

Social Welfare Expenditures, 1957-58

by IDA C. MERRIAM*

IN the 12 months ending June 30, 1958, social welfare expenditures as here defined amounted to \$44 billion or 10 percent of the total national output. In the preceding year they had accounted for 8.8 percent of the total output. This sharp increase resulted from a combination of normal program growth, the expansion of social insurance payments as a result of the 1957-58 recession, and the falling-off of the gross national product from its long-term trend level during the period.

Total social welfare expenditures in 1957-58 were 15 percent higher than in the preceding year. The two largest programs, education and old-age, survivors, and disability insurance, experienced about the same rate of increase in expenditures during 1957-58 as in the past several years—9 percent and 23 percent, respectively. The increase of \$1.2 billion for education amounted to 21 percent of the increase in total social welfare expenditures, and the increase of \$1.6 billion for old-age, survivors, and disability insurance to 27 percent. Unemployment benefits also increased by \$1.6 billion—an increase of 81 percent—and accounted for another 27 percent of the increase in total welfare expenditures.

The significance of the income-maintenance function of social insurance and the special role of unemployment insurance are even more evident when these expenditures are related to the total output of the economy or the total disposable income of the population. All social insurance payments combined, excluding costs of administration, accounted for 4.1 percent of the total disposable income of families and individuals (as defined in the national income accounts) in 1956-57 and 4.8 percent in 1957-58. Since the national income data treat nonprofit institutions and private pension and welfare funds as persons, including their net income as part of personal income, the real importance of social insur-

ance benefits to family levels of living is somewhat greater than these percentages would suggest. For those families who experience unemployment or illness or where the wage earner has retired, social insurance benefits may spell the difference between a very serious and a manageable reduction in living standards.

From August 1957 to April 1958—the beginning of the recession to the low point—total wages and salaries declined by nearly \$9 billion at an annual rate. Increased unemployment benefit payments offset about 40 percent of this decline. An additional 16 percent was offset by increased old-age, survivors, and disability insurance payments, resulting primarily from the continuing growth in the number of aged persons eligible for benefits. Because these benefits are not subject to the Federal income tax, their effect in sustaining disposable personal income was somewhat larger than this percentage indicates.

During 1957-58, some 1.8 million workers exhausted their right to unemployment benefits. The average monthly number of exhaustions increased from 83,000 in September 1957 to 254,000 in June 1958. The Temporary Unemployment Compensation Act, which provided for advances of Federal funds to the States for additional benefit payments to workers exhausting their rights to regular benefits, became effective in mid-June of 1958. It had little effect on expenditures during the period with which this article is primarily concerned. Sixteen States and the District of Columbia participated fully in the program, and five States provided extended benefits under their own laws during all or part of the fiscal year 1958-59.

Although estimates for all social welfare expenditures in the fiscal year 1958-59 will not be available for another year, it is of interest to note the trend in expenditures for unemployment insurance and old-age, survivors, and disability insurance during that year. Unemployment remained at a relatively high level well

into the spring of 1959, even though industrial output and general business activity began to pick up much earlier. Benefit payments under the temporary unemployment insurance programs amounted to almost \$600 million in 1958-59, bringing total unemployment benefits and employment service expenditures to \$3.9 billion—some \$700 million more than in 1957-58. Old-age, survivors, and disability insurance benefit payments also increased in 1959, as the higher benefits provided in the 1958 amendments to the Social Security Act became payable. Old-age, survivors, and disability insurance expenditures in 1958-59 were \$9.5 billion, compared with \$8.2 billion in 1957-58. Expenditures under the two programs accounted for 2.9 percent of the gross national product and benefit payments for 3.9 percent of disposable personal income in 1958-59, when total output had expanded from the 1957-58 recession levels, compared with 2.6 percent of the gross national product and 3.6 percent of disposable personal income in 1957-58.

Trends

The changes in the social welfare expenditure series that were initiated last year and described at some length in the October 1958 issue of the *BULLETIN* have now been carried back for 5-year intervals to 1934-35 (table 1). The estimates and the percentages for recent years shown in table 2 also reflect revisions in the national income data and other series on which some of the estimates of social welfare expenditures or derivative figures are based.

The overall trends in social welfare expenditures since 1935, or since the end of the last century, are not significantly changed as a result of these revisions. The outstanding developments remain the growth in social insurance, the tremendous expansion in public aid during the depression and its subsequent decline, and the gradually stepped-up share of the national output devoted to education. Veterans' program expenditures were large immediately

* Director, Division of Program Research, Office of the Commissioner.

Table 1.—Social welfare expenditures under public programs, selected fiscal years 1934–35 through 1957–58¹
 [In millions; revised estimates]

