

Social Welfare Expenditures, Fiscal Year 1976

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In 1976, for the second fiscal year in a row, public expenditures for social welfare purposes expanded at an abnormally high rate. Even after adjusting the 16 percent increase in aggregate expenditures for price and population changes, the 8-percent real growth rate proves to be the highest since 1971. The \$45 billion rise in social welfare expenditures to a total of \$331 billion reflects the effects of both recession and inflation. Benefits for the needy and the unemployed continued to expand at the same time that higher prices triggered cost-of-living adjustments in cash benefit programs and helped swell the cost of furnishing other social welfare services. A further reflection of this growth is the rise in the proportion of the Nation's gross national product devoted to social welfare expenditures from 19.7 percent in 1975 to 20.6 percent in 1976. The latter proportion becomes 27.5 percent when private social welfare spending is included.

SOCIAL WELFARE EXPENDITURES under public programs rose 15.7 percent during fiscal year 1976, boosting aggregate outlays from \$286.5 billion to \$331.4 billion. Although not as great as the unparalleled rise of 19.7 percent recorded in 1975, this growth exceeded the average annual increase of 14.2 percent that has prevailed since 1965. In absolute terms, the 1976 expansion of \$44.8 billion in social welfare expenditures was—next to 1975—the largest single-year increase in the history of the series, which, in this year's article, goes back to 1950.

The 1976 increase is impressive even when the data are adjusted for price and population changes. In constant dollars, per capita expenditures for social welfare purposes rose by 8.3 percent in 1976, compared with a 7.3-percent increase in 1975 and with an average annual rise of 7.7 percent for the 1966–75 period.

The continued efforts of government at all levels to cope with the 1974–75 recession undoubtedly were a major factor in the 1976 increase. Expenditures under unemployment insurance (including railroad) and employment service programs, which had more than doubled from 1974 to 1975, rose 43 percent in 1976 to \$19.8 billion.

For public aid programs, which include public assistance, supplemental security income, food stamps, and emergency employment and manpower training programs, expenditures rose 20 percent in 1976 to \$48.9 billion, following a 29-percent increase in 1975.

Other income-maintenance programs not as directly affected by recession as are unemployment insurance and public aid also experienced large increases, mainly because of cost-of-living adjustments triggered by inflation. Expenditures under the old-age, survivors, disability, and health insurance (OASDHI) program rose 15 percent to a total of \$90.4 billion, with Medicare expenditures alone rising 20 percent. Comparable percentage increases were registered in public employee retirement programs and workmen's compensation.

The combination of recession and inflation made social welfare expenditures under public programs grow at a faster pace than the economy in 1976. Such expenditures represented 20.6 percent of the gross national product (GNP) for the year, almost a full percentage point more than the 1975 ratio and three percentage points higher than the 17.6-percent ratio recorded for the prerecession year 1974. During the period 1966–75, this ratio rose an average of $\frac{1}{10}$ of a percentage point a year.

The impact of these higher social welfare expenditures continued to be felt chiefly by the Federal Government. Three-fifths of all public expenditures for social welfare purposes were federally funded in 1976, compared with 58 percent in 1975 and 53 percent in 1970; the balance was funded through State and local governments. The amount spent for social welfare absorbed 56 percent of the Federal budget in 1976, compared with 54 percent in 1975 and 40 percent in 1970. State and local jurisdictions also experienced an upward trend, although to a much lesser degree, reporting 67 percent of their expenditures devoted to social welfare in 1976 and 64 percent in 1970.

When social welfare expenditures in the private sector are added to those in the public sector, a total of \$443 billion is reached for fiscal year

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1976—a sum equaling 27.5 percent of the Nation's total output of goods and services. Almost two-thirds of private social welfare spending goes for health purposes and one-fifth for income-maintenance programs. In the public sector, almost the reverse is true, less than one-fifth is for health and almost one-half for income maintenance. Educational outlays as a proportion of total social welfare expenditures are over twice as great (28 percent) in the public sector as they are in the private sector (12 percent).

DEFINITIONS AND CONCEPTS

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

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

General revenue sharing under Public Law 92-512 has been allocating more than \$6 billion a year in Federal funds to the States and localities. This program has presented special problems of analysis for the social welfare expenditure series. Unlike most other Federal grants programs, the very specificity of which lends ease to classification for social welfare purposes, general revenue sharing receipts may be spent by the States and localities for almost any legal purpose without matching and with a minimum of restrictions and may be held by the recipients for up to 24 months before being spent or even obligated (Public Law 94-488, which extended this Federal fiscal aid for 3¾ years, through the Federal fiscal year ending September 30, 1980, removed one of the major restrictions—the pro-

hibition against use of revenue sharing funds for local school operating costs.)

No attempt is made, therefore, to include revenue sharing funds, per se, in the Federal component of social welfare expenditures. These funds show up, as spent, in the gross expenditures of the States and localities for specific social welfare purposes. The effect is to understate the Federal share and overstate the State-local share, with little or no effect on the aggregate of social welfare spending by all levels of government.

Revenue sharing "actual use" reports show that of the \$16.7 billion spent in the first 3 fiscal years (1973-75), \$5.3 billion went for identifiable social welfare purposes, an average of about 32 percent of all revenue sharing expenditures. Data for 1976 have not yet become available.

This year's article follows the same format used in previous years. Some of the economic indicators used to measure the impact of social welfare expenditures, however, have undergone change. The historical data on the GNP, implicit price deflators for personal consumption expenditures, and State and local receipts (grants) and expenditures that were developed for the national income accounts have been revised back to 1929 by the Bureau of Economic Analysis of the Department of Commerce. Accordingly, such changes have been incorporated in this article wherever necessary (tables 2, 3, 5, and 18). Also affected were certain personal consumption and construction data on private expenditures for education (table 8) that are taken from the national income accounts.

Some classification changes have been made in the data pertaining to veterans' programs. The line item "pensions and compensation" now includes clothing allowances with data back to 1973. The education item has been revised to include, beginning with 1975 data, expenditures for health manpower training facilities construction to parallel the treatment in the general education category.

EXPENDITURES IN FISCAL YEAR 1976

In the expansion of social welfare expenditures to the \$331 billion level during 1976, three social welfare categories together accounted for 90 percent of the \$44.8 billion annual increase (table 1).

TABLE 1—Social welfare expenditures under public programs, selected fiscal years, 1950–76—Continued

[In millions]

