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FEDERAL PROGRAMS FOR THE DEVELOPMENT OF HUMAN RESOURCES

A COMPILATION OF REPLIES FROM DEPARTMENTS AND AGENCIES OF THE U.S. GOVERNMENT TO A QUESTIONNAIRE FORMULATED BY THE

SUBCOMMITTEE ON ECONOMIC PROGRESS

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

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LETTERS OF TRANSMITTAL

DECEMBER 19, 1966.

To Members of the Joint Economic Committee:

Transmitted herewith for use of the Joint Economic Committee and other Members of Congress is a three-volume study of Federal Government programs which provide for the support or development of people in the United States. In view of the increasing role of the Federal Government in the human resources field and its importance for the balanced growth of our economy, the committee has been concerned with the lack of adequate information about the economic effects of investment in our human resources. This study constitutes an initial step toward definition and evaluation of the economic aspects of the various types and kinds of Government programs concerned with the development and sustenance of people.

The responses of the various departments and agencies to a questionnaire from the committee in September 1965, reprinted in part III, provide a wealth of detailed information about the specific Government programs. They include extensive description of program objectives, scope, operation, and future orientation, in addition to observations on the economic aspects and impacts. Parts I and II prepared by the committee staff give background information and focus to the study.

It is hoped that the study will serve as a convenient source book for policymakers, economists, public administrators, and legislators; and that it will stimulate further inquiry into this important area.

The Joint Economic Committee proposes to carry forward its inquiries in the broad field of investment in human resources, first by inviting scholars to prepare papers for a future report that might help to clarify fundamental issues and concepts. Later, the committee may schedule hearings on selected aspects of the subject.

The committee is grateful to the many experts who gave generously of their time and talent to help us in this important work, and, in particular, to Mr. I. M. Labovitz, senior specialist in the Legislative Reference Service, Library of Congress who, as consulting analyst to the committee, undertook the major responsibility for planning, coordinating, and editing this study. We also express our appreciation to the Library of Congress for making him available to the committee.

The views expressed in these volumes do not necessarily represent the views of the committee or individual members thereof.

WRIGHT PATMAN,
Chairman, Joint Economic Committee.

DECEMBER 12, 1966.

Hon. WRIGHT PATMAN,
Chairman, Joint Economic Committee,
Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a three-volume study of Federal Government programs for the development of human resources. Governmental services and activities described in this study are those which the various Federal departments and agencies, in response to a questionnaire from the committee in September 1965, identified as primarily concerned with the maintenance or development of people in the United States.

Detailed statements received from the several departments and agencies are reproduced in part III of this report. They provide a description of program objectives, history, level of operations, administrative operation, and coordination, and expectations for 1970, as well as economic aspects and impacts of the program. Because this section is necessarily large, it has been divided into three portions, with part printed in volume 1 and the balance in volumes 2 and 3.

Parts I and II, which are contained in this volume, were prepared by committee staff to provide background information and perspective for the study. Part I presents quantitative summary estimates of U.S. expenditures for human resource programs over an extended period by all levels of government; and discusses conceptual and analytical issues implicit in the economic assessment of human resources programs. Illustrations of economic effects are drawn from the program statements in part III and independent studies in this field.

Part II is largely explanatory. It discusses difficulties which the respondents encountered in replying to the questionnaire, and consequent limitations upon the uses of data in part III.

The study is an initial attempt at definition and evaluation of Government programs concerned with the development of human resources. Federal Government expenditures for these programs in fiscal 1965 totaled more than $43 billion, accounting for approximately 37 percent of the total Federal budget for that year. Such massive outlays have substantial economic impacts, and affect directly or indirectly all members of our society. While this study presents some initial illustrations of economic effects, it serves mainly to suggest avenues for future investigation and to demonstrate the great need for better analysis in this field.

This study could not have been prepared without the advice, counsel, and hard work of many experts who have been most generous in making their time and talent available to us. In particular, the committee is grateful to Mr. I. M. Labovitz, senior specialist in the Legislative Reference Service, Library of Congress who, as consulting analyst to the committee, undertook the major responsibility for planning, coordinating, and editing this study. In addition, Mrs. Myrtle Nelson of the Office of the Chief Economist, Division of Economic Studies, Department of Labor, provided valuable analytical and editorial assistance. She was aided by Mr. John Varady of the General Acccounting Office, who reviewed and tabulated the fiscal data, and by Miss Judy Margolis of the Legislative Reference Service.

Mrs. Eleanor H. Aeschliman of the committee staff also made a valuable contribution both in analysis and editing the work. The cooperation of Mrs. Ida C. Merriam, Assistant Commissioner (Research and Statistics) of the Social Security Administration is gratefully acknowledged. The study was under the general supervision of Mr. John R. Stark, Deputy Director.

JAMES W. KNOWLES,
Executive Director.

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Part I. REVIEW AND RECONNAISSANCE

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Introduction

In this report, the Joint Economic Committee reviews "human resources" programs of the Federal Government—programs that support consumption or involve investments in people in the United States.

Governmental services and activities described in this report are those which the several Federal departments and agencies, responding to a questionnaire from the committee, designated in late 1965 and early 1966 as Government programs that are directed primarily toward the maintenance or development of people in the United States or, alternatively, have as a secondary effect a substantial impact on the development of our human resources.

In its request for information, the committee expressed particular interest in programs that involve education and training, rehabilitation, employment and reemployment, health, children's welfare, income-maintenance, family housing, and regional development; the provision of facilities for such purposes; and also research and development activities directed to these purposes.

Detailed statements received from the several departments and agencies of the Government are reproduced in part III of this report. These statements cover the objectives, history, scope, level of operations, administrative coordination, expectations for 1970, and economic aspects and impacts of each of the many Federal programs that bear upon the development of human resources. Part III is necessarily large. It deals with many different programs, and many of the statements are quite detailed. As the committee anticipated, respondents varied in enthusiasm for the inquiry, in depth and length of their expositions, their interpretations of the questions, and their facility in identifying economic aspects and impacts of the several programs.

General statements in this part and part II provide commentaries and qualifying information. For background and perspective, part I presents quantitative summary estimates of U.S. expenditures for human resources programs over an extended period and by all levels of government. This part includes some discussion of conceptual and analytical issues implicit in the economic assessment of human resources programs. It draws upon the program statements in part III for illustrative materials.

Part II is largely explanatory and methodological. It reviews the agencies' replies to the committee questionnaire, to indicate difficulties the respondents encountered and consequent limitations upon the usefulness of data in part III.

Initial Reconnaissance

For many years, the Joint Economic Committee has directed attention to the human resources needs and problems of the Nation. Since 1949, the committee has published 21 separate documents dealing with unemployment, poverty, low income, and related issues. The 1966 annual report of the committee [1] pointed out that the capabilities of human beings are the most productive force in the economy; accordingly, investment in the development of our people is the most productive type of capital investment and the prime source of national economic progress.

In earlier reports, it has been necessary either to indicate the economic significance of Government programs broadly and summarily or to select for analysis specialized areas of public concern, such as the unemployed, low-income families, full-employment policies, medical care, the costs of public education, and other topics.

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[1] Joint Economic Report on the 1966 Economic Report of the President, March 1966, H. Rept. 1334.

The present report is a further expression of the committee's concern with human resources, but with a different approach. It is an initial survey of a generally uncharted area—a step toward definition and evaluation of the economic aspects of the various types and kinds of Government programs concerned with the development and sustenance of people. This reconnaissance reveals that the area to be explored—even though limited to programs of the Federal Government—is a tremendous field; the many component programs exhibit diverse characteristics; and the identification of specific impacts and effects, let alone their separate measurement, has scarcely begun. Consequently, this report does not offer a definitive analysis and systematic evaluation of the human resource programs of the U.S. Government. It provides, rather, a convenient compilation of pertinent materials that outlines the extent and contours of the area to be explored, indicates roughly the numbers of people affected by selected programs and the ways they are affected, and may serve as a starting-point for further investigations.

During the preparation of the present study, the Subcommittee on Economic Progress conducted hearings and issued both a full transcript and a brief report on "Automation and Technology in Education" [2]—a topic chosen as an especially interesting facet of the broader problem of improving our human resources. The subcommittee report pointed out that the recent convergence of expanding demands on our educational system and dramatic breakthroughs in the field of communications technology has far-reaching implications for the economy. The focus of the report was not, however, on the implications for the economy at large. The emphasis was rather on the significance of technological developments for our educational system, and particularly their prospective effects upon the economics of education. The report also suggested that the Nation might well concentrate on the elimination of adult illiteracy as one of the more immediate objectives of technological innovation. It declared that illiteracy is a major drag on our economic progress and a heavy expense, and its elimination would prove a highly productive social investment for the United States.

The Concept of Investment in People

The committee has been concerned with the general inadequacy of available information about the economic effects of investment in human resources.

Although speculation about the money value of human beings began to appear in economic literature as early as the 17th century, it is only within the last several years that economists have undertaken specific analyses in this area. The approach still is not a common one; in fact, the general tendency is to consider members of the labor force as constituting "a unique bundle of innate abilities that are wholly free of capital." [3]

No doubt our strong cultural values which stress freedom and individuality have contributed to a reluctance to equate human

[2] 89th Cong., 2d sess., "Technology in Education—Hearings Before the Subcommittee on Economic Progress of the Joint Economic Committee," June 6, 10, and 13, 1966; and "Automation and Technology in Education—A Report of the Subcommittee on Economic Progress of the Joint Economic Committee" (joint committee print), August 1966.

[3] Schultz, Theodore W., "Investment in Human Capital," American Economic Review, vol. LI, March 1961, p. 2. See also B. F. Kiker, "The Historical Roots of the Concept of Human Capital," Journal of Political Economy, vol. LXXIV, October 1966, pp. 481–499 (with bibliography).

beings with wealth; many people still associate such a concept with serfdom and forced labor. But the notion of capital investment in humans is not, in fact, inconsistent with our high esteem for freedom and individuality. On the contrary, it has become increasingly clear that investments in people greatly enhance their freedom of choice and their capacity for individual development. Also, it has become evident that the concept of investment in human resources (as constituting an important segment of the stock of capital) is essential to analytical efforts to account for the economic growth and productive achievements of technically advanced countries, such as the United States.

Traditional economic doctrine has treated outlays for the improvement of people—their health, strength, training, education, and morale—as though they were exclusively expenditures for consumption. This has influenced decisions on the Nation's priorities in the allocation of resources. Extensive analytical work has been done on the returns which may be derived from investment in physical capital (nonhuman factors of production), and great weight is given, in both private and public decisionmaking, to the results of these analyses. It is a common procedure to compare the discounted capitalized value of the prospective returns (the estimated future flow of income) with the cost of a proposed physical improvement in determining whether the capital investment is justified. Application of a similar calculus as a guide to investments in people is barely beginning. Yet there is reason to believe that yields from investment in human capital may be at least equally great—and in some circumstances, they may be greater.

Over the long run, the ratio of the stock of physical capital to income has been declining in the United States. The national income has been increasing at a faster rate than national resources and productive efforts—land, the stock of reproducible capital, and man-hours worked. These trends and the large increase in real earnings of workers can be explained only by recognizing that there has been improvement in the productivity of the human component. A man-hour of work today is generally more productive than was a man-hour of work in 1900 because the worker today is typically more skilled, healthier, and less fatigued than was his grandfather. There have been tremendous improvements, also, in the tools, equipment, materials, and machinery used by today's workers; but these advances in the quality of physical capital in many cases would be much less effective if the qualities of the workers were unchanged. The large increase in real earnings of labor may be in large measure a return on investments in people.

In evaluating alternatives for fruitful investment in human resources, the consumption aspects need not be brushed aside. In fact, it would be a mistake to ignore this special characteristic of human capital—the fact that some outlays may simultaneously yield satisfactions to consumers and enhance their individual capacities as producers (and, in some cases, the productive capacities of their fellow men). Appropriate weight needs to be given to noneconomic objectives, which economists often lump within consumer satisfactions. The economic values are means, not ends, in the search for the ultimate values of individual and social life.

There are persuasive economic reasons, as well as humanitarian reasons, for expanding further—and substantially—our investment in human capital. As with any other type of investment, this can be done effectively and efficiently only on the basis of systematic choices among alternative possibilities. A prudent allocation of limited resources, one that will yield the greatest potential returns, requires analysis of many promising objectives and selection of the best. Even though our stock of human capital has increased tremendously, low earnings and low productivity still characterize certain disadvantaged groups—minority groups, farmworkers, handicapped persons, and the illiterate. This situation may result from our past failures to invest enough in their education, health, and rehabilitation. We should not continue to neglect these underdeveloped human resources—particularly since their economic improvement would contribute at the same time to the quality of their lives and, indeed, to the quality of our national life.

U.S. Expenditures for Human Resource Purposes

It seems clear, from data to be offered, that the United States over the last several decades has increased substantially both the volume and the proportion of its economic means directed to the development of human resources. It seems clear, also, that the volume and the proportion will increase further—and again substantially—in the immediate future. Yet it is difficult to determine the volume and proportion, either past or present.

National product accounts.—The whole national product is, of course, produced by the people of the Nation and is for their use. But this truism clouds distinctions that are helpful in assessing national welfare and policies.

National income and product accounts, prepared by the U.S. Department of Commerce, show the subdivision of the gross national product between consumers, business, government, and foreign trade. Comparisons based on these categories may supply some general perspective for more selective data, although the summary statistics do not directly demonstrate the relative increase in expenditures for development of human resources.

By far the largest part of the gross national product is applied to the sustenance and development of individuals. Personal consumption expenditures in 1965 and early 1966 were 63 percent of the GNP, and private investment in residential structures was another 3.5 to 4 percent. In brief, approximately two-thirds of the GNP is currently devoted to personal consumption and the provision of dwellings. This two-thirds includes consumers' expenditures financed by Government payments to them. It does not include governmental purchases of goods and services on behalf of individual consumers, the provision of public housing, and the conduct of other programs for the support and development of human resources.

The role of personal consumption was larger in earlier years. In 1929 and 1935, nearly four-fifths of the national output was for personal consumption expenditures and investment in residential structures. Constrictive effects of the great depression are evident in the statistics: Unadjusted for price changes, personal consumption rose from 75 percent of GNP in 1929 to 77 percent of the shrunken national product in 1935. Investment in residences, however, fell from 4 percent of GNP to less than 2 percent, so that in each of these years approximately 79 percent of the GNP was for consumption expenditures and housing investment. By 1950, the proportion had declined below three-fourths, and by 1960, below 70 percent. In the prosperous years of 1961–66, the GNP as a whole continued to grow faster than personal consumption expenditures.

From these comparisons, it might be concluded that the United States, while enlarging the absolute volume of consumption expenditures, has reduced the consumers' share of the total GNP and thereby the proportion directed to the improvement of human resources. But gross totals reported currently for the national income and product do not identify separately those portions of consumer expenditure which may contain elements of capital investment in the form of the development and improvement of individual capacities. The accounts distinguish between consumer expenditures for durable goods, nondurable goods, and services. In each of these categories, most expenditures are for goods and services used primarily for current sustenance and current activities. This is a characteristic even of expenditures for durable goods, which are mostly for automobiles, household equipment, and furniture—items used only to a minor extent for individual development. (Consumers' durable goods used at least partly for personal development are such items as books, typewriters, radio and television receivers, records and musical instruments, ophthalmic products and orthopedic appliances, and personal technical equipment.) The proportion of personal consumption outlays devoted to the acquisition of all durable goods dipped from 12 percent in 1929 to 9 percent in 1935, rose to 16 percent by 1950, and has held close to that level in the middle 1960's.

The principal varieties of "services" also are predominantly for current sustenance and essentially nondevelopmental activities—housing, household operation, and transportation. "Other services," however, include most types of expenditures for medical care and for private educational activities, as well as some recreational, religious, and welfare activities that might have developmental aspects. The proportion devoted to "other services" was close to one-sixth of all personal consumption expenditures in 1929 and 1935. It dipped to a lower level during and after World War II but has exceeded 17 percent in the mid-1960's. Within this category, consumer expenditures for education and health appear to have advanced more rapidly than those for other services.

Social welfare expenditures.—Another compilation that provides interesting background for the committee study is a selective series of estimates prepared by the Office of Research and Statistics of the Social Security Administration, Department of Health, Education, and Welfare. Generally designated "social welfare expenditures," this series is sometimes used (with minor differences of content and categories) as a compilation of "health, education, and welfare expenditures" in the United States. In their most comprehensive form, as in table 1, the estimates cover all expenditures, both public and private, for health, education, social insurance, welfare, retirement, veterans' benefits, public housing, and similar purposes.

The Social Security Administration is preparing a monograph that will describe the estimates of social welfare expenditures under public programs. That report will present revised annual estimates for the period since 1929 for which data have previously been published in the Social Security Bulletin and, in a somewhat different arrangement, in an annual volume, Health, Education, and Welfare Trends. Compared with aggregate estimates previously published, the revisions will be relatively small.[4]

The Social Security Administration studies also cover private expenditures for health and medical care since the beginning of the series, fiscal 1929, but estimates of private spending for education and for income maintenance and welfare are not available for years prior to fiscal 1935. Private expenditures for health and education include individual consumer expenditures for these purposes. In the case of income maintenance and welfare, there is no comparable measure. Retired persons, disabled earners, and the other groups involved have sources of support not identifiable in any statistics of income flows. What is measured in the series is expenditures under organized income-maintenance and welfare programs—specifically private employee benefit plans and organized philanthropy.

[4] The latest article in the series, incorporating some revisions, is in the Social Security Bulletin for December 1966, pp. 9–21, "Social Welfare Expenditures, 1965–66," by Ida C. Merriam, Assistant Commissioner, Office of Research and Statistics. The latest article in the series in Health, Education, and Welfare Trends is by the Under Secretary of the Department, Wilbur J. Cohen, "Public and Private Expenditures for Health, Education, and Welfare, 1935–65," in the 1965 edition, pt. I, National Trends, pp. 31–43 (1966).

Since data summarized in table 1 include non-Federal public and private expenditures, the "fiscal years" involved are not necessarily the period July 1 through June 30 which is designated as the fiscal year of the Federal Government. In general, the data are for 12-month periods which ended during each Federal fiscal year to which the numerical designations refer.

TABLE 1.—*Public and private expenditures for health, education, and welfare, selected fiscal years, 1934–35 through 1965–66*

[In millions]

Type of expenditure	1934–35	1939–40	1944–45	1949–50	1954–55	1959–60	1962–63	1963–64	1964–65	1965–66[1]
Total expenditures, net[2]	$9,590	$12,581	$15,987	$34,905	$50,149	$79,075	$99,933	$107,526	$117,465	$131,030
Public funds	6,417	8,762	8,859	22,973	32,243	52,154	66,543	71,082	77,505	87,578
Private funds[2]	3,322	4,014	7,375	12,228	18,509	28,149	35,046	38,219	41,872	45,608
Health	3,138	3,881	7,906	12,151	17,875	26,385	32,668	35,660	39,141	42,967
Public funds	559	858	2,571	3,087	4,372	6,389	8,328	8,984	9,740	10,896
Private funds	2,580	3,023	5,335	9,064	13,503	19,996	24,340	26,676	29,401	32,071
Education	2,493	3,161	3,871	10,936	14,338	22,079	27,745	30,262	34,424	38,525
Public funds	2,098	2,647	3,027	9,388	11,999	18,409	22,865	24,944	28,632	32,283
Private funds	395	514	844	1,548	2,339	3,670	4,880	5,318	5,792	6,242
Social insurance and welfare	4,125	5,757	4,486	12,149	18,616	31,990	41,377	43,594	46,046	51,944
Public funds	3,760	5,257	3,261	10,499	15,871	27,357	35,351	37,153	39,131	44,399
Private funds	365	500	1,225	1,650	2,745	4,633	6,026	6,441	6,915	7,545

[1] Preliminary estimates.
[2] Total and private expenditures adjusted to eliminate duplication resulting from use of cash insurance benefits to purchase medical care and educational services.

Source: U.S. Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics.

Simple gross totals of public and private expenditures for social welfare purposes include some double counting because small amounts of consumer expenditure for health and for education are financed by benefits received under public programs. Private pensions or other benefits also may be spent for medical care or education, creating some further small measure of double counting. These amounts are netted out of the totals shown in table 1.

The total of $131 billion for the fiscal year 1966 is more than 10 percent above the $117 billion of estimated expenditures in the preceding year. The 1965 estimate, in turn, is nearly 1½ times the sum of health, education, and welfare expenditures only 5 years earlier, in fiscal 1960. The total for fiscal 1966 is nearly 4 times the amount for fiscal 1950 and more than 13½ times the total for fiscal 1935.

Part of the increase in expenditures is a reflection of rising prices. Nevertheless, in constant dollars (at price levels of 1965–66), U.S. expenditures—public and private—for health, education, and welfare in fiscal 1966 were 5½ times as much as in 1935 and more than 2¾ times as much as in fiscal 1950.[5]

The population which shares in the expenditures has grown substantially, but the aggregate of public and private expenditures for health, education, and welfare has grown considerably faster than population. In current dollars, the total of these outlays averaged about $75 a person in fiscal 1935. In 1950, the amount per capita was $231, and in 1966, $669. The average for 1966 was nine times the average for 1935. Adjusted for price changes, the $75 of expenditures per capita in 1935 would have required $188 at the price level of 1965–66. Still, the total of $669 per capita expended in fiscal 1966 was more than 3½ times the corresponding average for fiscal 1935 and more than double the average for fiscal 1950.[6]

These expenditures for health, education, and welfare in total—public and private together—have equaled a progressively larger share of the value of total U.S. production, rising from 14 percent in fiscal 1935 to 18 percent in fiscal 1965 and 18.4 percent in fiscal 1966.

In each of the fiscal years from 1950 to 1966 for which aggregates are available, public expenditures comprised slightly less than two-thirds of the estimated gross totals, and private expenditures, slightly more than one-third. This composite ratio covers a substantial difference between education and welfare expenditures, on the one hand, and health expenditures on the other.

Expenditures for education are predominantly public outlays. In the years reported in table 1, the war year, 1944–45, is the only one in which public expenditures were less than 80 percent of all outlays for education. During fiscal 1935, public programs accounted for 84 percent of the total. After the war, they were 86 percent in the fiscal year 1950 and 82 percent in the early 1960's. In fiscal 1966, public expenditures again were 84 percent of the total for education.

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[5] These comparisons are based on total expenditures, net, as shown in table 1, adjusted for price level changes by the implicit price deflators (1965–66 equals 100) shown in table 3 of the article by Mrs. Merriam, cited earlier, Social Security Bulletin, December 1966.

[6] Per capita estimates are based on total expenditures, net, as shown in table 1, divided by estimated mid-year population (Jan. 1), including Armed Forces overseas. Population estimates are from the U.S. Bureau of the Census, Current Population Reports, series P–25, Nos. 302, Mar. 11, 1965, and 351, Oct. 18, 1966. The estimate for 1934–35 is an end-of-year estimate (July 1, 1935), but it omits Alaska and Hawaii (ibid., No. 311, July 2, 1965). For constant-price amounts per capita, the current-dollar averages were adjusted by applying the price deflators cited in the preceding footnote.

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Similarly, for income maintenance and welfare services, expenditures in public programs were 85 percent or more of the total in each year from 1950 through 1966 for which estimates are available.

In contrast, expenditures for health and medical care have been largely private expenditures. This comparison may be carried back to the fiscal year 1929, when public expenditures were 14 percent of the total for health and medical care. For those years for which estimates are available, the highest public share was 32.5 percent in the World War II year 1945. Since then, public programs have comprised 24 to 25 percent of all health and medical care expenditures in each reported year. In the fiscal year 1966, the percentage was 25.3. This was before medicare benefits were added to the social security system. As a result of this new public insurance program and recent expansion of Federal aid for medical care programs for public assistance recipients and other persons who need help in paying for medical care, the public share of health and medical care expenditures may be expected to jog upward in the fiscal year 1967.

Public programs included in the "health, education, and welfare" or "social welfare" series are identified in table 2. This table reports expenditure amounts for each program in 11 selected fiscal years from 1934–35 through 1965–66. The four sections of this table show for each program and group of programs (i) the sum of public expenditures, (ii) Federal Government expenditures, (iii) State and local government expenditures, and (iv) the percentage of financial support from the Federal and the State-local governments for each category of programs. Federal grants to State and local governments are classified as Federal expenditures in the social welfare series.

Although the "public funds" lines of table 1 are derived from the same basic program data as table 2, they present a different grouping of items and programs into broad categories. Table 2 is organized primarily on the basis of types of statutory programs; table 1 classifies expenditures by general objectives or purposes. For example, "Health" in table 1 includes all the medical and health-related expenditures that are classified in table 2 under the several major headings, "Social insurance, hospital and medical benefits;" "Public aid, vendor medical payments;" "Other welfare services, medical rehabilitation expenditures in vocational rehabilitation;" and "Veterans' programs, medical and health services." Similarly, "Education" in table 1 includes veterans' education, and "Social insurance and welfare" omits expenditures for medical care.[7]

Table 3 carries the historical series of table 2 back to 1889–90 in summary form by showing public expenditures for the several types of social welfare programs as percentages of the gross national product in selected years through fiscal 1966.

[7] Detail underlying table 1 appears in tables 5, 9, and 10 of the article by Mrs. Merriam in the Social Security Bulletin, December 1966.

TABLE 2.—*Social welfare expenditures under public programs, selected fiscal years, 1934–35 through 1965–66* [1]

[In millions; revised estimates]

PART A

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1961-62	1962-63	1963-64	1964-65	1965-66 [2]
	Total expenditures										
Total	$6,417.0	$8,761.7	$8,859.0	$22,972.6	$32,243.0	$52,154.4	$62,230.9	$66,542.9	$71,081.7	$77,505.4	$87,578.2
Social insurance	383.9	1,217.7	1,418.5	4,873.0	9,854.2	19,297.4	24,199.9	25,592.0	26,966.8	28,078.2	31,905.8
Old-age, survivors, and disability insurance [3]	----------	28.1	266.8	784.1	4,436.3	11,032.3	13,984.6	15,344.3	16,200.8	16,997.2	20,292.3
Railroad retirement	----------	115.7	143.7	304.4	575.6	925.4	1,033.2	1,073.8	1,103.5	1,126.7	1,204.9
Public employee retirement [4]	210.0	254.5	382.8	743.4	1,388.5	2,569.9	3,189.7	3,569.3	4,056.7	4,520.6	5,150.8
Unemployment insurance and employment service [5]	----------	553.0	216.7	2,191.9	2,080.8	2,829.6	3,863.8	3,373.0	3,270.2	2,976.3	2,608.0
Railroad unemployment insurance	----------	18.9	4.3	119.6	158.6	215.2	163.3	122.8	92.6	76.7	54.4
Railroad temporary disability insurance	----------	----------	----------	31.1	54.2	68.6	56.8	52.8	50.1	46.5	43.4
State temporary disability insurance, total [6]	----------	----------	5.1	72.3	217.5	347.9	407.1	444.2	467.9	486.9	502.0
Hospital and medical benefits [7]	----------	----------	----------	2.2	20.0	40.3	45.5	48.4	50.4	50.7	56.0
Workmen's compensation, total [8]	173.9	247.5	399.1	626.2	942.6	1,308.5	1,501.4	1,611.8	1,725.0	1,847.3	2,050.0
Hospital and medical benefits [7]	65.0	90.0	122.0	193.0	315.0	420.0	475.0	510.0	545.0	585.0	625.0
Public aid	2,997.6	3,598.7	1,030.5	2,496.2	3,003.0	4,101.1	4,945.1	5,295.4	5,642.0	6,177.6	6,824.1
Public assistance [9]	623.9	1,124.3	1,028.8	2,490.2	2,941.1	4,041.7	4,675.0	5,028.7	5,381.3	5,873.8	6,455.9
Vendor medical payments [7]	----------	----------	----------	51.3	211.9	492.5	812.4	1,000.7	1,147.6	1,367.1	1,620.0
Other [10]	2,373.7	2,474.4	1.7	6.0	61.9	59.4	270.1	266.7	260.7	303.8	368.2
Health and medical programs [11]	434.4	681.7	2,331.0	2,087.1	3,054.4	4,454.8	5,225.8	5,608.7	6,010.5	6,429.8	7,179.8
Hospital and medical care	259.8	440.0	1,985.7	1,230.1	1,980.7	2,817.0	3,115.1	3,248.8	3,504.7	3,607.1	3,989.6
Civilian programs	231.8	340.5	354.7	914.5	1,217.3	1,952.2	2,132.0	2,274.5	2,446.8	2,511.8	2,593.9
Defense Department and medicare	28.0	99.5	1,631.0	315.6	763.4	864.8	983.1	974.3	1,057.9	1,095.3	1,395.7
Maternal and child health services [12]	6.7	13.8	62.1	29.8	92.9	139.4	174.1	186.2	201.0	222.5	258.2
Medical research [13]	----------	3.0	15.0	69.2	132.8	448.9	780.5	920.3	1,042.5	1,166.6	1,347.5
School health (educational agencies)	9.9	17.9	23.3	30.6	65.9	101.0	129.0	128.4	127.7	132.0	135.0
Other public health activities [14]	119.7	166.6	195.0	358.6	404.6	431.6	506.0	576.5	602.3	713.2	843.5
Medical facilities construction	38.3	40.4	50.0	368.8	377.5	516.9	521.1	548.5	532.2	588.4	606.0
Defense Department	----------	----------	----------	----------	33.0	40.0	24.0	23.0	42.4	34.8	28.6
Other	38.3	40.4	50.0	368.8	344.5	476.9	497.1	525.5	489.8	553.6	577.4

See footnotes at end of table, p. 16.

TABLE 2.—*Social welfare expenditures under public programs, selected fiscal years, 1934–35 through 1965–66* [1]—Continued

[In millions; revised estimates]

PART A—Continued

Program	1934–35	1939–40	1944–45	1949–50	1954–55	1959–60	1961–62	1962–63	1963–64	1964–65	1965–66 [2]
	Total expenditures										
Other welfare services	$53.0	$77.0	$159.0	$422.7	$573.4	$1,014.1	$1,304.0	$1,448.4	$1,562.9	$1,948.9	$2,739.2
Vocational rehabilitation, total	2.2	4.1	10.2	30.0	41.4	100.4	135.3	156.6	194.3	222.5	328.2
Medical rehabilitation [7]	.2	.4	1.4	7.4	9.2	17.7	22.5	26.0	31.2	34.2	54.3
Institutional and other care [15]	24.8	27.9	45.9	96.1	103.3	176.0	306.5	386.9	366.4	398.5	419.5
School lunch [16]	--	--	47.4	191.7	293.6	526.2	615.8	636.6	688.7	797.1	752.0
Child welfare [17]	26.0	45.0	55.5	104.9	135.1	211.5	246.4	268.3	313.4	352.4	381.6
Special programs [18]	--	--	--	--	--	--	--	--	--	178.4	858.0
Veterans' programs [19]	449.8	535.1	892.1	6,380.8	4,369.5	5,106.4	5,389.8	5,584.6	5,749.2	5,965.1	6,333.5
Pensions and compensation [20]	390.2	447.8	755.9	2,092.8	2,712.5	3,425.7	3,774.8	3,947.4	4,033.1	4,186.1	4,465.1
Health and medical services	58.9	86.3	116.5	745.8	761.1	957.1	1,047.0	1,121.7	1,179.4	1,250.6	1,330.8
Hospital and medical care	56.0	72.1	98.3	585.9	722.6	884.5	968.0	1,022.0	1,069.9	1,132.8	1,205.4
Hospital construction	2.9	14.1	16.2	156.2	33.0	57.5	52.1	69.8	76.4	80.9	83.2
Medical and prosthetic research	--	.1	2.0	3.7	5.5	15.1	26.8	29.9	33.2	36.9	42.2
Education	--	--	9.7	2,689.1	699.9	404.7	153.3	97.5	66.1	41.4	35.4
Welfare and other [21]	.7	1.0	10.0	853.1	196.0	318.7	414.6	418.1	470.6	487.0	502.2
Education	2,098.3	2,647.3	3,017.5	6,698.3	11,299.2	18,003.9	20,949.9	22,766.9	24,878.4	28,591.5	32,248.4
Elementary and secondary, total	1,890.1	2,360.5	2,656.4	5,724.3	10,006.8	15,598.6	18,028.8	19,369.7	20,805.9	23,105.1	25,805.3
Construction	157.3	289.0	83.7	1,018.7	2,362.4	2,868.7	3,071.6	3,227.7	3,203.7	3,510.0	3,796.0
Higher and other, total	208.2	286.8	361.1	974.0	1,292.4	2,405.4	2,921.2	3,397.2	4,072.5	5,486.4	6,443.1
Construction [7]	[22] 30.0	32.6	[22] 9.1	315.5	198.8	395.0	409.8	519.8	550.4	1,158.1	1,392.8
Public housing [23]	--	4.2	10.4	14.5	89.3	176.7	216.4	246.9	271.9	314.3	347.5
PART B											
	From Federal funds										
Total	$3,107.2	$3,466.8	$4,083.2	$9,998.1	$14,230.9	$24,724.3	$30,630.4	$32,967.1	$35,591.4	$38,786.9	$46,804.5
Social insurance	98.9	354.9	759.8	2,028.1	6,404.7	14,298.0	18,295.6	19,395.6	20,638.3	21,778.8	25,608.3
Old-age, survivors, and disability insurance [3]	--	28.1	266.8	784.1	4,436.3	11,032.3	13,984.6	15,344.3	16,200.8	16,997.2	20,292.3
Railroad retirement	--	115.7	143.7	304.4	575.6	925.4	1,033.2	1,073.8	1,103.5	1,126.7	1,204.9
Public employee retirement [4]	90.0	107.5	184.8	433.4	808.5	1,519.9	1,903.7	2,145.3	2,486.7	2,780.6	3,225.8

Unemployment insurance and employment service [5]		70.5	145.5	330.4	321.0	473.5	1,086.2	584.4	628.3	673.5	707.5
Railroad unemployment insurance		18.9	4.3	119.6	158.6	215.2	163.3	122.8	92.6	76.7	54.4
Railroad temporary disability insurance				31.1	54.2	68.6	56.8	52.8	50.1	46.5	43.4
Workmen's compensation total [8]	8.9	14.2	14.7	25.1	50.5	63.1	67.8	72.2	76.3	77.6	80.0
Hospitalization and medical benefits [7]	3.0	5.2	4.7	5.2	6.9	9.0	8.4	10.2	10.4	11.3	12.0
Public aid	2,373.7	2,245.9	420.1	1,103.2	1,504.2	2,116.9	2,741.0	2,999.1	3,207.1	3,488.1	3,854.9
Public assistance [9]		281.1	418.4	1,097.2	1,442.3	2,057.5	2,470.9	2,732.4	2,946.4	3,184.3	3,486.7
Vendor medical payments [7]					23.3	199.6	394.8	510.0	593.0	703.4	743.0
Other [10]	2,373.7	1,964.8	1.7	6.0	61.9	59.4	270.1	266.7	260.7	303.8	368.2
Health and medical programs [11]	50.1	159.9	1,775.6	586.0	1,174.4	1,748.9	2,237.8	2,456.3	2,751.1	2,951.5	3,517.8
Hospital and medical care	39.6	124.4	1,660.6	362.0	829.8	967.9	1,096.1	1,093.8	1,188.7	1,231.1	1,539.6
Civilian programs	11.6	24.9	29.6	46.4	66.4	103.1	113.0	119.5	130.8	135.8	143.9
Defense Department and medicare	28.0	99.5	1,631.0	315.6	763.4	864.8	983.1	974.3	1,057.9	1,095.3	1,395.7
Maternal and child health services [12]		7.8	55.2	20.1	23.7	33.3	50.1	50.8	59.1	69.6	82.2
Medical research [7]					.2	.6	.8	1.0	2.7	4.3	5.8
Medical research [13]		3.0	15.0	69.2	132.8	425.9	743.5	875.3	992.5	1,111.6	1,286.5
Other public health activities [14]	7.2	24.3	44.8	67.9	70.6	87.9	112.0	176.9	223.6	239.8	293.5
Medical facilities construction	3.3	.4	(24)	66.8	117.5	233.9	236.1	259.5	287.2	299.4	316.0
Defense Department					33.0	40.0	24.0	23.0	42.4	34.8	28.6
Other	3.3	.4	(24)	66.8	84.5	193.9	212.1	236.5	244.8	264.6	287.4
Other welfare services	1.8	4.5	64.2	166.7	243.4	407.9	509.3	548.2	619.8	876.8	1,519.5
Vocational rehabilitation, total	1.0	2.0	7.5	21.0	26.4	64.3	86.7	100.9	127.1	145.7	231.9
Medical rehabilitation [7]	.1	.2	.7	3.7	5.7	11.2	14.2	16.1	19.3	21.2	33.7
Medical research [7]					.3	6.6	11.0	12.8	20.3	22.4	29.9
Institutional and other care [15]	.8	.9	7.9	20.3	39.2	24.1	34.0	37.5	44.3	35.8	39.4
School lunch [16]			47.4	121.2	170.7	306.1	370.4	383.2	419.1	504.7	428.0
Child welfare [17]		1.6	1.4	4.2	7.1	13.4	18.2	26.6	29.3	34.4	40.2
Special programs [18]										156.2	780.0
Veterans' program [19]	449.8	535.1	892.1	5,918.8	4,307.9	4,994.3	5,294.6	5,564.6	5,730.3	5,944.7	6,312.5
Pensions and compensation [20]	390.2	447.8	755.9	2,092.8	2,712.5	3,425.7	3,774.8	3,947.4	4,033.1	4,186.1	4,465.1
Health and medical services	58.9	86.3	116.5	745.8	761.1	957.1	1,047.0	1,121.7	1,179.4	1,250.6	1,330.8
Hospital and medical care	56.0	72.1	98.3	585.9	722.6	884.5	968.0	1,022.0	1,069.9	1,132.8	1,205.4
Hospital construction	2.9	14.1	16.2	156.2	33.0	57.5	52.1	69.8	76.4	80.9	83.2
Medical and prosthetic research		.1	2.0	3.7	5.5	15.1	26.8	29.9	33.2	36.9	42.2
Education			9.7	2,689.1	699.9	404.7	153.3	97.5	66.1	41.4	35.4
Welfare and other [21]	.7	1.0	10.0	391.1	134.4	206.8	319.4	398.1	451.7	466.6	481.2
Education [25]	132.9	162.3	161.0	180.8	521.6	1,014.8	1,378.9	1,811.9	2,438.4	3,512.6	5,742.3
Elementary and secondary, total	69.2	74.2	48.2	73.1	341.8	507.2	557.8	614.7	665.9	880.6	2,253.3
Construction [7]	42.0	31.0	7.6	5.2	139.3	79.8	71.6	67.7	23.9	59.4	63.0
Higher education and other, total	63.7	88.1	112.8	107.7	179.8	507.7	821.2	1,197.2	1,772.5	2,632.0	3,489.0
Construction [7]	30.0	12.0	9.1	10.9	5.4	38.3	59.8	169.8	200.4	678.1	882.8
Public housing [23]		4.2	10.4	14.5	74.7	143.5	173.2	191.4	206.4	234.4	249.3

See footnotes at end of table, p. 16.

TABLE 2.—*Social welfare expenditures under public programs, selected fiscal years, 1934–35 through 1965–66* [1]—Continued

[In millions; revised estimates]

PART C

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1961-62	1962-63	1963-64	1964-65	1965-66 [2]
	From State and local funds [26]										
Total	$3,309.8	$5,294.9	$4,775.8	$12,974.6	$18,012.1	$27,429.9	$31,600.4	$33,575.8	$35,490.4	$38,718.6	$40,773.7
Social insurance	285.0	862.8	658.7	2,844.9	3,449.5	4,999.4	5,904.3	6,196.3	6,328.5	6,299.4	6,297.5
Public employee retirement [4]	120.0	147.0	198.0	310.0	580.0	1,050.0	1,286.0	1,424.0	1,570.0	1,740.0	1,925.0
Unemployment insurance and employment service [5]		482.5	71.2	1,861.5	1,759.9	2,356.1	2,777.6	2,788.5	2,641.9	2,302.8	1,900.5
State temporary disability insurance, total [6]			5.1	72.3	217.5	347.9	407.1	444.2	467.9	486.9	502.0
Hospital and medical benefits [7]				2.2	20.0	40.3	45.5	48.4	50.4	50.7	56.0
Workmen's compensation, total [8]	165.0	233.3	384.4	601.1	892.1	1,245.4	1,433.6	1,539.6	1,648.7	1,769.7	1,970.0
Hospital and medical benefits [7]	62.0	84.8	117.3	187.8	303.1	411.0	466.6	499.8	534.6	573.7	613.0
Public aid	623.9	1,352.8	610.4	1,393.0	1,498.8	1,984.2	2,204.1	2,296.3	2,434.9	2,689.5	2,969.2
Public assistance [9]	623.9	843.2	610.4	1,393.0	1,498.8	1,984.2	2,204.1	2,296.3	2,434.9	2,689.5	2,969.2
Vendor medical payments [7]				51.3	188.6	292.9	417.7	490.7	554.6	663.8	877.0
Other [10]		509.6									
Health and medical programs [11]	384.3	521.8	555.4	1,501.1	1,880.0	2,705.9	2,988.0	3,152.4	3,259.4	3,478.3	3,662.0
Hospital and medical care	220.2	315.6	325.1	868.1	1,150.9	1,849.1	2,019.0	2,155.0	2,316.0	2,376.0	2,450.0
Maternal and child health services [12]	6.7	6.0	6.8	9.7	69.2	106.1	124.0	135.4	142.0	152.9	176.0
Medical research						23.0	37.0	45.0	50.0	55.0	61.0
School health (educational agencies)	9.9	17.9	23.3	30.6	65.9	101.0	129.0	128.4	127.7	132.0	135.0
Other public health activities [14]	112.5	142.3	150.2	290.7	334.0	343.7	394.0	399.6	378.7	473.4	550.0
Medical-facilities construction	35.0	40.0	50.0	302.0	260.0	283.0	285.0	289.0	245.0	289.0	290.0
Other welfare services	51.2	72.5	94.8	256.1	330.0	606.2	794.6	900.3	943.1	1,072.1	1,219.7
Vocational rehabilitation, total	1.2	2.1	2.7	9.0	15.0	36.1	48.6	55.7	67.2	76.8	96.3
Medical rehabilitation [7]	.1	.2	.7	3.7	3.5	6.5	8.3	9.9	11.9	13.0	20.6
Institutional and other care [15]	24.0	27.0	38.0	75.8	64.1	151.9	272.5	349.4	322.1	362.7	380.0
School lunch [16]				70.6	122.9	220.1	245.4	253.5	269.6	292.4	324.0
Child welfare [17]	26.0	43.4	54.1	100.7	128.0	198.1	228.1	241.7	284.2	318.0	341.4
Special programs [18]										22.2	78.0
Veterans' programs [19]				462.0	61.6	111.9	95.2	20.0	18.9	20.4	21.0
Education	1,965.4	2,485.0	2,856.5	6,517.5	10,777.6	16,989.1	19,571.0	20,955.0	22,440.0	25,078.9	26,506.1
Elementary and secondary, total	1,820.9	2,286.3	2,608.2	5,651.2	9,665.0	15,091.4	17,471.0	18,755.0	20,140.0	22,224.5	23,552.0
Construction [1]	115.3	258.0	76.1	1,013.5	2,223.1	2,788.9	3,000.0	3,160.0	3,180.0	3,450.6	3,733.0
Higher education and other, total	144.5	198.7	248.3	866.3	1,112.6	1,897.7	2,100.0	2,200.0	2,300.0	2,854.4	2,954.1
Construction [7]	([27])	20.6	([27])	304.6	193.4	356.7	350.0	350.0	350.0	480.0	510.0
Public housing [23]					14.6	33.2	43.2	55.5	65.6	80.0	98.2

PART D.—SUMMARY OF TOTAL EXPENDITURES AND PERCENTAGE DISTRIBUTION BY SOURCE OF FUNDS

Program	1934–35	1939–40	1944–45	1949–50	1954–55	1959–60	1960–61	1961–62	1962–63	1963–64	1964–65	1965–66 [2]
	Federal funds as percent of total expenditures											
Total	48.4	39.6	46.1	43.5	44.1	47.4	47.1	49.2	49.5	50.1	50.0	53.4
Social insurance	25.8	29.1	53.6	41.6	65.0	74.1	71.4	75.6	75.8	76.5	77.6	80.3
Public aid	79.2	62.4	40.8	44.2	50.1	51.6	52.6	55.4	56.6	56.8	56.5	56.5
Health and medical program	11.5	23.5	76.2	28.1	38.4	39.3	40.0	42.8	43.8	45.8	45.9	49.0
Other welfare services	3.4	5.8	40.4	39.4	42.4	40.2	37.7	39.1	37.8	39.7	45.0	55.5
Veterans' programs	100.0	100.0	100.0	92.8	98.6	97.8	98.4	98.2	99.6	99.7	99.7	99.7
Education	6.3	6.1	5.3	2.7	4.6	5.6	5.9	6.6	8.0	9.8	12.3	17.8
Elementary and secondary	3.7	3.1	1.8	1.3	3.4	3.3	3.0	3.1	3.2	3.2	3.8	8.7
Higher and other	30.6	30.7	31.2	11.1	13.9	21.1	24.1	28.1	35.2	43.5	48.0	54.2
Public housing	----------	100.0	100.0	100.0	83.7	81.2	81.2	80.0	77.5	75.9	74.5	71.7
	State and local funds as percent of total expenditures											
Total	51.6	60.4	53.9	56.5	55.9	52.6	52.9	50.8	50.5	49.9	50.0	46.6
Social insurance	74.2	70.9	46.4	58.4	35.0	25.9	28.6	24.4	24.2	23.5	22.4	19.7
Public aid	20.8	37.6	59.2	55.8	49.9	48.4	47.4	44.6	43.4	43.2	43.5	43.5
Health and medical program	88.5	76.5	23.8	71.9	61.6	60.7	60.0	57.2	56.2	54.2	54.1	51.0
Other welfare services	96.6	94.2	59.6	60.6	57.6	59.8	62.3	60.9	62.2	60.3	55.0	44.5
Veterans' programs	----------	----------	----------	7.2	1.4	2.2	1.6	1.8	.4	.3	.3	.3
Education	93.7	93.9	94.7	97.3	95.4	94.4	94.1	93.4	92.0	90.2	87.7	82.2
Elementary and secondary	96.3	96.9	98.2	98.7	96.6	96.7	97.0	96.9	96.8	96.8	96.2	91.3
Higher and other	69.4	69.3	68.8	88.9	86.1	78.9	75.9	71.9	64.8	56.5	52.0	45.8
Public housing	----------	----------	----------	----------	16.3	18.8	18.8	20.0	22.5	24.1	25.5	28.3

See footnotes at end of table, p. 16.

