

Social Welfare Expenditures, 1950-75

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This article takes both a short-term and a long-term look at trends in social welfare expenditures under public programs. For fiscal year 1975, inflation and the recession were the key to developments. Inflation ate up more than half the 20 percent (\$47 billion) increase—the largest in the history of the series—partly as the result of anti-recession measures. After adjustment for population and price changes, the real increase in per capita constant dollars was 7.1 percent—not large by recent measures but still significant when compared with the average annual increase of 5.9 percent recorded since 1950. Public social welfare expenditures capped a decade of unusual growth in 1975 to absorb one-fifth of the Nation's output of goods and services, after consuming only 9–12 percent between 1950 and 1965. Private social welfare expenditures of \$108 billion accounted for less than 8 percent of the 1975 gross national product.

THE FISCAL YEAR 1975 saw social welfare expenditures under public programs increase by \$47.2 billion, the largest single-year increase in the history of this series, which dates back to 1929. In relative terms, the 19.7-percent increase to a total of \$286.5 billion was the greatest annual rise since the immediate post-World War II years, when veterans' benefits expanded greatly.

Even after allowing for inflation, the 1975 social welfare expenditures were more than \$21 billion greater than the 1974 total. In constant dollars, per capita social welfare expenditures rose by 7.1 percent in 1975, in sharp contrast with the year before when the real increase was only 1.9 percent.

Two major factors were responsible for the increase in expenditures—the downturn in the economy and the continuing high rate of inflation. The former resulted in expanded benefits for the unemployed and the needy. The latter triggered cost-of-living adjustments in cash benefit programs and greatly swelled the cost of furnishing medical and social services.

Cash transfer payments to individuals under all types of income-maintenance programs were

\$23.8 billion higher in 1975 than in 1974: \$8.5 billion more for the old-age, survivors, disability, and health insurance (OASDHI) program; \$7.5 billion for unemployment insurance; and \$2.7 billion for public assistance and supplemental security income (SSI). Leading the increase in the health field were rises of \$3.4 billion in Medicare expenditures and of \$2.6 billion in Medicaid.

Because of the recession, the gross national product (GNP) rose only 5.6 percent in 1975—down from a 10.1-percent 1974 increase. As might be expected, therefore, social welfare expenditures under public programs represented a significantly larger share of the Nation's services and goods—20 percent in 1975, compared with 17–18 percent in the 3 previous years.

This expansion in social welfare expenditures was also reflected in the proportion of government spending (Federal, State, and local) devoted to such purposes, which was 58 percent in 1975. In 1974 this proportion had been 56 percent, and as recently as 1970 it had been only 48 percent. Both the Federal and State/local governments shared in this trend for 1975.

With private social welfare spending included, the grand total for social welfare expenditures reached \$389 billion in fiscal year 1975, and the proportion of GNP devoted to these purposes rose to 27 percent. Public spending accounted for 73 percent of all social welfare outlays and continued to dominate the areas of education, income maintenance, and welfare.

Public social welfare expenditures are defined in this series as cash benefits, services, and administrative costs of all programs operating under public law that are of direct benefit to individuals and families. The programs included are those for income maintenance through social insurance programs and public aid and the public provision of health, education, housing, and other welfare services.

Private social welfare expenditures, as defined here, represent direct consumer expenditures for medical care and education, expenditures of private employee-benefit plans (including group health and life insurance for government em-

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ployees), industrial in-plant health services, private health insurance benefits and the cost of providing this protection, and philanthropic spending

Social welfare developments during the past quarter century conveniently divide into two periods. From 1950 through 1965, social welfare expenditures under public programs averaged annual increases of 4.5 percent in constant per capita dollars. Starting with 1966, the tempo of social welfare spending rose rapidly and the growth rate almost doubled to an annual average of about 8.0 percent.

A key element in this contrasting growth was the Federal Government, which during the past 10 years became the major funding source for social welfare programs. Through 1965, State and local governments were the dominant source of social welfare funds, supplying 55 percent in 1950 and 51 percent in 1965. Starting with 1966 the Federal Government began to provide more than half the funds and by 1975 was providing 58 percent. The rise in Federal spending for social welfare appears most dramatic when such funds are related to total Federal spending. In 1950, the Federal Government devoted 26 percent of its budget to social welfare. This ratio inched up to 33 percent by 1965 and then jumped markedly to reach 55 percent in 1975.

The private sector showed a different pattern of growth, with social welfare expenditures increasing at a faster pace in the period 1950-65 than in the period 1966-75. In constant dollars, the average annual increase in per capita social welfare expenditures was 5.0 percent in the first period and 3.8 percent in the second period, as private health expenditures and income-maintenance payments under private employee-benefit plans experienced a slackening in rates of growth after rapid expansion in the 1950's and early 1960's.

Fiscal year 1975 witnessed the third year of a new form of Federal assistance to the States called general revenue sharing.¹ Under the State and Local Fiscal Assistance Act of 1972 (Public

¹ For a description of the general revenue sharing program and a report of State and local uses of its funds, see Sophie R. Dales, "Federal Grants to State and Local Governments, Fiscal Year 1973," and "General Revenue Sharing Program: A Closer Look," both in the *Social Security Bulletin*, October 1974.

Law 92-512), the Federal Government allocates to States and localities funds that they may spend for almost any purpose without the matching requirements attached to many grant programs and with minimum restrictions. General revenue sharing payments are being made to States and localities at an annual rate of about \$6 billion, compared with about \$46 billion² disbursed in Federal funds under "regular" grants programs for specific purposes.

Until the advent of revenue sharing, regular Federal grant programs were for the most part easily incorporated into the social welfare expenditure series, since their very specificity easily determined the classification of the program for social welfare purposes. (Under the concepts of the social welfare expenditures series, Federal grants to State and local governments are regarded as Federal expenditures and are subtracted from gross expenditures reported by State and local jurisdictions.)

With general revenue sharing, it is more difficult to characterize and classify in a timely fashion the nature of the expenditures from revenue sharing funds because this information is dependent upon data derived from reports that the States and localities are required to file with the Federal Government. In addition, State and local governments have 24 months after the end of the entitlement period for which the checks were issued to use, obligate, or appropriate their revenue sharing receipts.

In light of these lags, no attempt is made to include revenue sharing funds, *per se*, under the Federal component of the social welfare expenditure series. Instead, revenue sharing received within the States shows up as part of the regularly reported gross expenditures of State and local governments for specific types of social welfare purposes. The effect of this procedure is to understate the Federal share and overstate the State-local share, without much or any effect on the aggregate amount of social welfare spending by all levels of Government.

Some measure of the understatement of Federal expenditures may be obtained from the *Second Annual Report of the Office of Revenue Sharing*.³

² *Special Analyses, Budget of the United States Government, Fiscal Year 1976*, table O-8, page 246.

³ Department of the Treasury, Office of Revenue Sharing, *Second Annual Report*, 1975, page 16.

Of the \$9.5 billion reported actual expenditures of these receipts by the States and localities from the retroactive starting date January 1, 1972, through June 30, 1974 (as distinct from the \$12.7 billion disbursed to them in that period), \$3.1 billion was spent for what are definitely classifiable in this series as social welfare purposes, plus an additional \$126 million that might—on closer inspection than summary tabulations permit—be deemed to include functions with certain social welfare aspects or attributes. An outlay of \$2.1 billion for education was the largest sum spent by the States and localities for a social welfare function. Health expenditures of \$0.6 billion and \$0.4 billion spent on social services for the poor and the aged complete the \$3.1 billion.

This year's article presents some refinements in the data. Taking advantage of the initiation by the Census of Governments of a new annual publication, *County Government Finances*, and basing State and city estimates on ratios derived from the 1972 full Census of Governments, a new method has been devised to derive a "clean" figure for State and local government expenditures for institutional care. In the past this figure had included an unknown but presumably growing amount disbursed by State and local governments—principally the latter—for adoption services, legal aid, and similar unspecified other welfare services. These noninstitutional services have now been removed from the institutional care category, and estimates of the services are included in the category "social welfare, not elsewhere classified" beginning with data for fiscal year 1970.

Another product of the new method is a set of separate estimates of State expenditures for the institutional care of veterans. State expenditures for institutionalizing veterans (\$91 million in 1975) can thus be added to State veterans' bonuses and other noninstitutional veterans' services for a more comprehensive estimate of total State and local expenditures for services to the veteran population. This refinement has also been carried back to fiscal year 1970.

Finally, this year's article designates as a separate component the food stamp program. Previously commingled with "other public aid," these amounts are now being identified separately because of their growing significance. In fiscal year 1975, expenditures for food stamps amounted

to \$4.7 billion, compared with \$0.6 billion in fiscal year 1970 and \$2.2 billion in fiscal year 1973.

EXPENDITURES IN FISCAL YEAR 1975

The 20-percent increase in social welfare expenditures for 1975 was composed of growth rates among the categories that ranged from 10 percent for "other social welfare" to 27 percent for "public aid", as displayed in the tabulation below.

Program	Percentage increase from—		
	1972 to 1973	1973 to 1974	1974 to 1975
All social welfare	12.0	11.6	19.7
Social insurance (including Medicare)	15.2	14.9	24.8
Public aid (including Medicaid)	10.0	11.5	26.7
Health and medical programs	4.0	8.9	15.8
Veterans' programs	13.1	8.3	18.1
Education	9.6	7.3	11.8
Other social welfare	7.5	24.4	9.7

With the downturn in the economy, the largest increases took place in the cash transfer programs under social insurance and public aid, further stimulated by an inflation that pushed individual benefit levels up for almost all programs. Programs providing health and medical services were also the victims of inflation and underwent considerable increases in expenditures.

