. Subsequently wage credits under old-age and survivors insurance were provided for all periods of service in World War II and through March 1956.

Immediately after the war special arrangements were made to provide temporary emergency housing for veterans by converting Government-owned trailers, barracks, Quonset huts, and so on. The approximately \$480 million of Federal funds paid to local bodies for such purpose is

not included in the figures shown in table 1.

Public Aid

In the colonial period and the early years of the Republic, the responsibility of the community for destitute persons whose needs were not taken care of by family or neighbors was carried out through the local poor relief system, the provision of almshouses or workhouses, or the indenture of orphaned or deserted children or adult vagrants to "worthy" families.

By the middle of the nineteenth century, growing social dislocations and the inadequacies of general almshouses and local poor relief led to action by some of the State governments. During the next few decades, special institutional arrangements were made in many States for children, the aged, and such groups as the blind, the deaf, and the mentally retarded. State departments of welfare with limited authority to set standards for local relief activities were established in a number of States.

Steps were also taken in some States and localities to provide income to needy persons outside institutions. State laws authorizing special pensions for the blind were adopted in Ohio in 1898, in Illinois in 1903, and gradually thereafter in a number of States. Mothers' pensions—cash payments to widows with young children to enable them to care for the children in their own homes—were strongly supported by social welfare groups and women's organizations. The first statewide mothers' pension law was enacted in Illinois in 1911; 18 States had enacted such laws by 1913. By 1934, there were mothers' aid laws in 46 States, the District of Columbia, Alaska, and Hawaii. Applicable at first only to orphan children, most of the laws were extended to provide aid also to children whose fathers had deserted or who were without support for other reasons. The majority of the laws, however, were permissive rather than mandatory on the local units; in all but a few States the costs were borne entirely by the counties or towns, and in many areas grants were never made

or those made were very inadequate.

The increasing number of industrial workers left without an income in old age was a matter of growing public concern from the end of the nineteenth century. A Massachusetts legislative commission, established in 1907, reported a substantial amount of old-age dependency but recommended against a public pension plan. A number of State survey commissions were set up in the next few years; the Pennsylvania commission of 1920–21 was the first to take a clear-cut position in favor of State assistance to aged persons without responsible relatives.

The Territorial Legislature of Alaska adopted an old-age assistance law in 1915. In 1923, old-age assistance laws were passed in Montana and Nevada. By the end of 1929, 11 States had old-age assistance laws. By 1934, laws were in effect in 28 States and in Alaska and Hawaii; 23 were mandatory on the localities, and 16 provided State financial aid. In many States, however, there were long residence requirements and other restrictive eligibility conditions, and the amount of aid actually provided was limited.

Emergency relief.—When the depression of the 1930's began, the country had a system of relief that was almost entirely locally administered and locally financed, except for the special categories of the aged, the blind, and children in some States. The rapid increase in relief loads in 1930 and 1931 placed a almost impossible burden on local and particularly municipal finances. The first shift in responsibility was to the States. By the middle of 1933 about half the States had appropriated funds for emergency relief, but State resources also were limited. In July 1932 the Reconstruction Finance Corporation, which had been set up in January of that year to provide financial aid to agriculture, commerce, and industry, was given authority to make loans to States for relief purposes.

By March 1933, it had become generally recognized that the Federal Government must assume responsibility for direct relief. The Civilian Conservation Corps was created on March 31 to provide useful work for

young people. In May the Federal Emergency Relief Administration was established and given authority to make grants to the States for both work relief and direct relief. In June 1933, Federal grants to the States for public employment offices became available under the Wagner-Peyser Act. In November 1933 the Civilian Works Agency was set up by Executive order and for 4 months operated directly a vast Federal work relief program, until the longer-range public works program could get into operation.

Federally aided public assistance programs.—The Social Security Act, which became law on August 14, 1935, set up a new Federal-State partnership in the provision of relief for needy persons. Federal grants-in-aid were provided for old-age assistance, aid to the blind, and aid to dependent children. As a condition for receiving a grant the State was required to have the program in operation in all parts of the State and to provide for financial participation by the State. The Federal Government matched State and local expenditures up to specified maximum amounts for an individual. The first grants to the States for public assistance were made in 1936, and during the next few years all the States put into effect approved plans for one or more of the categories. The maximum matchable amounts and the basis for matching have been

changed several times since enactment of the original legislation. In 1950, Federal grants were made available for aid to permanently and totally disabled persons who are needy. All States and the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands now receive grants for old-age assistance, aid to dependent children, and aid to the blind; 41 of the States, the District of Columbia, Hawaii, Puerto Rico, and the Virgin Islands have approved plans for aid to the permanently and totally disabled. The level of assistance provided varies greatly from State to State even in the four federally aided programs and still more in the general assistance programs, supported entirely by State or local funds.

Social Insurance

Special retirement systems for State and local government employees, principally teachers, policemen, and firemen, were in existence in a few localities before 1900. The civil-service retirement system for Federal employees was established in 1920. By 1940 a majority of all public employees were covered by special staff retirement systems. At present about two-thirds of all public employees are members of such special systems, providing in most instances permanent disability benefits and a limited form of survivor protection as well as old-age retirement benefits.

Many of these public employees are now also covered or can become covered under old-age and survivors insurance.