[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 expenditures and payments outside the United States. Fiscal years ended June 30 for Federal Government, most States and some localities; for other States and localities, fiscal years cover various 12-month periods ended in the specified year.

[2] Preliminary estimates.

[3] Excludes net payments in lieu of benefits (transfers) under the financial interchange with the railroad retirement system.

[4] Excludes refunds of employee contributions to those leaving the service; Federal expenditures include payments to retired military personnel and survivors. Data for administrative expenses not available for Federal noncontributory programs.

[5] Includes unemployment compensation under State programs and programs for Federal employees, for ex-servicemen, and for veterans under the readjustment acts of 1944 and of 1952, payments under the temporary extended unemployment insurance programs and training allowances under the Manpower Development and Training Act and Area Redevelopment Act.

[6] Cash and medical benefits, including payments under private plans where applicable in the 4 States with programs. Includes State costs of administering State plans and supervising private plans; data for administrative expenditures of private plans underwritten by private insurance carriers or self-insured are not available.

[7] Included in total shown directly above; excludes administrative expenditures, not available separately but included for entire program in preceding line.

[8] Cash and medical benefits paid under Federal workmen's compensation laws and under State laws by private insurance carriers, by State funds, and by self-insurers. Excludes administrative costs of State agencies before 1949–50 and all administrative costs of private insurance carriers and self-insurers. Beginning 1959–60, includes data for Alaska and Hawaii.

[9] Includes cash and vendor medical payments under old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled; medical assistance programs; and, from State and local funds, general assistance. For 1939–40, Federal expenditures include $1,000,000 in administrative costs for which distribution by source of fund is not available.

[10] Work program earnings, other emergency aid programs, and value of surplus food distributed to needy families.

[11] Excludes expenditures (1) for domiciliary care in institutions other than mental or tuberculosis (included under institutional care); (2) for health and medical service provided in connection with State temporary disability insurance, workmen's compensation, public assistance, vocational rehabilitation, and veterans' programs (included in total expenditures for these programs); and (3) those made directly for international health activities and for certain subordinate medical programs such as those of the Bureau of Mines, the National Park Service, and the U.S. Civil Service Commission.

[12] Services for crippled children and maternal and child health services.

[13] Medical research of the U.S. Public Health Service, Food and Drug Administration, Atomic Energy Commission, National Aeronautics and Space Administration, and Department of Defense.

[14] Excludes expenditures for water supply, sanitation services, and sewage disposal but includes regulatory and administrative costs of these services; also includes expenditures for medical equipment and supplies for civil defense.

[15] Expenditures for homes for dependent or neglected children and for adults other than veterans and the value of surplus food for nonprofit institutions.

[16] Federal expenditures represent cash apportionment and the value of commodities purchased and distributed under the National School Lunch Act, the value of surplus commodities distributed under other agricultural programs, and, beginning 1954–55, special school milk program. Nongovernmental funds are also available from private organizations and from payments by parents (in 1965–66, parents' payments totaled an estimated $835,000,000).

[17] Includes foster-care payments and payments for professional and facilitating services; excludes expenditures of public institutions and public day-care centers, capital expenditures by courts and by youth authorities, payments from parents and relatives, and direct appropriations by State legislatures to voluntary agencies and institutions.

[18] Programs authorized under the Economic Opportunity Act; excludes programs delegated to or reported with data for the Office of Education and the Welfare Administration.

[19] Federal expenditures exclude bonus payments and expenditures from veterans' life insurance trust funds; State and local expenditures refer to State bonus and other payments and services (local data not available).

[20] Includes burial awards.

[21] Includes vocational rehabilitation, specially adapted homes and automobiles for disabled veterans, counseling, beneficiaries' travel, loan guarantees, and domiciliary care.

[22] Federal expenditures only, data for State and local expenditures not available.

[23] Federal and State subsidies (and administrative costs) for low-cost housing.

[24] Less than $50,000.

[25] Represents Office of Education administrative costs; training of Federal personnel; and "grants" as reported in the summary table prepared by the Federal Education Program Branch, Office of Education, except (1) those covered under other social welfare programs such as veterans' programs and (2) the value of surplus property. Beginning 1937–38, includes revenue from public lands for education and, beginning 1950–51, includes training grants and basic research for which data were not available in earlier years.

[26] Except as otherwise noted (see footnotes 6 and 8).

[27] Data not available.

Source: Data taken or estimated from Treasury reports, Federal budgets, and available reports of Federal, State, and local administrative agencies.

Table 2 is a reproduction of tables 1 and 1a from Ida C. Merriam, "Social Welfare Expenditures, 1965–66," Social Security Bulletin, December 1966.

TABLE 3.—*Social welfare expenditures under public programs as percent of gross national product, selected fiscal years, 1889–90 through 1965–66*

Fiscal year	Gross national product (in billions)	Social welfare expenditures as percent of gross national product						
		Total [1]	Social insurance	Public aid	Health and medical services	Other welfare	Veterans' programs	Education [2]
1889–90	$13.0	2.4	(3)	[4] 0.3	0.1	(4)	0.9	1.1
1912–13	39.9	2.5	(3)	[4] .3	.4	(4)	.5	1.3
1928–29	101.6	4.2	0.3	[4] .5	.4	(4)	.5	2.4
1934–35	68.7	9.3	.6	4.4	.6	0.1	.7	3.1
1939–40	95.1	9.2	1.3	3.8	.7	.1	.6	3.8
1944–45	211.1	4.2	.7	.5	1.1	.1	.4	1.4
1949–50	263.4	8.7	1.9	.9	.8	.2	2.4	2.5
1954–55	379.7	8.5	2.6	.8	.8	.2	1.2	3.0
1959–60	495.6	10.5	3.9	.8	.9	.2	1.0	3.6
1960–61	506.5	11.4	4.4	.9	1.0	.2	1.0	3.8
1961–62	541.7	11.5	4.5	.9	1.0	.2	1.0	3.9
1962–63	574.5	11.6	4.5	.9	1.0	.3	1.0	4.0
1963–64	611.2	11.6	4.4	.9	1.0	.3	.9	4.1
1964–65	654.0	11.9	4.3	.9	1.0	.3	.9	4.4
1965–66 [5]	711.0	12.3	4.5	1.0	1.0	.4	.9	4.5

[1] Includes public housing, not shown in distribution.
[2] Beginning 1954–55, includes basic research and training grants; data for earlier years not available.
[3] Less than 0.05 percent.
[4] "Other welfare" included with public aid.
[5] Preliminary estimates.

Source: Table 3 is a reproduction of table 2 from Mrs. Merriam's article in the Social Security Bulletin December 1966, cited above.

During 1890–1929, and again from fiscal 1945 through 1955, education was the most important financially of the public social welfare programs. In fiscal 1935 and 1940, expenditures for public aid exceeded those for public education, and in fiscal 1960 through 1964, expenditures for social insurance were higher than for education. In each of those years, education ranked next highest in the volume of public expenditures. In fiscal 1965 and 1966, education again commanded larger sums of public expenditure than any of the other categories of social welfare programs.

The volume of public expenditures for education and for social insurance is far above that for other groups of programs in the social welfare field. In fiscal 1966, education and social insurance each involved approximately $32 billion of governmental outlays. The next categories, health and medical programs and public aid, each accounted for approximately $7 billion.

The "social welfare" series comprises some public expenditures that are not in the government sector of gross national product but may be in the total of personal income. These are primarily "transfer payments"—a category that comprises monetary income receipts of individuals from Government and business (other than Government interest) for which no services are rendered currently.[8]

Transfer payments included in the social welfare expenditures are predominantly for public assistance, social insurance benefits, and veterans' compensation and pensions. In the published series, transfer payments cannot all be clearly distinguished from outlays for other purposes because expenditures for administration are merged with those for benefits or assistance payments. Table 4 presents an

[8] U.S. Department of Commerce, Office of Business Economics, National Income, 1954 edition (A Supplement to the Survey of Current Business, 1954) p. 60; and Survey of Current Business, August 1965, pp. 13–14. See also *ibid.*, The National Income and Product Accounts of the United States, 1929–65, Statistical Tables (A Supplement to the Survey of Current Business, 1966), p. x.

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.

and local governments." In the consolidated accounts showing the gross national product, the final outlays appear as State and local government purchases of goods and services.

Federal Government Expenditures Reported in This Survey

As part of the inquiry relating to human resources programs, the Joint Economic Committee asked Federal departments and agencies to supply an economic classification of program expenditures for the fiscal year 1965. The request was not limited to Federal Government expenditures. It sought comprehensive information about actual or estimated expenditures for each human resources program reported by any Federal agency, with separate indications of the amount of Federal Government expenditure and the amount of associated non-Federal expenditures financed by State or local governments, individuals or nonprofit organizations, business enterprises, or others. Amounts were to be subclassified, insofar as possible, into the following categories:

- Purchases of goods and services:
  - Wages and salaries.
  - Other.
- Transfer payments:
  - To individuals and nonprofit organizations.
  - To others (with the types of recipients specified).
- Aids to State and local governments:
  - Grants and shared revenues.
  - Loans.
  - Other forms of aid.
- Other categories (to be specified).

The question was designed in part to indicate the relative (and varying) importance of Federal financing in those human resources programs in which there is Federal Government participation. With a few exceptions, the responses to the questionnaire omitted information about non-Federal financing. In addition, some replies did not adequately show the economic classification of even the Federal expenditures. These difficulties are discussed further in part II of this report.

The reported Federal outlays are not strictly comparable for different programs. They are used in this report as "order of magnitude" data only and are added together as though they were comparable, but only as a rough measure of the extent of Federal Government financing for these programs.

TABLE 5.—*Federal Government expenditures for human resources programs, by broad economic categories, fiscal year 1965*

[Dollar amounts in millions]

Department or agency	Total[1] Amount	Total[1] Percent of total	Purchases of goods and services	Transfer payments	Grants to State and local governments	Loans (net of repayments)	Other or unclassified
Total, all departments and agencies	$43,631	--------	$8,034	$29,291	$6,086	$1,322	$-1,103
Percent of total	----------	100.0	18.4	67.1	13.9	3.0	-2.5
Department of Health, Education, and Welfare	$23,118	53.0	$1,382	$17,061	$4,496	$4	$176
Veterans' Administration	5,910	13.5	1,578	4,887	8	147	-711
Department of Defense	5,256	12.0	3,677	1,420	0	0	159
Department of Labor	[2] 3,119	7.1	154	[2] 2,551	414	0	0
Civil Service Commission	1,988	4.6	36	1,924	0	0	28
Department of Agriculture	1,500	3.4	565	37	334	564	0
Railroad Retirement Board	1,251	2.9	18	1,233	0	0	0
Department of Housing and Urban Development	455	1.0	167	0	522	310	-544
Small Business Administration	301	.7	7	0	0	221	72
Department of the Interior	216	.5	95	22	95	4	(3)
Office of Economic Opportunity	196	.4	62	0	117	17	0
National Science Foundation	171	.4	0	102	69	0	0
Commerce Department	82	.2	4	0	10	55	12
Treasury Department	73	.2	36	37	0	0	0
Atomic Energy Commission	17	(4)	1	10	6	0	0
National Aeronautics and Space Administration	14	(4)	0	0	14	0	0
Department of State	8	(4)	0	8	0	0	0
Department of Justice	8	(4)	8	0	0	0	0
Federal Power Commission	(3)	(4)	(3)	0	0	0	0
Appalachian Regional Commission	(3)	(4)	(3)	0	0	0	0
Smithsonian Institution	(3)	(4)	(3)	0	0	0	0
Tennessee Valley Authority	-50	-.1	245	0	0	0	-295
Selective Service System	(5)	--------	(5)	0	0	0	0

[1] Reported "expenditure" amounts are not strictly comparable. Some figures represent obligations.
[2] Includes $2,303,000,000 of unemployment insurance benefit payments financed by State withdrawals from their accounts in the unemployment trust fund in the U.S. Treasury. These are classified as Federal Government transfer payments to individuals in national income accounts, and as Federal cash payments to the public in Federal fiscal reports.
[3] Less than $500,000.
[4] Less than 1/10 of 1 percent.
[5] Not reported. (See text, pt. III.)

NOTE.—Because of rounding, details will not necessarily add to totals as shown.

Source: Compiled from answers to question 10 of the Joint Economic Committee inquiry, as reproduced in pt. III of this report.

Summary by major categories.—Obligations, expenditures, or other amounts reported as Federal outlays in the fiscal year 1965 for human resources programs in the survey totaled approximately $43.6 billion. (See table 5.) Within this sum are the following major subdivisions, as derived from the agency replies:

	Billions
Purchase of goods and services	$8.0
Transfer payments	29.3
Grants to State and local governments	6.1
Loans	1.3
Other (negative expenditures—net)	-1.1
Total, Federal "expenditures"	43.6

Expenditures reported in this survey comprise 37 percent of the $118 billion of Federal expenditures for all purposes in fiscal 1965, measured on the national income basis. (The base excludes loans and other financial transactions; their omission from the human resources total would not alter this percentage appreciably.)

Predictably, the Department of Health, Education, and Welfare reported more than half of all expenditures by Federal departments and agencies in fiscal 1965 for human resources programs. The Department total exceeded $23 billion.

As table 5 indicates, six other agencies each reported more than $1 billion. With the Department of Health, Education, and Welfare, they accounted for 96.5 percent of all reported outlays for human resources programs.

Two-thirds of the outlays are for purposes designated in national income accounts as transfer payments—expenditures which constitute personal income to the recipients but are counted in the total of the gross national product only as they are spent by the recipients. Federal Government transfer payments are chiefly for old-age, survivors, and disability insurance benefits, veterans' compensation and pensions, annuities for retired Government personnel and their families, and unemployment insurance benefits. Until the Department of Commerce revised the national income and product accounts in 1965, "transfer payments to persons" included Government payments and corporate gifts to nonprofit institutions; now, however, Government payments to nonprofit institutions to finance research and development are classified in national income and product accounts as Government purchases of goods and services.[10]

Almost all Federal Government transfer payments were in the human resources programs—$29.3 billion in a Government-wide total of $30.3 billion for fiscal 1965.[11]

Purchases of goods and services, as identified in the responses in this survey, exceeded $8 billion, approximately 18 percent of Federal expenditures in human resources programs. Most of this is for personal services, but a subdivision between salaries and wages and other goods and services is provided in only a few of the agency responses. The Department of Defense reported the largest volume of purchases of goods and services in human resources programs—$3,677 million. Of this sum, $2,259 million was for wages and salaries and $1,418 million for other procurement. The Veterans' Administration was second, with $1,578 million, of which $983 million was for wages and salaries.

The $8 billion for purchases of goods and services in human resources programs was barely one-eighth of the Government total of $64.5 billion for this category.

The total for human resources programs includes $6.1 billion of grants to State and local governments. Nearly 75 percent of these payments are reported by the Department of Health, Education, and Welfare. Ten other departments and agencies contributed to the remainder.

Grants to State and local governments in these programs were 56 percent of the Federal Government total of $10.9 billion. Nearly all other grant payments were for highways and other construction.

In national income and product tables, Federal grants to State and local governments are reported as a subdivision of Federal Govern-

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[10] U.S. Department of Commerce, Office of Business Economics, National Income, 1954 edition (a supplement to the Survey of Current Business, 1954), p. 60; and Survey of Current Business, August 1965, pp. 13–14. See also *ibid.*, The National Income and Product Accounts of the United States, 1929–65, Statistical Tables (A Supplement to the Survey of Current Business, 1966), pp. viii, ix.

[11] For budget totals on the national income basis, see the Budget of the U.S. Government for the fiscal year 1967 (January 1966), p. 379.

ment expenditures and a source of State and local government receipts. State and local purchases of goods and services, transfer payments to persons, and other State and local government expenditures reported in the consolidated accounts may be financed in part by Federal aid.

For fiscal 1967 and years immediately following, transfer payments may be expected to rise substantially, both as an element in human resources programs and in the total of Federal expenditures, as the medicare insurance system comes into full operation and old-age, survivors, and disability benefits are increased. Grants to State and local governments also may show considerable growth, both in human resource programs and in the Government total, because much recent legislation has authorized either new or enlarged programs in the fields of health, welfare, housing and urban development, education, and training.

Among expenditures for human resources programs, \$1.3 billion were in the form of loans during the fiscal year 1965. Most of these expenditures were reported on a net basis; i.e., with loan repayments deducted from new loans issued during the year. On this basis, the Departments of Agriculture and Housing and Urban Development and the Small Business Administration were the principal lending agencies for human resources programs.

In most instances, the gross amount of loans and the amount of repayments were not specified. The Small Business Administration, for which both gross and net amounts are identified, made gross loans of \$433 million—nearly twice the \$221 million of net loans shown in table 5. The Small Business Administration loans were for business, disaster, and local development company programs.

Department of Agriculture loans in fiscal 1965 were for rural electrification and telephone systems, housing, water and waste disposal, and rural renewal.

Department of Housing and Urban Development loans were principally for college housing, with \$170 million net expenditures against \$262 million gross; housing for the elderly and handicapped, with \$40.4 million net against \$42.6 million gross; urban renewal; public facilities; and public housing.

The Veterans' Administration and Commerce Department also had substantial loan expenditures. Commerce Department outlays in this category comprise most human resources expenditures reported by the Department.

Most loan programs reported in response to the human resources inquiry are classified as Government enterprises in national income accounts.

Expenditures offsets of \$1.1 billion reported for human resources programs in fiscal 1965 were not classified in any of the foregoing standard categories, although it is evident that detailed analysis would result in shifting some of the positive expenditures out of the "Other" column of table 5 into purchases of goods and services. To the extent that these items include administrative expenses, in particular, those expenditures, if they could be identified, should be classified at least in part as purchases of goods and services.

The largest negative amounts are in the Veterans' Administration, Department of Housing and Urban Development, and Tennessee Valley Authority. The Veterans' Administration negative expenditures comprise premiums and receipts other than loan repayments in the veterans' insurance, loan, and loan guarantee programs.

The Department of Housing and Urban Development negative expenditures are dominated by program receipts—$975 million of receipts in FHA and $526 million in FNMA. Against these are charged operating and other outlays of $767 million for FHA and $144 million for FNMA. The Public Housing Administration reported a similar, though relatively small, amount of receipts and reimbursements in excess of "other" expenditures. The college housing program had administrative and interest costs of more than $50 million.

TVA negative expenditures represent receipts from sales of electric power, used in part to finance goods and services purchased for the power development program.

The Department of Health, Education, and Welfare reported $176 million of "other" expenditures, all in the Office of Education. These outlays were contributions to student loan funds, either as capital or to cover loan cancellations, and grants to institutions of higher education for conducting institutes and paying allowances to trainees.

The Department of Defense reported "other" expenditures of $159 million debt payment for the family housing program. These payments were directed to the reduction of indebtedness assumed in acquiring Capehart, Wherry, and surplus commodity housing and for related expenses.

The Small Business Administration had "other" expenditures of $72 million for interest, administration, and other costs.

For the Civil Service Commission, $28 million of similar expenditures represents net outlays from the Federal employees' group life insurance trust fund, after offsetting $196 million of receipts against $224 million of life insurance expenditures. The receipts were a combination of employee contributions, Federal agency contributions, and interest earnings. The expenditures were premium payments and administrative expenses.

Comparison with "social welfare" series.—The total of $43.6 billion, representing roughly the magnitude of Federal Government expenditures in the fiscal year 1965 for human resources programs reported in the current survey, is higher than the 1964–65 total of $38.8 billion of Federal expenditures for "social welfare" programs reported in table 2, above. As it emerges from the replies to the Joint Economic Committee inquiry, the area of programs nominated as "human resources" programs is, then, more extensive than the area defined as "social welfare" in the annual compilations of the Department of Health, Education, and Welfare.

This was expected, though the degree of difference was not measured in advance. The "human resources" area encompasses programs that are peripheral to or clearly outside the series on "social welfare" or "health, education, and welfare" as defined by the Social Security Administration Office of Research and Statistics. Moreover, the "human resources" total derived from part III of this report is a summation of agency responses, with no effort to superimpose definite, predetermined boundaries on the area to be covered. A definition can best be formulated after deliberate review of the responses. It is quite possible that analysis of the materials in part III, in the light of potential analytical and policy uses of the data, will yield concepts and definitions which would exclude some programs now included in the $43.6 billion and would add others that the respondents omitted. This kind of analysis remains for the future.

The largest differences between the human resources and social welfare estimates for 1965 are described in the following paragraphs. In order to make the presentation more generally useful than a mere identification of differences between compilations, attention is directed to a variety of conceptual, classification, and measurement problems that must be dealt with in any definitive assessment of human resources programs of the Government. Comparable problems occur in the analysis of Government programs that present no major quantitative differences between the two compilations, but these are left for discussion elsewhere. The cases noted here should illustrate the need for further examination of definitions, classifications, and quantitative indicators.

(i) Department of Defense programs: In replying to the inquiry about human resources programs, the Department of Defense identified nearly $5.3 billion of its expenditures in fiscal 1965 as pertinent to the Joint Economic Committee study. The social welfare series includes approximately $3.0 billion of Defense Department expenditures for the same fiscal year, showing them in three categories—health, education, and social insurance. The difference of $2.3 billion is substantially accounted for by in-service and technical training programs and outlays for family housing not included in the social welfare series.

(ii) Department of Labor: A major difference, amounting to $2.3 billion, results simply from a difference in treatment of State unemployment insurance benefits. In part III of this report, the Labor Department reply on economic classification of unemployment insurance expenditures designates as non-Federal expenditures the $2,303 million withdrawn by States in fiscal 1965 from their accounts in the unemployment trust fund in the U.S. Treasury and used to pay benefits to individuals. A note explains, however, that in national income accounts these payments are classified as Federal Government transfer payments to individuals. In Federal Budget accounts, these withdrawals and payments are included in Federal cash payments to the public, and the unemployment tax collections are included in Federal cash receipts from the public.

This study follows the classification in the national income accounts and the Federal budget. It therefore includes the $2.3 billion of withdrawals in Federal expenditures. However, the tax collections deposited in State accounts in the unemployment trust fund are collected initially by States, and unemployment insurance benefits financed by the withdrawals are paid by States, in accordance with State legislation. The social welfare series—with considerable justification—counts these payments as State rather than Federal expenditures. The variation in classification does not alter the reported U.S. total of social welfare expenditures under all public programs, but it does affect the division of expenditures between the Federal Government and the State and local governments.

(iii) Department of Agriculture: Expenditures for Department of Agriculture programs reported in part III were approximately $1.5 billion in the fiscal year 1965. This is almost twice the sum included in the social welfare series for the school milk and surplus food distribution activities of the Department. Most of the difference is in rural electrification and telephone programs, rural housing, the rural water and waste disposal program, extension work, and selected agricultural research activities.

(iv) Department of the Interior: The Department of the Interior is concerned primarily with the administration and conservation of natural resources, such as the vast public domain and the national parks system. Nevertheless, human resources programs reported by the Department entailed expenditures of $216 million in fiscal 1965. This sum includes $101 million for the Federal Water Pollution Control Administration, an organizational unit that was part of the Public Health Service, Department of Health, Education, and Welfare, during fiscal 1965 but was subsequently transferred to the Department of the Interior. The water pollution control program is in the social welfare series under health.

Interior Department programs included in the human resources total but not in the social welfare series are those of the Bureau of Indian Affairs for welfare, employment assistance, and related purposes; and small amounts reported by the Bureau of Mines for accident prevention and by the Bureau of Commercial Fisheries for its fisheries loan fund.

(v) Department of Housing and Urban Development: Materials supplied by the Department of Housing and Urban Development in response to the human resources inquiry cover a broad range of programs. These include urban renewal, public housing, housing for the elderly and handicapped, low-income housing demonstrations, a rent supplement program, college housing, urban mass transportation, neighborhood facilities, public facilities loans, advances for public works planning, open-space land, urban beautification, urban studies and housing research, and various credit programs of the Federal National Mortgage Association (FNMA) and Federal Housing Administration (FHA). Although not all these programs operated during fiscal 1965, the statements from the Department show expenditures amounting to a net sum of $455 million for human resources programs in that year.

The social welfare series includes, for this Department, only the subsidies and administrative expenses of low-cost housing programs—$234 million in fiscal 1965.

The $455 million of net expenditures stands for a much larger amount of gross expenditures and credit assistance. The entries for FNMA and FHA together comprise net negative expenditures of $459 million (receipts which exceeded expenditures by this amount). Loan repayments and other amounts received during the fiscal year are deducted from loan advances and other disbursements made during the same period.

This process of offsetting program receipts against expenditures during the fiscal period applies not only to FNMA and FHA, but also to such other programs as college housing and public facility loans. Within the $455 million of net expenditures reported for programs of the Department in fiscal 1965, $121 million of net expenditures was for the programs just named and several others that are presented on a net basis (urban renewal loans, housing for the elderly and handicapped, public housing, and advances for public works planning). Gross expenditures for this group of programs were in excess of $2,246 million. (The extent of the excess over $2,246 million depends on the amount by which applicable expenditures for FNMA secondary market operations and urban renewal loans exceeded net amounts included for these programs. Gross amounts are not specified separately for these two programs.) All DHUD programs reported in the human resources survey entailed gross Federal expenditures of more than \$2,579 million in fiscal 1965.[12]

In the case of programs considered "Government enterprises" for purposes of national income accounts, only the net expenditure (or, more accurately, the net excess of their expenditures over their revenue) is carried in the Government accounts. This procedure and the significance of gross and net amounts are considered further in part II of this report. Here it may be noted that the responses to question 10 in the human resources inquiry record both the gross and net expenditures for the following DHUD programs: College housing, public facility loans, FNMA special assistance functions, and FHA.

(vi) Civil Service Commission: The present report includes programs of Federal employees' and annuitants' health benefits and group life insurance. These are treated in the social welfare series as private employee benefit plans.

Retirement and survivorship annuities paid to Federal personnel and their families are included in both compilations. Also included in both reports are Government employees' education and training programs, with obligations or expenditures of \$1.5 million by the Civil Service Commission and \$34.2 million by other Federal agencies in fiscal 1965.

Items covered only in the human resources survey comprised more than \$500 million of Federal expenditures in fiscal 1965.

(vii) Tennessee Valley Authority: Inclusion of several activities of the Tennessee Valley Authority results in a net negative expenditure of some \$50 million in the human resources total. This is because the program designated "regional supply of electric power" had income of \$295 million against expenses of \$240 million, resulting in net receipts of \$55 million (negative expenditures) in fiscal 1965. Net expenditures for other TVA programs reported in the survey were \$4.5 million. (Gross amounts are not stated.)

The regional electric power program is barely inside, if not outside, the borderline of the area of Government activity described as programs relating to human resources. The response from the TVA to the committee's inquiry emphasizes that human resource development was a basic objective of the original TVA program and that the regional supply of electric power has served this objective. In further studies seeking to delimit more precisely the scope of the human resources concept, it will be necessary to examine the implications of including or excluding a natural resource program, such as regional power development. Also, if such programs are within the complex of human resources programs, it becomes necessary to settle on an appropriate fiscal measurement. Yearly amounts of net receipts, gross receipts, or gross expenditures may none of them serve as properly representative sums to include in a compilation that aims to summarize investments and other expenditures for human resources.

Despite such reservations, in this initial report on pertinent Federal Government programs, the TVA regional electric power program is reported in part III and included (in terms of negative expenditures)

[12] The complete total of gross expenditures is \$2,579 million plus program expenditures financed by applying proceeds from urban renewal loan repayments and from FNMA secondary market operations. Treatment of the FNMA secondary market operation transactions is complicated by the fact that part of the financing is from business and individual sources rather than government.

in the aggregate of reported expenditures in fiscal 1965. It is not included in the social welfare series.

Of the other selected TVA programs described in this report, those concerned with employee retirement, a study of the alleviation of rural poverty, and public health vector control are within the social welfare concept. The rural poverty investigation had not begun in fiscal 1965. Retirement system benefits are in the social welfare series.

(viii) Other agencies: Human resources programs covered in this report include National Science Foundation, Atomic Energy Commission, and National Aeronautics and Space Agency programs with $202 million of expenditures in the fiscal year 1965. Of this sum, $122 million was for science education programs of the NSF and $49 million for basic research facilities financed by NSF, included in the social welfare series under education. The selected NASA and AEC programs are primarily fellowship and special training programs, and are not in the social welfare series.

Small Business Administration expenditures of $301 million, included in the human resources total, are not in the social welfare estimates. These represent almost wholly the net amount of outlays for loans in excess of repayments received. The gross amount of loans was $433 million in fiscal 1965. With other related expenses of the loan programs and expenditures for other selected programs, the reported gross total of SBA outlays was $512 million. (The figures appear to combine "costs" and "obligations," so that the sums are not "expenditures" as defined in the budget.)

The Range of Federal Government Activities Affecting Human Resources

Programs reported in this survey affect the welfare and development of the American people directly or have substantial secondary effects of this kind. The test for inclusion, as specified in the committee request to Government departments and agencies, was that those Government activities should be selected which are directed primarily toward the maintenance and development of people in the United States or, alternatively, have as a secondary effect a substantial impact on the development of our human resources.

The list of programs designated by the Government agencies is long and varied. The reports are reproduced in part III in an organizational grouping, in which programs and activities of each department or other agency are described in sequence. An alternative grouping might have been adopted, based on broad social objectives or areas of service, such as the categories used in reporting expenditures for public programs in the social welfare series reviewed in an earlier section. Another arrangement, directed more specifically to the economic role of Federal programs in national development, might employ the following broad categories:

Environmental improvement programs.
Education and training programs.
Health care and improvement programs.
Income maintenance and family support programs.
Other programs.

The first four of these headings are used in later sections as the basis for a review of the scope of Federal Government activities in selected areas, in terms of their relationships to investments in people and other economic considerations. First, however, attention is directed to some general considerations affecting appraisals of human resources programs. These may be described as (1) current emphasis on the use of a cost-benefit approach in the evaluation of services and applications of this approach to human resources programs; and (2) several issues of general public policy that could significantly affect the role of the Federal Government in human resource development.

Studies of Costs and Benefits

Comparison of governmental programs in terms of expenditures is deceptively simple and can be misleading as a basis for public policy choices. This is not only because the figures, with their appearance of precision, gloss over numerous difficulties, discrepancies, and ambiguities that inevitably beset the compiler. That kind of shortcoming—a common attribute of analytical and accounting data—is serious enough. But the principal reason that expenditure comparisons are an inadequate basis for policy preferences is that they necessarily treat equal dollar expenditures as though they were equal contributions to the solutions of various problems when, in fact, the problems may be quite dissimilar in quality, resources marshaled for different purposes may be quite varied, and the effects of equal expenditures may differ in intensity as well as kind.

Some Federal outlays in human resources programs—most of them transfer payments—are essentially supportive. They are used by the individual recipients to buy food, clothing, shelter, and other minimum essentials. But such transfer payments as scholarships and fellowships may be used in part to buy education or specialized training which, among its other benefits, enhances the individuals' productivity and creativity. Federal outlays to purchase goods and services may, among other uses, pay the salaries of researchers, explorers, and demonstration agents who develop or disseminate new knowledge and instruct people in using it. Technical advice and assistance provided by Government personnel may be a stimulating force or serve as a coordinating influence for various economic groups. Planning, research, and demonstration grants, favorable interest rates, and credit guarantees have stimulative effects that ordinarily are large in proportion to the Government outlays directly involved. Government programs sometimes open new avenues for private investment or create new opportunities in neglected areas. An illustration is the TVA power program, which contributed to the development in its region of an extensive array of economic activities in which private capital was a vigorous force once the initial public thrust had been provided. The development of atomic energy opened new vistas. Government-sponsored medical research has had similar results. The rapid growth in volume of private personal insurance in recent decades has sometimes been credited in part to popular interest and understanding spurred by the old-age, survivors, and disability insurance program.

These illustrations suggest that an assessment and comparison of the economic impacts of expenditures for various Government programs require that different weights be given to payments for goods and services, transfer payments, and other broad categories. In fact, different weights may be required for differentiation among programs with the same types of expenditures. Quantitative measurement of Government programs is not easy—and it is beset with special complications in the case of programs concerned with human resources.

A conceptual complication, already noted, is the difficulty of distinguishing between expenditures for consumption and those for investment in human resources. Either private or public expenditures may be directed toward pure consumption, pure investment, or a mixture of these, and a separation is not easily made. Prof. Theodore W. Schultz has suggested that one approach may be to estimate human investment by its yield rather than by its cost:

> While any capability produced by human investment becomes a part of the human agent and hence cannot be sold, it is nevertheless "in touch with the marketplace" by affecting the wages and salaries the human agent can earn. The resulting increase in earnings is the yield on the investment.[13]

Some analysts have noted that this technique ignores secondary benefits derived by other persons and by society at large—so-called spillover effects—and also omits from the calculation nonpecuniary and qualitative benefits and costs. Despite this insufficiency, this method of valuation has been used by Schultz and others in examining the relationships of returns to costs for such human-investment activities as higher education, on-the-job training, medical care and public health measures, and labor migration.[14]

Formal comparisons of estimated project costs with expected returns have long been standard prerequisites for river basin development programs of the Federal Government. Over the years, an extensive analytical and methodological literature on cost-benefit analyses for water resource projects has been produced. Official procedures and concepts have been standardized to a considerable extent. For some years they were subject to procedures and standards outlined in a Bureau of the Budget circular. This circular, however, was the basis for considerable contention, both as to substance and the propriety of its source. It was replaced in 1962 by a formal statement, approved by the President, spelling out policies and standards for the evaluation and review of plans for water and related land resource projects,

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13 Schultz, "Investment in Human Capital," American Economic Review, vol. LI, March 1961, p. 8.

14 A few pertinent references may be cited; each contains other references:

Theodore W. Schultz, editor, "Investment in Human Beings," papers presented at a conference called by the Universities-National Bureau Committee for Economic Research, in Journal of Political Economy, vol. LXX, October 1962, supplement.

Schultz, "Investment in Human Capital," American Economic Review, vol. LI, March 1961, pp. 1-17 (presidential address for the American Economic Association, 1960).

Schultz, "Investment in Man: An Economist's View," Social Service Review, vol. XXXIII, June 1959, pp. 109-117.

Edward F. Denison, "The Sources of Economic Growth in the United States and the Alternatives Before Us: A supplementary paper of the Committee for Economic Development" (New York, 1962).

Organization for Economic Cooperation and Development, Study Group in the Economics of Education, "The Residual Factor and Economic Growth" (Paris, France, 1964).

Rashi Fein, "Health Programs and Economic Development" (with comment by Richard Goode) in "The Economics of Health and Medical Care: Proceedings of the Conference on the Economics of Health and Medical Care, May 10-12, 1962" (Ann Arbor, Mich., 1964).

Selma J. Mushkin and Burton A. Weisbrod, "Investment in Health—Lifetime Health Expenditures of the 1960 Work Force," in "The Economics of Health and Medical Care," cited above.

R. B. Melton, "Schultz's Theory of 'Human Capital,'" Southwestern Social Science Quarterly, vol. 46, December 1965, pp. 264-272.

Robert Dorfman, editor, "Measuring Benefits of Government Investments," Brookings Institution Studies of Government Finance (Washington, D.C., 1965).

G. H. Peters, "Cost-Benefit Analysis and Public Expenditures," Eaton paper 8 of the Institute of Economic Affairs (Worcester, England, 1966), esp. ch. v.

Anwar Tahmasp Khan, editor, "Cost-Benefit Analysis" (National Institute of Public Administration, Lahore, Pakistan, 1965).

including comparisons of their costs and benefits. The statement was developed at the direction of the President by the heads of four agencies with principal statutory responsibilities for affected projects—i.e., the Secretaries of the Army; Agriculture; Health, Education, and Welfare; and Interior.[15]

Analogous comparisons (though less rigorous) have been offered from time to time for various programs in the field of human resources. Budgetary justifications for the vocational rehabilitation programs often have included comparisons of the potential earnings and tax-payments of rehabilitated persons with the public costs of the services. The Public Health Service in 1964 published a symposium report on "Economic Benefits from Public Health Services: Objectives, Methods, and Examples of Measurement," in which a leading paper dealt with the problem of measuring economic benefits from public health services.[16]

An extensive "source paper" on the economic costs of cardiovascular diseases and cancer in 1962 was included in the report of the President's Commission on Heart Disease, Cancer, and Stroke. The Commission used these estimates of economic costs primarily to support a call for strong governmental action aimed at reducing the incidence of heart disease, cancer, and stroke. It compared the economic costs of these afflictions with expenditures for research to combat them. Its report did not, however, include comparisons of the costs of projected public programs with the potential reductions in the economic toll exacted by these diseases.[17]

Another report to the President, based on a study of the National Institutes of Health, included a brief examination along similar lines of economic and other criteria for determining levels of Federal Government support of health research. This study included an estimate of "demand" for medical research expenditures in 1970.[18]

Efforts to measure the potential benefits and to compare them with costs for particular public programs of health and education were part of a spreading pattern designed to improve the basis for planning and budgetary decisions. With growth in the relative importance of government in the national economy, it was increasingly evident that prudent governmental choices in the matter of resource allocation require full and explicit assessment of possible alternative programs and all their costs and benefits. In recognition of this need, President Johnson, in August 1965, announced that a planning-programing-budgeting system which had been developed in the Department of Defense would be extended throughout the Government. In this system, the formulation of cost-benefit comparisons is an important element, though only one element. The Bureau of the Budget

[15] The statement and a brief sketch of its origins appear in 87th Congress, 2d sess., Senate Doc. No. 97, "Policies, Standards, and Procedures in the Formulation, Evaluation, and Review of Plans for Use and Development of Water and Related Land Resources, prepared under the direction of the President's Water Resources Council" (May 29, 1962). For the earlier documents, see Bureau of the Budget Circular A–47, esp. par. 9; and Bureau of the Budget, "Standards and Criteria for Formulating and Evaluating Water Resources Development: Report of a Panel of Consultants" (1961).

[16] Clem C. Linnenberg, "How Shall We Measure Economic Benefits From Public Health Services?" in Public Health Service Publication No. 1178, "Economic Benefits from Public Health Services" (April 1964). See also Linnenberg, "Economics in Program Planning for Health," Public Health Reports, December 1966, pp. 1085–1091.

[17] President's Commission on Heart Disease, Cancer, and Stroke, "A National Program to Conquer Heart Disease, Cancer, and Stroke," vol. I (December 1964). The source paper, prepared by Dorothy P. Rice, is in ibid., vol. II (February 1965), pp. 440–630. Also in vol. II, at pp. 631–644, is a report of a conference of economists on the economics of medical research.

[18] Dr. Joseph B. Platt, "Memorandum to the Committee Regarding Criteria for Determining Levels of Federal Support of Health Research," app. 3 in "Biomedical Science and Its Administration: A Study of the National Institutes of Health—Report to the President" (February 1965), pp. 77–84.

subsequently issued instructions to the executive departments and establishments for the application of the new system of planning and budgeting. It was to be applied immediately in the 21 largest departments and agencies, and 18 other agencies were encouraged to adopt formal systems.[19]

In the broad application adopted for the executive branch, the program budgeting aspects of PPBS were described by the Bureau of the Budget as placing increased emphasis in all Federal agencies upon (1) setting explicit goals and objectives; (2) searching out the most economical programs for meeting these objectives; and (3) subjecting costs and benefits to closer scrutiny. The system is based on the following concepts:

(1) Continuing critical analysis by each agency of its objectives and programs, relating accomplishments to costs;

(2) Multiyear planning and programing based on modernized information systems; and

(3) A budgeting process which will sharpen and clarify budget decisions for review and action by the President and the Congress.[20]

The Director of the Bureau of the Budget advised the Joint Economic Committee:

> This new budgeting system will help focus attention more concretely and more precisely on program objectives. It will permit a broader evaluation of more effective and less-costly alternatives and will link longer term planning efforts more directly to budget decisions.[21]

The Joint Economic Committee inquiry into human resources programs was, of course, launched independently of the planning-programing-budgeting system developments in the executive branch. Because the questionnaire was issued soon after the President's announcement, the committee's questions on the economic aspects and impacts of Government programs were interpreted by many respondents in Federal Government departments and agencies as a preliminary application of the new requirements—and, in the view of some of them, a premature application because they were still unfamiliar with the PPBS concepts and procedures. The committee inquiry was actually much more limited in coverage and purpose and much less specific in its aim. The questions did not call for the extensive analytical effort, special studies, detailed program examinations, and financial tabulations that are required by the budget bulletin. The committee questions called for selected data which might also be utilized in the PPBS, but this was coincidental. Limited though they were, the economic questions in the questionnaire referred to types of information which apparently were unfamiliar or unavailable to some of the Government personnel who were called upon by their agency heads to prepare the replies. A result is the evident incompleteness or unresponsiveness of many replies. Agencies with experienced staffs for program analysis were able to respond more fully and explicitly. (Examples are the replies reproduced in pt. III of this report from the Social Security Administration, the Office of Manpower Policy, Evaluation, and Research, and several

[19] Bureau of the Budget Bulletin No. 66-3, "Planning-Programing-Budgeting" (Oct 12, 1965), and supplement to Bulletin No. 66-3 (Feb. 21, 1966). Bureau of the Budget press release, Oct. 13, 1965, OD-185.
[20] Bureau of the Budget press release, Oct. 13, 1965.
[21] Statement by Charles L. Schultze, Director of the Bureau of the Budget, before the Joint Economic Committee on the Budget for fiscal year 1967, Feb. 2, 1966.

units of the Department of Defense.) Staff members in several Federal agencies advised the Joint Economic Committee subcommittee staff that their experience with the questionnaire helped them to understand the orientation and requirements of the PPBS procedure.

Difficulties of the kind which the committee encountered will gradually be overcome by the disciplines of the formal PPBS. This system carries its own internal sanctions, since the results will be used in making Presidential budgetary recommendations which are crucial to the departments and agencies. A transitional period may, however, be anticipated in which incomplete analyses and shallow comparisons of costs and benefits will be offered as justifications for many program proposals and budgetary estimates. Much work needs to be done in the clarification of objectives and concepts, the formulation of analytical techniques, the explanation of procedures to individuals called upon to produce the necessary studies, and the definition of criteria for the interpretation and evaluation of findings. This will require a continuous process of examination and instruction throughout the executive branch.

The task will be especially difficult in human resources programs. It is easiest to apply cost-benefit comparisons of alternatives to those public projects that most nearly resemble corporate investment in plant, facilities, and processes. No doubt this helps to explain the early application of this approach to water resources projects. It can be—and, indeed, it has been—argued that even in the physical resources programs, this approach often has omitted nonquantifiable and, especially, noneconomic values, so that policy decisions made in reliance upon the cost-benefit studies often have been too narrowly ased.

The objective of PPBS is to broaden the basis of all public decisionmaking. The system provides explicitly for at least the identification and listing of costs and benefits that may be immeasurable and qualitative or secondary and incidental. The difficulties of making the analyses more nearly complete through a recognition of all such factors (and of inducing program advocates to identify extraneous social costs as well as benefits) are especially great in matters affecting education and training, health, urban renewal or development, family support, and income maintenance.[22]

The questionnaire responses relating to the economic effects and implications of current Government activities in the field of human resources indicate that a great deal of analysis will be required to elicit data and judgments that will illuminate policy choices across the whole range of Government activities and national welfare.