Public aid expenditures increased at more than twice the rate in 1975 than in 1974 and accounted for \$8.5 billion or 18 percent of the 1975 increase in all social welfare expenditures (table 1). A large part of the \$8.5 billion increase is attributable to the supplemental security income (SSI) program under which \$6.0 billion was disbursed in 1975, the first full fiscal year of its operation. Total disbursements amounted to \$2.8 billion in the program's initial period—January–June 1974.

Another sizable increase (66 percent) occurred in the food stamp program where a \$1.9 billion increase raised the 1975 distribution to \$4.7 billion. Cash payments under general assistance and aid to families with dependent children—the only one of the former federally aided public assistance money payment programs that operated throughout fiscal year 1975—came to \$11.1 billion. This sum was only \$180 million less than expenditures in 1974, even though the 1974 figures include 6 months' operations of the former adult aid pro-

TABLE 1—Social welfare expenditures under public programs, selected fiscal years, 1929–75—Continued

(In millions)

Program	1929	1950	1955	1960	1965	1970	1972	1973	1974	1975*
	From State and local funds**									
Total	\$3,122 8	\$12,967 3	\$18,017 1	\$27,336 6	\$39,463 5	\$68,426 7	\$85,101 1	\$91,778 7	\$101,648 1	\$120,603 6
Social insurance	286 5	2,843 6	3,449 9	4,999 4	6,316 2	9,445 6	13,560 8	13,903 3	16,123 5	24,234 6
Public employee retirement ³	61 2	310 0	580 0	1,050 0	1,748 0	3,142 0	4,272 9	5,132 7	5,907 0	7,275 0
Unemployment insurance and employment service ⁴	-	1,861 5	1,759 9	2,356 1	2,302 8	2,783 4	5,164 1	4,196 8	4,939 7	10,883 0
State temporary disability insurance ⁷	-	72 1	217 5	347 9	483 5	717 7	783 7	848 2	915 4	994 2
Hospital and medical benefits ⁸	-	2 2	20 0	40 2	50 9	62 6	68 3	69 8	70 7	73 3
Workmen's compensation ⁹	255 3	600 0	892 5	1,245 4	1,781 8	2,802 5	3,340 0	3,725 5	4,361 4	5,082 4
Hospital and medical benefits ⁴	74 4	187 8	308 1	411 0	568 7	964 3	1,168 1	1,302 7	1,523 9	1,779 4
Public aid	60 0	1,393 0	1,498 8	1,984 2	2,689 5	6,839 2	9,786 9	10,630 3	11,163 0	13,001 9
Public assistance ¹⁰	69 9	1,393 0	1,498 8	1,984 2	2,689 5	6,839 2	9,786 9	10,630 3	10,820 2	12,507 4
Vendor medical payments ¹¹	-	51 3	188 6	292 9	812 1	2,805 6	3,585 4	4,211 3	4,638 7	6,001 7
Social services ¹¹	-	-	-	-	-	190 6	562 3	887 7	892 2	630 6
Supplemental security income ¹²	-	-	-	-	-	-	-	-	642 8	1,394 6
Other	1	-	-	-	-	-	-	-	-	-
Health and medical programs ¹⁴	304 4	1,460 0	1,952 8	2,726 8	3,465 8	4,977 6	6,859 8	6,489 8	7,230 0	8,232 1
Hospital and medical care	108 6	839 7	1,230 9	1,869 8	2,377 6	3,131 0	3,673 9	3,907 8	4,240 0	4,402 1
Maternal and child health programs ¹⁶	5 0	9 7	69 2	106 1	163 9	235 3	236 3	234 3	258 7	263 0
Medical research	-	-	-	23 0	55 0	78 0	79 0	88 0	92 0	97 0
School health (educational agencies) ¹⁷	9 4	30 6	65 9	101 0	142 2	246 6	281 3	300 0	-	-
Other public health activities	81 9	287 0	318 8	343 9	448 1	814 7	1,107 3	1,240 7	1,666 3	2,256 0
Medical facilities construction	99 5	293 0	268 0	283 0	289 0	474 0	982 0	719 0	-	1,214 0
Veterans' programs	-	479 5	61 6	111 9	20 4	126 5	117 1	123 1	238 6	155 6
Education	2,397 2	6,517 5	10,672 1	16,758 3	25,638 1	45,031 9	52,918 6	57,980 0	63,073 5	69,768 4
Elementary and secondary	2,206 6	5,549 1	9,425 1	14,667 1	21,580 9	35,875 5	41,108 3	44,828 6	48,408 5	53,568 4
Construction ^{18,19}	377 0	1,014 2	2,091 9	2,591 2	3,190 0	4,623 2	4,438 1	4,988 4	5,236 9	5,466 0
Higher	170 0	866 3	1,112 6	1,897 7	3,609 4	7,814 6	9,617 6	10,800 0	11,700 0	13,000 0
Construction ⁸	(20)	304 6	193 4	356 7	757 4	1,162 8	1,385 7	1,399 8	1,545 0	1,717 0
Vocational and adult ²¹	20 6	102 1	134 4	193 5	447 7	1,541 8	2,194 7	2,551 4	2,965 0	3,200 0
Housing	-	-	14 6	33 2	80 0	119 6	149 2	429 9	544 9	600 0
Other social welfare	74 8	273 7	367 3	722 8	1,253 6	1,886 3	2,208 8	2,222 3	3,274 6	3,710 9
Vocational rehabilitation	8	9 0	15 3	32 1	67 1	136 3	155 8	158 5	130 0	152 0
Medical services ²	1	2 3	3 5	6 6	13 0	26 8	35 8	35 0	31 2	33 0
Institutional care	74 0	126 0	155 0	400 0	775 0	179 3	225 3	236 1	260 0	263 8
Child nutrition ²⁴	-	39 0	69 0	92 6	113 7	185 1	270 3	297 6	412 0	480 0
Child welfare ²⁵	-	100 7	128 0	198 1	317 8	540 7	487 3	480 1	482 6	430 2
Social welfare, not elsewhere classified ²⁷	-	-	-	-	-	845 0	1,070 0	1,050 0	2,010 0	2,365 0

* Expenditures from Federal, State, and local revenues (general and special) and trust funds and other expenditures under public law, includes capital outlay and administrative expenditures unless otherwise noted. Includes some payments abroad. Fiscal years ended June 30 for Federal Government, most States, and some localities.

¹ Preliminary estimates.
² Excludes financial interchange between OASDHI and railroad retirement.

³ Included in total directly above, includes administration.
⁴ Excludes refunds of employee contributions, includes noncontributory payments to retired military personnel and survivors. Administrative expenses for Federal noncontributory retirement not available.

⁵ Includes unemployment compensation under State programs programs for Federal employees and ex-servicemen, trade adjustment and cash training allowances and payments under extended, emergency, disaster, and special unemployment insurance programs.

⁶ Cash and medical benefits in 5 areas. Includes private plans where applicable and State costs of administering State plans and supervising private plans. Administrative expenses of all private plans and all data for Hawaii not available.

⁷ Included in total directly above, excludes administrative expenses, not available separately but included for entire program in preceding line.

⁸ Cash and medical benefits paid under Federal and State laws by private insurance carriers, State funds, and self insurers. Includes Alaska and Hawaii beginning 1959–60. Administrative cost of private carriers and self insurers not available. Starting 1970, Federal expenditures include "black lung" benefit programs administered by Social Security Administration and by Department of Labor.

⁹ Represents categorical programs under the Social Security Act and (from State and local funds) general assistance. Starting 1969, includes work incentive activities.

¹⁰ Included in total for public assistance above, vendor medical payments include administrative expenses of medical assistance (Medicaid) program.

¹¹ Benefits began January 1974, fiscal year 1973 data represent administrative expenses only.

¹² Work relief, other emergency aid, surplus food for the needy, repatriate and refugee assistance, and work-experience training programs under the Economic Opportunity Act and the Comprehensive Employment and Training Act. See footnote 20.

¹³ Excludes State and local expenditures for domiciliary care in institutions other than mental or tuberculosis and services in connection with OASDHI, State temporary disability insurance, workmen's compensation,

public assistance vocational rehabilitation, and veterans' and antipoverty programs (included in total expenditures for these programs).

¹⁴ Includes medical care for military dependent families.
¹⁵ Includes services for crippled children.

¹⁶ Starting 1974, data not separable from expenditures under "education."
¹⁷ Includes burial awards. Starting 1965 includes special allowances for survivors of veterans who did not qualify under OASDHI. Starting 1974, subsistence payments to disabled veterans undergoing training shifted from veterans' pensions and compensation to veterans' education subgroup.

¹⁸ Excludes the Servicemen's Group Life Insurance program.
¹⁹ Federal expenditures for administrative costs (Office of Education) and research included in total only.

²⁰ Construction for vocational and adult education included with elementary-secondary school construction.

²¹ Medical services and research included in total, excludes administrative expenses.

²² Federal expenditures represent primarily surplus food for institutions.

²³ Surplus food for schools and programs under National School Lunch and Child Nutrition Acts. State and local funds represent direct appropriations.

²⁴ Represents primarily child welfare services under the Social Security Act. Starting 1960, excludes administrative expenses.

²⁵ Includes domestic programs consolidated in fiscal year 1972 under Action (former VISTA, Foster Grandparents, and other domestic volunteer programs) and special OEO programs such as community action and migrant workers. Other OEO programs listed in appropriate subsection under public aid and education.

²⁶ Federal expenditures include administrative and related expenses of the Secretary of Health, Education, and Welfare and of the Social and Rehabilitation Service. Indian welfare and guidance, aging and juvenile delinquency activities, and certain manpower and human development activities. State and local expenditures include amounts for antipoverty and manpower programs, day care, child placement and adoption services, foster care, legal assistance care of transients and other unspecified welfare services, before 1970, these amounts included with institutional care.