Workmen's compensation.—The first social insurance program for workers in industry and commerce, in this country as in many others, was workmen's compensation, providing cash benefits and medical care for workers injured on the job and cash payments to the survivors of those who die as a result of work-connected injury or disease. Long before 1900, the toll of accidents in the mines and factories of the new machine age had begun to arouse concern. A workmen's compensation bill introduced in New York in 1898 and one introduced in Illinois in 1905 were defeated. The passage in 1908 of a Federal compensation act covering civilian employees of the Federal Government engaged in hazardous jobs gave stimulus to the movement for State laws. The first law to be held constitutional by the State courts was enacted in 1911; altogether 10 laws were enacted in that year, three in 1912, and eight in 1913. By 1920, workmen's compensation laws were in effect in 43 States, Alaska, and Hawaii. It was not until 1948, however, that all States finally had such legislation. The coverage and the adequacy of the benefits provided vary greatly among the States.

Unemployment insurance.—Unemployment insurance had been discussed in some of the States and in Congress during the 1920's but did not become an important issue until after 1930. An unemployment compensation law was passed in Wisconsin in 1932. Unemployment compensation or unemployment insurance laws were introduced in a number of States before 1935, but enactment was blocked by fear on the part of individual States of putting their employers at a competitive disadvantage.

The Social Security Act laid the basis for a nationwide system of unemployment insurance by providing for a uniform Federal excise tax on employer payrolls—for employers of eight or more—and for an offset up to 90 percent of the tax for employers covered by State unemployment

Table 2.—Social welfare expenditures under civilian public programs in relation to gross national product, fiscal years 1934-35—1953-54

Fiscal year	Gross national product (in billions)	Social welfare expenditures as a percent of gross national product						
		Total	Social insurance	Public aid	Health and medical services	Edu- cation	Other welfare services	Veter- ans' pro- grams
1934-35.....	\$68.7	11.5	0.6	5.9	0.9	3.2	0.2	0.7
1935-36.....	77.6	9.6	.5	4.4	.9	3.1	.1	.6
1936-37.....	86.8	8.9	.5	4.0	.8	2.9	.1	.6
1937-38.....	88.0	9.2	.9	3.7	.9	3.1	.1	.6
1938-39.....	88.2	10.8	1.3	4.8	.9	3.1	.1	.6
1939-40.....	95.7	9.5	1.3	3.8	.8	2.9	.1	.6
1940-41.....	110.5	8.2	1.1	3.2	.7	2.6	.1	.5
1941-42.....	140.5	6.1	.9	1.9	.6	2.1	.1	.4
1942-43.....	178.4	4.1	.7	.8	.5	1.7	.1	.3
1943-44.....	202.8	3.5	.6	.5	.4	1.5	.1	.3
1944-45.....	218.3	3.6	.6	.5	.5	1.6	.1	.4
1945-46.....	202.1	5.8	1.3	.6	.5	1.8	.1	1.5
1946-47.....	221.5	7.5	1.2	.7	.5	1.9	.1	3.0
1947-48.....	245.0	7.7	1.2	.7	.6	2.2	.1	2.8
1948-49.....	260.5	8.2	1.4	.8	.7	2.4	.1	2.7
1949-50.....	263.0	9.0	1.8	.9	.8	2.8	.2	2.5
1950-51.....	311.8	7.6	1.5	.8	.8	2.5	.2	1.8
1951-52.....	336.8	7.4	1.7	.8	.8	2.5	.2	1.4
1952-53.....	358.4	7.3	1.8	.8	.8	2.5	.2	1.2
1953-54.....	360.6	7.9	2.3	.8	.8	2.7	.2	1.1

insurance laws. By June 1937, all 48 States, Alaska, and Hawaii, and Congress for the District of Columbia, had adopted unemployment insurance laws, and by July 1939 all were paying unemployment benefits. The cost of administration of the State unemployment insurance and employment services is financed by Federal grants to the States. Beginning with the fiscal year 1954, any excess of Federal unemployment tax collections over the amounts appropriated by Congress to finance the administration of the program will be automatically transferred to a special account and used for loans to States whose unemployment reserves are depleted or—when the loan account exceeds a stated amount—will be transferred to the State accounts in the unemployment trust fund.

In 1954 the Federal law was amended to cover workers in smaller firms (effective January 1, 1956) and Federal employees (effective January 1, 1955). About three-fifths of the total civilian labor force is thus covered by unemployment insurance. Again, there are marked differences among the States in the level of benefits provided.

Old-age and survivors insurance.—The Social Security Act also established a national old-age retirement system for workers in industry and commerce, financed by the contributions of workers and their employers. These contributions were first paid in 1937. Monthly benefit payments were originally intended to start in 1942, but in 1939 the act was amended to make the benefits payable beginning January 1, 1940. At the same time, the system was expanded to provide survivor benefits (life insurance) and benefits for dependents (aged wives and young children) of retired workers.

Amendments to the program in 1950 extended coverage to most urban self-employed persons, to regularly employed agricultural and domestic workers, and, on a voluntary group basis, to lay employees of nonprofit organizations and certain State and local government employees. Coverage was further extended, by amendments adopted in 1954, to farmers, most professional self-employed per-

sons, ministers (on a voluntary basis), and additional agricultural, domestic, and State and local government employees. Almost 9 out of 10 paid jobs are now covered by old-age and survivors insurance.