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1955-56	1956-57	1957-58
Total expenditures								
Total.....	\$6,720.3	*\$3,947.5	\$8,864.2	\$23,912.6	\$32,136.1	\$34,614.6	\$37,966.6	\$43,798.2
Social insurance	383.7	1,214.9	1,363.5	4,704.7	9,879.6	10,639.8	12,461.8	15,975.1
Old-age, survivors, and disability insurance	28.1	266.8	784.1	4,436.3	5,485.2	6,665.9	8,221.1	8,221.1
Railroad retirement	116.8	144.9	304.4	575.6	603.2	676.8	728.2	728.2
Public employee retirement ²	210.0	254.5	382.8	743.4	1,379.5	1,577.2	1,785.2	2,032.2
Unemployment insurance and employment service ³		551.7	161.8	2,081.8	2,113.9	1,621.2	1,841.6	3,312.4
Railroad unemployment insurance		18.9	4.3	119.6	158.7	59.7	88.1	176.0
Railroad temporary disability insurance				31.1	54.2	52.7	52.0	54.6
State temporary disability insurance, total			5.1	72.3	218.8	232.9	268.2	302.9
Hospital and medical benefits ⁴				2.5	20.6	22.7	25.8	31.9
Workmen's compensation, total	173.7	244.9	398.0	628.0	942.5	1,007.7	1,083.8	1,147.7
Hospitalization and medical benefits ⁴	66.0	90.0	122.0	193.0	315.0	335.0	355.0	370.0
Public aid	2,997.6	3,598.1	1,029.7	2,494.8	3,001.6	3,113.1	3,306.8	3,613.4
Public assistance ⁶	623.9	1,123.7	1,028.0	2,488.8	2,939.6	3,022.1	3,228.9	3,537.5
Other ⁷	2,373.7	2,474.4	1.7	6.0	61.9	91.0	77.9	75.9
Health and medical programs⁸	543.7	697.2	1,936.9	2,389.5	2,925.6	3,056.9	3,433.4	3,781.5
Hospital and medical care	378.0	460.0	1,585.7	1,506.0	2,052.1	2,125.8	2,261.0	2,552.8
Civilian programs	339.0	415.0	485.7	1,174.0	1,449.5	1,577.8	1,707.0	1,881.5
Defense Department and Medicare	39.0	45.0	1,100.0	332.0	602.6	548.0	554.0	671.3
Maternal and child health services ⁹	6.7	13.7	61.9	29.7	93.4	104.8	113.8	122.7
Medical research ¹⁰		3.0	15.0	51.3	99.8	109.4	172.9	227.5
Other public health activities ¹¹	124.0	179.5	222.8	373.7	327.0	382.8	444.5	386.6
Medical-facilities construction	35.0	41.0	51.5	428.8	353.3	334.1	441.2	491.9
Defense Department	(4)	(4)	(4)	(4)	8.9	25.8	83.4	66.2
Other	35.0	41.0	51.5	428.8	344.4	308.3	357.8	425.7
Other welfare services	113.3	109.9	196.7	401.6	580.4	699.0	783.4	908.9
Vocational rehabilitation, total	2.2	4.1	10.2	30.0	41.4	55.7	65.6	80.1
Medical rehabilitation ⁴	.2	.4	1.4	7.4	9.2	11.0	12.7	14.9
Institutional and other care ¹²	111.1	65.0	67.5	107.9	165.4	204.3	195.2	327.4
School lunch ¹³	(17)	(17)	47.4	158.7	238.4	293.2	362.7	324.9
Child welfare ¹⁴		40.8	71.6	105.0	135.2	145.8	159.9	176.5
Veterans' programs¹⁵	449.8	535.0	914.2	6,525.4	4,369.3	4,618.9	4,691.3	5,006.5
Pensions and compensation	390.2	447.8	755.9	2,092.8	2,712.3	2,826.0	2,906.5	3,147.7
Readjustment allowances			24.1	148.3				
Health and medical services	58.9	86.2	114.5	742.0	761.1	757.2	779.8	837.4
Hospital and medical care	56.0	72.0	96.3	582.2	722.0	723.5	732.9	794.1
Hospital construction	2.9	14.1	16.2	156.2	33.0	27.2	36.8	33.3
Medical research		.1	2.0	3.7	6.1	6.5	10.1	10.0
Education			9.7	2,689.1	699.9	803.5	811.0	731.2
Welfare and other	.7	1.0	10.0	853.1	196.0	232.2	194.0	290.2
Education	2,232.2	2,788.2	3,412.2	7,324.6	11,291.0	12,376.3	13,170.3	14,378.7
Elementary and secondary, total	(17)	(17)	(17)	(17)	10,044.3	11,007.1	11,644.4	12,969.6
Construction	(17)	(17)	(17)	(17)	2,368.6	2,591.5	2,808.9	3,094.2
Higher education and other, total	(17)	(17)	(17)	(17)	1,246.7	1,369.2	1,525.9	1,409.2
Construction	(17)	(17)	(17)	(17)	312.1	345.5	381.6	360.2
Public housing¹⁶		4.2	11.0	12.0	88.6	110.6	119.6	134.1
From Federal funds								
Total.....	\$3,016.5	\$3,292.1	\$3,510.1	\$10,070.5	\$13,908.8	\$15,366.1	\$17,296.9	\$19,781.8
Social insurance	98.7	350.1	704.5	1,911.3	6,428.9	7,527.7	8,917.8	10,864.6
Old-age, survivors, and disability insurance		28.1	266.8	784.1	4,436.3	5,485.2	6,665.9	8,221.1
Railroad retirement		116.8	144.9	304.4	575.6	603.2	676.8	728.2
Public employee retirement ²	90.0	107.5	184.8	433.4	799.5	935.2	1,039.2	1,185.2
Unemployment insurance and employment service ³		65.8	90.5	213.6	354.1	338.8	337.1	436.9
Railroad unemployment insurance		18.9	4.3	119.6	158.7	59.7	88.1	176.0
Railroad temporary disability insurance				31.1	54.2	52.7	52.0	54.6
Workmen's compensation, total	8.7	13.0	13.2	25.1	60.5	53.1	58.5	62.6
Hospitalization and medical benefits ⁴	3.8	5.3	4.8	5.2	6.9	6.8	7.3	7.9
Public aid	2,373.7	2,244.2	419.3	1,101.8	1,502.8	1,553.8	1,688.3	1,833.0
Public assistance ⁶		279.4	417.6	1,095.8	1,440.8	1,462.8	1,610.3	1,757.1
Other ⁷	2,373.7	1,964.8	1.7	6.0	61.9	91.0	77.9	75.9
Health and medical programs⁸	60.0	99.2	1,241.9	706.4	976.6	991.9	1,192.6	1,324.3
Hospital and medical care	48.0	50.0	1,115.7	383.0	673.1	630.8	643.0	762.8
Civilian programs	9.0	5.0	15.7	51.0	70.5	82.8	89.0	91.5
Defense Department and Medicare	39.0	45.0	1,100.0	332.0	602.6	548.0	554.0	671.3
Maternal and child health services ⁹		7.7	55.1	20.0	24.2	28.3	31.6	33.5
Medical research ¹⁰		3.0	15.0	51.3	99.8	109.4	172.9	214.5
Other public health activities ¹¹	12.0	37.5	54.6	125.3	86.2	127.3	170.9	96.6
Medical-facilities construction		1.0	1.5	126.8	93.3	96.1	174.2	216.9
Defense Department		(4)	(4)	(4)	8.9	25.8	83.4	66.2
Other		1.0	1.5	126.8	84.4	70.3	90.8	150.7
Other welfare services	2.1	9.7	87.0	166.7	244.4	320.5	374.5	346.1
Vocational rehabilitation, total	1.0	2.0	7.5	21.0	26.4	35.2	42.0	51.4
Medical rehabilitation ⁴	.1	.2	.7	3.7	5.7	6.8	7.9	9.3
Institutional and other care ¹²	1.1	6.1	16.0	21.7	41.4	50.3	33.2	43.4
School lunch ¹³		(17)	47.4	119.7	169.4	227.7	291.0	241.3
Child welfare ¹⁴		1.6	16.1	4.3	7.2	7.3	8.3	10.0
Veterans' programs¹⁵	449.8	535.0	914.2	6,063.4	4,307.7	4,529.7	4,652.0	4,885.1
Pensions and compensation	390.2	447.8	755.9	2,092.8	2,712.3	2,826.0	2,906.5	3,147.7
Readjustment allowances			24.1	148.3				
Health and medical services	58.9	86.2	114.5	742.0	761.1	757.2	779.8	837.4
Hospital and medical care	56.0	72.0	96.3	582.2	722.0	723.5	732.9	794.1
Hospital construction	2.9	14.1	16.2	156.2	33.0	27.2	36.8	33.3
Medical research		.1	2.0	3.7	6.1	6.5	10.1	10.0
Education			9.7	2,689.1	699.9	803.5	811.0	731.2
Welfare and other	.7	1.0	10.0	881.1	134.4	143.0	154.7	168.8

