

# Social Welfare Opportunities and Necessities Attendant on Disarmament

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ONE CAN APPROACH the question of alternative uses for the human and material resources that would be released by disarmament from two different and largely opposite points of view. One approach focuses on unmet social needs and the opportunities that additional dollars and manpower could open up. The other focuses on the problems of transition and adjustment and the necessity for rechanneling production and employment in such a way as to avoid major wrenches to our economic system. From either point of view, social welfare programs and objectives should have a central place in any discussion of the implications of disarmament.

## UNMET SOCIAL NEEDS

Many attempts have been made in recent years to project social needs over the next one or two decades and to compare these needs with potential resources.<sup>1</sup> The dollar figures developed differ, depending on individual judgments of adequacy, social priorities, and the desirable role of government and on specific assumptions concerning the economy's achievable rate of growth and the amounts that will continue to be diverted to armaments and defense-related activities.

Some general conclusions stand out from these studies. We now have the technological ability to provide for the minimum needs of the entire population—with "minimum" defined to include a reasonable number of modern conveniences. We

are not now doing so, however, in spite of large unused resources of plant and manpower. The proportion of the population living in poverty has declined during the past three decades, but the distance between the rich and the poor remains very great. Since about 1944 there has been no appreciable change in the share of total income going to the lowest fifth of the population ranked by income. Finally, unmet needs in the public sector—needs for goods and services that can best or only be provided through mechanisms other than that of the market place—are greater than the aggregate of unmet private needs.

## Defining Poverty

A renewed awareness of the extent of poverty remaining in the United States has also developed within the past few years. In a study prepared for the Joint Economic Committee of Congress, Robert Lampman estimated that in 1957 there were 32 million persons, or slightly less than one-fifth of the total population, living in poverty.<sup>2</sup> He used as the definition of poverty an annual income of less than \$2,500 for a family of four persons and comparable amounts for other families and individuals. He noted that if the poverty or low-income line were drawn at \$4,000 for a family of four—close to the budget requirements for urban wage-earner families in 1957, as calculated by the Bureau of Labor Statistics—an additional 28 million persons or, in all, 36 percent of the population were living below minimum levels of adequacy.

Essentially similar conclusions were reached in a more recent analysis by the Conference on Economic Progress that used somewhat different definitions and methodology. In 1960, according to this study, 38 million persons or slightly more

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<sup>1</sup> See J. F. Dewhurst and Associates, *America's Needs and Resources, A New Survey*, The Twentieth Century Fund, 1955; Rockefeller Brothers Fund, *The Challenge to America: Its Economic and Social Aspects*, Special Studies Report IV, Doubleday and Co., 1958; President's Commission on National Goals, *Goals for Americans*, Prentice-Hall, Inc., 1960 (states goals only in qualitative terms); Conference on Economic Progress, *Poverty and Deprivation in the United States*, 1962.

<sup>2</sup> Robert J. Lampman, *The Low Income Population and Economic Growth*, Joint Economic Committee, 86th Congress, 1st session, 1959.

than a fifth of the population were living in "poverty" and an equal number in "deprivation."<sup>3</sup> Michael Harrington, in his forceful indictment of our indifference to *The Other America*,<sup>4</sup> prefers to talk of 50 million persons living below reasonable levels.

The most recent major study of poverty in the United States was carried out by the Survey Research Center of the University of Michigan.<sup>5</sup> It leads to essentially the same conclusions. In the Michigan study, family income was defined to include, in addition to cash income, such important sources of income in kind as imputed rental income on net equity in a home. Families or adult units with inadequate incomes were defined as those with less than nine-tenths of their budget requirements, based on a budget developed by the Community Council of Greater New York that allows for variations in size and composition of each unit.<sup>6</sup> Under this definition, 28 percent of all adult units (including single-person units) and one-fifth of the Nation's families were living in poverty in 1959.

All the studies show the same concentrations of poverty. About a fourth of the poor are aged 65 and over (the Lampman study), and 14 percent of all poor families have heads aged 65 and over (the Michigan survey). Broken families are another large group—one-third of all poor families are headed by women (the Michigan survey), and one-fourth of all the individuals living in poverty are in such families (the Lampman study). These groups, with the disabled, the unemployed, the rural migratory and other casual and unskilled workers, and—cutting across all the other categories—nonwhite persons and those with little education, largely fill up the ranks of the poor.