Underlying the planning-programing-budgeting system is a presumption that the Government can determine policies most effectively if responsible decisionmakers are enabled to make rational choices among alternative courses of action with as full knowledge as possible of the implications of these alternatives. Rational choices, in this context, are those which assure the most effective allocation of scarce resources among alternative uses—including not only alternative governmental uses, but also the best division of resources between the

[22] In a paper which became available while this report was in press, the difficulties of making analyses and a progress report on application of the system to some programs of the Department of Housing and Urban Development are presented by William B. Ross, Under Secretary for Policy Analysis and Program Evaluation, "A Proposed Methodology for Comparing Federally Assisted Housing Programs" (for the annual meeting of the American Economic Association, Dec. 28, 1966).

governmental and private sectors of the economy. That allocation is deemed best—that combination of uses is judged most effective—which yields the largest economic and social returns for any given application of resources.[23] These abstractions are not easily applied in practice.

The program budgeting system, as adopted, calls for rigorous program analyses that should help decisionmakers choose among alternative methods for achieving defined program objectives. That is, given an objective—a stated output—the analyses should provide comparisons of the differing inputs associated with various means of achieving that objective. This should go far to correct a deficiency indicated in the questionnaire responses, which make it appear that Federal agencies heretofore have had great difficulty either in measuring objectively the effectiveness of most of their programs and services or in reporting the results of such measurements.

The responses suggest further that these programs present a diversity of objectives, alternatives, issues, and outputs, and that extensive appraisal and analysis will be required for their objective and complete evaluation. They also present a multitude of opportunities for effective and essential public services.

But difficulties have been encountered not only in assessing the effectiveness of their services. It appears that, with some exceptions, the agencies have not been able to estimate the magnitude of the opportunities within particular program areas. That is, they have not succeeded in formulating measurements of the scale and range of needs in their respective fields. This creates an inability to gage current efforts against ultimate requirements or potential achievements.

The broader goal of attaining allocative efficiency among all government programs, and between government and the private sector, presupposes an external common denominator, a calculus, other than simple monetary measurements, for equating marginal returns of benefits over costs in diverse programs that have diverse objectives. The problem here involves comparisons between different kinds of outputs—choices among alternative objectives or combinations of objectives that might be produced with equal inputs. Explicit criteria for this kind of choice apparently are not yet included in the formal budgetary techniques.

Yet the assessment of individual programs must rest, in part, on comparisons and relationships between programs and their objectives. For example, it is difficult to project and define the potential role of such income maintenance programs as social insurance without similar projections of the role of veterans' benefits, public assistance, public employees' and military retirement systems, and private pensions.

The principal and most difficult budgetary decisions made by the President and the Congress are those which require choices between varying goals and the meshing together of a variety of aims into a coherent program. A central problem of governmental programing and budgeting has been to make these choices rational and objective, on the basis of full information and analysis. But a serviceable calculus for evaluative comparisons between programs is yet to be devised.

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[23] Underlying concepts are discussed by Arthur Smithies in "Conceptual Framework for the Program Budget," in "Program Budgeting: Program Analysis and the Federal Budget," David Novick, editor; a Rand Corp.-sponsored research study issued in 1964 and published in an abridged edition by the Bureau of the Budget, 1965.

Public Policy Problems

Human resources programs have been authorized and developed to deal with specific problems and seek particular objectives. They are not characterized by a coordinated, coherent pattern of operation. Interrelationships among programs and their several objectives are recognized through a variety of interprogram and interagency mechanisms, each developed as a need was recognized or a point of contact appeared.

Many of these mechanisms are informal and personal arrangements, stemming from the judgment and dedication of administrative personnel. Some mechanisms are limited to exchanges of minimum information; others extend to policy consultations and the cooperative provision of services through near-partnership arrangements. Some are confined to cross-program contacts within a single bureau, division, or office; others reach out from one Federal department or agency to others and to the agencies of State and local governments, community groups, and other interests.

The desirability of establishing comprehensive patterns and procedures for reconciling and balancing separate objectives and for promoting coordinated services—not only in terms of broad, national policies but specifically at the level at which the services are performed—has become increasingly evident. This need was recognized by Congress in the Comprehensive Health Planning and Public Health Service Amendments of 1966 (Public Law 89–749) and the Demonstration Cities and Metropolitan Development Act of 1966 (Public Law 89–754), both approved by President Johnson November 3, 1966. Further steps will be required in these fields, and similar needs remain for the promotion of coordinated programs and common procedures in other interrelated program areas. How to make progress in meeting these needs will be a major question of public policy in the years immediately ahead.

The problem will be increasingly important. Human resources programs of the Federal Government now entail expenditures roughly equivalent, in dollar volume, to nearly 7 percent of the gross national product. The social welfare series indicates that the Federal role is growing in both the amount of expenditures and the Federal proportion of public outlays for these programs.

This prospect is particularly interesting in view of issues raised by the committee's recent projection of economic developments over the next decade. As indicated in that study, the rising high employment surplus that normally would ensue from expected growth suggests at least four developments—or some equivalent combination of developments—if we are to maintain maximum employment: (*a*) increased private investment; (*b*) increased Federal Government expenditures; (*c*) decreased Federal taxation; and (*d*) increased State and local government expenditures financed either by higher State and local taxes or by enlarged Federal aid.[24] If expenditure increase is one of the avenues followed, then a portion of the increment unquestionably will be applied to the human resources sector; and further growth in the allocation of resources to these governmental activities will magnify the urgency of achieving balance and coherence in program objectives, policies, and operations.

[24] Joint Economic Committee, Subcommittee on Economic Progress, "U.S. Economic Growth to 1975: Potentials and Problems," a staff report (December 1966).

The alternative of tax reduction or adjustment likewise requires comparative evaluations of objectives and the effectiveness of particular measures, including comparisons with relevant public expenditure programs. Proposals have been offered to relate tax concessions to social purposes, e.g., for special tax deductions as inducements to business to invest in impoverished areas or to undertake more training of workers, and for selective tax credits for individuals to encourage more private expenditure for higher education. Each such proposal would involve some commitment of national resources, just as proposals for enlarging governmental programs involve such commitments. Consequently, it is essential that each tax proposal be appraised in terms of probable effectiveness and cost in comparison with alternative measures for serving the same objective. This necessity is not always recognized explicitly as an element in tax policy decisions.

Programs in Selected Fields

The compilation presented in this report is a limited first step toward promoting a clearer definition and wider comprehension of the role of public programs in human resource development by describing what is now being done by the Federal Government.

Agency responses reproduced in part III are arranged on an organizational basis. The extent and detail of agency reports, late receipt of many of them, the desirability of their early publication, and pressure of congressional deadlines have prevented committee staff from preparing the extensive cross-analyses and summaries that would be required for an assessment of the whole broad range of Government programs. The remainder of part I is devoted to a grouping of programs in four major fields of Government interest, here designated as follows:

(1) Environmental improvement.
(2) Education and training.
(3) Health care and improvement.
(4) Income maintenance and family support.

Each list of programs is followed by a review of a few agency statements about the economic impacts and aspects of representative programs. This sampling is intended to indicate that the detailed reports in part III will prove a fruitful collection of source materials and a catalog of unresolved questions calling for further study from many points of view.

Particular Federal programs may serve more than one of these broad social purposes. For example, the school lunch and special milk programs promote both education and health at the same time that they fulfill broad objectives of agricultural policy which may be included in "environmental improvement," broadly construed. Programs for water and air pollution control and prevention aim at the conservation of human health by improvement of the physical environment. In the enumerations which follow, multiple-purpose programs such as these are named under more than one heading, though observations about the economic aspects of each program are included, insofar as possible, under the general purpose to which it seems to be oriented by organizational or other factors.

Each program named in the following sections is the subject of an agency statement in part III of this report.

Environmental Improvement

Many human resources programs are directed toward improving physical or social conditions of life generally and therefore may be designated as programs for improving the environment in which people live and work.

The following list illustrates the scope and variety of such programs:

Office of Economic Opportunity:
- Community action programs.
- Volunteers in Service to America (VISTA).

Treasury Department:
- Coast Guard family housing.
- Coast Guard procurement activities designed to assist small business and labor surplus areas.

Department of Defense:
- Family housing.
- Program to assist employees affected by base closures, consolidations, and reductions.
- Procurement activities designed to assist depressed areas.
- Procurement activities designed to assist small business.
- Economic adjustment program.

Department of Justice: FBI field police training program (also listed for education and training).

Department of the Interior:
- Indian welfare (primarily for income maintenance).
- Indian industrial development.
- Indian arts and crafts board (also listed for income maintenance).
- Indian credit and financing (also listed for income maintenance).
- Housing programs for Indians.
- Guam rehabilitation.
- American Samoa development.
- Trust Territory of the Pacific Islands.
- Water pollution control and prevention (also listed for health care and improvement).

Department of Agriculture:
- Research programs of the Agricultural Research Service, Economic Research Service, and State agricultural extension stations.
- Cooperative extension service (also listed for education and training).
- Soil Conservation Service: Resource conservation and development.
- Consumer and Marketing Service: Commodity distribution program (also listed as primarily for health and also for education and training).
- Special milk program (also listed as primarily for health and also for education and training).
- National school lunch program (also listed as primarily for health and also for education and training).
- Food stamp plan (also listed as primarily for health and also for income maintenance).
- Rural electrification program.
- Rural telephone program.
- Rural water and waste disposal program.
- Rural renewal.
- Farmers Home Administration housing programs.
- Rural areas development program.

Department of Health, Education, and Welfare:
- Consumer protection (Food and Drug Administration).
- Public Health Service:
  - Community facilities for the mentally retarded (also listed for health and for education and training).
  - Environmental health programs of the Bureau of State Services (also listed as primarily for health).
  - National Institutes of Health training program.
- Welfare Administration, Children's Bureau: Child welfare services.
- Juvenile delinquency and youth offenses.
- Administration on Aging:
  - Community planning, services, and training.

Grants and contracts for research, development, and specialized training (also listed for education).
Foster grandparents program (also listed for income maintenance).

Department of Housing and Urban Development: All programs described in part III (including some that are listed also for education and training and for income maintenance).

Appalachian Regional Development Commission programs.

Federal Power Commission:
- Water resources appraisal program.
- Recreation, fish, and wildlife program.

Small Business Administration: All programs described in part III.

Tennessee Valley Authority:
- Regional supply of electric power.
- Tributary area development.
- Agricultural resources development: Farm test demonstration of TVA fertilizers.
- Alleviation of rural poverty, investigation (also listed for education and training).
- Recreation resource development:
  - Land between the lakes demonstration.
  - Reservoir shorelines.
- Employee safety.

Veterans' Administration:
- State veterans' homes and nursing homes (also listed as primarily for health).
- Loan and loan guarantee programs.

Though it is long, the foregoing list is presented in abbreviated form by the use of summary entries incorporating all programs reported by the Department of Housing and Urban Development and the Small Business Administration.

The full list would make it evident that the Federal Government conducts a wide variety of programs concerned with housing and urban development. A second striking fact is that many of the programs administered by the Department of Housing and Urban Development and the Small Business Administration, and several programs of the Department of Agriculture and the Veterans' Administration, exert their influence on economic growth and development in ways that are not directly measured by the volume of Federal expenditure for the programs.

In large measure, these are lending programs or loan guarantee programs and insurance programs, in which Government outlays are reported as net amounts. Loan repayments, interest earnings, and other programs receipts are credited against new loans, insurance settlements, and other outlays. The concept of "net expenditures"—which, in some instances, are negative expenditures—is discussed briefly in an earlier section. Accounting conventions which use "expenditures" of essentially different kinds as a common denominator for different types of programs pose complicated problems for the analyst interested in determining the economic significance and repercussions of Government programs. Thus, "negative expenditures" and "net expenditures" present difficulties. A loan, loan guarantee, or insurance program may be expanding in one geographic region or one category of activity while contracting in another. The offsets of receipts against expenditures may merge divergent movements.

A program of urban planning assistance, if the planning is comprehensive and effective, will have diffuse economic effects over an extended period—a characteristic which complicates the application of cost-benefit measurements and, especially, the comparative appraisal of alternative programs of urban planning. Insofar as the urban planning process is directed toward promoting the efficient allocation of economic and social resources and contributing to a rational interplay of such physical facilities as roads, transportation systems, industrial buildings, offices, residential sections, utilities, and public facilities, the process and the planning decisions are bound to have significant effects on employment, the initiation of new enterprises, personal incomes, property values, and other developments.

Activities like the open-space land and urban beautification programs are even more difficult to assess in traditional economic terms. Their chief contributions are to social and esthetic utilities, through improvements in the quality of the urban environment. In all likelihood, such benefits are accompanied by indirect contributions to national production, but their specific economic influence may be small; in any event, it is not separable from a multitude of other factors.

The rent supplement program in full operation would have identifiable, though not necessarily large, direct economic effects. It is intended to provide a minor redistribution of income, with consequent shifts in the consumption patterns of assisted persons. It will provide some stimulus for residential construction activity, and, through additions to payrolls in the building trades, some enhancement of consumer goods demand generally. The statement describing this program includes an interesting estimate of the potential effects on the value of construction, employment, and payrolls in the fiscal years 1966 through 1969. The subsidy element would attract to the low-rent housing market more investment than might otherwise occur. Whether this construction would simply replace activity that might otherwise be directed toward other objectives, such as higher rent dwellings or low priced sale housing, is an open question for which the answer might vary in different housing markets over the country and in different phases of the construction cycle. To the extent that the program improves the stability and continuity of effective housing demand for low-income families, it may contribute broadly to the general stability of the economy.

The report on urban renewal notes that its economic effects are wide-ranging and complex, owing to tremendous variation in the nature of projects, and that no generalized method has been developed for either describing or quantifying the economic effects. With respect to stimulation of private investment, the estimated ratio of private redevelopers' investment is $5 for each $1 of Federal capital grants in current renewal activities. On this basis, the fiscal 1965 capital grants of $282 million may have evoked private investments of more than $1.4 billion, in addition to an estimated $266 million of local governments' matching expenditures and public facility investments. Federal Government obligations in fiscal 1965 for temporary loans and planning advances were reported in the budget at $272 million.

Broader economic effects of urban renewal outside the project areas, in the form of enhanced values and possibly stimulated new investments, are said to be at least as great as within the project areas. The program report notes that some types of public facilities constructed in project areas may have negative effects on the local tax base, in the sense that they enlarge the volume of tax-exempt properties. At the same time, the upgrading of properties in private ownership often results in substantial additions to the property tax assessment rolls, resulting in some instances in after-development property assessments on the order of 4½ times the amount before urban renewal.

The urban mass transportation program, still relatively new, makes available $150 million a year for grants and undoubtedly is beginning to affect the transportation resources of metropolitan centers. The program report notes that further research activity is needed before quantitative estimates of economic effects can be provided. Such research merits a high priority as a basis for early investment decisions and policy commitments. The provision of rapid, convenient, low-priced transportation is of crucial importance in all urban communities. It affects the movement of people between their homes and places of work. It has been pointed out that residents of the Watts neighborhood in Los Angeles were effectively cut off from available jobs in other parts of the metropolitan area by inadequacies of the transportation system. Similar situations have been reported in other major urban communities where slum dwellers and other impoverished persons cannot travel rapidly and cheaply to and from centers of employment. Efficient arrangements for the transportation and delivery of goods and materials are inextricably interwoven with the arrangements for transporting people, since highways and tracks clogged with vehicles cannot be used efficiently. The transportation network of each community therefore needs to be examined as a whole if solid conclusions are to be drawn.

The Economic Development Administration, Small Business Administration, and Appalachian regional development programs are among others in which economic research and evaluations seem to warrant more urgent attention than has been given. All these programs are directed specifically toward economic development, yet the effects in each case are said to be indeterminate at present.

The Appalachian program was barely started when the questionnaire response was prepared. It is evident that economic analysis will be essential to its future appraisal.

The Economic Development Administration report identifies generally several types of economic repercussion that may be anticipated. It notes that public works spending that will be generated by the program will be predictable within close limits, but the effects on the GNP that may be exerted by Economic Development Administration activities will be difficult to assess. Analyses aimed at such assessments might prove useful.

The Small Business Administration—which has operated on a substantial scale for some years—reported that it has been developing data storage systems to provide information about its loan programs on which it will base a sophisticated economic information system. Using this system, the agency foresees great improvements in data showing the specific economic effects of its programs. It expects, also, in applying the programing-planning-budgeting system concepts to its operations, to improve its analyses of the economic impacts of Small Business Administration programs upon the borrowers and upon various segments of the economy. The results of these analytical undertakings will be of considerable interest to the Joint Economic Committee and to others outside the executive branch.

The Department of Agriculture has a surprising number of activities directed toward improvement in the physical and social environment. These include rural renewal, housing, electrification, telephone, and water and waste disposal programs, and the rural area development program.

Agriculture Department programs involving subsidized or free distributions of food may be considered, in their human resources aspects, to be oriented primarily to the betterment of health and secondarily to family support. Some, at least, promote education. But altogether these food programs, with their overtones of agricultural policy and marketing relationships, seem to fit also into the broad category of environmental improvement. Therefore they are discussed here.

The major commodity distribution program involves distribution annually of approximately half a billion dollars worth of food acquired under surplus removal and price support operations. The food is delivered to State agencies in the United States for distribution to some 25 million persons, mostly children, in school lunch programs, summer camps, institutions serving needy persons, Indian reservations, and needy families. It is used also to assist disaster victims.

Closely related are the special milk and school lunch programs, which together account for Federal expenditures of about $300 million and non-Federal expenditures of substantially more than $1 billion.

Also closely related is the food stamp program. Its objective is to improve diets in low-income families and to expand markets for domestically produced food by supplementing the food purchasing power of these families. Federal obligations for this program were estimated to rise from $36 million in fiscal 1965 to $150 million in fiscal 1967. State and local governments finance part of the administrative expense, but the free stamps are financed by the Federal Government. Stamps are sold to low-income families or individuals who are either receiving public assistance or are designated by local welfare officials as persons who need food assistance. The coupons they buy have a face value above their cost and are used, the same as money, to buy food in retail stores. The lower the family income, the greater is the amount of assistance provided. The average additional amount represented by free stamps is $6 a month per person. A research study indicates that all sizes of retail food stores share in the additional sales. The number of participants and the amount of food purchasing assistance vary inversely with employment and general economic conditions. As unemployment increases, the volume of food stamps likewise increases. Economic reports issued by the Department deal with the impacts of the program on nutrition levels and retail sales, but broader economic repercussions apparently have not been measured, nor are estimates available to show the volume of non-Federal expenditures associated with the Federal outlays.

In identifying economic effects of the several food programs, the Department points out that the distributed commodities, food stamps, and low-priced milk and lunches enlarge the effective purchasing power of recipient families and contribute to better diets, and that resulting improvements in nutrition promote health and productivity. In the case of the special milk and school lunch programs, and foods distributed through the lunch program, the major benefit is reported to be in educational gains which are realized because children's receptivity to learning is significantly improved when they have been fed. Educational investments that might otherwise be frustrated by hunger and illness are made more productive by the milk and lunch programs and the distribution of commodities through these programs.

The program expenditures apparently have a multiplier effect in the economy, but the reports do not indicate that efforts have been made to measure this or other broad economic effects. Some specific characteristics are noted. For example, the availability of surplus foods is a boon to areas crippled by natural disasters.

Child-feeding constitutes the Nation's single largest market for food. Within this market, the school lunch program alone employs some 300,000 non-Federal workers. This \$1⅓ billion a year market is expanding at an annual rate of some \$50 million. Because it is a large and stable market, it has stimulated the successful development and distribution of new products for general commercial markets—among them, nonfat dry milk, rolled wheat, and bulghour—and has broadened or stabilized markets for familiar products.

In view of the size and scope of the several food programs, the fragmentary reports on their economic aspects leave many questions. Systematic examination of the economic effects appears to be needed. In such studies, attention should be given to interrelationships of these programs with public assistance and other family support progams.

Education and Training

Federal Government programs for education and training are the subject of a special crosscutting analysis which accompanied the Federal budget for the fiscal year 1967. That compilation, the first of its kind in recent years, identified programs for education, training, and related activities. Federal Government expenditures for these purposes from budget and trust funds were \$7.2 billion in the fiscal year 1965 and were estimated at \$9.7 billion for the then current fiscal year, 1966, and \$10.2 billion for the budget year, 1967.

Table 6 is a reproduction of a summary table from the special analysis.

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TABLE 6.—*Federal funds for education, training, and related programs by category, fiscal years 1965–67*

[In millions of dollars]

Category or type of aid	New obligational authority			Expenditures		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
1. Preschool, elementary, and secondary:						
(a) General support:						
(1) Operations	522	752	685	497	549	643
(2) Facilities	206	194	160	127	158	169
(b) Education of special groups:						
Existing programs	197	1, 318	1, 539	94	540	1, 446
Proposed legislation			6			6
(c) Teacher training	111	106	210	75	110	172
Subtotal, preschool, elementary, and secondary	1, 036	2, 370	2, 600	793	1, 357	2, 436
2. Higher education:						
(a) Facilities, equipment, and institutional development of physical facilities:						
Existing programs	1, 041	1, 245	1, 344	331	557	899
Proposed legislation			−300			−908
(b) Support of undergraduate students:						
(1) Support of individuals:						
Existing programs	337	555	551	315	405	446
Proposed legislation			18			13
(2) Institutional support	21	25	23	14	19	25
(c) Support of graduate and professional training:						
(1) Support of individuals:						
Existing programs	252	315	370	177	255	310
Proposed legislation			−13			−14
(2) Institutional support	197	260	314	117	185	248
(d) Research, except educational research	1, 100	1, 241	1, 311	934	1, 117	1, 205
(e) Other	106	142	190	105	124	158
Subtotal, higher education	3, 054	3, 783	3, 813	1, 993	2, 662	2, 382
3. Vocational education, work-training and other adult or continuing education:						
Existing programs	1, 123	1, 382	1, 393	635	1, 055	1, 303
Proposed legislation			34			30
4. Educational research, curriculum development, etc.	61	134	155	39	74	125
5. Training of Federal governmental personnel:						
(a) Military personnel	1, 366	1, 451	1, 511	1, 358	1, 434	1, 496
(b) Civilian personnel	68	87	96	72	82	86
6. International educational activities	276	291	346	195	219	255
7. Other	173	208	261	133	207	272
Subtotal, existing programs	7, 154	9, 710	10, 462	5, 214	7, 090	9, 259
Subtotal, proposed legislation			−255			−873
Total, budget and trust funds for education, training, and related programs	7, 154	9, 710	10, 207	5, 214	7, 090	8, 386

Source: Special Analysis G, "Federal Education, Training, and Related Programs" in U.S. Bureau of the Budget: "Special Analyses, Budget of the United States, Fiscal Year 1967" (January 1966), p. 89.

The budget to be presented in January 1967 may carry revised totals for the fiscal years 1966 and 1967 and a summation for fiscal 1968.

The scope of "education, training, and related activities" in the budget special analysis is considerably broader than the functional category for "education" used in the President's budget message. That category carried expenditures (payments to the public from budget and trust funds) of $1.5 billion in fiscal 1965 and estimates of $2.3 billion in 1966 and $2.8 billion in 1967. The large difference results from the fact that substantial expenditures for education and training activities are incidental to programs reported in other functional categories of the budget. They are included in the special analysis.

Similarly, the special analysis is broader in scope than the group of "education" programs which are part of the social welfare series compiled by the Social Security Administration. As shown in table 2 of this report, the social welfare series includes Federal expenditures for education of $3.5 billion in the fiscal year 1965 and $5.7 billion in 1966. The largest single item of difference is military training expenditures, included in the budget special analysis total, but not in the social welfare series. Other training programs also are outside the social welfare total.

Table 7 compares private and public expenditures for education during 1950–1966. In this table, which is part of the Social Security Administration's series, Federal expenditures for veterans' education and for all other education (exclusive of training programs) are included in the public expenditure totals. The amounts for public programs are derived from table 2.

The comparison indicates that public sources (Federal, State, and local governments together) have provided 82 to 86 percent of all U.S. educational expenditures during these years.

TABLE 7.—*Expenditures for education, selected fiscal years, 1949–50 through 1965–66*

[Amounts in millions]

Program	1949–50	1954–55	1959–60	1960–61	1961–62	1962–63	1963–64	1963–64	1965–66 [1]
Total amount	$10,936	$14,338	$22,079	$23,712	$25,584	$27,745	$30,262	$34,424	$38,525
Public expenditures [2]	9,388	11,999	18,409	19,654	21,103	22,865	24,944	28,632	32,283
Current	8,054	9,438	15,145	16,314	17,622	19,117	21,190	23,964	27,094
Elementary and secondary education	4,706	7,644	12,730	13,796	14,957	16,142	17,602	19,595	22,009
Higher education other than veterans'	659	1,094	2,010	2,265	2,511	2,877	3,522	4,328	5,050
Veterans'	2,689	700	405	253	153	98	66	41	35
Construction	1,334	2,561	3,264	3,340	3,481	3,748	3,754	4,668	5,189
Elementary and secondary education	1,019	2,362	2,869	2,968	3,072	3,228	3,204	3,510	3,796
Higher education	316	199	395	371	410	520	550	1,158	1,393
Private expenditures [3]	1,548	2,339	3,670	4,058	4,481	4,880	5,318	5,792	6,242
Current	1,266	1,829	3,126	3,470	3,849	4,218	4,628	5,064	5,466
Elementary and secondary education	436	719	1,232	1,348	1,471	1,622	1,770	1,891	2,011
Higher education	830	1,110	1,894	2,122	2,378	2,596	2,858	3,173	3,455
Construction	282	510	544	588	632	662	690	728	776
Public expenditures as percent of—									
Total expenditures	85.8	83.7	83.4	82.9	82.5	82.4	82.4	83.2	85.7
Current expenditures	84.8	83.8	82.9	82.5	82.1	81.9	82.1	82.6	85.8
Elementary and secondary education	91.5	91.4	91.2	91.1	91.0	90.9	90.9	91.2	91.6
Higher education, total	80.1	68.4	56.0	54.3	52.8	53.4	55.7	57.9	59.5
Other than veterans'	41.7	56.8	51.5	51.6	51.4	52.6	55.2	57.7	59.4
Construction	82.5	83.4	85.7	85.0	84.6	85.0	84.5	86.5	87.0

[1] Preliminary estimates.

[2] Includes transfers to schools for supervision and training, aside from direct allowances for trainees, under the Manpower Development and Training Act, $147 million in 1965–66; work-study, $64 million; and adult basic education programs, $20 million, under the Economic Opportunity Act; and that portion of expenditures, excluding loans, under the Cuban refugee program that is used for education. Also included (in elementary and secondary education) are Economic Opportunity Act projects Headstart, $147 million in 1965–66, and Upward Bound, $20 million.

[3] 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.

Source: Ida C. Merriam, "Social Welfare Expenditures, 1965–66," Social Security Bulletin, December 1966, table 9 and text, p. 18.

It has not been feasible to summate expenditures for education and training programs reported in agency responses to the human resources questionnaire. The following list names those programs reported by Federal departments and agencies and described in part III which appear to be directed at least in part to the education or training of individuals:

Office of Economic Opportunity:
- Job Corps.
- Neighborhood Youth Corps.
- Work experience.

Treasury Department:
- Coast Guard Reserve training.
- Coast Guard training program.

Department of Defense:
- Full-time training and education.
- Off-duty educational program.
- Dependents' education.
- Armed Forces information and education.
- Reserve Officers' Training Corps.

Department of Justice:
- FBI national academy program.
- FBI field police training program (also listed for environmental improvement).
- Bureau of Prisons casework, education, and vocational training program.

Department of the Interior:
- Indian education.
- Employment assistance for Indians (also listed for income maintenance).
- Bureau of Mines accident prevention education.

Department of Agriculture:
- Cooperative extension service (primarily for environmental improvement).
- Consumer and Marketing Service: Commodity distribution program (also listed as primarily for health and also for environmental improvement).
- Special milk program (also listed as primarily for health and also for environmental improvement).
- National school lunch program (also listed as primarily for health and also for environmental improvement).

Department of Labor:
- Manpower and automation research program.
- Manpower development and training program: Title II, excluding section 241 (also listed for Department of Health, Education, and Welfare, Office of Education).
- Manpower development and training program: Title II, section 241.
- Apprenticeship program.

Department of Health, Education, and Welfare:
- Office of Education, elementary and secondary education:
  - Education of children of low-income families.
  - School library resources, textbooks, and other instructional materials.
  - Supplemental educational centers and services.
  - Instruction in critical subjects.
  - Guidance, counseling, and testing.
  - Institutes for counselors and teachers.
  - Educational improvement for the handicapped.
  - School assistance in federally affected areas.
  - School construction in federally affected areas.
  - National Teacher Corps.
  - Fellowships for teachers.
- Office of Education, higher education:
  - Higher education facilities.
  - College work-study.
  - Language development.
  - Graduate fellowships.
  - National defense student loans.
  - Low-interest insured loan and interest subsidy program.
  - Educational opportunity grants.
  - Strengthening developing institutions.
  - Improving undergraduate instruction.
  - College library assistance and related programs.

- Office of Education, adult and vocational education:
  - Vocational education.
  - Manpower development and training.
  - Occupational training in redevelopment areas.
  - Adult basic education.
  - Library services and construction.
  - Educational television facilities.
  - Community service and continuing education.
- Office of Education, programs for educational research.
- Vocational Rehabilitation Administration programs.
- Public Health Service (the following programs are primarily for health but involve education and training):
  - Fellowship program.
  - Health professions student loan program.
  - Nursing student loan program.
  - Training grant programs:
    - Research training.
    - Public health traineeship program.
    - Public health training, schools of public health.
    - Graduate public health training grants.
    - Dental auxiliary utilization grants.
    - Traineeships for advanced training of professional nurses.
    - Partial reimbursement to diploma schools for costs attributable to Nurse Training Act.
    - Improvement of nurse training.
  - Construction of teaching facilities.
  - University-affiliated facilities for the mentally retarded.
  - Community facilities for the mentally retarded (also listed for health).
  - National Library of Medicine (also listed for health).
  - St. Elizabeths Hospital: Health professions education.
  - Administration on Aging: Grants and contracts for research, development, and specialized training (also listed as primarily for environmental improvement).

Department of Housing and Urban Development:
- Community development training programs.
- College housing program (also listed for health).

Atomic Energy Commission: Nuclear education and training.

Civil Service Commission: Education and training programs.

National Aeronautics and Space Administration: All programs described in part III.

National Science Foundation: All programs described in part III.

Tennessee Valley Authority: Alleviation of rural poverty, investigation (also listed as primarily environmental improvement).

Veterans' Administration:
- Readjustment benefits for veterans of World War II and Korean conflict.
- Disabled veterans vocational rehabilitation.
- War orphans' educational assistance program.

Agency responses for several Federal education and training programs include preliminary conclusions or general observations about the effects of the education or training programs on employability, workers' productivity, and potential earnings, and even the returns to the Government in the form of increased taxes on augmented incomes.

Programs of the Office of Economic Opportunity and the Department of Labor are aimed at training or retraining poor persons, young people without skills that enable them to meet labor market demands, and mature workers whose skills have been made obsolete by technological advance. The Office of Education shares administrative responsibilities with the Department of Labor for manpower development and training programs and has had a longstanding concern for vocational education. Still, the primary objective and dominant interest of this Office is in the improvement of general education at all levels.

The Office of Economic Opportunity response emphasizes that jobs are fundamental to the success of the war on poverty, and that deficiencies of basic education or lack of specific skills are among the important handicaps which need correction if a significant proportion of the poor people of the United States are to escape from poverty.

The OEO statement includes the following observations:

> No causal relationship is clearer than the relationship between poor education and poverty. Poor communities have inadequate schools from which poor children drop out early, get low-paying jobs, form poor families, and in turn become parents of another generation of poor children. Thus, compensatory education for all ages of poor, for preschool and inschool children and youths, and for adults and out-of-school youths, is of especial importance.

Part III of this report includes, as part of the OEO response, a reprinting of its detailed analysis of the poor in the U.S. population—"Dimensions of Poverty in 1964." This compilation, giving the numbers, age distribution, color, family size and composition, and location of the 34.3 million people who were classified by government agencies as "poor" in 1964, serves the useful purpose of establishing a framework for analyzing the impact of specific programs. More recent analyses and descriptive studies have filled in other details—notably reports in the Social Security Bulletin.[25]

When the OEO reported, in a period of relatively low unemployment and general national prosperity, there still were 1 million unemployed poor and at least another million "who can and should work" but were not counted among the unemployed. In addition, about 2 million underemployed poor persons needed training and job assistance in order to improve their earnings and productivity.

Of the 34 million persons counted as poor in 1964, 3 million were between the ages of 16 and 21, and 9.3 million were in the prime productive ages of 22 to 54. With their dependents, these groups comprised more than 25 million persons. Consequently, training and retraining programs aimed at workers in the prime earning years and youth about to enter this group could help potentially about three-quarters of the poor.

In this context, education, training, and retraining do not extend to higher education nor even necessarily to secondary education. The needs are for the most rudimentary sorts of schooling and skill training required to equip large numbers of people who are physically and mentally capable but are not prepared to function as fully productive, fully participating members of the strongly standardized and highly specialized U.S. work force of the late 20th century.

Programs of the Job Corps and the Neighborhood Youth Corps are specifically designed to assist young men and women who are on the threshold of their best earning years. The Job Corps provides a residential program of vocational training, remedial education, and work experience for disadvantaged men and women 16 through 21 years of age who are out of school and unable to find suitable employment. For fiscal year 1965 the number of enrollees in the program was 10,241. It was expected to increase to 30,000 in fiscal year 1966 and to 45,000 in fiscal year 1967. The Neighborhood Youth Corps pro-

[25] The series includes the following articles by Mollie Orshansky, all in the Social Security Bulletin for months specified: "Counting the Poor: Another Look at the Poverty Profile," January 1965; "Who's Who Among the Poor: A Demographic View of Poverty," July 1965; "Recounting the Poor—A Five-year Review," April 1966; "More About the Poor in 1964," May 1966; "The Poor in City and Suburb," December 1966.

vides work experience opportunities for unemployed young men and women, through participation in State and community work training programs, so that their employability may be increased or their educations resumed or continued. In fiscal 1965 there were 278,426 young people enrolled. Openings for 366,305 and 354,000 were estimated for the fiscal years 1966 and 1967.

The OEO response provides an abbreviated cost-benefit analysis for the Job Corps program. On the basis of a cost of $6,980 for each graduate and a success rate of 80 percent, OEO estimated a unit cost of $8,725 for each successful case. Assuming further that the successful Job Corps graduates would have increased their earnings by an average of $1,700 a year, from $1,500 without benefit of the program to $3,200 after completing it, the incremental earnings in 5 years would about equal the cost of Job Corps training.

Such an analysis is incomplete as to both costs and benefits. Among costs, it omits foregone earnings during the training period, however negligible these might be; secondary or indirect costs not charged to the particular program; and training plant outlays. Among benefits, the analysis apparently omits offsets for outside subsistence costs that would have been incurred during the training period; possible reductions in public assistance payments and other welfare expenses; and resultant reductions in costs of law enforcement, delinquency, or crime. The estimates for increased average earnings after training are modest assumptions rather than studied projections, and the calculations might justifiably consider the discounted value of lifetime increases in productivity. Also, the estimated average cost for successful graduates (those who hold a good steady job, return to school, or enter military service) includes all the costs for those who drop out before graduation or do not "succeed" after graduation; that is, the reckoning assumes that "failures" produce no benefits to offset any part of the costs incurred for them.

Costs in the Job Corps are reported to be six times as much for each individual as in the less intensive Neighborhood Youth Corps. If the Job Corps achieves a substantially higher percentage of successes than the Youth Corps, equips its graduates for work at higher pay rates, and provides them with greater ability to hold their jobs, it may yield benefits more than six times as great for each $1 of expenditure as those of the NYC. In fact, if selection techniques could be perfected, the two programs might serve young people with wholly different potentials and needs. In that event, direct cost comparisons might prove irrelevant, since the Job Corps and Neighborhood Youth Corps might be complementary programs rather than alternatives. At present, the programs lack dependable methods for differentiating candidates. They also lack a solid quantitative basis for comparisons of costs and results of the two programs.

Despite shortcomings of available analyses, it is clear that the Job Corps and NYC programs reach only a fraction of the youth who might benefit. With more than 5 million 16- to 21-year-olds employed and nearly 300,000 in these OEO programs, there were in the fall of 1965 nearly 600,000 unemployed men and women in this age group who were not in school and were in the labor force. The number of unemployed had been reduced substantially in the preceding 12 months—by 100,000 for this age group. The unemployment rate for these former students was the lowest in a decade, 10.6 percent;

yet they accounted for 22 percent of all the unemployed—three times their share of the labor force.[26] In addition, according to the OEO more than 1 million students still in high school needed NYC in-school program employment and counseling assistance to help them stay in school.

Labor Department projections for the composition of the labor force—cited in the response from the Office of Manpower Policy, Evaluation, and Research—point to "dramatic increases" in the number of workers under age 25 in the rest of this decade. Although labor force participation rates for young people have been declining, there will be millions more teenagers and 20- to 24-year-olds seeking employment. Training efforts need to be broadened substantially to reduce unemployment and promote greatest productivity in this group. In addition, many young people who are presently employed are not sufficiently trained to meet future labor market skill demands. Retraining may be required to reduce their prospects for future unemployment.

Training and manpower assistance programs of the Department of Labor aim primarily at assisting unemployed or unskilled workers in the mature age group. The manpower development and training program and the redevelopment areas program focus on direct training and retraining. The apprenticeship program promotes industry training systems for trades and crafts and seeks their improvement and expansion. The employment service and farm labor service provide a broad range of services to jobseekers and employers to facilitate matching existing manpower needs with manpower resources.

The Labor Department in its response to the committee questionnaire, reported that a comprehensive effort to assess the economic impact of the Manpower Development and Training Act was in process, with completion scheduled for late 1966. Estimates were to be developed showing (1) private benefits and costs to participating individuals; (2) social benefits and costs, covering impacts on the national economy; and (3) budget impacts, covering changes in Government tax receipts and expenditures.

Two earlier studies also were reported. One of these, concerned with the effectiveness of the training program under MDTA, produced data on personal incomes, placement of workers, earnings, productivity, and other benefits. The other dealt with the costs and economic benefits of retraining unemployed workers.

The first study reported on both institutional and on-the-job training, but apparently the conclusions were not so sharply defined as to permit definitive comparisons of the two systems of training. Sizable increases in earnings were reported for individuals who completed training and held jobs. Other benefits—and some failures to retain jobs—also were indicated.

The second study found that, for the sample of workers for whom data were collected, the benefits of retraining were considerably greater than the costs, and that benefit-cost ratios for the Government and the economy were much greater than for the individual. For workers who completed retraining courses, there were increases in earnings and reductions in the average number of weeks of unemployment. This

[26] Forrest A. Bogan, "Employment of School Age Youth, October 1965," Monthly Labor Review, July 1966, pp. 742–743.

study illustrated a policy problem that has been noted in other analyses—that successful retraining is often in occupations that have had labor shortages of long standing but for which employers are reluctant to provide on-the-job training because of the risk that the worker will shift to another employer after training. This, of course, implies that the training may be useful for jobs other than the one in which it is given, and this, in fact, is often the case. The study prepared for the Labor Department suggests that the gain to the economy may be significant and may warrant the Government investment.[27]

As the Labor Department responses indicate, these formal studies leave many questions for further investigation. Among them are questions concerning the implications of intangible factors other than training programs themselves in improving the employability and productivity of individuals—factors such as previous education, motivation, family responsibilities, and the duration, recency, and continuity of employment before training.

Program operating statistics have shown, among other relationships, that the extent of formal schooling was a definite factor in placement in jobs after training. Placement rates progressed steadily upward with additional years of formal education and were highest for those who had at least a high school diploma. Also, the long-term unemployed continued to face job-finding problems after training, and their placement rate was lower than for those who had been without jobs for short periods before they began training. These and other conclusions suggested by operating experience merit systematic examination for their policy implications.

The Labor Department response includes some data on the economic effects of training programs in redevelopment areas and reports a broad conclusion that the economic well-being of participants was materially improved. The vast majority were unemployed, many for more than a year, when they were referred for training. Among some 21,000 persons who completed training during 1961–65, about 75 percent went to work—and nine-tenths of these found employment in training-related jobs. Much of the redevelopment area training was done in rural Appalachia, and it was credited with upgrading of skills and development of new skills, thereby contributing to a more flexible, hence more employable, labor force. Because many of the participants had had little or no earlier training, emphasis was on communication skills, understanding of the work situation, and social services. For example, basic literacy training oriented to specific occupations was added to regular courses. Other special programs were formulated to meet other special needs and likewise were credited with positive results. The report does not, however, indicate how the training affected employment, wages, production costs, production, or other aspects of economic activity. On these points raised in the committee inquiry, information was not available.

In conjunction with further studies of the other training and retraining programs, it would also be interesting, and possibly instructive for policy, to assess the economic impacts of work experience training programs for unemployed fathers and other needy persons—

[27] For references to the special studies, see the Labor Department report for the "Manpower development and training program, excluding section 241–MDTA title II," response to question 9, in part III of this report. On theoretical issues involved in evaluations of on-the-job training, see Gary S. Becker, "Investment in Human Capital: A Theoretical Analysis," and Jacob Mincer, "On-the-Job Training: Costs, Returns, and Some Implications," both in Journal of Political Economy, vol. LXX, supplement, October 1962.

particularly the impacts on reemployment and subsequent earnings of the aided individuals. These programs are administered under the Economic Opportunity Act by the Welfare Administration, Department of Health, Education, and Welfare, and State welfare agencies. The law specifies that the Director of Economic Opportunity, in expanding opportunities of these individuals for constructive work experience and other needed training, shall make maximum use of programs available under the Manpower Development and Training Act and the Vocational Education Act.

The role of labor training programs of all kinds invites intensive appraisal in the light of projected manpower needs, employment prospects, and the experience of recent years. Labor force and employment projections appear in various interrelated reports, including the report early in 1966 of the National Commission on Technology, Automation, and Economic Progress, "Technology and the American Economy"; and the manpower report of the President, transmitted to the Congress in March 1966, with the Department of Labor Report on Manpower Requirements, Resources, Utilization, and Training. In responding to the inquiry on human resources programs, the Office of Manpower Policy, Evaluation, and Research included references to the President's manpower report of 1965. The estimate of a 1970 work force numbering 86 million is unchanged in the manpower report of 1966. (The 1965 report includes projections for 1975 and 1980.)

Despite a projected doubling by 1970 of the number of persons to be trained annually under the Manpower Development and Training Act, these programs will provide for considerably less than 1 percent of the labor force. Projections for Government programs are based on assumptions that employment will continue high and that the private sector will produce more training.

Recent experience has demonstrated that dynamic growth of the economy can make significant reductions in unemployment. Long-term unemployment has been substantially reduced. Despite growth in the size of the labor force, the average number of long-term unemployed appears to be the lowest in a decade—whether "long term" is measured by joblessness lasting 15 weeks or more or by joblessness lasting 27 weeks or more. On either basis, in 1966 the long-term unemployed have comprised the lowest percentage since 1953 of the total number of unemployed. They have also comprised the lowest percentage since 1953 of the civilian labor force.

In the 12 months from November 1965 to November 1966, the number who had been unemployed 15 weeks or more declined from 644,000 to 483,000 or, as a percentage of the civilian labor force, from 0.8 percent to 0.6 percent. From June through November (except for a slight rise in the seasonally adjusted estimates for October), this ratio was steady at 0.6 percent. The number of unemployed who had been out of work 27 weeks or more dropped even more sharply, from 310,000 in November 1965, to 197,000 in November 1966.[28]

Such gains are important. Since World War II there had been a sharp upward movement in long-term unemployment; this movement

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[28] Monthly Labor Review, December 1966, p. 1414; Bureau of Labor Statistics, Employment and Earnings and Monthly Report on the Labor Force, December 1966, pp. 10, 27; and Manpower Report of the President and a Report on Manpower Requirements, Resources, Utilization, and Training, March 1966, pp. 153, 171. Data for 1966 in the text are based on reports for the first 11 months.

has been reversed. During 1948–63, each peak in the business cycle was accompanied by higher, more persistent long-term unemployment than the preceding peak. But the recent high levels of economic activity were accompanied by comparatively low levels of long-term unemployment.

Our ability to continue this rapid rate of improvement has been threatened by recent substantial advances in prices, more rapid than in earlier years of the current economic expansion. This suggests that we may have reached a stage where further reduction in unemployment is achieved at the cost of higher prices. It may be that further economic growth alone cannot greatly reduce the remaining unemployment. If this is so, one remedial measure would be the promotion of greater productivity through accelerated manpower training. By improving the skills of the unemployed and of new entrants into the labor force, and by upgrading unskilled and low-skilled jobholders, we may hope to increase the likelihood that reductions in the number of the unemployed will not carry a penalty of rising prices.