See footnotes at end of table.

Table 1.—Social welfare expenditures under public programs, selected fiscal years 1934–35 through 1957–58—Continued
[In millions; revised estimates]

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1955-56	1956-57	1957-58
From Federal funds—Continued								
Education.....	32.2	49.7	132.2	108.9	374.4	351.6	371.1	418.3
Elementary and secondary, total.....	(17)	(17)	(17)	(17)	316.3	290.6	297.3	321.3
Construction.....	(17)	(17)	(17)	(17)	139.3	102.6	83.9	89.1
Higher education and other, total.....	(17)	(17)	(17)	(17)	58.1	61.0	73.8	97.1
Construction.....	(17)	(17)	(17)	(17)	5.4	4.7	3.3	3.4
Public housing ^{1a}		4.2	11.0	12.0	74.0	90.9	100.6	110.4
From State and local funds								
Total.....	\$3,703.8	\$5,654.3	\$5,354.3	\$13,842.1	\$18,227.4	\$19,248.3	\$20,669.7	\$24,016.5
Social insurance.....	285.0	864.8	659.2	2,853.4	3,435.7	3,112.0	3,544.0	5,110.5
Public employee retirement ²	120.0	147.0	198.0	310.0	580.0	642.0	746.0	847.0
Unemployment insurance and employment service.....		485.9	71.3	1,868.2	1,759.9	1,282.5	1,504.5	2,875.5
State temporary disability insurance, total.....			5.1	72.3	218.8	232.9	268.2	302.9
Hospital and medical benefits ⁴				2.5	20.6	22.7	25.8	39.9
Workmen's compensation, total ⁵	165.0	231.9	384.8	602.9	892.1	⁶ 954.7	⁶ 1,025.3	⁶ 1,085.1
Hospitalization and medical benefits ⁴	62.2	84.7	117.2	187.8	308.1	328.2	347.7	362.1
Public aid.....	623.9	1,352.8	610.4	1,393.0	1,498.8	1,559.3	1,618.5	1,780.5
Public assistance ⁶	623.9	843.2	610.4	1,393.0	1,498.8	1,559.3	1,618.5	1,780.5
Other ⁷		509.6						
Health and medical programs ⁸	483.7	598.0	695.0	1,683.1	1,949.1	2,065.0	2,240.8	2,457.2
Hospital and medical care.....	330.0	410.0	470.0	1,123.0	1,379.0	1,495.0	1,618.0	1,790.0
Maternal and child health services ⁹	6.7	6.0	6.8	9.7	69.3	76.5	82.2	89.2
Medical research.....						(17)	(17)	13.0
Other public health activities ¹¹	112.0	142.0	168.2	248.4	240.8	255.5	273.6	290.0
Medical facilities construction.....	35.0	40.0	50.0	302.0	260.0	238.0	267.0	275.0
Other welfare services.....	111.2	100.2	109.7	234.9	336.0	378.4	408.9	562.8
Vocational rehabilitation, total.....	1.2	2.1	2.7	9.0	15.0	20.5	23.6	28.7
Medical rehabilitation ⁴	1	2	7	3.7	3.5	4.2	4.8	5.6
Institutional and other care ¹²	110.0	58.9	51.5	86.2	124.0	154.0	162.0	284.0
School lunch ¹³	(17)	(17)	(17)	39.0	69.0	65.4	71.7	83.6
Child welfare ¹⁴		39.2	55.5	100.7	128.0	138.5	151.6	166.5
Veterans' programs ¹⁵				462.0	61.6	89.2	39.3	121.4
Education.....	2,000.0	2,738.5	3,280.0	7,215.7	10,916.6	12,024.7	12,799.2	13,960.4
Elementary and secondary, total.....	(17)	(17)	(17)	(17)	9,728.0	10,716.5	11,347.1	12,648.3
Construction.....	(17)	(17)	(17)	(17)	2,229.3	2,488.9	2,725.0	3,005.1
Higher education and other, total.....	(17)	(17)	(17)	(17)	1,188.6	1,306.2	1,452.1	1,312.1
Construction.....	(17)	(17)	(17)	(17)	306.7	340.8	378.3	356.8
Public housing ^{1a}					14.6	19.7	19.0	23.7