In 1959 one-fourth of the Nation's children were in families with incomes less than the taxable

limit under the Federal income-tax laws.<sup>7</sup> About half the poor live in the South (the Michigan survey and 1960 Census data). In the country as a whole, slightly more than half live in urban areas, almost a third in rural-nonfarm areas, and about one-sixth in rural-farm areas; that is, according to 1960 Census data, they had 1959 incomes below the Federal income-tax limit.

### Wiping Out Poverty

To what extent could resources released by disarmament fill in these shortfalls in individual and family income?

It is relatively easy to calculate the number of dollars that would be required to bring up to the poverty or minimum adequacy line, however defined, all those now living below it. In 1960, about \$10 billion would have been sufficient to give every family at least \$2,500 and every person living alone at least \$1,000. To bring the income for all families up to \$4,000 and that for persons living alone to \$1,500 would have required about \$30 billion. (It may be noted that full use of idle plant and manpower would have increased the 1961 output of the economy by \$25-\$30 billion.)<sup>8</sup> Such calculations show that the problem of wiping out poverty is of manageable size. They do not answer the question of how additional income can be distributed to reach the poor.

Undoubtedly if our economy were growing at a satisfactory rate and job opportunities were available without discrimination, many of those living in poverty today could move out by their own efforts. Others would need special help—basic education, training or retraining, rehabilitation, help in moving from depressed areas or in adjusting to urban life, special placement services, and possibly health care. The potential use of resources for these purposes is discussed later.

A sizable proportion of today's poor, however, is not, and should not be, in the labor force. For these groups, the adequacy of our social insurance and public assistance programs largely determines whether or not they will live in poverty.

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<sup>3</sup> Conference on Economic Progress, *op. cit.* The report defined poverty as an annual income of less than \$2,000 for an individual and less than \$4,000 for multi-person families; deprivation is defined as annual income of less than \$3,000 for an individual and less than \$6,000 for families.

<sup>4</sup> Michael Harrington, *The Other America*, Macmillan Co., 1961.

<sup>5</sup> James N. Morgan and others, *Income and Welfare in the United States*, McGraw-Hill Book Co., 1962.

<sup>6</sup> For a description of the standard see Welfare and Health Council of New York City, *A Family Budget Standard*, 1955. (The budgets are repriced annually.)

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<sup>7</sup> Lenore A. Epstein, "Some Effects of Low Income on Children and Their Families," *Social Security Bulletin*, February 1961, pages 12-17.

<sup>8</sup> *Economic Report of the President, 1962*, page 7.

## Improving the Public Income-Maintenance Programs

In a recent article, Gerald Piel suggested that if our economy is to adjust successfully to disarmament and automation, the government must "directly and indirectly . . . certify a growing percentage of our consumers with purchasing power."<sup>9</sup>

Social insurance is the institutional mechanism by which all developed countries, and most of those in the process of industrialization, certify regular continuing income to large groups in the population. The retired aged, the permanently and temporarily disabled, the unemployed, and orphaned children and their mothers are the groups ordinarily protected. In many countries all children, or children in large families, receive small subsidies from public funds.

The general level of income provided under the Nation's social insurance programs at present can be illustrated by reference to the most important, the national program of old-age, survivors, and disability insurance. The average benefit for a retired worker under this system today is \$76 a month or about \$900 a year, and for a couple, both of whom are over age 62, the average payment is \$127 a month or \$1,525 a year. Some beneficiaries have savings; two-thirds of the couples and more than one-third of the other beneficiaries own their own homes, usually mortgage free.

Between one-fifth and one-fourth of the retired-worker beneficiaries (or one-sixth of all beneficiaries) receive private pensions as well. But two national studies made in 1951 and 1957 showed that about one-fourth of the beneficiaries had little or no cash income other than old-age, survivors, and disability insurance. (A survey of all aged persons is now under way, but it will be early 1964 before preliminary analyses can be made.) The benefits paid to disabled workers and their families and to survivors, particularly aged widows, are similar or even less adequate.

