

# Social Welfare Expenditures, 1972-73

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*Social welfare expenditures under public laws rose from \$193 billion in fiscal year 1972 to \$215 billion in 1973, amounting to more than \$1,000 per person in the United States. Although the 1973 increase of about 12 percent was not as great as that of earlier years, it reflected a continuing commitment of the country to social welfare. Social welfare expenditures in 1973 amounted to 17.6 percent of the gross national product, compared with 17.5 percent in 1972. They represented 55 percent of total government expenditures, compared with 53 percent in the preceding year. Even after adjustment for population and price changes, a real growth of 7 percent was registered. The average annual increase in real terms was 9 percent between 1965 and 1972 and 5 percent between 1960 and 1965.*

**SOCIAL WELFARE EXPENDITURES** under public programs increased at practically the same rate (12 percent) in fiscal year 1973 as in fiscal year 1972. The wage and price freeze that went into effect in August 1971 has undoubtedly been a dampening force on social welfare expenditures, which had risen 18 percent in the fiscal year ending June 30, 1971, and 15 percent in the year ending June 30, 1970.

Nevertheless, the 1973 increase of 11.7 percent represented the largest absolute rise (\$22.5 billion) in the series, except for 1971. If divided among every man, woman, and child in the United States, the \$215.2 billion spent on social welfare in 1973 would come to \$1,007 per person, compared with \$909 in fiscal year 1972. Even after adjustment for inflation, per capita expenditures showed a 7.4-percent advance from 1972 to 1973. The average annual increase in real terms had risen from 5 percent in the first half of the sixties to 9 percent from 1965 to 1972.

The growing national commitment to social welfare is further evidenced by the fact that social welfare expenditures increased slightly faster than the gross national product even in a year of economic upturn. The amounts spent for

social welfare purposes in 1973 equaled 17.6 percent of the Nation's output of goods and services, compared with 17.5 percent in 1972.

The proportion of government spending (Federal, State, and local, taken together) allocated for social welfare, as defined here, also showed an increase—from 53 percent in fiscal year 1972 to 55 percent in fiscal year 1973. All of this increase can be attributed to the Federal budget, half of which now goes for social welfare. In 1972, the proportion was 47 percent.

With private social welfare spending included, the grand total for social welfare expenditures almost hit the \$300-billion mark in fiscal year 1973 and was equivalent to about one-fourth of the gross national product. Public spending accounted for 71 percent of all social welfare expenditures and continued to dominate the areas of income maintenance, education, and welfare.

Public social welfare expenditures, as defined in this series, refer to 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 and public assistance and the public provision of health, education, housing, and other welfare services.

Private social welfare expenditures represent direct consumer expenditures for medical care and education, expenditures of private employee-benefit plans (including group health and life insurance for government employees), industrial in-plant health services, private health insurance benefits and the cost of providing this protection, and philanthropic spending.

Fiscal year 1973 saw the development of a new form of Federal assistance to States, called general revenue sharing. Under the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), the Federal Government allocates to States and localities funds that may be spent by the States in any area of activity in which they may spend their own money and by the localities for any capital expenditure authorized by local law

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or for operating and maintenance costs in these eight broad areas: public safety, environmental protection, public transportation, health, recreation, social services for the poor or aged, financial administration, and libraries. Units of local government may not spend shared revenues for operating and maintenance expenses in the field of education.

This program is in contrast to most of the existing Federal grants-in-aid, which are restricted to specific programs and require that State and local government recipients comply with certain conditions (which often include matching funds). General revenue-sharing payments are being made to States and localities at an annual rate of almost \$6 billion,<sup>1</sup> compared with about \$45 billion<sup>2</sup> disbursed in Federal funds under specific grant programs.

Up to now, specific Federal grants 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 considered to be Federal expenditures and are subtracted from gross expenditures reported by State and local jurisdictions.)

With general revenue sharing, it will be more difficult to characterize and classify in a timely fashion the nature of the shared revenues because the information will be dependent upon reports filed by States and localities with the Federal Government. So far, no data have been issued concerning the actual uses of shared revenues received, though the Federal Government has collected information from the recipient units about their plans for using the funds entitled. This series does not yet include expenditures from general revenue-sharing funds because of the lack of data (caused in part by the fact that the program became effective retroactively).

It should be noted that this omission does not produce any significant understatement in the amount of aggregate social welfare expenditures

reported in the series. To a large extent the shared revenue funds are already included in the series as part of the regularly reported gross expenditures of State and local governments. What is affected by the omission is the distribution of spending between Federal and State-local jurisdictions; the Federal share is understated and the State-local share is overstated by the amounts thus received within the States.

Some measure of the Federal understatement may be obtained from a report by the Office of Revenue Sharing.<sup>3</sup> States and localities advised the Federal Government that they planned to use almost one-third of the \$2.99 billion allocated for the third semiannual entitlement period—January 1–June 30, 1973—for activities that would be defined in this series as social welfare. The largest amount—about \$650 million—would be used for education, with \$175 million going for health, and \$110 million for social services. In addition, \$37 million was proposed for combined housing and commercial development use, some of which might be deemed social welfare. An Office of Revenue Sharing survey on the use of receipts for the first two entitlement periods indicated plans for spending relatively less for social welfare and more in other permitted areas.

#### EXPENDITURES IN FISCAL YEAR 1973

Although social welfare expenditures in fiscal year 1973 rose at about the same pace as in fiscal year 1972, the various categories showed different growth patterns, as the tabulation below indi-

Program	Percentage increase	
	From 1971 to 1972	From 1972 to 1973
Social insurance.....	12.7	15.0
Public aid.....	22.5	8.6
Health and medical programs.....	17.3	14.3
Veterans' programs.....	10.3	18.0
Education.....	6.8	7.4
Other social welfare.....	9.7	12.8

cates. Except for housing expenditures (which, despite a rise of one-third in both fiscal years 1972 and 1973, accounted for less than 1 percent

<sup>1</sup> Payments for the first two semiannual entitlement periods, covering calendar year 1972 at \$2.65 billion each, were made retroactively in December 1972 and January 1973. Payments for the third period were made in April and in July 1973 for a total of \$2.99 billion.

<sup>2</sup> *Special Analyses, Budget of the United States Government, Fiscal Year 1974*, table N-1, page 211.

<sup>3</sup> Department of the Treasury, Office of Revenue Sharing, *General Revenue Sharing—The First Planned Use Reports*, September 24, 1973, page 7.





fiscal year 1973 actually declined about \$430 million. More than offsetting this drop, however,

was a doubling of expenditures to \$1.1 billion under the 2-year-old emergency employment as-

TABLE 1.—Social welfare expenditures under public programs, selected fiscal years, 1928-29 through 1972-73 <sup>1</sup>—Continued

(In millions)

Program	1928-29	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>2</sup>
	From State and local funds <sup>27</sup>									
Total.....	\$3,122.8	\$12,967.3	\$18,017.1	\$27,336.6	\$39,463.5	\$58,793.7	\$68,556.7	\$79,354.5	\$86,563.2	\$92,896.8
Social insurance.....	286.5	2,843.6	3,449.9	4,999.4	6,316.2	7,924.7	9,431.1	12,468.3	13,551.6	13,687.9
Public employee retirement <sup>3</sup> .....	61.2	310.0	580.0	1,050.0	1,748.0	2,731.0	3,142.0	3,644.0	4,188.0	4,750.0
Unemployment insurance and employment service <sup>4</sup> .....		1,861.5	1,759.9	2,356.1	2,302.8	2,021.3	2,783.4	5,003.8	5,205.6	4,293.3
State temporary disability insurance <sup>5</sup> .....		72.1	217.5	347.9	483.5	648.1	717.7	773.1	783.7	826.7
Hospital and medical benefits <sup>6</sup> .....		2.2	20.0	40.2	50.9	57.7	62.6	68.4	68.3	68.2
Workmen's compensation <sup>7</sup> .....	255.3	600.0	892.5	1,245.4	1,781.8	2,524.3	2,788.0	3,047.4	3,374.3	3,817.9
Hospital and medical benefits <sup>8</sup> .....	74.4	187.8	308.1	411.0	568.7	858.3	959.3	1,069.9	1,188.1	1,340.0
Public aid.....	60.0	1,393.0	1,498.8	1,984.2	2,689.5	5,610.1	6,839.2	8,272.7	9,788.1	10,480.5
Public assistance <sup>10</sup> .....	59.9	1,393.0	1,498.8	1,984.2	2,689.5	5,610.1	6,839.2	8,272.7	9,788.1	10,480.5
Vendor medical payments <sup>11</sup> .....		51.3	188.6	292.9	812.1	2,297.8	2,605.6	2,903.6	3,585.4	4,077.1
Social services <sup>4</sup> .....						200.0	190.6	258.0	562.3	556.0
Other.....	.1									
Health and medical programs <sup>13</sup> .....	304.4	1,460.0	1,952.8	2,726.8	3,465.8	4,463.5	4,977.6	5,741.8	6,449.1	7,409.2
Hospital and medical care.....	108.6	839.7	1,230.9	1,869.8	2,377.6	2,816.5	3,099.0	3,333.9	3,734.1	4,329.2
Maternal and child health programs.....	5.0	9.7	69.2	106.1	153.9	219.0	235.3	255.2	236.3	234.3
Medical research.....				23.0	55.0	72.0	76.0	78.0	79.0	80.0
School health (educational agencies).....	9.4	30.6	65.9	101.0	142.2	225.0	246.6	271.9	295.0	320.0
Other public health activities.....	81.9	287.0	318.8	343.9	448.1	670.0	846.7	1,020.8	1,304.7	1,595.7
Medical-facilities construction.....	99.5	293.0	268.0	283.0	289.0	461.0	474.0	782.0	800.0	850.0
Veterans' programs.....		479.5	61.6	111.9	20.4	50.6	66.8	64.6	60.0	54.0
Education.....	2,397.2	6,517.5	10,672.1	16,758.3	25,638.1	38,750.1	44,975.4	50,305.5	54,042.3	58,300.0
Elementary and secondary.....	2,206.6	5,549.1	9,425.1	14,667.1	21,580.9	31,133.1	35,675.3	39,523.6	42,147.6	45,300.0
Construction <sup>14</sup> .....	377.0	1,014.2	2,091.9	2,591.2	3,190.0	4,631.1	4,623.2	4,531.7	5,035.0	5,015.7
Higher.....	170.0	866.3	1,112.6	1,897.7	3,609.4	6,477.0	7,758.2	8,831.0	9,700.0	10,600.0
Construction <sup>15</sup> .....	(26)	304.6	193.4	356.7	757.4	1,050.0	1,195.5	1,400.0	1,500.0	1,700.0
Vocational and adult <sup>16</sup> .....	20.6	102.1	134.4	193.5	447.7	1,140.1	1,541.8	1,951.0	2,194.7	2,400.0
Housing.....			14.6	33.2	60.0	106.8	119.6	175.1	200.0	225.0
Other social welfare.....	74.8	273.7	367.3	722.8	1,253.6	1,887.9	2,147.1	2,326.5	2,472.1	2,740.2
Vocational rehabilitation.....	8	9.0	15.3	32.1	67.1	126.7	136.3	158.6	155.8	150.2
Medical services <sup>17</sup> .....	.1	2.3	3.5	6.6	13.0	29.6	26.8	32.6	35.8	39.4
Institutional care <sup>21</sup> .....	74.0	125.0	155.0	400.0	775.0	1,090.0	1,285.0	1,400.0	1,560.0	1,825.0
Child nutrition <sup>22</sup> .....		39.0	69.0	92.6	113.7	155.0	185.1	216.4	269.0	285.0
Child welfare <sup>23</sup> .....		100.7	128.0	198.1	317.8	516.3	540.7	551.5	487.3	480.0