²⁷ Not available.
²⁸ Except as otherwise noted (see footnotes 7 and 9).

Source: Data taken or estimated from Treasury reports *Federal Budgets, Census of Governments* and reports of Federal and State administrative agencies. For detailed description of programs and for single year historical data, see *Social Welfare Expenditures Under Public Programs in the United States, 1929–1966* (Research Report No. 25).

welfare of veterans and their families placed that constellation of programs third among the growth rate increases. All but \$0.5 billion of the increase was accounted for by rises in education expenditures (up \$1.2 billion) and pension and compensation outlays (up \$0.8 billion). The 38-percent spurt in education expenditures was due in part to legislation that provided a 22.7-percent increase in education assistance allowances payable to eligible veterans and their dependents and survivors, effective September 1, 1974. Cost-of-living increases largely accounted for the 12-percent rise in compensation and pension expenditures.

Accelerated expenditures under health and medical programs (exclusive of those associated with social insurance, public assistance, and other welfare categories) produced an increase of 16 percent in 1975. The growth of \$2.3 billion was mainly attributable to increases of \$0.8 billion in outlays for public health activities, \$0.7 billion in hospital and medical care benefits provided by public agencies, and \$0.4 billion for medical facilities construction.

Public expenditures for education at all levels were 12 percent higher in 1975 than in the preceding year despite decreased elementary school enrollments and progressively smaller increases in enrollments at public secondary schools and colleges. Expenditures for elementary and secondary schooling together account for almost three-fourths of all public education costs. In 1975 these costs rose by 11 percent to account for \$57.9 billion of the \$78.4 billion total education bill. Higher education expenditures were up 15 percent to \$16.0 billion.

As table 2 and chart 1 show, inflation continues to be a major force contributing to the upward sweep in social welfare expenditures under public programs. The 20-percent increase in fiscal year 1975 is reduced to 7 percent after adjustment for population changes and for price changes (as measured by the personal consumption expenditures implicit price deflators of the national income accounts). Although this "real" increase is markedly higher than the 2 percent registered in 1974, it is the third lowest annual increase recorded in the past decade. Before 1974, the combination of population growth and price changes accounted for roughly 35-45 percent of the rise in aggregate expenditures, in 1974 and 1975 taken together, they were more than 70 percent.

Table 2 shows that not all the social welfare categories shared in the 7-percent "real" increase. Education expenditures remained at exactly the same level in 1974 and 1975 after allowing for population changes and inflation, and programs in the "other social welfare" group even decreased to 2 percent below their 1974 total. Expenditures for public aid increased in real terms 13 percent, and the amount spent for social insurance went up 12 percent. Health and medical programs by themselves were up 4 percent, but expenditures for those programs plus the health and medical care that is part of other social welfare categories were up 9 percent from 1974.

As a proportion of the GNP, social welfare expenditures equaled 20.1 percent in fiscal year 1975, up by more than two full percentage points from 1974 (table 3). A contributing factor to the unusual large increase was the slower growth in GNP at a time when inflationary factors continued to affect social welfare spending.

In contrast to the early 1970's when the Federal role in funding social welfare programs grew significantly, the increase in the 2 latest years has been fractional—from 57.2 percent in 1973 to 57.9 percent in 1975 (table 4). The 1975 experience revealed some offsetting trends. The large dollar disbursements under State unemployment insurance programs helped to increase the State and local government share of social insurance expenditures from 16 percent in 1974 to 20 percent. At the same time, all but one of the other categories showed increased Federal participation, although in some instances only slightly.

The Federal share of total social welfare spending shown in table 4 would have been greater if the Federal general revenue sharing funds mentioned earlier had been included in the data. To some degree the drop in Federal spending for the category "other social welfare" may be attributable to the way Federal revenue sharing is treated in this article.

The fiscal year 1975 saw a sharp increase in the proportion of total government spending for social welfare purposes—from 55.9 percent in 1974 to 58.4 percent (table 5). The same upward trend was felt at both the Federal and State levels, as governments concentrated on measures to counter the recession and provide adequate incomes for the retired, the unemployed, and other needy. At the State level, the impact of

TABLE 2—Total and per capita social welfare expenditures under public programs in the United States, in actual and 1975 prices, selected fiscal years, 1929–75

Fiscal year	Total social welfare expenditures ¹ (in millions)	Total ²	Social insurance	Public aid	Health and medical programs	Veterans' programs	Education	Other social welfare	All health and medical care ³
Current prices									
Per capita ⁴ social welfare expenditures in current prices									
1929	\$3 917 7	\$31 80	\$2 78	\$0 49	\$2 85	\$5 31	\$19 75	\$0 62	\$3 87
1960	23,420 8	152 66	32 19	16 26	13 44	44 18	43 47	2 92	19 97
1965	32,511 8	194 66	58 71	17 98	18 58	28 46	66 68	3 71	26 47
1969	52,106 8	285 42	105 35	22 46	24 45	29 52	96 43	6 24	35 03
1965	76,928 6	391 15	142 29	31 95	31 76	30 30	142 73	10 50	48 48
1970	145,389 3	700 82	262 47	79 48	47 01	43 27	245 23	19 98	121 65
1972	190 910 7	902 30	351 93	123 25	69 94	53 90	281 63	25 85	187 33
1973	213,798 7	1,002 62	401 98	134 58	61 84	60 48	308 47	27 05	170 65
1974	238,655 9	1,111 15	458 48	148 97	66 86	65 07	328 46	33 42	190 32
1975	285,819 1	1,319 42	567 32	187 13	76 80	76 23	361 95	36 36	230 57
Constant (1975) prices									
Per capita social welfare expenditures in constant prices ⁵									
1929	\$12 054 4	\$97 85	\$8 55	\$1 51	\$8 77	\$16 34	\$60 77	\$1 91	\$11 91
1960	48 895 3	318 80	67 20	33 95	28 06	92 23	90 75	6 10	41 69
1965	59 764 3	357 83	107 52	33 05	34 15	52 32	122 37	6 82	49 88
1969	86 699 3	474 91	175 29	37 37	40 88	49 12	160 45	10 38	58 29
1965	120,956 9	615 02	223 73	50 24	49 94	47 64	224 42	16 51	76 23
1970	185,153 4	940 70	352 31	106 68	63 10	58 08	329 17	26 82	163 29
1972	238,043 3	1,125 06	438 82	153 68	74 74	67 21	351 16	31 61	196 17
1973	257,897 1	1 209 43	484 87	162 34	74 60	72 96	369 69	32 63	205 85
1974	264 585 2	1 231 88	508 29	165 16	74 12	72 14	361 93	37 05	211 00
1975	285,819 1	1,319 42	667 32	187 13	76 80	76 23	361 95	36 36	230 57
Percentage change for 1975 expenditures (current prices) from—									
1960	+1,120	+765	+1,662	+1 051	+471	+73	+733	+1 145	+1 055
1965	+272	+237	+299	+486	+142	+152	+154	+246	+376
1972	+60	+46	+61	+62	+28	+41	+29	+43	+47
1973	+34	+32	+41	+39	+24	+26	+18	+34	+35
1974	+20	+19	+24	+26	+15	+17	+11	+9	+21
Percentage change for 1975 expenditures (constant prices) from—									
1960	+485	+314	+744	+451	+174	-17	+299	+496	+453
1965	+136	+115	+154	+272	+54	+60	+61	+120	+202
1972	+20	+17	+29	+22	+3	+13	+3	+15	+18
1973	+11	+9	+17	+15	+3	+4	-2	+11	+12
1974	+8	+7	+12	+13	+4	+6	0	-2	+9

¹ Excludes expenditures within foreign countries for education, veterans' payments, and OASDHI and civil service retirement benefits, see table 1 for data including these expenditures

² Includes housing, not shown separately

³ Combines "health and medical programs" with medical services provided in connection with social insurance, public aid, veterans', vocational rehabilitation, and antipoverty programs

⁴ Based on January 1 Bureau of the Census data for total U.S. population, including Armed Forces and Federal civilian employees and their dependents overseas, and the civilian population of territories and possessions

⁵ Deflators based on implicit price deflators for personal consumption expenditures prepared for the national income accounts by the Bureau of Economic Analysis, Department of Commerce (1975=100) 1929, 32.5, 1950, 47.9, 1955, 54.4, 1960, 60.1, 1965, 63.6, 1970, 74.5, 1972, 80.2, 1973, 82.9, 1974, 90.2

expanded unemployment insurance programs, for example, was particularly felt in the social welfare trust-funded expenditures, which accounted for 11.6 percent of all State and local expenditures in 1975, compared with 8.3 percent in 1974.

When non-trust-fund expenditures that do not generally involve the type of fixed obligation to payees contained in the trust-funded programs are looked at, the proportion being directed toward social welfare purposes also rose—from 45.2 percent in 1974 to 46.9 percent in 1975. Here the Federal Government led the way—37.4 percent of its non-trust-fund budget going for social welfare in 1975, and 34.9 percent in 1974.

