

Voluntary Agency Expenditures for Health and Welfare From Philanthropic Contributions, 1930-55

by THOMAS KARTER*

THE amount of private expenditures for social welfare purposes has become a subject of widespread interest in recent years. Although estimates of total expenditures made by voluntary health and welfare agencies are not available, the amounts spent from philanthropic contributions—a major source of income for voluntary agencies—have been estimated and are presented in this article.

During 1955, individuals and corporations in the United States contributed an estimated \$5,900 million for religious and philanthropic purposes. It is estimated that living donors gave \$5,100 million and corporations \$400 million and that \$400 million came from bequests (table 1). Of the total, about \$1,925 was contributed for health and welfare purposes.

In this article only the financial contributions made to, or expenditures from contributions received by, established health and welfare agencies are considered.¹ The data and discussion thus relate only to the activities of organized agencies and do not include other items—certainly important aspects of national generosity—whose dollar value it is impossible to estimate. Among these other items are foodstuffs, clothing and equipment, cash contributions not made through organized agencies to needy persons in this country and abroad, and the countless hours of unpaid services given each year by members of religious and secular agencies to promote the health and welfare of the Nation.

Total Philanthropic Giving

The total of \$5,900 million estimated to have been contributed in

* Office of the Commissioner, Division of Program Research.

¹ Throughout the article, the terms "contributions" and "expenditures" are used synonymously.

1955 for religious and philanthropic purposes represents a slightly greater share of the gross national product than the \$1,189 million contributed in 1930. The 1955 total was equivalent to 1.5 percent of the national product, and the total contributed in 1930 was equal to 1.3 percent of the national product in that year.

Contributions from individuals for all religious and philanthropic purposes amounted to an estimated \$5,100 million in 1955. Individual taxpayers were permitted to deduct for income-tax purposes the amount of their contributions up to 30 percent of adjusted gross income in 1955. The first 20 percent could be deducted if the contribution was made to any of the estimated 38,000 national and local religious, educational, health, welfare, and other tax-exempt charitable organizations certified by the Internal Revenue Service. The other 10 percent could be deducted only if the contribution was made to religious organizations, tax-exempt educational institutions, and tax-exempt hospitals. The total of \$5,100 million represented about 2 percent of aggregate adjusted gross income, as defined for income-tax purposes.

During the past 25 years there has been a slight increase in the share of total personal income that has been contributed by individuals for religious and philanthropic purposes. The \$5,100 million contributed in

1955 represented 1.67 percent of personal income (according to the Department of Commerce data), compared with 1.21 percent in 1930 (\$931 million) and 1.36 percent in 1940 (\$1,068 million).

The most recent data from the Internal Revenue Service on corporate contributions show that in 1954 these contributions amounted to \$314 million. Corporate profits before taxes, as reported by the Department of Commerce, increased from \$33.5 billion in 1954 to \$42.5 billion in 1955. It is assumed, for the purposes of these estimates, that corporate contributions showed a corresponding increase in 1955 and amounted to approximately \$400 million.

Beginning in 1936, corporations have been permitted to deduct up to 5 percent of net income before taxes for philanthropic contributions. Since then, corporate contributions have amounted to \$4.1 billion or about 0.8 percent of net profits before taxes. The peak in corporate philanthropy, in dollars, was reached in 1953. In that year corporations contributed \$495 million, which represented 1.25 percent of net profits before taxes. Contributions also represented 1.25 percent of net profits before taxes in 1945; excess profit taxes were in effect in both 1953 and 1945.

Philanthropic and religious bequests may have amounted to about \$400 million in 1955. Each year the Internal Revenue Service prepares

Table 1.—Contributions for philanthropic purposes, by source, selected years 1930-55

[In millions]

Source of contributions	1930	1935	1940	1945	1950	1955 ¹
Total.....	\$1,189	\$849	\$1,249	\$3,229	\$4,466	\$5,900
Living donors.....	931	715	1,068	2,771	4,008	5,100
Corporations.....	35	28	38	266	252	490
Bequests.....	223	106	143	192	206	400

¹ Estimates by the Division of Program Research, based on methods outlined in source for earlier years. Source: See text, pp. 17-18.