It is unlikely that even a doubling of MDTA training, as projected for 1970, would be enough to meet these needs for sustaining our high-employment economy. Only if the private sector increases greatly the volume and diversity of its training activities, so as to reach many of the long-term unemployed, the underemployed, and new entrants into the work force, as well as present workers with low skills, is there any likelihood that increases in the supply of trained workers will keep pace with the potential demand for them. A sufficiently rapid increase in private training probably could be achieved only if we offered substantial new incentives through the tax system or otherwise. Whether or not such measures are taken to enlarge private efforts, a major increase in public training programs appears to be urgently needed.

Whereas further reductions in long-term unemployment require expanded training and retraining programs, short-term unemployment can be countered to an appreciable extent through improved counseling and placement services. Most workers who are unemployed for only short periods have adequate skills to meet labor market requirements but often lack sufficient knowledge about job opportunities. The U.S. Employment Service and the Farm Labor Service, both in the Bureau of Employment Security of the Department of Labor, operate to fill this need.

The Federal-State Employment Service received new applications from nearly 12 million persons in the fiscal year 1966, it conducted about 2½ million counseling interviews, gave 3 million job tests, and made about 6½ million nonfarm placements. During the same year the Farm Labor Service placed 5½ million workers.

The impact of these programs upon the allocation of the Nation's labor resources is obviously substantial. Not only is short-term unemployment reduced, but many young workers who have never held a job are counseled and referred to employers for placement. These programs also cooperate extensively with the MDTA training programs in placing workers who have completed training. Through local public employment offices, the U.S. Employment Service and affiliated State services process applications for training and refer jobseekers to training programs and rehabilitative services. On the local level, the Employment Service works with educational, employer, and labor groups in planning and developing programs to meet local manpower problems.

The Farm Labor Service also provides help to workers through counseling, training, and relocation opportunities. Updating of skills of agricultural workers is becoming increasingly important with the spread of industrial farming and mechanization. The farmworker has evolved from an apprentice farmer to a day laborer to a skilled wageworker as the family farmer has evolved into a business farmer. Chemical, biological, financial, and management innovations are as important as increased dependence on machinery in determining the number and types of workers needed in agriculture. By 1970, the principal role of the Farm Labor Service is expected to be that of training, recruitment, and placement of greatly increased numbers of skilled agricultural workers on the one hand, and developing a dependable, stable, seasonal work force with positive attachments to responsible employers on the other hand. At the same time, the program will be concerned with renewing and making salable for agricultural or other work the skills of displaced rural dayworkers and small marginal farmers.

In all these Employment Service and Farm Labor Service activities training and counseling services are of fundamental importance.

The foregoing comments on the economic significance of manpower training relates to only one facet of the many education and training programs listed at the beginning of this subsection and described in part III of this report.

Almost all the listed programs have significant economic impact, actual or potential. Each represents an avenue for investment in human capital. Some of them (for example, military, Coast Guard, police, or health services training) are for comparatively specialized purposes contributing to particular kinds of productivity. Other programs constitute general-purpose investments, adaptable to a wide variety of purposes or covering the broadest range of economic and social interests.

The wide range of Office of Education programs includes a few similar special-purpose programs (for example, educational improvement for the handicapped). Most of the special-purpose programs of this Office however, are oriented quite differently from those of other Federal agencies. Office of Education programs concerned with libraries and library resources, educational television, adult basic education, or instruction in critical subjects are not directed to the enhancement of particular skills of selected groups of individuals. They are "special purpose" in the sense that their focus and objectives are specialized or they are concerned with particular types of educational problems; the aim of each activity is, however, the general enrichment, strengthening, and improvement of educational services throughout our society. This makes the assessment of their economic effects more difficult but does not diminish the importance of these effects.

The Office of Education also administers several programs for providing financial assistance to students through scholarships, fellowships, institutes, and low-interest, long-term loans for students. These programs help to lower economic barriers to the pursuit of education, thereby contributing in some measure to the national objective of equalizing educational opportunities.

Several Federal agencies promote education in the sciences. Programs of the National Science Foundation are directed at increased and improved science education at all levels. Besides extensive student aid in the form of fellowships, traineeships, and institutes, the Foundation sponsors numerous educational research activities directed at improving the quality of science education. The Atomic Energy Commission and the National Aeronautics and Space Administration promote science education in their specialized fields. The AEC conducts a nuclear education and training program which encourages the development of strong curriculums in nuclear and related sciences in the Nation's colleges and universities, provides fellowships and traineeships for graduate students, and supports faculty institutes and conferences. NASA awards grants to colleges and universities to be used for (1) assisting predoctoral trainees in engineering and space related sciences, (2) providing special training activities for graduate scientists and engineers, and (3) conducting summer fellowship programs to update the scientific knowledge of faculty members. NASA also operates an Educational Programs Division which is responsible for developing and conducting programs to make available space-related facts and concepts in forms suitable for dissemination to schools, colleges, and other educational organizations.

The Public Health Service, and especially the National Institutes of Health, provides fellowships, traineeships, and other support for research in the medical and life sciences and for the training of teachers and research workers in these fields. The PHS also supports directly the professional education of physicians, nurses, public health workers, and other health-related personnel.

Returns from education in the form of increased individual incomes, aggregate productivity, and national economic growth probably have drawn more intensive analytical attention than any other area of investment in human resources.[29]

The Office of Education general statement in part III includes the following observations:

> In addition to its contribution to the economic progress of the Nation as a whole, education has a significant payoff to individuals. Studies show that personal income and economic mobility have a high correlation with educational attainment. For example, college graduates earn during their lifetime an average

[29] Leading references in this field include the following studies:

Gary S. Becker, "Human Capital: A Theoretical and Empirical Analysis, With Special Reference to Education" (National Bureau of Economic Research, New York, 1964).

Denison, "The Sources of Economic Growth in the United States and the Alternatives Before Us," especially ch. 7, "Education and Growth," and ch. 21, "The Advance of Knowledge, and Its Application to Production."

Organization for Economic Cooperation and Development, Study Group in the Economics of Education, "The Residual Factor and Economic Growth," especially ch. I by Edward F. Denison, "Measuring the Contribution of Edcuation (and the Residual) to Economic Growth," and comments, pp. 13–100.

Selma J. Mushkin, editor, "Economics of Higher Education" (U.S. Department of Health, Education, and Welfare, Office of Education Bulletin 1962, No. 5; 1962), especially pt. II, "Higher Education as an Investment in People," and ch. 21 by Alice M. Rivlin, "Research in the Economics of Higher Education: Progress and Problems."

Burton A. Weisbrod, "Spillover of Public Education Costs and Benefits: pt. 1: Benefits" (U.S. Department of Health, Education, and Welfare, Office of Education Cooperative Research Project No. 1045; processed, August 1963).

Werner Z. Hirsch, Elbert W. Segelhorst, and Morton J. Marcus, "Spillover of Public Education Costs and Benefits" (U.S. Department of Health, Education, and Welfare, Office of Education Cooperative Research Project No. 1045–1045B; Institute of Government and Public Affairs, University of California, Los Angeles, processed, August 1964).

Weisbrod and William J. Swift, "External Benefits of Public Education: An Economic Analysis" (Princeton, 1964).

Weisbrod, "Education and Investment in Human Capital," Journal of Political Economy, vol. LXX, October 1962, supplement, pp. 106–123.

Further references appear in the National Science Foundation response to question 9, in pt. III of this report.

of $180,000 more than individuals with only a high school diploma, while the lifetime earnings of high school graduates average $68,000 more than those of persons with only an eighth-grade education. To the degree that individuals living in certain regions or belonging to certain groups do not have the opportunities to attain higher levels of education, their potential contribution to the economic system and their potential share in its benefits cannot be realized.

The gross differential of $180,000 for college graduates' earnings is noted in several of the separate statements for higher education programs. These refer to the Department of Labor as a source for estimates that lifetime earnings of male high school graduates are $272,600, whereas those of college graduates are $452,000.

Census data assembled in a recent report of the Department of Commerce likewise associate large differences in individual incomes with differences in education. In 1964, the median income of males, 25 years of age and older, was $3,983 for those with only 8 years of elementary school, $6,266 for those with 4 years of high school, and $8,805 for those with 4 years or more of higher eduation. The median amount for each group was much higher in 1964 than in either 1939 or 1949, but the rate of increase was considerably more rapid for high school and college graduates than for men with elementary education alone. Moreover, there was a substantial decline in current dollars from 1959 to 1964 in the median income of the group with the least schooling, whereas there were material increases for other groups.[30] Such data illustrate the increasing importance of education as a prerequisite to the better-paying jobs.

In a study of the sources of economic growth in the United States, Edward F. Denison estimated that the labor force of 1950, if it had been as well educated as that of 1960, would have contributed 10.3 percent more to production than it actually did. Similarly, he estimated that if the labor force of 1930 had been as well educated as that of 1960, it would have contributed about one-third more to production than it actually did. These estimates assume that males aged 25 and over are typical, and that differentials in labor earnings that are attributable to differences in education equal three-fifths of observed differentials in money income among adult males of the same age classified by years of education. A shift from three-fifths to any other assumed ratio would raise or lower the proportion of total product ascribed to education but would not alter the general conclusion. Denison noted that the average labor force member in 1960 had spent four-fifths again as many days in school as his counterpart in 1930. He went on:

> With such enormous advances, it is not surprising to find that improved education has made a major contribution to economic growth. By my calculations, from 1929 to 1957 it raised the average quality of labor by 29.6 percent, or at an average annual rate of 0.93 percent. * * * The contribution was equivalent to an increase of the same amount in the quantity of work done, and the procedure used in that connection may be followed to estimate its contribution to the growth of national product. Multiplication of 0.93 by 73 percent, the average share of labor in the national income over the period, yields 0.68 percentage points, or 23 percent, of the 2.93 percentage point growth rate of the national product as the direct contribution of more education. (After further adjustments, my final estimate remains 23 percent.)
>
> When related to the growth of national product per person employed, the contribution rate of additional education appears still more impressive. My

[30] U.S. Department of Commerce, Bureau of the Census, Economic Research and Analysis Division, 'Long Term Economic Growth: 1860–1965" (October 1966), pp. 147, 197.

final estimate is that education contributed 42 percent of the 1.60 percentage point growth rate in product per person employed.[31]

These data indicate that education has a major economic role for both the individual and the Nation—a role so great, and potentially so much greater, that extensive and systematic evaluations are warranted to help assure the fullest possible realization of the benefits. In several studies that deal with this economic role, considerable attention is given to relationships between costs and benefits—and to the fact that the incidence of costs upon various groups in the community may be quite different from the distribution of economic benefits. This type of question is especially acute in the public programs, and it points to an area which calls for much further exploration.

The emphasis in this report is on the economic aspects of Federal programs in education and training. It cannot be too strongly emphasized that economic objectives are only one facet of the Nation's educational effort—and a comparatively narrow facet, at that. The beneficial effects of education reach to the very roots of our society and civilization. Good education and good health together embrace opportunities for each individual to use his full capacities and thereby to realize a rich and varied life and to communicate effectively with the world around him. A universally educated and enlightened citizenry is essential to our democratic system of government and to modern culture. But the economic aspects of education also are important.

Health Care and Improvement

Federal Government health programs are the subject of a special crosscutting analysis in the Federal budget, similar to the one for education and training. The special budgetary analysis for health has now been compiled and published for several successive years, so that the increase in expenditures for these activities may be shown by comparable data for the fiscal years 1958 and 1963–67, as follows:

Fiscal year:	*Millions*
1958 [1]	$2, 966
1963	4, 658
1964	5, 103
1965	5, 160
1966 estimate	6, 316
1967 estimate	10, 322

[1] The total for 1958 is from Senate Committee on Government Operations, Subcommittee on Reorganization and International Organizations, "Coordination of Federal Agencies Programs in Biomedical Research and in Other Scientific Areas: Health Activities of the Federal Government" (87th Cong., 1st sess., S. Rept. No. 142; Mar. 30, 1961), p. 112.

Table 8 is a reproduction of a summary table from the special analysis that accompanied the budget for fiscal year 1967.

The budget to be presented in January 1967 may carry revised totals for the fiscal years 1966 and 1967 and a summation for fiscal 1968.

[31] Denison, "The Sources of Economic Growth," p. 73.

TABLE 8.—*Federal expenditures for medical and health-related activities by category, fiscal years 1965–67*

[In millions of dollars]

Category	1965 actual	1966 estimate	1967 estimate
Hospital and medical care in Federal facilities	2,022.0	2,209.9	2,397.9
Federal grants and payments for hospital and health care in non-Federal facilities	913.8	1,374.9	4,623.1
Medical research, total	1,040.1	1,320.6	1,448.3
(*a*) Conduct of research	(965.5)	(1,214.2)	(1,325.1)
(*b*) Research facilities	(74.6)	(106.4)	(123.2)
Training, including training for research	316.9	448.9	546.1
Prevention and community services	417.6	493.7	634.5
Construction of hospitals and health facilities	449.9	468.4	672.3
Total expenditures from administrative budget and trust accounts	5,160.3	6,316.4	10,322.2

Source: Special Analyses of the U.S. Budget, 1967 (January 1966), Special analysis H, "Federal health programs," p. 108, table H-2.

The scope of "Federal health programs" in the budget special analysis is considerably broader than the related functional subcategory, "Health services and research" (budget functional code 651), used in the President's budget message and supporting budget tables. The subcategory carried expenditures of only $1,882 million for fiscal 1965 and an estimate of $2,481 million for 1966—considerably less than half of the totals shown in the special analysis. The largest differences arise from the fact that the functional subcategory, "Health services and research," does not include Department of Defense expenditures for hospital and medical care of military personnel and their dependents and Veterans' Administration expenditures for veterans' medical and hospital care benefits. These are classified as "National defense" expenditures in the case of the Department of Defense, and as "Veterans benefits and services" in the case of the Veterans' Administration. Many other health activities of Federal Government agencies likewise are classified in functional categories that focus on the basic purpose (such as public assistance or atomic energy research) rather than on the health-related aspects of the programs. A further (and larger) difference was introduced in the estimates for fiscal 1967, with trust fund expenditures for hospital and supplementary care insurance under the amended Social Security Act classified in the budget within a separate functional subcategory, "Retirement and social insurance" (code 654) rather than in "Health services and research." All these health-related programs in other budget categories are included in the special analysis total for "Federal health programs."

Somewhat narrower, but essentially similar, differences arise between the special analysis and the Federal "health and medical programs" segment of the social welfare series shown in table 2 of this report. In the social welfare series, Federal expenditures for public assistance payments to vendors of medical care are classified in "public aid;" health and medical services for veterans are classified in "veterans' programs;" and various other health-related items are identified with major purposes other than health and medical care. Expenditures by the military services for health and medical care are, however, included within this major category.

The social welfare compilations include data on total U.S. expenditures for health and medical care, public and private, over the years since 1928–29. The latest data in this series are in table 9, in which the lines representing "public expenditures" bring together those Federal, State, and local government expenditures which in table 2 are designated, "Health and medical programs," "Veterans' health and medical services," "Vendor medical payments" for public aid, "Hospital and medical benefits" for State disability insurance and workmen's compensation, and "Medical rehabilitation" in the vocational rehabilitation program.

TABLE 9.—*Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1928–29 through 1965–66*

[In millions; data corrected to Sept. 30, 1966]

Type of expenditure	1928–29	1934–35	1939–40	1944–45	1949–50	1954–55	1959–60	1960–61	1961–62	1962–63	1963–64	1964–65	1965–66 [1]
Total	$3,621.5	$3,138.5	$3,881.4	$7,906.0	$12,151.0	$17,875.2	$26,385.0	$28,109.1	$30,285.1	$32,667.6	$35,660.3	$39,141.1	$42,966.9
Private expenditures	3,112.0	2,580.0	3,023.0	5,335.0	9,065.0	13,517.0	20,020.0	21,074.0	22,670.0	24,362.0	26,697.0	29,423.0	32,094.0
Health and medical services	3,010.0	2,570.0	2,992.0	5,305.0	8,850.0	13,192.0	19,542.0	20,479.0	21,899.0	23,472.0	25,647.0	28,190.0	30,770.0
Direct payments	[2] 2,900.0	[2] 2,500.0	[2] 2,900.0	[2] 4,875.0	7,146.0	9,448.0	13,087.0	13,187.0	13,776.0	14,632.0	16,006.0	17,549.0	19,004.0
Insurance benefits					880.0	2,358.0	4,698.0	5,346.0	6,019.0	6,662.0	7,393.0	8,269.0	9,242.0
Expenses for prepayment					274.0	596.0	792.0	912.0	1,023.0	1,069.0	1,111.0	1,212.0	1,329.0
Industrial in-plant services	30.0	30.0	40.0	90.0	150.0	210.0	265.0	275.0	299.0	309.0	319.0	330.0	345.0
Philanthropy	80.0	40.0	52.0	340.0	400.0	580.0	700.0	759.0	782.0	800.0	818.0	830.0	850.0
Medical facilities construction	102.0	10.0	31.0	30.0	215.0	325.0	478.0	595.0	771.0	890.0	1,050.0	1,233.0	1,324.0
Public expenditures	509.5	558.5	858.4	2,571.0	3,086.0	4,358.2	6,365.0	7,035.1	7,615.1	8,305.6	8,963.3	9,718.1	10,872.9
Health and medical services	410.5	517.3	803.9	2,504.8	2,561.0	3,947.7	5,790.6	6,476.5	7,041.9	7,687.3	8,354.7	9,048.8	10,183.7
General hospital and medical care	216.6	231.8	340.5	354.7	914.5	1,217.3	1,952.2	2,202.8	2,132.0	2,274.5	2,446.8	2,511.8	2,593.9
Defense Department facilities	29.2	28.0	99.5	1,631.0	315.6	763.4	804.7	848.7	909.9	899.3	982.5	1,017.0	1,310.4
Dependents' medical care (Department of Defense)							60.1	61.0	73.2	75.0	75.4	78.3	85.4
Veterans' hospital and medical care	30.0	56.0	72.1	98.3	585.9	722.6	884.5	953.8	968.0	1,022.0	1,069.9	1,132.8	1,205.4
Public assistance (vendor medical payments)					51.3	211.9	492.5	588.6	812.4	1,000.7	1,147.6	1,367.1	1,620.0
Workmen's compensation (medical benefits)[3]	25.0	65.0	90.0	122.0	193.0	315.0	420.0	450.0	475.0	510.0	545.0	585.0	625.0
Temporary disability insurance (medical benefits)[4]					1.4	6.0	16.3	19.6	21.5	25.7	29.3	29.0	33.0
Medical vocational rehabilitation		.2	.4	1.4	7.4	9.2	17.7	20.4	22.5	26.0	31.2	34.2	54.3
Maternal and child health services	5.0	6.7	13.8	62.1	29.8	92.9	138.8	151.8	173.3	185.2	198.3	218.2	252.4
School health (educational agencies)	9.0	9.9	17.9	23.3	30.6	65.9	101.0	115.0	129.0	128.4	127.7	132.0	135.0
Medical research			3.1	17.0	72.9	138.9	471.2	603.9	819.1	964.0	1,098.7	1,230.2	1,425.4
Other public health activities	95.7	119.7	166.6	195.0	358.6	404.6	431.6	460.9	506.0	576.5	602.3	713.2	843.5
Medical-facilities construction	99.0	41.2	54.5	66.2	525.0	410.5	574.4	558.6	573.2	618.3	608.6	669.3	689.2
Veterans' Administration	4.0	2.9	14.1	16.2	156.2	33.0	57.5	53.7	52.1	69.8	76.4	80.9	83.2
Defense Department	(5)	(5)	(5)	(5)	(5)	33.0	40.0	44.0	24.0	23.0	42.4	34.8	28.6
Other	95.0	38.3	40.4	50.0	368.8	344.5	476.9	460.9	497.1	525.5	489.8	553.6	577.4
Total expenditures as a percent of gross national product	3.6	4.6	4.1	3.7	4.6	4.7	5.3	5.5	5.6	5.7	5.8	6.0	6.0
Public expenditures as a percent of total expenditures	14.1	17.8	22.1	32.5	25.4	24.4	24.1	25.0	25.1	25.4	25.1	24.8	25.3

See footnotes at end of table, p. 60.

TABLE 9.—*Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1928–29 through 1965–66*—Continued

Type of expenditure	1928–29	1934–35	1939–40	1944–45	1949–50	1954–55	1959–60	1960–61	1961–62	1962–63	1963–64	1964–65	1965–66 [1]
Personal care expenditures [6]	$3,304.8	$2,957.6	$3,613.2	$7,512.8	$10,605.5	$15,855.2	$23,462.8	$24,788.9	$26,397.3	$28,349.8	$30,985.2	$33,875.9	$37,143.3
Private expenditures	2,990.0	2,560.0	2,979.0	5,220.0	8,476.0	12,451.0	18,575.0	19,377.2	20,680.5	22,203.0	24,331.5	26,770.5	29,228.5
Public expenditures	314.8	397.6	634.2	2,292.8	2,129.5	3,404.2	4,887.8	5,411.7	5,716.8	6,146.8	6,653.7	7,105.4	7,914.8
Percent from:													
Private expenditures	90.5	86.6	82.4	69.5	79.9	78.5	79.2	78.2	78.3	78.3	78.5	79.0	78.7
Direct payments	87.8	84.5	80.3	64.9	67.4	59.6	55.8	53.2	52.2	51.6	51.7	51.8	51.2
Insurance benefits	----------	----------	----------	----------	8.3	14.9	20.0	21.6	22.8	23.5	23.9	24.4	24.9
Public expenditures	9.5	13.4	17.6	30.5	20.1	21.5	20.8	21.8	21.7	21.7	21.5	21.0	21.3

[1] Preliminary estimates.
[2] Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits).
[3] Includes medical benefits paid under public law by private insurance carriers and self-insurers.
[4] Excludes medical benefits paid under public law in California and New York by private insured and self-insured plans; such benefits included in insurance benefits under private expenditures.
[5] Data not available.
[6] Includes all items shown under "Health and medical services." except (1) "Expenses for prepayment" and ¼ of "Philanthropy" under private expenditures and (2) "Medical research" and "Other public health activities" under public expenditures.

Source: Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966, table 5.

The totals in this compilation make it clear that the bulk of health and medical care spending in the United States is private expenditure —spending by individuals and families either directly or thorugh health insurance. Substantial additional amounts are expended privately by industry and by philanthropic organizations. Governmental expenditures serve in a supplemental role. Before World War II, public expenditures in this field rose from one-seventh of the U.S. total in 1929 to 22 percent in 1940. From 1950 through 1966, the public share has stood at approximately one-fourth of the national total.

The total—public and private expenditures together—has increased over the years more rapidly than the gross national product. It equalled 3.6 percent of the GNP in 1929, 4.6 percent in 1950, and 6 percent in 1965 and 1966.

Federal Government expenditures for health and medical care have grown much more rapidly than those of State and local governments and now comprise more than half of all public expenditures for such purposes. This is not evident in table 9, since it does not subdivide the expenditures between levels of Government, but table 10 brings out the relationship. In the fiscal year 1935, Federal Government expenditures for health and medical care were 20 percent of the $559 million total of public expenditures. In fiscal year 1966, Federal expenditures were 52.1 percent of the many-times larger total, $10,873 million, of public expenditures.

TABLE 10.—*Public expenditures for health and medical care, by source of funds, selected fiscal years, 1934–35 through 1965–66*

Fiscal year	Amount (in millions)			Percent of total	
	Total	Federal	State and local	Federal	State and local
1934–35	$559	$112	$446	20.1	79.9
1939–40	858	252	607	29.3	70.7
1944–45	2,571	1,898	673	73.8	26.2
1949–50	3,086	1,341	1,745	43.5	56.5
1954–55	4,358	1,972	2,386	45.3	54.7
1959–60	6,365	2,932	3,433	46.1	53.9
1960–61	7,035	3,277	3,758	46.6	53.4
1961–62	7,615	3,713	3,902	48.8	51.2
1962–63	8,306	4,127	4,179	49.7	50.3
1963–64	8,963	4,573	4,390	51.0	49.0
1964–65	9,718	4,960	4,758	51.0	49.0
1965–66 [1]	10,873	5,667	5,206	52.1	47.9

[1] Preliminary estimate.

Source: Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966, table 7.

The special analysis published with the budget for the fiscal year 1967 opened with brief explanatory comments and a summary of recent trends, as follows:

This analysis provides a comprehensive summary of expenditures for all the medical and health-related activities of the Federal Government. It includes those activities classified in the "health" function as well as health programs included in other groupings. Government cash payments to the public in this broad category will rise to an estimated total of $10.3 billion in 1967. This total is derived from $7.8 billion expenditures from administrative budget accounts and $3.3 billion from trust funds, less interfund transfers of $0.8 billion. This spending will finance a wide variety of activities—hospital care and medical treatment in

Federal and non-Federal facilities, construction of health facilities, health research and training, and a multitude of preventive and community health and health-related programs in Federal, State, and local governmental institutions and by private hospitals, research organizations, and individual practitioners. The expenditures from administrative budget funds continue to be the largest segment of health spending and they will account for 7 percent of total administrative budget spending. However, the program for hospital insurance and supplementary medical benefits for the aged under the social security system will be financed through trust funds which will account for 29 percent of health expenditures in 1967.

Recent trends in Federal health-related expenditures.—Health programs are among the oldest activities of the Federal Government, some of them predating the Constitution. The earliest were for medical care of soldiers, merchant seamen, and veterans. Around the beginning of the present century, the Federal efforts in health research and consumer protection, such as those under the Pure Food and Drug Act, made their appearance. Following World War II, the directly operated patient care programs of the Defense Department and Veterans' Administration overshadowed the other segments of Federal health expenditure. Since that time, while expenditures for these programs increased moderately, the role of the Federal Government shifted rapidly to one of large-scale grant support for health infrastructure—at first hospital and other facility construction, medical research, and State and local community services for specific disease categories or health problems, and, subsequently, health manpower, especially physicians, dentists, and nurses, and provision of a full range of facilities and services for comprehensive care to individuals or for specific problems such as water pollution. Today, with hospital and supplementary health insurance for the aged through the social security system and medical assistance payments for aged and other needy through welfare grants, the Government role has moved toward assuring to all citizens the availability and accessibility of high quality medical care, regardless of income.

Although this special analysis has not existed long enough to provide a long-term series of data, comparable information is available for fiscal 1958. The figures provide some perspective on the sharp change taking place. In 1958, obligations for health activities totaled $3 billion, of which $1.9 billion were by the Defense Department and Veterans' Administration, largely for patient care in Federal facilities. By 1967, total expenditures will have grown to $10.3 billion, and $3.3 billion of this spending will be for the new program of care of aged patients who, traditionally, have not been Federal beneficiaries. Thus, these expenditures for the social insurance medical programs will exceed in 1967 the total Federal spending for health in 1958.

Another important change from the situation in 1958, reflecting the changing content of the Federal Government's health role, is the relative portion of the Federal health budget which is managed by the Department of Health, Education, and Welfare. In 1958, the programs of Health, Education, and Welfare accounted for $0.8 billion of the $3 billion Federal total. In 1966, the Department of Health, Education, and Welfare is expected to spend $3 billion, 48 percent of the total of $6.3 billion. Almost all of that spending is from administrative budget funds. In 1967, with the addition of the trust fund programs, HEW's total is expected to rise to $6.6 billion (adjusted for interfund transfers), 64 percent of the total.

For the health care and improvement programs reported in responses to the human resources inquiry, as with the other broad categories of purpose, it has not been feasible to summate Federal Government expenditures. The list that follows identifies programs described in part III which appear to be directed at least in part to those general purposes. Not all the separate programs are named here; the large number of Public Health Service programs and a group of St. Elizabeths Hospital programs are covered by summary references.

Department of Defense: Medical care of military personnel and their families.
Department of the Interior: Water pollution control.
Department of Agriculture:
- Consumer and Marketing Service:
  - Commodity distribution program (also listed for environmental improvement and education).

Special milk program (also listed for environmental improvement and education).
National school lunch program (also listed for environmental improvement and education).
Food stamp program (also listed for environmental improvement and income maintenance).

Department of Health, Education, and Welfare:
- Public Health Service: All programs described in part III (including several programs which are listed also for environmental improvement or for education and training).
- St. Elizabeths Hospital: All programs described in part III.
- Social Security Administration: Old-age, survivors, disability, and health insurance—health insurance aspects (also listed as primarily for income maintenance).
- Welfare Administration:
  - Grants to States for public assistance—health and medical care aspects (also listed as primarily for income maintenance).
  - Children's Bureau:
    - Grants for maternal and child health services.
    - Services for crippled children.
    - Special project grants for maternal and infant care.
    - Special project grants for health of school and preschool children.

Department of Housing and Urban Development:
- College housing program—housing at hospitals (also listed as primarily for education).
- Federal Housing Administration: Nursing home program (also listed as primarily for environmental improvement).

Atomic Energy Commission: Division of Biology and Medicine.

Civil Service Commission: Federal employees' health benefits program.

Railroad Retirement Board:
- Railroad unemployment insurance and sickness (temporary disability) insurance—sickness insurance aspects (also listed as primarily for income maintenance).
- Hospital and health care insurance.

Tennessee Valley Authority:
- Public health—vector control.
- Employee health services.
- Employee health—industrial hygiene services.
- Employees hospital and medical insurance plans.
- Employee safety (also listed as primarily for environmental improvement).

Veterans' Administration:
- Hospital and domiciliary care and facilities.
- State veterans' home and nursing home program (also listed as primarily for environmental improvement).

Measurement of economic impacts and effects of expenditures for medical care and health improvement is beset by many difficulties. Basically, families and the Nation pay for health services and preventive measures because people want to enjoy good health—not because they identify it as a prudent investment. Good health, in short, is a consumer good and, thus considered, is an end in itself. Much of the content of education (as distinguished from training) shares this quality of ultimate desirability for its own direct contribution to the quality of individual human lives; but good health is even more universally prized than good education as a final product from which no separable secondary returns need be derived to justify the costs of its acquisition.

Yet everyone recognizes that for most persons, good health enhances productivity and contributes to uninterrupted and long continuing earning power. Such gains are even more discernible when health improvements accrue to a group of people, a community, or an entire population. Estimates can be made of economic losses attributable to sickness, incapacity, and premature deaths, and of economic gains that may be realized from their reduction or alleviation. Neither the losses nor the potential gains are elements in the gross national product. Such explicit costs as physicians' and laboratory fees, hospital care expenses, and medications, drugs, treatments, and appliances are valued as part of the GNP, however. Their values, in fact, represent resources that could be allocated to other uses if we could further reduce illness and accidents and extend lives without proportionately increasing outlays for health and medical care. Reallocation of resources within a given volume of GNP might result even if the healthier and longer lives were not economically more productive, since this would alter the pattern of consumers' demand for goods and services. Expansion of the GNP would result if the gains in health and longevity made possible for some members of the population a fuller and longer participation in productive activities.

In commenting on the problem of assessing economic contributions of health services, a statement from the Office of the Surgeon General, Public Health Service (included in pt. III of this report), takes note of conceptual difficulties that arise when net additions to the GNP are used as a direct measure of benefits. Since the GNP is simply the sum of payments for goods and services—

> a statement that another $1 million worth of health services has been added to the GNP gives no clue as to whether this was relatively desirable or undesirable apart from the increase in GNP. For example, a million-dollar consignment of thalidomide would provide precisely the same direct increment to GNP as a million-dollar consignment of a clinically more trustworthy drug. Health services need to be appraised, if that be possible, in the light of the good that they do to people who receive them, whether the recipients are workers, prospective workers, retired persons, the hopelessly ill, or anyone else. From the standpoint of an overall appraisal of the economy and consideration of what the national effort is being used for, there is good reason for considering the health services component of GNP. This approach, however, does not provide an appropriate appraisal of the usefulness of health services to humanity.

Cost and benefit comparisons are among alternative approaches that have been tried. Several instances of their use to justify Federal Government outlays for health improvement programs are noted in an earlier section, "Studies of costs and benefits." As in the case of education and most other human resources programs, it is practically impossible, in assessing the economic impacts of the Government programs, to separate the effects of Federal Government expenditures from those of State and local governments and private individuals and entities. Moreover, many indirect variables affect human health and longevity—changes in diet and nutrition, heating and air-conditioning technology, population concentrations, changing techniques and patterns of transportation, the diffusion of education and general affluence, the introduction of housekeeping appliances and supplies, shifts in clothing fashions and materials, and countless other influences.[32]

The Federal Government share of health-related expenditures is considerably larger for research and development and for preventive measures than for the care and treatment of illness. The proportions may be altered with full-scale operation of medicare insurance and medicaid under public assistance, since each of these categories involves large shifts from private to public budgets and substantial additions to the total of expenditures for health care. Nevertheless, the former broad relationships are likely to persist for quite some time,

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[32] See also Linnenberg, "Economics in Program Planning for Health" (cited in footnote 16, above).

with private and State-local finances dominant in the field of health care.

If research, development, and prevention have greater multiplier and stimulative effects than other types of health-related expenditures, as is sometimes suggested, it may be a plausible hypothesis that the economic effects of Federal Government outlays in the broad field of health care improvement are relatively high in proportion to their amount. This is a proposition that might well be tested in future studies.

Agency statements in part III include some observations on the economic costs of various diseases and potential benefits from reducing their incidence. A few of these comments are cited here, to suggest issues and possibilities.

The Public Health Service symposium report on "Economic Benefits From Public Health Services: Objectives, Methods, and Examples of Measurement," cited in an earlier section, illustrates methods of using the following ideas in anticipating or appraising the economic effects of a health program—

(1) that health services can pay off in terms of the productivity of workers whose early death is averted or whose sickness is avoided, shortened, or made less severe; and

(2) that some types of preventive health service are much cheaper than the treatment which is needed if the preventive approach is not used.

The initial paper in the report, by Clem C. Linnenberg, Jr., Ph. D., raises the question: How shall we measure economic benefits from public health services? and notes that the applicability of cost-benefit analysis is not limited to the field of public health, however that field is defined. Dr. Linnenberg suggests that in the realm of measuring benefits from health services, the following approaches appear to be possible and useful:

(1) Measures of a physical sort, such as the reduction in typical duration of disability from a specified disease when one drug or form of therapy is used instead of another.

(2) Procedures specifically designed to measure economic benefit—some relating to medical care, others to environmental health services, and so on—that will enable the analyst, within limits, to say in which program the economic returns from a given increment of expenditure will be greatest.

(3) Concerning research, especially of any relatively basic sort, any cost-benefit analysis probably cannot be more than a very rough indicator as to how resources should be allocated. Comparison of the economic benefits that would result from reducing each of two financially burdensome diseases to negligible importance still leaves unanswered the question of what it would cost to achieve that result. Major uncertainties cloud the outcome and costs of proposed research. Moreover, the knowledge derived from medical research often is useful in more than one field. Nevertheless, an estimate of the existing economic burden of each of two diseases will be of some use in allocating research funds between the two.

Also considered in Dr. Linnenberg's paper is the question: What is meant by costs and what is meant by benefits in cost-benefit analyses of health services? Among other pertinent questions considered are the relevance of unemployment to increased potential productivity, methods of measuring a worker's productivity, the valuation of unpaid work, and the significance of transfer payments. Other papers in the report examine cost-benefit questions in terms of Latin American experience with health services, dental care problems, and vocational rehabilitation of the mentally disabled.

The statement from the Office of the Surgeon General is a comprehensive comment on community health programs of the Bureau of State Services. An introduction to the program statements on community health notes difficulties in measuring, in economic terms, the benefits the American people derive from their investment in health protection, as well as difficulties in estimating the costs of disease itself.

The introduction cites estimates for cancer and cardiovascular diseases reported by the President's Commission on Heart Disease, Cancer, and Stroke. The Commission estimated for these diseases that—

> In 1962, the direct costs of prevention, treatment, rehabilitation, facilities, etc., amounted to $4.3 billion and the costs of estimated losses in the gross national product traceable to death and disability caused by these diseases was $38.8 billion. These estimates do not cover hidden costs—special diets, special housing facilities, additional household help, etc.—much less the pain and grief diseases and death cause.

The response covering immunization grants notes that the total economic costs of measles and measles-related complications cannot be calculated but suggests that a program to eradicate the disease would cost less than the sum of direct costs for medical treatment and the financial losses incurred by local school districts in the form of State aid based on average daily attendance in the schools. A similar approach is adopted in the report on tuberculosis project grants.

In the case of venereal disease project grants, an estimate of direct costs of hospitalization is supplemented in the agency response by reference to indirect benefits in terms of effects on workers' productivity. The discounted total present value of syphilis eradication in the United States, based on data for 1962, is on the order of $3 billion, according to an estimate by an independent analyst. This includes medical care expenditures.[33]

For the Hill-Burton program of grants to aid in financing construction of hospitals and other medical facilities, the Public Health Service response identifies "measurable benefits" in three categories:

(*a*) Greatly increased availability and accessibility of general hospital facilities;

(*b*) Employment for construction workers; and

(*c*) Employment of staff in health facilities and other economic activities represented by direct operating costs.

In the case of facilities for the mentally retarded—both university-affiliated facilities and community facilities—the response indicates the potential field of operation but does not assess actual or expected results. The report states that "vast sums" are expended currently for care and treatment of the 3 percent of the U.S. population who are mentally retarded, and, in addition, the Nation is denied a large

[33] The $3 billion estimate is from Herbert E. Klarman, "Syphilis Control Programs," in Robert Dorfman (editor), "Measuring Benefits of Government Investments" (Washington, the Brookings Institution, 1965), pp. 404, 405.

amount of economic output because of the underachievement, underproduction, or complete incapability of the retarded persons.

A general statement on community health programs similarly illustrates economic effects by indicating the magnitude of economic costs and losses from accidents, dental decay and periodontal disease, and infectious diseases. Thus, national health survey data indicate that during 1963–64, infective and parasitic diseases (other than upper respiratory infections, such as the common cold and influenza, and common childhood diseases) caused losses of 20,735,000 days from work. Evidence is cited to suggest that improvements are being achieved through reductions in the incidence of various infections that can be credited directly to efforts at control and prevention. Benefits attributable to training in tularemia control during 1950–64, cn the form of savings in medical expenses, wage loss, and related eosts are estimated at nearly $11 million. This is compared with ixpenditures of only $3.5 million over the last 25 years for training in all vector-borne disease (including some 100 diseases besides tularemia).

Air pollution control and prevention is a subject of wide current interest and concern, with numerous and substantial economic ramifications. The response to the question on economic effects indicates only that present efforts to reduce or eliminate pollution will have varying influences on the economy, including some that will raise prices to consumers (as in the case of automobiles with control devices). It notes the possibility that some changes in manufacturing processes to abate pollution could make the processes more efficient or generate salable byproducts. The statement does not undertake further identification of economic aspects or assess their magnitudes.

The brief comment on economic aspects of the air pollution control program contrasts with a more extensive statement for the older water pollution control program (for which administrative responsibility was transferred in 1966 to the Department of the Interior). This statement notes that the conventional economic analysis of benefit-cost evaluation that is applied to all Federal water resource development projects is applied also to water pollution control, but the importance of health and esthetic aspects in water pollution control means that the analytical results are less conclusive than for other water projects. A study of pollution enforcement in the Colorado River Basin is cited to illustrate this situation. The statement on water pollution control does not give quantitative estimates or specific conclusions. It indicates that systematic studies of effects on public expenditure, employment, and income distributions are yet to be made, and that such studies are to be instituted in conjunction with comprehensive river basin studies now being made.

Food protection activities, the national shellfish sanitation program, and interstate carrier food and water sanitation controls are segments of public health activity in which impacts upon particular industries are direct and significant. The statements for these programs suggest that difficulties beset any efforts to estimate the number of cases of illness prevented. On the other hand, inferences about the importance of these programs may be drawn from estimates of losses incurred when illnesses actually do occur. Conservative estimates indicate that 1 million persons are made acutely ill each year by some foodborne health hazard and each loses 2 to 4 days of work, for a total loss of more than $60 million a year in productive time. For the water supply segment of the interstate carrier program, a different type of information is given, that is, that more than $100 million was applied in the last 3 years to goods and services required for improvement of water supplies. The special engineering services program of the Bureau of State Services has its effects in, for example, improved standards which reduce the cost of residential plumbing installations, and in economies achieved through other types of technical standards, guides, and procedures in the field of environmental health.

The Division of Occupational Health in the Bureau of State Services—Environmental Health reported several examples of benefits from its work relating to occupational diseases and health hazards but commented that statistical data to measure the economic impacts are not maintained or available. Noting that no single agency or event can be isolated as the sole source of specified health improvements, the Division suggested that its research and investigations have made important contributions to prolonging the life expectancy of Americans at birth, reducing the sickness accident rate in industry to one of the lowest rates among major industrial nations, and increasing the number of professional health personnel employed by industry. In particular fields, it pointed to the reduction or prevention of silicosis, TNT poisoning, lead poisoning, mercury poisoning, and lung cancer in the chromate industry.

The National Institutes of Health reports on several programs concerned with mental health emphasize that mental illness and retardation are among our most critical health problems:

> They occur more frequently, affect more people, require more prolonged treatment, cause more suffering by the families of the afflicted, waste more of our human resources, and constitute more financial drain upon both the public treasury and the personal finances of the individual families than any other single condition.

The total cost in public outlays for services in 1962 was about $1.8 billion for mental illness and $600 million for mental retardation. Indirect public outlays, in the form of welfare costs and wasted human resources, are said to be even higher; and, of course, the suffering of the afflicted and their families transcends financial statistics. Direct costs increased by 63 percent in the short period 1956–62. These estimates, attributed to the Blue Cross Association, are characterized as substantial understatements of the total economic cost of these afflictions.

Other aspects of the NIH programs are subject to similar comments although the economic and social costs of particular disease categories are smaller than for the broad fields of mental illness and retardation. A general answer to the inquiry about economic effects makes the point that NIH activities are directed to the conquest of disease and advancement of human well-being through medical research and the application of research findings, and that the furtherance of economic growth is not a central objective. The statement recognizes that the activities have direct effects on the economy through the employment of researchers and other workers, and that they also have indirect effects stemming from reductions in morbidity and mortality. The indirect effects may be of greater economic significance than the direct effects, because of wider implications for potential economic growth.

Notwithstanding "deep reservations concerning the full applicability of economic reasoning to health programs," the NIH report recognizes that "the techniques and disciplines of economics may provide some insight for developing cost-benefit and cost-effectiveness analyses." Accordingly—

> As a necessary prelude to a possible research effort in this area, NIH has supported a recent conference managed by the Brookings Institution. The purpose of this conference, attended by economists and public administrators, was to consider the feasibility of initiating a research program to measure the economic consequences of medical research. Recommendations of the conference will be submitted to NIH by the end of the year [1966] and will include a system of support. On the basis of these recommendations and other considerations, further steps may be undertaken.

Quite different from NIH in the economic relationships of the programs are the health insurance portions of the old-age, survivors, disability, and health insurance system (OASDHI) and the health and medical care portion of the Federal-State program of public assistance. Whereas NIH activities are concerned directly with the specific causes of ill health and means of prevention or cure, the health insurance and assistance programs offer mechanisms for financing the treatment of individuals who need medical care. For the health insurance and assistance programs, economic and financial relationships are central considerations.

The health insurance system (medicare) was not yet in operation when the Social Security Administration prepared its response to the human resources programs questionnaire. Accordingly, the response necessarily deals with prospective consequences of the new program and treats it in the context of the whole broad OASDHI system. It asserts that—

> The health insurance protection for those 65 and over will not only assure better medical care for many older persons but will greatly ease the financial situation of younger families, as well as of the aged persons themselves.

Nearly all persons now 65 or over are eligible for the hospital insurance benefits and the voluntary supplementary medical insurance plan.

Similarly, the major new expansion of health assistance as part of the public assistance system was not yet underway when the Welfare Administration prepared its response. The earlier law included provisions for giving medical assistance to persons on the federally aided public assistance rolls and to aged persons who were unable to pay for medical care although they were not otherwise in need of public assistance. The new authorization, enacted in 1965, establishes a single matching formula for medical assistance for all persons receiving federally aided public assistance payments and for certain other medically needy persons in all age groups. This new program is generally called "medicaid." In the statement in part III, neither the earlier provisions for payments to vendors nor the new program of medicaid is discussed separately from the public assistance program as a whole. The earlier program of medical assistance for the aged is, however, described in an appendix to the Welfare Administration response.

The immediate substantial impact of the "medicare" insurance system is suggested by the magnitude of estimates included in the budget transmitted to Congress in January 1966. Payroll tax collections and related receipts of the hospital insurance trust fund in the fiscal year 1966 were then estimated at $856 million (actual receipts in the fiscal year proved to be $862 million), and in the fiscal year 1967, at $2,731 million. Benefit payments did not begin until the fiscal year 1967; in fact, nursing home benefits would not be provided until the middle of that fiscal year, January 1, 1967. The budget estimates of January 1966, indicated that expenditures from the hospital insurance trust fund in the first fiscal year of benefit payments, 1967, would be $2,426 million.