Program	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 *
	From Federal funds									
Total	\$10 541 1	\$24 956 7	\$37,711 7	\$77,337 2	\$92 587 5	\$106 326 5	\$122,565 8	\$137 154 6	\$167 237 3	\$198 328 2
Social insurance	2 103 0	14 307 2	21 806 6	45 245 6	53 902 5	61,248 5	72 248 7	82 830 4	99,748 0	120 809 2
Old age survivors disability and health insurance ¹	784 1	11 032 3	16,997 5	36 835 4	43 122 8	48 229 1	57,766 6	66 286 6	78 429 9	90 440 7
Health insurance (Medicare) ⁴	306 4	934 7	1 128 1	1 609 9	1 875 0	2 141 2	2 477 5	2 692 6	3 085 1	3 499 6
Railroad retirement ³	507 9	1 519 9	2,780 5	5 516 7	6 582 1	7,647 5	8 878 1	10,785 0	13 338 9	16 635 0
Public employee retirement ⁵	328 6	473 5	699 8	1,036 1	1,677 8	2 486 9	1,869 1	1,721 8	3,464 5	8 490 9
Unemployment insurance and employment service ⁶	119 6	215 2	76 7	38 5	49 6	86 0	45 2	25 6	41 6	148 2
Railroad unemployment insurance	31 1	68 5	48 5	61 1	53 0	42 1	34 9	31 5	32 9	78 6
Railroad temporary disability insurance	25 1	63 1	77 6	147 9	488 4	615 7	1 177 4	1 287 3	1 355 2	1 516 1
Workmen's compensation ⁷	5 2	9 0	11 3	20 7	20 1	26 9	32 3	36 1	50 2	66 3
Hospital and medical benefits ⁸	1 103 2	2 116 9	3 593 9	9 648 6	12 980 3	16 291 4	18 061 0	20 387 7	27 207 7	33 244 7
Public aid	1 097 2	2 057 5	3 185 4	7 594 3	9 803 3	12 108 1	13 372 3	13 307 2	14 546 7	16 968 0
Public assistance ¹⁰	199 8	199 8	555 0	2 607 1	3 373 9	4 186 2	4 997 4	5 833 2	7 056 4	8 381 0
Vendor medical payments ¹¹				522 0	1 562 9	1 598 2	1 718 6	1 562 9	1 962 2	2 226 4
Social services ¹¹							45 7	2,219 0	4 801 6	5 050 7
Supplemental security income ¹²			35 6	577 0	1 576 3	1 866 8	2 212 9	2 838 9	4 693 9	5 691 8
Food stamps							2 430 2	2 022 6	3,165 5	5 534 2
Other ¹³	6 0	59 4	373 0	1,477 3	1 810 7	2 316 4	2 430 2	2 022 6	3,165 5	5 534 2
Health and medical programs ¹⁴	603 5	1 737 1	2 780 6	4 775 2	5 148 2	6,321 8	6 697 7	7,144 6	8 548 8	9 353 1
Hospital and medical care	382 6	983 5	1 074 7	2,045 4	2 370 2	3 272 7	3 576 7	3,775 9	4 280 3	4 497 2
Civilian programs	46 4	103 4	137 9	285 8	413 6	610 3	804 7	835 9	1 195 3	1 265 2
Defense Department ¹⁵	336 2	880 1	936 8	1 759 6	1 956 6	2 341 0	2 468 0	2 741 0	3 085 0	3 232 0
Maternal and child health programs ¹⁶	20 1	35 3	73 4	196 0	148 2	259 0	221 0	234 7	276 5	305 9
Medical research ³		6	4 3							
Medical research	69 2	425 9	1 110 2	1 485 4	1 496 7	1 693 0	1 913 0	2,000 0	2 360 0	2 721 0
Other public health activities	63 8	57 3	222 9	590 3	677 6	968 0	911 0	909 0	1,141 0	1 243 0
Medical facilities construction	67 8	235 1	299 3	458 1	455 5	441 5	380 0	374 0	489 0	586 0
Defense Department	1 1	40 0	31 1	52 5	74 1	100 0	76 0	86 0	96 0	171 0
Other...	66 8	195 1	268 2	405 6	381 4	341 5	304 0	288 0	393 0	415 0
Veterans' programs	6 386 2	5 367 3	6 010 6	8 951 5	10 331 1	11 405 2	12 903 3	13 873 8	16 569 7	18 790 8
Pensions and compensation ¹⁹	2 092 1	3 402 7	4 141 4	5 393 8	5 877 5	6 209 3	6 605 8	6 777 4	7 578 5	8 269 3
Health and medical programs	748 0	954 0	1 228 7	1,784 0	2 026 9	2 431 4	2 766 1	2 983 6	3 516 7	4 102 2
Hospital and medical care	582 8	879 4	1 114 8	1 651 4	1 873 9	2 255 6	2 587 3	2 786 6	3,287 1	3 793 2
Hospital construction	161 5	59 6	77 0	70 9	85 1	109 8	104 8	118 9	136 7	212 0
Medical and prosthetic research	3 7	10 1	36 9	61 8	67 9	66 0	74 0	78 0	93 0	97 0
Education	2 691 6	409 6	40 9	1 018 5	1 622 4	1 924 6	2 647 9	3 206 8	4 433 8	5 336 2
Life insurance ¹⁹	475 7	494 1	434 3	502 3	526 6	523 7	532 2	538 5	556 1	564 2
Welfare and other	378 8	106 9	160 4	252 9	277 6	316 2	351 3	367 6	484 6	518 9
Education ²⁰	106 7	867 9	2 469 8	5,875 8	6 597 4	6 721 3	7 359 6	7,006 9	8 566 6	9 168 4
Elementary and secondary	47 1	441 9	776 8	2,956 8	3 387 2	3 417 8	3 548 3	3,675 4	4 499 7	4,543 7
Construction ²¹	5 2	70 6	77 0	35 9	20 2	20 3	20 0	22 4	20 9	25 7
Higher	48 5	293 1	1 217 0	2 154 6	2,202 2	2 219 8	2,645 9	2 178 2	2 863 6	3 393 8
Construction ⁹	5 7	1 2	324 0	466 3	437 7	351 0	393 6	213 7	273 9	214 9
Vocational and adult ²¹	58 7	104 5	406 2	602 6	767 1	826 3	902 5	914 8	940 2	956 0
Housing	14 6	143 5	238 2	581 6	871 7	1 183 2	1 749 7	2 009 1	2 334 9	2 427 8
Public housing	14 5	143 5	234 5	459 9	608 2	731 1	1 101 9	1 233 1	1 456 4	1,443 7
Other	1		3 6	121 7	263 5	452 1	647 8	776 0	878 5	984 1
Other social welfare	174 0	416 7	812 0	2 258 9	2 746 3	3 155 1	3 545 9	3 902 1	4 263 6	4 534 1
Vocational rehabilitation ²²	21 0	64 3	143 3	367 4	642 2	719 6	753 2	792 7	814 0	853 2
Medical services ²³	5 1	11 2	21 2	107 0	130 2	143 4	140 0	154 0	174 2	183 1
Medical research ²³		6 6	22 4	29 6		17 0	15 0			
Institutional care ²⁴	20 5	20 5	34 5	22 5	24 5	20 8	27 4	24 8	20 3	10 1
Child nutrition ²⁵	121 2	306 1	503 7	710 9	988 1	1,232 1	1 409 4	1 613 8	2 064 0	2 335 7
Child welfare ²⁶	4 2	13 4	36 5	44 7	40 3	44 7	45 9	47 4	49 8	52 5
Special OEO and ACTION programs ²⁷			51 7	752 8	784 9	782 7	894 9	766 7	638 3	621 5
Social welfare, not elsewhere classified ²⁸	7 1	12 4	42 3	160 6	261 3	350 2	415 1	656 7	677 2	661 1

See footnotes at end of table

during the year Medicare expenditures, which accounted for the remaining \$3 billion increase in OASDHI expenditures, rose at a slightly faster pace than those of the cash benefit program—20 percent, compared with 14 percent.

More than half of the growth in unemployment insurance expenditures resulted from the effect of a full year's operations under the emergency compensation and special assistance programs. These temporary programs, enacted on December 31, 1974, expended \$0.9 billion in fiscal year 1975

and \$4.3 billion in fiscal year 1976. Under these programs, persons exhausting their regular State unemployment insurance benefits could have the benefit period extended up to as many as 65 weeks. Workers who previously had been ineligible for benefits because they lacked sufficient covered employment—mainly farm workers, domestics, and State and local government employees—were provided with unemployment insurance protection.

Outlays for elementary and secondary schools accounted for almost two-thirds of the \$8.5 billion

TABLE 1—Social welfare expenditures under public programs, selected fiscal years, 1950-76¹—Continued

[In millions]

Program	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ²
	From State and local funds ^{3*}									
Total	\$12,967 3	\$27 336 6	\$39,463 5	\$68,518 5	\$79 320 4	\$85 030 5	\$91,375 9	\$102 158 9	\$119 284 6	\$133,038 1
Social insurance	2 843 6	4 999 4	6 316 2	9 445 6	12 466 2	13,560 9	13 916 8	16,122 5	23,199 4	25 783 3
Public employee retirement ⁴	310 0	1 050 0	1 748 0	3 142 0	3 644 0	4 272 9	5,132 7	5,892 5	6,779 7	7,790 0
Unemployment insurance and employment service ⁵	1 861 5	2 356 1	2 902 8	2 783 4	4 987 5	5,164 1	4,196 8	4,939 7	10 406 7	11,208 9
State temporary disability insurance ⁷	72 1	347 9	483 5	717 7	773 1	783 7	848 2	915 4	989 5	1,049 2
Hospital and medical benefits ⁸	2 2	40 2	50 9	62 6	68 4	68 3	69 8	70 7	72 9	73 6
Workmen's compensation ⁹	600 0	1,245 4	1,781 8	2 802 5	3 061 6	3,340 2	3,739 1	4,375 0	5,023 5	5 735 1
Hospital and medical benefits ⁸	187 8	411 0	568 7	964 3	1,064 9	1,158 1	1,322 7	1 563 9	1,809 8	2 058 7
Public aid	1,393 0	1 984 2	2 689 5	6 839 2	8,271 7	9 786 9	10 630 3	11 132 7	13,501 5	15 700 9
Public assistance ¹⁰	1,393 0	1 984 2	2,689 5	6 839 2	8 271 7	9 786 9	10 630 3	10 520 2	12,211 5	14 203 5
Vendor medical payments ¹¹	51 3	292 9	812 1	2 605 6	2 903 6	3 585 4	4,211 3	4 538 7	5,927 8	6 939 1
Social services ¹²	-	-	-	190 6	258 0	562 3	587 7	592 2	659 8	742 1
Supplemental security income ¹³	-	-	-	-	-	-	-	612 5	1 290 0	1,497 4
Health and medical programs ¹⁴	1,460 0	2,726 8	3,465 8	5,131 6	5 938 6	6,543 9	6 749 4	7,808 5	8 890 1	9 839 4
Hospital and medical care	839 7	1 869 8	2 377 6	3 208 0	3 565 7	3 831 0	4,140 4	4,457 3	5,210 1	5,636 4
Maternal and child health programs ¹⁵	9 7	106 1	153 9	235 3	255 2	236 3	234 3	258 7	269 0	287 0
Medical research	-	23 0	55 0	150 0	183 0	179 0	201 0	222 0	239 0	251 0
School health (educational agencies) ¹⁷	30 6	101 0	142 2	246 6	271 9	281 3	300 0	325 2	-	-
Other public health activities	287 0	343 9	448 1	757 7	900 8	1 034 3	1,154 7	1 572 3	1 812 0	2,012 0
Medical facilities construction	293 0	283 0	289 0	474 0	782 0	982 0	719 0	973 0	1,360 0	1,653 0
Veterans' programs	479 5	111 9	20 4	126 5	124 9	117 1	123 1	238 6	449 1	215 0
Education	6 517 5	16 758 3	25 638 1	44 969 7	50 107 3	52,663 7	57 374 1	63 492 4	69,343 9	77,257 2
Elementary and secondary	5 549 1	14 667 1	21 580 0	35,675 5	39 523 6	41 106 3	44 528 6	48 749 2	52,322 4	57,857 2
Construction ¹⁸	1 014 2	2 591 2	3,190 0	4 623 2	4 531 7	4 438 6	4 988 4	4 956 5	5 471 1	5 956 9
Higher	866 3	1 897 7	3,609 4	7 752 4	8 632 7	9 362 8	10 294 1	11,777 6	13 520 6	15 400 4
Construction ¹⁸	304 6	356 7	757 4	1 100 6	1,127 8	1 130 9	1 089 6	1 172 6	1 238 8	1 400 0
Vocational and adult ¹⁹	102 1	193 5	447 7	1 541 8	1,951 0	2,194 7	2 551 4	2,965 6	3,501 0	4,000 0
Housing	-	33 2	80 0	119 6	175 1	149 2	429 9	544 9	631 6	700 0
Other social welfare	273 7	723 8	1 253 6	1,886 3	2 286 7	2,208 8	2,152 3	2 819 4	3,208 9	3,542 4
Vocational rehabilitation ²⁰	9 0	32 1	67 1	136 3	158 6	158 5	158 5	174 8	222 4	235 1
Medical services ²¹	2 3	6 6	13 0	26 8	32 6	35 8	35 0	31 2	43 5	45 8
Institutional care	125 0	400 0	775 0	179 3	200 2	225 3	236 1	260 0	275 8	289 8
Child nutrition ²²	39 0	92 6	113 7	185 1	216 4	270 3	297 6	412 0	453 6	490 0
Child welfare ²³	100 7	198 1	317 8	540 7	551 5	487 3	480 1	462 6	547 2	587 5
Social welfare, not elsewhere classified ²⁴	-	-	-	845 0	1,110 0	1,070 0	980 0	1 510 0	1,770 0	1 940 0

¹ 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.