Benefit levels were raised in 1950 and again in 1952 and 1954 in response to rising prices and wage levels, and the retirement test was liberalized. In 1954 provision was made for "freezing" the benefit rights of persons who become permanently and totally disabled.

As of June 1955, benefits were being paid to 6.0 million persons aged 65 and over and to 1.5 million younger widows and orphans. About 1.4 million additional aged persons (of whom 300,000–400,000 had aged wives) were insured and entitled to draw benefits whenever they should retire. Nine out of 10 children in the country are assured of a continuing income in the event of their father's death.

Railroad programs.—A special national retirement system for railroad workers, which in effect took over the private pension obligations of the railroad companies, had been enacted in 1934 but declared unconstitutional the next year. A revised act, designed to overcome the objections raised by the Supreme Court, was adopted in August 1935. A special system of unemployment insurance for railroad workers was adopted in 1938. In 1946 the railroad programs were expanded to provide survivor and temporary disability benefits and to liberalize the permanent disability benefit provisions. The railroad retirement system has been partially coordinated with old-age and survivors insurance since 1946.

Temporary disability insurance.—Cash benefits during periods of temporary illness or disability became payable to workers in Rhode Island in 1943 and under the railroad program in 1947. Legislation providing or requiring employers and workers to insure for such benefits is now in effect also in California, New Jersey, and New York. One State, California, now provides hospitalization insurance in conjunction with its temporary disability insurance system.

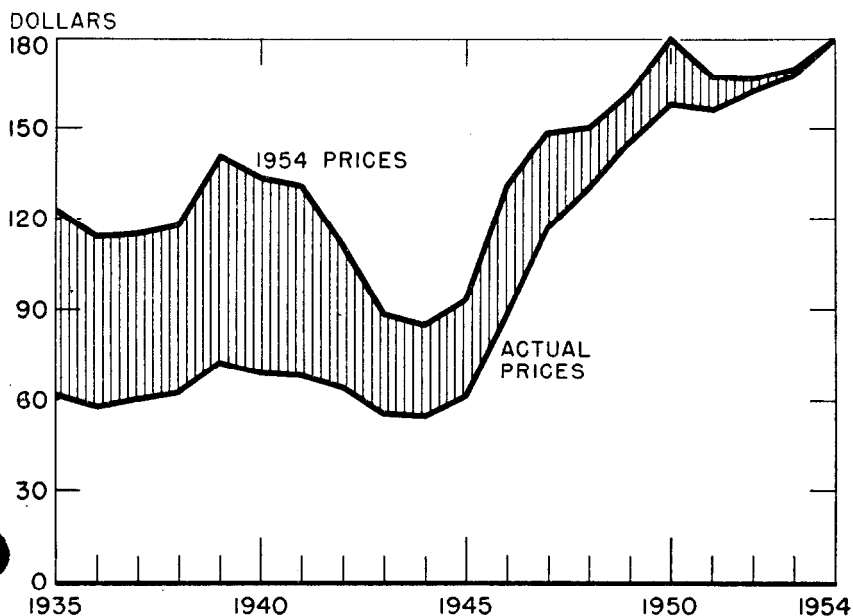
Other Welfare Programs

In terms of the size of the expenditures involved, the largest of the other welfare services included in this survey is the provision of institutional care (other than in medical institutions). Institutional care no longer is the major or the preferred method of meeting the needs of orphans or of most disabled or aged persons. Social insurance benefits and cash assistance payments now enable most such persons to live in their own homes or the homes of relatives. There are still, however, many aged or chronically ill persons who need the special services and protection of an institution. Most States and localities make provision for such care both through public assistance payments for persons in nursing homes and other institutions (included here under public assistance expenditures) and otherwise.

The Social Security Act provided grants-in-aid to the States for child welfare services in rural areas and areas of special needs. The amounts authorized have been increased from the \$1.5 million in the original act to \$10.0 million, but actual appropriations and grants have been somewhat less—about \$7.5 million in the fiscal year 1954. The States and localities spend considerably larger amounts on such services—including counseling and guidance services, work with courts and probational agencies, foster home care, and related services. The public funds spent to support the school lunch program also are included under "other welfare services" in table 1.

Of growing importance, though still relatively limited, is the program of vocational rehabilitation. The Federal Government first provided grants-in-aid to the States for vocational rehabilitation services in 1920. Public concern with the problems of the veterans of World War I, as well as the development of workmen's compensation and the rise of modern orthopedic surgery, provided the stimulus for the program. Twelve States had enacted laws providing vocational rehabilitation services for civilians before the passage of the Federal act, but only six had begun to function. Twenty-five States un-

Chart 2.—Public social welfare expenditures per capita, actual and 1954 prices, fiscal years 1935-54



dertook such programs within a year after passage of the act, and all States now receive grants. Within the past few years a new impetus has been given to the program by the dramatic new advances in rehabilitative medicine made during and subsequent to World War II. Earlier and more extensive identification and referral of persons needing rehabilitation are resulting from the programs of aid to the permanently and totally disabled and the "disability freeze" in old-age and survivors insurance. Effective expansion of the program held back, however, by lack of trained personnel and of modern facilities and organization. Total expenditures under the program were \$35 million in 1953-54.