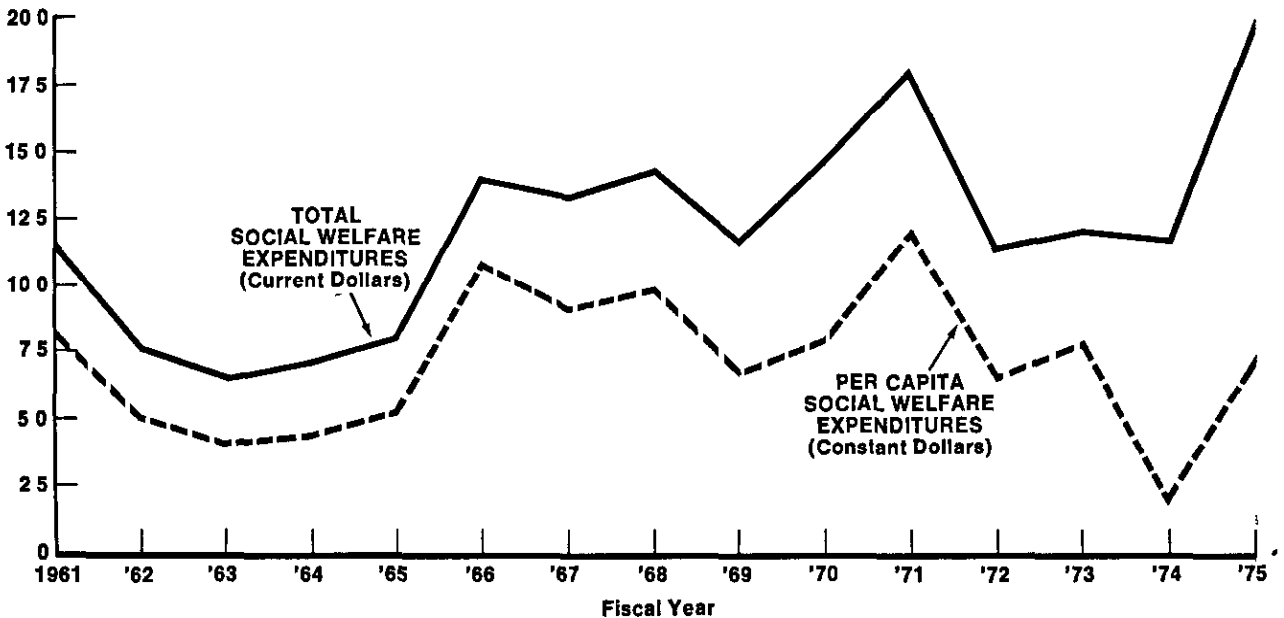
The Office of Management and Budget has

made estimates that about three-fourths of Federal expenditures may be classified as "relatively uncontrollable" items—defined to mean not subject to change without changing existing substantive law.⁴ Much more than trust fund expenditures are embraced in this definition of uncontrollable items. It includes outlays from prior year contracts and obligations, interest on the national debt, general revenue sharing, farm price supports, and what is most important from the social welfare perspective, all payments to individuals including non-trust-fund expenditures for public assistance and Medicaid, SSI, food stamps, many

⁴ *The Budget of the United States Government, Fiscal Year 1976*, pages 29 and 355

CHART 1—Annual percentage change in total public social welfare expenditures in current dollars and in per capita public social welfare expenditures in constant dollars, fiscal years 1961-75

Annual Percentage Change



of the veterans' programs, etc. By way of contrast, trust-fund expenditures account for about one-third of the Federal budget.

THE LAST QUARTER CENTURY

The enormous and growing preponderance of social insurance programs among the social welfare expenditures fairly leaps to the eye from chart 2, which depicts the percentage distribution of these expenditures in the quarter century 1950-75. In 1950, expenditures for social insurance programs accounted for about one-fifth (\$4.9 billion) of a \$23.5 billion total, by 1975 they were taking more than two-fifths (\$123.4 billion) of a \$286.5 billion annual outlay. Expenditures for this category—the third largest in 1950—became the largest category in 1960, and remained the largest thereafter.

The major impetus in the growth of social insurance has been the OASDHI program. In 1950, expenditures under this program, then consisting solely of cash benefits, accounted for about \$1 out of every \$6 expended under social insurance. By 1975, the ratio had become almost \$4 out of \$6. In fact, OASDHI accounted for 27 percent of all social welfare expenditures in 1975, compared with 3 percent in 1950.

Proportionate expansions of this nature can be accomplished only at the "expense" of the share of the total formed by one or more of the other expenditure categories. The veterans' programs were the "big losers." Expenditures for these programs dropped from 29 percent of the 1950 total to less than 6 percent in 1975.

Two other social welfare agencies accounted for larger proportions of total expenditures at the end of the quarter century than at its start, but the changes in both were very small in relation to the social insurance growth and the decline in the veterans' programs. Public aid expenditures made up 11 percent of the total in 1950 and 14 percent in 1975; housing and other social welfare together went from about 2 percent of all social welfare spending to about 4 percent.

In the public aid category, the long-term growth masks the short-term movement within the period. The proportion of total social welfare expenditures that went for public aid declined steadily from 1950 through the early 1960's before the trend was reversed with the introduction of Medicaid, expansion of work and training and antipoverty programs, growth of the food stamp program, and, most recently, launching of the SSI program.

TABLE 3—Social welfare expenditures under public programs as percent of gross national product, selected fiscal years, 1890-75

Fiscal year	Gross national product (in billions)	Social welfare expenditures as percent of gross national product								Total health and medical expenditures as percent of GNP ²	
		Total ¹			Social insurance	Public aid	Health and medical programs	Veterans' programs	Education		Other social welfare
		Total	Federal	State-local							
1890	\$13 0	2 4	(³)	(³)	(³)	0 3	0 1	0 0	1 1	(³)	(³)
1913	39 9	2 5	(³)	(³)	(³)	3	4	5	1 3	(³)	(³)
1929	101 0	3 9	0 8	3 1	0 3	1	3	7	2 4	0 1	0 5
1950	263 4	8 9	4 0	4 9	1 9	9	8	2 6	2 5	2	1 2
1955	379 7	8 6	3 9	4 7	2 6	8	8	1 3	2 9	2	1 2
1960	495 6	10 6	5 0	5 5	3 9	8	9	1 1	3 6	2	1 3
1965	655 6	11 8	5 8	6 0	4 3	1 0	1 0	9	4 3	3	1 5
1970	954 8	15 3	8 1	7 2	5 7	1 7	1 0	1 0	5 3	4	2 6
1972	1,100 6	17 4	9 7	7 7	6 8	2 4	1 2	1 0	5 4	5	3 0
1973	1,225 2	17 5	10 0	7 5	7 0	2 3	1 1	1 1	5 3	5	3 0
1974	1,348 9	17 7	10 2	7 5	7 3	2 4	1 1	1 0	5 2	5	3 0
1975 ⁴	1,424 3	20 1	11 7	8 5	8 7	2 8	1 2	1 2	5 5	6	3 5

¹ Includes housing, not shown separately
² Combines "health and medical programs" with medical services provided in connection with social insurance, public aid, veterans', vocational rehabilitation, and antipoverty programs

³ Not available
⁴ Less than 0.5 percent
⁵ "Other social welfare" included with "public aid"
⁶ Preliminary estimates

Slightly lower proportions of all social welfare expenditures were provided by two other sets of programs—health and medical care and education—as the quarter century ended. Health programs furnished 9 percent of the total in 1950, they supplied barely 6 percent of the much larger 1975 total. These figures exclude Medicare, Medicaid, and other health services provided in connection with other programs. Education expenditures accounted for the most nearly stable proportion of all the social welfare categories; they began the period at 28 percent of the total and ended it at 27 percent. In between, however, fluctuations did occur. The proportion of total social welfare expenditures directed to education expanded sharply between 1950 and 1955, fluctuated within a very narrow range for the next 15 years, and contracted even more sharply in the 5 latest years.

Since 1950, aggregate social welfare expenditures grew elevenfold, but this growth has been uneven. The period 1950-65 witnessed an average annual increase of 8.2 percent in aggregate social welfare expenditures, with a somewhat higher growth rate of 9.9 percent from 1955 to 1960.

After 1965, the tempo of social welfare expenditures rose rapidly, averaging 14 percent a year, with no increase lower than 11 percent.

The growth of social welfare expenditures is attributable to a combination of factors—population growth, inflation, and expanding and new social programs. When the effects of changes in expenditures produced by diminishing purchasing power and by augmented population are removed, the growth in constant per capita dollars is 3.14 percent for the 25-year period—a computed average annual increase of 5.9 percent. Once again sharp differences are registered when the 25-year period is divided. For 1950-65, the average annual increase comes to 4.5 percent; for the period from 1966 to 1975 to about 8.0 percent. These rates are a true measure of the increase in the level of publicly financed social welfare cash and service benefits.

The effect of this real advance is clearly shown in the increasing proportion of the GNP devoted to social welfare. In fiscal year 1950, this proportion was 8.9 percent. During the next 15 years it rose by less than 2/10 of 1 percentage point a

TABLE 4—Social welfare expenditures under public programs: Federal funds as percent of total, selected fiscal years, 1929-75

Program	1929	1950	1955	1960	1965	1970	1972	1973	1974	1975 ¹
Total	20 4	44 8	44 8	47 7	48 9	53 1	55 5	57 2	57 5	57 9
Social insurance	16 3	42 5	64 9	74 1	77 5	82 7	81 9	83 9	83 7	80 4
Public aid		44 2	50 1	51 6	57 2	58 5	62 5	63 0	65 1	65 7
Health and medical programs	13 3	29 2	37 1	38 9	44 5	49 0	49 9	50 8	49 7	50 5
Veterans' programs	100 0	93 0	98 7	98 0	99 7	98 6	99 0	99 1	98 3	99 1
Education	1 5	2 3	4 3	4 9	8 8	11 5	11 2	11 3	10 1	11 1
Housing		100 0	83 7	81 2	74 9	62 9	58 8	50 3	78 7	79 7
Other social welfare	1 8	38 9	40 7	36 6	39 3	54 5	58 8	61 5	54 4	62 9
All health and medical care ²	20 6	44 4	44 1	45 6	48 5	65 8	66 3	66 7	67 2	67 7

¹ Preliminary estimates
² Combines "health and medical programs" with medical services provided

vided in connection with social insurance, public aid, veterans', vocational rehabilitation, and antipoverty programs