<sup>1</sup> 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.

<sup>2</sup> Preliminary estimates

<sup>3</sup> Excludes financial interchange between OASDHI and railroad retirement.

<sup>4</sup> Included in total immediately above, includes administration

<sup>5</sup> Excludes refunds of employee contributions; includes payments to retired military and survivors. Administrative expenses for Federal noncontributory retirement not available

<sup>6</sup> Includes unemployment compensation under State programs, programs for Federal employees and ex-servicemen, trade adjustment and cash training allowances, and payments under extended unemployment insurance programs

<sup>7</sup> 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

<sup>8</sup> Included in total directly above, excludes administrative expenses, not available separately but included for entire program in preceding line

<sup>9</sup> 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 1969-70, Federal expenditures include "black lung" benefits

<sup>10</sup> Represents payments under the Social Security Act and (from State and local funds) general assistance. Starting 1968-69, includes work incentive activities

<sup>11</sup> Included in total directly above, includes administrative expenses of medical assistance (Medicaid) program

<sup>12</sup> Work relief, other emergency aid, surplus food for the needy, food stamps, repatriate and refugee assistance, and Job Corps, Neighborhood Youth Corps, and work-experience training programs under the Economic Opportunity Act and related laws. See footnote 24

<sup>13</sup> 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)

<sup>14</sup> Includes medical care for military dependent families

<sup>15</sup> Includes services for crippled children. Starting 1970-71, administrative expenses not available

<sup>16</sup> Includes burial awards. Starting 1964-65, includes subsistence payments to disabled veterans undergoing training and special allowances for survivors of veterans who did not qualify under OASDHI

<sup>17</sup> Excludes the Servicemen's Group Life Insurance program

<sup>18</sup> Federal expenditures for administrative costs (Office of Education) and research included in total only

<sup>19</sup> Construction for vocational and adult education included with elementary-secondary construction

<sup>20</sup> Medical services and research included in total, excludes administrative expenses

<sup>21</sup> Federal expenditures represent primarily surplus food for institutions. State and local expenditures include some amounts for antipoverty programs, foster care, legal assistance to the needy, and care of transients

<sup>22</sup> Surplus food for schools and programs under National School Lunch and Child Nutrition Acts. State and local funds represent direct appropriations

<sup>23</sup> Represents primarily child welfare services under the Social Security Act. Starting 1968-69, administrative expenses not available

<sup>24</sup> Includes community action, migrant workers, and VISTA program and all administrative expenses of the Office of Economic Opportunity. Other OEO programs listed in appropriate subsection under public aid and education

<sup>25</sup> Includes 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 child development activities

<sup>26</sup> Not available

<sup>27</sup> 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).

sistance program, which provides Federal financing of the costs of transitional State and local government employment for the unemployed, as well as training and supportive services. The 1973 expenditures for the food stamp program also showed an increase—close to \$350 million, or 19 percent.

All in all, the \$2.2 billion rise in public aid expenditures to a total of \$28.3 billion accounted for one-tenth of the 1973 increase in total social welfare expenditures. In the preceding year, public aid was responsible for considerably more than twice that proportion.

Social insurance reinforced its position as the largest single component of the series with an increase of \$11.2 billion that brought the 1973 total to \$35.9 billion. Social insurance now accounts for two-fifths of all social welfare expenditures. The 1973 rise in expenditures for this group was responsible for half the increase in all social welfare expenditures under public programs in that year.

Leading the increase in social insurance expenditures was the old-age, survivors, disability, and health insurance (OASDHI) program, which expended \$9.6 billion more in fiscal year 1973 than in fiscal year 1972. In the cash benefit part of the program, the increase came to 23 percent. A major factor in the rise was the 20-percent across-the-board hike in benefits, effective September 1, 1972, provided by the 1972 social security amendments. The Medicare part of the program rose by 7 percent.

One social insurance program—workmen's compensation—showed an even greater relative increase than OASDHI. Expenditures under this program advanced by \$1.0 billion or 25 percent from fiscal year 1972 to fiscal year 1973, but the entire \$5.0 billion expended under this program was less than one-tenth of OASDHI expenditures. Expansion of the Federal "black lung" benefit program accounted for half the increase in workmen's compensation expenditures, following the May 1972 liberalization of eligibility requirements and the addition of new classes of beneficiaries. Expenditures under this program reached \$952 million in fiscal year 1973—more than double the total in the preceding year.

Public retirement programs such as railroad retirement and public employee retirement programs also experienced legislative increases in

benefit rates, with the result that 1973 expenditures for each of these programs amounted to 16 percent more than in fiscal year 1972. A more modest increase of 5 percent was registered in the State temporary disability insurance programs.

Unemployment insurance and employment service outlays, which doubled from fiscal year 1970 to 1972 because of the business slowdown, dropped 21 percent in fiscal year 1973. The \$6.0 billion expended in 1973, however, was still considerably larger than the \$3.8 billion expended in 1970. Pockets of high unemployment persisted throughout the economy. In addition, Congress had liberalized temporarily the formula for qualification for the permanent extended unemployment benefit program and authorized additional weeks of benefits for workers exhausting both their regular and extended unemployment insurance benefits.

At \$14.6 billion, expenditures for health and medical programs for the second year in a row rose substantially. The \$1.8-billion increase in fiscal year 1973 was mainly attributable to increases of \$1.0 billion in hospital and medical care benefits provided by public agencies and of \$0.5 billion in outlays for public health activities. The latter continued to register above average increases—24 percent in 1973 and 34 percent in 1972.

Expenditures under veterans' programs increased by \$1.5 billion to a total of \$13.0 billion in fiscal year 1973. Education benefits for returning Vietnam veterans and their dependents and survivors skyrocketed by 38 percent in 1973 and accounted for about half the dollar increase in all veterans' expenditures. Health and medical benefits rose 14 percent and accounted for \$0.3 billion of the \$1.5 billion increase. Despite cost-of-living increases legislated by Congress, pension and compensation outlays for all veterans rose only 6 percent during the year.

For the second year in a row, expenditures for education, which amounted to \$65.3 billion in fiscal year 1973, accounted for the smallest growth of all the major categories. After registering advances of 16 percent and 12 percent in 1970 and 1971, respectively, education outlays in each of the following 2 years went up only 7 percent. Because of the magnitude of the public education programs, however, the 1973 increase of \$4.5

billion still accounted for one-fifth of the \$22.5 billion rise in total social welfare expenditures.

A slackening rate of increase in enrollments culminating in an actual drop in the number of students in fiscal year 1973 was largely responsible for the slowdown in public expenditures for elementary and secondary schools. A continuing rise in enrollment in institutions of higher learning produced a somewhat higher rate of increase in public expenditures for higher education (9 percent) than that for elementary and secondary education (7 percent).

Expenditures for the major components of the "other social welfare" category—child nutrition and institutional and related care—showed substantial increases of 14–17 percent in fiscal year 1973. These two sets of programs, which provided a little more than half of the \$6.3 billion spent for "other social welfare" in fiscal year 1973, accounted for two-thirds of the \$0.7 billion increase in that year.