Public Social Welfare Expenditures

Except during the depression of the thirties, social welfare expenditures under public civilian programs in this country have never accounted for as much as one-tenth of the total output (gross national product) of the economy. During the period 1890-1913 they amounted to between 2 percent and 3 percent of the gross national product, with education and veterans' benefits accounting for about 80 percent of all social welfare

expenditures. By 1929, with payments under workmen's compensation, public employee retirement systems, mother's aid, and old-age pension systems added to increasing expenditures for health and education, total social welfare expenditures were about 4 percent of the gross national product. Expenditures for education accounted for about 60 percent of the total spent for social welfare. More than 80 percent of all welfare expenditures in that year came from State or local funds, with veterans' benefits and Federal staff retirement plans accounting for almost all the Federal expenditures.³

The depression forced an immediate increase in public assistance and emergency relief programs. State and local governments spent almost \$900 million of their own funds on

³ The series shown in table 1 has not been developed for the years preceding the fiscal year 1934-35. Roughly comparable data for earlier years were estimated or derived from other series on government expenditures with adjustments for differences in classification. Estimates for 1913 were based on data from *America's Needs and Resources*, (Twentieth Century Fund, 1955), table 261, pages 626-628; estimates for 1890 and 1902 on data in R. A. Musgrave and J. M. Culbertson, "The Growth of Public Expenditures in the U. S., 1890-1948," *National Tax Journal*, June 1953.

direct relief in the fiscal year 1933-34 and about \$1.7 billion in 1934-35. The emergency Federal programs provided another \$2.0 billion and \$2.4 billion in these years. As a result, public aid alone was about as large in dollar terms as all social welfare expenditures had been in 1929; it represented a larger proportion of the diminished national output in 1934-35 than all social welfare expenditures had been of the gross national product in the earlier year (table 2).

The 20 years since the passage of the Social Security Act in 1935 have seen a sharp decline in public aid, a greatly decreased proportion of the national output devoted to all social welfare expenditures during the war years, a steady rise in social insurance payments largely as a result of the expansion and maturing of old-age and survivors insurance, and a large immediate postwar increase in veterans' programs.

In the fiscal year 1953-54, the most recent for which data are available, total social welfare expenditures as here defined came to just under 8 percent of the gross national product. Education was the only program except public aid for which expenditures were significantly lower in relation to the gross national product in 1953-54 than in 1934-35—2.7 percent in the more recent year and 3.2 percent in the earlier year.

While the portion of the national output devoted to welfare is a significant measure, a comparison of the ratio in a year of deep depression with that in a year of relative prosperity can be somewhat misleading if the difference in the real gross national product in the two periods is not kept in mind. The actual dollar expenditures under all social welfare programs except public aid have increased tremendously since 1934-35. A large part of the increase represents merely price inflation (chart 2). The total dollar figure for 1953-54 is more than three and a half times greater than that for 1934-35; when corrected for price change the increase is 81 percent (table 3). The population to be served by welfare programs also grew during the 20 years. When adjusted for population growth and price

change, total social welfare expenditures show an increase of 46 percent for this period. Measured in this way, only expenditures for public aid declined. Educational expenditures per child aged 5-17 in dollars of constant value increased 94 percent from 1934-35 to 1953-54, and health expenditures per capita rose 82 percent. The great increase was in social insurance payments under the Social Security Act.

The social welfare expenditure data used here include capital outlays for hospitals and for public elementary and secondary schools and publicly controlled higher education. Capital outlays for sewer and water system construction, totaling about \$700-\$900 million a year in recent years, are not included, although current operating expenditures for community health and sanitation programs are included in the total for health and medical services. For earlier years, it has not been possible to separate capital outlays from other expenditures for health and education; the amount of such outlays in the last 5 years is shown in table 4.

Because of the tremendous increase in government expenditures for all purposes—resulting largely from two world wars and continuing military and international activities—social welfare expenditures today represent a considerably smaller proportion of all government expenditures than was the case 20 years ago (table 5 and chart 3) or some years earlier. Social welfare expenditures as here defined were a little more than one-third of all government expenditures in 1890, about one-third in 1902 and 1913, and about 40 percent in 1929. In the depression year 1934-35 they rose to 60 percent. In 1953-54 they took 28 percent of all the dollars paid out by government.

These figures relate to all levels of government combined. State and local social welfare expenditures (from their own funds) represent a significantly larger portion of all State and local expenditures today than they did in 1929 or earlier—about 60 percent today, compared with about 40 percent in the earlier periods. When Federal grants-in-aid to the States are also taken into

Table 3.—Social welfare expenditures per capita under civilian public programs, actual and 1954 prices, fiscal years 1934-35—1953-54