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 workmen's compensation relate to continental United States only; for other programs, data include some payments and expenditures outside continental United States. (State temporary disability insurance programs operate in 4 States only.)

² Excludes refunds of employee contributions to those leaving service. Federal expenditures include retirement pay of military personnel.

³ Includes unemployment compensation for veterans under the Veterans' Readjustment Assistance Act of 1952 and for Federal employees.

⁴ Included in total shown directly above; excludes administrative expenditures, not available separately but included for entire program in preceding line.

⁵ State expenditures represent benefits paid under State law by private insurance carriers, State funds, and self-insurers and estimated costs of State administration.

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. For 1939-40, total includes \$1 million in administrative costs and Federal Emergency Relief Administration funds for which distribution by source of funds is not available.

⁷ Work program earnings, other emergency aid programs, and value of surplus food distributed to needy persons.

⁸ Excludes expenditures for domiciliary care (in institutions other than mental or tuberculosis) included under institutional care; excludes health and medical services provided in connection with veterans' programs, public education, public assistance, workmen's compensation, State temporary disability insurance, and vocational rehabilitation (included in total expenditures shown for those programs); also excludes direct expenditures for international health activities and

certain subordinate medical program expenditures, such as those of the Federal Aviation Agency, Bureau of Narcotics, Bureau of Mines, National Park Service, and U.S. Civil Service Commission.

⁹ Expenditures for the crippled children's services and maternal and child health services programs.

¹⁰ Medical research expenditures of the U.S. Public Health Service, Food and Drug Administration, Atomic Energy Commission, and Department of Defense.

¹¹ Excludes expenditures for water supply, sanitation services, and sewage disposal but includes regulatory and administrative expenditures in connection with these activities; also includes expenditures for medical equipment and supplies in civil defense.

¹² Includes expenditures for homes for adults (other than those for veterans) and for dependent or neglected children, and value of surplus food for non-profit institutions.

¹³ Federal expenditures represent cash apportionment, value of commodities purchased and distributed under the National School Lunch Act, value of surplus commodities distributed under other agricultural programs, and, beginning 1954-55, special school milk program. Nongovernmental funds are also available for this program from private organizations and from payments by parents (in 1957-58 parents' payments totaled \$453.0 million).

¹⁴ State and local expenditures exclude expenditures of courts and public institutions serving children, public day-care centers, and appropriations made directly by legislatures to voluntary agencies or institutions.

¹⁵ Federal expenditures exclude bonus payments, appropriations to Government life insurance trust fund, and accounts of several small revolving funds. Burial awards included with pensions and compensation. Vocational rehabilitation, specially adapted homes and automobiles for disabled veterans, counseling, beneficiaries' travel, loan guarantees, and domiciliary care classified as "welfare and other." State and local data represent State expenditures for bonus and other payments and services for veterans; local data not available.

¹⁶ Federal and State subsidies (and administrative costs) for low-cost housing.

¹⁷ Not available.

after World War II primarily because of the educational benefits and readjustment allowances under the GI Bill of Rights that eased the transition back to civilian life for veterans.

The one significant change in the general trend resulting from the inclusion of the expenditures of the

Department of Defense in the revised series is in the amounts spent for health and medical services. Instead of dropping sharply as a percentage of the gross national product in 1944-45, as in the old series, public expenditures for health and medical services now show an increase—from

0.7 percent of the gross national product in 1939-40 to 0.9 percent in 1944-45. The data for the other years shown were relatively little changed by the net effect of adding Defense Department expenditures for medical care and omitting the sanitation costs previously included.

Geographical Coverage

Most of the program data for this series have from the beginning included payments and expenditures made in Alaska and Hawaii. Program operations in the 50 States of the United States are reflected in the data for all the programs listed in table 1 except State workmen's compensation, State and local public employee retirement systems, State temporary disability insurance, and State and local expenditures for institutional care. Neither Alaska nor Hawaii have temporary disability insurance programs. The Division of Program Research is currently attempting to expand its workmen's compensation and public employee retirement benefit estimates to include data for Alaska and Hawaii. The estimates of expenditures for institutional care will be revised to include these States as soon as the necessary data from the Bureau of the Census become available.

