

approximate division, based on a regrouping of items in table 2 according to whether the expenditures are predominantly transfers or for other purposes. Expenditures other than transfer payments are substantially all for the purchase of goods and services.

TABLE 4.—*Economic classification of social welfare expenditures under public programs in selected fiscal years, 1935-66*

[Amounts in millions of dollars]

Fiscal year and level of government	Total social welfare expenditures	Transfer payments ¹	Other expenditures ¹
1935, all public expenditures.....	6,417	3,760	2,657
From Federal funds.....	3,107	2,862	245
From State and local government funds.....	3,310	898	2,412
1950, all public expenditures.....	22,973	9,210	13,763
From Federal funds.....	9,998	5,213	4,785
From State and local government funds.....	12,975	3,997	8,978
1960, all public expenditures.....	52,154	26,342	25,812
From Federal funds.....	24,724	19,573	5,152
From State and local government funds.....	27,430	6,239	21,190
1966, all public expenditures.....	87,578	40,526	47,052
From Federal funds.....	46,804	32,805	13,999
From State and local government funds.....	40,774	7,721	32,805

¹ "Transfer payments" as shown here may include relatively small sums for administrative expenses and other purchases of goods and services. "Other expenditures" may include relatively small sums for transfer payments.

Source: Compiled from table 2 above.

The distribution in table 4 indicates that, despite the expansion of social insurances, transfer payments are relatively less important in the 1960's than they were in 1935 as a component of public expenditures for social welfare programs. This situation apparently results largely from the fact that State and local government expenditures for social welfare expenditures are predominantly for goods and services. In 1935 and 1950, between one-third and one-fourth of State and local expenditures for social welfare were transfer payments. In 1960, only 23 percent, and in 1966, only 21 percent were transfer payments.

In Federal Government expenditures for social welfare, the emphasis has been different. In each year reported in the table, the largest part of the expenditures was for transfer payments—in 1935, 92 percent; in 1950, 52 percent; in 1960, 79 percent; and in 1966, 70 percent. These proportions may be altered for 1967 and subsequent years as a consequence of the major legislation which added medicare insurance to the social security system and authorized substantial increases in Federal public assistance grants to finance medical care for persons who need help in paying medical bills. Benefit payments under the medicare insurance program—both the compulsory insurance for hospital services and the voluntary insurance for physicians' bills—are classified in national income accounts as transfer payments.⁹ Federal Government outlays for the medicaid program under public assistance are classified in the first instance as "grants-in-aid to State

⁹ See "Medicare in the National Income and Product Accounts," in *Survey of Current Business*, August 1966, pp. 6-7.