Fiscal year	Per capita ¹ social welfare expenditures							Social welfare expenditures in 1954 prices		
	Total	Social insurance	Public aid	Health	Other	Veterans	Education		Total ² (in thousands)	Total per capita ¹
							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	\$15,619.0	\$123.17
1935-36.....	58.27	3.33	26.46	5.21	.90	3.76	18.61	75.89	14,584.5	114.25
1936-37.....	60.39	3.68	26.72	5.64	.90	3.78	19.68	81.32	14,803.1	115.25
1937-38.....	62.92	6.12	25.11	5.80	.90	3.82	21.17	89.01	15,296.1	118.28
1938-39.....	73.13	8.55	32.46	6.19	.97	3.94	21.03	90.27	18,368.6	140.91
1939-40.....	69.46	9.26	27.86	6.09	1.01	4.08	21.18	92.77	17,569.0	133.84
1940-41.....	68.92	9.63	26.49	5.73	1.17	4.06	21.83	97.02	17,245.8	131.02
1941-42.....	64.83	10.01	20.86	6.02	1.22	4.09	22.63	101.54	14,697.9	111.97
1942-43.....	56.10	9.35	11.49	6.23	1.20	4.30	23.53	105.22	11,525.8	89.19
1943-44.....	55.20	9.75	8.15	7.06	1.41	4.90	23.92	106.49	10,844.8	85.32
1944-45.....	61.90	10.35	8.16	7.83	1.68	7.19	26.68	119.68	11,889.0	93.51
1945-46.....	88.73	19.37	8.64	8.29	1.85	22.67	27.91	130.57	17,429.5	131.07
1946-47.....	117.77	18.90	10.26	8.48	1.98	47.62	30.54	149.43	20,941.9	149.08
1947-48.....	130.32	19.91	11.82	10.38	2.27	47.82	38.13	187.57	21,625.1	150.31
1948-49.....	146.09	24.81	14.26	13.19	2.53	47.88	43.42	212.68	23,859.2	162.87
1949-50.....	158.52	31.72	16.72	14.41	2.83	43.89	48.96	239.52	26,821.1	180.14
1950-51.....	156.42	31.61	17.16	15.91	3.54	36.55	51.66	250.77	25,229.1	167.48
1951-52.....	163.14	37.29	16.97	17.07	4.57	31.01	56.24	265.39	25,417.7	166.99
1952-53.....	168.40	42.57	17.62	17.69	4.57	27.28	58.66	268.19	26,287.4	169.99
1953-54.....	179.66	52.12	17.61	18.26	4.63	26.12	60.93	272.53	28,307.4	179.99
Percentage change, 1954 from 1935: Actual expenditures.....	+189	+1,620	-45	+261	+414	+636	+247	+285	+260	+189
Expenditures in 1954 prices.....	+46	+767	-72	+82	+159	+271	+75	+94	+81	+46

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

² For actual expenditures, see table 1.

account, the increase in State and local responsibilities for the operation and administration of social welfare programs is impressive.

Veterans' benefits alone accounted for 40 percent of all Federal Government expenditures in 1890. Federal expenditures for social welfare, still primarily veterans' benefits, were a little more than 20 percent of all Federal expenditures in 1913 and 25-30 percent in 1929. Federal welfare expenditures amounted to 16 percent of all Federal expenditures in 1953-54.

The commitments embodied in the old-age and survivors insurance legislation mean a considerable expansion in that program in the future, as recent coverage extensions take full effect and as, with the passage of time, increasing proportions of the persons reaching age 65 have insured status under the program and a larger proportion of the population is aged 65 and over. Whether benefit levels keep up with increasing productivity will depend on action by Congress, although the present schedule of financing assumes such increases. It is more difficult to

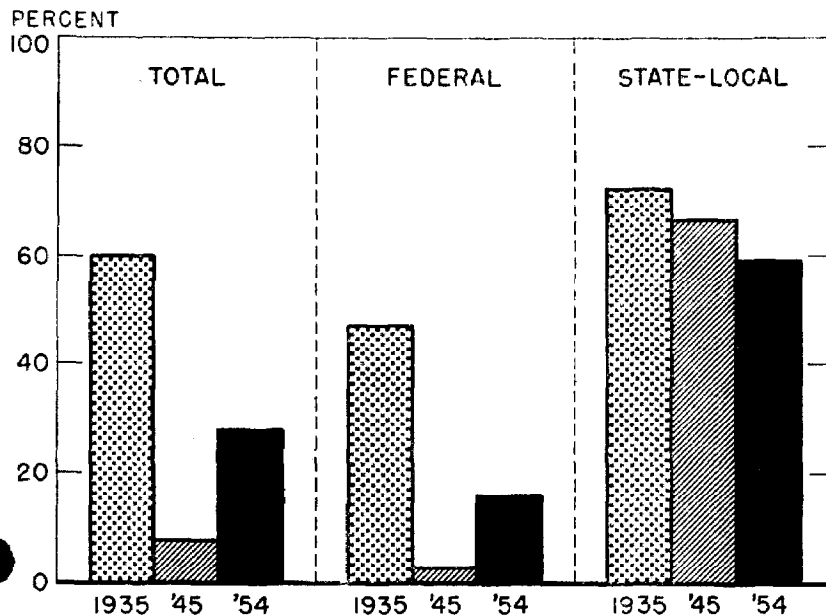
foresee whether the State-administered social insurance programs—workmen's compensation, temporary disability insurance, and unemployment insurance—will expand in such a way as to decrease the present very great differences among the States in coverage and benefit adequacy and also keep up with rising productivity and wage levels.

With the further growth of social insurance, a continuing, gradual decline in the proportion of the national output that will need to be devoted to public assistance seems probable, although existing inadequacies—particularly in the provision of medical care and of family social services—suggest that the decline may not be so great or so rapid as is sometimes assumed.

The consequences of the postwar increase in the birthrate have only begun to hit the schools. Whatever the birthrate proves to be in the next 2 decades, the need for a further expansion of public expenditures for education seems clear.

With increasing medical knowledge, it seems inevitable that there will be an increase in medical services.

Chart 3.—Public social welfare expenditures as a percent of government expenditures for all purposes, fiscal years 1935, 1945, and 1954¹



¹ See table 5 for percentages for all fiscal years 1935-54.