Table 2.—Expenditures by religious organizations from philanthropic contributions, by purpose, selected years 1930–55¹

[In millions]

Purpose	1930	1935	1940	1945	1950	1955
Total	\$875	\$574	\$627	\$1,158	\$1,963	\$3,100
Current operating expenditures ²	590	464	478	912	1,176	1,836
Church construction	135	28	59	26	409	734
Church-supported health and welfare	105	60	65	150	280	380
Welfare services	80	45	50	115	200	290
Hospitals, clinics, and other medical services	25	15	15	35	60	90
Foreign relief and foreign missions	45	22	25	70	118	150

¹ Estimates by the Division of Program Research based on source data, except that data for total contributions for 1930, 1935, and 1940 and for church construction are taken directly from sources listed.

² Salaries, maintenance, etc. Includes expenditures for church-supported education.

Source: See text, p. 18.

data on bequests. The data for 1954 show contributions amounting to \$355 million, of which 26 percent was contributed to educational, scientific, and literary institutions, 9 percent to religious organizations, and 65 percent for all other charitable purposes.

Religious Organizations

The principal recipients of voluntary contributions are religious agencies. It is estimated that in 1955 they received about \$3,100 million, or 53 percent of all contributions made in the United States. Contributions—or expenditures from contributions—for all church-supported health and welfare activities were estimated at approximately \$380 million (table 2), or about 11 percent of total contributions to religious organizations.

In the years since World War II, contributions to religious organizations have been increasing, not only in amount but also as a percentage of personal income. The \$1,158 million contributed to religious organizations in 1945 represented 0.67 percent of personal income. Similar contributions in 1955 amounted to \$3,100 million and represented 1.00 percent of personal income.

Welfare

Approximately \$1,150 million was expended from philanthropic contributions for welfare purposes in 1955, nearly six times the \$200 million contributed for such purposes in 1940 (table 3). Total personal income increased less than fourfold during the same period.

It is not possible to make a detailed and exact comparison of public expenditures and philanthropically fi-

nanced expenditures for welfare purposes, but some general comparisons are possible. In 1955 public assistance expenditures amounted to \$2,981 million, public recreation expenditures to \$730 million, and expenditures for other welfare services—such as institutional care, school lunch, vocational rehabilitation, and child welfare programs—amounted to \$1,027 million. The combined total of \$4,738 million was more than four times the amount spent for welfare from philanthropic contributions in 1955.²

The part played by philanthropy in the field of welfare has changed considerably during the past 25 years. Before the depression of the thirties, the principal role of philanthropically financed voluntary welfare agencies was to provide cash assistance to needy persons. Today the voluntary agencies provide relatively little cash assistance. Any payments made are generally for special, nonrecurring purposes—to meet unusually heavy medical costs, for example, or to aid needy persons while their status at public welfare agencies is being clarified. The main emphasis of the voluntary agencies today is on providing a broader range of services, regardless of the recipient's financial status. There is a recognition that anyone may need the services of private agencies, especially when faced with problems that are beyond the individual's capacity to solve—those brought about, for example, by death,

² The definition of welfare regarded as appropriate and used for this comparison is much narrower than the concept of social welfare programs used in other studies prepared in the Division of Program Research.

illness, mental affliction, marital discord, or neglect. More than at any time in the past, middle-income families are turning to private agencies with these problems and are paying, at least in part, for the services they receive.

Voluntary agencies have shown a rapidly growing interest in recreation, group work, and community-wide programs providing constructive leisuretime activities for children, families, the handicapped, and the aged. About \$300 million was contributed to secular agencies for these purposes in 1955—82 percent more than the \$165 million estimated for 1950.