TABLE 5—Social welfare expenditures from public funds¹ in relation to government expenditures for all purposes, by type of funds, selected fiscal years, 1929–75

Item	1929	1950	1955	1960	1965	1970	1972	1973	1974	1975 ²
All social welfare expenditures from public funds										
Total, as percent of all government expenditures	36.3	37.6	32.7	38.0	42.4	47.8	53.1	55.3	55.9	58.4
Federal, as percent of all Federal Government expenditures	30.9	26.2	22.3	28.1	32.6	40.1	47.4	50.5	52.5	54.9
State and local, as percent of all State and local government expenditures ³	38.2	60.1	55.3	58.3	61.7	62.3	63.6	64.2	61.7	64.4
Social welfare trust-fund expenditures										
Total, as percent of all government expenditures	2.3	6.8	9.1	13.1	14.4	16.8	19.1	20.6	21.5	23.2
Federal, as percent of all Federal Government expenditures	1.2	4.5	9.1	15.2	17.7	22.0	24.8	27.3	29.1	29.8
State and local, as percent of all State and local government expenditures ³	2.6	11.3	8.9	8.8	7.9	6.9	8.7	8.1	8.3	11.6
Social welfare non-trust-fund expenditures										
Total, as percent of total non-trust fund expenditures	34.9	35.0	26.2	29.5	33.7	37.9	43.0	45.2	45.3	46.9
Federal, as percent of Federal Government non-trust fund expenditures	30.2	24.7	14.7	15.9	18.9	23.9	31.1	34.1	34.9	37.4
All programs	---	3.1	2.6	3.0	4.0	6.6	10.1	11.0	11.9	13.1
Public aid	---	---	---	---	---	---	---	---	---	---
State and local, as percent of State and local government non-trust-fund expenditures ³	36.5	55.0	50.9	54.3	58.3	59.4	60.1	61.0	58.3	59.6
All programs	32.4	36.1	38.9	42.6	47.0	47.8	46.9	48.1	46.8	45.9

¹ Excluding that part of workmen's compensation and temporary disability insurance payments made through private carriers and self insurers

² Preliminary estimates

³ From own sources, excluding Federal grants

year to 11.8 percent. With the acceleration of social welfare activities in the next decade, the proportion rose an average of more than 0.8 percentage points a year to reach 20.1 percent by 1975.

The growth in total public social welfare expenditures has been paralleled by the increasing use of Federal sources to fund the programs. From 1950 to 1965, this proportion increased relatively slowly from 45 percent to 49 percent, but by 1975 it had reached 58 percent (with 42 percent coming from State and local sources). An important element in this increase has been the growing role of the Federal Government in providing health services (including Medicare, Medicaid, and other services listed with the parent programs). Through 1965, the Federal Government was financing less than half the public bill for health; by 1975 the Federal share was more than two-thirds. The Federal role in financing social services, food stamps, and antipoverty programs was another important element in tilting the ratio of Federal spending upward.

The increase in Federal expenditures for social welfare is reflected also in the relationship between such expenditures and total Federal Government expenditures. In 1950, social welfare spending accounted for 26 percent of all government spending at the Federal level. By 1965, this ratio had crept up to 33 percent but then accelerated rapidly to reach 55 percent in 1975, as expenditures for national defense, international aid, and economic development took smaller pro-

portions of the budget. By way of contrast, State and local spending for social welfare showed relatively little growth as a proportion of total spending at that level, fluctuating between 55 percent and 64 percent.

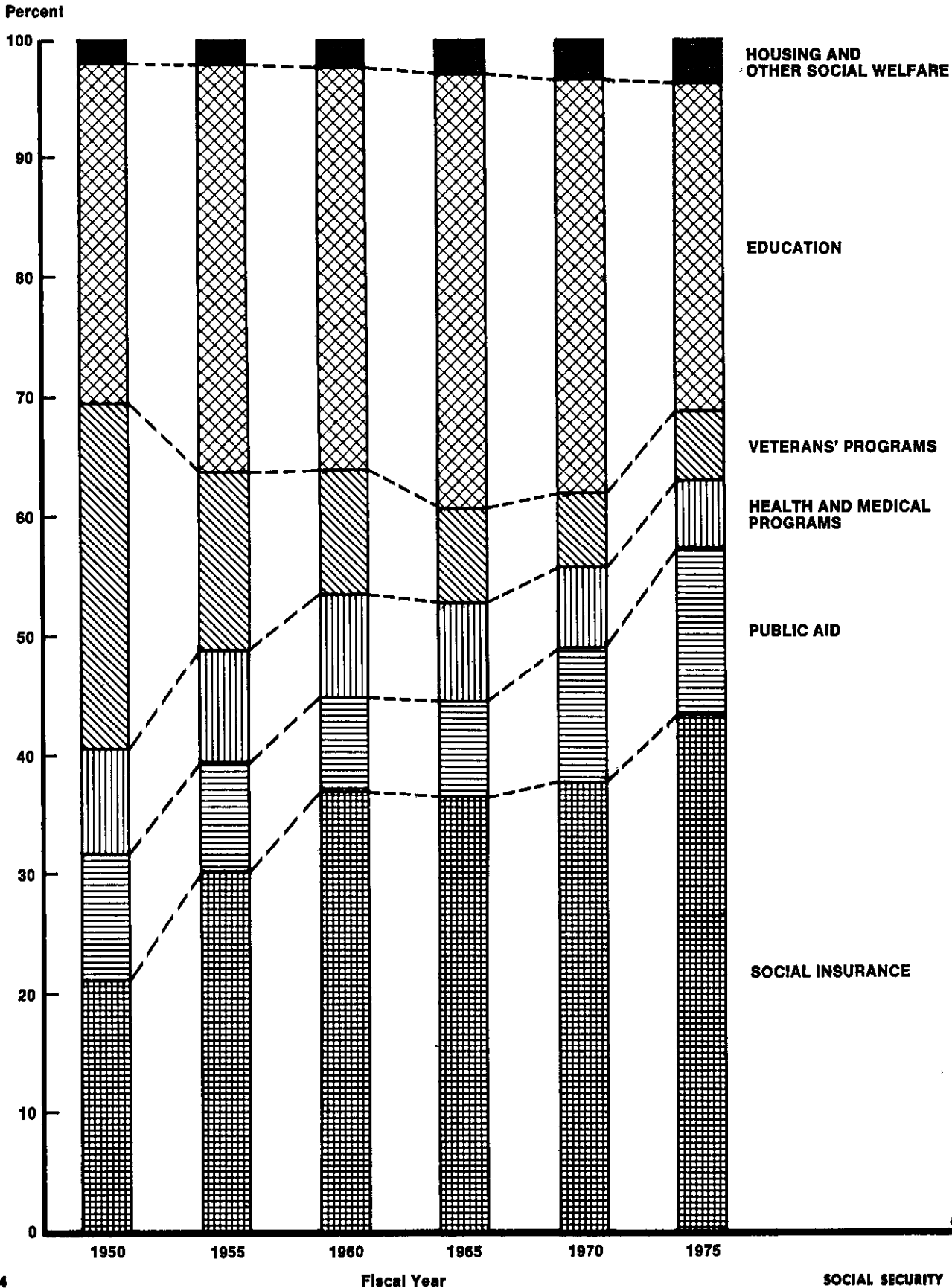
The Nation's commitment to social welfare can also be seen when one examines non-trust-fund government expenditures. In 1950 and in 1965, the proportion of Federal, State, and local appropriations (other than trust fund outlays) directed toward social welfare program was approximately the same (35 percent) despite a dip to 26 percent in the mid-fifties. By the end of the next decade the proportion had reached 47 percent. Most of this increase can be laid to developments at the Federal level. Federal public aid expenditures, for example, took 4 percent of total Federal non-trust-fund expenditures in 1965 and consumed 13 percent in 1975.

PRIVATE AND PUBLIC EXPENDITURES

Private social welfare expenditures rose 9 percent to \$107.8 billion in fiscal year 1975. This increase when combined with the 20-percent increase in public social welfare expenditures was sufficient to record one of the largest year-to-year increases in the proportion of GNP spent for the combined social welfare expenditures—from 24.7 percent in 1974 to 27.3 percent in 1975.

The following section regroups the social welfare expenditures listed in table 1 according to

CHART 2—Percentage distribution of social welfare expenditures, by program, selected fiscal years 1950-75



the major functions of income maintenance, health, education, and welfare. To this public spending is added the parallel spending for these functions in the private sector.

Health

Health and medical care is one of the social welfare areas where significant changes have occurred. Combined public and private expenditures for health rose an estimated \$14 billion in fiscal year 1975 to a total of \$118.5 billion—the largest annual dollar increase in the history of the series (table 6). In relative terms, the 14-percent rise even surpassed the increase registered in fiscal year 1967, the first year of Medicare. Undoubtedly contributing to the increase was

the lifting of mandatory economic controls for the health industry in April 1974. The annual rate of increase for the 2 previous years had held steady at 9–10 percent under price controls.

As a result of the unleashing of inflationary forces and the slowdown in the growth of the GNP, the proportion of the Nation's output of goods and services that went for health purposes went from 7.7 percent in 1974 to 8.3 percent in 1975. This proportion had been 5.9 percent in 1965, rose to 7.9 percent by 1972 after the introduction and growth of Medicare and Medicaid and then leveled off until this year.

The major thrust in health spending continues to take place in the public sector, which, after accounting for roughly 25 cents of every \$1 spent for health purposes through the years 1950–65, expanded dramatically in the following decade.