## MEASURES OF GROWTH

Increases in the aggregate expenditures give only one dimension of the involvement of govern-

ment in social welfare programs and activities. Part of the growth in social welfare expenditures in the United States, as in other countries, has resulted from the growth in population. When the factor of population is removed altogether, total expenditures translated into expenditures per capita in fiscal year 1973 amount to \$1,007 for every man, woman, and child in the country (table 2). In fiscal year 1972, the per capita figure was \$909, and in 1965, \$391.

Responsible for an even greater part of the increase in social welfare expenditures has been inflation. Removing the price change factor (by applying the personal consumption expenditures implicit price deflators of the national income accounts) pulls down the 157-percent absolute rise in per capita social welfare expenditures between 1965 and 1973 to a constant dollar increase of only 98 percent. The latter percentage is a measure of the real increase in the level of publicly-financed social welfare cash and service benefits, after discounting for both population and price changes.

The year-by-year trend in social welfare expenditures for fiscal years 1960 through 1973 is shown in chart 1 in both current and constant

TABLE 2.—Per capita social welfare expenditures under public programs in the United States, in actual and 1972–73 prices, selected fiscal years, 1928–29 through 1972–73

Fiscal year	Per capita social welfare expenditures in current prices <sup>1</sup>							Constant 1972–73 prices			
	Total <sup>2</sup>	Social insurance	Public aid	Health and medical programs	Veterans' programs	Education	Other social welfare	All health and medical care <sup>3</sup>	Total social welfare expenditures <sup>1</sup>		Implicit price deflators (1972–73=100)
									Amount (in millions)	Per capita	
1928–29.....	\$31.80	\$2.78	\$0.49	\$2.85	\$5.31	\$19.75	\$0.62	\$3.87	\$9,968.6	\$80.92	39.3
1949–50.....	152.58	32.19	16.26	13.44	44.18	43.47	2.92	19.97	40,450.6	263.49	67.9
1954–55.....	194.06	58.71	17.98	16.58	28.46	66.68	3.71	26.47	49,410.1	295.84	65.8
1959–60.....	285.42	105.35	22.46	24.45	29.52	96.43	6.24	35.03	71,673.2	392.60	72.7
1964–65.....	391.15	142.29	31.95	31.76	30.30	142.73	10.50	48.48	100,037.2	508.65	76.9
1968–69.....	617.48	236.45	65.45	43.86	38.17	212.50	18.47	111.70	147,954.6	720.61	85.7
1969–70.....	701.45	262.40	79.48	47.01	42.99	244.95	21.25	121.63	161,690.6	779.39	80.0
1970–71.....	818.22	314.97	101.67	51.97	49.08	271.31	24.22	136.41	182,391.8	870.45	84.0
1971–72.....	908.61	351.48	123.32	60.36	53.63	286.90	26.32	157.82	198,396.0	937.68	86.9
1972–73.....	1,006.62	400.84	132.85	68.49	60.16	305.80	29.47	176.12	214,637.3	1,006.62	100.0
Percentage change for 1972–73 expenditures (1972–73 prices) from											
1949–50.....	+282	+621	+373	+195	-21	+307	+461	+411	+431	+282	-----
1954–55.....	+240	+349	+386	+143	+39	+202	+422	+338	+334	+240	-----
1959–60.....	+156	+177	+330	+104	+48	+130	+244	+266	+199	+156	-----
1964–65.....	+96	+117	+220	+66	+53	+65	+116	+179	+115	+96	-----
1969–70.....	+29	+38	+31	+31	+26	+12	+25	+30	+33	+29	-----
1970–71.....	+16	+20	+23	+24	+15	+6	+14	+21	+18	+16	-----
1971–72.....	+7	+11	+4	+10	+9	+3	+8	+8	+8	+7	-----

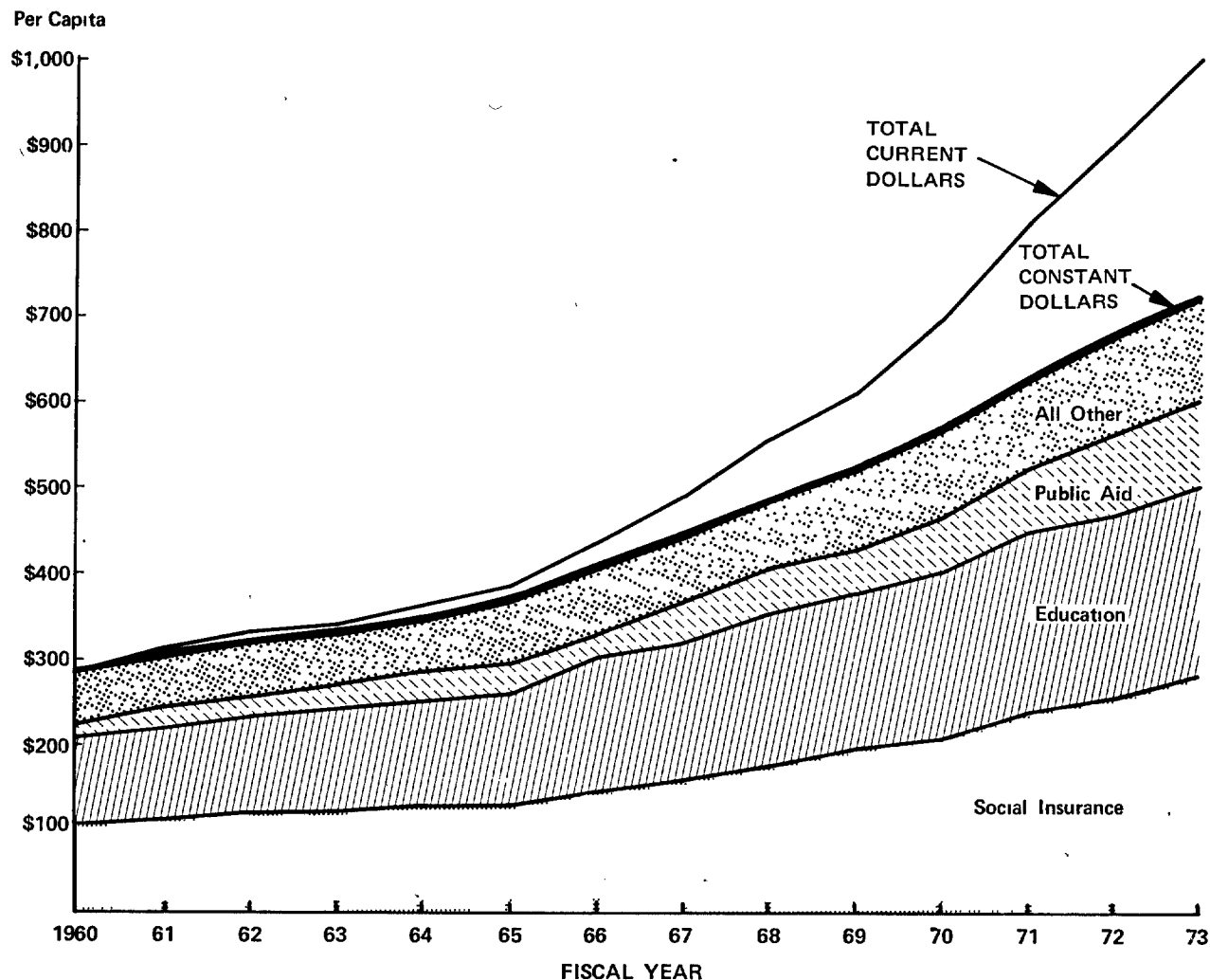
<sup>1</sup> Excludes expenditures within foreign countries for education, veterans' payments, and OASDHI and civil service retirement benefits, see table 1 for data including such expenditures

<sup>2</sup> Includes housing, not shown separately.

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

Source: Per capita figures based on January 1 data from the Bureau of the Census for total U S population, including Armed Forces and Federal civilian employees and their dependents overseas, and the civilian population of Territories and possessions. 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.

CHART 1.—Per capita social welfare expenditures in current and constant (1960) dollars



dollars. The gap between the two lines continues to widen and shows dramatically that inflation has eaten away a large part of the value of the ever-increasing expenditures for social welfare purposes. Nevertheless, the chart shows that “real growth” in these expenditures has also occurred over a period of time. During the period 1960–65, per capita expenditures in constant dollars rose from \$285 to \$370—an average annual rate of increase of 5.3 percent. During the next 7 years, however, the average annual increase was 9.2 percent, as 1972 per capita expenditures rose to \$682 in 1960 dollars. In fiscal year 1973, the real increase slackened slightly, to 7.4 percent.

Another measure of the degree of national commitment to social welfare is the relationship of these expenditures to the gross national prod-

uct (GNP). Despite a leveling-off of the rate of increase, social welfare expenditures rose from 17.5 percent of GNP in fiscal year 1972 to 17.6 percent in fiscal year 1973. In previous years, however, the annual increases were of a greater magnitude, averaging eight-tenths of one percentage point between 1965 and 1972. The average annual increase had been only two-tenths of one percentage point from 1960 to 1965.