Contributions for the institutional care of adults and for services for the handicapped, sheltered workshops, maternity home care, and other welfare services have also increased more than total contributions, according to surveys made by the United Community Funds and Councils of America.

Contributions to family and child care agencies, however, have remained at about the same level during the past 5 years, which have seen a continuation of the postwar trend in the type of problems brought to family agencies. An increase has been noted in the number of persons seeking the aid of voluntary agencies for noneconomic reasons. The number of children receiving services from private agencies has increased slightly in the past few years. The living arrangements for these children are, however, changing; more are going into adoptive homes, and fewer are going into boarding homes or into institutions for dependent children.

Health

Contributions for health purposes in the United States in 1955 were almost eleven times what they were a decade and a half earlier. Furthermore, during the 15 years the share of the philanthropic dollar going for health purposes more than doubled; the \$71 million contributed in 1940 represented 6 percent of all philanthropic giving, compared with 13 percent in 1955, when \$775 million was contributed. The increase is attributable primarily to the growth in private hospital construction and to

the increase in the number and size of national health agencies.

The \$775 million in contributions represents 6.7 percent of the \$11.6 billion spent by consumers in 1955 for medical care (including expenditures for hospital construction). Comparable expenditures from public funds or under public programs amounted to \$4.7 billion in the fiscal year 1954-55.

Hospital construction.—On the average, total hospital construction in the United States from 1930 through 1945 cost about \$100 million a year; about two-thirds of this cost was financed by State and local governments. Most of the balance (about \$30 million a year) was financed by philanthropic contributions.

Total hospital construction increased sharply after World War II, rising from \$170 million in 1946 to a peak of \$867 million in 1952. One reason for this sharp increase is the Hospital Survey and Construction Act of 1946, which authorized, for the first time, Federal financial aid for a nationwide hospital construction program. Private expenditures for hospital construction increased from \$85 million in 1946 to \$351 million in 1955. About half the funds for private hospital construction came from philanthropic contributions.

National health agencies.—National health agencies and the American

Red Cross received an estimated \$290 million in philanthropic contributions in 1955. Of the total, 76.7 percent (\$222 million) was received by the six largest agencies: the American Red Cross—\$94.5 million; the National Foundation for Infantile Paralysis—\$52.5 million; the American Cancer Society—\$26.1 million; the National Tuberculosis Association—\$25.8 million; the American Heart Association—\$13.6 million; and the National Society for Crippled Children and Adults—\$10.0 million. The balance was raised by the more than 60 other health agencies that solicit funds nationally. Excluded are the amounts raised by local health agencies, associations, societies, and so on that are not affiliated with any national agency and that do not solicit on a national basis; data or estimates on contributions to these agencies are not available.

The total of \$290 million was \$5 million greater than the estimated amount contributed in 1954. Most agencies reported some increase during the year. The largest percentage increase was reported by the National Association for Mental Health; its 1955 contributions amounted to \$2.4 million, or 61 percent more than the amount received in 1954. The American Red Cross reported an increase of \$12.5 million—the result of a special appeal conducted in the fall of 1955 for flood victims, which

brought in \$16.3 million. The American Cancer Society and the American Heart Association reported increases of \$3.4 million (14 percent) and \$2.2 million (19 percent), respectively. The National Foundation for Infantile Paralysis reported a decline in contributions of \$14.4 million or 22 percent from the amount received in 1954.

The large national health agencies do not participate to any great extent in federated fund-raising drives. Of the \$222 million received in contributions by the six major agencies, only \$38.1 million or 17.1 percent was channeled through united funds or community chests, according to the reports of the United Community Funds and Councils of America.