TABLE 6—Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1929–75
(Amounts in millions)

Type of expenditure	1929	1950	1955	1960	1965	1970	1972	1973	1974	1975 ¹
Total	\$3,589.1	\$12,027.3	\$17,329.6	\$25,856.2	\$38,892.3	\$69,201.1	\$96,687.2	\$95,283.1	\$104,030.6	\$118,499.3
Private expenditures	3,112.0	8,962.0	12,909.0	19,461.0	29,357.0	43,064.0	53,398.0	55,995.0	63,152.0	68,552.0
Health and medical services	3,010.0	8,710.0	12,529.0	18,516.0	28,023.0	41,483.0	50,847.0	55,846.0	59,972.0	65,965.0
Direct payments	2,900.0	7,107.0	8,992.0	12,576.0	17,577.0	24,272.0	28,141.0	30,348.0	31,310.0	33,599.0
Insurance benefits	—	879.0	2,358.0	4,898.0	8,280.0	14,406.0	18,220.0	20,955.0	24,100.0	27,340.0
Expenses for prepayment	—	274.0	896.0	792.0	1,212.0	1,515.0	2,851.0	3,418.0	3,342.0	3,389.0
Other ²	110.0	450.0	583.0	750.0	1,054.0	1,290.0	1,035.0	1,125.0	1,220.0	1,337.0
Medical research	—	37.0	55.0	121.0	182.0	193.0	203.0	208.0	219.0	235.0
Medical facilities construction	102.0	215.0	325.0	524.0	1,172.0	2,288.0	2,548.0	2,641.0	2,961.0	2,652.0
Public expenditures	477.1	3,065.3	4,420.6	6,395.2	9,535.3	25,237.1	33,289.2	36,388.1	40,878.6	49,947.3
Health and medical services	372.5	2,470.2	3,862.3	5,346.3	7,641.2	22,581.4	29,900.9	33,094.3	37,242.6	45,684.7
OASDHI (Medicare)	—	—	—	—	—	7,149.2	8,819.2	9,478.8	11,347.5	14,781.4
Temporary disability insurance (medical benefits) ³	—	2.2	20.0	40.2	50.9	62.6	68.3	69.8	70.7	73.3
Workmen's compensation (medical benefits) ⁴	75.0	193.0	315.0	420.0	560.0	985.0	1,185.0	1,335.0	1,560.0	1,830.0
Public assistance (vendor medical payments)	—	51.3	211.9	492.7	1,387.1	5,212.8	7,751.6	9,208.6	10,371.9	12,968.0
General hospital and medical care	117.1	886.1	1,297.6	1,973.2	2,515.5	3,416.8	4,293.2	4,712.5	5,061.0	5,491.7
Defense Department hospital and medical care (Armed Forces)	29.2	336.2	744.8	820.1	858.5	1,495.9	1,932.0	1,990.0	2,267.0	2,419.0
Military dependents' medical care	—	—	—	60.1	78.3	263.7	409.0	478.0	474.0	592.0
Maternal and child health programs	6.2	29.8	92.7	140.7	223.0	431.4	495.3	455.3	493.4	540.0
School health (educational agencies) ⁵	9.4	30.6	65.9	101.0	142.2	246.6	281.3	300.0	—	—
Other public health activities	88.8	350.9	383.7	401.2	671.0	1,405.0	2,075.3	2,151.7	2,625.3	3,457.0
Veterans' hospital and medical care	46.7	582.8	721.5	879.4	1,114.8	1,651.4	2,255.6	2,587.3	2,786.6	3,242.3
Medical vocational rehabilitation	1.0	7.4	9.1	17.7	84.2	133.8	179.2	175.0	185.2	190.0
OEO health and medical care ⁶	—	—	—	—	5.8	127.3	155.9	152.4	—	—
Medical research	—	72.9	138.9	471.2	1,228.8	1,652.8	1,855.0	2,090.0	2,170.0	2,515.0
Medical facilities construction	104.7	522.3	419.4	577.7	665.3	1,003.0	1,533.2	1,203.8	1,465.9	1,847.7
Defense Department	(?)	1.1	33.0	40.0	31.1	52.5	100.0	76.0	86.0	157.0
Veterans Administration	4.2	161.5	34.1	59.6	77.0	70.9	109.8	104.8	118.9	135.7
Other	100.4	359.8	352.4	478.1	557.2	879.6	1,323.5	1,023.0	1,261.0	1,556.0
Total expenditures, as percent of gross national product	3.6	4.6	4.6	5.2	5.9	7.2	7.9	7.8	7.7	8.3
Public expenditures, as percent of total expenditures	13.3	25.5	25.5	24.7	24.5	36.5	38.4	38.1	39.3	42.1
Personal care expenditures ⁷	\$3,165.2	\$10,400.4	\$15,231.0	\$22,728.7	\$33,498.3	\$60,113.0	\$74,828.0	\$82,490.0	\$90,088.0	\$103,200.0
Private expenditures	2,883.0	8,298.0	11,762.0	17,709.0	26,540.0	39,568.0	47,796.0	52,428.0	56,630.0	62,276.0
Public expenditures	282.2	2,102.4	3,469.0	4,429.7	6,958.3	20,545.0	27,032.0	30,062.0	33,458.0	40,924.0
Percent from										
Private expenditures	91.1	79.8	77.2	78.3	79.2	65.8	63.9	63.6	62.9	60.3
Direct payments	88.5	68.3	59.0	55.3	52.5	40.4	37.6	36.8	34.8	32.6
Insurance benefits	—	8.5	15.5	20.7	24.7	24.0	24.9	25.4	26.8	26.5
Public expenditures	8.9	20.2	22.8	21.7	20.8	34.2	36.1	36.4	37.1	39.7

¹ Preliminary estimates

² Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits)

³ Industrial in plant services and philanthropy

⁴ Includes medical benefits paid under public law by private insurance carriers and self insurers

⁵ Starting 1974, data not separable from expenditures under "education" category in table 1

⁶ Starting 1974, included with "other public health activities"

⁷ Data not available

⁸ Includes all items shown under "health and medical services" except (1) "expenses for prepayment," (2) expenditures of private philanthropic agencies for fund raising activities under "other health and medical services," (3) "other public health activities," and (4) administrative expenses for "Medicare," "public assistance," "maternal and child health programs," and "veterans' hospital and medical care"

By 1975, public funds amounting to \$49.9 billion provided 42 percent of all health care, and \$68.6 billion in private money provided 58 percent.

The 1975 ratio is a reflection of a situation in which private spending for health care rose only 9 percent from 1974, while public spending rose 22 percent (the largest increase since 1968). This expansion in public spending for all health care (which includes those medical services provided as part of other nonhealth programs) is further illustrated in table 3, which shows that as a percent of GNP such expenditures rose from 1.5 percent in 1965 to 3.5 percent in 1975.

In the public sector, increases greater than the 22 percent for the entire sector were recorded by Medicare, Medicaid, and public health activities. Medicare benefits went up 30 percent in 1975 partly as the result of the extension of the program to the disabled and to persons suffering from chronic kidney disease. In 1975, as in most recent years, about two-thirds of public expenditures came from Federal sources and one-third from State and local funds (table 7).

Some small duplication in the amounts designated for Medicare and Medicaid should be noted. Medical vendor (Medicaid) expenditures under the public assistance programs include the premiums paid into Medicare's supplementary medical insurance (SMI) trust fund for medical insurance coverage for public assistance and supplemental security income recipients. To the extent that these premium payments are subsequently used to reimburse SMI services, they are counted again under the Medicare expenditures. The total amounts of the premiums that have been paid by States to "buy-in" for Medicare coverage of aged and disabled persons are as follows:

<i>Fiscal year</i>	<i>Amount (in millions)</i>
1967 -----	\$32.1
1968 -----	53.0
1969 -----	75.8
1970 -----	97.2
1971 -----	131.5
1972 -----	137.9
1973 -----	149.3
1974 -----	171.0
1975 -----	213.1

In the private sector, preliminary 1975 data indicate that payments under private health insurance contracts increased at almost twice the

rate of direct "out-of-pocket" payments by consumers. The 13.4-percent increase in health insurance payments did not, however, quite reach the average annual increase of 14.6 percent reported for the previous 5 years. Expenditures for other components of the private health area showed modest increases, with expenditures for medical-facilities construction actually registering a drop.

When expenditures for medical-facilities construction, medical research, community health activities, and administration of private and public health programs and of philanthropic agencies are excluded, the remaining amount constitutes essentially expenditures for personal health care. Expenditures for this purpose amounted to \$103.2 billion or 87 percent of total health expenditures in 1975. Public funds accounted for 39.7 percent of the total, a ratio that has been consistently rising since 1965—the year before the introduction of Medicare and Medicaid—when it was 20.8 percent.

A growing proportion of expenditures for personal health care is being paid for by third parties—that is, others than the consumers of the services. In 1975, private health insurance benefits and public outlays combined with other third-party arrangements to finance 67 percent of the personal health care bill, leaving the consumer to pay 33 percent out of his pocket. In 1965, out-of-pocket expenditures by consumers came to more than half the Nation's personal health care bill, in 1950, they came to more than two-thirds.

Private insurance benefits, which in 1950 met less than 9 percent of private consumer expenditures for health, expanded rapidly in the next 15 years to cover 25 percent. Since then, private health insurance has little more than maintained its position as a source of protection against medical bills, as the efforts of the public sector in providing third-party payments intensified.