The responsibility of the public health program for medical research and for preventive measures, in particular, cannot remain static in an atomic age.

The potential contributions of other kinds of social services to general health and welfare are only coming to be realized. In this area, the need to allow time for the development of new knowledge and the training of skilled personnel may be the greatest brake on advance.

Private Expenditures for Welfare

Organized private provisions for health, education, and welfare have also grown in recent years. Information on private spending for social welfare purposes is scattered and incomplete. It is, however, possible to get a general picture of the relationship between public and private social welfare expenditures. The character of the relation varies greatly among the health, education, and welfare fields.

Between 75 percent and 80 percent of all expenditures for education in the United States today are from public funds. The proportion has not varied greatly since 1929 except during the depression years, when private educational expenditures fell

off sharply. Private expenditures for education in 1953-54 included about \$0.5 billion for construction and \$2.5 billion in current expenditures, primarily tuition fees paid by individuals. Of the current expenditures, about 40 percent was for higher education, about a third for elementary and secondary education, and about a fourth represented fees to business, trade, and correspondence schools and foundation expenditures for education and research. Philanthropic contributions to educational institutions, including individual and corporation gifts and foundation expenditures, may have amounted to about \$500 million in 1953-54.

For health expenditures as a whole, the situation with respect to the proportion of funds from private and public sources is almost the reverse of that for education. Private expenditures for medical services, plus private funds for hospital construction, amounted to about \$11.0 billion in 1953-54. If hospital and medical care expenditures under the veterans' and workmen's compensation programs and direct payments to vendors under public assistance are included with the health and medical service figures shown in table 1, total public expenditures for civilian health services in 1953-54

amount to \$4.1 billion or about one-fourth of public and private medical care expenditures combined. In 1935, public expenditures had also been about this proportion of the total; in 1945, they were something under 20 percent. Medical care expenditures for veterans were still relatively low in 1945 (medical care provided by the military establishments is excluded from this series); such expenditures have increased substantially in recent years, along with Federal and State funds for hospital construction, for research, and for public health activities.

Most private expenditures for medical care represent direct payments by the consumers to the providers of service. Of the almost \$10 billion spent privately for medical services in the calendar year 1953, however, slightly less than 20 percent was covered by insurance or prepayment arrangements. While a considerable part of this insurance was individually purchased, much of it was group insurance provided through employer-sponsored or collectively bargained employee benefit plans, consumer cooperative groups, or otherwise.⁴ Probably about \$500 million was paid by private charitable organizations for medical services received by medically indigent or other special groups.

Organized provision for income maintenance in periods of retirement, sickness and disability, or unemployment or death of the family breadwinner is made primarily through the public programs. Just how much informal sharing there is among relatives and friends or even to what extent families are able to draw on individual savings in various contingencies is not known with any exactness. It is known that many families have no substantial cash savings or insurance and must therefore rely either on contributions from relatives or friends or on organized programs to carry them through periods when earnings are interrupted or cease.

Private employee benefit plans considerably antedated the Social Security Act. There were mutual benefit

⁴ "Voluntary Insurance Against Sickness: 1948-53 Estimates," *Social Security Bulletin*, December 1954.

Table 4.—Capital outlays from public funds for schools and hospitals, fiscal years 1949-50—1953-54

[In millions]

Fiscal year	Total	Schools ¹	Hospitals	
			Veterans ¹	Other
Total:				
1949-50.....	\$1,532.7	\$1,014.2	\$156.2	\$362.3
1950-51.....	1,809.5	1,259.1	106.4	444.0
1951-52.....	2,039.6	1,477.3	115.2	447.1
1952-53.....	2,366.0	1,855.6	90.0	420.4
1953-54.....	2,576.7	2,166.4	52.2	358.1
From Federal funds:				
1949-50.....	222.4	5.9	156.2	60.3
1950-51.....	225.5	9.1	106.4	110.0
1951-52.....	303.2	61.9	115.2	126.1
1952-53.....	342.0	140.6	90.0	111.4
1953-54.....	298.3	150.0	52.2	96.1
From State and local funds:				
1949-50.....	1,310.3	1,008.3	-----	302.0
1950-51.....	1,584.0	1,250.0	-----	334.0
1951-52.....	1,736.4	1,415.4	-----	321.0
1952-53.....	2,024.0	1,715.0	-----	309.0
1953-54.....	2,278.4	2,016.4	-----	262.0

¹ Includes capital outlays for public elementary and secondary schools and publicly controlled higher education.

associations among various crafts in this country in the eighteenth century. In the 1890's a number of trade unions established homes for their aged members and shortly afterward began to experiment with retirement benefit systems. About the same time, first the railroads, then a few other large corporations, set up private pension plans for their employees.

During the past 20 years, and especially the last 10 years, there has been a tremendous expansion of private employee benefit plans. It is estimated that about 13 million workers were covered by pension plans at the end of 1954 (another 2 million were covered by profit-sharing plans that provide retirement benefits). The accumulated assets of private pension funds are estimated to be about as large as the amount in the old-age and survivors insurance trust fund. The age and disability pensions paid by private plans in 1954, however, amounted to about \$500 million, compared with the \$2.7 billion paid in retirement benefits under old-age and survivors insurance (benefits to retired workers and their dependents only). Private pensions are in a great many cases paid only to workers who have been with a single company for a considerable

number of years and are with the company at the time they retire. Furthermore, many pension plans are relatively new and only beginning to build up their benefit rolls.