The programs under the Social Security Act, and most of the other programs included in this series, now extend also to Puerto Rico and the Virgin Islands. Federal grants for public assistance and the maternal and child health and child welfare service programs were extended to Guam as a result of the 1958 amendments to the Social Security Act.

Old-age, survivors, and disability insurance benefits are paid to persons who have had the required amount of earnings under the program and meet other qualifying conditions, whether or not they are liv-

ing in the United States. In June 1958, old-age, survivors, and disability insurance benefits were being paid at an annual rate of \$49 million to 73,000 beneficiaries living in other countries. Veterans' benefits also are paid to a considerable number of veterans or their survivors outside the United States, many of them in the Philippines. Part of the Defense Department expenditures for education and for health and medical services are made outside the country.

In relating social welfare expenditures to the gross national product, no adjustment has been made for the fact that the national income accounts have not included income originating in the United States Territories except the wages and salaries of Federal civilian and military employees. (They do not reflect, for example, either social insurance contributions or benefit payments in Alaska, Hawaii, and Puerto Rico). The amounts of social welfare expenditures in these jurisdictions are so small in relation to the gross national product that their omission does not change the percentages shown in table 2.

Social Welfare Expenditures Per Capita

A part of the growth in social welfare expenditures in the United States, as in other countries, has resulted from the growth in the population. The influence of this factor can be seen when total expenditures are translated into expenditures per capita. Thus, while the absolute

Table 3.—Capital outlays from public funds for schools and hospitals, fiscal years 1949-50 and 1954-55 through 1957-58

[In millions]

Fiscal year	Total	Schools ¹	Medical facilities	
			Vet-erans ¹	Other
Total:				
1949-50.....	\$1,599.2	\$1,014.2	\$156.2	\$428.8
1954-55.....	3,067.0	2,680.7	33.0	353.3
1955-56.....	3,298.3	2,937.0	27.2	334.1
1956-57.....	3,668.5	3,190.5	36.8	441.2
1957-58.....	3,979.6	3,454.4	33.3	491.9
From Federal funds:				
1949-50.....	288.9	5.9	156.2	126.8
1954-55.....	271.0	144.7	33.0	93.3
1955-56.....	230.6	107.3	27.2	96.1
1956-57.....	298.2	87.2	36.8	174.2
1957-58.....	342.7	92.5	33.3	216.9
From State and local funds:				
1949-50.....	1,310.3	1,008.3	.....	302.0
1954-55.....	2,796.0	2,536.0	.....	260.0
1955-56.....	3,067.7	2,829.7	.....	238.0
1956-57.....	3,370.3	3,103.3	.....	267.0
1957-58.....	3,636.9	3,361.9	.....	275.0

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

amount of social welfare expenditures increased 550 percent from 1934-35 to 1957-58, per capita expenditures increased 373 percent. The population data used in computing these latter figures are the Bureau of the Census estimates of the total population of the continental United States, including the Armed Forces overseas and the civilian population of Alaska, Hawaii, and Puerto Rico. For proper comparison, old-age, survivors, and disability insurance benefits and the veterans' benefits paid to persons in foreign countries were omitted in computing the amount of social welfare expenditures per capita shown in table 4.

Price changes have been responsible for a considerable part of the increase in social welfare expenditures during the past two decades. The rise from 1934-35 to 1957-58 in per capita social welfare expenditures expressed in 1958 prices was 125 percent—about one-third as great as the increase in per capita expenditures in actual dollars. This correction for price changes is also crude. It is based on the change in the total consumer price index prepared by the Bureau of Labor Statistics. For purposes of a more refined analysis, it might be desirable to use different price indexes for different

Table 2.—Social welfare expenditures as percent of gross national product, selected fiscal years 1889-90 through 1957-58

[Revised estimates]

Fiscal years	Gross national product (in billions)	Social welfare expenditures as percent of gross national product						
		Total	Social insurance	Public aid	Health and medical services	Other welfare	Vet-erans' programs	Educa-tion
1889-90.....	\$13.0	2.4	(1)	2 0.3	0.1	(2)	0.9	1.1
1912-13.....	39.9	2.5	(1)	2 3	.4	(3)	.5	1.3
1928-29.....	101.6	4.2	0.3	2 5	.5	(2)	.5	2.4
1934-35.....	68.7	9.8	.6	4.4	.8	0.2	.7	3.2
1939-40.....	95.9	9.3	1.3	3.8	.7	.1	.6	2.9
1944-45.....	212.5	4.2	.6	.5	.9	.1	.4	1.6
1949-50.....	264.0	9.1	1.8	.9	.9	.2	2.5	2.8
1954-55.....	377.5	8.5	2.6	.8	.8	.2	1.2	3.0
1955-56.....	409.5	8.4	2.6	.8	.7	.2	1.1	3.0
1956-57.....	432.1	8.8	2.9	.8	.8	.2	1.1	3.0
1957-58.....	435.5	10.1	3.7	.8	.9	.2	1.2	3.3

¹ Less than 0.05 percent.

² Other welfare included with public aid.