Premium collections and benefit payments in the separate Federal supplementary medical insurance trust fund (the voluntary insurance program for payment of physicians' bills) also did not begin before the fiscal year 1967. The estimates for that fiscal year were for a total of $1,104 million in receipts, about half in contributions from general Federal revenues; and $899 million of benefit and other payments from this trust fund.

Hospital and medical insurance for railroad workers and their beneficiaries aged 65 or over is provided jointly by the Railroad Retirement Board and the Social Security Administration, in a program substantially the same as the medicare program of the Social Security Act. The Railroad Retirement Board reported, in its response to the inquiry on human resources programs, that information about economic aspects of the health insurance system was not yet available.

Besides the new hospital and medical insurance program, the Railroad Retirement Board operates an older sickness insurance system for the industry. Cash benefits are paid to workers during periods of illness (including maternity sickness). This program is operated in conjunction with the unemployment insurance systems. These benefit payments, like the unemployment benefits, are primarily directed to maintenance of family incomes.

The Civil Service Commission administers a staff system of employees' health benefits for Government personnel. This is an insurance program in which the employees pay most of the premiums and their employing agencies pay a part. Employees may choose among several types of coverage that provide either services or reimbursements for expenditures, or they may choose not to be in the insurance system. The Tennessee Valley Authority response in part III of this report describes the similar but separate employees' hospital and medical insurance plan operated by that agency.

All Federal Government departments and agencies with 300 or more civilian employees in any one area provide limited health services either in their own health rooms or in facilities operated for them by the Public Health Service. Services include treatment for illness or accidents at work and physical examinations for employment. Expenditures for these on-the-job services are included in other overhead outlays of the several departments and agencies and are not identified separately in any of the program descriptions excepting that for the TVA. The TVA statement describes its employee health-industrial hygiene services which have been operated since 1936 as means of enhancing productivity.

Major Federal programs in the health field are administered by the Department of Defense and the Veterans' Administration, which provide by far the largest part of the direct hospital care or medical treatment given in Federal Government facilities. In hospitals operated by these two agencies and the Department of Health, Education, and Welfare are almost 10 percent of all hospital beds in the United States. In the fiscal year 1967, the total number of operating beds in Federal Government facilities is as follows (estimates in the 1967 budget):

Veterans' Administration (including 3,000 nursing home beds)	120, 034
Department of Defense	61, 858
Department of Health, Education, and Welfare	15, 220
Other agencies	3, 159
Total, Federal Government hospitals, operating beds	200, 271

Prior to the fiscal year 1967, hospital and medical care in Federal facilities accounted for the largest part of Federal expenditures for medical and health-related activities. In estimates for the current year, however (as shown in table 8, earlier), the large new medicare insurance program and medicaid grants under public assistance raise the total of expenditures for Federal grants and payments for hospital and health care in non-Federal facilities to a sum surpassing the amount for direct care in Federal facilities. Federal Government expenditures in fiscal 1967 for hospital and medical care in Federal facilities are estimated at $2.4 billion, compared with $4.6 billion for care in non-Federal facilities.

More than one-sixth of the population of the United States is potentially eligible for direct hospital care and treatment in Federal facilities. The largest single group of eligibles is approximately 22 million living war veterans, including some 2 million with service-connected disabilities. For this group, however, hospital care for ailments not related to military service is provided only to the extent that the veteran certifies that he is unable to pay for his care in private facilities.

In commenting on economic effects of the veterans' hospital programs and related domiciliary and nursing home care, and related community nursing care provided at Government expense, the Veterans' Administration indicated that it had no means of assessing the impacts:

> We can merely state * * * that an expenditure in the magnitude of more than $1 billion on an annual basis * * * has a very considerable impact in every segment of the country in which these funds are used.

The Department of Defense operates an extensive medical care program for military personnel and their families. The primary purpose is to maintain the health of the Armed Forces. A secondary purpose is to provide services to dependents who otherwise might not receive adequate care, and, through this assurance, to promote good morale among military personnel. Active duty and retired uniformed service personnel numbering 3.2 million and their 5.6 million dependents are covered by this program. Expenditures for military and dependents' medical care exceed $1 billion a year.

Like the Veterans' Administration, the Department of Defense reported that the overall economic effects of the medical care program are difficult to determine. The Department noted that the program reduces pressures on civilian medical facilities, which are themselves experiencing difficulties in caring for the civilian workload. It mentioned also that retired personnel tend to settle near military medical installations, thus benefiting nearby communities.

Both the Department of Defense and the Veterans' Administration mentioned that communities adjacent to Government hospitals derive economic benefits from the salaries of Government personnel employed in the installations.

Besides military personnel, their families, and veterans, other groups eligible for medical care administered directly by the Federal Government are 380,000 American Indians and natives of Alaska, 118,000 American seamen, 21,500 inmates of Federal prisons, civilians in the Panama Canal Zone, narcotics addicts, and patients with leprosy.

As table 8 shows, research is the third largest category of health-related Federal Government expenditures, with $1,448 million estimated for the fiscal year 1967. Of this sum, $1,325 million is for the conduct of research, and $123 million for research facilities. Most health-related research expenditures are made by the NIH, but other units of the Public Health Service and several other Federal agencies contribute to the total. Sizable health and medical research expenditures outside the Department of Health, Education, and Welfare are made by the Department of Defense, Atomic Energy Commission, National Aeronautics and Space Administration, and National Science Foundation. By far the largest part of the Federal outlays for health-related research are for extramural work, performed in universities, medical schools, laboratories, clinics, and other research centers outside Government establishments.

Outlays for research training generally are not included in the foregoing totals but are combined with other health-related training in a separate category in table 8. Research training and other health-related training expenditures were estimated at $546 million for fiscal 1967.

The primary importance of the Federal Government as a source of research financing is indicated in table 11, covering all U.S. expenditures for the conduct and support of medical and other health-related research during the fiscal years 1960 through 1966. Expenditures for research facilities and for research training are not included. During this period, national expenditures for performing research in this field rose from $845 million to more than $2 billion a year, and the Federal Government share of the total advanced from 53 percent in 1960 to 66.5 percent in 1966.

TABLE 11.—*National expenditures for performance of medical and health-related research, by source of funds, fiscal years, 1959–60 through 1965–66*

[In millions]

Source of funds	1960	1961	1962	1963	1964	1965 [1]	1966 [1]
Total	$845	$1,045	$1,290	$1,486	$1,652	$1,825	$2,050
Government	471	604	819	964	1,099	1,230	1,425
Federal	448	574	782	919	1,049	1,175	1,364
State and local	23	30	37	45	50	55	61
Industry	253	312	336	375	400	435	460
Private support	121	129	135	147	153	160	165
Foundations and health agencies	76	77	78	85	88	90	90
Other private contributions	12	15	18	21	22	25	28
Endowment	19	19	19	19	19	19	19
Institutions' own funds	14	18	20	22	24	26	28

[1] Preliminary estimates.

Source: Resources Analysis Branch, Office of Program Planning, National Institutes of Health, Department of Health, Education, and Welfare Appropriations for 1967, Hearings before House Subcommittee on Appropriations, 89th Cong., 2d sess., pt. 4, p. 179. Reproduced in Ida C. Merriam, "Social Welfare Expenditures, 1965–66," Social Security Bulletin, December 1966, as table 6.

It should be noted that the amounts attributed to the Federal Government in this table are larger than the budget expenditures for conduct of medical research shown in table 8 for the fiscal years 1965 and 1966. Table 11 is based on an annual survey of Federal agencies conducted by the National Institutes of Health; amounts reported for both these years in this table are preliminary estimates.

Quoted earlier in this section is the NIH reservation concerning the applicability of economic reasoning to health programs. The response suggests that there may have been a misconception of the purpose of the inquiry. In any case, the general NIH comment on the economic effects of human resources programs points out that the direct effects of research and construction programs are not particularly different from those of other Federal programs for which there is a similar combination of personal services, equipment, and construction. The answer seeks, however, to distinguish the direct economic effects of research programs of the NIH from those of other Federal agencies, by implying that the larger programs of other agencies which focus on the introduction of new products or hardware may involve the direct employment of more workers and the use of larger volumes of other resources, or the employment of different categories of workers and resources. This is not, however, a qualitative distinction between programs.

The committee questionnaire, incidentally, did not propose or seek a distinction between "direct" and "indirect" effects. Nor did the questionnaire suggest that the economic effects of a Government program are more important than its noneconomic effects, though it did single out the economic effects as the subject of this inquiry. The questionnaire sought information about "Federal programs that involve investment in people"—information that would enable the committee to indicate "the effects of the programs on the functioning of the economy."

As to indirect economic effects, the reasons there have been little intensive investigation are summarized in the NIH response as follows:

> Inherent conceptual and statistical difficulties, lack of general interest on the part of economists, and (perhaps of greater significance) deep-seated convictions on the part of many competent observers and dedicated administrators of programs in the health sciences that the achievement of better health is in itself a complete rationale for the Nation's health effort.

As already noted, the NIH reported that, notwithstanding the expressed reservations about the usefulness of economic reasoning in matters of health research, it was, in fact, awaiting a conference report on the feasibility of initiating a research program to measure the economic consequences of medical research and that it expected to have "a system of research priorities and recommendations for mechanisms of support."

Reference has been made to a study of the NIH which included an examination of economic and other criteria for determining levels of Federal support of health research. This memorandum made the point that research, as a venture into the unknown, is necessarily a risky enterprise, in which the most likely outcome is that a new fact—

> will turn out to be like a musician, adding a good deal of interest to the world but contributing no great wealth.
>
> However, some medical researches have paid off spectacularly in past years and on the average our Nation has enjoyed a very high economic return on medical

research * * *. [Several] examples indicate that it is impossible to guarantee and difficult to predict what medical research will prove to be of economic importance but that some medical research has been extremely "profitable" in the sense that limited funds invested in research and development have yielded very substantial costs savings.

* * * * * * *

What will the next decade's research bring? Nobody knows. Past experience lends some credence to the estimate that 1 year's increase in the life expectancy of the labor force, plus 1 day's decrease in working days lost due to illness, are plausible expectations. These gains would add 1.3 percent to our labor force. Assuming * * * that the GNP is proportional to the labor force, such a gain would today be "worth" $8 billion annually to our economy, and would return $1.6 billion annually to the Public Treasury.

* * * * * * *

The cost of medical research is only part of the cost of a medical advance; we need doctors and hospitals and pharmaceutical products and many other people and facilities to use any new knowledge. However, in the case of poliomyelitis, the cost of research was the dominant cost, and research may well be the dominant cost for other new developments.[34]

Analyses of the kind just quoted serve as powerful justifications for health-related research—if justification is indeed required at this stage in U.S. history. But they provide comparatively little guidance for judgments about the central questions of public policy. These questions concern (1) the point at which other uses of resources may be socially as important and as promising as health research, and (2) the most effective possible deployment of resources within the broad field of health research.

A conference specifically devoted to the economics of health research was held in 1964 under the auspices of the chairman of the President's Council of Economic Advisers and at the request of the President's Commission on Heart Disease, Cancer, and Stroke. The economists were asked to discuss criteria for allocating support to research, training, and patient care, as well as to research by disease categories. The discussion was organized around half a dozen major questions, each with many subquestions. These principal questions merit quotation as a way of identifying types of problems that must be considered in assessing the economic aspects of medical research:[35]

(1) How much can this Nation afford to spend, or how much should it spend, on medical research?
(2) Are there any economic criteria for determining the proper roles of the several levels of government in financing medical research?
(3) Are there criteria to guide the allocation of funds between general and specific medical research?
(4) How should one handle certain complicated aspects of the economic calculation, such as the value of pain and grief, the implications of interrelated diseases, and failure to apply new knowledge?
(5) What can be done to bring together the Federal Government's interests in medical research and in educating and training personnel?
(6) Can economists offer any guidance on the respective merits of project versus program research financing?

The conferees did not provide definitive answers to all these questions; the discussions did, however, produce some reformulations, subsidiary queries, and cogent observations or insights that might serve as steppingstones for further analysis.

[34] Dr. Joseph B. Platt, loc. cit.
[35] The questions are from "Source Paper: Conference on the Economics of Medical Research," in "President's Commission on Heart Disease, Cancer, and Stroke, a National Program to Conquer Heart Disease, Cancer, and Stroke," vol. II, February 1965, pp. 631–644.

Further economic questions, not covered directly in the foregoing list, concern the rising costs of research activity and the estimation of potential results.

It has been observed that medical research has been greatly spurred by public interest in a faster flow of research findings and their application. It has been spurred also by tremendous and rapid technological strides that now permit investigators to probe and discover significant new knowledge in areas where a few years ago they could only ruminate. Public interest and technical advances, however, are not the only major forces involved in the increased level of research outlays. The cost of conducting a given quantity of research (however "quantity" is to be defined in this context) also appears to have risen rapidly. Maintenance of a given level of research effort apparently requires a larger financial commitment with each successive year. Advancing costs are not at all peculiar to health-related research. The problem is that for the health field, as for other fields of research, there appear to be no specialized cost indexes or other guides whereby real outlay may be compared from year to year. We may be sure that a general-purpose price index is not a dependable measure for estimating how many more technicians' man-years or other units of resources and effort this year's health-research appropriations will buy than were obtainable with appropriations of prior years. Presumably a special index could be devised to measure these relationships, though the task would be exceedingly complex.

More difficult conceptually, and perhaps unattainable in practice, is another type of explicit measurement which would be of great help to administrators and legislators concerned with our health research programs. Apart from dollar costs and numbers of researchers engaged, there are no standard units for measuring research effort and, of course, none for assessing research output. The findings, products, discoveries, insights, and applications that flow from research seem to defy quantitative summary. Yet each decision on research financing requires implicit judgments about the comparative return to be expected from given increments of research effort. When action is taken to increase the manpower, equipment, and other resources allocated to any given field of research, an impressionistic or intuitive judgment is necessarily made, to the effect that knowledge will be significantly increased, that the additional knowledge will be at least commensurate with the additional effort, and that no part of the incremental effort is apt to prove more productive if devoted to applications of present knowledge instead of the search for new knowledge.

With the national health research effort measured in billions of dollars and employing thousands of scientists and technical assistants, it is now more important than ever that we seek to make explicit the multitude of factors and the variety of questions that are involved in decisions affecting the magnitude and orientation of these efforts.[36]

All these questions concern economic aspects of medical research. Some call for evaluations from the special point of view of medical re-

[36] On questions raised here, see also the report (cited at p. 56) of the Senate Committee on Government Operations, Subcommittee on Reorganization and International Organizations, 87th Cong., 1st sess., S. Rept. 142, pp. 90–93. See also the introduction to the National Science Foundation general answer to question 9, in pt. III of this report.

searchers and educators; others call for economic analysis and comparisons. Even tentative judgments on the specific issues would contribute to better informed public decisions on broad questions involving the extent and direction of support to be given to health-related research activities.

There is a popular expectation—indeed, a national hope, as evidenced in a long history of favorable congressional actions on the subject—that medical research is a major highway that can lead to outstanding opportunities for beneficial national investment in people. Comparative assessments, developed in detail, might enlighten the many choices that must be made by the Congress, the Executive, and program administrators—choices among the many attractive avenues of inquiry that compete for exploration.

Income Maintenance and Family Support

Most Federal Government expenditures for income maintenance and family support take the form of cash disbursements—benefit payments to individuals, such as old-age, survivors, and disability insurance benefits; or grants to State and local governments for redistribution by them to individuals and families, as in the case of public assistance benefits.

The payments made directly to persons are classified in national income accounts as Federal Government transfer payments. Those made by State and local governments, with the help of Federal financing, are considered State and local government transfer payments. Unemployment insurance benefits, though financed largely by State-imposed payroll taxes, are counted among Federal Government transfer payments. The concept of transfer payments is defined in an earlier section.

Some of the Federal payments in the income maintenance and family support programs are for the purchase of commodities or redemption of food coupons made available to needy families and individuals.

Under the medicare hospital and health insurance programs, the Federal Government either directly or through intermediary contracting agencies reimburses hospitals and other suppliers of health care and services to insured persons. These Federal Government expenditures are transfer payments in national income accounts.

The public assistance grants to State and local governments similarly are applied in part to pay insurers and suppliers of health care and services for public assistance beneficiaries and for other eligible persons who are medically indigent. The final outlays appear in national income accounts among State and local government purchases of goods and services.

Low-rent housing programs, housing for the elderly and handicapped, and rent subsidies for low- and moderate-income families also are named as programs for income maintenance and family support in the list that follows.

For income maintenance and family support programs, as with each of the other broad categories by purpose, it has not been possible to recapitulate Federal expenditures for the designated programs from the questionnaire responses. Each program named below is, however, described in part III of this report. Several are listed for other broad categories of purpose, as well as for income maintenance and family support.

The annual budget carries no single classification or analysis that is as comprehensive as the category defined here, and it is difficult to compile a reasonably comparable group of subfunctions or programs from budget summaries.

Office of Economic Opportunity:
- Rural loan program.
- Work experience program (also listed for education and training).

State Department:
- Foreign Service retirement and disability system.

Treasury Department:
- Coast Guard retired pay.

Department of Defense:
- Retired pay.
- Mustering-out pay and other similar allowances.
- Programs to assist employees affected by base closures, consolidations, and reductions (also listed for environmental improvement).

Department of the Interior:
- Indian welfare (also listed for environmental improvement).
- Employment assistance for Indians (also listed as primarily for education and training).
- Indian Arts and Crafts Board (also listed for environmental improvement).
- Indian credit and financing program (also listed for environmental improvement).
- Bureau of Commercial Fisheries: Fisheries loan fund.

Department of Agriculture:
- Consumer and Marketing Service: Commodity distribution program (also listed as primarily for health and also for environmental improvement and education).
- Food stamp program (also listed for environmental improvement and for health).

Department of Labor:
- Trade adjustment assistance program (also listed for environmental improvement).
- Unemployment insurance program.
- Minimum wage program (also listed for environmental improvement).

Department of Health, Education, and Welfare:
- Social Security Administration: Old-age, survivors, disability, and health insurance (also listed as partly for health).
- Welfare Administration: Grants to States for public assistance (also listed as partly for health).
- Administration on Aging: Foster grandparents program (also listed as primarily for environmental improvement).

Department of Housing and Urban Development:
- Housing for the elderly and handicapped.
- Federal Housing Administration:
  - Below market interest rate rental housing program for low- and moderate-income families.
  - Housing for the elderly.
- Public Housing Administration programs.

Civil Service Commission:
- Civil service retirement program.
- Federal employees' group life insurance.

Railroad Retirement Board:
- Railroad employees retirement, survivors, and disability insurance.
- Railroad unemployment insurance and sickness (temporary disability) insurance (also listed as partly for health).

Tennessee Valley Authority:
- Group accident insurance program.
- Retirement system.

Veterans' Administration:
- Compensation and pension program.
- Insurance and indemnity programs.
- Soldiers' and Sailors' Civil Relief Act of 1940, as amended (protection of private life insurance policies).

This list is dominated (in terms of amounts involved) by programs which make up the "social insurance" and "public aid" categories of social welfare expenditures under public programs, as shown in the Federal Government section of table 2 in this report. Also included in the list are the large items of veterans' compensation and pensions and veterans' insurance and indemnity programs which are in the "veterans' programs" section of the social welfare series. Several items named here as income maintenance and family support programs are not in the social welfare series.

The Joint Economic Committee in the annual report for 1966 observed that the interest in income maintenance proposals attests to a recognition that the care of those who are unable to participate fully in the economic life of the Nation is a public responsibility. We noted in that report that transfers of income from higher income families to lower income families through organized public and private programs of income maintenance and social welfare expenditures totaled more than $46 billion in 1965. This was a reference to a summation by the Social Security Administration, reproduced here (in a later revision) in table 12. Preliminary estimates for the fiscal year 1966 indicate total public expenditures of nearly $52 billion for organized programs of income maintenance and welfare services.

TABLE 12.—*Expenditures from public and private funds for organized income-maintenance and welfare service programs, selected fiscal years, 1949–50 through 1965–66*

[Amounts in millions]

Source of funds	1950	1955	1960	1961	1962	1963	1964	1965	1966 [1]
Total amount (excluding expenditures for health)	$12,149	$18,616	$31,990	$36,157	$39,036	$41,377	$43,594	$46,046	$51,944
Public expenditures	10,499	15,871	27,357	31,084	33,488	35,352	37,152	39,131	44,399
Social insurance	4,678	9,519	18,837	21,887	23,679	25,034	26,371	27,442	31,224
Veterans' programs	2,946	2,908	3,744	4,018	4,189	4,366	4,504	4,673	4,967
Public aid	2,445	2,791	3,609	3,856	4,133	4,295	4,494	4,810	5,204
Other welfare programs [2]	430	653	1,167	1,323	1,487	1,657	1,783	2,206	3,004
Private expenditures	1,650	2,745	4,633	5,073	5,548	6,026	6,441	6,915	7,545
Employee benefit plans	965	1,895	3,545	3,910	4,330	4,770	5,145	5,580	6,045
Philanthropy	685	850	1,088	1,163	1,218	1,256	1,296	1,335	1,500
Percent of total:									
Public expenditures	86.5	85.2	85.4	85.9	85.7	85.4	85.1	84.9	85.4
Private expenditures	13.5	14.8	14.6	14.1	14.3	14.6	14.9	15.1	14.6

[1] Preliminary estimates.
[2] Includes public housing.

Source: Table 12 is a reproduction of table 10 from Ida C. Merriam, "Social Welfare Expenditures, 1965–66," Social Security Bulletin, December 1966.

NOTE.—Federal Government expenditures included in public expenditures in this table are those shown in corresponding entries in table 2, above, in the section headed, "From Federal funds" (with expenditures for health omitted from table 12).

The public expenditures in these programs—Federal, State, and local governments together—comprise 85 percent or more of the reported totals and have held that ratio in each reported year. Private programs make up the remainder. As the Social Security Administration has pointed out, however, private expenditures for organized income maintenance and welfare service programs—the expenditures reported in table 12—do not cover the whole range of income maintenance. Retired persons, disabled earners, and widows and orphans have sources of support that are not identifiable in statistics of income flows and therefore are not represented in the totals.

Moreover, public-private comparisons are complicated further by tax considerations. Federal and State tax systems extend direct advantages to incomes of families whose earning power is affected by age or infirmity or is spread thin in supporting a large number of dependents. Also, private programs enjoy substantial tax benefits.

In this connection, it should be noted that the Joint Economic Committee has given attention to various questions that have been raised about the income maintenance system of the United States. Partly as background for its consideration of public policy issues in this field, the committee has in recent years published studies of the status of low-income families in relation to economic growth, income distributions in the United States, and European social security systems. Currently the committee is studying selected aspects of private pension programs, as a basis for assessing their role in the income structure.

It may be significant that aggregate public and private expenditures for organized maintenance and welfare service programs have grown faster than the GNP over the past 15 years—and that the growth in the private sector relative to GNP has been the more rapid. Private expenditures reported in the table rose from 0.3 percent of the GNP in 1950 to 0.7 percent in 1955, passed 1 percent in 1961, and were estimated at 1.1 percent in 1966. Public expenditures—Federal, State, and local together—rose from 4.0 percent of GNP in 1950 to 5.5 percent in 1960 and fluctuated at 6.0 to 6.2 percent during 1691–66.

In the public programs, the maturing and extensions of coverage of the old-age, survivors, and disability and the unemployment insurance systems, first established on a much smaller scale in the depression of the 1930's, have been major factors in providing assured minimum incomes to millions of our people at times of special need. In an increase of nearly $34 billion in public expenditures for income maintenance and welfare service programs from 1950 through 1966 (as shown in table 12), some $26.5 billion was in the social insurance programs. In the years immediately ahead, the medicare program will be a major new element.

Now there is growing public attention focused on more effective governmental provisions to maintain or provide minimum levels of income. This includes measures to bolster the OASDHI and unemployment insurance systems. It may involve substantial reorientation of public assistance. It may require new comprehensive programs. There is growing recognition that every family or individual should have access at all times to purchasing power that will assure a socially acceptable minimum level of support; and that, to this end, steps should be taken to establish an effective income floor for all those who are incapable of self-support, whether by reason of age, ill health, physical or mental impairment, family burdens, or other handicaps.

The recent report of the Advisory Council on Public Welfare, appointed by the Secretary of Health, Education, and Welfare, began with the following comments:

> Public welfare is the only governmental program operating in the United States today which has as its assigned task the provision of an ultimate guarantee

against poverty and social deprivation. Its role in society is to assure to individuals, families, and communities the recognized basic essentials of living within a framework of related governmental and voluntary measures.

The Council observed that—

All societies in order to survive must make provision for these needs within the limits of their resources and social pattern. The United States is, however, distinguished from other countries in the degree to which unprecedented resources combine with the unprecedented interdependence to make such basic protections both possible and essential.

The very concept of a guarantee requires that it be available to all it is intended to protect, be adequate to their needs, consistent with the standards of the society in which they live, and available on a dignified basis as a matter of legal right.

Today * * * our public welfare provisions fall short on all these counts.[37]

Others have proposed measures that would reduce our reliance upon public assistance by meeting the minimum income needs of many more people in other ways. The best way, of course, is to improve the employability and productive capacities of individuals and to open sufficiently remunerative employment opportunities to all persons. Yet the vicissitudes and complications of life inevitably mean, even in a full and fair employment economy, that some people will continue to need incomes larger than the largest sums they can derive from either current employment or the fringe benefits of past employment of members of the family unit. Consequently, public measures become essential when earnings, pensions, social insurance, or other resources do not suffice for basic needs. It is clear from current public debate that the economic effects and impacts of existing programs need to be more thoroughly evaluated; and that the desirability and feasibility of new proposals need to be carefully studied.

We turn now to several major elements in the existing program structure, as described in part III. The response of the Social Security Administration contains interesting comments on the economic role of the old-age, survivors, disability, and health insurance system (OASDHI).

Since this is the program to which most Americans look for their major protection when work income is cut off or sharply reduced because of old age, death, or disability, or when health costs are high in old age, there can be little doubt that the comprehensive OASDHI system has a considerable impact on the American economy. It contributes to individual economic security and to the overall economic stability of the Nation.

Benefits under the system are expected to approach $24 billion in the fiscal year 1967. By the calendar year 1970, contributions will amount to $32 billion and benefits to $27 billion under present law. Even in the burgeoning U.S. economy, these are substantial sums. Benefits in 1970 will equal very nearly $1 in every $20—5 percent—of all consumer expenditures.[38]

A nationwide survey of the aged in 1963 showed, as had earlier surveys, that benefits from old age, survivors, and disability insurance were practically the only source of income for about one-fourth of the beneficiaries—almost one-fifth of the aged couples and more than one-

[37] The Advisory Council on Public Welfare, "Having the Power, We have the Duty," report to the Secretary of Health, Education, and Welfare, June 29, 1966, pp. xi, xii.

[38] Roughly calculated by adjusting the $27 billion of estimated benefits in 1970 to 1958 dollars in terms of the implicit price deflator for total GNP (Economic Indicators, December 1966, p. 2) and comparing this amount with the range of estimated personal consumption expenditures shown in U.S. Department of Labor, Bureau of Labor Statistics, "Projections, 1970: Interindustry Relationships, Potential Demand, Employment" (Bull. 1536, 1966), p. 35.

third of the unmarried recipients. Some 5 million aged beneficiaries had total incomes below the poverty level in 1964 (that is, below $1,500 for a single person and $1,850 for a couple). About 5½ million were kept "out of poverty"—that is, above these low income levels—by their social security benefits. Only about one-fourth of the recipients had enough income from other sources to live above this level in the absence of OASDI benefits.

Beginning with payments for October 1966 the number of elderly recipients was increased by almost one-half million persons for whom benefits were authorized by the Tax Adjustment Act of 1966. This law provides special monthly cash payments to any person aged 72 or older who is not eligible for regular OASI benefits and is not receiving public assistance cash payments. These special benefits, at a rate of $35 a month for a single person and $52.50 for a couple, are financed from general funds and not from social security contributions except for those persons (less than 1 percent in the first month) who have three quarters or more of OASI coverage. The payments are subject to offsetting reductions in the cases of persons who receive a pension, retirement benefit, or annuity (other than workmen's or veteran's compensation) under any governmental pension system.

A more limited special provision, enacted in 1965, provided monthly benefits for men and women aged 72 or over on the basis of three to five quarters of covered employment. Under this provision, more than 125,000 persons were drawing benefits in October 1966.

Including these new groups of beneficiaries, 15.3 million persons aged 65 or older were receiving monthly OASDI benefits at the end of October 1966. This was five-sixths of the whole U.S. population aged 65 or over. Most of the others were eligible to draw benefits when they or their husbands stopped working. Of those not eligible, a large proportion received old-age assistance.

The regular OASDI system also provides cash benefits to millions of persons who are under age 65. The number of workers aged 62 to 64 who were drawing benefits under early retirement provisions was close to 2 million at the end of October 1966—an estimated 667,000 men and 1,299,000 women. At this time, 3.4 million children and 489,000 widowed mothers were receiving monthly survivors' payments.

In summary, by October 1966 there were 15.3 million beneficiaries aged 65 or older, 2 million aged 62 to 64, and 5.2 million younger recipients. The OASDI system was providing regular monthly cash income for 22.5 million persons—one of every nine Americans. (Numbers reported in the Social Security Administration response in part III are for the end of 1965, almost a year earlier in a period in which record numbers of benefit applications were approved.)

The hospital and health insurance program added to the number of beneficiaries in the older group, since some persons aged 65 and over (an estimated half-million through September 1966) established eligibility for health benefits without taking monthly income payments.

Surveys of recipients indicate that the disabled workers have almost no earnings of their own and usually have little in other resources besides their social security benefits. Fatherless families receiving the payments are financially more secure than most other fatherless families because of the assured income. For almost two-thirds of the survivor families in a 1963 survey, OASDI benefits were the largest source of income.

Health insurance protection—which became effective about the time the response was prepared—was expected to decrease the need of aged persons for public assistance. It was expected to ease considerably the financial situation of younger families, as well as of the elderly persons themselves. Preliminary reports indicate that in the first 6 months in which benefits were available, some 2½ million persons will have received hospital care with a substantial part of their expenses insured under this program, and some 3½ million will have had help in meeting physicians' bills.

The program as a whole results in a transfer of income from persons with current earnings to those with little or no earnings. For the individual, income is transferred from periods when he is earning to periods when his earning capacity is eliminated or reduced. The employer payroll taxes that provide part of the financing for these income transfers may be shifted to consumers to some extent in higher prices, thus reducing slightly the apparent redistribution of income.

The income transfers appear to be primarily from middle income groups to lower income and lower middle income groups, with little impact on high-income brackets. This likelihood results from a combination of several factors—a limit (now $6,600 a year) on earnings taxable for OASDHI; the absence of exemptions from taxable earnings; and the formula for determining individuals' cash benefits which gives greater weight to low average earnings than to high ones within the taxable limit. The agency response cites a study which supports this generalization; it suggests the need for further research on redistributive effects of the system.

The OASDI program (now reinforced by the health insurance program) probably has increased labor productivity, though clear evidence on this point may be unattainable. At least three possibly favorable effects on productivity are indicated. First, a worker's knowledge that he will at least not face destitution in old age or if he becomes totally disabled, and that his death would not leave his family entirely without income, probably promotes his sense of security and his efficiency. Second, the withdrawal of workers from the labor force by retirement at age 65 or earlier changes the composition of the labor force. Earlier retirement has made possible the increased employment of women and teenagers. Although younger workers have less experience, they generally have greater educational attainments than most of the older generation. Also, dependent beneficiaries who might have been compelled to seek jobs as soon as a parent died or was disabled have been enabled by the benefit payments to continue their schooling. Third, to the extent that the OASDHI program is likely to encourage labor mobility (whereas private pension and insurance plans often tend to discourage movement), it can be argued that the program contributes to the efficient allocation of workers and thereby increases the productivity of the labor force as a whole.

Movement of elderly persons to Florida, California, and other areas with mild climate is one of the more conspicuous byproducts of OASDI. In general, the system has stimulated demand for goods and services consumed by elderly persons; this may have been offset to the extent that employed workers contributing to the trust fund have commanded less current purchasing power. It is possible that, in the absence of the social security system, younger families would have increased their individual savings (or private retirement funds might have grown) even more than they actually have done in the last few decades—but this is a conjecture not easily verified.

In any case, the housing industry in all areas has responded to the increased ability of many OASDI recipients to maintain separate households instead of living with relatives or in roominghouses or institutions. This response has been aided by special Government programs in the field of housing. Nursing homes and other institutional arrangements for the elderly also have felt the increased effective demand of older persons with assured incomes—and these institutions, public and private, also, have had some help from other Government programs.

The health insurance program is increasing the amounts spent on medical care of the elderly. Because of limitations of professional manpower and facilities, this cannot all be an immediate net increase in the aggregate health and medical care expenditures of the Nation, but the pressures of need, reinforced by a new and steady source of effective purchasing power, will almost surely evoke a further expansion in the proportion of our national resources devoted to health care.

No clear consensus has emerged as to the effect of the employer portion of the payroll tax. This constitutes a nearly universal cost of doing business in the United States. It might therefore be considered an encouragement to employers to introduce laborsaving machinery, particularly in labor-intensive industries. There is little tangible evidence that the tax has had this effect. The pressure of the tax is, of course, only a fraction of the inducement generated by the wage payments on which it is based. Also, it may be presumed that employers who are able to shift the tax to customers or employees will do so, thus avoiding the real burden. Scheduled advances in the tax rates, and future legislation further raising rates and the wage base, might increase the relative importance of the employer's tax in economic decisions. In any case, the economic significance of payroll taxes for social security is a subject that merits intensive analysis as a basis for future judgments relating to changes in the financing of social security and to the formulation of general fiscal policies which will contribute most to economic growth and stability.

The OASDHI system is regarded as one of the major automatic stabilizing influences in the U.S. economy. It exerts this stabilizing influence primarily by supporting consumer demand, reducing the amplitude of cyclical changes in the aggregate of consumption. During a decline in business activity (or a period of deceleration in the rate of growth), benefit payments increase because workers who are of retirement age or disabled may be forced out of employment or into part-time jobs. At the same time, OASDHI tax collections slow their rate of increase or may decline because of curtailments in employment and payrolls. Conversely, in the upswing of the cycle (or in periods of accelerating growth), persons eligible for monthly benefits are able to take advantage of increased employment opportunities and postpone retirement. In such periods, trust fund income rises more rapidly than benefit payments because of expanding employment.

Social policy has to concern itself with the desirability of retirement compared with continued full-time or part-time employment for the elderly. The present "retirement test" based on earnings after age

65 is a complicated and ambivalent approach to this problem. It presents a policy issue that has never been fully resolved.

The OASDHI financing system also has impacts on the Government bond market and debt operations. To the extent that trust fund expenditures exceed receipts and require liquidation of some Government bonds during a period of economic slowdown, or the receipts exceed expenditures and require purchases of Government bonds during an upswing, the program may accentuate cyclical movements in the money markets. Sales of bonds, for example, decrease supplies of loanable funds and push up interest rates; purchases of bonds have the reverse effect. These effects can be, and probably are, offset by monetary policy, but they add to the task of monetary policy.

In its earliest years, the old-age system began accumulating a sizable balance while paying few benefits. This exerted a deflationary influence and was held by many analysts to have intensified the depression of the late 1930's. The large-reserve plan was soon modified; since 1940 annual increments to the fund balance have been comparatively limited. The largest appear to have been $1.9 billion in each of the calendar years 1950, 1952, and 1954. During this period, 1950–54, the fund balance grew from $12 to $21 billion.

During 1958–65, the combined OASDI funds had disbursements exceeding income (including interest income) in 4 of the 9 calendar years—1959, 1961, 1962, and 1965. The largest year-to-year reduction in combined balances was $1.5 billion in calendar 1962, and the next largest, $1.3 billion, in 1965. In the fiscal year 1966, there was a reduction of $629 million. For the fiscal year 1967, the budget indicated that these trust funds (omitting the new hospital and health insurance funds) would increase their assets by an estimated $1.4 billion, out of total receipts of more than $23 billion. The fund trustees indicated in their 1966 annual report that the fund balances, estimated under present law, will increase in the fiscal year 1970 by $5 billion, to a total balance above $31 billion. The $5 billion addition to reserves would equal more than one-sixth of the annual income of the funds.[39] Whether this large a prospective addition to reserves will create avoidable monetary or fiscal problems in 1970 is a question that merits close evaluation. It may have consequences for policy in these fields.

The agency statement notes that if inflationary tendencies develop in the next few years, the operations of the OASDHI system will tend to offset them. It adds that the effect of the OASDHI program is only a small part of the inflationary or deflationary effect of Federal Government operations on the economy. This, of course, is generally correct, though even the incremental amounts involved in these operations are not small by any standards. The real problem, in any event, is to achieve consistency—to mesh the fiscal effects of the social security programs with those of other Government programs, so that they will move together in the needed direction at the proper time and in appropriate degree.

In addition to direct benefits to the recipients and the economy at large, the OASDHI program is credited with indirect benefits in the form of savings in other programs. An outstanding case is the decline in the number of old-age assistance recipients from a peak of 2.8

[39] "The 1966 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds," Feb. 28, 1966 (89th Cong., 2d sess., H. Doc. 392), pp. 3, 26, and 30.

million in 1950 to about 2.2 million at the end of 1964 (and a further decline to 2.1 million in late 1966), despite a rise from 12 to 18 million in the population aged 65 and over. The number of recipients in other public assistance programs has increased (except in general assistance). Although expenditures have increased for old-age assistance as well as for other public assistance categories, it seems clear that without OASDHI these costs would have risen much more sharply.

Another incidental effect has been a narrowing of the income differential between aged Negroes and other elderly people. OASDHI benefits are the primary source of support for elderly Negroes as well as for elderly white persons. The generally lower earnings of Negroes means that their benefit amounts, on the average, are below those of white workers. However, the benefit formula is comparatively more generous to persons with low earnings. As a result, many aged Negroes find, for the first time in their lives, that their current income more nearly approximates that of white Americans in their age group.

The monthly cash benefits have relieved relatives of some of the burden of supporting the aged, disabled, and dependent children. The health insurance program similarly will reduce the need for contributions from relatives for meeting heavy costs of major illnesses affecting older family members.

In addition to increased concentrations of retired persons in favorable climates, the program may be presumed to have some varied regional impacts because of income redistribution effects. Proportionate benefits from the system probably are highest in areas with lower-than-average incomes or with relatively large numbers of retired persons and other dependent groups eligible for benefit payments. In economically depressed areas—and especially those communities from which able-bodied workers in their prime years have emigrated—OASDHI benefits are a particularly important source of family support. This kind of geographic differential may become more pronounced with the continued growth of the program.

The railroad retirement, survivors, and disability insurance system and Government employees' retirement and disability systems (including military retired pay) are large separate programs that are either closely related to the OASDHI system or have related economic effects. None of these other income maintenance programs has the magnitude of OASDHI, but each is large in its own field. Information about economic effects is sparse, but a few scattered points may be noted, as follows:

The railroad retirement system since 1961 has provided for about 40,000 retiring railroad workers each year, in a period when railroad employment was shrinking by an average of 23,000 a year.

The Civil Service Commission reported that in 1964 civil service annuities were 61 percent of the total income of the annuitants. The average annuity in that year was $2,212.

The majority of persons who are retired from military service for nondisability reasons are young, often have family responsibilities, and in most cases cannot support themselves and their families on their military retired pay. They seek employment to supplement their retired pay. The majority of those retired for disability receive small incomes and normally, if their physical condition permits, will try to find gainful employment to supplement their benefits.

The Federal-State unemployment insurance system and the separate railroad unemployment insurance system are other major income maintenance programs. Through them, nearly $2.5 billion of benefits were disbursed in the fiscal year 1965 and nearly $2.1 billion in fiscal 1966—years of relatively high employment and declining unemployment.

For those unemployed workers who qualify under State laws (or under the Federal railroad unemployment insurance act), assurance is provided that at least a part of their wage losses will be offset by insurance benefits.

The Department of Labor statement about the Federal-State system discusses particularly the countercyclical stabilizing effects. The system is described as "one of the fastest and most effective devices developed for preventing recessions from becoming depressions and for alleviating the human suffering that occurs when the wage income of an individual ceases."

The statement goes on:

> The effectiveness of a program which distributes some $2.4 to $2.5 billion a year in direct payment to unemployed workers in alleviating the hardship to these individuals and in maintaining their purchasing power and the volume of business in their communities is clear. At the same time, it should be recognized that the qualifications for drawing these benefits are strict, that the number of weeks of qualification is limited, and that the average weekly benefit check represents only about 30 to 35 percent of the weekly wage loss suffered by the claimant. This is clearly an insurance program, not a welfare program.

In the fiscal year 1965, unemployment insurance benefit payments accounted for about 6.5 percent of all transfer payments to individuals. With transfer payments equaling 8.6 percent of all disposable personal income, unemployment insurance provided about 0.6 percent of all purchasing power in the hands of individuals and families. The Department response observes that these percentages are low, but the volumes involved are large, and that insurance benefits provide purchasing power for such basic necessities as food, housing, medical care, and other essential goods and services.

The Railroad Retirement Board statement also emphasizes stabilization as an objective of the unemployment insurance program—in its field, stabilization of railroad employment. The tax structure is intended to give railroads some financial incentive to work toward that goal, and statistics are offered which suggest that turnover in railroad employment was appreciably smaller in the 1960's than it was in the late 1930's, before the unemployment benefit provisions became effective.

The preceding review of economic aspects of selected Federal Government programs by no means exhausts the avenues of inquiry that are suggested by the detailed statements in part III of this report. It should, however, indicate the diversity and importance of the many programs that support consumption or involve investments in people. It should suggest, also, that analytical exploration of this large area has barely begun and is urgently needed.

Part II. THE INQUIRY AND THE RESPONSES

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Introduction

The program descriptions and discussions that make up part III of this report were transmitted to the Joint Economic Committee in late 1965 and early 1966 in response to a questionnaire addressed by the chairman of the committee (who is also chairman of the Subcommittee on Economic Progress) to the heads of all departments and agencies of the Federal Government.

The questionnaire is reproduced at the beginning of part III. It was divided into two sections. The first part of the questionnaire asked eight principal questions calling for a description of the program. The second part asked for data bearing on economic impacts and aspects of the program.

The questionnaire was sent to each Cabinet Secretary and other agency head, with an explanatory letter from the chairman which began as follows:

> The Joint Economic Committee is preparing a compilation of those Federal programs that involve investment in people.
>
> The study is intended to provide a comprehensive view of these Federal activities, their modes of operation, their scope, and their influence on the functioning of the economy. Of particular interest are programs which involve education and training, rehabilitation, employment and reemployment, health, children's welfare, income maintenance, family housing, and regional development, and the provision of facilities for such purposes. Research and development activities directed to these purposes also are pertinent.

In a public announcement of the inquiry, the chairman stated that the investigation was concerned with basic economic problems that the Nation will face in achieving the Great Society. He added:

> The biggest factor in economic growth is neither natural resources nor machinery. It's people. President Johnson's Great Society programs are designed to assure continued growth and prosperity of our society by stepping up the national investment in people. They are not only the ultimate consumers and beneficiaries of society; they are equally its producers.

> The subcommittee's economic investigations will focus on the new Great Society developments in order that the Congress and the public can have a more precise knowledge of their scope, their mode of operation, and their effect on the economy. Such information is vitally necessary to the Congress in making wise decisions on programs intended to reduce poverty and bring about economic and social improvement. (Committee press release, Sept. 7, 1965.)

The request for cooperation was sent to heads of departments and agencies responsible for programs that appeared to be clearly within the range of the inquiry, and these were listed in the questionnaire pamphlet. A similar letter was sent to heads of all other departments and agencies, with a request that the committee be advised if the particular organization was responsible for any programs that were judged pertinent to the study.

Programs To Be Described

The advance list covered those domestic activities of the Federal Government which committee staff identified as either concerned primarily with the maintenance or development of individuals or as having, as a secondary effect, a substantial impact on the development of our human resources.

In selecting programs for description, the respondents were advised as follows:

> In each case, the test should be whether or not the program or activity is concerned primarily with the maintenance or development of people or has a substantial impact on the conservation and development of human resources.

Several agencies that were not represented in the original list suggested programs that, in their view, met this test. In most of these instances, formal replies to the questionnaire were invited and received.

Agencies with programs named in the original staff inventory were invited to modify, extend, or curtail the list in the light of their informal judgment and closer relationships to the programs. Comparatively few departments and agencies made such changes before preparing responses, although the tentative nature of the initial selection was emphasized in meetings and conversations with agency staffs.