National health agencies, in addition to providing services and care to individuals and supporting training and educational programs, have also played an increasingly important role in supporting research activities. In 1955 their expenditures for research amounted to more than \$20 million—a third more than in 1954. Cancer research led the way, with \$7.3 million spent by the American Cancer Society and \$0.9 million spent by the Damon Runyon Memorial Fund for Cancer Research. Three other agencies spent more than \$1 million each on research: the American Heart Association (\$5.2 million), the National Foundation for Infantile Paralysis (\$2.7 million), and the Muscular Dystrophy Association (\$1.5 million).

Other Purposes

Philanthropic contributions for education ranked third. The Office of Education reports that \$418 million was contributed during the 1954 school year for higher education in the United States; \$191 million was contributed for educational and general purposes, \$104 million for building funds, \$107 million for endowment funds, and \$17 million for student-aid funds.

The amount contributed for higher education represents the bulk of contributions for this purpose, since only small amounts are contributed to primary and secondary schools. Contributions for higher education probably amounted to about \$475 million in 1955, representing about 8 per-

Table 3.—Expenditures for health and welfare purposes from philanthropic contributions, by purpose, selected years 1930-55

Purpose	[In millions]					
	1930	1935	1940	1945 ¹	1950 ¹	1955 ¹
Total	\$369	\$216	\$271	\$1,155	\$1,440	\$1,925
Health	122	51	71	365	500	775
Church health services and care	25	15	15	35	60	90
Secular health services and care	26	26	38	280	335	465
Laboratory, immunization, research, health information, and other health services	(2)	(2)	(2)	115	140	230
Hospital in-patient care, clinics, and out-patient care	(2)	(2)	(2)	145	165	290
Nursing services	(2)	(2)	(2)	15	25	35
Hospital construction	71	10	18	30	170	175
Fund-raising and central administrative costs	(2)	(2)	(2)	25	30	45
Welfare	247	165	200	790	850	1,150
Church welfare	80	45	50	115	290	290
Secular welfare services and care	167	120	150	625	600	780
Recreation, informal education, and group work	(2)	(2)	(2)	165	165	300
Family services and specialized care and services for children				320	275	275
Institutional care of adults	(2)	(2)	(2)	65	75	85
Services for handicapped, sheltered workshops, maternity home care, and other welfare services	(2)	(2)	(2)	75	85	120
Fund-raising and central administrative costs	(2)	(2)	(2)	50	50	80

¹ Estimates by the Division of Program Research, based on source data.

² Not available.

Source: See text, p. 18.

cent of all philanthropic contributions.

Small amounts went for other purposes, such as foreign relief (about 2 percent) and museums and libraries.

Federated Fund Raising

Federated fund raising is of greatest importance in the fields of health and welfare. United funds and community chests are the outstanding examples. In 1956, the United Community Funds and Councils of America reported that 1,873 campaigns in the United States raised \$322 million. In 1940, 561 campaigns raised \$86 million.

The growth in federated fund raising has been stimulated by the vast number of nonprofit organizations seeking contributions throughout the year by such methods as personal solicitations, letters, television and radio appeals, entertainment, and prize contests. The Internal Revenue Service estimates that, for 38,000 national and local organizations in the United States, contributions from individuals and corporations would be considered tax-deductible. The Service also estimates that there may be an additional 70,000 organizations that have never applied for tax-exempt status and that are engaged in soliciting contributions.

Direct Public Payments to Voluntary Health and Welfare Agencies

Voluntary health and welfare agencies receive funds from public agencies through lump-sum subsidies or through payment for services on behalf of a particular individual. The United Community Funds and Councils of America has reported that in 1952 voluntary agencies in 15 urban areas spent \$239 million, of which 3.3 percent or \$8 million came from public agencies as lump-sum subsidies. The importance of public funds varied considerably among the different types of agency. Voluntary agencies providing specialized services for children received 12.5 percent of their total income from public funds; private hospitals, 3.0 percent; and voluntary agencies providing recreation, 0.3 percent. Data or estimates are not available on the amounts received by voluntary agencies from public funds

as payments for services on behalf of particular individuals.