² Preliminary estimates.

³ Excludes financial interchange between OASDHI and railroad retirement.

⁴ Included in total directly above, includes administration.

⁵ Excludes refunds of employee contributions. Includes noncontributory payments to retired military personnel and survivors. Administrative expenses for Federal noncontributory retirement not available.

⁶ Includes unemployment compensation under State programs, programs for Federal employees and ex-servicemen, trade adjustment and cash training allowances, and payments under extended, emergency, disaster, and special unemployment insurance programs.

⁷ 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.

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

⁹ Cash and medical benefits paid under Federal and State laws by private insurance carriers, State funds, and self-insurers. Includes Alaska and Hawaii beginning 1960. Administrative cost of private carriers and self-insurers not available. Starting 1970 Federal expenditures include "black lung" benefit programs administered by Social Security Administration and by Department of Labor.

¹⁰ Represents categorical cash and medical payment programs under the Social Security Act and (from State and local funds) general assistance. Starting 1969, includes work incentive activities.

¹¹ Included in total for public assistance above, vendor medical payments include administrative expenses of medical assistance (Medicaid) program.

¹² Benefits began January 1974, fiscal year 1973 data represent administrative expenses only.

¹³ Work relief, other emergency aid, surplus food for the needy, repatriate and refugee assistance, temporary and emergency employment assistance, and work-experience training programs under the Economic Opportunity Act and the Comprehensive Employment and Training Act. See footnote 27.

¹⁴ 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).

¹⁵ Includes medical care for military dependent families.

¹⁶ Includes services for crippled children.

¹⁷ Starting 1975, data not separable from expenditures under "education."

¹⁸ Includes burial awards. Starting 1965, includes special allowances for survivors of veterans who did not qualify under OASDHI. Starting 1974, subsistence payments to disabled veterans undergoing training shifted from veterans' pensions and compensation to veterans' education subgroup. Starting 1973, includes clothing allowances.

¹⁹ Excludes the Servicemen's Group Life Insurance program.

²⁰ Federal expenditures for administrative costs (Office of Education) and research included in total only.

²¹ Construction for vocational and adult education included with elementary-secondary school construction.

²² Starting 1974, excludes administrative expenses.

²³ Medical services and research included in total.

²⁴ Federal expenditures represent primarily surplus food for institutions. State and local expenditures include amounts for anti-poverty and manpower programs, day care, child placement and adoption services, foster care, legal assistance, care of transients, and other unspecified welfare services, before 1970 these amounts included with institutional care.

²⁵ Represents primarily child welfare services under the Social Security Act. Starting 1969, excludes administrative expenses.

²⁶ Includes domestic programs consolidated in fiscal year 1972 under ACTION (former VISTA and other domestic volunteer programs) and special OEO programs such as community action and migrant workers consolidated in fiscal year 1974 under Community Services Administration. Other OEO programs listed in appropriate subsection under public aid and education.

²⁷ Federal expenditures include administrative and related expenses of the Secretary of Health, Education, and Welfare and of the Social and Rehabilitation Service. Indian welfare and guidance, aging and juvenile delinquency activities, and certain manpower and human development activities. State and local expenditures include amounts for anti-poverty and manpower programs, day care, child placement and adoption services, foster care, legal assistance, care of transients, and other unspecified welfare services, before 1970 these amounts included with institutional care.

²⁸ Except as otherwise noted (see footnotes 7 and 9).

Source: Data taken or estimated from Treasury reports *Federal Budgets, Census of Governments*, and reports of Federal and State administrative agencies. For detailed description of programs and for single year historical data, see *Social Welfare Expenditures Under Public Programs in the United States, 1929-66* (Research Report No. 25).

increase in public education expenditures Higher education absorbed about a fourth of the gain Higher education expenditures have been increasing at a much faster rate than those for elementary and secondary schools (15 percent, compared with 10 percent in 1976), partly because enrollment continues to grow in institutions of higher learning while it is leveling off or declining in elementary and secondary schools

More than half of the \$8.2 billion increase in public aid stemmed from public assistance programs, and half of that from vendor medical payments under Medicaid Expenditures under the Medicaid program increased at a slightly faster pace than did cash public assistance payments (primarily aid to families with dependent children)—18 percent, compared with 15 percent Expenditures under the supplemental security income program increased by roughly \$0.5 billion, or 7 percent

Of the remaining \$3.4 billion increase in public aid, the food stamp program was responsible for \$1 billion, and the manpower training and temporary employment assistance programs for \$2.4 billion The last-named program is designed to enable States and localities to maintain support for an estimated 300,000 temporary public service jobs located primarily in areas of high unemployment

On a proportionate basis, the order of increase is somewhat different than the absolute dollar increases might indicate The following tabulation

Program	Percentage Increase		
	1974	1975	1976
All social welfare	11.9	19.7	15.7
Social insurance (including Medicare)	14.8	24.2	19.2
Public aid (including Medicaid)	9.9	29.2	20.2
Health and medical programs	11.2	16.6	10.1
Veterans programs	8.3	20.6	11.7
Education	8.9	10.5	10.9
Other social welfare	18.0	12.1	7.2
All health and medical care	13.2	22.5	15.6

shows that the overall 15.7-percent rise in social welfare expenditures during fiscal year 1976 represented the summation of growth rates ranging from 7.2 percent for "other social welfare" to 20.2 percent for public aid Social insurance, in second place, increased 19.2 percent, veterans' programs, with an 11.7-percent rise, was third

These three categories experienced the same

relative order of percentage increases during 1975 In 1974, however, "other social welfare" (the smallest 1976 growth group) led the field, followed by social insurance and then by health and medical programs

When expenditures for health and medical care that are part of other programs are combined with those for the health and medical care group, the resultant "all health and medical care" increase in 1976 goes from 10.1 percent to 15.6 percent—virtually identical with the 15.7-percent rise in total social welfare expenditures This development is in contrast with the experience during the 2 preceding years, when all health and medical care expenditures rose at a faster rate than did total expenditures

The \$2 billion increase in expenditures under the veterans' programs in 1976 was concentrated in the fields of income maintenance, health, and education As in previous years, education benefits for Vietnam veterans and their dependents and survivors showed the greatest relative and absolute increases Close on the heels of the 20-percent increase in veterans' education benefits was a 17-percent rise in hospital and medical care expenditures Veterans' pension and compensation payments rose 9 percent, mainly in accordance with cost-of-living increases authorized by Congress

MEASURES OF GROWTH

Increases in aggregate expenditures provide only one dimension to the growing involvement of government in social welfare programs and activities It is also necessary to know the extent to which expanded social welfare expenditures are attributable to population growth and price changes Table 2 shows social welfare expenditures in terms of the amount spent per person and in terms of constant value (fiscal year 1976 dollars)

In current dollars, government at all levels expended \$153 per person for social welfare purposes in fiscal year 1950, compared with \$1,514 per person in fiscal year 1976 This 892-percent increase is reduced to 327 percent, however, when the data are presented in constant dollars, as measured by the implicit price deflators for personal consumption expenditures in the national income accounts Chart 1 shows for each year

TABLE 2—Total and per capita social welfare expenditures under public programs in the United States, in actual and 1976 prices, selected fiscal years, 1950–76

Fiscal Year	Total social welfare expenditures ¹ (in millions)	Total ²	Social insurance	Public aid	Health and medical programs	Veterans' programs	Educa-tion	Other social welfare	All health and medical care ³
	Current prices	Per capita ⁴ social welfare expenditures in current prices							
1950	\$23,420.8	\$152.66	\$32.19	\$16.26	\$13.44	\$44.18	\$43.47	\$2.92	\$19.97
1960	52,106.3	285.42	105.35	22.46	24.45	29.52	96.43	6.24	35.03
1965	76,928.6	391.15	142.29	31.95	31.76	30.30	142.73	10.50	48.48
1970	145,483.9	701.27	262.47	79.48	47.75	43.27	244.94	19.98	121.65
1971	171,455.0	818.23	315.27	101.47	52.81	49.37	270.44	23.78	137.82
1972	190,854.2	902.03	351.93	123.25	60.81	53.90	280.49	25.35	158.20
1973	213,948.5	1,000.52	402.04	134.55	63.06	60.48	303.44	26.72	171.96
1974	238,666.9	1,111.19	458.48	146.75	69.62	65.07	328.09	31.29	193.27
1975	285,807.4	1,319.60	565.19	187.96	80.51	77.90	359.57	34.78	234.87
1976	330,592.7	1,513.92	608.60	224.14	87.89	86.36	395.62	36.99	269.36
	Constant (1976) prices	Per capita ⁴ social welfare expenditures in constant prices ⁵							
1950	\$54,467.1	\$354.79	\$74.86	\$37.81	\$31.26	\$102.74	\$101.09	\$6.79	\$46.44
1960	94,911.2	519.89	191.89	40.91	44.54	53.77	175.65	11.37	63.81
1965	130,608.8	664.09	241.58	54.24	53.92	51.44	242.33	17.83	82.31
1970	208,131.5	1,003.25	375.49	113.71	68.31	61.90	350.41	28.58	174.03
1971	235,192.1	1,122.40	432.47	139.19	72.58	67.72	370.97	32.62	188.37
1972	251,454.7	1,168.44	463.68	162.38	80.12	71.01	369.55	33.40	208.43
1973	270,746.8	1,269.70	510.20	170.75	80.03	76.75	385.08	33.91	218.22
1974	279,797.1	1,302.68	537.49	172.04	81.62	76.28	384.63	36.68	226.58
1975	302,762.1	1,397.88	598.72	199.11	85.29	82.52	380.91	36.84	248.80
1976	330,592.7	1,513.92	668.60	224.14	87.89	86.36	395.62	36.99	269.36
Percentage change for 1976 expenditures (current prices) from—									
1950	+1,312	+892	+1,977	+1,278	+554	+95	+810	+1,167	+1,249
1965	+330	+287	+370	+602	+177	+185	+177	+252	+456
1970	+127	+116	+155	+182	+84	+100	+62	+85	+121
1973	+55	+51	+66	+67	+39	+43	+30	+38	+57
1974	+39	+36	+46	+53	+26	+33	+21	+18	+39
1975	+16	+15	+18	+19	+9	+11	+10	+6	+15
Percentage change for 1976 expenditures (constant prices) from—									
1950	+507	+327	+793	+493	+181	-16	+291	+445	+480
1965	+153	+128	+177	+313	+63	+68	+63	+107	+227
1970	+59	+51	+78	+97	+29	+40	+13	+29	+55
1973	+22	+19	+31	+31	+10	+13	+3	+9	+23
1974	+18	+16	+24	+30	+8	+13	+3	+1	+19
1975	+9	+8	+12	+13	+3	+5	+4	0	+8