Today the old-age, survivors, and disability insurance benefit for a worker with average earnings represents a little less than a third of his preretirement earnings, and for an aged couple the benefit is about 48 percent of the husband's previous earnings. Workers who had very low

earnings in their working years may receive benefits equal to 80 percent or more of those earnings; the minimum benefit is \$40 a month. These persons are unlikely to have any other income except public assistance. A man who had been earning \$7,500 a year, not a luxurious level, would get a benefit equal to only one-fifth that amount, and he and his wife together would get less than one-third of his previous earnings. These are rather sharp drops in income, even when decreased income-tax liabilities are taken into account.

To illustrate the general magnitude involved, one might ask what it would cost to raise the level of benefits so that the average worker would get a benefit equal to 50 percent of his preretirement earnings and a couple would be paid 75 percent (with today's general relationships among types of benefits, benefits for low and high wage earners, etc., unchanged). The increased benefit payments in the first year, according to the Chief Actuary of the Social Security Administration, would amount to about \$9 billion. If somehow eligibility were broadened so that 90 percent of the population aged 65 and over qualified for these higher benefits (compared with the 70 percent who qualify today), the total increase in benefits would be about \$11.5 billion. Actual benefit payments in 1962 were between \$14 billion and \$15 billion.

Other social insurance programs can also play a role in increasing the amount of purchasing power certified to consumers. To provide cash sickness insurance, for example, for all wage and salary workers in private industry, with benefits amounting to two-thirds of previous earnings after a 1-week waiting period and payable for a maximum of 26 weeks, would require current expenditures of about \$2.2 billion, or \$1.5 billion more than the amount actually received by such workers in sickness benefits and paid sick leave during 1960. Comparable levels of adequacy in workmen's compensation and unemployment insurance would, with today's levels of unemployment, result in increased expenditures of almost \$2 billion above present levels.

If the Nation wants to move out of poverty most of the aged, the disabled, and dependent survivors, it has the mechanism at hand. In raising the level of benefits under old-age, survivors, and disability insurance or the other insurance programs, it would also increase the incomes of

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<sup>9</sup> Gerald Piel, "Can Our Economy Stand Disarmament?" *Atlantic Monthly*, September 1962, pages 35-40.

persons above the poverty line. This is a desirable result from both the social and the economic point of view. The primary concern should be to improve the lot of those who are now worst off. The most effective and possibly the only way to achieve this objective, however, is through economic and social policies and measures that affect the whole society—full employment, nondiscrimination, basic health and educational services, and more adequate social insurance programs.

There will remain individuals and groups whose minimum income needs are not met by such programs and measures. One example is the large group of poor families headed by women. Some of these women are widows, but the great majority have been deserted or divorced or were never married. Insurance does not cover these risks, and employment, even if available, may not be the best answer. For them, and for unskilled and marginal workers, certification of purchasing power on the basis of an individual test of current need—that is to say, public assistance—may be the solution.

In theory, public assistance should take care of all current need, coming into play when all other sources of income fall short of socially acceptable minimum levels and underpinning all other income-maintenance programs. How far short of this standard the existing public assistance programs fall can be measured in several ways.

One recent study<sup>10</sup> used as a standard of need twice the amount of a low-cost food budget as calculated, with regional variations, by the Department of Agriculture. A standard under which 50 percent of total income must go for food is minimal indeed. Yet in 1958, to meet this standard, assistance payments for families receiving aid to families with dependent children would have needed to be increased for the country as a whole by 72 percent. There was considerable variation by State and by region. In the West a 27-percent increase would have brought actual expenditures to the level where they would meet the standard, and in the South a 149-percent increase would have been required.

Old-age assistance payments were far less inadequate: 6 percent in the country as a whole did not meet this standard. It was estimated that to provide an income of twice the cost of a low-cost

food budget to all persons on the public assistance rolls in 1958 would have required expenditure of \$1 billion more than the \$3 billion actually spent for public assistance by all levels of government in that year. No estimate was made of the number of additional persons who would qualify as “needy” if standards were raised or of the amounts of money required to meet their needs.

The Michigan study referred to earlier found that less than one-fourth of the families living in poverty in 1959 were receiving public assistance.