Foundations

There are about 5,000 foundations in the United States, with total assets of about \$7.2 billion, that spent approximately \$400 million in 1954. A foundation is defined as a nongovernmental, nonprofit organization having a principal fund of its own, managed by its own trustees or directors, and established to maintain or aid social, educational, charitable, religious, or other activities serving the common welfare. The largest is the Ford Foundation, which in September 1956 had assets with a market value of roughly \$2.8 billion; some foundations, in contrast, have assets of less than \$10,000. The 77 largest foundations own more than three-fourths of the asset value of all foundation assets and account for three-fourths of all expenditures made by foundations.

About three-fourths of the \$400 million spent by all foundations in 1954 came from foundation income; the balance represented current giving by individuals and corporations channeled through foundations. This balance of \$100 million is included in the tables. The expenditures from foundation income are excluded; there is no basis for estimating the distribution of this \$300 million by specified purpose. In the same year an additional \$100 million was contributed by individuals and corporations and added to foundation capital. These amounts are included in the total contributions of \$5.9 billion shown in table 1.

In December 1955 the Ford Foundation allocated \$500 million to be spent, beginning in 1956, as follows: \$210 million, supplementing an earlier \$50 million, to help raise college faculty salaries; \$90 million to strengthen instruction in the Nation's private medical schools; and \$200 million to assist nonprofit hospitals in the improvement of medical services to their communities. It is estimated that the heavy expenditures of the Ford Foundation will raise total foundation expenditures in 1956 to \$600 million.

Foundations play a key role in supporting exploratory research directed

to prevention and cure rather than treatment or relief. The National Science Foundation has estimated that foundation research expenditures in 1953 were roughly \$33 million; 65 percent was for basic research and 35 percent for applied research and development. About 45 percent was for research in the social sciences and 43 percent for research in the medical and in the biological sciences.

No data or estimates on foundations' fields of interest are available. Generally, however, the large foundations concentrate their spending on national and international affairs, including economic development projects abroad; education; international peace and understanding; research projects in agriculture, biology, medicine, the social sciences, the humanities, and public health; and public affairs. The smaller foundations are more concerned with local needs in the fields of health, welfare, religion, and education.

Methodology, Sources, and Limitations of the Data

Current data on total health and welfare expenditures in the United States made from philanthropic contributions are not available. Estimates of total philanthropic contributions are better than the estimates of contributions received by health and welfare agencies. The estimates of expenditures for the separate health and welfare categories should be used essentially as indications of voluntary agencies' major fields of interest in this area.

In the June 1944 issue of the *Survey of Current Business*, the Department of Commerce showed expenditures by national and local voluntary health and welfare agencies through 1942. From 1943 through 1952, however, the *Survey of Current Business* combined data for expenditures by national health agencies, national welfare agencies, and foreign relief agencies into one category—"social welfare and foreign relief agencies." Currently, the *Survey* combines this total with religious expenditures and expenditures by political organizations, museums and libraries, and foundations.

For recent years it is therefore

necessary to estimate (1) total philanthropic contributions, (2) the proportion going to religious agencies, and (3) expenditures for health and welfare purposes by secular and religious agencies.

Estimates on total philanthropic contributions in 1930-45 were taken from F. Emerson Andrews, *Philanthropic Giving*, 1950. For 1950, estimates on total contributions came from J. P. Jones, *The American Giver*, 1954; for 1955, the estimates were made by the Division of Program Research, using Andrews' methods. The estimates are based on data from the Internal Revenue Service, *Statistics of Income*, parts I and II.

Data published yearly by the National Council of the Churches of Christ, showing the amounts received by various Protestant denominations, form the basis of the estimates of contributions to religious organizations. For the past 25 years, 14 Protestant denominations have reported yearly contributions. The 1926 and 1936 Censuses of Religious Bodies showed that contributions to these denominations made up nearly half

of all contributions to all religious bodies. The projections of contributions to all religious denominations based on these data have been adjusted for the rates of growth of Protestant, Catholic, and Jewish church membership as reported yearly by the National Council of the Churches of Christ.