Since 1965, all the major categories have shared in this growth (table 3). The largest increase took place in public aid, which more than doubled by this measure—from 1.0 percent of GNP in 1965 to 2.3 percent of GNP in 1973. All medical and health expenditures (including outlays for health services provided in connection with other social welfare programs) also doubled



TABLE 3.—Social welfare expenditures under public programs as percent of gross national product, selected fiscal years, 1889-90 through 1972-73

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 <sup>2</sup>
		Total <sup>1</sup>			Social insurance	Public aid	Health and medical programs	Veterans' programs	Education	Other social welfare	
		Total	Federal	State-local							
1889-90.....	\$13.0	2.4	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>4</sup> )	0.3	0.1	0.9	1.1	( <sup>5</sup> )	( <sup>6</sup> )
1912-13.....	39.9	2.5	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>4</sup> )	.3	.4	.5	1.3	( <sup>5</sup> )	( <sup>6</sup> )
1928-29.....	101.0	3.9	0.8	3.1	0.3	.1	.3	.7	2.4	0.1	0.5
1949-50.....	263.4	8.9	4.0	4.9	1.9	.9	.8	2.6	2.5	.2	1.2
1954-55.....	379.7	8.6	3.9	4.7	2.6	.8	.8	1.3	2.9	.2	1.2
1959-60.....	495.6	10.6	5.0	5.5	3.9	.8	.9	1.1	3.6	.2	1.3
1964-65.....	655.6	11.8	5.8	6.0	4.3	1.0	1.0	.9	4.3	.3	1.5
1968-69.....	899.0	14.1	7.6	6.5	5.4	1.5	1.0	.9	4.9	.4	2.6
1969-70.....	954.8	15.3	8.1	7.2	5.7	1.7	1.0	.9	5.3	.5	2.6
1970-71.....	1,013.3	17.0	9.1	7.8	6.5	2.1	1.1	1.0	5.6	.5	2.8
1971-72.....	1,100.6	17.5	9.6	7.9	6.8	2.4	1.2	1.0	5.5	.5	3.0
1972-73 <sup>7</sup> .....	1,220.1	17.6	10.0	7.6	7.0	2.3	1.2	1.1	5.3	.5	3.1

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

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

in relation to the GNP. Social insurance ranked next; its expenditures increased from 4.3 percent of GNP in 1965 to 7.0 percent of that in 1973. Other social welfare categories shared more moderately in the national output.

#### FEDERAL AND STATE-LOCAL SOCIAL WELFARE EXPENDITURES

The Federal Government continued to consolidate its role as the major supplier of public social welfare funds in fiscal year 1973. Fifty-seven percent of all spending for social welfare purposes now comes from Federal general or special revenues and trust funds and 43 percent from State and local funds (table 4). During the first half of the sixties, the proportion of Federal spending remained at a steady 49 percent, but since then it has been rising by roughly 1 percentage point a year. During 1973, the increase was about two percentage points.

The social insurance category played a major

role in tilting up the ratio of Federal spending. Federal funds accounted for 84 percent of the money expended under social insurance in fiscal year 1973, compared with 82 percent in 1972 and 81 percent in 1971. The expansion of the OASDHI and "black lung" benefit programs at the Federal level, coupled with the drop in unemployment insurance benefits at the State level, was largely responsible for this development.

Changes in the Federal share of spending for other major social welfare categories were small. The proportion of expenditures for public aid funded from Federal sources showed a fractional rise, though the long-term trend was more impressive—from 58 percent in fiscal year 1969 to 63 percent in fiscal year 1973. Similarly, Federal spending for "other social welfare" increased from 50 percent of the total in 1969 to 56 percent in 1973. The 1973 distribution between Federal and non-Federal spending for education, veterans' programs, and health and medical programs was practically the same as that in 1969.

TABLE 4.—Social welfare expenditures under public programs: Federal funds as percent of total, selected fiscal years, 1928-29 through 1972-73

Program	1928-29	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>1</sup>
Total.....	20.4	44.8	44.8	47.7	48.9	53.8	53.0	53.8	55.1	56.8
Social insurance.....	16.3	42.5	64.9	74.1	77.5	83.8	82.8	81.2	81.9	84.1
Public aid.....		44.2	50.1	51.6	57.2	58.3	58.5	61.2	62.5	63.0
Health and medical programs.....	13.3	29.2	37.1	38.9	44.5	50.4	49.0	47.3	49.5	49.3
Veterans' programs.....	100.0	93.0	98.7	98.0	99.7	99.4	99.3	99.4	99.5	99.6
Education.....	1.5	2.3	4.3	4.9	8.6	11.3	11.6	11.6	11.0	10.6
Housing.....		100.0	83.7	81.2	74.9	79.9	82.9	83.3	85.7	88.3
Other social welfare.....	1.8	38.9	40.7	36.6	39.3	50.2	51.3	54.2	55.6	56.4
All health and medical care <sup>2</sup> .....	20.6	44.4	44.1	45.6	48.5	66.4	65.8	65.7	66.1	65.6

<sup>1</sup> Preliminary estimates  
<sup>2</sup> Combines "health and medical programs" with medical services provided

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

**TABLE 5.—Social welfare expenditures from public funds<sup>1</sup> in relation to government expenditures for all purposes, by type of funds, selected fiscal years, 1928–29 through 1972–73**

Item	1929	1950	1955	1960	1965	1969	1970	1971	1972	1973 <sup>2</sup>
<b>All social welfare expenditures from public funds:</b>										
Total, as percent of all government expenditures.....	36.3	37.6	32.7	38.0	42.4	44.7	47.8	51.8	53.4	55.0
Federal, as percent of all Federal Government expenditures.....	30.9	26.2	22.3	28.1	32.6	37.5	40.1	44.9	47.0	49.6
State and local, as percent of all State and local government expenditures <sup>3</sup> .....	38.2	60.1	55.3	58.3	61.7	58.8	62.4	64.2	65.4	65.2
<b>Social welfare trust-fund expenditures</b>										
Total, as percent of total government expenditures.....	2.3	6.8	9.1	13.1	14.4	16.1	16.8	18.5	19.0	20.3
Federal, as percent of all Federal Government expenditures.....	1.2	4.6	9.1	15.2	17.7	21.2	22.0	24.1	24.6	26.9
State and local, as percent of all State and local government expenditures <sup>3</sup> .....	2.6	11.3	8.9	8.8	7.9	6.2	6.9	8.6	8.7	8.0
<b>Social welfare non-trust-fund expenditures:</b>										
Total, as percent of total non-trust-fund expenditures.....	34.9	35.0	26.2	29.5	33.7	34.6	38.0	41.6	43.5	45.4
Federal, as percent of Federal Government non-trust-fund expenditures.....	30.2	24.7	14.7	15.9	18.9	21.4	23.9	28.3	30.7	33.4
Veterans' programs.....	25.2	17.0	7.4	6.9	6.2	5.3	5.8	6.5	6.6	7.4
State and local, as percent of State and local government non-trust-fund expenditures <sup>3</sup> .....	36.5	55.0	50.9	54.3	58.3	56.1	59.7	60.8	62.2	62.1
All programs.....	32.4	36.1	38.9	42.6	47.0	45.1	47.8	48.1	48.6	48.5
Education.....										

<sup>1</sup> Excluding that part of workmen's compensation and temporary disability insurance payments made through private carriers and self-insurers.

<sup>2</sup> Preliminary estimates

<sup>3</sup> From own sources, excluding Federal grants-in-aid.

The Federal share of total social welfare spending, as shown in table 4, would have been greater if the Federal general revenue-sharing funds mentioned earlier had been included in the data. Such an inclusion would have affected especially the education and health and medical categories.

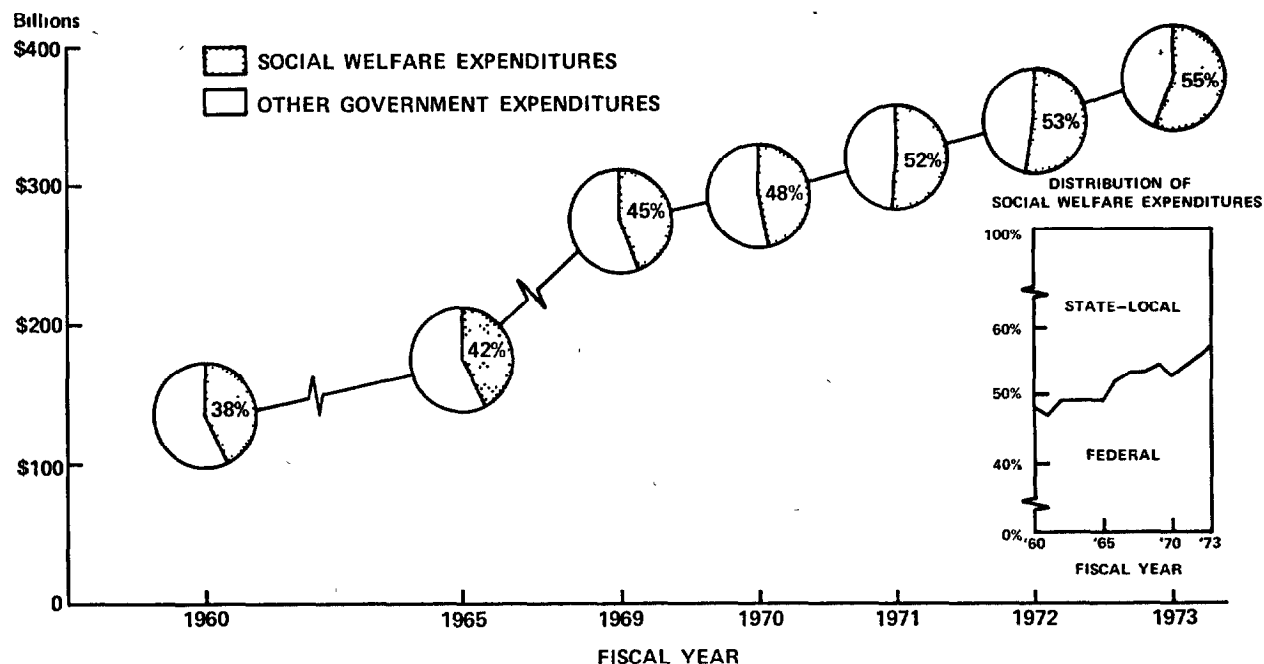
Federal spending in fiscal year 1973 rose at more than twice the rate of State and local spending—15 percent as against 7 percent. The effects of such increased social welfare spending on total

governmental spending are shown in table 5 and chart 2.