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

² Includes housing not shown separately

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

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

⁵ Prices based on implicit price deflators for personal consumption expenditures prepared for the national income accounts by the Bureau of Economic Analysis, Department of Commerce (1970=100) 1950, 43.0, 1960, 54.9, 1965, 58.9, 1970, 69.9, 1971, 72.9, 1972, 75.9, 1973, 78.8, 1974, 85.3, 1975, 94.4

since 1960 how the "real" increase in publicly financed social welfare cash and service benefits compares with the growth in aggregate social welfare expenditures before adjustment for population and price changes

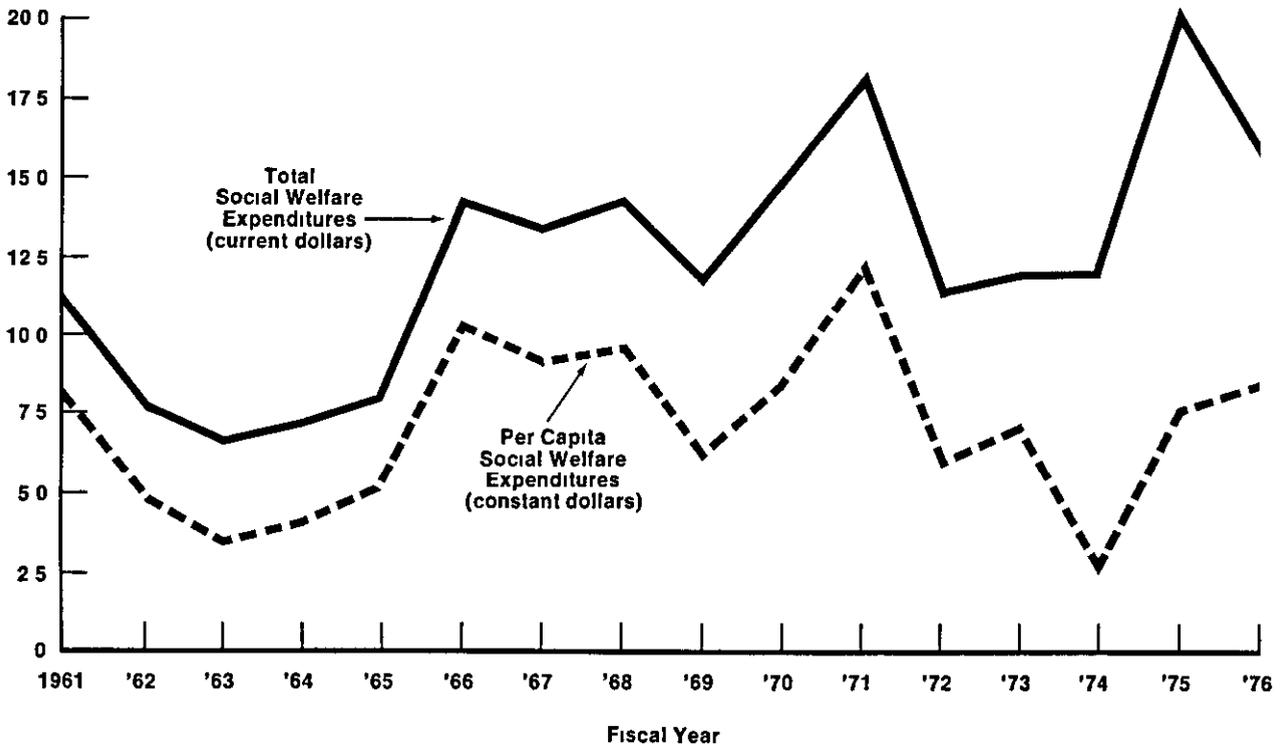
From 1961 through 1973, the gap between the increase in aggregate expenditures and the real increase—that is, the figure obtained after adjusting for population and price changes—remained fairly steady. During that period, the combination of population growth and diminishing purchasing power accounted for roughly 35–45 percent of the rise in aggregate expenditures. The experience since 1973 has revealed a rather volatile situation.

In 1974 real growth dipped to 2.6 percent as rampant inflation plus normal population change ate up almost four-fifths of the 12-percent increase in social welfare expenditures. In 1975, continuing inflation and population growth consumed almost two-thirds of the dollar increase in social welfare outlays, but the unparalleled 20-percent rise in these expenditures made possible a real growth advance of 7.3 percent. In 1976, the real growth rate accelerated to 8.3 percent as inflation abated somewhat and accounted for less than half of the 16-percent rise in aggregate social welfare expenditures.

As table 2 shows, not all the social welfare categories shared in the 8-percent real increase.

CHART 1—Annual percentage change in total public social welfare expenditures in current dollars and in per capita public social welfare expenditures in constant dollars, fiscal years 1961-76

Annual Percentage Change



In fact, only the social insurance and public aid categories had increases above the 8-percent average. Expenditures for health and medical programs by themselves, for example, were up only 3 percent, although when such expenditures are added to those for health and medical care included in other social welfare programs, the overall increase becomes 8 percent.

Another measure of the extent to which the resources of the United States are being utilized for social welfare purposes is portrayed in table 3. In fiscal year 1976, total social welfare expenditures under public programs amounted to 20.6 percent of the Nation's GNP, compared with 17.6 percent just 2 years earlier, before the recession. The 2-year increase is the result of a

TABLE 3—Social welfare expenditures under public programs as percent of gross national product, selected fiscal years, 1950-76

Fiscal year	Gross national product (in billions)	Social welfare expenditures as percent of gross national product								Total health and medical expenditures as percent of GNP ²	
		Total ¹			Social insurance	Public aid	Health and medical programs	Veterans' programs	Education		Other social welfare
		Total	Federal	State local							
1950	\$264.8	8.9	4.0	4.9	1.9	0.9	0.8	2.6	2.5	0.2	1.2
1960	498.3	10.5	5.0	5.5	3.9	8	9	1.1	3.5	2	1.3
1965	658.0	11.7	5.7	6.0	4.3	1.0	9	9	4.3	3	1.4
1970	960.2	15.2	8.1	7.1	5.7	1.7	1.0	9	5.3	4	2.6
1971	1,019.8	16.9	9.1	7.8	6.5	2.1	1.1	1.0	5.6	5	2.8
1972	1,111.8	17.2	9.6	7.6	6.7	2.3	1.2	1.0	5.3	5	3.0
1973	1,238.6	17.3	9.9	7.4	7.0	2.3	1.1	1.1	5.2	5	3.0
1974	1,361.2	17.6	10.1	7.5	7.3	2.3	1.1	1.0	5.2	5	3.0
1975	1,452.3	19.7	11.5	8.2	8.5	2.8	1.2	1.2	5.4	5	3.5
1976 ³	1,611.8	20.6	12.3	8.3	9.1	3.0	1.2	1.2	5.4	5	3.6

¹ Includes housing, not shown separately.

² Combines "health and medical programs" with medical services provided in connection with social insurance, public aid, and veterans', vocational rehabilitation, and antipoverty programs.

³ Preliminary estimates.

38-percent rise in social welfare outlays at a time when the GNP rose just 18 percent. The increase of three percentage points may be contrasted with the rise of $\frac{7}{10}$ of one percentage point in the preceding 3 years, when the economy was in an upswing. As chart 2 shows, during each recession the proportion of GNP spent for social welfare purposes generally reaches a new peak that levels off as recession-induced social welfare expenditures drop off.

As already noted, the two categories, social insurance and public aid, have provided the major impetus for the increases of the past 2 years.

Social insurance programs absorbed 9.1 percent of the GNP in 1976, a 1.8-percentage-point increase since 1974, and public aid took 3.0 percent—up $\frac{7}{10}$ of one percentage point from 1974. All the other major categories experienced no change in the proportion of national output consumed during 1976, though some significant increases were recorded in the preceding year. All health and medical expenditures (including outlays for the health services provided in connection with other social welfare programs such as Medicare and Medicaid) rose from 3.0 percent of GNP in 1974 to 3.6 percent in 1976.