The initial request, issued early in September 1965, called for replies by October 25, 1965. Before that deadline, however, in response to requests from several departments and agencies, the chairman postponed the deadline to January 28, 1966, and two of the descriptive questions (Nos. 4 and 6) were modified to call for data consistent with the President's budget for fiscal year 1967 and the President's program for legislation or for administrative and organizational changes that might be set forth in messages to be transmitted to Congress during January 1966. (The questionnaire as reproduced in pt. III incorporates questions 4 and 6 in amended form.)

Timing and Responsiveness of Replies

Several departments and agencies formulated their replies before the extension of time was announced. A few transmitted these materials without change; a few provided revisions early in 1966 to conform to the amended questions. Most departments and agencies submitted their responses in late January 1966, or during the next several weeks. The Department of Health, Education, and Welfare—with the greatest range of pertinent programs—was unable to complete its responses until August 1, 1966. This Department declined for most of its programs to reply at all to questions 5 and 6. These questions asked about the probable magnitude of the program in 1970 and prospective changes in program orientation.

These differences in the time of preparation of replies help to explain why there are variations between programs in the periods for which data are supplied. The reluctance of the Department of Health, Education, and Welfare, with its predominant role in administering human resources programs, explains the major deficiency of the report as a basis for charting prospective developments.

Inconsistencies and Omissions

Through meetings of committee staff with agency staff and numerous informal discussions, some reduction was achieved in the inevitable differences in respondents' interpretation of the questions, the degree of detail supplied, and completeness of replies. That these efforts were not wholly successful is evident from the varied materials in part III.

It should be emphasized, however, that the committee staff sought to avoid stereotyped uniformity in the replies, and likewise to avoid suggesting the content of the statements. Since this was an exploratory approach to an uncharted field, the agencies were encouraged to exercise initiative and apply their own special insights in determining what material might be relevant to the broad objective. Words and phrases used in the questionnaire were explained on request (for example, "expenditures" as used in question 10 might be "obligations" if this concept were appropriate to the particular program, but in the questionnaire the word was used generically and not restrictively). Insofar as possible, agency staffs were advised to use whatever concepts and classifications seemed to them appropriate to the individual programs and to add enough explanations, qualifying statements, supporting details, and special comments to enable a reader of the response to understand the special point of view it might express.

A few examples may be given to indicate types and sources of inconsistencies and omissions.

(1) Some agencies failed to include administrative costs as part of their program expenditures. An effort has been made to identify these cases.

(2) There was a tendency to take literally the preliminary list of relevant programs, despite repeated assurances that it was tentative and illustrative and was "not intended to be limiting, either as to the extent of the governmental activities and services to be covered or the lines to be drawn between programs." In a few instances, supplementary requests were made informally for statements covering additional programs, but these were not always effective. Pressures of other work may have compelled respondents to forgo more extensive consideration of the relationship of additional programs to investment

in human resources, or they may have failed to record their determinations that some of the suggested programs should not be included in the report.

The National Science Foundation, for example, is represented only by its programs in science education and basic research facilities (which the questionnaire list enumerated); no statements appear for NSF programs concerned with science information services and studies of manpower and other national resources for science and technology. The report from the Office of Education does not comment on civil rights educational activities for alleviating problems occasioned by public school desegregation. Labor Department programs that were not in the original list and are not reported are those of the Bureau of Employees' Compensation and activities in the field of labor-management relations (the Labor-Management Service Administration, the Bureau of Labor-Management Reports, and the Bureau of Veterans' Reemployment Rights). No report was received for the Community Relations Service, which was transferred from the Department of Commerce to the Department of Justice by a reorganization plan effective in April 1966.

(3) Comparatively small programs in some instances are described in greater detail than other programs that affect directly many more people or wider geographic areas and involve much larger expenditures. In a few instances, separate statements cover specific activities that might have been described together as segments of a broad program. Some programs of major importance are described briefly.

This is not a criticism of the respondents. The programs and their problems vary widely in complexity; and the policy issues, legislative histories, coordinating arrangements, and available data necessarily differ greatly in length and scope. To illustrate this observation by specific reference is to risk unintended invidious inferences. Still, the different problems encountered by the several respondents should be recognized. Thus, it may be noted that the comprehensive program of the Social Security Administration is given no more space in part III than the responses from any one of the following agencies: The Atomic Energy Commission, National Science Foundation, Small Business Administration, and Tennessee Valley Authority. Aside from appendixes, the replies covering all the programs of the Office of Economic Opportunity are only a few pages longer. The varied and intricate program structure of the Public Health Service fills many more pages.

(4) A few agencies that appear to be in the human resources area are not represented in part III, either because they were not yet named in the Government Organization Manual that was current when the request was mailed or because of the small volume of expenditures. Some omissions may reflect failures of communication.

Examples of programs not reported are the Commission on Civil Rights, Equal Employment Opportunity Commission, National Council on the Arts, and the new National Foundation on the Arts and the Humanities; the President's Committees on Consumer Interests, on Employment of the Handicapped, on Equal Opportunity in Housing, on Manpower, and on Mental Retardation; the President's Council on Physical Fitness (financed from Public Health Service funds); and the President's Council on Recreation and Natural Beauty. Several of these agencies serve as advisory or interagency coordinating mechanisms, without separate programs of their own.

(5) The following agencies notified the chairman that they had no programs that should be described for this inquiry:

Post Office Department.
Farm Credit Administration.
Federal Communications Commission.
Federal Maritime Commission.
Federal Mediation and Conciliation Service.
Federal Trade Commission.
General Services Administration.
Indian Claims Commission.
Interstate Commerce Commission.
National Labor Relations Board.
National Mediation Board.
Saint Lawrence Seaway Development Corporation.
Securities and Exchange Commission.
U.S. Tariff Commission.
Selective Service System.

The letter from Gen. Lewis B. Hershey, Director of the Selective Service System, is reproduced in part III of this report because it describes relationships of this program to other manpower programs of the Government.

Letters of transmittal are printed in part III only if they contain substantive information supplementing the enumerated replies.

Comments on the Questions and Answers

Fragmentation of programs eased respondents' problems in answering several questions, such as question 4 concerning the level of performance and training and question 8 calling for legal references. In most instances, fragmentation diminished the usefulness of the economic questions, 9 and 10, since these inquiries into effects on personal incomes, placement or productivity of workers, and other economic aspects were too broad to elicit meaningful estimates for individual small programs or activities.

Several agencies attempted to overcome this difficulty by providing for several questions single summary answers covering groups of programs. The questions thus grouped usually were not only the economic questions, 9 and 10, but also Nos. 5 and 6, and sometimes No. 7—the questions about prospective program developments over the next several years and about cooperation and coordination. This approach avoided considerable repetition and permitted the replies to focus on broad problems, needs, and economic effects.

Summary answers of this kind for one or more questions were provided by the Office of Economic Opportunity; the Department of Labor for manpower development and training programs; the Department of Health, Education, and Welfare for the National Institutes of Health; the National Aeronautics and Space Administration; National Science Foundation; and Small Business Administration.

In the Department of Health, Education, and Welfare responses, informative general introductions precede the numbered questionnaire replies from the Office of Education and the Public Health Service's Bureau of State Services (Community Health). In addition, the Office of the Surgeon General submitted a supplementary reply covering generally the wide range of programs of the Bureau of State Services (Community Health). The Welfare Administration of DHEW covers the large and complicated Federal-State public assistance program as a single, unified program, and presents extensive details for each federally aided category in a series of appendixes. Responses from the Atomic Energy Commission, National Science Foundation, and Tennessee Valley authority include useful general introductions.

Undoubtedly some of the shortcomings of responses resulted from insufficiently detailed or insufficiently restrictive definitions and instructions in the questionnaire. A comparatively free rather than a tightly structured approach was used because this was an initial exploratory investigation. The questionnaire avoided a preliminary rigorous delimitation of the area to be covered and the interpretations to be adopted, because the committee wished not to foreclose or discourage responses that might offer unforeseen insights into the scope and significance of human resources programs.

In the light of this experience, however, and with the appropriate boundaries for inquiry now more clearly indicated, it may be concluded that further similar investigations should be preceded by a more detailed delimitation of the program areas to be covered and more restrictive definitions of terminology employed, particularly budgetary and economic concepts; and that provision be made in the work plan for returning the responses to the agencies for revision or completion following a review by the investigating staff. Indeed, further inquiries might be made more manageable by focusing each study on one predetermined part of the wide and complex field of human resources programs or on one selected aspect of the various types of programs.

During the present study, several replies were returned for clarification, correction, or explanation in the light of questions raised by committee staff. However, this procedure was held to a minimum in an effort to avoid shaping or reshaping the responses. Further limitations on the use of this procedure and its results arose from the pressure of deadlines in both the agencies and the committee, and from the unfamiliarity of many agency respondents with the budgetary and economic concepts involved in the questions.

A general impression that can be drawn from the responses is that either there is a scarcity of penetrating analysis in many program operating units of the executive branch or the assignment to prepare responses was often given to persons who were not familiar with program analysis. It is probable that the requirements of the planning-programing-budgeting system (discussed in pt. I) will stimulate development of economic and other evaluative analytical techniques in the departments and agencies. The committee staff was informed by staff members of several Federal agencies that their experience with the questionnaire helped them to understand and appreciate the orientation, requirements, and significance of the PPBS approach to their activities.

Concern with program analysis and evaluation has previously been expressed by the Joint Economic Committee. Earlier, the committee studied this subject with reference to the Federal budget, specifically in terms of making budgetary presentations more conducive to economic analysis. The committee's main criticisms were that the budgetary structure was oriented too strongly toward administrative and organizational structure and not enough toward end-product and activity goals or major policy objectives; and that the published projections did not look far enough into the future to provide an adequate basis for congressional and public judgments.[1]

Responses received in the inquiry into human resources programs suggest that when the departments and agencies are asked to provide data that may be helpful for evaluating their programs and activities broadly in the general economic and social contexts in which they operate, their responses are considerably inhibited by a combination of factors. Among these factors appear to be the constraints engendered by the traditional budgetary presentation, a resulting unfamiliarity with analytical concepts outside the specific technical boundaries of the program, and a common disposition to avoid contributions to value-judgments which may prove controversial. Agencies with staffs experienced in program analysis generally responded most fully and explicitly, especially to the economic questions.

Questions 1, 2, and 3.—Replies to the questions about the objectives, operation, and history of the programs are generally unambiguous. Differences of approach are mainly in the extent of detail presented.

Program objectives or purposes are stated in almost every instance in terms of the specific aims or goals of the particular program or activity. This is the focus that was intended in the question, and this set of replies facilitates both the differentiation of separate programs and a recognition of cases in which purposes or objectives are nearly identical or closely intertwined. In a few instances, a broader context is indicated by references to basic goals of the administrative agency or an interrelated group of programs.

Question 4. Level of operations.—Most of the replies provide a table in the form that was suggested and define the units used in the several entries that indicate the level of operations or performance. For some programs, item (a), magnitude of the program, was measured by the number of applicants or participants reported also for item (b). Alternative measurements would have been appropriate in some instances—e.g., the number of training schools or units for the full-time training and education program of the Department of Defense, or the number of applicants for the Farm Labor Service of the Department of Labor.

Financial indicators were used as measures of (*a*) and (*b*) in a few instances where numbers of cases or some other physical unit would have been more informative and would have avoided duplication of the answer given in (*c*), Federal finances.

Some respondents encountered difficulties with (*c*), Federal finances, because their programs are financed by appropriations that cover other programs and activities as well. These respondents were invited (if they inquired) either to estimate the amount of obligational authority available for the particular program or to report instead the amounts of obligations or expenditures specifically for the program, with footnote explanations. Not all respondents adopted this approach, and the status of the reported amounts is not made clear in every case.

For purposes of economic review, grants and loans need to be differentiated from each other and from direct Federal expenditures. The treatment of these several types of outlays varies considerably.

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[1] Joint Economic Committee, "The Federal Budget as an Economic Document," report of the Subcommittee on Economic Statistics (S. Rept. 396, August 1963), pp. 2, 8–11; "The Federal Budget as an Economic Document," hearings before the Subcommittee on Economic Statistics, Apr. 23, 24, 25, and 30, 1963, pp. 55–62. See also a report of the Subcommittee on Fiscal Policy, "Federal Expenditure Policies for Economic Growth and Stability" (Committee print, Jan. 23, 1958), pp. 6, 7, 13, 14.

In several statements, each is shown separately; in others, they are lumped together.

Differentiation of trust funds from administrative budget funds is less important for economic analysis, but it is essential when the replies are compared with budget estimates. Not all the answers make the distinction explicitly. Insofar as possible, committee staff has indicated that trust funds are used for financing particular programs, and has also identified business-type enterprises of the Federal Government. However, the editorial notes on this point are usually appended to the answers to question 10, on the economic classification of expenditures.

Because of the many variations in the basis for reporting the Federal financial data and in agency interpretations of the questionnaire terminology, committee staff concluded that the data given in separate answers could not be added together to yield a meaningful sum. Moreover, the amount of editorial review and agency consultations that would have been required to make the data homogeneous could not be undertaken with the staff and time available. As is evident in table 5 and the related text in part I, summation of even the seemingly simpler amounts reported in question 10 for a single fiscal year, 1965, involves substantial uncertainties and yields only order-of-magnitude totals. Combination of the amounts shown in question 4 for different programs should be undertaken with great caution and, in each instance, should be guided by a detailed examination of related data in the budget appendix.

A surprising number of agencies reported that they have no information about matching or additional expenditures made by State or local governments or other participants in the programs. Less surprising was their lack of definite information about the numbers of non-Federal personnel employed in their programs, since this is only occasionally a factor in applications for Federal grants, loans, administrative cooperation, or other assistance.

Question 5. Estimated magnitude of program in 1970.—One of the major gaps in the survey, and therefore a major omission from the report, results from a decision by the Department of Health, Education, and Welfare to omit estimates of the probable level or magnitude of performance of nearly all its programs in 1970. Among major constituents of the Department, only the Social Security Administration provided data on this point—perhaps because the projections were already published in congressional hearings and in the annual report of the trustees of the old-age, survivors, and disability isurance trust funds. The Children's Bureau, a unit within the Welfare Administration, also replied to these questions.

The absence of responses from the Public Health Service was underscored by a pointed observation, in the introduction for the Bureau of State Services—Community Health:

> The statistical tools which have made it possible for us to gage the future needs more accurately, and the medical advances which have made so much possible in the way of prevention and treatment, have made the broadening of the base of action not only desirable but necessary.

Question 6(c) was designed to yield information about future needs and possibilities and their significance—information that might enlighten congressional and public judgments about the broadening of Federal Government programs.

The Department of Labor, Department of Defense, and several other agencies found the question manageable. The Labor Department, for example, gave estimates of likely budgetary needs in 1970 for several programs—e.g., unemployment insurance, Trade Adjustment Act assistance, and the minimum wage program. The Department of Defense and Department of Justice similarly made projections for several of their programs. Replies covering other programs of these Departments and those of other agencies (including the Office of Economic Opportunity, Department of Housing and Urban Development, and National Science Foundation) in many cases identify developments that may be expected to affect the numbers of persons who may be served by each program in 1970.

It must be acknowledged that too many responses to question 5 and related question 6(c) are generalized statements expressing hopes or expectations that programs will be expanded. Such replies must be expected in a setting in which administrative officials fear that however they set their sights—too low or too high—any projections they release will later haunt them. Nevertheless, the questionnaire elicited enough direct and substantive replies to demonstrate that a serious congressional effort to peer into the mists of the future is not altogether impractical, and that such an inquiry may yield some helpful insights even it it does not provide firm estimates. The possibilities for productive inquiries of this sort may be enhanced by developments within the executive branch—specifically, the requirements of the planning-programing-budgeting system for the preparation of comprehensive multiyear programs and financial plans for each Federal program and agency.

In retrospect, it appears that the question might have been improved and greater consistency in responses might have been generated if alternative sets of specific major economic and political assumptions had been provided as a basis for any projections. This would have been particularly helpful if the question could have suggested acceptable assumptions about the status of Vietnam, the size of the labor force, the volume of the gross national product, and a few other key factors. Assumptions about economic conditions in 1970 might now be based on Bureau of Labor Statistics estimates in a new report, "Projections 1970: Interindustry Relationships, Potential Demand, Employment" (BLS Bulletin No. 1536). This kind of systematic set of basic projections was not available when the questionnaire was formulated.

Question 6. Prospective changes in program orientation.—Parts (a) and (b) of this question asked for reports of pending legislative proposals and proposed administrative or organizational changes that might affect the particular activity or program. Part (c) asked for a statement on "probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social."

Answers to (a) and (b) are generally direct and explicit. They vary somewhat according to whether the reply was prepared before or after release of the President's budget and other messages in January 1966. Several respondents reported on legislative or organizational proposals that were under study in the agencies and were not yet part—at least formally—of the President's program.

Replies to part (c) were in some instances combined with those for question 5. This was understandable and acceptable, especially since the intended difference between the two queries evidently was not so clear to many respondents as it seemed to Committee staff. Question 5 called for "estimates of the probable level or magnitude of performance of the program in 1970." The answers sought were approximations (projections) in terms of dollars, people, or other units indicating whether the program was likely to remain constant in size or would grow or shrink, and, if it changed, to what extent. The question mentioned technological, economic, social, and other factors among conditions to be taken into account in arriving at the projections. Question 6(c), quoted earlier, asked for a statement about prospective changes in the conditions under which the program will function—that is, "prospective or probable changes in program orientation or emphasis which may affect the particular activity or program." One question sought projections of magnitudes or proportions; the other sought information about prospective changes in conditions or orientation.

A substantial number of respondents made the distinction and supplied interesting data on both points. Among these are the Labor Department reports on manpower development and training, the employment service, and the farm labor service; the Department of Housing and Urban Development reports on the Federal Housing Administration and the rent supplement program; the National Science Foundation and Atomic Energy Commission statements on science education and training; and the Civil Service Commission replies for some of its programs.

The Department of Defense statement on dependents' education indicates innovations and changes that may be induced by increased national emphasis on education. Its report on medical care for military personnel and their families makes similar comments in the health field. The Veterans' Administration supplied estimates for the compensation and pension program, but it did not undertake to comment on the significance of the Vietnamese conflict for either this program or veterans' medical care.

The Department of Housing and Urban Development, in its statement on urban planning, notes that the introduction of computers has revolutionized planning but refrains from commenting on the significance of this development for the Federal program.

The Federal Water Pollution Control Administration was still in the Department of Health, Education, and Welfare when its reply was prepared; consequently answers were not given to questions 5 and 6, despite mounting public interest and technological activity in this field.

The generalized Office of Economic Opportunity answers note only that the general economic situation and the question of war or peace are important to the antipoverty effort.

Question 7. Coordination and cooperation.—The Committee asked a compound question, calling for reports on (i) aspects of each program in which opportunities for coordination and cooperation arise or might be created, and (ii) organizational arrangements, operating agreements, administrative regulations or procedures, and other devices or methods developed to promote coordination and cooperation.

For the most part, and not surprisingly, respondents ignored part (i). Possibly they assumed that an extensive report of actual cooperative and coordinating activities and arrangements would demonstrate that all opportunities of this kind were pursued assiduously. Omissions are particularly disappointing in the case of new programs, in which it could not be expected that all possibilities for cooperation had been exploited.

Statements from the new Department of Housing and Urban Development and a few other agencies mention possible avenues for improving interprogram and interagency or intergovernmental relationships or for working with non-Federal interests. Such instances attest that this aspect of public affairs is a fit subject for public discussion, without embarrassment or penalty, and that administrators who recognize problems of coordination merit support and assistance in their efforts to achieve improvements.

The replies given are most detailed and specific in identifying agencies or groups with which cooperative or coordinating relationships have developed, and in identifying the methods or devices of coordination. A few responses—notably from new agencies—merely note legal requirements for coordination that apply to the particular programs.

The question did not ask about the substance and intensity of the relationships, nor did it call for evidence of effectiveness, because it was recognized that this kind of inquiry would elicit subjective evaluations that might best be made by independent appraisers. The first step, represented in the replies to question 7, is to identify arrangements that actually exist. This the responses do in substantial measure.

Even from the limited scope of these factual replies, it is evident that there is opportunity for improved cooperation—and perhaps a greater measure of specific coordination—in the formulation and execution of broad policies and in specific program operations in such major fields as education and training, health and hospital care, income maintenance, and public works construction. Each of these is a field in which a multiplicity of Federal Government agencies share responsibilities and concern for some part of our population, some part of our national area, or some segment of the Government's activities.

Question 8. Laws and regulations.—Several lists of statutory references are impressively long. In some of these replies, a comprehensive reverence to the current edition of the United States Code would be a useful supplement to the lists. Many other replies cite applicable sections in the United States Code, without indicating the statutory history of the program.

The request included references to appropriation authorizations and administrative regulations, as well as basic laws. Many replies omit the appropriations, regulations, or both.

Question 9. Economic effects.—The first of two questions calling for data bearing on economic aspects and impacts of each program, question 9 asks for a description of economic effects with particular reference to enumerated aspects of the program and the economy.

Quite a few responses are thin in substance. Generalities abound. A recurring theme is the need for more analysis, with expressions of hope that time and money soon will permit the effort. This is obviously a commendable objective.

Another view—that economic questions are inappropriate for programs that relate to ultimate human values—becomes explicit in a well-prepared statement from the National Institutes of Health. This view may have been implicit in other responses. The point is discussed in part I of this report, in the section on "Health care and improvement."

Notwithstanding objections and the inadequacies of available data, many replies give evidence of serious effort to supply pertinent estimates and interpretive comments. For numerous small programs, taken individually, the unavoidable answer is that the various types of economic effects mentioned in the question are "not measurable" or "difficult to assess." Where several interrelated small programs are the responsibility of a single major agency, multiprogram answers are provided in a few instances for question 9 and also for question 10. This approach should be used more widely in any further inquiries along these lines. Also, it might be advantageous to formulate different sets of questions for different types of programs—i.e., for large and small programs, and for programs serving different major objectives.

The replies to question 9 provide much of the substantive discussion in part I of this report. Among the more notable responses are those of the Department of Labor for manpower development and training programs and the farm labor service; the Department of Health, Education, and Welfare for old-age, survivors, disability, and health insurance, vocational rehabilitation, Bureau of State Services—community health direct operations, the National Institutes of Health (general answer), and the Office of Education programs for educational improvement of the handicapped, college work-study, and vocational education; the Department of Agriculture rural water and waste disposal and rural housing programs; the Department of Housing and Urban Development for rent supplements (a new program) and for the Federal National Mortgage Association and the Federal Housing Administration; and the National Science Foundation.

The Office of Economic Opportunity statement for question 9 emphasizes national needs and problems to which antipoverty programs are directed. It does not discuss particularly the effects of the programs. Several other agency responses provide scattered data without conclusions as to the possible effects of the Government activities. A disappointing number of answers are impaired by vagueness about the economic aspects of the particular program and its setting. Evidently many of the respondents needed more explanations and instructions than were provided in the questionnaire and subsequent informal discussions with committee staff.

Question 10. Economic classification of expenditures.—Although the final question in the inquiry appeared simple in concept, it proved in fact to be the most complicated. It was answered in some measure by all respondents—but usually for Federal Government expenditures only. Non-Federal expenditures are not estimated even for many programs for which non-Federal participation is a condition of the Federal outlay.

The reported Federal Government amounts are not susceptible of simple summation, excepting to provide the crude order-of-magnitude totals presented in table 5 (pt. I). This is because there is insufficient uniformity in the agency responses. Extensive staff efforts to correct difficulties and eliminate major differences in the basis of the data met with limited success. Types of problems and the shortcomings that persist in the figures are indicated below.

Three major bases have been developed for comprehensive reports of Federal Government finances: (1) the administrative budget, (2) the consolidated cash statement of Federal transactions, and (3) the Federal sector of the national income and product accounts. (For explanation and reconciliation of these measures, with actual amounts for the fiscal year 1965 and estimates for fiscal 1966 and 1967, see special analysis A in the Budget for the fiscal year 1967, pp. 376–384. This is reprinted in Special Analyses, Budget of the United States, fiscal year 1967, pp. 3–11.)

In the national income accounts, only those receipts and expenditures are recorded which directly affect the current flow of income and output. All borrowing and lending transactions are excluded. Thus, the accounts for the Federal Government sector exclude transactions involving purely financial claims such as loans and purchases or sales of land, since these represent neither the production of current output nor incomes, even though they may have indirect effects on the level or composition of economic activity.

The original question 10 suggested, by the listing of categories, that national income account expenditures were to be reported, but this was not stated explicitly. In fact, confusion may have been compounded by a category for loans under aids to State and local governments—an item that was intended to assure separation of these transactions from grants and shared revenues. In any event, many respondents were quite unfamiliar with national income account concepts. A few disagreed with classifications or procedures used in those accounts. For nonspecialists, the concepts used in national income accounts are not particularly easy to understand, especially when they relate to complicated financial operations and involve the receipts and expenditures of programs that are classified as government enterprises. For 2 years, the Bureau of the Budget call for budget estimates has included requests that Federal agencies classify their expenditures on a national income account basis and supply this classification (exhibit 113) in their budgetary submissions. Apparently the responses from agencies were too diverse to be summated without undue revision. Since governmentwide compilations based on national income accounts are prepared regularly by the Office of Business Economics, it can hardly be suggested that the data are not amenable to this classification. It is, in fact, an increasingly important mode of presentation of Government accounts and an essential part of the broad system of national accounts. Nevertheless, difficulties with responses to the committee's question 10 indicate that, even after staff review and discussions of problems identified in the initial replies, the staffs of Government departments and agencies generally are not prepared to fit data for their separate programs into the pattern of the national income accounts.

In general, the concept of Federal expenditures used in the final replies to question 10 corresponds to expenditures in the administrative budget. This reflects difficulties in estimating adjustments necessary in applying the national income concept to each agency or program. (For the Government as a whole, the adjustments and the amounts are shown in table A–1 in special analysis A of the budget, cited above.) Subdivisions by economic category generally follow national income definitions.

Another source of confusion was the precise meaning of "expenditures." Because question 10 asked about outlays financed from both

Federal and non-Federal sources, the word "expenditures" was used generically, rather than with the special connotation that is given in Federal budgetary accounts—where "expenditures" differ from "obligations" and other concepts in terms of the step, the point in its consummation, at which a transaction is measured. The Budget in Brief for fiscal 1967 defines these terms as follows:

Obligations.—Commitments made to pay out money—as distinct from the actual *payment* for the product or service. They must be made within the amount authorized by Congress and are incurred, for example, when personnel earn salaries, purchasing contracts are made, or loan agreements are signed.

Expenditures.—Consist generally of checks issued and cash paid. The transactions of business-type activities which generate their own receipts (such as the Post Office) are normally recorded as *net expenditures*—that is, disbursements less receipts. If receipts exceed disbursements, the result is shown as a negative expenditure.

The accounting relationship of obligations to expenditures is illustrated in the Budget of the U.S. Government, fiscal year 1967—Appendix, p. 7.

Some respondents to the committee inquiry found it easier to report Federal Government obligations than expenditures for their programs. Committee staff tried to have the data adjusted to an expenditure basis for all programs, so they would be homogeneous and could be summated without confusion. Where the agency could not report expenditures, a note indicates that the amounts represent obligations. In some instances, both expenditures and obligations are reported for the totals but the subdivision into economic categories is available only for obligations.

Reports for Government enterprises presented special problems. In the national income accounts, capital formation of the enterprises (including both fixed capital formation and inventory change) is classified as a Government purchase of goods and services. Profits (or current surplus) are treated as a nonfactor charge against the value of output.[2] The profits are calculated without deduction of net interest paid or depreciation. This procedure serves to consolidate the surplus or deficit of Government enterprises with that of general Government. Net interest paid plus capital formation less the current surplus of Government enterprises measures the net excess of their expenditures over their receipts.[3]

Efforts to apply uniformly the approach of the national income accounts to Government enterprises were not successful. Many respondents contended that this type of analysis obscured the nature of their programs. They preferred to report *gross expenditures* as a measure of the magnitude of their programs. A result is that the responses for Government enterprises show each enterprise on the

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[2] The reference to a "nonfactor charge" signifies a transaction that is not a payment for a "factor" of production. The concept of factor cost is explained in the following excerpts from Office of Business Economics. "National Income: A Supplement to the Survey of Current Business, 1954 edition" (1954), pp. 39–40:

"Underlying the definition of 'national income' in terms of factor cost is the general idea that the output of the Nation is the result of the services rendered by agents of production who cooperate in the production of that output. These agents of production are the labor and capital, the entrepreneurial ability and natural resources which are used in the production process. It is the services of these agents or factors as valued in the market by their earnings for which a quantification is sought in the national income, to the extent permitted by the data available as statistical raw material.

"It is hardly necessary to stress the importance in studies of resource allocation of such a measure of the services rendered by productive agents. * * *

"It must be recognized, of course, that the concept of factors of production is not given precisely in economic theory but must, to some extent, be formulated with reference to the problem at hand. * * *

"In spite of * * * limitations and difficulties, the idea of factor costs has always been of fundamental importance in economic analysis, and national income defined as an aggregate of factor earnings is the only general measure by which the idea can be quantified."

[3] For a more complete discussion, see ibid., p. 49.

basis chosen by the reporting agency. Editorial footnotes identify Government enterprises and specify both gross and net expenditures in the fiscal year 1965.

According to the Office of Business Economics, the following Federal Government operations are classified as "Government enterprises" in national income accounts (August 8, 1966):

Alaska Railroad.
Army—Air Force Motion Picture Service.
Army—Air Force post exchanges.
Army—Air Force civilian post restaurant.
Bonneville Power Administration.
Commodity Credit Corporation.
Direct loan program of the Veterans' Administration.
Export-Import Bank.
Federal Deposit Insurance Corporation.
Federal Home Loan Bank Board.
Federal Housing Administration.
Federal intermediate credit banks.
Federal National Mortgage Association.
Federal Savings and Loan Insurance Corporation.
Housing and Home Finance Agency (Office of the Administrator):
- Liquidating programs.
- Urban renewal.
- Public facility loan program.
- Community disposal fund.
- College housing loan fund.

Marine post exchange.
Naval ships stores.
Naval exchanges.
Officers' and enlisted men's clubs.
Panama Canal Company (including railroad).
Post Office.
Regional banks for cooperatives.
Rural Electrification Administration.
St. Lawrence Seaway.
Southwest Power Administration.
Southeastern Power Administration.
Tennessee Valley Authority.

Analysis of economic impacts in the case of trust funds requires consideration of receipts as well as expenditures. Accordingly, agency responses were amended, as necessary after consultation, to include some discussion of the trust fund operations. The problem of relating trust fund transactions to the national income accounts is especially complicated for those which are considered Government enterprises.

Subdivision of Government expenditures into economic categories was not shown or was incomplete in some of the responses. Important cases of misclassification were corrected after consultation with respondents.

The treatment of research and development expenditures presented special complications, however, because of a recent change in the national income account concepts. Formerly, Government payments to private nonprofit institutions for research and development were classified as "transfer payments." In the revised system, they are considered Government purchases of goods and services.[4] The Bureau of the Budget circular calling for agency submissions for the 1967 budget did not incorporate this change, and respondents to the committee questionnaire were not all aware of it. Except for the National Institutes of Health and the National Science Foundation,

[4] For further comment, see the Survey of Current Business, August 1965, pp. 13-14.

research and development payments to nonprofit organizations are classified as "transfer payments" in most of those replies that subdivide the Federal expenditures.

Where grants-in-aid to State and local governments are reported in the replies to question No. 10 in terms of a concept that differs from the national income definitions, an editorial note has been added.

The tabular arrangement of the published replies is simpler than in the questionnaire. Where possible, Federal expenditures are subdivided by economic categories. For non-Federal expenditures, to the extent that these are reported, only totals are shown. Double counting has been eliminated.

Part III. DEPARTMENT AND AGENCY REPLIES

Part III includes the substance of the questionnaire which was sent to Departments and agencies of the U.S. Government in September 1965 and amended in October 1965. Attached to the questionnaire was a tentative list of domestic activities of the Federal Government which committee staff had identified as primarily concerned with the development of human resources. The list was not to be considered as exhaustive or limiting, and the agencies were invited to make whatever revisions they believed appropriate to the inquiry.

Replies were requested by January 28, 1966. Most of the material in this document is based on the information which was available as of that time. Some replies, however, were not submitted until several months after the January deadline. The committee requested that the estimates for 1966 and 1967 should be consistent insofar as possible with the estimates in the President's budget for 1967.

The Departments and agencies named in the list which follows are arranged in the order in which they appear in the Congressional Directory.

Executive Office of the President

Office of Economic Opportunity

Departments

Department of State
Department of the Treasury
Department of Defense
Department of Justice
Department of Interior
Department of Agriculture
Department of Commerce
Department of Labor
Department of Health, Education, and Welfare
Department of Housing and Urban Development

Independent Agencies

Appalachian Regional Commission
Atomic Energy Commission
Civil Service Commission
Federal Power Commission
National Aeronautics and Space Administration
National Science Foundation
Railroad Retirement Board
Selective Service System
Small Business Administration
Smithsonian Institution
Tennessee Valley Authority
Veterans' Administration

INQUIRY RELATING TO HUMAN RESOURCES PROGRAMS

[AMENDED, OCTOBER 22, 1965]

SUBCOMMITTEE ON ECONOMIC PROGRESS

of the

JOINT ECONOMIC COMMITTEE

Questionnaire

This questionnaire is designed to aid the Joint Economic Committee in preparing a review of Federal programs that involve investment in people. In addition to a description and history of each program, the committee study will include information about the effects of the programs on the functioning of the economy.

Accompanying the questionnaire is a list of programs which committee staff have identified as being within the scope of the study. The test for inclusion is that the programs are directed primarily toward the maintenance or development of people in the United States or, alternatively, have as a secondary effect a substantial impact on the development of our human resources. The list is not intended to be limiting, either as to the extent of the governmental activities and services to be covered or the lines to be drawn between programs. If, in the opinion of the department or agency head, programs should be added or other changes made in the list, please advise the committee staff.

Of particular interest are programs which involve education and training, rehabilitation, employment and reemployment, health, children's welfare, income maintenance, family housing, and regional development, and the provision of facilities for such purposes. Research and development activities directed to these purposes also are pertinent.

Please prepare a separate reply for each separate program. Where identical answers are applicable to two or more programs, this may be indicated by specific cross-reference.

The concept of "program" should be kept as broad as is consistent with the provision of clear and definite answers which will contribute to a compilation useful for legislators, public officials, public interest groups, economists, and other users of the report. Questions about the scope of particular programs or the categories to be used in responses should be taken up with Joint Economic Committee staff.

Question 7 should be given particular attention, in view of the provision of the Employment Act of 1946 directing the committee "to study means of coordinating programs in order to further the policy of this Act."

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Kindly direct questions by telephone to I. M. Labovitz (173–566) or J. R. Stark (180–5171) or, if written, to Mr. Stark at the office of the Joint Economic Committee, room G133, New Senate Office Building.

Replies should be made in duplicate and delivered to the Joint Economic Committee as soon as possible and, in any event, not later than January 28, 1966.

Questionnaire: Part I. Description of the Program

1. Objectives or purposes—what the program does or is intended to do.

2. How it operates (e.g., wholly a direct Federal operation, conducted in regional and field offices with headquarters supervision; technical assistance to ----; grant-in-aid or contract with ----; loans to ----; training programs for ----; etc.

3. Brief history of the program.

4. Level of operations or performance, fiscal years 1964–67. The estimates for 1966 and 1967 should report data consistent insofar as possible with the estimates in the President's budget for 1967. (Please supply a table based on this form:)

Program: --

Department or agency, and office or bureau: ----------------------------

Measure (see notes below for definitions and illustrative units)	Unit (see notes)	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(*a*) Magnitude of the program (please specify unit)					
(*b*) Applicants or participants:					
State government agencies					
Local communities or governments (specify)					
Individuals or families (specify)					
Other (specify)					
(*c*) Federal finances:					
Unobligated appropriations available					
Obligations incurred					
Allotments or commitments made (specify)					
(*d*) Matching or additional expenditures for the program (specify nature of entries)					
(*e*) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles)					
(*f*) Non-Federal personnel employed in the program					
(*g*) Other measures of level or magnitude of performance (specify nature of entries)					

NOTES FOR QUESTION 4

The letter preceding each explanatory note refers to the corresponding "Measure" in the tabular form above.

(*a*) Examples: Numbers of cases, persons, establishments, properties, stations, approved projects, completed structures or projects, contracts awarded or completed, items produced or sold, or other units indicating magnitude of the activity. If unit is in terms of beneficiaries (individuals, families, or other types), indicate whether these are direct or secondary beneficiaries of the program.

(*b*) Specify whether number refers to applicants, participants, or some other category. Specify type and number of units involved—e.g., States, local communities or governments, individuals or families, establishments, firms, or organizations.

(*c*) In cases involving permanent or indefinite appropriations or trust funds, please specify.

(*d*) Show amount of matching or additional expenditures, if any, for the activity or program which were (or will be) financed from non-Federal funds by the grantees, contractors, borrowers, aid recipients, or other participants or cooperators. If all such figures are estimated, please explain the basis of the estimates and their derivation.

(*e*) Man-years devoted to the particular program or activity by individuals in Federal employment, civilian or military.

(*f*) Number of non-Federal employees engaged in the assisted activity or program, excluding trainees, fellows, and other participants or beneficiaries.

(*g*) Include significant work-performance data for the program or activity.

5. Estimates of the probable level or magnitude of performance of the program in 1970, taking into account the conditions in which

it will function including technological, economic, social, and other factors.

6. Prospective or probable changes in program orientation or emphasis which may affect the particular activity or program:

(*a*) Pending legislative proposals.

(*b*) Proposed administrative and organizational changes.

(*c*) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social.

The reply should cover pending legislative proposals and proposed administrative and organizational changes which are in the President's program or in the departmental or agency program as of late January 1966. The reply should include recommendations or proposals set forth in the President's annual messages in January 1966, including recommendations which are made in the budget for the fiscal year 1967.

7. Coordination and cooperation with other programs and agencies as to purposes, policies, operations, and financing. Using categories listed below, specify and describe (i) aspects of the program in which opportunities for coordination and cooperation arise or might be created, and (ii) organizational arrangements, operating agreements, administrative regulations or procedures, and other devices or methods developed to promote coordination and cooperation:

(*a*) Within your bureau, division, or office.

(*b*) With other units of your department or agency.

(*c*) With other Federal Government departments or agencies.

(*d*) With State governments or their instrumentalities.

(*e*) With local governments or communities (specify type or level of government).

(*f*) With foreign governments or international organizations.

(*g*) With nonprofit organizations or institutions (specify types).

(*h*) With business enterprises (specify types).

(*i*) With others (specify).

8. Provide specific references to laws and regulations affecting the program, including appropriation authorizations, and supply copies if feasible. Dates and citations for original laws, amendments, and supplementary legislation should be provided.

Questionnaire: Part II. Data Bearing on Economic Aspects and Impacts of the Program

9. Describe the economic effects of the program (and provide quantitative estimates insofar as feasible), with particular reference to the following aspects:

(*a*) Effects on personal incomes of persons served or involved and on the distribution of personal income.

(*b*) Effects on the placement or productivity of workers, or both, and on their earnings.

(*c*) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition, if any.

(*d*) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity.

(*e*) Any benefits (not included above) resulting from the particular governmental program. Specify the groups or economic segments primarily affected.

(*f*) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts.

(*g*) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified.

(*h*) Other data or comments relevant to economic impacts or significance of the particular governmental program.

If impacts and effects of the types indicated above have been the subject of research (official or otherwise), a synopsis and evaluation of the findings would be of interest to the committee. Please include references to pertinent publications.

10. Economic classification of program expenditures for fiscal year 1965.

(Insofar as feasible, please report estimates or actual amounts of program expenditures classified in the categories specified below; show amounts in millions of dollars.)

Program: --

Department or agency, and office or bureau: ----------------------------

Category	Total expenditures for the program	Federal Government expenditures	Non-Federal expenditures financed by—			
			State or local governments	Individuals or nonprofit organizations	Business enterprises	Others (specify)
Total						
Purchases of goods and services:						
Wages and salaries						
Other						
Transfer payments—						
To individuals and nonprofit organizations						
To others (specify types of recipients)						
Aids to State and local governments:						
Grants and shared revenues						
Loans						
Other forms of aid						
Other categories (specify)						

Please add any necessary explanatory or qualifying statements and supporting details.

EXECUTIVE OFFICE OF THE PRESIDENT—OFFICE OF ECONOMIC OPPORTUNITY

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INTRODUCTION

The Economic Opportunity Act of 1964 has as its purpose the mobilization of the human and financial resources of the Nation to combat poverty in the United States. The act recognizes that while the United States as a whole has achieved economic prosperity surpassing all other nations there are many Americans who have not yet shared in this prosperity. In 1964 there were about 34 million people in our population of 190 million who were classed as poor. The pamphlet, "Dimensions of Poverty in 1964," included as appendix I, provides a detailed breakdown of the poor population by age, sex, and location.

TABLE 1.—*Trends in poverty population, 1959–64*

	Total population	Persons in poverty	Percent of population in poverty
	Millions	*Millions*	
1959	176.5	38.9	22.1
1960	179.5	40.1	22.3
1961	181.4	38.1	21.1
1962	184.4	37.0	20.1
1963	187.2	35.3	18.9
1964	189.7	34.1	18.0

The above table shows that poverty in America is declining when measured both in absolute terms as numbers of poor people and when measured relative to the total population. It also indicates that the poor population tends to decline when the Nation is in a period of economic expansion such as we have experienced since 1961.

Even though continued prosperity will undoubtedly further reduce the numbers of those classed as poor, there are millions who will continue to be bypassed even in an ever expanded economy. Among these millions are the school dropouts who have not acquired marketable skills, middle-aged workers whose unskilled jobs have been taken by automation and others who have surrendered to despair. While these millions could be "bought" out of poverty through the use of transfer payments of some $11 billion this would not provide a lasting solution to the problem.

The Economic Opportunity Act was designed to provide these hard core poor with opportunities for training and assistance to prepare them for productive employment and entrance into the mainstream of American life. For example, the Job Corps program provides education, vocational training, and useful work experience in urban and rural residential centers for young men and women, aged 16 to 21. The Neighborhood Youth Corps provides work experience for young men and women. By offering part-time employment, the program permits youths to stay in school, encourages dropouts to return to school and serves as a bridge to regular employment for others. The community action program encourages urban and rural communities to mobilize their resources to eliminate poverty or the causes of poverty through the development of employment opportunities and the improvement of conditions under which people live, learn, and work. In addition to serving as catalysts for action, local community action agencies help poor people obtain the benefits of other Federal programs, State programs, and local programs for which they are eligible. In this way, the full weight of existing programs is brought to bear against the problems of poverty.

Table 2 provides a summary of participants and beneficiaries of programs being carried out under the Economic Opportunity Act.

TABLE 2.—*Participants and beneficiaries in Economic Opportunity Act programs, fiscal years 1965–67*

Description	1965 actual	1966 estimate	1967 estimate
Community action programs:			
Communities with action grants	220	700	900
Communities with planning grants	315	300	300
Children in Headstart projects:			
Summer	560,000	500,000	500,000
Full year	20,000	100,000	210,000
Adults employed by community action agencies	82,000	125,000	180,000
Children in remedial tutorial projects	70,000	293,000	307,000
Youths in Job Corps (end of year)	10,241	30,000	45,000
Youths in Neighborhood Youth Corps:			
In-school academic year projects	102,000	100,000	125,000
Summer projects	144,000	165,000	165,000
Out of school	62,000	60,000	64,000
Adults in work experience projects	88,700	109,000	105,000
Enrollees in adult literacy programs	38,000	75,000	75,000
Number of loans to low-income rural families:			
Individual families	11,000	15,500	15,500
Cooperatives	82	350	400
VISTA volunteers (end of year)	1,100	3,500	4,500

COMMUNITY ACTION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of Federal assistance to community action programs is to help urban and rural communities to mobilize their own resources to combat poverty. The objective of every community action program is to effect a permanent increase in the capacity of individuals, groups, and communities afflicted by poverty to deal effectively and on their own initiative with their social and economic problems.

2. Operation

Community action programs are conducted by local "community action agencies." These are normally either public or private nonprofit agencies organized under local initiative on a city, county, or multicounty basis. The community action agency applies for grants (generally on a 90–10 matching formula) through one of seven OEO regional offices. The grants can be approved at the regional offices up to a certain amount for each type of community action activity—the highest amount being $500,000 for conduct and administration. Larger grants are reviewed at the regional level and then sent to OEO headquarters for approval by the Director.

Additional information on the operation of the community action program is included in volumes I and II of the Community Action Program Guide.

3. History

The community action program began operating in November 1964 when the first grant was made under the program to the Atlanta-Fulton County Economic Opportunity Authority for development and administration of a program providing for neighborhood service centers and a summer school program. At the end of fiscal year 1965, grants had been made to 220 community action agencies throughout the country for conduct and administration of local programs. In addition, more than 200 other communities had received program development grants and were engaged in preliminary studies prior to submission of requests for grants to carry out local programs. In the summer of 1965 more than half a million children received preschool training in some 11,000 centers throughout the country under Operation Headstart.