There are no estimates of the amount of life insurance, or survivor benefits, paid by private benefit plans. The Institute of Life Insurance estimates that death benefit payments under group life insurance amounted to \$500 million in 1954, and under all types of policies, including those individually purchased, to \$2 billion. The average amount of private life insurance for families having such insurance was about \$8,500. The amount of life insurance provided under employee benefit plans is ordinarily equivalent to 1 or occasionally 2 years' salary. Few private plans attempt to pay automatic continuing survivor benefits similar to those paid under old-age and survivors insurance. Most pension plans do permit a retiring worker to obtain a potential survivor benefit for his wife by taking an actuarially equivalent reduction in his own annuity; survivor payments of this type are included in the estimates of total private pension payments given earlier.

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) also amounted to about \$500 million in 1954. This figure includes cash sickness benefits paid by fraternal societies and union health and welfare funds as well as by commercial insurance carriers under both group and individual policies (the latter accounted for about \$200 million). In addition, between \$700 million and \$800 million was paid in sick leave by private employers and by Federal, State, and local government agencies. Payments under the railroad and four State temporary disability insurance systems in 1954 were about \$260 million.

It is too early to estimate how much in the way of supplementary protection against unemployment may become payable under guaranteed annual wage plans, but it seems safe to assume that in the area of unemployment insurance the public

Table 5.—Social welfare expenditures under civilian public programs as a percent of government expenditures for all purposes,¹ fiscal years 1934-35—1953-54

Fiscal year	Social welfare expenditures			
	Total, as a percent of government expenditures for all purposes	From Federal funds, as a percent of Federal Government expenditures for all purposes		From State and local funds, as a percent of State and local expenditures for all purposes ²
		All programs	All programs other than veterans'	
1934-35.....	60.1	47.1	39.9	72.4
1935-36.....	49.7	38.8	32.4	61.3
1936-37.....	51.0	42.8	36.3	59.0
1937-38.....	52.7	41.6	34.5	62.4
1938-39.....	52.6	42.0	36.3	63.5
1939-40.....	49.4	36.2	30.3	62.8
1940-41.....	39.8	24.2	0.3	64.2
1941-42.....	19.5	8.6	7.0	63.8
1942-43.....	8.1	2.7	2.0	62.6
1943-44.....	6.7	2.1	1.4	63.8
1944-45.....	7.5	2.5	1.5	66.6
1945-46.....	16.0	7.4	2.5	64.5
1946-47.....	33.5	23.7	5.6	64.5
1947-48.....	36.2	24.1	6.6	63.8
1948-49.....	36.4	23.8	7.3	64.5
1949-50.....	37.1	23.1	8.4	61.6
1950-51.....	34.4	21.3	9.8	62.2
1951-52.....	26.8	14.6	7.7	60.5
1952-53.....	25.2	13.8	8.3	59.4
1953-54.....	28.1	15.9	10.2	-----

¹ Expenditures from general revenues and from social insurance trust funds; because a substantial portion of non-Federal workmen's compensation and temporary disability insurance payments are made through private insurance carriers, they have been omitted in computing percentages relating to total and to State and local government expenditures.

² State and local government expenditures include expenditures from State accounts in the unemployment trust fund but exclude Federal grants-in-aid.

programs will continue to provide most of the protection that is available.

Payments under private group insurance or benefit plans and including paid sick leave thus amounted to about \$2 billion in 1954 (calendar year), compared with almost \$9 billion under social insurance and related programs excluding veterans' pensions and compensation are included. The public and private payments provided very different risk coverages. About half the private benefit payments represented insurance against loss of earnings because of temporary disability—a risk that is covered to only a very limited extent by public programs. The public programs provided all the unemployment benefits and most of the retirement benefits. Survivor benefit payments under the public programs (including veterans') were about \$1.8

(Continued on page 31)

Table 10.—Public assistance in the United States, by month, July 1954–July 1955¹

[Except for general assistance, includes vendor payments for medical care and cases receiving only such payments]