Table 4.—Social welfare expenditures per capita under public programs, actual and 1958 prices, selected fiscal years 1934–35 through 1957–58¹

[Revised estimates]

Fiscal years	Per capita social welfare expenditures							Social welfare expenditures in 1958 prices	
	Total	Social insurance	Public aid	Health and medical services	Other welfare services	Veterans' programs	Educa-tion	Total (in mil-lions)	Total per capita
1934-35.....	\$51.69	\$2.95	\$23.07	\$4.19	\$0.87	\$3.43	\$17.18	\$14,139	\$108.82
1939-40.....	66.17	8.99	26.62	5.16	.81	3.92	20.63	18,286	135.31
1944-45.....	61.83	9.52	7.19	13.52	1.37	6.34	23.81	14,220	99.25
1949-50.....	153.17	30.55	16.00	15.33	2.58	41.64	46.99	28,838	184.99
1954-55.....	188.82	58.04	17.68	17.24	3.42	25.41	66.51	34,210	201.51
1955-56.....	199.77	61.39	18.02	17.69	4.05	26.37	71.62	36,722	212.52
1956-57.....	215.40	70.67	18.81	19.53	4.45	26.32	74.92	39,154	222.75
1957-58.....	244.43	89.13	20.22	21.16	5.09	27.63	80.46	43,681	244.43
Percentage change, 1957-58 from 1934-35:									
Actual expenditures.....	+373	+2,921	-12	+405	+485	+706	+368	+550	+373
Expenditures in 1958 prices.....	+125	+1,333	-58	+140	+178	+282	+123	+209	+125

¹ Old-age, survivors, and disability insurance and veterans' payments in foreign countries omitted; for actual expenditures including such payments, see table 1. Per capita figures based on total U.S.

population, including Armed Forces overseas,² and civilian population of Alaska, Hawaii, and U.S. Territories and possessions.

segments of the social welfare expenditure series. Particularly in the past decade, the "price" of health and medical services, for example, has risen more rapidly than the price for all items combined in the consumer price index, and the appropriate correction of expenditures for health and medical services would probably be somewhat larger—and consequently the increase in real value per capita of such expenditures somewhat smaller—than is implied by the figures in table 4. The amounts spent for capital outlays, almost \$4 billion in 1957–58 (table 3), might similarly be adjusted on the basis of a construction price index. The implied price index for construction that is used in the na-

tional income accounts rose about twice as fast from 1935 to 1958 as did the consumer price index.

Social Welfare Expenditures in Relation to All Government Expenditures

Social welfare expenditures as here defined accounted for a slightly larger proportion of all government expenditures in 1957–58 than in the previous few years. They were taking a smaller portion of total public expenditures than in 1949–50, however, and a markedly smaller portion of expenditures from general revenues. Many separate factors account for this change. Among the more important are the smaller amounts spent for veterans' benefits and the

increased spending for highway construction and other programs outside the social welfare field.

Social insurance expenditures from trust funds accumulated through earmarked taxes or contributions are becoming a significantly larger proportion of all government expenditures. Such trust fund expenditures (for old-age, survivors, and disability insurance, railroad retirement insurance, and that portion of civil-service retirement benefits covered by employee contributions) represented 3 percent of all Federal expenditures in 1949–50 and 12 percent in 1957–58. Similar State and local expenditures (for State unemployment insurance benefits, State workmen's compensation and temporary disability insurance benefits from public funds, and that portion of State and local government retirement benefits covered by employee contributions) represented 8 percent of all State and local government expenditures in both 1949–50 and 1957–58. The combined Federal, State, and local trust fund expenditures from earmarked contributions accounted for 4.7 percent of all government expenditures in 1949–50 and 10.5 percent in 1957–58.

During this period, total Federal expenditures increased from \$41.3 billion to \$80.5 billion, and total State and local expenditures from \$20.8 billion to \$39.7 billion. These figures differ from those shown in some other sources, because benefits under the State unemployment insurance programs are here regarded as State and local expenditures. They appear in the Federal budget and the na-

Table 5.—Social welfare expenditures¹ in relation to government expenditures for all purposes, selected fiscal years 1934–35 through 1957–58

Item	1934-35	1939-40	1944-45	1949-50	1954-55	1955-56	1956-57	1957-58
All social welfare expenditures:								
Total, as percent of total government expenditures.....	51.0	48.6	8.2	37.8	31.7	32.5	32.5	35.6
Federal, as percent of total Federal Government expenditures.....	47.9	36.1	3.6	24.4	20.2	21.5	22.0	24.6
State and local, as percent of total State and local government expenditures ²	54.0	61.2	62.6	64.3	57.8	56.6	55.4	58.0
Social welfare expenditures from general revenue:								
Total, as percent of total government expenditures from general revenue.....	50.4	46.2	7.7	34.1	25.8	26.7	26.3	28.0
Federal, as percent of total Federal Government expenditures from general revenue:								
All programs.....	47.7	35.1	3.3	22.3	13.3	13.8	13.9	14.9
Veterans' programs.....	7.2	6.0	1.0	15.1	6.8	7.0	6.6	6.9
State and local, as percent of total State and local expenditures from general revenue: ³								
All programs.....	53.1	58.0	62.5	58.8	54.0	54.0	52.5	53.6
Education.....	33.5	32.6	42.6	37.9	38.8	39.2	38.2	38.5

¹ Expenditures from general revenues and from social insurance trust funds; that part of workmen's compensation and temporary disability insurance payments made through private carriers was omitted in computing percentages.

² Includes expenditures from State accounts in the unemployment trust fund.

³ Excludes Federal grants-in-aid.

tional income accounts as Federal expenditures, in the form of withdrawals from the unemployment insurance trust fund managed by the U. S. Treasury, into which State unemployment insurance collections must be deposited. Since the States determine the amount of unemployment insurance benefits and taxes, it appears more realistic from the program point of view and for many types of fiscal analysis to recognize these amounts as State revenues and expenditures.