4. Level of operations. (See table 3.)

Program: Community action program.
Department or agency, and office or bureau: Office of Economic Opportunity; Office of Research, Plans, Programs, and Evaluation.

TABLE 3.—*Level of operations or performance, fiscal years 1965–67*

Measure	Unit	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program:				
Program development grants	Number	315	300	300
Action components funded	do	550	3,575	4,125
(b) Applicants or participants:				
Local community action agencies	do	220	700	900
Children participating in Operation Headstart	do	580,000	600,000	710,000
(c) Federal finances:				
Obligations incurred	Millions	$251.6	$662.5	$951.0
Program costs funded [1]	do	$50.4	$515.0	$765.0
(d) Matching expenditures from non-Federal funds	do	$5.0	$51.5	$76.5
(e) Number of Federal Government employees administering program (includes Washington headquarters and regional offices). Permanent positions.		301	610	670
(f) Number of non-Federal personnel employed in the program:				
Employees of community action agencies		12,000	25,000	30,000
Number of poor employed in the program		70,000	100,000	150,000

[1] Includes migrant agriculture workers program.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)

7. *Coordination and cooperation* [1]

An integral part of the community action concept is coordination and cooperation with other programs and agencies. The intent is to bring together in one program, programs that now exist, plus new programs as they are created to approach community problems. In this way, existing local, State, and Federal programs are linked to each other in a concentrated drive against poverty.

Specifically, coordination and cooperation are carried out in the following ways:

(*a, b*) Within the OEO itself, section 211 of the Economic Opportunity Act provides that agencies carrying out programs under other parts of the act will coordinate their activities with those of local community action organizations to assure programs of maximum effectiveness. A preference process favors the allocation of funds to OEO programs which cooperate directly with local community action agencies and develop jointly with those agencies.

(*c*) With other Federal agencies, coordination is carried out on a continuous basis. Sections 611 and 612 of the Economic Opportunity Act lay the foundation for this coordination. Section 611 contains provisions designed to assure that all Federal programs related to the purposes of the act are carried out in a coordinated manner. Federal agencies which are engaged in administering programs which are related to the economic opportunity program are required to cooperate with the Director of OEO in maximizing the effectiveness of the economic opportunity program. Section 612 requires the head of each Federal agency to give preference to applications for assistance and benefits which are made in conjunction with an approved community action program. A specific example of this type of coordination is the

[1] See also the statement included on delegation of authorities to other agencies.

joint task force established by OEO and the Office of Education to deal with matters relating to education of the disadvantaged.

There are many Federal agencies which have paid specific attention to channeling their projects into poverty areas with local CAA's. The Department of Labor has specific cooperative programs with the Job Corps and with the Neighborhood Youth Corps. HEW coordinates its many programs at the regional level with community action objectives. CAP workers cooperate with medicare in their Operation Medicare Alert, a program of registration. The Small Business Administration works in conjunction with OEO's small business development centers and small business loans.

With the cooperation of the Bureau of the Budget and all Federal agencies, OEO has compiled a Federal catalog of existing programs, "Catalog of Federal Programs for Individual and Community Improvement," December 15, 1965.

(*d*) Section 209 (b) of the Economic Opportunity Act established the procedures which facilitate the effective participation of the States in community action programs. Grants and contracts are authorized to be made to State agencies in order to enable them to provide technical assistance to communities in developing, conducting, and administering community action programs. In addition, the application procedures are such that the Governor of the State has the opportunity to review program applications within his State.

(*e*) Since the community action program concept is based on local initiative, coordination at the local level is essential. Every community has agencies which provide services to the poor; many of these agencies already receive assistance from State and Federal Governments. Mobilization of all of these existing resources is an essential part of the community action program. At the local level the efforts of the community action agencies are coordinated with the educational system and libraries, with public welfare departments, and with the public health departments and community hospitals. These are only a few examples of areas of local coordination.

(*f*) The utilization of nonprofit organizations and institutions and research firms is also an integral part in the administration of the community action programs. The expertise of many firms lends an objective approach to the implementation of innovative programs to combat poverty.

Nonprofit organizations may be given grants for the development, conduct, and administration of community action programs. As community action agencies they must be sponsored by a public agency or by one or more private institutions which have concern with problems of poverty in the particular area. Sponsorship must be in the form of an official act endorsing the organization as the community action agency for the area to be served.

Research and demonstration grants and contracts may be entered into with organizations for the purpose of making studies, surveys, and investigations into the causes and nature of poverty and the means by which poverty in a particular area may be eliminated or reduced. Also, demonstration projects are funded with the objective of evaluating novel and experimental approaches that give promise of increasing the effectiveness of local antipoverty actions.

In summary then, a community action program must provide for the redirection, extension, expansion, and improved utilization of existing programs and activities. It makes maximum use of resources available under other Federal programs, including other programs of the Economic Opportunity Act as well as community resources, public and private.

8. Laws and regulations

The community action program is covered under title II of the Economic Opportunity Act of 1964 (Public Law 88–452, as amended). Funds are allocated under the provisions of sections 204–209 of the act. Major program elements are program development (section 204), conduct and administration (section 205), technical assistance (section 206), research, demonstration, and training (section 207) and State technical assistance (section 209–b). Section 311 of title III, which provides for assistance for migrants and seasonally employed agricultural workers and their families, is also administered under the community action program.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects. (This is discussed in later section covering all OEO programs.)

10. Economic classification of program expenditures. (*See table 4.*)

Program: Community action program.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 4.—*Economic classfication of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries	1.8
Other	1.1
Grants to community action agencies	[1] 47.5
Total, Federal	50.4
Non-Federal expenditures	5.6
Total expenditures for program	56.0

[1] Federal share of grants to community action agencies is 90 percent. Information on split of 10 percent local share between State and local governments and nonprofit organizations is not available.

JOB CORPS

PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The specific objective of the Job Corps is to provide a residential program of vocational training, remedial education, and work experience for disadvantaged men and women of 16 through 21 years of age who are out of school and unable to find suitable employment and who may have a self-concept of failure.

On a broader scale, the objectives are to prepare young people to be responsible, productive citizens by providing them the opportunity to rise out of poverty by increasing their own knowledge and skills. A concomitant objective of the program is the development and preservation of natural resources and the beautification of America, since the Economic Opportunity Act requires that at least 40 percent of the male enrollees must be assigned to conservation projects.

2. Operation

Job Corps centers are established by the Director of OEO through contracts with public or private organizations and institutions. Financial arrangements with private companies for the urban centers are on a cost-plus-fixed-fee basis. Conservation centers are supervised by agencies of the Department of Agriculture and the Department of the Interior, except for some State-supervised centers supported in whole or in part by Federal funds. Conservation centers consist of 100 to 200 men each; men's urban centers, usually located on unused military or other Federal facilities, train 1,000 to 3,000 corpsmen; and women's urban centers train 250 to 1,000 women.

The program is administered by Job Corps headquarters in Washington and in OEO's regional offices.

Job Corps enrollees must be within the range of 16 through 21 years of age at the time of enrollment, permanent residents of the United States, from impoverished homes, out of school, unable to find suitable employment, medically qualified, and free of any serious criminal record. They are trained in educational as well as specific occupational skills. Girls are trained, as well, in family management.

3. History

The history of the Job Corps, since the Office of Economic Opportunity was launched on October 8, 1964, has been one of continuous expansion of training facilities and of enrollees. Plans for Job Corps centers were announced at the end of 1964 and the beginning of 1965; the first conservation centers and men's urban centers were activated by February 1965, and the first women's urban centers were activated in April 1965. On June 30, 1965, there were over 10,000 enrollees in 48 centers; by January 3, 1966, there were 17,190 youths in 84 centers. These 84 centers include 69 conservation centers, 8 men's centers, 5 women's centers, 1 capital project, and 1 State-related center. Obligated funds in fiscal year 1965 amounted to $174,818,555.

4. Level of operations. (See table 1.)

Program: Job Corps.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level of operations and performance, fiscal years 1965–67*

Measure	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(a) Magnitude of the program:			
Men's urban training centers in operation	7	9	11
Women's urban training centers in operation	5	10	14
Men's conservation centers in operation	37	85	99
(b) Applicants or participants:			
Male enrollees end of year	9,348	25,800	39,000
Female enrollees end of year	893	4,200	6,000
(c) Federal finances (in millions of dollars):			
Obligations incurred	174.8	310	228
Program costs funded	53.5	240	355
(d) Matching or additional expenditures for the program	----------	----------	----------
(e) Number of Federal Government employees (permanent) administering, operating or supervising the program	[1] 2,562	[1] 4,600	[1] 4,700
(f) Non-Federal personnel employed in the program, employees of contractors operating urban training centers	2,760	6,000	6,900

[1] Included are Department of Agriculture and Department of Interior Federal Government employees who manage and operate the Federal conservation centers.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)

7. *Coordination and cooperation*

The nature of the formation of Job Corps centers (see question 2 above) indicates the close association of the Job Corps program with the Departments of Agriculture and Interior, with State governments, and with a variety of public and private institutions and organizations.

The Bureau of Employment Security, through the State-local system of employment services, is instrumental in the screening of prospective enrollees, and in the placement of enrollees upon leaving the program.

Within OEO, the Job Corps is closely connected with the community action program in regions where there are both Job Corps centers and community action agencies. CAP is particularly useful in locating potential corpsmen, as is the Neighborhood Youth Corps.

8. *Laws and regulations*

The Job Corps program is administered under Public Law 88–452, the "Economic Opportunity Act of 1964," title I–A, 78 Stat. 508; 42 U.S.C. 2711–2770 (1964).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed in later section covering all OEO programs.)

10. *Economic classification of program expenditures.* (See table 2.)

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Program: Job Corps.
Department or agency, and office or bureau: Office of Economic Opportunity.

	Millions
Federal Government:	
Purchases of goods and services:	
Wages and salaries	[1] $1.3
Other	52.2
Total, Federal	53.5
Non-Federal expenditures	-----
Total expenditures for program	53.5

[1] Salaries of headquarters personnel. Salaries and wages of Agriculture and Interior personnel employed in operation of conservation centers are included under "Other."

VOLUNTEERS IN SERVICE TO AMERICA (VISTA)

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The purpose of VISTA is to afford an opportunity for men and women from all economic, geographic, social, and age groups to join, on a full-time volunteer basis, the Nation's war on poverty. Through specific projects designed by local sponsors to meet local needs, VISTA volunteers strive to provide new hope, determination, and skills that can help lift people out of poverty.

2. Operation

The VISTA program is directed from the headquarters in Washington, D.C. Training of volunteers in general problems of poverty and in specific skills is conducted under contracts with universities or other appropriate private and public institutions. VISTA volunteers are allocated to specific projects approved by the Director of VISTA through arrangements with sponsors. Volunteers normally serve a period of 1 year, although extensions for an additional year are encouraged.

3. History

The VISTA program was authorized under section 603 of the Economic Opportunity Act of 1964. By January 1966, there were 1,678 volunteers at work in 60 urban projects and 153 rural projects in 42 States and the District of Columbia, and there were an additional 395 volunteers in training. Projects involved a wide variety of activities—vocational training; health services; educational advancement; aid to migrants; and the seasonally unemployed, and community action efforts. Areas served were equally diverse, including urban slums, rural Appalachia, Indian reservations, and isolated Eskimo villages in northern Alaska.

4. Level of operations. (See table 1.)

Program: VISTA.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level of operations or performance, fiscal years 1965–67*

Measure	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program, volunteers assigned to field or in training (end year)	1,100	3,500	4,500
(b) Participants, project sponsors	50	350	450
(c) Federal finances (millions of dollars):			
Obligations incurred	3.0	15	26
Program costs funded	1.4	14	23
(d) Matching or additional expenditures for the program			
(e) Number of Federal Government employees administering, operating, or supervising the activity	112	270	295
(f) Non-Federal personnel employed in the program [1]	1,100	3,500	4,500
(g) Other measures of level or magnitude of performance			

[1] Volunteers (also included in entry (a)) are non-Federal personnel.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)

7. Coordination and cooperation

Within the framework of OEO, the VISTA program complements and supplements the other antipoverty programs by providing services in individual poverty situations and in specific areas of need. In addition to supporting OEO objectives in general, VISTA projects are very often coordinated with community action programs and with Job Corps centers, Neighborhood Youth Corps and Headstart efforts. Volunteers work with numerous community organizations, with local educational systems, and with public health projects and other statewide service projects. An example of such cooperation is the VISTA work with mental institutions.

8. Laws and regulations

The VISTA program was authorized by Public Law 88–452, the Economic Opportunity Act of 1964, under title VI, section 603, as amended in 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects. (This is discussed in later section covering all OEO programs.)

10. Economic classification of program expenditures. (See table 2.)

Program: VISTA.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

	Millions
Federal Government:	
Purchases of goods and services:	
Wages and salaries	$0. 9
Other	. 5
Total, Federal	1. 4
Non-Federal expenditures	----
Total expenditures for program	1. 4

NEIGHBORHOOD YOUTH CORPS [1]

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the Neighborhood Youth Corps is to provide useful work experience opportunities for unemployed young men and young women, through participation in State and community work-training programs, so that their employability may be increased or their education resumed or continued. Also, public agencies and private nonprofit organizations (other than political parties) are enabled, with NYC projects, to carry out programs which permit or contribute to an undertaking or service in the public interest that would not otherwise be provided, or that contribute to the conservation and development of natural resources and recreational areas.

2. Operation

In order to carry out the purposes, the Director, through regional and field offices with headquarters' supervision, assists and cooperates with State and local agencies and private nonprofit organizations (other than political parties) in developing programs for the employment of young people in State and community activities.

3. History

Fiscal year 1965 was a year of planning, organization, promotion, and development for this entirely new program. Program operations did not reach full scale until the last quarter of the fiscal year. The first Neighborhood Youth Corps project, for the city of Newark, N.J. was approved late in December 1964, and began operation January 4,

[1] NOTE.—This program is also discussed by the Department of Labor.

1965. In October 1965, the 1,000th contract with a local sponsor was signed in Indianapolis, Ind.

Through June 30, 1965, the Neighborhood Youth Corps signed 642 projects in all 50 States, the District of Columbia, and Puerto Rico. These projects are estimated to employ about 278,000 young people, at a cost to the Federal Government of about $132,500,000. Approximately 74 percent of the enrollees were in urban programs, and 26 percent in rural areas or small towns. In general, large cities were better organized to plan and conduct these new types of operations on short notice. About 60 percent of the enrollees were young men, and 40 percent were young women.

4. Level of operations. (See table 1.)

Program: Neighborhood Youth Corps.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level cf operations and performance, fiscal years 1965–67*

Measure	Unit	Fiscal year 1965 [1]	Fiscal year 1966 estimates [1]	Fiscal year 1967 estimates
(a) Magnitude of program	Enrollees	278,426	[2] 366,305	[2] 354,000
(b) Applicants or participants in projects sponsored by	Projects	642	1,500	1,730
State government agencies	do	61,803	[3] 84,250	[3] 78,590
Local communities or governments	do	136,327	[3] 179,489	[3] 173,460
Private nonprofit organizations	do	80,296	[3] 102,563	[3] 101,950
(c) Federal finances (in millions):				
Obligations incurred	Millions of dollars.	132.3	259.0	300.0
Program costs funded	do	50.9	245.0	275.0
(d) Matching or additional expenditures for program	do	18.4	[4] 34.6	39.9
(e) Number of Federal Government employees administering, operating, or supervising the activity.	Man-years	106.0	298.1	361.9
(f) Non-Federal personnel employed in the program		(5)	(5)	(5)
(g) Other measures of level or magnitude of performance				

[1] Program was in operation for only 6 months of fiscal year 1965, therefore, the increased enrollment for fiscal year 1966 required almost twice the funds.
[2] For fiscal year 1966 and fiscal year 1967 estimates; the unit is job slots, rather than enrollees.
[3] Projections based on same percentage distribution as fiscal year 1965.
[4] Based on average sponsor's share of 12 percent of total program costs.
[5] Information not available.

5. Estimated magnitude of program in 1970. (This is discussed later in section covering all OEO programs.)

6. Prospective changes in program orientation. (This is discussed later in section covering all OEO programs.)

7. Coordination and cooperation

The NYC experience in coordination and cooperation with other programs and agencies has been very satisfactory with the other bureaus of the Department of Labor, other Federal departments, including the Office of Economic Opportunity, agencies, State governments and their instrumentalities. The relationships with county, municipal governments, area redevelopment councils, and Indian tribal councils have been excellent. Likewise, the contacts with the labor unions have been helpful. Private nonprofit organizations, some of which serve as sponsors for many NYC projects, have cooperated well and are operating very effectively. We have had negligible contact with foreign governments, international organizations, or business enterprises.

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8. Laws and regulations

The Neighborhood Youth Corps was established by title I–B of the Economic Opportunity Act of 1964 (Public Law 88–452) and was amended by the Economic Opportunity Amendments of 1965 (Public Law 89–253). Appropriations were authorized by Public Law 88–635.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects. (This is discussed later in section covering all OEO programs.)

10. Economic classification of program expenditures. (See table 2.)

Program: Neighborhood Youth Corps.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

	Millions
Federal Government: [1]	
Purchases of goods and services:	
Wages and salaries	$1. 2
Other	. 7
Other expenditures—Contract expenditures for providing enrollee wages and related expenses	49. 0
Total, Federal	[2] 50. 9
Non-Federal expenditures	5. 6
Total expenditures for program	56. 5

[1] Non-Federal data not available.
[2] Does not include expenditures made under sponsors' 10-percent matching requirement. This information is not available.

NOTE.—In national income terminology the bulk of contract expenditures is classified as a grant to State and local governments, with a small portion classified as a transfer to private nonprofit organizations.

RURAL LOAN PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The rural loan program is composed of two major divisions through which loans are granted to low-income rural families. The divisions and objectives of each are described below:

Economic opportunity loans to individual low-income rural borrowers: This program has the following objectives: (*a*) To assist low-income rural families headed by a person with limited mobility due to age, lack of education, or a physical handicap to improve their capacity to earn income; (*b*) to promote "mobility in place" for those small, subsistence farmers and others in rural areas who have the opportunity and skills but not the financing to start a potentially successful small business, trade, or service; and (*c*) to enable older farmers who own and operate small and part-time units to continue to own these units and thereby provide a place for their families to live and to earn part of their income.

EO loans to cooperatives serving low-income rural families: The objectives of this program are to improve the income, available resources, and opportunities of such families by furnishing essential processing, purchasing, or marketing services, and to increase their capacity for working together to solve mutual problems.

2. Operation

Both EO loan programs are operated by the Department of Agriculture's Farmers Home Administration under delegation from the Office of Economic Opportunity. Farmers Home Administration has 1,600 county offices serving all rural areas of the United States and Puerto Rico. Offices are generally staffed by loan supervisors and assistants. EO borrowers, as well as all other borrowers using FHA credit programs, receive continuing assistance from FHA supervisors in the management of loan funds and of the enterprises financed. This service is termed "supervision" and is a unique and essential feature of all FHA lending operations. OEO provides general policy guidance in administration of the EO rural loan programs, and for this purpose a position has been established in the FHA headquarters office to maintain continuing liaison with OEO. OEO has transferred funds to FHA for approximately 250 positions for administration of the EO rural loans to supplement existing FHA personnel rolls. However, all FHA personnel devote some time to administering the rural loans, which are integrated with the agency's other activities.

3. *History*

Rural loans were included under title III of the Economic Opportunity Act as one of three special programs to combat poverty in rural areas, the others being assistance for migrants and indemnity payments to dairy farmers suffering financial injury due to public health pesticide controls.

The legislative history and the statute itself make clear that the individual loans are to be made only in cases where the family has a reasonable possibility of affecting a permanent increase in their income.

The economic opportunity rural loan programs were started at the local level in early January 1965. In the last 6 months of fiscal year 1965, a total of 11,022 initial loans for $18,828,000 were made to individual borrowers. In addition, 82 loans were made to cooperatives for $942,000. Of the individual loans, 6,647 were made to farmers to finance agricultural enterprises, 557 for a nonfarm business or trade that would supplement income from farming, and 391 for a combination of both. In addition, 3,427 loans were made to nonfarming rural residents to finance such small businesses, trades, and services as small appliance repair shops, garages for repair of farm machinery, pulpwood cutting and hauling, production of handicrafts, and personal services (such as barbering or drycleaning).

FHA surveyed the first 4,500 borrowers receiving individual loans under the EO program. Of this number 80 percent were 40 years of age or older. Eighty percent also had incomes available for family living of less than $2,000 a year in 1964. In 14 Southern States in fiscal year 1965, 44 percent of all individual loans were received by Negro borrowers. The average loan for farming purposes was $1,700 and for a nonfarm enterprise, about $1,800. In 6 months of 1965, a total of 31,660 applications for individual loans were received. At the end of the fiscal year, 12,400 of these were on hand waiting to be processed. (The difference between total loans made and loan applications processed is due to the fact that some applications were withdrawn and others were converted to applications for different types of FHA loans.)

A breakdown of individual loans made in the United States indicates that 63 percent went to borrowers in the Southeast, 20 percent in the Midwest, 9 percent in the Northeastern and Middle Atlantic States, and 8 percent in the Western States. In addition, a large number of individual loans were made in Puerto Rico to help capitalize small farmers and to finance services and small businesses providing for the essential needs of isolated rural communities.

In the last 6 months of 1965, 82 cooperatives were financed by EO loans. The average loan was for $11,000. The overwhelming majority of cooperatives receiving aid were small groups (four or five members) formed to purchase an item of farm machinery that would help members of the group do a better job of farming and compete on a more equal footing with their larger neighbors. Financing markets handling the products of small farmers was the second most important loan purpose. Often these markets make it possible for farmers to expand livestock, vegetable, and small fruit production to meet the demand generated by the new market.

EO loans are made only to cooperatives with a membership at least two-thirds of which is in the low-income group.

States where the largest number of cooperative loans were made in 1965 are Arkansas (14), Mississippi (11), North Carolina (11), South Carolina (8), and Tennessee (6).

4. *Level of operations.* (See table 1.)

Program: Rural loan program.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level of operations or performance, fiscal years 1965–67*

Measure	Unit	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(*a*) Magnitude of the program:				
Loans to farm families	Million dollars.	18.8	29	28.9
Loans to cooperatives	do	.9	4	5
(*b*) Applicants or participants:				
Loans to farm families	Number	11,022	15,500	15,500
Loans to cooperatives	do	82	350	400
(*c*) Federal finances:				
Obligations incurred	Million dollars.	[1] 21.5	[1] 36.3	[1] 38.5
Program costs funded	do	18.9	34.0	35.0
(*d*) Matching or additional expenditures for the program.				
(*e*) Number of Federal Government employees administering, operating, or supervising the program (full-time equivalent).	Employees	250	250	250
(*f*) Non-Federal personnel employed in the program.				

[1] Includes interest costs and administrative costs.

NOTE.—OEO finances the administrative expenses incurred by the Farmers Home Administration of the Department of Agriculture in operating the rural loan program. Loans are financed from the FHA revolving fund.

5. *Estimated magnitude of program in 1970.* (This is discussed later in section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed later in action covering all OEO programs.)

7. Coordination and cooperation

(*a*) Within FHA, the EO rural loan program is operated as an organic part of the agency's rural credit responsibilities under the Administrator. Two divisions in the national office are directly involved: the Farm Operating Loan Division (loans to individuals) and the Association Loan Division (loans to cooperatives). In addition, the farm planning and supervision section of FHA has responsibility for training and guidance of the FHA family advisers assigned to selected counties of concentrated poverty where they work with low-income borrower families. FHA State directors are responsible for EO rural loan operations in their respective States. Coordination is maintained at all levels and with all programs in the agency.

(*b*) Rural loan administration and liaison with OEO is coordinated with other Department of Agriculture activities through the Office of the Assistant Secretary for Rural Development and his staff. In States and counties, Department of Agriculture technical action panels have been established as part of the rural areas development program. One of their most important functions is to coordinate programs of the Department and make use of these programs imaginatively to help rural communities solve problems. The EO rural loans and other aspects of the OEO program are regularly on the agenda of technical action panel meetings. The FHA supervisor is chairman of the panel.

(*c*) As indicated previously, FHA has established a liaison position within its headquarters office to coordinate administration with OEO through the latter's Assistant Director for Interagency Relations. Representatives of the various agencies administering delegated EO programs meet regularly together in OEO and separately to discuss mutual problems concerned with these and other EO programs.

(*d*) Through its State directors, FHA has numerous regular contacts with State government agencies in the agricultural, welfare, economic development, and other fields. Representatives of such agencies have been fully informed of the aims and administration of the rural loan programs.

(*e*) It is the policy of FHA to cooperate closely with all local government agencies with the objective of increasing the effectiveness and impact of the agency's supervised credit programs. FHA supervisors cooperate closely with local rural areas development program committees and other local citizen groups and councils to promote effective use of all the agency's programs. Such local relationships are a continuing and important aspect of the agency's program administration.

(*f*) FHA has working agreements with the Department's Foreign Agriculture Service and the Agency for International Development to provide U.S. foreign missions with information and technical assistance concerning U.S. rural supervised credit programs and to provide training for foreign nationals visiting the United States under AID programs. Information on EO loan procedures and administration has been distributed through these channels. Operation of the EO rural loans at the county and farm level also are now an important subject of study for foreign trainees visiting the United States, since problems facing EO rural loan borrowers often are very similar to those of low-income farmers in underdeveloped countries.

(*g*) FHA makes a serious and sustained effort to inform nonprofit groups of all supervised credit programs through distribution of information, attendance at meetings of such groups, participation in seminars, study and training sessions, and individual leader contacts. Farm organizations, church groups, and civil rights groups are of special importance and are receiving special attention.

(*h*) As regular operating procedure, FHA supervisors maintain continuing relationships with the local banking and business community to keep the latter fully informed of the purposes and benefits to the community of supervised credit programs, to develop sound farm operating and credit plans in the case of specific borrowers, and to promote maximum and effective use of normal credit channels in helping families become successful.

8. Laws and regulations

The rural loan programs function under title III of the "Economic Opportunity Act of 1964." Sections 301–305.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects. (This is discussed in later section covering all OEO programs.)

10. Economic classification of program expenditures. (See table 2.)
Program: Rural loan program.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries	1.6
Other	.1
Loans to individuals and cooperatives (net of repayments)	17.2
Total, Federal	18.9
Non-Federal expenditures	-----
Total expenditures for program	18.9

NOTE.—OEO finances the administrative expenses incurred by the Farmers Home Administration of the Department of Agriculture in operating the rural loan program. Loans are financed from the FHA revolving fund.

WORK EXPERIENCE PROGRAM—TITLE V

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the work experience program is "to expand the opportunities for constructive work experience and other needed training available to persons who are unable to support or care for themselves or their families." Section 502 of the Economic Opportunity Act also provides the Director of OEO with the authority to transfer funds to the Secretary of Health, Education, and Welfare to "stimulate the adoption of programs designed to help unemployed fathers and other needy persons to secure and retain employment or to attain or retain capability for self-support or personal independence."

2. Operation

Title V of EOA authorizes grants up to 100 percent Federal funds. These grants are made to the State departments of public welfare. The established public assistance organizational pattern—Federal-State-local—is used in the administration of the program. The work experience program is delegated by the Director of the Office of Economic Opportunity to the Secretary of the Department of Health, Education, and Welfare; and is redelegated to the Commissioner of Welfare and assigned to the Office of Special Services, Bureau of Family Services, Welfare Administration.

3. History

The work experience program under title V was started in October 1964. It was built on the successful experience of the community work and training programs in 10 States that provide for Federal financial participation on a matching basis for aid to families with dependent children. The CWT programs are limited, since section 409 of the Social Security Act does not authorize the use of Federal funds for either project supervisors and training instructors or for materials.

4. Level of operations. (See table 1.)

Program: Work experience program—Title V.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level of operations and performance, fiscal years 1965–67*

	Unit	Fiscal year 1965	Fiscal year 1966 estimated	Fiscal year 1967 estimated
a. Magnitude of the program	Approved projects	164	240	240
b. Applicants or trainees:				
State government agencies	States and other jurisdictions.	[1] 46	[2] 53	[3] 54
Local communities or governments	Cities or counties	361	600	600
Individuals or families	Project trainees	88,700	109,000	105,000
	Dependents	273,300	327,000	315,000
c. Federal finances:				
Obligations incurred	Dollars in millions	$112.0	$125.0	$160.0
Program costs funded	do	$20.7	$130.0	$160.0
d. Additional expenditures for the program: (State and local sponsor's contribution.)	do	$18.5	$20.5	$24.4
e. Number of Federal Government employees administering, operating, or supervising the activity.	Man-years	28	74	87
f. Non-Federal personnel employed in the program.	State/local	2,424	3,200	3,200
g. Other:				
Federal matching for State and local funds shown under item (d).	Dollars in millions	$19.9	$22.1	$25.5

[1] Includes District of Columbia, Puerto Rico, and the Virgin Islands.
[2] Includes 49 States, District of Columbia, Puerto Rico, Virgin Islands, and Guam.
[3] Includes 50 States, District of Columbia, Puerto Rico, Virgin Islands, and Guam.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)

7. Coordination and cooperation

The work experience program, administered by the Bureau of Family Services, is built upon existing activities to increase the employability of needy persons. Coordination and cooperation with these activities is effected by the Assistant Director, Bureau of Family Services (Chief, Office of Special Services), who is responsible for the day-to-day administration of the title V program.

Coordination between the Office of Economic Opportunity and HEW in regard to the administration of title V is effected through the Office of Interagency Relations, OEO; the Coordinator for Economic Opportunity Programs, Office of the Secretary, Department of Health, Education, and Welfare; and the Assistant to the Commissioner for Economic Opportunity Programs, Welfare Administration, Department of Health, Education, and Welfare.

Title V is operated through a cooperative arrangement between the Federal-State-local departments of public welfare, and the established public assistance channels are used for carrying out operations at State and local levels.

Cooperation with nonprofit organizations and business enterprises occurs indirectly, since the work experience program involves consultations with State or local governments planning title V projects using the facilities of such organizations or enterprises.

8. Laws and regulations

Economic Opportunity Act of 1964, sections 501, 502, and 503, Public Law 88–452, approved August 20, 1964.

Section 409 of title IV, community work and training program, of the Social Security Act as added by section 105(a), Public Law 87–543. Section 1115 of the Social Security Act, added by Public Law 87–543, effective July 25, 1962.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects. (This is discussed in later section covering all OEO programs.)

10. Economic classification of program expenditures. (See table 2.)

Program: Work experience program—Title V.
Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

	Million
Federal Government:	
Purchases of goods and services:	
Wages and salaries	$0.3
Other	.2
Grants to State and local governments:	
Title V	19.8
Other public assistance program matching	.4
Total, Federal	20.7
Non-Federal expenditures financed by State and local governments	1.2
Total expenditures for program	21.9

Other Programs

Adult Basic Education Program—Title II–B

Information on this program will be submitted by the Office of Education, Department of Health, Education, and Welfare.

Small Business Loan Program—Title IV

Information on this program will be submitted by the Small Business Administration.

College Work Study Program—Title I–C of 1964 Act

Administration of this program was transferred from the Director of the Office of Economic Opportunity to the Commissioner of Education by section 441 of the Higher Education Act of 1965, Public Law 89–329, November 8, 1965.

Voluntary Assistance Program for Needy Children—Title II–C

This program was designed to provide a national information and coordination center through which interested persons could secure information concerning needy children whom they might desire to assist through gifts and donations. However, this program has never been implemented or administered due to legal and established policy restrictions which in many jurisdictions restrict or preclude release of the kind of information concerning particular relief recipients which the program contemplates, augmented by the extremely complex problems of selection necessarily involved in a program of this kind.

The responses to questions 5, 6, and 9 which follow are applicable to all Office of Economic Opportunity programs.

5. Estimated magnitude of the program in 1970

It is not possible to predict the levels at which Office of Economic Opportunity programs will be operating in 1970 because we do not know the course of future budget constraints. An additional unknown is the impact that other Federal programs in the fields of education, health, and employment may have on the population served by OEO programs. However, some gross estimates of the sizes of various groups to be served indicate that by 1970 there will still be large numbers of the poor yet to be reached. For example, in fiscal year 1967, Headstart will be reaching about one-fourth of the 2 million poor children eligible for such training. In the same period some 400,000 youths will be trained by the Job Corps or the Neighborhood Youth Corps, out of about 2.7 million youths between the ages of 16–21 now classified as poor who would be eligible for such training. The 900 community action agencies that will be operating in 1967 obviously will be unable to reach all of the 34 million poor. Thus, in spite of great progress by 1967, the following years will need to see a continuing development and extension of OEO programs in order to reach the goals of the war on poverty.

6. Prospective changes in program orientation

As of February 1, 1966, the only pending legislative proposals that would affect OEO programs are of a minor nature. One pending bill before Congress would lower the minimum age for Job Corps and

Neighborhood Youth Corps enrollees. Another would amend section 4(c) of the Small Business Act, in order to divide the single revolving fund provided for by the Small Business Act into three revolving funds—a business loan fund, a disaster loan fund, and a small business investment fund. This division of funds would be for the purpose of alleviating the disruption of SBA lending during times of disasters and would thus affect title IV of the "Economic Opportunity Act of 1964."

Jobs are fundamental to the success of all opportunity programs. If increased overall employment does not provide sufficient jobs for the poor, it may be necessary to develop programs of direct employment in public and nonprofit institutions. The needs of the public sector provide an additional justification for interest in such a program.

There will obviously be some change in the conditions under which the program functions in 1970, since most changes in the general economic situation of the country would affect or alter the composition of the section of the poor with which OEO is concerned. The question of war or peace is also bound to have an impact on the nature of the antipoverty program, but the direction and magnitude of this factor is impossible to predict.

9. Economic effects

The 34 million poor people in the United States are not suffering extreme economic deprivation for one reason alone. The causes of poverty differ for different people and they are generally multiple, not single, as they affect any one person. The common denominator in the lives of the poor has been their lack of opportunity to get out of poverty on a permanent basis. This is what the war on poverty through all its programs is seeking to accomplish.

There are three fundamental types of programs which seek permanent solutions to poverty. The first relates to the creation of sufficient job opportunities and the skill training necessary to prepare the poor for these jobs. Without a decent job, the poor cannot hope to earn even a subsistence living. But to provide job assistance is not enough. People who have been poor and whose realistic expectation is that they will continue to be poor may not benefit from skill training alone.

The second type of program seeks to implement services on both an individual and community basis through which such crippling handicaps as poor environment, lack of education, neglected health, family breakdown may be overcome.

The third, providing income maintenance, goes to the heart of the problem for millions of the poor who, for a variety of reasons, may be permanently unemployable and therefore doomed to a bare subsistence level.

These programs are mutually reinforcing and attack the multiplicity of problems together. Thus, the father may be given training for employment and the wife counseling on household management while the children are taking advantage of Headstart or the Neighborhood Youth Corps, and the elderly are given support through increased income maintenance.

JOBS: THE PROBLEM

A keystone need is for jobs. Even though the overall unemployment rate is less than 4 percent—and should be kept there by well-designed fiscal policies—unemployment is much higher for the poor. There are still 1 million unemployed poor, and at least an equal number of poor who can and should work but are not even counted among the unemployed. They are among the chronically poor. The unemployment rate for poor heads of families is normally 3 times that for the nonpoor, and the unemployment rate for family members other than the head has been 2½ times that for their nonpoor counterparts. In addition, there are about 2 million underemployed poor who need training and job assistance in order to improve their employment potential.

The key to the job problems of the poor is continuation of a high level of aggregate demand and a low level of overall unemployment, but general prosperity will not by itself suffice. It is a necessary but not a sufficient condition. Even with general prosperity, we will need better jobs for the poor, more jobs for the poor, and permanent jobs for the poor—to the extent that the jobs of the poor are based on defense spending, for example, steps must be taken to make the jobs last longer than the emergency.

First of all, there is a need for better jobs for the poor. A high employment economy will create some new jobs for poor people but it will not by itself make poor people capable of holding good or even decent jobs—jobs which can provide a reasonable basis for incomes above the poverty level in either the short or long run. In a tight employment situation, there are frequent shortages of individuals with particular skills. Many of the poor can and should be trained for these skills. This is what the Job Corps does, it is what the out-of-school Neighborhood Youth Corps does, and it is what the work experience program for adults accomplishes. In addition, local community action programs are increasingly getting into the business of planning and coordinating comprehensive training programs for the poor using components financed by the Departments of Labor and HEW—particularly through MDTA—as well as direct OEO financing. This has been happening in New Haven, in Los Angeles, in Chicago, in rural Mississippi and elsewhere.

The second need is for more jobs for the poor. Depending on exactly how tight the economy gets, it still is not likely to create enough jobs for poor people, particularly those in urban ghettos and rural depressed areas. In 1953, a 2.5-percent overall unemployment rate (2.9 percent by today's definition) brought about a 4.1-percent rate for nonwhites. But we do not now know whether unemployment will drop to the levels of 13 years ago, nor do we know whether the relationship between minority group unemployment and total unemployment will be the same as in 1953. Because of this there is a need to create more jobs for the poor—now before the unemployment rate has completed its drop, and later, in greater measure, if the drop does not have the effects we hope for. We are filling a portion of this need by employing people directly under community action programs. These programs include the use of Nelson amendment authority to create jobs in community beautification and betterment and a community employment program under which local community action agencies will recruit unemployed poor to work in areas of local need such as health and education. If it proves necessary, we can extend both the list and the range of these projects.

Finally, there is a need for permanent jobs for the poor. In the past, the marginal gains for the disadvantaged have deteriorated rapidly after peace was restored. When the Korean war ended, the United States moved, between 1953 and 1954, from an unemployment rate of 2.9 percent to one of 5.6 percent and the number of poor people increased by 3 million. We must be prepared to prevent this reentry into poverty. In an employment situation, training will have a high payoff in permanent jobs. While the short-run effects of training are important, the long-run results are even more vital. Without such assistance, many poor persons employed in a tight labor market will obtain low skill jobs that evaporate if the economy loosens even slightly.

The Job Corps, Neighborhood Youth Corps, and work experience programs all help fill this need to prepare the poor for permanent jobs as well as better current jobs.[1] Short-term training, however, may not be enough. Job training is necessary but it is fruitful only if jobs are available for the trainees; this has not always been the case in the past. We must be prepared in several ways to perpetuate a favorable job situation for the poor. The most important of these ways is to use Federal fiscal policy to sustain a high level of aggregate demand. Beyond this, however, we must stand by with several other programs for employment of those in poverty who are not reached by high levels of overall employment. We must be prepared to expand substantially the CAP employment and Nelson amendment approaches and perhaps to put them together into a general large scale program for public employment. Not only the job needs of the poor could be helped by such a program but, as has so ably been pointed out by various groups, reaching many of the other goals of the Great Society would be much facilitated by programs for employment in the long-neglected public sector of our economy. Such employment programs might be used in the future to do such things as:

Enlarge the American school system's capacity to educate all citizens.

Add substantially to the capabilities of the American system of health care.

Improve the appearance of rural and urban America.

Prevent crime and delinquency by augmenting the capabilities of law enforcement agencies as well as by bringing people now poor into the mainstream of American life.

Wipe out many slum areas by rehousing poor people.

INDIVIDUAL AND COMMUNITY BETTERMENT

The effects of poverty, especially long-term poverty, are destructive. Bad education, inadequate health facilities, poor housing, racial and economic discrimination and lack of economic opportunity are common to those in poverty. These are the structural factors within the community which perpetuate the ominous cycle of poverty. Here

[1] Some samples of the kind of cost-benefit analysis being designed to evaluate and compare programs such as these are appended to this statement.

we find too low incomes, too large families, cold water flats, unconcerned landlords, high interest loans, high consumer prices, and crime and violence; these are a part of life within Harlem, the Southside of Chicago, Watts, and all too many other areas throughout the United States.

These circumstances adversely influence the people living within them, and inhibit those in poverty from improving themselves. Poor people lack, as stated in the Economic Opportunity Act, "the opportunity to live in decency and dignity."

In an overall plan to conquer poverty, therefore, individual and community betterment is necessary to enable the poor to participate fully in the job market, and jobs are equally necessary to those whose capacities have been improved. Because the extent and nature of these problems vary from locality to locality, we must focus upon antipoverty action at the community level to organize and execute programs. By mobilizing the local initiative and local capabilities of the poor and the nonpoor alike, many of the pressures that have kept the poor in the so-called culture of poverty can be reversed.

There are two principles underlying this community action. The first of these is concerting. This concept is based on the idea that the whole of various program components is greater than the sum of its parts; that the road out of poverty is more effectively constructed when various component programs such as health, education, training, and jobs operate together.

The concerting principle can be made operational on two levels, that of programs and that of individuals. On the program level, it implies that activities should be organized in a way that catalyzes all antipoverty activities in the community, emphasizing action in the city slums and in the rural depressed areas where the poor live in generalized conditions of poverty. This can be achieved by changing the various old and new activities attacking poverty from a collection of meliorative measures to coordinated efforts attacking each of the fundamental conditions that perpetuate poverty.

On the individual level, concerting means that the poor person should have a readily available place to go where he can receive help, or where he can be counseled as to how assistance can be obtained.

The second principle is one which has been widely discussed. This is the participation of the poor, or as stated in the Economic Opportunity Act, "maximum feasible participation of residents of the area and members of the groups served." This is simply a statement of the principles that we assume in a democracy—that people should have some say in what happens to them. It is a principle much older than the poverty program. If it sometimes results in stress, it is stress that is necessary to democracy.

What we call community action, however, is not merely a set of principles. It is a set of operating programs, sponsored by OEO and other agencies, with important substantive components affecting the causes of poverty. In addition to the major group of components already discussed under the heading of jobs, those major problem areas which demand this assistance include education, health, housing, community related services, and independent economic opportunity.

A. Education

No causal relationship is clearer than the relationship between poor education and poverty. Poor communities have inadequate schools from which poor children drop out early, get low paying jobs, form poor families, and in turn become parents of another generation of poor children. Thus, compensatory education for all ages of poor, for preschool and inschool children and youths, and for adults and out-of-school youths, is of especial importance. Mollie Orshansky of the Social Security Administration has indicated that "the Nation's children sustain a risk of poverty second only to that of the aged." In the nonwhite population, children have a higher incidence of poverty than even those aged 65 or older. There are almost 17 million children and youths in poverty, including those in urban and rural settings and the children of migrant workers. They constitute nearly one quarter of all those 21 years and younger living within the United States.

For each group of children and youth, OEO programs and those of the Department of Health, Education, and Welfare must be tailored to meet the special needs of the poor. Each year, there are 2 million poor preschool children, age 3 to 5, whose deficiencies include homes that lack books and parents who lack the insight, time, and skill to create a readiness for learning. The Headstart program (OEO) and the programs of the Elementary and Secondary Education Act (HEW) will help counteract these problems.

There are nearly 2 million children of the poor, age 6 to 15, who in their school studies are achieving at a rate well below that of their nonpoor counterparts. If untreated, the problems of these children will become compounded in later years, presenting a situation which is extremely difficult to overcome and is a prime incentive to drop out of school. The CAP remedial and tutorial program and the programs of the Elementary and Secondary Education Act (HEW) will assist these children.

There are some 125,000 high school students from poor families who have the ability to become good college students, but who have mediocre school records which would prohibit their entrance into college. In fiscal year 1967, the CAP upward bound program will help 30,000 of them qualify for college.

There are over 1 million high school youth in need of NYC inschool program employment and counseling assistance to stay in school.

Also, there are a large potential number of poor youth, perhaps 500,000, who have the basic educational and aptitude requisites for college, but need the loan and employment assistance provided by the National Defense Education and the Higher Education Acts to pursue that goal.

In addition to these children and youth, there are some 11 million poor adults between the ages of 18 and 64 who have less than an eighth grade education. They generally lack the simple reading and writing skills necessary to get and hold a meaningful job or to participate in the mainstream of community activities. The adult basic education program (OEO) and remedial education programs under the work experience and other programs help over a quarter of a million poor adults learn these skills.

B. Health

Family income is related to illness in at least three major ways. First, among those who are hospitalized, particularly those 45 or older, low-income people are more likely to have longer hospital stays than higher income people and, particularly among men, are likely to lose more workdays due to illness or injury.

Second, lower income people make fewer annual physician visits per person than those with higher incomes. The disabling effect of illness on the poor is the result of limited utilization of appropriate health services.

Third, unable to bear the financial burden of medical and dental services, the poor are unlikely to seek help until the symptoms are so visible or stressful that they cannot be ignored.

The activities of the CAP health centers, medicare, the Public Health Service, and other programs will help meet the health needs of the poor.

C. Housing

In 1964, over 3 million substandard housing units were occupied by poor families. Bad housing in general endangers the health, safety, and well-being of the occupants, and, especially in urban slum areas, may lead to social complications such as crime and delinquency.