The proportion of Federal, State, and local budgets now going for social welfare amounts to 55 percent, an increase of two percentage points from fiscal year 1972. This proportion has been steadily rising—from 38 percent in 1960 to 42 percent in 1965 and to 48 percent in 1970.

At the Federal level, especially, social welfare expenditures have been expanding at a faster rate

**CHART 2.—Social welfare expenditures in relation to government spending for all purposes, selected fiscal years 1960–73**



than expenditures for other government programs. Federal funds used for social welfare purposes, as a proportion of all Federal expenditures, rose from 47 percent in fiscal year 1972 to 50 percent in fiscal year 1973. The proportion has been rising at an ever-increasing tempo—from 28 percent in 1960 to 33 percent in 1965 and to 40 percent in 1970.

State and local spending for social welfare as a percentage of all State and local expenditures has also moved upward but not at such a steady pace. The ratio was 58 percent in 1960, rose to 62 percent in 1965, dipped somewhat in the following years, and then edged ahead to top 65 percent by 1972. In fiscal year 1973 the ratio did not go up, since State and local spending for non-social-welfare purposes increased at the same rate as social welfare spending.

Government expenditures, as defined here, include expenditures from social welfare trust funds—mostly social insurance funds built up through earmarked contributions made by insured persons or their employers—as well as the regular budgetary expenditures from general revenues. For the past decade, trust fund expenditures have represented a little more than a third of all social welfare expenditures, Federal trust funds a little more than a half of Federal social welfare expenditures.

Non-trust-fund expenditures—sometimes termed “discretionary” because they do not generally involve the type of fixed obligation to payees contained in trust-funded programs—often give a somewhat better picture of the extent to which government resources are committed to social welfare purposes. Table 5 shows that the proportion of “discretionary” expenditures for social welfare continues to rise—from 30 percent in 1960 to 34 percent in 1965, to 38 percent in 1970, and finally to 45 percent in 1973. The upward trend is more pronounced at the Federal level than at the State-local level, where the ratio actually stabilized in fiscal year 1973 after minor fluctuations in earlier years. A major influence at the local level is the education expenditures, which account for more than three-fourths of non-trust-fund State and local expenditures for social welfare and almost one-half of all non-trust-fund State and local expenditures. At the Federal level, veterans’ programs once had a similar predominant role, but this is no longer true.

## EXPENDITURES BY MAJOR FUNCTION

This section regroups the social welfare expenditures listed in table 1 according to the major functions of income maintenance, health, education, and welfare. In addition, parallel spending in the private sector for these functions are added to the public spending to produce a grand total amounting to \$299 billion, or 24.5 percent of the gross national product.

### Health

Preliminary estimates of public and private expenditures for health and medical care in fiscal year 1973 indicate that the total reached \$94.1 billion, a rise of \$9.4 billion or 11.0 percent from fiscal year 1972 (table 6). This is the lowest annual increase registered since 1966 (the last fiscal year before Medicare benefits began); for 1967-72 the average annual increase had been 12.4 percent. The 1973 figures for the private sector are preliminary and subject to revision.

Public spending for health in fiscal year 1973 increased at a somewhat faster pace than private spending—12.5 percent compared with 10.1 percent—but the private sector continued to account for about three-fifths of all health expenditures. Private financing had footed three-fourths of total health care costs in the last few years before Medicare and Medicaid began operations.

The 1973 total of \$37.6 billion shown in tables 6 and 7 as public expenditures for health includes not only the items listed under health and medical programs in table 1 but also all health and medical services that are provided as adjuncts to such programs as social insurance, public assistance, and veterans’ benefits. Outlays under these latter programs increased as a proportion of total health expenditures under public programs from 34 percent in fiscal year 1965 to 58 percent in fiscal year 1968. Since 1969, however, they have remained at 61-62 percent.

Some small duplication in the amounts designated for Medicare and Medicaid should be noted. Medical vendor expenditures under the public assistance programs include the premiums paid into Medicare’s supplementary medical insurance trust fund for medical insurance coverage for old-age assistance recipients. To the extent that these premium payments are also subsequently reflected in disbursements from the supplemen-

TABLE 6—Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1928–29 through 1972–73

[Amounts in millions]

Type of expenditure	1928-29	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>1</sup>
Total.....	\$3,589.1	\$12,027.3	\$17,329.6	\$25,856.2	\$38,892.3	\$59,977.3	\$68,083.1	\$75,628.8	\$84,710.5	\$94,069.6
Private expenditures.....	3,112.0	8,962.0	12,909.0	19,461.0	29,357.0	37,041.0	42,851.0	47,046.0	51,319.0	56,516.0
Health and medical services.....	3,010.0	8,710.0	12,529.0	18,816.0	28,023.0	35,294.0	40,492.0	44,557.0	48,447.0	53,553.0
Direct payments.....	2,900.0	7,107.0	8,992.0	12,576.0	17,577.0	20,316.0	23,281.0	24,749.0	25,068.0	28,127.0
Insurance benefits.....		879.0	2,358.0	4,698.0	8,280.0	12,206.0	14,406.0	16,728.0	18,602.0	20,463.0
Expenses for prepayment.....		274.0	596.0	792.0	1,212.0	1,572.0	1,515.0	1,685.0	2,382.0	3,335.0
Other <sup>2</sup> .....	110.0	450.0	583.0	750.0	954.0	1,200.0	1,290.0	1,395.0	1,495.0	1,628.0
Medical research.....		37.0	55.0	121.0	162.0	190.0	193.0	207.0	211.0	220.0
Medical-facilities construction.....	102.0	215.0	325.0	524.0	1,172.0	1,557.0	2,166.0	2,282.0	2,661.0	2,743.0
Public expenditures.....	477.1	3,065.3	4,420.6	6,395.2	9,535.3	22,936.3	25,232.1	28,582.8	33,391.5	37,553.6
Health and medical services.....	372.5	2,470.2	3,862.3	5,346.3	7,641.2	20,393.7	22,576.4	25,617.6	30,202.2	34,009.0
OASDI (health insurance for the aged).....						6,597.7	7,149.2	7,875.0	8,819.2	9,478.0
Temporary disability insurance (medical benefits) <sup>3</sup> .....		2.2	20.0	40.2	50.9	57.7	62.6	68.4	68.3	68.2
Workmen's compensation (medical benefits) <sup>4</sup> .....	75.0	193.0	315.0	420.0	580.0	875.0	980.0	1,095.0	1,215.0	1,370.0
Public assistance (vendor medical payments).....		51.3	211.9	492.7	1,367.1	4,595.6	5,212.8	6,277.5	7,751.6	8,923.1
General hospital and medical care.....	117.1	886.1	1,297.6	1,973.2	2,515.5	3,011.9	3,384.8	3,747.5	4,353.4	5,049.9
Defense Department hospital and medical care (Armed Forces).....	29.2	336.2	744.8	820.1	858.5	1,531.1	1,495.9	1,606.1	1,932.0	2,108.0
Military dependents' medical care.....				60.1	78.3	218.4	263.7	350.5	409.0	459.0
Maternal and child health programs.....	6.2	29.8	92.7	140.7	223.0	411.5	431.4	403.3	495.3	489.0
School health (educational agencies).....	9.4	30.6	65.9	101.0	142.2	225.0	246.6	271.9	295.0	320.0
Other public health activities.....	88.8	350.8	383.7	401.2	671.0	1,194.7	1,437.0	1,698.4	2,272.7	2,810.7
Veterans' hospital and medical care.....	46.7	582.8	721.5	879.4	1,114.8	1,430.8	1,651.4	1,873.9	2,255.6	2,587.3
Medical vocational rehabilitation.....	.1	7.4	9.1	17.7	34.2	118.4	133.8	162.8	179.2	197.2
OEO health and medical care.....					5.6	126.0	127.3	187.2	155.9	152.4
Medical research.....		72.9	138.9	471.2	1,228.8	1,599.7	1,652.8	1,642.6	1,838.0	2,057.0
Medical-facilities construction.....	104.7	522.3	419.4	577.7	665.3	942.9	1,003.0	1,322.6	1,351.3	1,487.6
Defense Department.....	( <sup>5</sup> )	1.1	33.0	40.0	31.1	71.8	52.5	74.1	100.0	161.0
Veterans Administration.....	4.2	161.5	34.1	59.6	77.0	47.9	70.9	85.1	109.8	103.0
Other.....	100.4	359.8	352.4	478.1	557.2	823.2	879.6	1,163.4	1,141.5	1,223.6
Total expenditures, as percent of gross national product.....	3.6	4.6	4.6	5.2	5.9	6.7	7.1	7.5	7.7	7.7
Public expenditures, as percent of total expenditures.....	13.3	25.5	25.5	24.7	24.5	38.2	37.1	37.8	39.4	39.9
Personal care expenditures <sup>5</sup> .....	3,165.2	10,400.4	15,231.0	22,728.7	33,498.3	52,059.5	59,126.7	65,662.3	72,760.7	80,048.0
Private expenditures.....	2,883.0	8,298.0	11,762.0	17,799.0	26,540.0	33,346.0	38,577.0	42,441.0	45,605.0	49,713.0
Public expenditures.....	282.2	2,102.4	3,469.0	4,929.7	6,958.3	18,713.5	20,549.7	23,221.3	27,155.7	30,335.0
Percent from										
Private expenditures.....	91.1	79.8	77.2	78.3	79.2	64.1	65.2	64.6	62.7	62.1
Direct payments.....	88.5	68.3	59.0	55.3	52.5	39.0	39.4	37.7	35.7	35.1
Insurance benefits.....		8.5	15.5	20.7	24.7	23.4	24.4	25.5	25.6	25.6
Public expenditures.....	8.9	20.2	22.8	21.7	20.8	35.9	34.8	35.4	37.3	37.9