CHART 2—Social welfare expenditures under public programs as a percent of the gross national product, fiscal years 1960–76

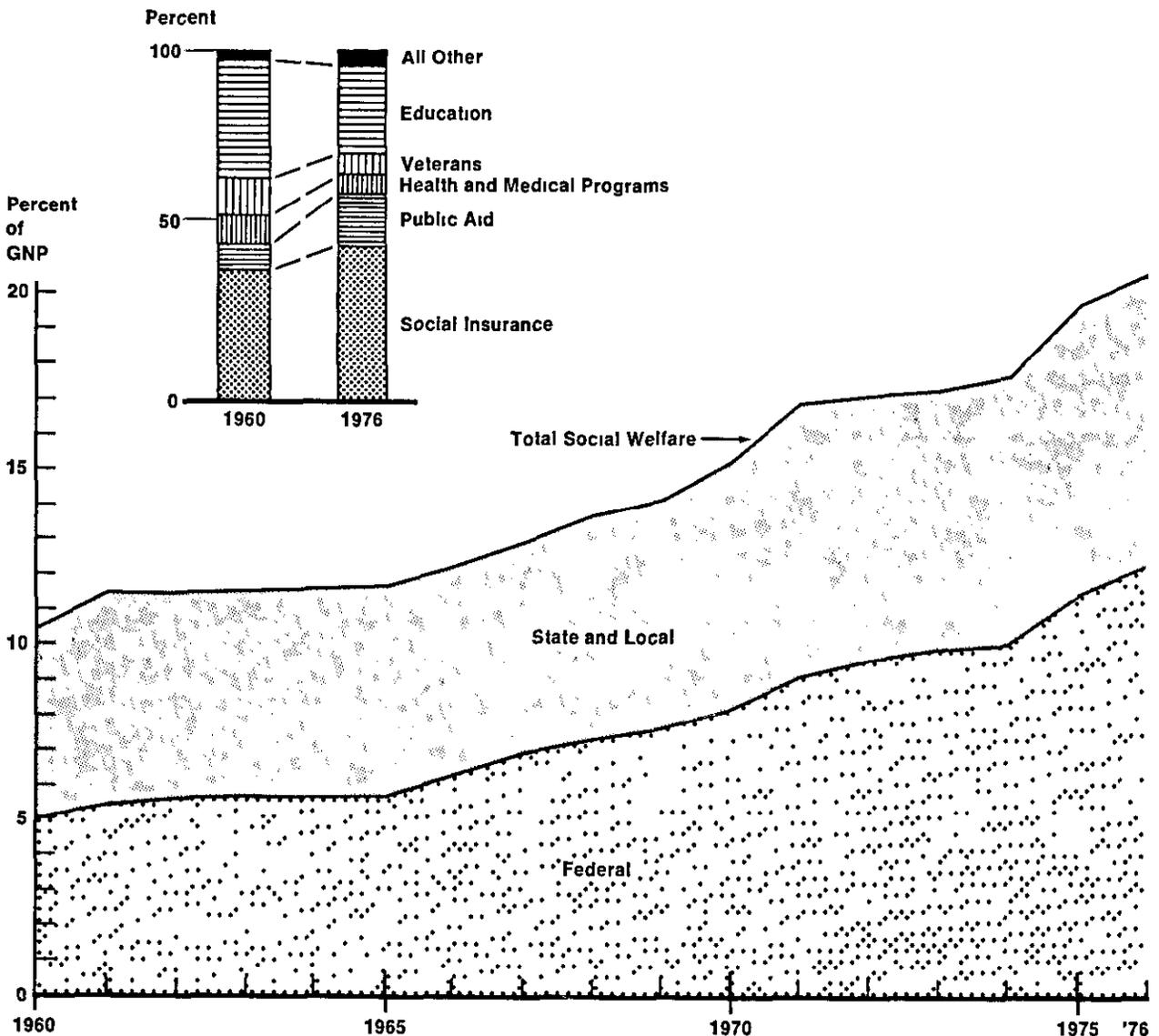


TABLE 4—Social welfare expenditures under public programs Federal funds as percent of total, selected fiscal years, 1950-76

Program	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ¹
Total	44.8	47.7	48.9	53.0	53.9	55.6	57.3	57.3	58.4	59.9
Social insurance	42.5	74.1	77.5	82.7	81.2	81.9	83.8	83.7	81.1	82.4
Public aid	44.2	51.6	57.2	58.5	61.1	62.5	62.9	64.7	66.8	67.9
Health and medical programs	29.2	38.9	44.5	48.2	46.4	49.1	49.8	47.8	49.0	48.7
Veterans' programs	93.0	98.0	99.7	98.6	94.3	99.0	99.1	98.3	97.4	98.9
Education	2.3	4.9	8.8	11.6	11.4	11.3	11.4	9.9	11.0	10.6
Housing	100.0	81.2	74.9	82.9	83.3	88.8	80.3	78.7	78.7	77.6
Other social welfare	38.9	30.6	39.3	54.3	55.1	58.8	62.2	58.1	56.6	56.1
All health and medical care ²	44.4	45.6	48.5	65.4	65.2	66.0	66.2	66.2	67.1	67.8

¹ Preliminary estimates

² Combines "health and medical programs" with medical services pro-

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

The growth in total public social welfare expenditures has been paralleled by the increasing use of Federal sources to fund the programs (table 4 and chart 2). In 1976, 60 percent of all public expenditures were federally funded, and the remaining 40 percent came from State and local sources. This trend has picked up speed in the past 2 years, to some extent as the result of Federal efforts to cope with the recession. Nevertheless, some offsetting developments have occurred. In the social insurance category, the Federal share has dropped, largely because of expanded disbursements under the State unemployment insurance programs. Federal participation has also declined in the housing and "other social welfare" areas. To some degree, part of this drop may be attributable to the way Federal revenue sharing is treated here.

Another important measure is the share of government resources devoted to social welfare compared with that going for national defense,

highways, environmental control, etc. Table 5 shows that an ever-increasing proportion of public funds at all levels of government is being allocated to social welfare—from 48 percent in 1970 to 60 percent in 1976. At the Federal level especially, the increase has been steady—from 40 percent in 1970 to 56 percent in 1976. At the State and local government level, the upward trend has fluctuated, but the 1976 ratio of 67 percent was still higher than the 64-percent figure registered in 1970.

Government expenditures, as defined here, include outlays from social welfare trust funds—mostly social insurance funds built up through earmarked contributions from insured persons, their employers, or both—as well as regular budgetary outlays from general revenues. In 1976, 40 percent of all social welfare outlays were made from trust funds. This ratio has been increasing slowly but steadily since 1970, when it stood at 35 percent. The trend had become more

TABLE 5—Social welfare expenditures from public funds¹ in relation to government expenditures for all purposes, by type of fund, selected fiscal years, 1950-76

Item	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ²
All social welfare expenditures from public funds										
Total, as percent of all government expenditures	37.4	38.4	42.2	48.2	51.7	53.2	55.5	56.5	57.9	59.7
Federal, as percent of all Federal Government expenditures	26.2	28.1	32.6	40.1	44.9	47.4	50.5	52.3	54.0	56.0
State and local, as percent of all State and local government expenditures	59.2	60.1	60.4	64.0	64.0	63.8	64.9	64.1	65.0	66.9
Social welfare trust fund expenditures										
Total, as percent of all government expenditures	6.8	13.2	14.3	17.0	18.5	19.1	20.7	21.7	22.9	23.6
Federal, as percent of all Federal Government expenditures	4.5	15.2	17.7	22.0	24.1	24.8	27.3	29.1	29.2	29.7
State and local, as percent of all State and local government expenditures	11.2	9.1	7.8	7.1	8.6	8.7	8.3	8.5	11.4	11.6
Social welfare non trust fund expenditures										
Total, as percent of total non trust fund expenditures	34.8	29.9	33.4	38.3	41.5	43.1	45.7	45.9	46.5	48.6
Federal, as percent of Federal Government non trust-fund expenditures	24.7	15.0	18.9	23.9	28.3	31.2	34.1	34.6	36.6	39.2
State and local, as percent of State and local government non trust fund expenditures ¹	3.1	2.9	4.0	6.6	8.6	10.1	11.0	11.6	13.0	14.0
All programs										
Total, as percent of all government expenditures	54.1	56.2	57.1	61.2	60.8	60.4	61.8	60.8	60.5	62.6
Federal, as percent of all Federal Government expenditures	35.5	44.1	46.0	49.1	47.8	47.0	48.4	47.6	48.5	48.2
State and local, as percent of all State and local government expenditures	7.7	5.2	4.8	7.4	7.9	8.7	8.9	8.3	9.1	9.8

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

² Preliminary estimates

³ From own sources, excluding Federal grants

TABLE 6—Health and medical care Expenditures from public and private sources, selected fiscal years, 1950-76

[In millions]