Because of the way they are derived, the estimates of government expenditures for all purposes, used in computing the ratios in table 5, have the same geographical coverage as the estimates for welfare expenditure in the case of social insurance trust funds and Federal expenditures. The data on total State-local expenditures from general revenues do not (and cannot at this time) include figures for Alaska, Hawaii, Puerto Rico, or the Virgin Islands. Again, the resulting distortion in the general picture is very small.

Total Expenditures for Health and Medical Care

The basic grouping of items used in this series centers around statutory programs. This grouping obscures the trends in public expenditures for certain types of services, particularly health and medical services. When account is taken not only of health and medical programs but of expenditures for health and medical care under other programs, total public expenditures for medical care were \$5.4 billion in 1957-58.

Estimates of both public and private expenditures for health and medical care have been carried back to 1928-29 (table 6), using the basic concepts and methodology developed for the 1956-57 analysis and discussed in the October 1958 issue of the BULLETIN. The proportion of the gross national product used for health and medical services and for medical-facilities construction was almost 50 percent larger in 1957-58 than in 1928-29. During this period, the real value of the gross national

product (corrected for price changes) more than doubled. There has clearly been a significant stepping-up in the provision of medical care services. In large part these advances are a result of the scientific revolution in medical knowledge and techniques that has occurred in this period and in part a result of changes in medical organization and medical programs.

Since 1929, public expenditures have increased from 14 percent to 24 percent of total expenditures for health and medical care. If expenditures for medical-facilities construction, medical research, and general public health activities and the expenses of operating prepayment plans or philanthropic agencies providing health services are omitted, the remaining health expenditures represent essentially expenditures for personal health care. Public funds accounted for 10 percent of personal health care in 1928-29 and 21 percent in 1957-58. Health insurance benefits, almost nonexistent in 1928-29, covered 18 percent of personal health

Table 6.—Private and public expenditures for health and medical care, selected fiscal years 1928-29 through 1957-58

[In millions]

Type of expenditures	1928-29	1934-35	1939-40	1944-45	1949-50	1954-55	1955-56	1956-57	1957-58
Total.....	\$3,625.0	\$3,258.7	\$3,914.7	\$7,533.1	\$12,407.1	\$17,764.7	\$19,220.6	\$21,057.3	\$22,737.7
Private expenditures.....	3,112.0	2,580.0	3,023.0	5,335.0	9,042.0	13,455.0	14,711.0	16,082.0	17,294.0
Health and medical services.....	3,010.0	2,570.0	2,992.0	5,305.0	8,827.0	13,130.0	14,399.0	15,693.0	16,785.0
Direct payments.....	1 2,900.0	1 2,500.0	1 2,900.0	1 4,875.0	7,125.0	9,388.0	10,176.0	10,937.0	11,555.0
Insurance benefits.....					878.0	2,357.0	2,776.0	3,245.0	3,675.0
Expenses for prepayment.....					274.0	595.0	611.0	639.0	645.0
Industrial in-plant services.....	30.0	30.0	40.0	90.0	150.0	210.0	221.0	232.0	245.0
Philanthropy.....	80.0	40.0	52.0	340.0	400.0	580.0	615.0	640.0	655.0
Medical-facilities construction.....	102.0	10.0	31.0	30.0	215.0	325.0	312.0	389.0	509.0
Public expenditures.....	513.0	678.8	891.7	2,198.1	3,365.1	4,309.7	4,509.6	4,975.3	5,443.7
Health and medical services.....	414.0	640.8	836.6	2,130.4	2,780.1	3,923.4	4,148.3	4,497.3	4,918.5
General medical and hospital care.....	215.0	339.0	415.0	485.7	1,174.0	1,449.5	1,577.8	1,707.0	1,881.5
Defense Department facilities.....	30.0	39.0	45.0	1,100.0	332.0	602.6	548.0	529.3	584.7
Medicare.....								24.7	86.6
Veterans' hospital and medical care.....	30.0	56.0	72.0	96.3	582.2	722.0	723.5	732.9	794.1
Public assistance (vendor medical payments).....						211.9	252.6	287.6	320.2
Workmen's compensation (medical benefits).....	25.0	66.0	90.0	122.0	193.0	315.0	335.0	355.0	370.0
Temporary disability insurance (medical benefits).....					2.5	20.6	22.7	25.8	31.9
Medical vocational rehabilitation.....		.2	.4	1.4	7.4	9.2	11.0	12.7	14.9
Maternal and child health services.....	5.0	6.7	13.7	61.9	29.7	93.4	104.8	113.8	122.7
School health (educational agencies).....	9.0	9.9	17.9	23.3	30.6	66.3	74.2	81.0	87.8
Medical research ²			3.1	17.0	55.0	105.9	115.9	183.0	237.5
Other public health activities.....	100.0	124.0	179.5	222.8	373.7	327.0	382.8	444.5	386.6
Medical-facilities construction.....	99.0	37.9	55.1	67.7	585.0	386.3	361.3	478.0	525.2
Veterans Administration.....	4.0	2.9	14.1	16.2	156.2	33.0	27.2	36.8	33.3
Defense Department.....	(³)	(^{3})	(^{3})	(^{3})	(^{3})	8.9	25.8	83.4	66.2
Other.....	95.0	35.0	41.0	51.5	428.8	344.4	308.3	357.8	425.7
Total expenditures as percent of gross national product.....	3.6	4.7	4.1	3.5	4.7	4.7	4.7	4.9	5.2
Total expenditures other than Defense Department as percent of gross national product.....	3.5	4.7	4.0	3.0	4.6	4.5	4.6	4.7	5.1
Public expenditures as percent of total.....	14.2	20.8	22.8	29.2	27.1	24.3	23.5	23.6	23.9
Percent of personal health care expenditures ⁴ from:									
Private expenditures.....	90.5	83.2	82.0	73.4	78.2	78.0	78.9	79.4	78.8
Insurance benefits.....					8.1	14.8	16.1	17.3	18.1
Public expenditures.....	9.5	16.8	18.0	26.6	21.8	22.0	21.1	20.6	21.2

¹ Includes any insurance benefits and expenses for prepayment.

