

TABLE 3.—Monthly dependency and indemnity compensation payable to widows of deceased veterans or servicemen

Illustrative grade or rank	Old law <sup>1</sup>	New law <sup>2</sup>
E-1.....	\$184	\$215
E-3.....	195	228
E-5.....	212	248
E-7.....	227	266
E-9.....	251	294
O-1.....	232	271
O-3.....	257	301
O-5.....	299	350
O-7.....	365	427
O-10.....	469	549

<sup>1</sup> P L. 92-197, effective January 1, 1972. Basic rate increased by \$22 per month for each child under age 18. Basic rate increased by \$55 per month when widow is a patient in a nursing home or is so disabled as to require the aid and attendance of another person.

<sup>2</sup> P L. 93-295, effective May 1, 1974. Basic rate increased by \$26 per month for each child under age 18. Basic rate increased by \$64 per month when widow is a patient in a nursing home or is so disabled as to require the aid and attendance of another person.

For wartime veterans and for those who served between the end of the Korean conflict and the beginning of the recognized Vietnam era, earlier legislation provided that any chronic or tropical disease diagnosed within certain specified periods following discharge from active duty could be deemed service-connected on a rebuttable basis for disability purposes. P.L. 93-295 extends this presumptive protection to veterans who served between the end of World War II (December 31, 1946) and the beginning of the Korean conflict (June 25, 1950).

## Research Grants Studies

Section 1110 of the Social Security Act provides for a cooperative research grants program. The grants given by the Social Security Administration (SSA) under this program are to non-profit organizations for research in the broad area of social security. A report on a recently completed grants project is summarized below, and similar summaries will be published in the BULLETIN as the projects are concluded.

### EXPENDITURE PATTERNS OF WELFARE, AGED, AND DISABLED HOUSEHOLDS

Households headed by welfare recipients, aged persons, or disabled persons are not mutually exclusive. In fact, most households with disabled

persons participate in welfare programs and have an aged person as the head of the household. Teh-wei Hu, project director, and Norman L. Knaub and Sharif Ghalib of the Pennsylvania State University used SSA Research Grant No. 56073 to study expenditure patterns of these household units.

Budget studies generally concentrate on the household rather than the individual. In this study the household is defined as either a person living alone or with others (but who is financially independent) or a group of 2 or more people who pool their income. The income measure used is the net real disposable income, as distinguished from money income, because it is more representative of the differences in economic conditions between welfare and nonwelfare recipients, aged and nonaged households, and disabled and nondisabled households. In addition to the income variable, variables for the asset, size, and composition of the household are included in the model, as are variables for age, race, disability status, education, and sex of the head of household, and the tenure status and location of the household.

Regression equations were used to measure and test the possible differences in expenditure patterns between the welfare, aged, and disabled households and the nonwelfare, nonaged, and nondisabled households. Income for the welfare households was separated into cash welfare income, in-kind welfare income, and other nonwelfare income to measure the effects of welfare payments on family expenditures. Income for the aged households was separated into social security benefits and other income to measure the effects of social security cash payments on family expenditures. Data for this research were obtained by reexamining questionnaires that had been used in the 1960-61 survey of consumer expenditures (CES, by the Department of Agriculture and the Bureau of Labor Statistics) and the 1968-71 Panel Study of Income Dynamics (Panel Study, Institute of Survey Research, University of Michigan). Actually used were 11,827 households from the CES survey and 2,342 households (or a total of 7,026 households over the 3 years) from the Panel Study survey.

The analysis of expenditure patterns of welfare households focused on four questions: What are the welfare families' expenditures on food,

alcohol, cigarettes, housing, transportation, clothing, etc.? Do welfare and nonwelfare families differ with respect to expenditure patterns? What are the relevant marginal propensities to expend for various items for a given change in welfare payments? Do food stamps alter the expenditure patterns of recipients as compared with non-recipients?

Expenditure patterns of welfare households and nonwelfare households showed that the former spend a considerably larger portion of their incomes on food (30-37 percent, compared with 25 percent for nonwelfare households) and housing (24 percent, compared with 17-20 percent). Welfare households spend less on transportation (5-6 percent, compared with 10-13 percent). Expenditures for alcohol are about the same for both groups, although welfare households do spend larger proportions of their income on tobacco.

Welfare households tend to regard expenditures for transportation, medical care, and education as income elastic. Only expenditures for education are income elastic for nonwelfare families.

Empirical data from both the CES and the panel study indicate that welfare income, especially welfare income in kind, is used in the intended manner. From the findings of this study, however, it cannot be concluded that welfare assistance should be cash rather than in kind. The benefits of food stamps, for example, depend on the nutritional value of the food purchased. If increased food consumption consists of snack foods or convenience foods, the nutritional level of the household increases by a smaller proportion than the increase in food expenditures. Also, if increasing in-kind payments means decreasing cash payments, then other undesirable ramifications may offset the desirable increase in in-kind payments.