Type of expenditure	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ¹
Total.....	\$12,027 3	\$25,856 2	\$38,892 3	\$69,201 1	\$77,162 0	\$86,687 2	\$95,383 1	\$106,046 6	\$122,230 6	\$139,311 9
Public expenditures	3 065 3	6,395 2	9,535 3	25,391 1	28,774 6	33,473 4	36 667 7	41 511 9	50,869 9	58,819 7
Health and medical services	2,470 2	5,346 3	7,641 2	22 661 4	25 724 4	29,985 0	33,260 9	37,746 0	46,192 2	53 299 7
OASDHI (Medicare)				7,149 2	7,875 0	8,819 2	9,478 8	11,347 5	14 781 4	17,777 4
Temporary disability insurance (medical benefits) ²	2 2	40 2	50 9	62 6	68 4	68 3	69 8	70 7	72 9	73 6
Workmen's compensation (medical benefits) ²	193 0	420 0	580 0	985 0	1,090 0	1,185 0	1,355 0	1,600 0	1 860 0	2,125 0
Public assistance (vendor medical payments)	51 3	492 7	1,367 1	5,212 8	6,277 5	7,751 6	9,208 6	10,371 9	12 984 2	15,320 0
General hospital and medical care	886 1	1,975 2	2,515 5	3,553 8	3,979 3	4,450 3	4,945 1	5,293 2	6,405 4	6,901 6
Defense Department hospital and medical care (Armed Forces)	336 2	820 1	858 5	1,495 9	1,606 1	1,932 0	1,990 0	2 267 0	2,518 0	2,683 0
Military dependents medical care		60 1	78 3	263 7	350 5	409 0	478 0	474 0	567 0	549 0
Maternal and child health programs	29 8	140 7	223 0	431 4	403 3	495 2	455 3	493 4	545 5	592 9
School health (educational agencies)	30 6	101 0	142 2	246 6	271 9	281 3	300 0	325 2	(³)	(³)
Other public health activities	350 8	401 2	671 0	1,348 0	1 578 4	2 002 3	2 065 7	2,531 3	2 953 0	3,255 0
Veterans hospital and medical care	582 8	879 4	1,114 8	1,651 4	1,873 9	2 255 6	2,587 3	2,786 6	3,287 1	3,793 2
Medical vocational rehabilitation	7 4	17 7	34 2	133 8	162 8	179 2	175 0	185 2	217 7	228 9
OEO health and medical care			5 6	127 3	187 2	155 9	152 4	(⁴)	(⁴)	(⁴)
Medical research	72 9	471 2	1,228 8	1,726 8	1,727 6	1,955 0	2,203 0	2,300 0	2 692 0	3 069 0
Medical facilities construction	522 3	577 7	665 3	1,003 0	1,322 6	1,533 3	1,203 8	1,465 9	1,985 7	2,451 0
Defense Department	1 1	40 0	31 1	52 5	74 1	100 7	76 0	86 0	96 0	171 0
Veterans Administration	161 5	59 6	77 0	70 9	85 1	109 8	104 8	118 9	136 7	212 0
Other	359 8	478 1	557 2	879 6	1,163 4	1,323 5	1,023 0	1,261 0	1,753 0	2,008 0
Private expenditures	8,962 0	19,461 0	29,357 0	43,810 0	48,387 4	53,213 8	58,715 4	64 534 7	71,360 7	80,492 2
Health and medical services	8,710 0	18,816 0	28,028 0	41,329 0	45,953 4	50,437 8	55,571 4	61,309 6	68,459 4	77,772 2
Medical research	37 0	121 0	157 0	193 0	207 0	203 0	203 0	227 0	250 0	258 0
Medical facilities construction	215 0	524 0	1,172 0	2,288 0	2,227 0	2,573 0	2,941 0	2,998 1	2,651 3	2,512 0
Total expenditures as percent of gross national product	4 5	5 2	5 9	7 2	7 6	7 8	7 7	7 8	8 4	8 6
Public expenditures as percent of total expenditures	25 5	24 7	24 5	36 7	37 3	38 6	38 4	39 1	41 6	42 2

¹ Preliminary estimates

² Includes medical benefits paid under public law by private insurance carriers and self insurers

³ Starting 1975, data not separable from expenditures under "education" category in table 1

⁴ Included with "other public health activities"

pronounced at the State and local level than at the Federal level in the past few years because of unusually high outlays from State unemployment insurance trust funds. Nevertheless, State and local social welfare trust fund outlays play a less significant role in government finances than do similar outlays at the Federal level. In 1976, the former accounted for 12 percent and the latter for 30 percent of all government expenditures at the respective levels.

Non-trust-fund expenditures—sometimes termed "discretionary" expenditures 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 devoted to social welfare rose from 38 percent in 1970 to 49 percent in 1976. Almost all of this increase is attributable to the Federal Government, which expended 24 percent of its non-trust-fund budget for social welfare in 1970 and 39 percent in 1976. The State and local ratio, on the other hand, has shown little change over the 6-year period, although the 1976 ratio—63 per-

cent—was more than two percentage points higher than the 1975 ratio.

The predominant role played by education in State and local budgets is reflected in the fact that in recent years education expenditures have accounted for more than three-fourths of non-trust-fund State and local expenditures for social welfare. Education outlays also account for almost one-half of non-trust-fund State and local expenditures for all purposes.

PUBLIC AND PRIVATE EXPENDITURES

Continuing the trend of recent years, private social welfare expenditures rose at a slower pace in 1976 than public social welfare expenditures. Nevertheless, the 11.6-percent increase was the greatest since 1970, with outlays in the private health field leading the way.

The following section regroups the social welfare expenditures listed in table 1 according to the major functions of income-maintenance, health, education, and welfare. To this public spending is added the parallel spending for the same functions in the private sector.

Health

Combined public and private expenditures for health and medical care in fiscal year 1976 amounted to \$139.3 billion, according to preliminary estimates (table 6). The 1976 increase of 14.0 percent did not quite match the 1975 increase of 15.3 percent but otherwise was the greatest since 1970. It can be attributed in large part to medical care prices, which continued to rise at almost double the prevailing rate in the 1971-73 period. Both sectors contributed almost equally to the \$17 billion increase, with \$8 billion (a 15.6-percent rise) coming from the public sector and \$9 billion (12.8 percent) from the private sector.

With the GNP rising only 11 percent during 1976, combined health expenditures as a proportion of the Nation's output of all goods and

services hit a new high of 8.6 percent. In 1970, the ratio was 7.2 percent and in 1965, 5.9 percent. Part of the 1976 growth in the proportion of the GNP stems from a higher rise in prices for medical care than for all other items. The medical component of the consumer price index rose 10.2 percent during fiscal year 1976, compared with only a 7.1-percent increase for all items in the consumer's market basket.

The public expenditures data in table 6 combine the category "health and medical programs" presented in table 1 with expenditures shown for medical services under other programs. Included among the latter are Medicare, Medicaid, and hospital and medical benefits under workmen's compensation, temporary disability insurance, veterans', and vocational rehabilitation programs. The programs in the second group have become increasingly important in the public sector. In

TABLE 7—Health and medical care Expenditures from public sources, by source of funds, selected fiscal years, 1950-76

[In millions]

Type of expenditure	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ¹
Federal expenditures										
Total ..	\$1,361.8	\$2,917.6	\$4,624.7	\$16,600.2	\$18,766.5	\$22,081.9	\$24,279.5	\$27,499.0	\$34,125.7	\$39,863.1
Health and medical services	1,059.6	2,174.8	3,074.6	14,494.4	16,661.3	19,754.6	21,792.8	24,928.1	31,047.0	36,247.1
OASDHI (Medicare)	-	-	-	7,149.2	7,875.0	8,819.2	9,478.8	11,347.5	14,781.4	17,777.4
Workmen's compensation (medical benefits)	5.2	9.0	11.3	20.7	25.1	26.9	32.3	36.1	50.2	66.3
Public assistance (vendor medical payments)	-	199.8	555.0	2,607.1	3,373.9	4,166.2	4,997.4	5,833.2	7,056.4	8,381.0
General hospital and medical care	46.4	103.4	137.9	285.8	413.6	619.3	804.7	835.9	1,195.3	1,265.2
Defense Department hospital and medical care (Armed Forces)	336.2	820.1	858.5	1,495.9	1,606.1	1,932.0	1,990.0	2,267.0	2,518.0	2,683.0
Military dependents' medical care	-	60.0	78.3	263.7	350.5	409.0	478.0	474.0	567.0	549.0
Maternal and child health services	20.1	34.7	69.1	196.0	148.2	259.0	221.0	234.7	276.5	306.9
Other public health activities	63.8	57.3	222.9	590.3	677.6	968.0	911.0	959.0	1,141.0	1,244.0
Veterans' hospital and medical care	582.8	879.4	1,114.8	1,651.4	1,873.9	2,252.6	2,587.3	2,786.6	3,287.1	3,793.2
Medical vocational rehabilitation	5.1	11.2	21.2	107.0	130.2	143.4	140.0	154.1	174.2	183.1
OEO health and medical care ²	-	-	5.6	127.3	187.2	155.9	152.4	-	-	-
Medical research	72.9	448.2	1,173.8	1,576.8	1,564.6	1,776.0	2,002.0	2,078.0	2,453.0	2,818.0
Medical facilities construction	229.3	294.7	376.3	529.0	540.6	551.3	484.8	492.9	625.7	798.0
Defense Department	1.1	40.0	31.1	52.5	74.1	100.0	76.0	86.0	96.0	171.0
Veterans Administration	161.5	59.6	77.0	70.9	85.1	109.8	104.8	118.9	136.7	212.0
Other	66.8	195.1	268.2	405.6	381.4	341.5	304.0	288.0	393.0	415.0
State and local expenditures										
Total ..	\$1,703.6	\$3,477.5	\$4,910.5	\$8,790.9	\$10,008.1	\$11,391.5	\$12,388.2	\$14,012.9	\$16,744.2	\$18,956.5
Health and medical services	1,410.6	3,171.5	4,566.5	8,166.9	9,063.1	10,230.5	11,468.2	12,817.9	15,145.2	17,052.5
Temporary disability insurance (medical benefits) ³	2.2	40.2	50.9	62.6	68.4	68.3	69.8	70.7	72.9	73.6
Workmen's compensation (medical benefits) ³	187.8	411.0	568.7	964.3	1,064.9	1,158.1	1,322.7	1,563.9	1,809.8	2,058.7
Public assistance (vendor medical payments)	51.3	292.9	812.1	2,605.6	2,903.6	3,585.4	4,211.3	4,538.7	5,927.8	6,929.1
General hospital and medical care	839.7	1,869.8	2,377.6	3,288.0	3,565.7	3,831.0	4,140.4	4,457.3	5,210.1	5,636.4
Maternal and child health services	9.7	106.1	153.9	235.3	255.2	256.3	234.3	258.7	289.0	287.0
School health (educational agencies) ⁴	30.6	101.0	142.2	246.6	271.9	281.3	300.0	325.2	-	-
Other public health activities	287.0	343.9	448.1	757.7	900.8	1,034.3	1,154.7	1,572.3	1,812.0	2,012.0
Medical vocational rehabilitation	2.3	6.6	13.0	26.8	32.6	35.8	35.0	31.2	43.5	45.8
Medical research	-	23.0	55.0	150.0	163.0	179.0	201.0	222.0	239.0	251.0
Medical facilities construction	293.0	283.0	289.0	474.0	782.0	982.0	719.0	973.0	1,360.0	1,653.0

¹ Preliminary estimates

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

³ Includes medical benefits paid under public law by private insurance

carriers and self-insurers

⁴ Starting 1975, data not separable from expenditures under "education" category in table 1

fiscal year 1976, as an adjunct to their primary function of income maintenance, they accounted for more than two-thirds of all public spending for health purposes, compared with less than two-fifths in fiscal year 1965

The largest single component of government health spending is health insurance for the aged and disabled (Medicare) under the OASDHI program. The \$17.8 billion spent under Medicare in 1976 represented 30 percent of all government health spending for the year and an increase in outlays of 20 percent from 1975. Next in importance was the \$15.3 billion under public assistance (mostly Medicaid)—26 percent of the total or an annual increase of 18 percent. Both Medicare and Medicaid already bulk so large among government health programs that their respective 1976 increases of \$3.0 billion and \$2.3 billion increased their proportion of all government health spending by only about 1 percent each.