² Includes medical research carried on by the Veterans Administration.

³ Included with other medical-facilities construction.

⁴ Includes items shown under "health and medical services" (except "expenses

for prepayment") and one-fourth of the amount shown under "philanthropy" for private expenditures and those shown under "medical research" and "other public health activities" for public expenditures.

care by 1957-58. Direct payments by consumers met 57 percent of such costs and industrial in-plant services and philanthropy about 4 percent in the latter year.

Comparative Levels of Welfare Spending

All modern industrial economies have developed a wide range of social security and welfare services. Social insurance or closely related programs are found in all developed countries and in many countries newly moving into the cash and technological economy. Most modern governments have also undertaken to provide a variety of public social services that cannot otherwise be made universally or widely available. The relative emphasis on one or another type of program and the priority given to different social needs have varied from one country to another and over time within any given country, depending on the stage of economic development, the relative wealth of the country, and a variety of cultural and political factors.

International comparisons of welfare expenditures are tempting but difficult. Differences in concepts and terminology as well as differences in accounting and methods of statistical reporting or estimating create many pitfalls. The United Nations and some of its specialized agencies, notably the International Labor Organization, are developing comparative data for various segments of social welfare expenditures. There have been few attempts, however, at broad comparisons.

Last year the *London Times* published a series of articles dealing with trends in welfare expenditures in Great Britain, one of which attempted a comparison with the United States, using as a basis the social welfare expenditure estimates for 1956-57 presented in the SOCIAL SECURITY BULLETIN.

For this purpose, the data were slightly regrouped. Military and Defense Department expenditures were omitted; capital outlays were separated from current outlays and, within the latter, cash transfer payments from public expenditures for goods and services. To effect this

Table 7.—Social welfare expenditures (civilian programs) in relation to the gross national product: Great Britain, 1957, and the United States, fiscal years 1956-57 and 1957-58

Type of expenditure	Great Britain, 1957	United States	
		1956-57	1957-58
Total.....	15.0	8.4	9.6
Public current outlay, total....	12.9	7.6	8.7
Social security cash payments:			
Social insurance.....	3.4	2.6	3.3
Public assistance.....	.6	.6	.7
Veterans' pensions.....	.4	.7	.7
Family allowances.....	.6		
Public services			
Health.....	3.2	.9	1.0
Education ¹	3.2	2.5	2.7
Housing subsidies.....	.6		
Other welfare services.....	.9	.3	.3
Public capital outlay, total....	2.1	.9	.9
Health.....	.1	.1	.1
Education.....	.6	.7	.8
Housing.....	1.4	.03	.03

¹ Includes veterans' education. Source: Data for Great Britain from the *London Times*, Dec. 3, 1958; for the United States, from table 1 of this article (see text below for explanation of regrouping of data).

second separation, vendor payments for medical care were classified as health expenditures, and administrative costs of the social insurance, public assistance, and veterans' pension programs were grouped with other welfare services.¹ A similar regrouping of the data for 1957-58 is shown in table 7, together with the United States estimates for 1956-57 and the United Kingdom data for the calendar year 1957.

In comparing the portion of the total national output used for social welfare programs in the two countries, it should be remembered that the total output per capita of the United States is considerably larger than that of the United Kingdom. Nevertheless the percentage figures indicate in a general way the relative size of what the *London Times* article called the "Social Slice of National Cake" in the two countries.

The most striking differences are in the extent of the public outlay on health and on housing construction. Family allowances add to the social security cash payments in Great Britain, and veterans' pensions are

¹ This information was kindly provided by the author of the *London Times* article, Mr. Francois Lafitte.

relatively much larger in the United States than in Great Britain. The British social insurance program is much more comprehensive in its coverage than that of the United States. On the other hand, the flat benefits have resulted in a lower level of income maintenance than the wage-related benefits paid in the United States.

It would be interesting to compare the total expenditures from private and public funds in the two countries for pensions and other cash benefits, or for health and education. Though precise data are not readily available, some broad generalizations can be made. Private pension plans have been extensively developed in Great Britain, and in some respects have been relatively more important than in the United States, because up until now they have provided the only wage-related payments.² The proportion of the national output used for health and medical care is almost certainly larger in the United States (5 percent in 1957-58) than in Great Britain, where public expenditures (3.3 percent in 1957) account for more than 90 percent of the total. Roughly four-fifths of total expenditures for education in the United States are made from public funds. In Great Britain, the proportion from public funds is slightly higher.³ The share of the national product now used for education would therefore appear to be very similar in the two countries.

In both Great Britain and the United States productivity has increased substantially since the end of World War II, as well as over a longer period. If these trends continue or are accelerated—as is entirely possible—both countries will have a larger cake to slice a decade from now. Some of the most important questions of social policy facing all countries with high and increasing levels of output relate to the share of those increases that should be used for social welfare purposes.

² For a description of the new British program, see "New Graduated Retirement Benefits in Great Britain," *Social Security Bulletin*, September 1959.

³ John Vaizey, *The Costs of Education*, George Allen & Unwin, Ltd., London, 1958.