Year and month	Total ²	Old-age assistance	Aid to dependent children		Aid to the blind	Aid to the permanently and totally disabled	General assistance	Total	Old-age assistance	Aid to dependent children (families)	Aid to the blind	Aid to the permanently and totally disabled	General assistance				
			Families	Recipients													
				Total ³										Children			
Number of recipients													Percentage change from previous month				
1954																	
July		2,579,228	581,179	2,078,251	1,565,887	101,229	214,829	297,000	(*)	-0.1	-1	+3	+1.5	-0.5			
August		2,578,682	584,715	2,093,489	1,577,953	101,456	217,432	303,000	(*)	+6	+2	+1.2	+2.0				
September		2,578,207	588,088	2,109,981	1,590,409	101,759	219,752	308,000	(*)	+6	+3	+1.1	+1.7				
October		2,569,458	590,975	2,121,879	1,599,738	101,954	221,265	312,000	-3	+5	+2	+7	+1.4				
November		2,565,342	594,562	2,137,257	1,611,647	102,193	222,631	322,000	-2	+6	+2	+6	+3.0				
December		2,564,767	604,172	2,173,772	1,639,947	102,441	224,391	351,000	(*)	+1.6	+2	+8	+8.9				
1955																	
January		2,558,246	610,518	2,197,927	1,658,102	102,583	225,855	370,000	-3	+1.0	+1	+7	+5.9				
February		2,553,776	617,692	2,227,501	1,680,549	102,804	227,490	380,000	-2	+1.2	+2	+7	+2.2				
March		2,552,881	624,235	2,253,174	1,699,626	103,045	229,894	381,000	(*)	+1.1	+2	+1.1	+9				
April		2,550,724	626,182	2,261,283	1,706,164	103,382	232,346	357,000	-1	+3	+3	+1.1	-6.4				
May		2,547,965	625,430	2,260,902	1,705,832	103,654	234,649	330,000	-1	-1	+3	+1.0	-7.7				
June		2,548,593	620,349	2,239,477	1,691,733	103,906	236,840	310,000	(*)	-8	+2	+9	-5.5				
July		2,550,130	611,625	2,209,467	1,669,036	104,144	238,770	298,000	+1	-1	+1	+8	-3.9				
Amount of assistance													Percentage change from previous month				
1954																	
July	\$220,138,000	\$132,737,720	\$49,550,875	\$5,675,355	\$11,552,274	\$15,486,000	(*)	-0.1	+0.1	+0.8	+2.0	+0.5					
August	221,015,000	132,934,770	49,743,774	5,675,905	11,638,641	15,886,000	+0.4	+1	+4	(*)	+7	+2.6					
September	222,969,000	133,470,469	50,293,374	5,704,478	11,805,299	16,555,000	+9	+4	+1.1	+5	+1.4	+4.1					
October	222,765,000	132,371,000	50,775,470	5,732,141	12,037,489	16,910,000	-1	-8	+1.0	+5	+2.0	+2.2					
November	224,483,000	132,602,142	50,948,452	5,746,741	12,110,814	17,776,000	+8	+1	+3	+3	+6	+5.1					
December	229,361,000	133,103,960	52,083,695	5,774,614	12,324,863	20,079,000	+2.2	+5	+2.2	+5	+1.8	+12.9					
1955																	
January	229,831,000	132,947,773	52,337,556	5,795,835	12,280,061	20,949,000	+2	-1	+5	+4	-4	+4.4					
February	230,496,000	132,053,661	53,192,939	5,822,423	12,421,584	21,518,000	+3	-7	+1.6	+5	+1.2	+2.7					
March	232,02,000	132,378,590	54,078,960	5,848,702	12,647,701	21,908,000	+1.0	+2	+1.7	+5	+1.8	+1.8					
April	230,874,000	132,351,618	54,273,669	5,873,069	12,808,950	19,922,000	-8	(*)	+4	+4	+1.3	-9.1					
May	229,468,000	132,674,197	54,229,682	5,898,355	12,895,336	17,947,000	-6	+2	-1	+4	+7	-9.9					
June	228,490,000	133,297,014	53,835,897	5,965,151	13,010,252	16,674,000	-4	+5	-7	+1.1	+9	-7.1					
July	227,602,000	134,252,684	52,990,168	5,906,129	13,188,941	15,959,000	-4	+7	-1.6	-1.0	+1.4	-4.3					

¹ For definition of terms see the *Bulletin*, January 1953, p. 16. All data subject to revision.

² Total exceeds sum of columns because of inclusion of vendor payments for medical care from general assistance funds and from special medical funds; data for such expenditures partly estimated for some States.

³ Includes as recipients the children and 1 parent or other adult relative in families in which the requirements of at least 1 such adult were considered in determining the amount of assistance.

⁴ Decrease of less than 0.05 percent.

⁵ Increase of less than 0.05 percent.

SOCIAL WELFARE PROGRAMS

(Continued from page 14)

billion or between three and four times as much as death payments under group life insurance and almost as much as death payments under all private life insurance.

Organized private charitable expenditures⁵ for purposes comparable

⁵ The most frequently cited estimate of total charitable contributions, that of F. E. Andrews (*Philanthropic Giving*, Russell Sage Foundation, 1950), includes individual and corporate gifts and bequests for religious, welfare, health, and educational purposes in this and other countries. In 1954, this combined total was estimated by Andrews at \$5.4 billion (*New York Times*, March 25, 1955). Perhaps \$2.5 billion of the total went to religious organizations, and some \$300 million (\$150 million from the funds going to religious organizations) was sent abroad.

to public assistance and to the programs grouped in table 1 under "other welfare services" were perhaps in the neighborhood of \$800 million or \$900 million in the fiscal year 1953-54. The total includes funds spent by private social agencies, community chests, and other groups for institutional care (orphanages and homes for the aged), foster home care, income maintenance, social services, and community planning. It also includes the estimated expenditures (about \$200 million) of religious organizations in this country for such purposes. It excludes community chest and other private expenditures for health, referred to earlier. A very small part of the private welfare expenditures was for direct payments to needy people;

a large share was used for family adjustment services, recreation and group work, and community planning activities.

Through a combination of individual effort and social organization, the people of the United States have built for themselves a social welfare structure that goes a long way toward providing opportunity for education, health, and economic security to every individual. While it is recognized that the structure still has gaps and weaknesses, opinions differ as to what are the priority claims on the national attention and resources. As long as knowledge and productivity continue to increase, there can be no doubt that the social welfare programs also will grow both in scope and effectiveness.