With one exception, none of the other items making up the government spending total had increases reported as large as the 16 percent recorded for the entire sector. The exception was public spending for medical-facilities construction, which rose 23 percent in 1976. In contrast, private expenditures for health construction actually experienced a dollar decline in 1976.

Fiscal year 1976 saw a continuation of the shift in the segments of the economy footing the Nation's health bill. Expenditures from public sources as a proportion of combined health expenditures once again increased—from 41.6 percent in 1975 to 42.2 percent in 1976. In 1965, the proportion had been 24.5 percent. Similarly, the Federal Government continued to augment its already dominant role in funding health expenditures in the public sector. Its expenditures of \$39.9 billion in 1976 represented 67.8 percent of combined Federal and State and local expenditures for health (table 7). The proportion in 1965 had been 48.5 percent.

Some small duplication in the amounts designated for Medicare and Medicaid should be noted. Medical vendor (Medicaid) expenditures under the public assistance programs include the premiums paid into Medicare's supplementary medical insurance trust fund for coverage for public assistance and supplemental security income recipients. To the extent that these premium payments are subsequently used to reimburse for

supplementary medical insurance services, they are counted again under the Medicare expenditures. The total amounts of the premiums paid by States to "buy-in" for Medicare coverage of aged and disabled persons are as follows:

<i>Fiscal year</i>	<i>Amount (in millions)</i>
1967 -----	\$32.1
1968 -----	53.0
1969 -----	75.8
1970 -----	97.2
1971 -----	131.5
1972 -----	137.9
1973 -----	149.3
1974 -----	171.0
1975 -----	213.1
1976 -----	245.5

Education

Since the introduction of massive Federal aid to education in the midsixties, public expenditures for education have been steadily increasing at a faster pace than private expenditures, except in 1972. In fiscal year 1976, public expenditures for education (including veterans' education benefits) increased 11.4 percent to a total of \$92 billion, private expenditures rose 5.7 percent to an estimated \$15 billion (table 8). These increases were almost identical with the increases registered in 1975.

Because so much of the education spending takes place in the public sector—86 percent in 1976—combining public and private expenditures produces ratios that closely follow public sector experience. Thus, in 1976, combined public and private expenditures of \$107 billion represented a 10.6-percent increase from the 1975 total of \$97 billion. The 1976 increase is within the range of increases—9-12 percent—registered since 1970 (1972 again was unusual in that spending increased only 6 percent).

The public sector is responsible for a much larger share of spending for current operations at the elementary and secondary school level than at the higher education level. In 1976, the respective proportions were 93 percent and 63 percent.

The division between public and private spending for elementary and secondary education has shown little change since 1970, but a different picture emerges for higher education. Here the

TABLE 8—Education Expenditures from public and private sources, selected fiscal years, 1950–76

[Amounts in millions]

Program	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ¹
Total	\$10,981	\$21,781	\$34,129	\$61,746	\$69,120	\$73,069	\$80,037	\$87,138	\$96,530	\$106,762
Public expenditures for education	9,366	18,036	28,149	51,863	58,327	61,311	67,382	73,706	82,344	91,762
Current operations	8,036	15,016	23,800	45,637	52,209	55,370	60,890	67,341	75,339	84,164
Elementary and secondary	4,577	12,447	19,091	33,973	38,359	40,066	43,068	47,446	51,330	56,418
Higher	604	1,833	3,745	8,340	9,289	10,101	11,457	12,569	14,871	17,179
Veterans	2,692	410	41	1,018	1,622	1,925	2,848	3,207	4,434	5,336
Vocational and adult	161	298	854	2,144	2,718	3,021	3,454	3,880	4,441	4,956
Construction	1,330	3,020	4,348	6,226	6,118	5,941	6,492	6,365	7,005	7,598
Elementary and secondary	1,019	2,662	3,267	4,659	4,562	4,459	5,009	4,879	5,492	5,983
Higher	310	358	1,081	1,567	1,566	1,482	1,483	1,386	1,513	1,615
Private expenditures for education	1,615	3,745	5,980	9,883	10,793	11,778	12,655	13,432	14,186	15,000
Current operations	1,333	3,200	5,264	8,936	9,889	10,822	11,753	12,686	13,574	14,400
Elementary and secondary	471	1,300	2,045	2,815	2,992	3,196	3,527	3,845	4,164	4,400
Higher	862	1,900	3,219	6,121	6,897	7,626	8,226	8,841	9,410	10,000
Construction	282	545	716	947	904	956	902	746	612	600
Public expenditures as percent of expenditures for specified purposes										
Total	85.3	82.8	82.5	84.0	84.4	83.9	84.2	84.6	85.3	86.0
Current operations	85.8	82.4	81.9	83.6	84.1	83.7	83.8	84.1	84.7	85.4
Elementary and secondary	90.7	90.5	90.3	92.3	92.8	92.6	92.4	92.5	92.5	92.8
Other	80.0	57.2	59.0	65.3	66.4	66.4	68.1	69.0	71.6	73.3
Higher	41.2	49.1	53.8	57.7	57.3	57.0	58.2	58.7	61.2	63.2
Construction	82.5	84.7	85.9	86.8	87.1	86.1	87.8	89.5	92.0	92.7

¹ Preliminary estimates

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

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

proportion of current operating expenditures that come from the public treasury increased from 58 percent in 1970 to 63 percent in 1976. The change is even more striking when the 1976 figure is contrasted with that for 1950, when public spending for higher education represented 41 percent of total expenditures. When all public and private education spending is taken into account, expenditures in 1976 for institutions of higher learning increased 12 percent and those for elementary-secondary schools rose 10 percent.

When expenditures for veterans' education and vocational and adult education are added to the figures for higher education, the proportion of total spending coming from public sources obviously increases. In 1976, this share was 73 percent, in 1965 and 1970, the proportions were 59 percent and 65 percent, respectively. The growth in public funding during the current decade is largely attributable to the educational assistance programs for veterans and members of their families. These programs had dwindled to practically nothing by the midsixties but have grown enormously since then as a result of the Vietnam conflict. In 1976, veterans' education benefits rose 20 percent, the largest increase among all the categories listed in table 8. Entry into the Vietnam veterans' education program may have peaked in 1975, when a 38-percent increase was recorded.

Cash Transfer Payments

Cash transfer payments to individuals under public and private programs, which amounted to \$171.6 billion in fiscal year 1976, reflected for the second year in a row the effects of the downturn in the economy that started early in fiscal year 1975 (table 9). The 16.6-percent increase in 1976 payments, although not as great as the 20.9-percent rise registered in 1975, was considerably higher than the 12–13-percent increases experienced in the more prosperous years 1972–74.

Payments under public programs of social insurance, veterans' benefits, and public aid continued to increase twice as fast as expenditures under private employee-benefit plans. This disparity can be attributed partly to the fact that the public programs are more likely than the private programs to be providing benefits to the unemployed and the needy.

Unemployment insurance benefits (including those for railroad workers), which hovered at \$5–\$6 billion per year during the early 1970's, reached \$12.6 billion in fiscal year 1975 and \$18.3 billion in fiscal year 1976. Cash payments under the public assistance and supplemental security income (SSI) programs together, however, registered 1976 increases that were much lower than those for 1975—both absolutely and relatively.

TABLE 9—Cash transfer payments (excluding administration) Expenditures from public and private sources, selected fiscal years, 1950-76

[Amounts in millions]

Source of funds	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ¹
Total cash transfer payments	\$10,112	\$28,708	\$40,808	\$70,070	\$84,557	\$94,931	\$107,610	\$121,778	\$147,193	\$171,571
Public	9,147	25,173	34,883	58,410	71,457	80,096	90,970	103,053	126,343	148,821
Social insurance ²	4,447	18,151	26,439	44,814	55,338	62,558	72,789	83,410	103,199	123,107
Veterans programs ³	2,423	3,810	4,526	5,849	6,354	6,678	7,085	7,257	8,073	8,771
Public assistance and supplemental security income	2,277	3,212	3,918	7,746	9,764	10,859	11,096	12,387	15,071	16,943
Private employee benefits ⁴	965	3,535	5,975	11,660	13,100	14,835	16,640	18,725	20,850	22,750
Public as percent of total	90.5	87.7	85.4	83.4	84.5	84.4	84.5	84.6	85.8	86.7

¹ Preliminary estimates

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

³ Veterans' pensions and compensation and life insurance

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

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

The 1975 increase of \$2.7 billion in these programs represented a 22-percent rise to \$15 billion, the 1976 total of \$16.9 billion reflected only a 12-percent rise. The latter situation reflects in part the timing of the start of SSI—January 1, 1974. In the remaining half of fiscal year 1974, \$2.5

billion was disbursed for SSI. In the program's first full year of operation (1975), payments totaled \$5.6 billion and in the second year (1976) they amounted to \$6.0 billion.