Estimates of contributions for secular health and welfare purposes combined were obtained from the 1950 Andrews study; for 1955 the ratios in that study were applied to the total estimates for the year. To obtain estimates of contributions for health purposes and for welfare purposes and for the health and welfare categories listed in table 3, reliance was placed primarily on the surveys, *Expenditures for Health and Welfare Service in Selected Urban Areas*, 1952 and 1955, prepared by the United Community Funds and Councils of America. This material was supplemented by data prepared by the Council of Jewish Federations and Welfare Funds, the Catholic Charities, and the National Council of the Churches of Christ. The estimates in table 3

cover total expenditures from contributed funds by these agencies for all purposes, including such items as administrative expenses, rent, capital expenditures, and relief payments. Expenditures from public funds and from other receipts, such as payments for services, are excluded. Religious contributions for health and welfare purposes were estimated by applying ratios appearing in *The Yearbook of American Churches* to the estimates of total contributions for all religious purposes. Data on church construction are taken from the table presented each month in the *Monthly Labor Review* (table F).

Data on contributions for educational purposes are from the Office of Education, *Biennial Surveys of Education in the United States*, chapter 4, section 2. Estimates on foundation expenditures are taken from F. Emerson Andrews, *Philanthropic Foundations* (Russell Sage Foundation, 1956). Data on foundation research expenditures came from the National Science Foundation, *Scientific Research Expenditures by the Larger Private Foundations*, 1956.

SOCIAL SECURITY IN REVIEW

(Continued from page 2)

program of aid to the permanently and totally disabled. Total payments declined \$751,000 in old-age assistance and \$22,000 in aid to the blind.

For the nation as a whole, average payments for the various types of assistance changed relatively little from October to November. The small changes in the national averages reflected slight increases or decreases in a majority of the States, with some noticeable exceptions. In Massachusetts, recent liberalizations, including an adjustment for living costs, contributed to the increases in that State's average payments for old-age assistance (\$4.01) and aid to the permanently and totally disabled (\$6.90). Florida included additional allowances for food and clothing, totaling \$3.75, in the standards of assistance for old-age assistance, aid to the blind, and aid to the permanently and totally disabled; increases in average payments for these pro-

grams ranged between \$2 and \$3.

When Alaska began making payments equal to the full amount of the budget deficit for families receiving aid to dependent children, the average payment per recipient rose \$4.25. Formerly, the State had applied a 15-percent reduction to the budget deficit.

Alabama reduced further the percentage of need met in the programs of old-age assistance, aid to dependent children, and aid to the permanently and totally disabled and initiated a percentage reduction in the program of aid to the blind. The average payment per recipient dropped \$4.52 in old-age assistance, \$2.34 in aid to dependent children, \$3.47 in aid to the permanently and totally disabled, and \$3.21 in aid to the blind. Fluctuations in vendor payments accounted for most of the sizable changes in average payments in other States.

● During November unemployment covered by the State programs of

unemployment insurance and the program of unemployment compensation for Federal employees rose sharply. More initial claims, which represent new unemployment, were filed than in any month since 1949; the total of 1.3 million was 13 percent higher than that in October 1957 and 38 percent higher than that a year earlier. Insured unemployment rose 22 percent to a weekly average of about 1.5 million. This average was about 50 percent higher than that a year earlier; substantial increases (20 percent or more) occurred in all but nine States.

Unemployed workers drawing benefits in an average week numbered 1,146,300—12.4 percent more than the average in October and 44.0 percent greater than that in November 1956. The accompanying increase in benefits paid during the month—3.6 percent from the preceding month and 49.0 percent from November 1956—brought the total to \$136,627,300. The average weekly benefit paid for total unemployment was \$29.44.