The analysis of expenditure patterns of aged households focused on three main questions: Do the spending patterns of older and younger consumer units differ significantly with respect to the level of expenditures and the marginal propensity to expend? Are there any significant differences in the expenditure patterns of the old (aged 65-74) and the very old (aged 75 and over)? Do recipients of social security benefits and nonrecipients differ with respect to expenditure patterns?

Since the average aged household is much smaller than the average nonaged household (2 persons, compared with 4 persons), spending patterns are sometimes measured on a per capita rather than a per household basis. Empirical data from both surveys indicate that nonaged persons (and households) spend proportionately more on alcohol, cigarettes, clothing, cars, and recreation than do aged persons (or households). Aged persons spend more on housing, food, medical care, and gifts than do nonaged households.

Homeownership is more prevalent in aged households than in nonaged households (89 percent, compared with 55-59 percent). Aged households have significantly higher levels of expenditures for housing and spend proportionately more on housing than do nonaged households. If expenditures on housing, including rising property taxes, could be reduced for the aged, substantial resources would be released that could raise their standard of living.

Social security beneficiaries have a higher marginal propensity to expend on food, housing, medical care, and gifts and contributions out of their social security benefits than out of their income from other sources. The implication here is that any increase in benefit levels would be likely to result in an increase in expenditures for food and housing rather than for nonnecessity items.

The analysis of expenditure patterns for disabled households focused on two main questions: Do expenditure patterns of disabled households differ from those of nondisabled households, and if so, to what extent? Is there any particular category of expenditure that differs more than others?

Disabled households are composed of more aged, less educated, and more female-headed units than are nondisabled households. The income of disabled households is about \$3,500 less than that of nondisabled households, and disabled households receive higher amounts of welfare payments than do nondisabled households.

A large number of disabled households are also welfare households. The disabled welfare household annually spends about \$28 less on alcohol and about \$100 less on cars than do nondisabled welfare households. The disabled aged household spends about \$14 more on cigarettes

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TABLE M-5.—Old-age and survivors insurance trust fund: Status, 1939-74

[In thousands]

Period	Receipts			Expenditures				Assets at end of period		
	Net contribution income <sup>1</sup>	Transfers from general revenues <sup>2</sup>	Net interest <sup>3</sup>	Cash benefit payments <sup>4</sup>	Rehabilitation services for disabled	Transfers to railroad retirement account <sup>5</sup>	Net administrative expenses <sup>6</sup>	Invested in U.S. Government securities <sup>7</sup>	Cash balances	Total assets
<b>Fiscal year</b>										
1939-40.....	\$550,000		\$42,489	\$15,805			\$12,288	\$1,738,100	\$6,598	* \$1,744,698
1944-45.....	1,309,919		123,854	239,834			26,950	6,546,281	67,100	6,613,381
1949-50.....	2,106,388	\$3,604	256,778	727,266			56,841	12,644,823	247,789	12,892,612
1954-55.....	5,087,154		438,029	4,333,147			-89,551	20,580,491	560,511	21,141,001
1959-60.....	9,842,685		517,130	10,269,709			600,437	19,748,848	1,079,877	20,828,725
1960-61.....	11,292,676		531,103	11,184,531			331,734	19,523,517	1,376,833	20,900,350
1961-62.....	11,454,643		541,254	12,657,835			360,788	18,434,665	1,191,468	19,626,133
1962-63.....	13,327,762		514,822	13,844,584			422,523	17,613,190	1,325,894	18,939,083
1963-64.....	15,502,726		541,552	14,579,166			402,636	18,304,869	1,393,982	19,698,851
1964-65.....	15,857,212		586,237	15,225,593			435,638	18,765,724	1,414,761	20,180,485
1965-66.....	17,865,947		694,758	18,071,454			443,820	17,908,655	1,963,580	19,872,236
1966-67.....	22,567,002	78,000	725,901	18,885,714	\$88		508,046	21,764,099	1,751,290	23,515,389
1967-68.....	22,662,430	78,000	899,397	20,737,093	277		437,634	23,234,480	2,298,423	25,532,904
1968-69.....	25,952,737	381,545	1,014,080	23,732,010	1,806		491,482	26,220,242	1,970,647	28,190,890
1969-70.....	29,954,673	442,151	1,849,613	26,260,928	1,239		578,818	30,109,913	2,503,443	32,616,355
1970-71.....	31,915,231	448,916	1,618,138	31,101,018	1,859		613,026	31,361,082	2,969,766	34,330,848
1971-72.....	35,710,725	487,546	1,718,572	34,540,813	1,555		724,341	33,188,486	3,210,572	36,399,058
1972-73.....	41,318,177	474,645	1,846,518	42,169,744	2,470		782,954	35,487,612	928,283	36,415,896
<b>1973</b>										
April.....	4,368,461		31,434	3,788,724	227		68,524	35,380,059	267,226	35,647,286
May.....	5,423,454		39,496	3,795,528	438		73,356	35,161,096	1,296,863	36,457,960
June.....	2,995,760		792,303	3,814,944	345		14,838	35,487,612	928,283	36,415,896
July.....	3,433,870		4,144	3,808,262	122		-3,722	35,481,014	568,234	36,049,248
August.....	5,523,530		45,380	3,839,155	217		-9,003	37,130,435	657,354	37,787,789
September.....	3,214,294		16,765	3,852,902	195		171,077	36,079,252	915,423	36,994,675
October.....	3,165,320		26,735	3,859,190	179		69,566	36,104,038	153,757	36,257,795
November.....	4,134,087		49,347	3,910,708	472		69,028	35,641,038	919,983	36,461,021
December.....	2,606,988	441,788	864,758	3,903,328	543		-16,024	36,196,031	290,676	36,486,707
<b>1974</b>										
January.....	3,367,586		6,637	3,927,417	376		137,205	35,562,967	231,964	35,794,932
February <sup>8</sup> .....	5,643,959		48,578	3,941,167	197		52,364	37,085,294	408,447	37,493,741
March <sup>9</sup> .....	3,640,855		13,663	4,001,615	321		48,583	36,961,744	135,995	37,097,739
April.....	4,490,102		42,555	4,259,353	201		27,119	37,234,446	109,278	37,343,724