Education

At \$9.8 billion, combined public and private expenditures for education in 1975 were 12 percent more than their 1974 total (table 8). Since public expenditures account for \$5 of every \$6 spent for education, the overall increase is greatly affected by developments in the public sphere. Thus, the 12-percent rise was the result of an

TABLE 7—Health and medical care Expenditures under public programs, by source of funds, selected fiscal years, 1929–75

(In millions)

Type of expenditure	1929	1950	1955	1960	1965	1970	1972	1973	1974	1975 ¹
Federal expenditure										
Total	\$98 3	\$1 361 8	\$1,947 6	\$2,917 6	\$4 624 7	\$16,800 2	\$22,081 9	\$24,279 5	\$27,484 1	\$33,827 9
Health and medical services	93 1	1,059 6	1,657 3	2,174 8	3,074 6	14,494 4	19,754 6	21,792 8	24,913 2	30,776 2
OASDHI (Medicare)						7,149 2	8 819 2	9,478 8	11,347 5	14,781 4
Workmen's compensation (medical benefits)	6	5 2	6 9	9 0	11 3	20 7	26 9	32 3	36 1	50 6
Public assistance (vendor medical payments)			23 3	199 8	555 0	2,607 1	4,166 2	4 997 4	5,833 2	6,963 4
General hospital and medical care	8 5	46 4	66 7	103 4	137 9	285 8	619 3	804 7	821 0	1,089 6
Defense Department hospital and medical care (Armed Forces)	29 2	336 2	744 8	820 1	858 5	1 495 9	1,932 0	1,990 0	2,267 0	2,419 0
Military dependents medical care				60 0	78 3	263 7	409 0	478 0	474 0	592 0
Maternal and child health services	1 2	20 1	23 5	34 7	60 1	196 0	259 0	221 0	234 7	277 0
Other public health activities	6 9	63 8	65 0	57 3	222 9	590 3	968 0	911 0	959 0	1,201 0
Veterans hospital and medical care	46 7	582 8	721 5	879 4	1,114 8	1,651 4	2,255 6	2,587 3	2,786 6	3,242 3
Medical vocational rehabilitation	1	5 1	5 7	11 2	21 2	107 0	143 4	140 0	154 0	157 0
OEO health and medical care ²					5 6	127 3	155 9	152 4		
Medical research		72 9	138 9	448 2	1,173 8	1,576 8	1,776 0	2 002 0	2,078 0	2,418 0
Medical facilities construction	5 2	229 3	151 4	294 7	376 3	529 0	551 3	484 8	492 9	633 7
Defense Department	(³)	1 1	33 0	40 0	31 1	52 5	100 0	76 0	86 0	167 0
Veterans Administration	4 2	161 5	34 1	59 6	77 0	70 9	109 8	104 8	118 9	135 7
Other	9	66 8	84 4	195 1	268 2	405 6	341 5	304 0	288 0	341 0
State and local expenditures										
Total	\$378 8	\$1,703 6	\$2,472 9	\$3,477 5	\$4 910 5	\$8,636 9	\$11,207 4	\$12,108 6	\$13,394 4	\$16,119 5
Health and medical services	279 3	1,410 6	2,204 9	3,171 5	4,566 3	8,086 9	10,146 4	11,301 6	12,329 4	14,806 5
Temporary disability insurance (medical benefits) ⁴		2 2	20 0	40 2	50 9	62 6	68 3	69 8	70 7	73 3
Workmen's compensation (medical benefits) ¹	74 4	187 8	308 1	411 0	568 7	964 3	1,158 1	1 302 7	1,523 9	1,779 4
Public assistance (vendor medical payments)		51 3	188 6	292 9	812 1	2,605 6	3,585 4	4,211 3	4,538 7	6,001 7
General hospital and medical care	108 6	839 7	1,230 9	1,869 8	2,377 6	3,131 0	3,873 9	3,907 8	4,240 0	4,402 1
Maternal and child health services	5 0	9 7	69 2	106 1	153 9	235 3	236 3	234 3	258 7	263 0
School health (educational agencies) ⁵	9 4	30 6	65 9	101 0	142 2	246 6	281 3	300 0		
Other public health activities	81 9	287 0	318 8	343 9	448 1	814 7	1,107 3	1,240 7	1,666 3	2,256 0
Medical vocational rehabilitation	1	2 3	3 5	6 6	13 0	26 8	35 8	35 0	31 2	33 0
Medical research				23 0	55 0	76 0	79 0	88 0	92 0	97 0
Medical facilities construction	99 5	293 0	268 0	283 0	289 0	474 0	982 0	719 0	973 0	1,214 0

¹ Preliminary estimates

² Starting 1974, included with "other public health activities"

³ Data not available

⁴ Includes medical benefits paid under public law by private insurance

carriers and self insurers

⁵ Starting 1974, data not separable from expenditures under "education" category in table 1

TABLE 8—Expenditures from public and private funds for education, selected fiscal years, 1950–75

(Amounts in millions)

Program	1950	1955	1960	1965	1970	1972	1973	1974	1975 ¹
Total	\$10,914	\$14,266	\$21,742	\$34 228	\$62,368	\$73,835	\$81,246	\$87,656	\$98,359
Public expenditures for education	9,366	11,863	18,036	28,149	51,922	61,551	68,027	73,356	82,859
Current operations ²	8 036	9,433	15,016	23 800	45,478	55 355	61,226	66 338	75,430
Elementary and secondary	4,577	7,502	12,447	19,091	33,973	40,065	43,369	46 824	52,418
Higher	604	1,016	1,833	3,745	8,341	10,114	11,466	12,135	14,030
Veterans	2,692	706	410	41	1,018	1,925	2,648	3,207	4,421
Vocational and adult	161	205	298	854	2,146	3,035	3 496	3 900	4,296
Construction	1,330	2,431	3,020	4,348	6,288	6,196	6 861	7,018	7,429
Elementary and secondary	1 019	2,232	2,662	3,267	4,659	4,459	5,008	5,259	5,487
Higher	310	199	358	1,081	1,629	1,737	1,793	1,759	1,942
Private expenditures for education ³	1,548	2,343	3 706	6,079	10,446	12,283	13,219	14,300	15,500
Current operations	1,266	1,845	3,182	5,363	9,618	11,445	12,433	13,550	14,700
Elementary and secondary	436	719	1,232	1 883	2 843	2,867	3,046	3,250	3,500
Higher	630	1 126	1,930	3,480	6,973	8,578	9,387	10,300	11,200
Construction	282	498	544	716	830	838	786	750	800
Public expenditures as percent of expenditures for specified purposes									
Total	85 8	83 5	83 0	82 2	83 3	83 4	83 7	83 7	84 2
Current operations	86 4	83 6	82 6	81 6	82 5	82 9	83 1	83 0	83 7
Elementary and secondary	91 3	91 3	91 0	91 0	92 8	93 3	93 4	93 5	93 7
Other	80 6	63 1	58 8	57 1	62 3	63 7	65 2	65 1	67 0
Higher	42 1	47 4	48 7	51 8	54 5	54 1	55 0	54 1	55 6
Construction	82 5	83 0	84 7	85 9	88 3	88 1	89 6	90 3	90 3

¹ Preliminary estimates

² Includes Federal expenditures for administration (U S Office of Education) and research, not shown separately below

³ Includes expenditures by privately controlled schools and private expenditures in publicly controlled schools for current educational purposes in the form of students' tuition and fees and private gifts

8-percent increase in private education spending that slightly dampened the effect of an increase of 13 percent in the public sector

This general public/private education ratio has remained basically stable over the past 25 years at about 85-15, within a percentage point or two. A low point—82 percent—was reached for public expenditures in 1965 when educational assistance programs for veterans of World War I and the Korean conflict had dwindled to practically nothing and large-scale Federal funding of vocational and adult education had not yet begun.

As might be expected, public funding of elementary and secondary education was consistently high throughout the 25-year period, and the transfusion of Federal grants and other aid pushed the public share even higher (to 94 percent in 1975). In a similar fashion, public financial support for institutions of higher learning (excluding veterans' support) rose from 42 percent in 1950 to 56 percent in 1975.

The long-term trend has also seen an increasing portion of the American education dollar used for higher education. The proportion was 16 percent in 1950, 24 percent in 1965, and 28 percent in 1975. Construction costs have been absorbing a declining share of the total education dollar—15 percent in 1950 and 8 percent in 1975.

Cash Transfer Payments

The impact of 1975 economic developments were nowhere more pronounced than in the series on cash transfer payments presented in table 9. Cash payments to individuals under the public programs of social insurance, public assistance, SSI, and veterans' benefits rose 23 percent or \$24 billion to a total of \$127 billion in fiscal year 1975. An increase of this size was last registered in 1971—also a recession year. During the intervening 3 years, the increase had fallen within the 12-14 percent range.

The fact that the rate of increase in cash transfer payments in the public sector was nearly twice as great as that in the private sphere is easily explainable. Most payments under private employee-benefit plans go for the long-term risks of retirement, disability, and death and as such are only marginally affected by short-term swings in the economy. In the public sector, the downturn

in the economy immediately accelerates the amounts paid under unemployment insurance and, to a lesser degree, under public aid. In fiscal year 1975, unemployment insurance benefits were two and one-third times as great as those in 1974. Cash payments to individuals under public assistance and the SSI programs were 22 percent greater.

Another factor that produced a higher 1975 increase in the public sector is the almost universally accepted practice of adjusting benefits to cost-of-living increases, either through automatic provisions or *ad hoc* legislation, at least for retirement programs. In the private sector, post-retirement adjustments on a regular basis are still an uncommon thing.

As a result of these developments, the proportion of total public and private income-maintenance payments provided through public funds rose fractionally from 85 percent in 1974 to 86 percent in 1975. This ratio had been higher in the 1950's, but with the rapid expansion of all types of private employee-benefit plans, the ratio had gradually dropped to a low of 83 percent in 1970.

Among the public programs, as already observed, the expansion of social insurance programs is the major phenomenon of the past 25 years. In 1950, cash payments under these programs accounted for just under half of all public cash transfer payments. By 1960, the ratio had risen to 72 percent and in 1975 it was 82 percent. Public assistance payments, which accounted for one-fourth of all cash payments in 1950, paid out barely 12 percent in 1975—including the SSI replacement for adult public assistance programs. Veterans' pensions, compensation, and life insurance have also declined as a source of cash income—from 26 percent in 1950 to 6 percent in 1975.