<sup>1</sup> Preliminary estimates  
<sup>2</sup> Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits)  
<sup>3</sup> Industrial in-plant services and philanthropy.  
<sup>4</sup> Includes medical benefits paid under public law by private insurance carriers and self-insurers  
<sup>5</sup> Data not available.

<sup>6</sup> Includes all items shown under "health and medical services" except (1) "expenses for prepayment," (2) expenditures of private philanthropic agencies under "other health and medical services," (3) "other public health activities," and (4) administrative expenses for "health insurance for the aged," "public assistance," "maternal and child health programs," and "veterans' hospital and medical care."

tary medical insurance trust fund, they are counted again. Since Medicare began, the amount of premiums paid by States to "buy in" to that program to obtain coverage for their aged assistance recipients is as follows:

Fiscal year	Amount (in millions)
1967	\$32.1
1968	53.0
1969	75.8
1970	97.2
1971	131.5
1972	137.9
1973	149.3

The 1973 increase in health expenditures in the public sector (12.5 percent) was next to the low-

est annual increase recorded since 1965. For all the major components except expenditures for medical payments and medical-facilities construction under workmen's compensation, the annual rates of increase slacked off in 1973.

The Federal Government continued to account for about two-thirds of all government expenditures for health and medical care in fiscal year 1973; the remainder was from State and local funds. This distribution has fluctuated only slightly in recent years, though the Federal share was less than half in fiscal year 1965, before Medicare and Medicaid.

In the private sector, the 10.1-percent increase in health spending from \$51.3 billion to \$56.5 billion represented a slight acceleration over the

TABLE 7.—Health and medical care: Expenditures under public programs, by source of funds, selected fiscal years, 1928-29 through 1972-73

[In millions]

Type of expenditure	1928-29	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>1</sup>
Federal expenditures										
Total.....	\$98 3	\$1,361.8	\$1,947.6	\$2,917.6	\$4,624.7	\$15,229 3	\$16,600.2	\$18,766 5	\$28,064 9	\$24,619.7
Health and medical services.....	98 1	1,059 6	1,657.3	2,174.8	3,074.6	13,219.8	14,494.4	16,661.3	19,754 6	22,005.1
OASDHI (health insurance for the aged).....						6,597.7	7,149.2	7,875.0	8,819 2	9,478 0
Workmen's compensation (medical benefits).....	.6	5 2	6.9	9 0	11.3	16 7	20 7	25.1	26 9	30 0
Public assistance (vendor medical payments).....			23 3	199.8	555 0	2,297.8	2,607.1	3,373.9	4,166 2	4,846.0
General hospital and medical care.....	8 5	46 4	66.7	103.4	137.9	195 4	285.8	413.6	619 3	720 7
Defense Department hospital and medical care (Armed Forces).....	29 2	336 2	744 8	820 1	858 5	1,531 1	1,495 9	1,606.1	1,932 0	2,108 0
Military dependents' medical care.....				60 0	78 3	218.4	263.7	350.5	409 0	489.0
Maternal and child health services.....	1.2	20 1	23.5	34 7	69 1	192.5	196.0	148.2	259.0	221 0
Other public health activities.....	6 9	63 8	65 0	57.3	222 9	524.7	590 3	677 6	968 0	1,215 0
Veterans' hospital and medical care.....	46 7	582 8	721.5	879.4	1,114.8	1,430.8	1,651.4	1,873 9	2,255.6	2,587 3
Medical vocational rehabilitation.....	.1	5.1	5 7	11.2	21.2	88 8	107.0	130 2	143.4	157 7
OEO health and medical care.....					5 6	126 0	127.3	187.2	155 9	152 4
Medical research.....		72 9	138.9	448 2	1,173.8	1,527.7	1,576.8	1,564.6	1,759 0	1,977.0
Medical-facilities construction.....	5.2	229.3	151 4	294.7	376 3	481 9	529 0	540.6	551.3	637.6
Defense Department.....	( <sup>2</sup> )	1.1	33.0	40 0	31 1	71.8	52.5	74.1	100 0	161.0
Veterans Administration.....	4 2	161 5	34.1	59.6	77 0	47.9	70 9	85.1	109 8	103 0
Other.....	.9	66 8	84.4	195.1	268 2	362.2	405.6	381.4	341 5	373.6
State and local expenditures										
Total.....	\$378 8	\$1,703 6	\$2,472 9	\$3,477.5	\$4,910 5	\$7,706 9	\$8,631.9	\$9,816 3	\$11,326 7	\$12,933 9
Health and medical services.....	279.3	1,410 6	2,204 9	3,171.5	4,566 5	7,173.9	8,081.9	8,956.3	10,447.7	12,003 9
Temporary disability insurance (medical benefits) <sup>2</sup> .....		2 2	20 0	40 2	50 9	57.7	62.6	68 4	68.3	68.2
Workmen's compensation (medical benefits) <sup>2</sup> .....	74.4	187.8	308 1	411.0	568 7	858.3	959.3	1,069 9	1,188.1	1,340.0
Public assistance (vendor medical payments).....		51 3	188 6	292 9	812 1	2,297 8	2,605.6	2,903 6	3,585 4	4,077.1
General hospital and medical care.....	108 6	839 7	1,230.9	1,869.8	2,377.6	2,818 5	3,099.0	3,333.9	3,734.1	4,329.2
Maternal and child health services.....	5 0	9 7	69.2	106.1	153 9	219 0	235.3	255 2	236 3	234 3
School health (educational agencies).....	9 4	30 6	65.9	101.0	142 2	225.0	246.6	271.9	285.0	320 0
Other public health activities.....	81.9	287.0	318.8	343.9	448 1	670.0	846.7	1,020 8	1,304 7	1,595.7
Medical vocational rehabilitation.....	.1	2.3	3.5	6.6	13 0	29 6	26.8	32 6	35.8	39.4
Medical research.....				23.0	55 0	72 0	76.0	78.0	79 0	80.0
Medical-facilities construction.....	99 5	293.0	288.0	283.0	289 0	461.0	474.0	782 0	800 0	850.0

<sup>1</sup> Preliminary estimates  
<sup>2</sup> Data not available.

<sup>3</sup> Includes medical benefits paid under public law by private insurance carriers and self-insurers

increases in the 2 preceding years. A contributing factor to the \$5.2 billion rise in private health expenditures was the growth in benefits paid under private insurance, which rose an estimated \$1.9 billion, or 10 percent, to a new high of \$20.5 billion in 1973. Out-of-pocket costs met by patients rose 8 percent and accounted for \$2.2 billion of the increase. Construction outlays for medical facilities, on the other hand, registered a more modest advance of 3 percent in 1973.

With the steady growth of private health insurance benefits and other third-party payments, the proportion of the Nation's personal health care bill left for the consumer to meet directly has been steadily declining. In fiscal year 1965, more than half of all expenditures for personal health care took the form of direct payments to doctors and other providers of service by the patients themselves. By 1970 this ratio had

dropped to 39 percent and has now reached 35 percent.

Public agencies alone were funding 38 percent of all personal health care expenditures in 1973 but only 21 percent in 1965. Although private health insurance benefits have not accounted for any appreciably larger share of all personal health expenditures since 1965 (about 25 percent), these third-party payments met 41 percent of consumer (private) expenditures for personal health care in 1973, rising from 31 percent in 1965.