Public assistance is a Federal-State program, with levels of assistance and conditions of eligibility determined by the individual States. For this reason the raising of standards for public assistance is a far more complex and difficult problem than it is for a national social insurance program. It must be noted, also, that Federal financial aid is available only for selected categories; general assistance is financed entirely by State and local funds and in many places entirely by local funds. It is important to keep in mind these structural barriers to the transfer of resources released by disarmament.

### Public Services

No attempt has been made here to quantify the needs for increased spending for public services—education, health, public housing, community development, water supply, mass transportation, and social services such as day-care centers for children and adults, homemaker services, special training and employment services, and rehabilitation. These needs are obviously large, but it is difficult to find a common basis for measuring either needs or opportunities. A few examples will illustrate orders of magnitude. By 1970, educational expenditures will need to be 75 percent larger than they are today (an increase of \$20 billion) at today's price and wage levels merely to provide the same level of education to a growing population. Improvements in performance—fewer high school dropouts, more post-graduate training, more kindergartens, more specialized attention for children with special problems—could substantially increase these expenditures.<sup>11</sup>

<sup>10</sup> Ellen J. Perkins, “Unmet Need in Public Assistance,” *Social Security Bulletin*, April 1960, pages 3-11.

<sup>11</sup> U. S. Arms Control and Disarmament Agency, *The Economic and Social Consequences of Disarmament*, July 1962.

The Twentieth Century Fund's study of America's needs and resources estimated that to meet minimum needs, personal consumption expenditures in 1960 would have to be about 4 percent higher than they were likely to be, but that Government expenditures for all purposes other than defense would have to be raised by 20 percent. This general relationship would probably hold for later years, based on somewhat different standards of need.

## PROBLEMS OF TRANSITION

What are the forces that would lead to the use for social welfare purposes of the resources released by disarmament? After all, we could as a Nation afford to meet most of these needs today if we really wanted to and were willing to be sufficiently inventive in our methods.

Several factors could be of some importance. In discussing the transition from a high level of military spending to a low level, reference is frequently made to the ease with which the economy adjusted at the end of World War II. Several circumstances contributed to that outcome. There were tremendous unfilled consumer needs and also a large volume of liquid assets in the hands of consumers. Shorter hours of work for civilians, and the absence of large numbers of veterans from the labor market while they made use of their veterans' educational benefits, helped keep down unemployment levels. Government fiscal policy, including tax reduction, large bonus payments to veterans, and general monetary ease, and a general atmosphere of dynamic optimism were also important. Under these circumstances, the necessary structural changes were made much more easily than they might otherwise have been.

What parallel circumstances could we look to today? There will be no volume of unfilled consumer demand like that existing at the end of World War II, especially if the tax cuts and reforms proposed by the Administration are put into effect within the next few years, before disarmament reduces military spending to any ap-

preciable degree. The real unfilled consumer needs will be among the very low-income groups who pay no income taxes. An increase in the level of social insurance benefits and of public assistance may thus appear highly desirable as a means of sustaining aggregate demand. Scholarships and training or retraining, not only for veterans but for all young people and all persons affected by automation or other changes in technology, may come to be seen as a desirable permanent feature of our economy. New types of income-maintenance programs, such as special relocation grants or loans, could be developed. Public spending for health and housing and social services could well come to be recognized as an essential balance for decreased public spending for military purposes.

It is significant that the funds—as distinguished from the economic resources—released by disarmament would be Federal money. There could thus be a direct transfer of funds from one part of the Federal budget to another. Increased Federal spending for social welfare purposes could occur without either additional tax revenues or deficit financing. And the situation would encourage reliance on Federal programs, although some new devices for channeling Federal funds to State or local programs—hopefully with Federal program standards—might be developed. Fortunately many of the Federal programs that would be needed are either in existence—old-age, survivors, and disability insurance, for example—or in the process of coming into being.

Finally, it seems not unreasonable to hope that the beginnings of disarmament would release social energies and social inventiveness that today tend to be suppressed and frustrated. Some of the pressure for disarmament is the pressure of fear. But there is also an ethic of concern for others and a moral realization of the meaning of interdependence that must increasingly permeate our thinking about international relations and our willingness to change established institutions before we are likely to achieve either disarmament or greater abundance for all. Disarmament and a more equitable society must go together into mankind's future.