Despite the growth of antirecession programs, the greatest impact on cash transfer payments

TABLE 10—Public and private expenditures for social welfare purposes, selected fiscal years, 1950-76

Type of expenditure	1950	1960	1965	1970	1971	1972	1973	1974	1975	1976 ¹
All expenditures (in millions)										
Total, net ²	\$35,395	\$78,743	\$117,792	\$209,330	\$241,628	\$268,222	\$298,482	\$332,060	\$387,743	\$443,456
Public	23,508	52,293	77,175	145,806	171,908	191,357	213,942	239,314	286,522	331,366
Private	12,227	27,829	42,687	67,353	74,380	82,127	90,610	97,576	105,665	117,872
Income maintenance	10,723	29,827	42,500	72,473	87,557	98,683	112,306	126,373	152,520	179,465
Public ³	9,758	26,292	36,570	60,813	74,457	83,848	95,666	107,648	131,670	156,715
Private	965	3,535	5,975	11,660	13,100	14,830	16,640	19,992	20,850	22,750
Health	12,027	25,856	38,802	69,201	77,162	86,687	95,383	106,047	122,231	139,312
Public	3,065	6,390	9,535	25,391	28,775	33,473	36,668	41,512	50,870	58,820
Private	8,962	19,461	29,267	43,810	48,387	53,214	58,715	64,535	71,361	80,492
Education	10,981	21,781	34,129	61,746	69,120	73,089	80,037	87,138	96,530	106,762
Public	9,366	18,036	28,149	51,863	58,927	61,311	67,382	73,700	82,344	91,762
Private	1,615	3,745	5,980	9,883	10,793	11,778	12,655	13,432	14,186	15,000
Welfare and other services	2,004	2,658	4,291	9,789	12,449	15,025	16,826	19,348	24,638	27,469
Public ⁴	1,319	1,570	2,916	7,789	10,349	12,725	14,226	16,448	21,638	24,069
Private	685	1,088	1,375	2,000	2,100	2,300	2,600	2,900	3,000	3,400
Public expenditures as percent of expenditures for specified purposes										
Total ⁵	65.8	65.3	64.4	68.4	69.8	70.0	70.2	70.6	72.4	73.1
Income maintenance	91.0	88.1	86.0	83.9	85.0	85.0	85.2	85.2	86.3	87.3
Health	25.5	24.7	24.5	36.7	37.3	38.6	38.4	39.1	41.6	42.2
Education	85.3	82.8	82.5	84.0	84.4	83.9	84.2	84.6	85.3	86.0
Welfare and other services	65.8	59.1	68.0	79.6	83.1	84.7	84.5	85.0	87.8	87.6
All expenditures as percent of gross national product										
Total, net ²	13.4	15.8	17.9	21.8	23.7	24.1	24.1	24.4	26.7	27.5
Income maintenance	4.0	6.0	6.5	7.5	8.6	8.9	9.1	9.3	10.5	11.1
Health	4.5	5.2	5.9	7.2	7.6	7.8	7.7	7.8	8.4	8.6
Education	4.1	4.4	5.2	6.4	6.8	6.6	6.5	6.4	6.6	6.6
Welfare and other services	8	5	7	10	12	14	15	14	17	17

¹ Preliminary data

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

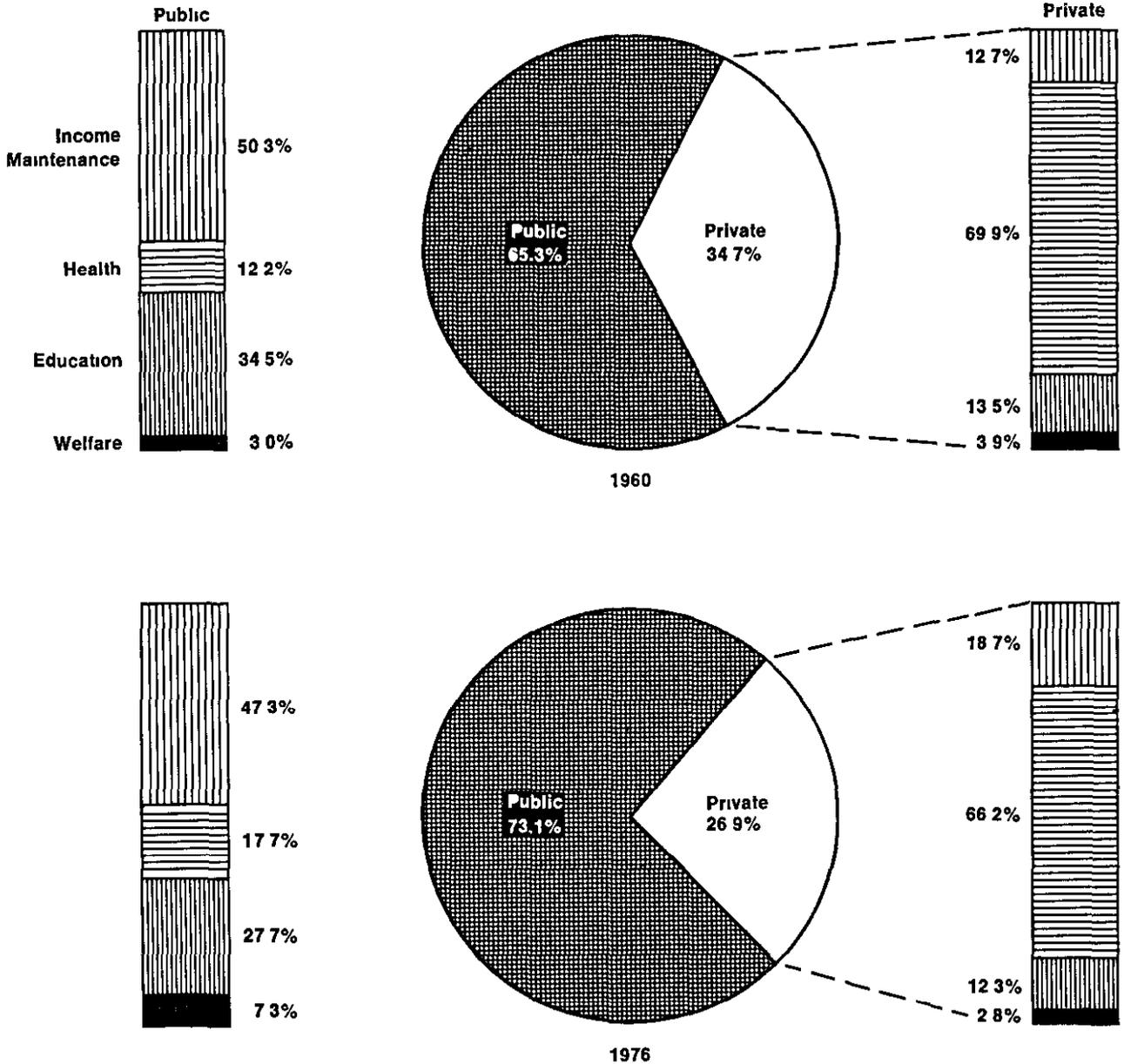
³ Includes cash benefits and administrative costs under social insurance, public assistance, supplemental security income, and veterans and emergency employment programs. Excludes cost of medical services provided in

conjunction with these programs and for other welfare programs

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

⁵ Before adjustment for elimination of duplication

CHART 3—Distribution of public and private social welfare expenditures by functions of income maintenance, health, education, and welfare, fiscal years 1960 and 1976



is still exerted by the retirement, disability, and survivor programs, particularly those in the public sector that are now subject to cost-of-living increases. Cash benefits under the OASDHI program amounted to \$71.4 billion in fiscal year 1976—nearly half the \$148.8 billion outlay under all public income-maintenance programs.

The 1976 increase for all public income-maintenance programs was 18 percent, compared with a rise of only 9 percent for the private plans.

This growth brought the share of total payments provided through public funds close to 87 percent.

The data on private employee benefits refer to benefits payable to civilian employees through their place of employment. Excluded are payments for death, disability, and retirement under individual insurance and annuity policies and under group policies for farm, professional, fraternal, and other organizations not having an

employer-employee relationship with their members. These excluded amounts are estimated at \$6.9 billion for fiscal year 1976, with death payments of \$5.0 billion under ordinary and industrial life insurance policies as the largest item.

Combined Public and Private Expenditures

Combining the dollar figures shown in tables 6, 8, and 9 and adding administrative expenses and the value of welfare services not included in the cash-transfer data for table 9 produces a grand total of public and private expenditures for social welfare. When adjusted for the overlap that occurs when cash benefits received under public and private income-maintenance programs are used to purchase medical and education services in the private sector, the total reached an estimated \$44.3 billion in fiscal year 1976 (table 10). This sum represented 27.5 percent of the GNP, an increase of almost one percentage point from 1975 and in keeping with the average rate of growth in this ratio from 1965 to 1976.

Public spending continues to account for an ever-increasing proportion of all social welfare outlays—73 percent in 1976, compared with 65 percent in 1960 (chart 3). The upward trend manifested itself in all major areas. By 1976, public spending accounted for 86–88 percent of total spending for income maintenance, for education, and for welfare.

Mainly as the result of Medicare and Medicaid, however, the major change has taken place in the health area, where a ratio of public to private

spending of 25/75 percent in 1960 changed to 42/58 percent by 1976. Public spending has also experienced a strong upward movement during this period as a proportion of total expenditures for welfare and other services—from 59 percent to 88 percent—with the expansion of the food stamp, social services, and economic opportunity and manpower programs.

Despite the declining proportion of total health expenditures provided through private means, the largest share of private spending in the social welfare area is still for health—66 percent in fiscal year 1976. Income maintenance accounted for 19 percent of all private social welfare expenditures and education for 13 percent. In 1960, health expenditures were responsible for 70 percent of all private social welfare outlays and those for income maintenance for 12 percent.

In the public sector, the distribution of the social welfare dollar takes on a different pattern. Although well up from 1960, health expenditures accounted for only 18 percent of the total in 1976. Income-maintenance programs continued to be the largest single area of public social welfare spending—47 percent in 1976. At 50 percent, this proportion had even been higher in 1960. Education absorbed 28 percent of total public outlays, down somewhat from the 34 percent of 1960 but still the next most important area of spending.

In both the private and public spheres, expenditures for “welfare and other services” have constituted a small proportion of total social welfare expenditures. Nevertheless, they have been increasing in importance in the public sector where they have grown from 3 percent of the 1960 total to 7 percent of that for 1976.