Personal health care expenditures, as defined here, exclude expenditures for medical-facilities construction, medical research, and general public health activities and for the administration of public programs, private insurance, and philanthropic agencies. Personal health care expenditures amounted to \$80.0 billion or 85 percent of

TABLE 8.—Expenditures from public and private funds for education, selected fiscal years, 1949-50 through 1972-73

[Amounts in millions]

Program	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>1</sup>
Total amount.....	\$10,914	\$14,206	\$21,742	\$34,228	\$53,852	\$62,312	\$69,756	\$74,822	\$81,017
Public expenditures for education.....	9,366	11,863	18,036	28,149	44,352	51,866	58,507	62,666	67,897
Current operations <sup>2</sup> .....	8,036	9,433	15,016	23,800	38,251	45,545	52,117	55,760	60,945
Elementary and secondary.....	4,577	7,502	12,447	19,091	29,051	33,973	38,359	40,511	43,702
Higher.....	604	1,016	1,833	3,745	6,727	8,252	9,185	10,072	11,038
Veterans.....	2,692	706	410	41	679	1,018	1,622	1,925	2,649
Vocational and adult.....	161	205	298	854	1,648	2,146	2,727	3,035	3,304
Construction.....	1,330	2,431	3,020	4,348	6,101	6,321	6,390	6,906	6,952
Elementary and secondary.....	1,019	2,232	2,662	3,267	4,654	4,659	4,552	5,055	5,041
Higher.....	310	199	358	1,061	1,447	1,662	1,838	1,851	1,911
Private expenditures for education <sup>3</sup> .....	1,548	2,343	3,706	6,079	9,500	10,446	11,249	12,156	13,120
Current operations.....	1,266	1,845	3,162	5,363	8,552	9,616	10,462	11,316	12,250
Elementary and secondary.....	436	719	1,232	1,883	2,453	2,643	2,788	2,968	3,150
Higher.....	830	1,126	1,930	3,480	6,099	6,973	7,674	8,348	9,100
Construction.....	282	498	544	716	948	830	787	840	870
Public expenditures as percent of expenditures for specified purposes.....	85.8	83.5	83.0	82.2	82.4	83.2	83.9	83.8	83.8
Total.....	85.8	83.5	83.0	82.2	82.4	83.2	83.9	83.8	83.8
Current operations.....	86.4	83.6	82.6	81.6	81.7	82.6	83.3	83.1	83.3
Elementary and secondary.....	91.3	91.3	91.0	91.0	92.2	92.8	93.2	93.2	93.3
Other.....	80.6	63.1	56.8	57.1	59.8	62.1	63.8	64.3	65.1
Higher.....	42.1	47.4	48.7	51.8	52.4	54.2	54.5	54.7	54.8
Construction.....	82.5	83.0	84.7	85.9	86.6	88.4	89.0	89.2	88.9

<sup>1</sup> Preliminary estimates  
<sup>2</sup> Includes Federal expenditures for administration (U S Office of Education) and research, not shown separately below.

<sup>3</sup> 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

total health care expenditures in fiscal year 1973. This proportion was a few percentage points higher during the 1960's.

**Education**

Combined public and private expenditures for education increased at a slightly higher rate in fiscal year 1973 than in fiscal year 1972, but the 8 percent advance was otherwise the smallest since the early 1960's (table 8). The 1973 increase would have been even smaller but for the expansion of the education program for returning Vietnam veterans and their families under the Vietnam Era Veterans' Readjustment Assistance Act of 1972. This law, in general, raised educational

assistance rates by 25.7 percent and expanded the services provided to the wives, widows, and children of veterans.

The same deceleration of annual increase occurred in both the public and the private sectors. Nor were there many differences in the rate of increase among the various items in the education category. Expenditures for institutions of higher learning did rise, however, at a slightly higher rate than those for elementary-secondary schools. Public sources continued for 84 percent of the \$81.0 billion spent on public and private education in fiscal year 1973. Also unchanged were the proportions that came from the public treasury for current operating expenses of elementary and secondary education (93 percent) and for higher education (55 percent).

TABLE 9.—Expenditures from public and private funds for cash transfer payments (excluding administration), selected fiscal years, 1949-50 through 1972-73

[Amounts in millions]

Source of funds	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>1</sup>
Total cash transfer payments.....	\$10,112	\$16,609	\$28,708	\$40,838	\$61,488	\$69,915	\$84,404	\$94,437	\$106,714
Public.....	9,147	14,714	25,173	34,883	51,318	58,400	71,429	80,002	90,849
Social insurance <sup>2</sup> .....	4,447	9,118	18,151	26,439	39,689	44,804	55,310	62,455	72,828
Veterans' programs <sup>3</sup> .....	2,423	3,094	3,810	4,526	5,421	5,849	6,354	6,678	7,094
Public assistance.....	2,277	2,502	3,212	3,913	6,208	7,746	9,765	10,859	11,128
Private employee benefits <sup>4</sup> .....	965	1,895	3,535	5,955	10,170	11,515	12,975	14,435	15,865
Public as percent of total.....	90.5	88.6	87.7	85.4	83.5	83.5	84.6	84.7	85.1

<sup>1</sup> Preliminary estimates  
<sup>2</sup> Includes cash benefits paid under workmen's compensation and temporary disability insurance laws by private insurance carriers and self-insurers  
<sup>3</sup> Veterans' pensions and compensation and life insurance  
<sup>4</sup> Under private pension plans, group life (including government employee

programs), accidental death and dismemberment, and voluntary 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.

## Cash Transfer Payments

Cash payments for retirement, disability, unemployment, and death are generally provided under public income-maintenance programs. Employee-benefit plans have been providing similar benefits in the private sector, but despite their expansion these plans are responsible for only 15 percent of all cash transfer payments (table 9). In recent years the proportion has been only fractionally higher.

The developing social insurance programs are largely responsible for the growth in public cash transfer payments. In fiscal year 1973, \$4 out of \$5 paid out as public income maintenance were attributable to social insurance programs. The ratio was \$3 out of \$4 in fiscal years 1965 and 1970. During the period 1965-73, public assistance cash payments have actually increased at a somewhat faster pace than social insurance cash payments, although in dollar terms the former ac-

count for only one-eighth of total public payments. Payments under veterans' pension, compensation, and life insurance programs have been dropping in significance—from 13 percent of all cash transfers in 1965 to 8 percent in 1973.

## Combined Public and Private Expenditures

Combined public and private expenditures for social welfare purposes amounted to an estimated \$299.1 billion in fiscal year 1973. This figure is arrived at by subtracting the overlap that exists because small parts of private expenditures for health and education represent the spending of cash benefits received under public programs and, to a lesser extent, under private employee-benefit plans.

The 1973 increase of \$29.8 billion or 11.1 percent, though next to the largest in absolute terms,

TABLE 10—Public and private expenditures for social welfare purposes, selected fiscal years, 1949-50 through 1972-73

Type of expenditure	1949-50	1954-55	1959-60	1964-65	1968-69	1969-70	1970-71	1971-72	1972-73 <sup>1</sup>
All expenditures (in millions)									
Total, net <sup>2</sup> .....	\$35,337	\$49,957	\$78,704	\$117,871	\$183,373	\$209,068	\$242,018	\$266,305	\$299,132
Public.....	23,508	32,640	52,293	77,175	127,149	145,893	171,901	192,749	215,228
Private.....	12,160	17,997	27,790	42,766	58,611	66,812	73,370	80,210	88,101
Income maintenance.....	10,723	17,304	29,827	42,530	63,636	72,318	87,363	98,158	111,318
Public <sup>3</sup> .....	9,758	15,409	26,292	36,575	53,466	60,803	74,388	83,723	95,453
Private.....	965	1,895	3,535	5,955	10,170	11,515	12,975	14,435	15,865
Health.....	12,027	17,330	25,856	38,892	59,977	68,083	75,629	84,711	94,070
Public.....	3,065	4,421	6,395	9,535	22,936	25,232	28,563	33,392	37,554
Private.....	8,962	12,909	19,461	29,357	37,041	42,851	47,066	51,319	56,516
Education.....	10,914	14,206	21,742	34,228	53,852	62,312	69,756	74,822	81,017
Public.....	9,366	11,863	18,036	28,149	44,352	51,866	58,507	62,668	67,897
Private.....	1,548	2,343	3,706	6,079	9,500	10,446	11,249	12,156	13,120
Welfare and other services.....	2,004	1,797	2,658	4,291	8,295	9,992	12,523	15,268	16,924
Public <sup>4</sup> .....	1,319	947	1,570	2,916	6,395	7,992	10,423	12,968	14,324
Private.....	685	850	1,088	1,375	1,900	2,000	2,100	2,300	2,600
Public expenditures as percent of expenditures for specified purposes									
Total <sup>5</sup> .....	65.9	64.5	65.3	64.3	68.4	68.6	70.1	70.6	71.0
Income maintenance.....	91.0	89.0	88.1	86.0	84.0	84.1	85.1	85.3	85.7
Health.....	25.5	25.5	24.7	24.5	38.2	37.1	37.8	39.4	39.9
Education.....	85.8	83.5	83.0	82.2	82.4	83.2	83.9	83.8	83.8
Welfare and other services.....	65.8	62.7	59.1	68.0	77.1	80.0	83.2	84.9	84.6
All expenditures as percent of gross national product									
Total, net <sup>1</sup> .....	13.4	13.2	15.9	18.0	20.4	22.0	23.9	24.5	24.5
Income maintenance.....	4.1	4.6	6.0	6.5	7.1	7.6	8.6	8.9	9.1
Health.....	4.6	4.6	5.2	5.9	6.7	7.1	7.5	7.7	7.7
Education.....	4.1	3.7	4.4	5.2	6.0	6.5	6.9	6.8	6.6
Welfare and other services.....	.8	.5	.5	.7	.9	1.0	1.2	1.4	1.4