<sup>1</sup> Equals amounts appropriated (estimated tax collections, subsequently adjusted) Includes deposits by States under voluntary coverage agreements and deductions for refund of estimated employee-tax overpayment. Early years reflect former appropriation bases

<sup>2</sup> From 1947 to 1951, for benefits with respect to certain World War II veterans. Beginning 1966, for military wage credits, and, beginning Dec 1963, Federal payment for special age-72 benefits, see footnote 4

<sup>3</sup> Includes interfund transfer of interest on administrative expenses reimbursed to the OASI trust fund from the other 3 social security trust funds, 1958 to date (see footnote 6)

<sup>4</sup> Before deductions for (1) SMI premium payments and, when applicable, (2) recoupment of overpayments of hospital and medical service benefits provided to OASI beneficiaries Includes special benefits for persons aged 72 and over not insured under the regular or transitional provisions of the Social Security Act

<sup>5</sup> The purpose of the financial interchange provisions of the Railroad Retirement Act, as amended, is to place the trust funds in the same position in which they would have been had railroad employment always been covered under OASDHI Negative figures represent transfers to OASI trust fund Excludes transfers to HI trust fund for hospital insurance coverage

of railroad workers, accounted for elsewhere (see table M-7)

<sup>6</sup> Beginning Nov. 1951, adjusted for reimbursements to trust fund of small amounts for sales or services Beginning Oct. 1953, includes expenses for central and regional office building construction Except for reimbursements from the appropriate trust fund to Treasury Department for its expenses as incurred, beginning 1957 administrative expenses for OASI and DI were paid initially from OASI trust fund with subsequent reimbursement, plus interest (see footnote 3), from DI trust fund for allocated cost of DI operations Beginning 1966, subject to subsequent adjustment among all 4 social security trust funds for allocated cost of each operation

<sup>7</sup> Book value includes net unamortized premium and discount, accrued interest purchased, and repayment of interest accrued on bonds at time of purchase

<sup>8</sup> Reflects assets of predecessor fund, and old-age reserve account, January 1937-December 1939

<sup>9</sup> Includes \$82.4 million of February deposits by States and \$22.7 million of February benefit payments reported March 1974, credited retroactively to February

Source Unpublished Treasury reports keyed to *Final Statement of Receipts and Expenditures of the U.S. Government.*

## RESEARCH GRANTS STUDIES

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and \$130 less on cars than do nondisabled aged households.

Given the major characteristics of the disabled households—less education, more aged persons, and low income—and the nature of the physical or mental handicap of the head of the household, their prospects for employment and earnings are

not good. Thus it has to be left to the government to supplement their income in order for them to have a decent standard of living.

The final report of this research grants project is in the Social Security Administration Library, 571 Altmeyer Building, 6401 Security Blvd., Baltimore, Md., 21235, and in the Library of the Office of Research and Statistics, Room 320-0, Universal North Building, 1875 Connecticut Ave., N.W., Washington, D.C., 20009. Copies of the report may be obtained through interlibrary loans. (Also in these libraries are copies of more than 50 other research grants projects that have been completed since 1963. A list of these projects appears in the May 1974 BULLETIN.)