Combined Public and Private Expenditures

Combining the dollar figures shown in tables 6, 8, and 9 (plus administrative expenses and welfare services left out of the cash-transfer data for table 9) produces a grand total of public and private expenditures for social welfare. This total, adjusted for the overlap that occurs when cash benefits received under public and private income-maintenance programs are used to purchase medi-

TABLE 9—Expenditures from public and private funds for cash transfer payments (excluding administration), selected fiscal years, 1950-75

[Amounts in millions]

Source of funds	1950	1955	1960	1965	1970	1972	1973	1974	1975 ¹
Total cash transfer payments	\$10,112	\$16,609	\$28,708	\$40,838	\$69,995	\$94,857	\$107,581	\$121,548	\$147,533
Public	9,147	14,714	25,173	34,983	58,410	80,097	91,011	103,073	126,833
Social insurance ²	4,447	9,118	18,151	26,439	44,814	62,559	72,831	83,436	103,671
Veterans programs ³	2,423	3,094	3,810	4,526	5,849	6,678	7,065	7,257	8,073
Public assistance and supplemental security income	2,277	2,502	3,212	3,918	7,746	10,859	11,096	12,381	15,089
Private employee benefits ⁴	965	1,895	3,535	5,955	11,585	14,760	16,570	18,475	20,700
Public as percent of total	90.5	88.6	87.7	85.4	83.4	84.4	84.6	84.8	86.0

¹ Preliminary estimates

² Includes cash benefits paid under workmen's compensation and temporary disability insurance laws by private insurance carriers and self insurers

³ Veterans' pensions and compensation and life insurance

⁴ Under private pension plans, group life (including government civilian

employee programs), accidental death and dismemberment, and cash sickness insurance, paid sick leave, and supplemental unemployment benefit plans Temporary disability insurance benefits under State legislation excluded here and included under "social insurance" above

cal care and education services in the private sector, amounted to an estimated \$388.7 billion in fiscal year 1975 (table 10). This total represents an increase of \$55 billion or 17 percent from the preceding year, the largest relative and absolute increase of recent years.

With the 1975 increase, the proportion of GNP represented by all social welfare expenditures reached 27.3 percent. Since 1965, this proportion has been growing at an average rate of almost 1 percentage point a year. On the other hand, between 1950 and 1955 there was no increase at all,

TABLE 10—Public and private expenditures for social welfare purposes, selected fiscal years, 1950-75

Type of expenditure	1950	1955	1960	1965	1970	1972	1973	1974	1975 ¹
All expenditures (in millions)									
Total net ²	\$35,837	\$49,657	\$78,704	\$117,871	\$211,033	\$270,486	\$301,538	\$333,217	\$388,695
Public	23,508	32,640	52,293	77,175	145,761	191,414	214,390	239,303	286,847
Private	12,160	17,997	27,790	42,766	67,095	82,741	91,384	98,727	107,752
Income maintenance	10,723	17,304	29,827	42,830	72,899	98,610	112,244	126,131	152,794
Public ³	9,758	15,409	26,292	36,575	60,814	83,850	95,674	107,656	132,094
Private	965	1,895	3,535	5,955	11,585	14,760	16,570	18,475	20,700
Health	12,027	17,330	25,856	38,892	69,201	86,687	95,383	104,031	118,499
Public	3,065	4,421	6,395	9,537	25,237	33,289	36,388	40,879	49,947
Private	8,962	12,909	19,461	29,357	43,964	53,398	58,995	63,152	68,552
Education	10,914	14,206	21,742	34,228	62,368	73,834	81,246	87,656	98,359
Public	9,366	11,863	18,036	23,149	51,922	61,651	68,027	73,356	82,859
Private	1,548	2,343	3,706	6,079	10,446	12,283	13,219	14,300	15,500
Welfare and other services	2,004	1,797	2,658	4,291	9,988	15,024	16,901	20,212	24,647
Public ⁴	1,319	947	1,570	2,916	7,738	12,724	14,301	17,413	21,847
Private	685	850	1,088	1,375	2,000	2,300	2,600	2,800	3,000
Public expenditures as percent of expenditures for specified purposes									
Total ⁵	65.9	64.5	65.3	64.3	68.2	69.8	70.1	70.8	72.7
Income maintenance	91.0	89.0	88.1	86.0	84.0	85.0	85.2	85.4	86.5
Health	25.5	25.4	24.7	24.5	36.5	38.4	38.1	39.3	42.1
Education	85.8	83.5	83.0	82.2	83.3	83.4	83.7	83.7	84.2
Welfare and other services	65.8	52.7	59.1	68.0	78.0	84.7	84.6	86.1	87.8
All expenditures as percent of gross national product									
Total, net ²	13.4	13.2	15.9	18.0	22.1	24.6	24.6	24.7	27.3
Income maintenance	4.1	4.6	6.0	6.5	7.6	9.0	9.2	9.4	10.7
Health	4.6	4.6	5.2	5.9	7.2	7.9	7.8	7.7	8.3
Education	4.1	3.7	4.4	5.2	6.5	6.7	6.6	6.5	6.9
Welfare and other services	8	5	5	7	1.0	1.4	1.4	1.5	1.7

¹ Preliminary data

² Total expenditures adjusted to eliminate duplication resulting from use of cash payments received under public and private social welfare programs to purchase medical care and educational services

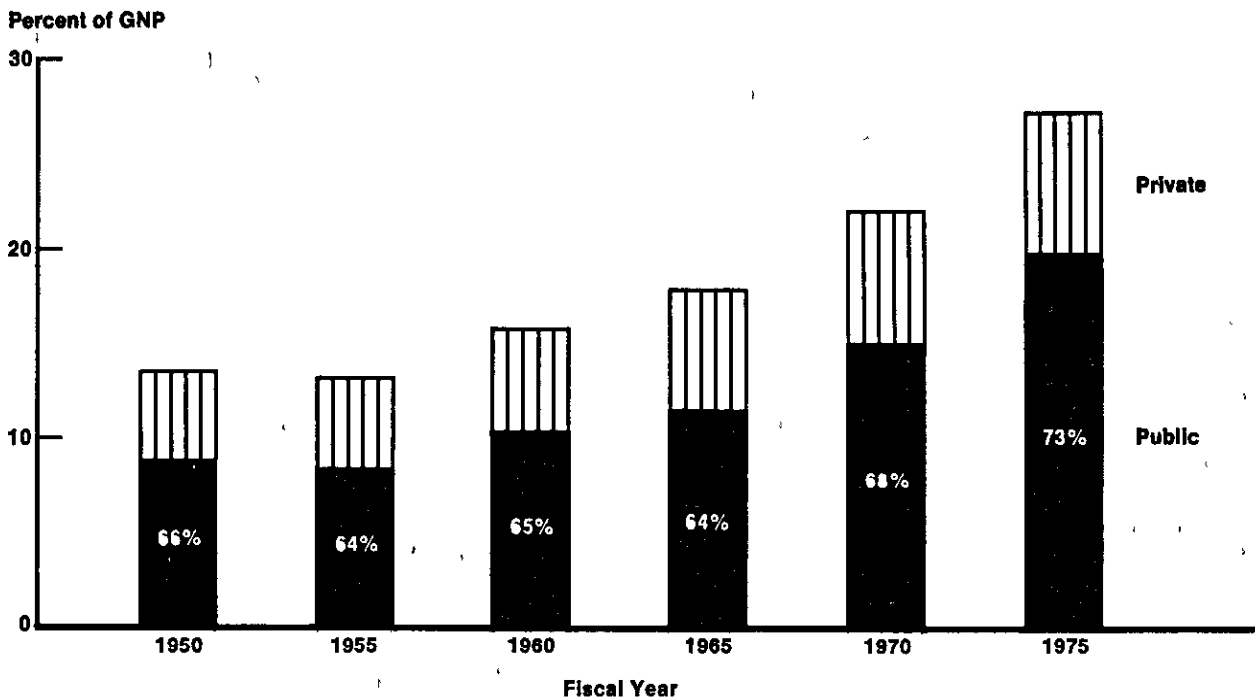
³ Includes cash benefits and administrative costs under social insurance, public assistance, supplemental security income, and veterans' and emergency employment programs. Excludes cost of medical services provided in

conjunction with these programs and for other welfare programs

⁴ Includes food stamps, surplus food for the needy and for institutions, child nutrition, institutional care, child welfare, economic opportunity and manpower programs, veterans' welfare services, vocational rehabilitation, and housing

⁵ Before adjustment for elimination of duplication

CHART 3—Public and private social welfare expenditures as percent of gross national product, selected fiscal years, 1950-75



and between 1955 and 1965 the rise averaged about half a percentage point a year (chart 3).

Chart 3 also shows the increasing extent to which the social welfare dollar has been coming from public funds. From 1950 to 1965, public sources provided a steady 65 percent of total outlays, but now the proportion has reached 73 percent. Largely responsible are upsurges in public funding of health and welfare services. In the health field, the share coming from public funds—25 percent in 1950 and 1965—climbed to 42 percent in 1975. Similarly, in the welfare segment, the proportion provided through public

means rose from 68 percent in 1965 to 88 percent in 1975.

Despite the relative drop in private health spending as a proportion of combined health spending, the largest share of private social welfare spending still goes for health—64 percent in 1975. The ratio was 74 percent in 1950 and 69 percent in 1965. Income-maintenance programs in 1950 accounted for 8 percent of all private social welfare expenditures, education for 13 percent, and welfare programs for 6 percent. In fiscal year 1975, the respective shares were 19 percent, 14 percent, and 3 percent.