<sup>1</sup> Preliminary data

<sup>2</sup> 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

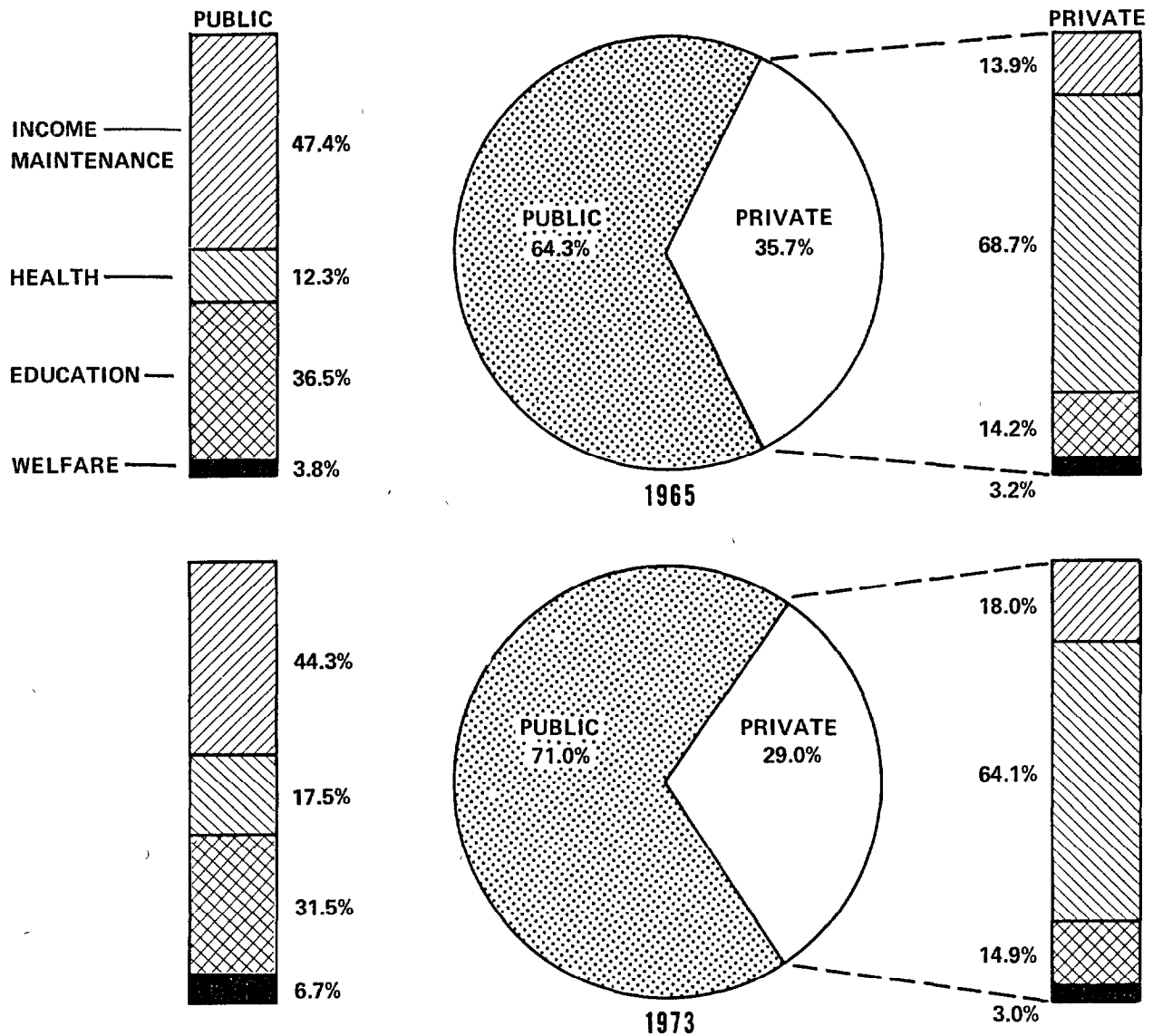
<sup>3</sup> Includes cash benefits and administrative costs under social insurance, public assistance, and veterans' and emergency employment programs. Ex-

cludes cost of medical services provided in conjunction with these programs and for other welfare programs

<sup>4</sup> 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.

<sup>5</sup> Before adjustment for elimination of duplication.

CHART 3.—Distribution of public and private social welfare expenditures by functions of income maintenance, health, education, and welfare, fiscal years 1965 and 1973



was the lowest relative increase for the period 1965-73 (table 10). Private expenditures increased by 9.8 percent and public expenditures by 11.7 percent, a pattern similar to that of 1972. The growth patterns of the public and private sectors since 1965, however, have been proceeding at different rates. The rate of expansion in the public sector has been about one and two-thirds times as rapid as that in the private sector—179 percent, compared with 106 percent. As a result, public sources were responsible for 71 percent of all expenditures for social welfare in fiscal year 1973 but for 64 percent in 1965 (chart 3).

Examination of the data by major function

indicates that public and private social welfare programs play different roles. Table 10 shows that public funds are the chief source of funds for income maintenance, education, and welfare and other services—at present about 85 percent in each case, although in the late sixties the proportions were not so high in the education and welfare fields. For health expenditures, on the other hand, the role of Government has been steadily growing. From providing 25 percent of all public and private health expenditures in 1965 the public subvention has risen to 40 percent of the total in 1973.

(Continued on page 43)



TABLE M-6.—Disability insurance trust fund: Status, 1956-73

[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>										
1956-57.....	\$337,199		\$1,363				\$1,305	\$325,363	\$11,895	\$337,258
1957-58.....	926,403		15,843	\$168,420			12,112	1,054,458	44,515	1,098,973
1958-59.....	894,995		33,293	339,231			21,410	1,606,874	59,747	1,666,621
1959-60.....	987,079		46,910	528,304			31,922	2,100,862	66,352	2,167,214
1960-61.....	1,022,002		60,610	703,996			5,148	2,385,575	118,809	2,504,384
1961-62.....	1,020,866		67,752	1,011,376			11,030	2,406,137	100,532	2,506,670
1962-63.....	1,076,621		67,221	1,170,678			19,609	2,277,244	116,468	2,393,712
1963-64.....	1,143,161		65,152	1,251,207			19,139	2,138,509	125,478	2,263,987
1964-65.....	1,175,244		62,135	1,392,190			23,615	78,862	131,133	2,006,699
1965-66.....	1,556,652		53,877	1,721,133	\$1,493		24,962	183,479	1,462,628	1,686,161
1966-67.....	2,249,397	\$16,000	66,840	1,860,789	6,534		30,634	98,834	1,832,627	2,021,606
1967-68.....	2,699,368	16,000	84,913	2,088,352	15,393		20,410	112,336	2,349,683	2,585,396
1968-69.....	3,532,434	32,000	140,860	2,443,437	14,891		21,328	133,495	3,490,762	3,677,539
1969-70.....	4,141,358	16,000	222,762	2,778,118	16,487		10,439	149,020	4,833,225	5,103,696
1970-71.....	4,569,470	16,000	325,068	3,381,448	21,242		13,240	189,875	6,076,203	6,408,329
1971-72.....	4,852,996	50,000	388,233	4,045,895	27,523		24,190	211,671	7,010,202	7,390,277
1972-73.....	5,460,969	51,000	434,580	5,161,840	39,361		19,503	246,649	7,801,908	7,869,472
<b>1972</b>										
September.....	501,120		1,630	363,418	1,291		22,028	7,048,243	532,811	7,581,054
October.....	348,641		85	430,766	3,295		18,455	7,443,850	33,415	7,477,265
November.....	309,389		3,957	433,097	3,143		15,415	7,292,464	46,492	7,338,956
December.....	331,099	51,000	201,921	433,017	2,068		30,263	7,396,861	60,507	7,457,368
<b>1973</b>										
January.....	383,012		289	441,835	3,259		19,877	7,369,409	6,289	7,375,697
February.....	500,647		7,440	454,163	2,853		20,904	7,316,502	89,362	7,405,863
March.....	555,844		1,549	467,785	4,387		18,596	7,468,384	3,905	7,472,289
April.....	615,371		1,860	469,807	3,553		16,672	7,594,752	4,736	7,599,488
May.....	484,667		4,509	468,845	6,860		19,510	7,514,710	69,226	7,583,946
June.....	590,215		204,207	473,920	5,412		29,565	7,801,908	67,565	7,869,472
July.....	437,034		258	476,278	1,883		24,958	7,773,282	30,363	7,803,644
August.....	496,881		7,101	476,128	3,401		17,600	7,777,221	33,276	7,810,498
September.....	617,860		1,720	500,522	3,057		16,386	7,827,327	82,585	7,909,912

See table M-5 for pertinent footnotes

## SOCIAL WELFARE EXPENDITURES

(Continued from page 18)

These developments are also reflected in the distribution of public and private spending by type of function. Chart 3 shows that the largest share of public spending goes for income maintenance and in the private sector the largest share is for health. Changes have taken place, however, between 1965 and 1973. Public expenditures for health programs, which accounted for 12 cents

of every 1965 social welfare dollar spent in the public sector, represented 17 cents of that dollar in 1973, as the shares attributed to income-maintenance and education programs dropped. In the private sector, a reverse pattern developed. Private spending for health, which had absorbed 69 percent of private social welfare spending in 1965, went down to 64 percent in 1973, with income-maintenance taking up the slack for the most part.