A poor family should allot approximately 20 to 25 percent of its income for shelter, utilities, and other housing costs. But average rental costs (assuming a $3,000 average income) range well above this $50 a month allowance. A good index of current housing costs is the $136 average monthly rental charge for units constructed with FHA market interest rate loans during 1959–64 time period; even those constructed between 1962–64 which had the special advantage of FHA below market interest rate loans averaged $102 monthly rentals. For this reason, the great majority of families with very low incomes in 1960 were forced to spend an average of more than 35 percent of their income on rent and still got inadequate housing. If the poor are forced to overspend in favor of housing need, those needs that seem stretchable or postponable—clothes, recreation, medical and dental care—cannot be met. The programs of the Department of Housing and Urban Development and OEO are aimed at providing rent supplements and improved housing.

D. Community related services

The services described under the heading of "community related" comprise the bulk of those services provided through the Neighborhood Multipurpose Center—the major CAP tool for concerting. Many of the 32 million people in poverty, particularly in urban areas, have access to one or another service already provided by established Federal, State, and local agencies, whether public or private. But the poor often do not have the guidance to benefit from available facilities and, in many instances, are even without certain services (e.g., legal services, family planning assistance, and consumer education). If needed services are accessible to the poor, we can better identify and find the solutions to the myriad of problems with which they are confronted—the problems which work to contain them in poverty.

The required combination of services cannot be instituted by a single purpose agency. For example, a poor mother may need care for her child while she learns the basic educational skills needed to make her employable, or the basic sanitation and homemaker skills needed in her everyday life. The Community Action Agency may provide all these services or some may be provided through a local public or private group working with the Community Action Agency (e.g., the YMCA, the Jewish Family Service, a church, the State employment service). All could, however, be located in the neighborhood center or the neighborhood center could be the focal point for entry to their programs and services.

E. Independent economic opportunity

For a portion of the poor, the best route out of poverty may lie through independent economic opportunity; that is, through the setting up or expansion of small enterprises. It is not possible to tell as yet how large a portion can thus be helped.

In fiscal year 1967, CAP will continue to work with the Small Business Administration in setting up small business development centers (providing managerial training and loans), and the rural farm loan program will continue to provide loan assistance to needy individuals and cooperatives.

INCOME MAINTENANCE: THE PROBLEM

Although income maintenance payments are not a primary part of OEO programs, they satisfy a fundamental need of the poor. These payments should not be looked upon as simple amelioration of poverty. In many cases, money provides choice and choice is a necessary part of the war on poverty. For instance, money payments may provide unemployed persons with the choice of school and training rather than the need to take the first job available in order to help support themselves and their families.

Public assistance and social security are vital to the war on poverty. Public assistance programs such as old-age assistance and aid for families with dependent children provide money for those who can not achieve self-support, or for those who temporarily need money assistance. They help the aged poor, for example, who have done their work for society; although, conversely, we must provide opportunities for those few who can and want to work. Similarly, the female family head should not be forced into the job market when she is needed in the home. In 1964, one-fifth of the 34 million noninstitutional poor received public assistance payments.

Social security gives enough money to some of the aged so that, together with their other resources, they can maintain decent lives above the poverty level. But the major antipoverty function of social security is to prevent the process by which the aged too frequently retire into poverty, even though they have remained above the poverty line during their working lives. Future improvements in social security and the normal increases in the number of people who will be covered should materially decrease the needs for other programs for the aged poor.

All of the above-mentioned money payments are specific in purpose, however. We should start looking now toward the day when this whole country can provide a basic minimum income for all of its citizens. It is too early to talk specifically now about such a program, and our concentration now is rightly on opportunity programs, but as these opportunity programs begin to take hold, we should increasingly think of programs to simply provide a minimum income guarantee for those whom opportunity does not reach. As opportunity increases, this number whose income must be guaranteed will necessarily decrease. But in the final analysis, one of the things the poor need in order to become a real part of our society is money, and we should not shrink from the principles of providing it to them when opportunity leaves them behind and they cannot provide it themselves.

EXAMPLES OF COST-BENEFIT ANALYSIS

JOB CORPS PAYBACK PERIOD

Using conservative assumptions, the Government's investment will be matched by the increased earnings of a graduate in 5.1 years. This is a computation based upon earnings alone. If other social costs (public assistance payments, law enforcement, etc.) generated by these same youth had they never been in Job Corps, were included, the period would be reduced considerably below the 5.1 years.

1. Costs:	
(a) Total costs at steady-state $7,765 by 45,000 man-years	$349, 000, 000
(b) With average term of 9 months, this provides for enrollees	60, 000
(c) Assumed number of graduates	50, 000
(d) Steady-state costs per graduate ($349,000,000 divided by 50,000)	$6, 980
(e) Success rate assumed for graduates [1] ....percent	80
(f) Cost per success ($6,980 divided by 80 percent)	$8, 725
2. Benefits:	
(a) Average hourly wage per successful graduate ....per hour	$1. 60
(b) Assumed annual employment per successful graduate ....hours	2, 000
(c) Average annual wage per successful graduate	$3, 200
(d) Average hourly wage before entry	$1
(e) Assumed annual employment before entry ....hours	1, 500
(f) Average annual wage before entry	$1, 500
(g) Earnings gain	$1, 700
3. Earnings payback period ($8,725 divided by $1,700): Time required for enrollee earnings to equal government cost..years	5. 1

[1] Sucess is defined as holding a good steady job, going back to school or into military service. A good job is defined as semiskilled or better. For purpose of this calculation, all successful graduates are treated as if they were in jobs.

Cost effectiveness summary of Job Corps and out-of-school Neighborhood Youth Corps

A direct cost-effectiveness comparison of the Job Corps and out-of-school Neighborhood Youth Corps programs cannot be made until evaluative data are available. Such data are not available: first, because Job Corps does not yet have enough graduates to provide a reasonable predictive sample of future success; and second, because a crucial factor in evaluation is the ability of graduates to retain full-time employment, and neither program has had graduates over a long enough period of time to estimate this factor.

We have, however, prepared the ground for such a comparison. It starts with the fact that the steady-state costs per graduate of Job Corps are roughly six times those of out-of-school Neighborhood Youth Corps, and therefore Job Corps must be six times as productive in order to be equally cost effective. (One exception to this statement is discussed in the final paragraph.) There are several factors which, combined, could make Job Corps six times as productive or more, although, as noted, evidence is not yet in to evaluate these factors quantitatively.

1. Job Corps could have a higher success rate for enrollees. It is reasonable to expect that the program which provides intensive training, including vocational, will place a larger number of its graduates in good jobs (or school or the Armed Forces) than the extensive program. The crucial question is the actual success rates of the two programs, and these are not known.

2. Job Corps graduates who are placed in jobs could be placed at higher wages than the graduates of out-of-school Neighborhood Youth Corps. Again, it is a reasonable assumption that the intensive program will have this effect, but how much higher the wages are likely to be is not now known.

3. Job Corps could provide its graduates with a greater capability to hold jobs than Neighborhood Youth Corps, and thus to earn more hours' pay per year. This is particularly crucial in assessing the effectiveness of the two programs.

If Job Corps performs better on each of these factors, the relative effectiveness of the program will be the product of all three, and could well be more than six times that of Neighborhood Youth Corps. It could also be less, and only hard numbers will finally distinguish the two.

There is one circumstance which might change the analysis. If Job Corps can identify, on the basis of characteristics at the time of program entry, a hard-core youngster who needs the intensive residential treatment of Job Corps and can obtain no benefit from the lighter treatment of Neighborhood Youth Corps, then the above computation is no longer relevant. For any such youngster, the gain from Neighborhood Youth Corps would be zero (by definition). For this youth, if he can be identified, Job Corps would thus be infinitely more cost-effective than out-of-school Neighborhood Youth Corps. The attempt to learn the preentry characteristics which would identify and select such a youngster is one of the problems lying ahead of us.

OFFICE OF ECONOMIC OPPORTUNITY

Delegation of Authorities to Certain Federal Agencies for Administration of the Economic Opportunity Programs—Federal Register Document 64-11087, filed October 28, 1964

1. Under the Economic Opportunity Act of 1964, 78 Stat. 508, Public Law 88-452, the Director of the Office of Economic Opportunity is responsible for the policies which will govern the administration of the programs created by the act. Certain of the programs created by the act may be administered by existing departments and agencies, pursuant to the delegation of the administration of these programs by the Director. The Director is authorized under section 602(d) of the act to delegate, with the approval of the President, any of his powers.

2. Certain of the powers conferred upon the Director of the Office of Economic Opportunity are hereby delegated as follows:

(*a*) The powers of the Director under title I, part B, work-training programs, are hereby delegated to the Secretary of Labor.

(*b*) The powers of the Director under title I, part C, work-study programs, are hereby delegated to the Secretary of Health, Education, and Welfare.

(*c*) The powers of the Director under title II, part B, adult basic education programs, are hereby delegated to the Secretary of Health, Education, and Welfare.

(*d*) The powers of the Director under title III, part A, authority to make grants and loans, are hereby delegated to the Secretary of Agriculture.

(*e*) The powers of the director under title IV, employment and investment incentives, are hereby delegated to the Administrator of the Small Business Administration.

(*f*) The powers of the Director under title V, work experience programs, other than the power to transfer funds under section 502 of the act, are hereby delegated to the Secretary of Health, Education, and Welfare.

3. The powers of the Director contained in sections 602 and 606 of the Economic Opportunity Act of 1964 are hereby delegated to the officers designated in paragraph 2, to the extent they may deem necessary or appropriate for carrying out their functions in exercise of the powers delegated under paragraph 2.

4. The powers delegated under paragraphs 2 and 3 may be redelegated by the delegatees with or without authority for further redelegation.

5. The powers hereby delegated shall be exercised pursuant to policies, standards, criteria, and procedures set forth in rules and regulations, which shall be prescribed in accordance with paragraph 6.

6. Rules and regulations for the exercise of the powers hereby delegated shall be prescribed jointly by the Director and the officer to whom the powers are delegated.

7. In exercising the powers hereby delegated preference shall, to the extent feasible, be given to programs and projects which are components of a community action program approved pursuant to title II, part A, of the Economic Opportunity Act of 1964.

8. The powers hereby delegated shall be exercised subject to the reporting and coordination provisions of section 611 of the Economic Opportunity Act of 1964.

SARGENT SHRIVER,
Director, Office of Economic Opportunity.

OCTOBER 23, 1964
Approved:

LYNDON B. JOHNSON,
President of the United States.

OCTOBER 24, 1964

(F.R. Doc. 64-11087; filed, Oct. 28, 1964; 8:50 a.m.)

APPENDIX

DIMENSIONS OF POVERTY IN 1964

DEFINITION OF POVERTY

This is an interim description of the poor, by age, sex, and location, based upon the March 1965 national population survey by the U.S. Bureau of the Census of families and unrelated individuals at all income levels. The tables and text presented here are developed by the Office of Economic Opportunity as an aid in its administration of the Poverty Act. As used in this definition, "family" means a group of two or more people, living in the same dwelling unit and related by blood, marriage, or adoption; "household" extends the same concept to include one-person families, technically usually identified as "unrelated individuals."

This is not the ultimate definition or description. It extends to mid-1965 the description of poverty released by the Department of Health, Education, and Welfare early in the year and displaces the $1,500 and $3,000 characteristics used as recently as late 1964. Eventually this definition, too, in turn may be replaced.

ISRAEL PUTNAM,
Office of Research, Plans, Programs, and Evaluation, OEO.

DEFINITION OF POVERTY

Introduction

The decrease within a year of around a million in the poor found among 190 million Americans may be partly due to changes in sample and partly due to changes in the economic climate. By repeated measurement of larger samples, the actual change in numbers of the poor will eventually be measured with more reliability.

The poor

[Millions of persons [1]]

	Total	Nonfarm	Farm
All ages:			
1964	34.3	29.9	4.4
1963	35.4	31.4	4.0

[1] Members of the Armed Forces living on post are excluded, also poor persons living in institutions. Two hundred fifty thousand unrelated children having foster child status are included.

Source: Special tabulations by U.S. Bureau of Census of 1964 and 1963 annual cash incomes, surveyed in March of the following year.

Summary

In March 1965, about 12 million households comprising 34 million persons were living on cash incomes insufficient to buy goods and services vital to health. Measured by the reports of 1964 cash incomes to the Census Bureau, these—based on a sliding scale of cash incomes allowing for family size and the ages of family members—are the poor, averaging, on these incomes, at most, 70 cents a day per person for food, and choosing, among hard alternatives, which needs may be endured and which must be satisfied.

Among these poor were about 300,000 children living with foster parents, about 200,000 youths and 4,800,000 adults living in their own rooms and flats, and about 29 million members of families of 2 or more related persons.

Almost 70 percent of the poor were white; 87 percent did not live on farms; 47 percent (over half of those not on farms) lived inside the metropolitan boundaries of areas containing cities of 50,000 population or more. As nearly as can be determined, cities, large and small, contain about 55 percent of all these poor. The rest spreads thinly like a retreating nerve network over the hamlet traces of past and dying industry, mining, lumbering, transportation and farming, with rural nonfarm poverty outnumbering farm poverty two to one.

WHERE ARE THE POOR?

The location of the poor by degree of urbanization is sharply defined in table 1 and chart 1. About half live in metropolitan areas of 50,000 or more and about half live in smaller cities and in rural areas.

It is significant, in terms of policy design and execution, that the poor are not scattered evenly relative to the total population. The large metropolitan areas containing 64 percent of the total population comprise only 47 percent of the poor. The other 53 percent is in areas likely to be less prepared in staff and resources to carry out specialized poverty programs.

TABLE 1.—*Location of the poor in terms of population density based on March 1965 survey of 1964 annual cash incomes*

	Total population		Poor population	
	Millions	Percent	Millions	Percent
Total	189.9	100.0	34.3	100.0
Nonfarm	176.6	93.0	29.9	87.2
Inside standard metropolitan statistical areas:				
Central city	58.6	30.9	10.1	29.2
Outside central city	62.6	33.0	6.3	18.1
Outside such areas, nonfarm	55.4	29.1	13.5	39.9
Farm (almost entirely outside such areas)	13.3	7.0	4.4	12.8

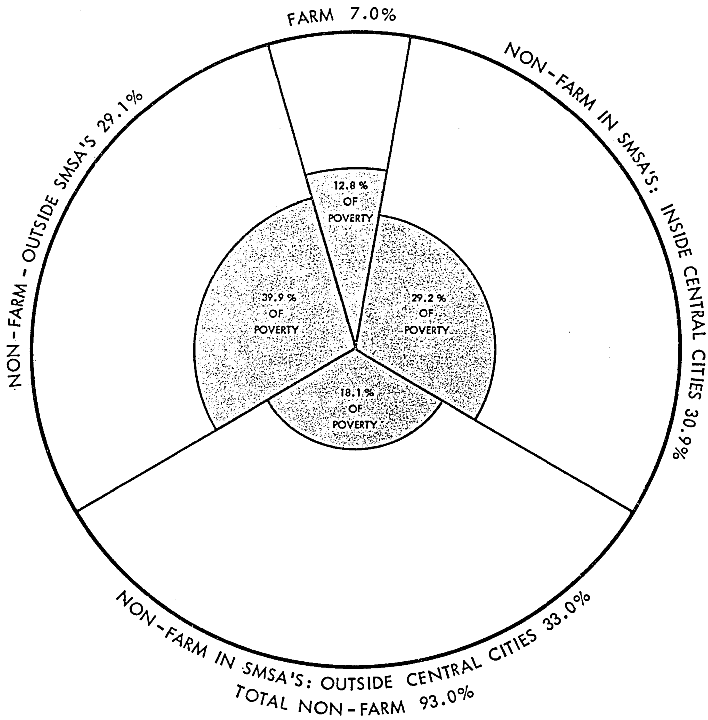
Source: Special tabulations by U.S. Census Bureau.

Chart 1

Total and Poor Civilian Non-Institutional Populations Compared

TOTAL CIVILIAN NON-INSTITUTIONAL POPULATION .... 189.9 MILLION

TOTAL IN POVERTY .... 34.3 MILLION



Source: Census March 1965 survey of 1964 family cash incomes.

TABLE 1a.—*Poverty by location*

[With the exception of farm populations, the figures shown in this table are estimated allocations by OEO Staff]

	All income levels		Poor persons		
	Millions of persons	Percent of total	Millions of persons	Percent of total poor	Percent by specified category of location, of total persons
All locations	189.9	100.0	34.3	100.0	18.1
Total rural	55.3	29.1	14.9	43.4	26.9
Farm	13.3	7.0	4.4	12.8	33.1
Nonfarm	42.0	22.1	10.5	30.6	25.0
Total urban	134.6	70.9	19.4	56.6	14.4
Small cities	27.1	14.3	6.2	18.1	22.9
Metropolitan	107.5	56.6	13.2	38.5	12.3
Central cities	58.6	30.8	10.0	29.2	17.1
Suburbs	48.9	25.8	3.2	9.3	6.5

TABLE 2.—*Poor person totals, as of March 1965, based on their 1964 annual family cash incomes, by age, color, location*

[Millions]

	U.S. total			Nonfarm			Farm		
	All races	White	Non-white	All races	White	Non-white	All races	White	Non-white
All persons:									
All ages	34.3	23.7	10.6	29.9	20.6	9.3	4.4	3.1	1.3
Under 6	5.8	3.5	2.3	5.1	3.1	2.0	.7	.4	.3
6 to 15	8.1	5.0	3.1	6.8	4.1	2.7	1.3	.9	.4
16 to 21	3.0	2.1	.9	2.6	1.9	.7	.4	.2	.2
22 to 54	9.3	6.4	2.9	8.0	5.4	2.6	1.3	1.0	.3
55 to 64	2.7	2.1	.6	2.4	1.8	.6	.3	.3	--------
65+	5.4	4.6	.8	5.0	4.3	.7	.4	.3	.1
Persons in families:									
All ages	29.0	19.3	9.7	24.8	16.4	8.4	4.2	2.9	1.3
Under 6	5.7	3.4	2.3	5.0	3.0	2.0	.7	.4	.3
6 to 15	8.0	4.9	3.1	6.8	4.1	2.7	1.2	.8	.4
16 to 21	2.7	1.8	.9	2.3	1.6	.7	.4	.2	.2
22 to 54	8.2	5.6	2.6	6.9	4.6	2.3	1.3	1.0	.3
55 to 64	1.8	1.4	.4	1.5	1.1	.4	.3	.3	--------
65+	2.6	2.2	.4	2.3	2.0	.3	.3	.2	.1
Unrelated individuals:									
All ages	5.3	4.4	.9	5.1	4.2	.9	.2	.2	--------
Under 6	.1	.1	--------	.1	.1	--------	--------	--------	--------
6 to 15	.1	.1	--------	--------	--------	--------	.1	.1	--------
16 to 21	.3	.3	--------	.3	.3	--------	--------	--------	--------
22 to 54	1.1	.8	.3	1.1	.8	.3	--------	--------	--------
55 to 64	.9	.7	.2	.9	.7	.2	--------	--------	--------
65+	2.8	2.4	.4	2.7	2.3	.4	.1	.1	--------

Source: Census Bureau CPS, March 1965, special tabulation for OEO.

TABLE 2a.—*Nonwhite poor: Relative importance of age groups among all poor and nonwhite poor*

Age group	Millions of poor persons	Nonwhite poor persons		
		Millions of persons	As percentages—	
			Of all poor this age	Of all nonwhite poor
All ages	34.3	10.6	30.9	100.0
Children	13.9	5.4	38.8	50.9
Under 6	5.8	2.3	39.7	21.7
6 to 15	8.1	3.1	38.3	29.2
Youths, 16 to 21	3.0	.9	30.0	8.5
Adults, 22 to 64	12.0	3.5	29.2	33.0
22 to 54	9.3	2.9	31.2	27.4
55 to 64	2.7	.6	22.2	5.6
Aged, over 64	5.4	.8	14.8	7.6

WHO ARE THE POOR?

The current programs and planning of the Office are based mainly on a few fundamental relationships of family income, expenditure, size, composition, and location. These are described in detail in two articles by Miss Mollie Orshansky in the Social Security Bulletin for January and July 1965.[1]

The primary assumptions in this framework are:

1. That at the lowest income levels, characteristic of "poverty," about one-third of expenditure is for food;

2. That all income must be expended, so that cash income from all sources (including welfare assistance), measurable from year to year, may be used as a surrogate for expenditure;

3. That the food required for a minimum subsistence diet for each family type (one adult, male; one adult, female; etc.) may be priced, using the recurrent, nationwide price reports of the Department of Agriculture for this "market basket," and then converted (by multiplying by 3) to the total cash expenditure requirement of the family type. Any family having a lower cash income than the computed expansion must then perforce be "poor."

4. That on average the food and other outlays of low-income farm families involve total cash expenditures approximating only 70 percent of those by similar nonfarm families. (This excludes from "poverty" a number of farm families whose cash incomes are below the poverty threshold for nonfarm family incomes.)

The foregoing assumptions result in 62 nonfarm and 62 farm poverty thresholds which may be summarized in 26 income thresholds approximating most of the family conditions encountered: [2]

[1] The relationships themselves were developed from 1955 and 1959–61 expenditure surveys by the Department of Labor and the Department of Agriculture.

[2] It should be noted that all tabulations of 1964 incomes, as collected by census, used the full range of 124 values to classify incomes as being above or below poverty. This abbreviated series is presented here because it is useful for general discussion and analysis.

Family size (persons)	Annual cash income thresholds to poverty [1]	
	Nonfarm	Farm
1	$1,540	$1,080
2	1,990	1,390
3	2,440	1,710
4	3,130	2,190
5	3,685	2,580
6	4,135	2,895
7	4,635	3,245
8	5,135	3,595
9	5,635	3,945
10	6,135	4,295
11	6,635	4,645
12	7,135	4,995
13 or more	7,635	5,345

[1] Incomes for family sizes from 1 through 6 are weighted average composites resulting from the range of thresholds estimated by the Department of Health, Education, and Welfare. Incomes for family sizes larger than 6 are uniform extensions of the thresholds for smaller families, by the Office of Economic Opportunity.

Although there is no avoiding the acknowledged imperfections of this arbitrary classification of poverty, its quality and usefulness far exceed the $1,500 and $3,000 poverty thresholds for one person and two or more person households, respectively, which were common references in pre-Orshansky poverty literature. New definitions with better reference points in expenditure patterns and with regional differences will probably develop during the next few years, but the current figures in this analysis are based on this pattern, which is, not what will be.

Based on 1964 cash incomes and the basic principles of classification just described, in March 1965 the poor comprised—

5.3 million unrelated individuals, over half of whom were 65 or older; and

29.0 million persons living together in 6.8 million families, of which over one-fifth were headed by persons 65 or older.

In tables 2–7, the general characteristics of these poor are shown in such detail, by age, sex, and color of head, by relationship to each other, and by degree of urbanization, as to require only a few additional textual stresses. One general qualifying fact should be pointed out at this time: 1.3 million poor persons were members of 0.4 million families reporting zero or negative incomes characteristic of businessmen and farmers. Three-quarters of these were not living on farms. The numbers seem consistent with those one might expect of a national society of 47.7 million families, containing large numbers of self-employed subject to the swings and wounds of competitive fortune. These 1.3 million poor persons may have been transiently poor, as some poor were no doubt transiently nonpoor in 1964. They have not been excluded from the totals of poverty groups in this discussion.

An interesting illustration of the flux of factors causing poverty is the decline in the nonwhite percentage of all poor persons with advancing age. This is not because age confers affluence on the nonwhite, but because, when measured by cash income, it imposes poverty on the white, so that the proportion on nonwhite poor in the total aged poor is diluted.

Persons in poverty

	Millions	Percent of all ages of poor	Percent of poor who are nonwhite	Percent of all poor and nonpoor in this age group
Under 6	5.8	17	40	24
6 to 15	8.1	23	38	21
16 to 21	3.0	9	30	17
22 to 54	9.3	27	31	12
55 to 64	2.7	8	22	16
65 plus	5.4	16	15	31
All ages	34.3	100	31	18

FAMILY COMPOSITION

Programs to alleviate or end poverty are directed toward people. Poor people, like all others, live mostly in families. Programs intended to affect one person in the family will affect all members. The relationships defined below therefore indicate the pervasive effect of specific programs. As examples, the poor youth who is retrained will be an asset rather than a burden to his parents and society; the aged couple receiving larger retirement incomes are a lesser burden on younger family members sharing their home. Such matters are detailed for each age group in the following text, but to underline their significance, tables 3 through 3b have been prepared, apportioning all poor persons by the age and sex of the heads of the households in which they live.

To a noticeable extent, much of poverty is traceable to the numbers of children in the families of the unskilled, including particularly the preschool children in fatherless homes. As an example, the average male head aged 22 to 54 had 3.3 children under 22 and an average family income of $2,253 if he was classified as poor, but only 2 children and a family income of $8,782 if he was not. Although these figures understate family size by not including other relatives present, the extra 1.3 child alone was equivalent to about $730 of income requirement in our sliding scale of income thresholds to poverty. The average female head in this age group was even worse placed. If poor, she averaged 3.2 children under 22 and a family income of but $1,567; if not poor, she had 1.6 children and $5,715 of income for them

TABLE 3.—*34,300,000 poor persons allocated among households by age and sex of head*

[Unrelated individuals are included as separate households; foster children are included as being their own heads]

Age group of persons by sex of household head	Millions of persons				
	All ages of head	Head under 22	Head 22 to 54	Head 55 to 64	Head over 64
All ages	34.3	1.1	22.4	4.0	6.8
Male head	23.2	.5	16.1	2.8	3.8
Female head	10.9	.4	6.3	1.2	3.0
Foster children	.2	.2			
Children under 6	5.8	.3	5.1	.2	.2
Male head	4.2	.1	3.9	.1	.1
Female head	1.5	.1	1.2	.1	.1
Foster children	.1	.1			
Children 6 to 15	8.1	.1	7.0	.6	.4
Male head	5.5		4.7	.5	.3
Female head	2.5		2.3	.1	.1
Foster children	.1	.1			
Youth never married, 16 to 21	2.3	.2	1.6	.4	.1
Male head	1.5	.1	1.0	.3	.1
Female head	.8	.1	.6	.1	
Youth never married, under 22	.7	.5	.2		
Male head	.5	.3	.2		
Female head	.2	.2			
Prime years, 22 to 54	9.3		8.2	.5	.6
Male head	6.9		6.1	.4	.4
Female head	2.4		2.1	.1	.2
Declining years, 55 to 64	2.7		.1	2.2	.4
Male head	1.8		.1	1.4	.3
Female head	.9			.8	.1
Aged, over 64	5.4		.2	.1	5.1
Male head	2.8		.1	.1	2.6
Female head	2.6		.1		2.5

TABLE 3a.—*34,300,000 poor persons allocated among households by age and sex of head*

[Unrelated individuals are included as separate households; foster children are included as being their own heads]

Age group of persons by sex of household head	Percentage distribution of total poor				
	All ages of head	Head under 22	Head 22 to 54	Head 55 to 64	Head over 64
All ages	100.0	3.2	65.2	11.7	19.9
Male head	67.6	1.4	46.9	8.2	11.1
Female head	31.8	1.2	18.3	3.5	8.8
Foster children	.6	.6			
Children under 6	16.9	.9	14.8	.7	.5
Male head	12.2	.3	11.3	.4	.2
Female head	4.4	.3	3.5	.3	.3
Foster children	.3	.3			
Children 6 to 15	23.6	.3	20.4	1.7	1.2
Male head	16.0		13.7	1.4	.9
Female head	7.3		6.7	.3	.3
Foster children	.3	.3			
Youth never married, 16 to 21	6.7	.6	4.6	1.2	.3
Male head	4.4	.3	2.9	.9	.3
Female head	2.3	.3	1.7	.3	
Youth never married, under 22	2.0	1.4	.6		
Male head	1.4	.8	.6		
Female head	.6	.6			
Prime years, 22 to 54	27.1		23.9	1.4	1.8
Male head	20.1		17.8	1.1	1.2
Female head	7.0		6.1	.3	.6
Declining years, 55 to 64	7.9		.3	6.4	1.2
Male head	5.3		.3	4.1	.9
Female head	2.6			2.3	.3
Aged, over 64	15.8		.6	.3	14.9
Male head	8.2		.3	.3	7.6
Female head	7.6		.3		7.3

TABLE 3b.—*34,300,000 poor persons allocated among households by age and sex of head*

[Unrelated individuals are included as separate households; foster children are included as being their own heads]

Age group of persons by sex of household head	Percentage distribution of each category of poor persons				
	All ages of head	Head under 22	Head 22 to 54	Head 55 to 64	Head over 64
All ages	100.0	3.2	65.3	11.7	19.8
Male head	100.0	2.1	69.4	12.1	16.4
Female head	100.0	3.7	57.8	11.0	27.5
Foster children	100.0	100.0	—	—	—
Children under 6	100.0	5.2	87.9	3.5	3.4
Male head	100.0	2.4	92.8	2.4	2.4
Female head	100.0	6.7	80.0	6.7	6.6
Foster children	100.0	100.0	—	—	—
Children 6 to 15	100.0	1.2	86.4	7.4	5.0
Male head	100.0	—	85.4	9.1	5.5
Female head	100.0	—	92.0	4.0	4.0
Foster children	100.0	100.0	—	—	—
Youth never married, 16 to 21	100.0	8.7	69.6	17.4	4.3
Male head	100.0	6.7	66.6	20.0	6.7
Female head	100.0	12.5	75.0	12.5	—
Youth never married, under 22	100.0	71.4	28.6	—	—
Male head	100.0	60.0	40.0	—	—
Female head	100.0	100.0	—	—	—
Prime years, 22 to 54	100.0	—	88.2	5.4	6.4
Male head	100.0	—	88.4	5.8	5.8
Female head	100.0	—	87.5	4.2	8.3
Declining years, 55 to 64	100.0	—	3.7	81.5	14.8
Male head	100.0	—	5.5	77.8	16.7
Female head	100.0	—	—	88.9	11.1
Aged, over 64	100.0	—	3.7	1.9	94.4
Male head	100.0	—	3.6	3.6	92.8
Female head	100.0	—	3.8	—	96.2

EMPLOYMENT

Past generalizations regarding employment, race, sex, and poverty, however trite, continue true. Women head almost half of all poor households, but only 37 percent of such heads worked at all in 1964 and only 13 percent worked full time for most of the year. Eliminating those 65 or over (who presumably should not work), the percentages change: Only 40 percent of these preretirement poor households are headed by women and over half of these work, while a fifth have full-time employment most of the year.

In the summary table below, farm family work experience, which tends to show little or no unemployment, and few or no female heads, has been omitted from the more detailed categories. Attention is focused on the nonfarm source of most underemployment and on the grievous employment experience of the nonwhite population.

Employment of all household heads and of poor household heads by sex

[Foster children are omitted. All other unrelated individuals are included as heads of their "1-person" households. About 700,000 nonpoor and 100,000 poor heads in Armed Forces are omitted from this table since their work experience is not surveyed]

	Household heads, all incomes			Household heads in poverty		
	Millions of heads	Percent worked at all in 1964	Percent worked full time for over 39 weeks	Millions of heads	Percent worked at all in 1964	Percent worked full time for over 39 weeks
Household heads, all ages and races, total	58.6	81.3	66.5	11.7	53.0	27.6
Male	46.4	88.1	74.9	6.3	66.9	40.3
Female	12.2	55.7	34.4	5.4	36.9	12.7
Household heads, under 65, all races, total	47.3	92.9	79.0	7.2	73.3	40.8
Male	39.5	96.5	84.8	4.2	85.4	54.5
Female	7.8	75.1	49.9	3.0	55.2	20.3
Household heads, under 65, all races, nonfarm total	44.6	92.5	78.7	6.4	73.3	38.4
Male	36.9	96.4	84.8	3.6	85.8	52.0
Female	7.7	74.1	49.6	2.8	57.4	21.2
Household heads, under 65, nonwhite, nonfarm total	5.1	88.7	65.0	1.9	78.0	39.7
Male	3.6	94.5	74.6	1.0	88.6	53.1
Female	1.5	74.6	41.4	.9	65.9	24.2

Employment of young men and women aged 16 to 21 who have never married is summarized in table 8. About half of all persons these ages, poor and nonpoor alike, are in school and neither working nor seeking work, but in households headed by a woman. The proportion not in school, whether or not working, is consistently higher than in households headed by a man. Also, in these generally fatherless families, the proportion of those seeking work or working is higher than in other families.

Although there is a relatively high incidence of the characteristic "not in school, not in labor force" among nonwhites of these ages, both poor and nonpoor, it should be noted that among most poor white categories incidence of this characteristic is almost as high as among poor nonwhites.

Finally, the total proportion of nonwhite youth in school is consistently lower than the proportion of white youth—regardless of location, of sex of head, and of poor or nonpoor classification.

TABLE 4.—*Percent of total family heads of all income levels who are poor, by age and work experience in 1964* [1]

[Data relate only to heads of families of 2 or more]

	Total heads	Heads worked in 1964					Heads did not work in 1964					
		Total worked	40 to 52 weeks		1 to 39 weeks		Total	Kept house	Went to school	Couldn't find work	Ill or disabled	Other
			Full time	Part time	Full time	Part time						
All poor families:												
All ages	14.2	10.8	7.4	29.3	25.9	38.6	35.4	45.6	24.1	53.4	46.7	23.7
Under 22	26.0	22.3	8.7	52.6	41.2	48.1	50.8	85.7	52.2	---	---	15.4
22 to 54	12.7	10.6	7.6	40.4	27.7	59.9	59.0	66.9	14.5	66.0	54.3	42.5
55 to 64	12.4	9.7	6.3	27.0	22.0	37.7	30.9	27.7	---	17.6	39.1	23.2
65 and over	22.2	12.7	8.2	18.4	12.2	18.1	28.1	24.7	---	59.4	47.5	22.6

[1] Preliminary.

TABLE 4a.—*Poor family heads allocated by age group and 1964 work experience.*[1]

[Data relate only to heads of families of 2 or more. Percentages of all family heads and of all nonwhite family heads]

	Total heads	Heads worked in 1964					Heads did not work in 1964					
		Total worked	40 to 52 weeks		1 to 39 weeks		Total	Kept house	Went to school	Couldn't find work	Ill or disabled	Other
			Full time	Part time	Full time	Part time						
All family heads, white and nonwhite:												
All ages	100.0	65.1	38.0	5.7	14.1	7.3	34.9	11.2	0.3	1.4	10.9	11.1
Under 22	2.9	2.4	.6	.3	1.1	.4	.5	.3	.2	----------	----------	----------
22 to 54	61.0	48.4	30.8	2.8	10.5	4.3	12.6	7.6	.1	1.1	2.7	1.1
55 to 64	13.9	9.4	5.1	1.3	1.8	1.2	4.5	1.1	----------	.1	2.4	.9
65 and over	22.2	4.9	1.5	1.3	.7	1.4	17.3	2.2	----------	.2	5.8	9.1
All nonwhite family heads:												
All ages	100.0	73.6	42.7	7.0	14.5	9.4	26.4	10.5	.3	1.8	9.2	4.6
Under 22	2.5	2.0	.3	.3	1.1	.3	.5	.2	.3	----------	----------	----------
22 to 54	71.5	57.6	36.4	4.0	10.6	6.6	13.9	7.9	----------	1.3	3.2	1.5
55 to 64	11.7	8.9	4.7	1.1	2.0	1.1	2.8	.9	----------	.1	1.5	.3
65 and over	14.3	5.1	1.3	1.6	.8	1.4	9.2	1.5	----------	.4	4.5	2.8

[1] Preliminary.

TABLE 4b.—*Detailed allocation of white and nonwhite poor heads aged 22–54 among significant characteristics of sex, location, and 1964 work experience*[1]

[Data relate only to heads of families of 2 or more. Percentages of total white and total nonwhite poor heads, separately]

	Total heads	Heads worked in 1964					Heads did not work in 1964					
		Total worked	40 to 52 weeks		1 to 39 weeks		Total	Kept house	Went to school	Couldn't find work	Ill or disabled	Other
			Full time	Part time	Full time	Part time						
Age group 22–54, percent of total poor heads, all races	61.0	48.4	30.8	2.8	10.5	4.3	12.6	7.6	0.1	1.1	2.7	1.1
Total white	57.0	44.9	28.7	2.4	10.4	3.4	12.1	7.5	.1	1.0	2.6	.9
Nonfarm	48.7	36.8	21.8	2.0	9.7	3.3	11.9	7.4	.1	1.0	2.5	.9
Male head	33.1	30.0	20.1	1.4	6.9	1.6	3.1	.2	----	.5	2.0	.4
Female head	15.6	6.8	1.7	.6	2.8	1.7	8.8	7.2	.1	.5	.5	.5
Farm	8.3	8.1	6.9	.4	.7	.1	.2	.1	----	----	.1	----
Male head	8.1	8.0	6.8	.4	.7	.1	.1	----	----	----	.1	----
Female head	.2	.1	.1	----	----	----	.1	.1	----	----	----	----
Total nonwhite	71.5	57.6	36.4	4.0	10.6	6.6	13.9	7.9	----	1.3	3.2	1.5
Nonfarm	64.5	50.6	31.4	3.2	10.0	6.0	13.9	7.9	----	1.3	3.2	1.5
Male head	37.0	34.1	23.6	1.3	6.3	2.9	2.9	.1	----	.9	1.2	.7
Female head	27.5	16.5	7.8	1.9	3.7	3.1	11.0	7.8	----	.4	2.0	.8
Farm	7.0	7.0	5.0	.8	.6	.6	----	----	----	----	----	----
Male head	6.1	6.1	4.9	.7	.3	.2	----	----	----	----	----	----
Female head	.9	.9	.1	.1	.3	.4	----	----	----	----	----	----

[1] Preliminary.

TABLE 5.—*Percentage distributions of 34,300,000 persons in poverty by age and sex of family head*

Unrelated individuals are included as individual heads]

Age of head	Both sexes	Male head	Female head
Percentages who are poor, of corresponding categories of persons, by age and sex of household head, at all income levels:			
All ages of head	18.1	14.0	46.2
Under 22	37.5	26.9	71.4
22 to 54	15.8	12.5	49.2
55 to 64	16.7	14.0	30.0
65 and older	31.3	24.8	46.9
Percentages of total 34,300,000 poor persons:			
All ages	100.0	67.9	32.1
Under 22	3.5	2.0	1.5
22 to 54	65.0	46.6	18.4
55 to 64	11.7	8.2	3.5
65 and older	19.8	11.1	8.7

CHILDREN, PRESCHOOL, UNDER 6

Of the 5.8 million poor children under 6, 88 percent were in families having heads in the ages of 22 through 54; less than 1 percent were in families having more youthful heads. These figures are very close to corresponding 94 percent and 3 percent concentrations for children of this age not in poor families. The significant concentration among the poor children is the 25-percent portion in female-headed families; only 3 percent of children under 6 not in poverty were in such families.

Nonwhite families contained 40 percent of all children under 6 in poverty, and these nonwhite poor children were 60 percent of all nonwhite children of this age group. Again, 91 percent were in poor families having heads in the ages 22 through 54 and only 3 percent were in families having younger heads. And here, too, the 31 percent found in families having female heads was the significant concentration, in contrast to only 8 percent of those under 6 not in poverty, in such nonwhite families.

The important characteristic of children under 6 is their need of parental care. This limits directly a family solution to poverty through gainful employment by the mother. It is not surprising, therefore, that over 40 percent of all the families in poverty contain children under 6—and that the proportions of all families found in poverty diminishes as age removes the hindrance of such children to increased family earnings, up to the point at which age itself becomes a stricture on earnings.

	By age of head			
	Under 22	22 to 54	55 to 64	65 plus
Percent of all poor families having children under 6	63	60	11	6
Percent of all nonpoor families having children under 6	59	39	4	2
Percent, all poor families of all families, regardless of presence of children under 6	26	13	12	22

CHILDREN, SCHOOL AGE, 6–15

With the onset of school age, the notable propensity of children to consume increases, but this is balanced somewhat by earnings which they contribute,[1] and even more by the resulting relaxation of family strictures on employment of their mothers. Whereas over 23 percent of preschool children are in poverty, only about 21 percent of those 6 to 15 are in poverty, and this sinks rapidly to about 15 percent of those aged 16 to 21. The effects of such school-age juveniles on family fortunes are nevertheless obvious in the following table:

	By age of head			
	Under 22	22 to 54	55 to 64	65 plus
Percent of all poor families having children 6 to 15	11	70	31	14
Percent of all nonpoor families having children 6 to 15	1	54	15	5
Percent, all poor families of all families, regardless of presence of children 6 to 15	26	13	12	22

Of the 8.2 million poor children of these school ages, 86 percent are in families headed by a person aged 22 to 54, and in this particular group a third are in families headed by a woman. In other words, 28 percent of the poor children 6 to 15 are in families headed by a woman aged 22 to 54; with another 3 percent in families headed by older and younger women, a total of 31 percent of these poor children are in matriarchal households.

THE PRIME EARNING YEARS, 22 TO 54

Of all the poor, about 65 percent are found in families headed by persons aged 22 to 54. This condition prevails despite the fact that in these ages adults have the best employment record and often average the best level of income in all their working lives. As previously noted regarding poor children, concentration of poverty totals in these age groups is often an arithmetical result of having unemployed children present in so many families having low incomes throughout their lives. This adds to the number in the family without commensurate increase in income, and for extended periods it prevents the mother from leaving her preschool children to augment the family income, whether she is the wife of the low-income husband or the woman raising her family without a husband.

With at least a sixth of the poor families in this age group of head containing youths 16 to 21 years old, such programs as Job Corps, by sheer arithmetic, may place a noticeable number of families (and people) above the poverty line, since the program removes at least one person from the household while simultaneously adding a cash allotment of up to $600 per year to the family income.

[1] About 20 percent of males aged 15 are in the labor force, versus only about 9 percent of those aged 13 and probably practically none below age 10.

Poverty heads of households aged 22 to 54 and their 1964 work experience

	Percent
Percentage of all persons in poverty in these households	65
Percentage of the households headed by women	30
Percentage of the female heads not working:	
White	56
Nonwhite	39
Percentage of the male heads not working at all:	
White	8
Nonwhite	7
Percentage of the male heads employed full-time for more than 39 weeks (the same for both white and nonwhite)	66
Percentage of all heads who live on farms (almost all of whom work full-time, year long)	13

TABLE 6.—*Persons in poverty households headed by a person aged 22 to 54*

	Total population		Poor population		
				Percent—	
	Millions	Percent of total below	Millions	Of total below	Of all poor
Heads of households, age 22 to 54	32.7	23.2	4.2	18.8	12.2
Male	29.8	21.1	2.9	13.0	8.4
Female	2.9	2.1	1.3	5.8	3.8
Wives of male heads this age	29.4	20.8	2.8	12.6	8.2
Children of such heads:					
Under 6	23.0	16.3	5.1	22.9	14.9
School age, 6 to 15	35.4	25.1	7.0	31.4	20.4
Youths 16 to 21, never married, living in these homes	11.2	7.9	1.5	6.7	4.4
Adult relatives living with these heads, including youths never married	5.1	3.6	.6	2.7	1.7
Total persons in families headed by a person 22 to 54	136.8	96.9	21.2	95.1	61.8
Unrelated individuals 22 to 54	4.3	3.1	1.1	4.9	3.2
Total persons affected by programs aimed at household heads in this age group	141.1	100.0	22.3	100.0	65.0
Total population, all ages [1]	189.9		34.3		100.0
Percent of total population [affected]		74.3		65.0	
Other persons 22 to 54 (i.e., living with heads not this age) [affected]	7.7		1.1		

[1] Civilian, noninstitutional.

THE DECLINING YEARS, 55 TO 64

Of all heads of families this age, only about one-eighth head impoverished families; additionally, about one-third of such persons who live alone, without families, are in poverty. Together, the family heads, their family members, and unrelated persons in this 10-year age group comprise about 11 percent of all the poor and about 16 percent of all persons in households at all income levels headed by persons this age.

In contrast to the age group 22 to 54, only about one-quarter of all the poor persons in these families are children and youth. With a head this age, the group is distinctly tending toward an aged composition. Not only are three-quarters of the family members adult, but over half of the "unrelated individuals" are estimated to have been former husbands and wives, now left alone by death or separation.

Indeed, this latter group of impoverished former wives and husbands under 65 includes about 43 percent of all former wives and husbands, of all income levels. This low income level for those moving from family to single status is a characteristic of the oncoming aged group of 65 and over.

	Total population		Poor population		
	Millions	Percent of total below	Millions	Percent of total below	Percent of total population
Unrelated individuals	2.5	10.5	0.9	23.7	36.0
Previously married, now without spouse [1]	1.4	5.9	.6	15.8	42.9
Not previously married [1]	1.1	4.6	.3	7.9	27.3
Family heads this age, total	7.4	31.1	.9	23.7	12.2
Male	6.6	27.7	.8	21.1	12.1
Female	.8	3.4	.1	2.6	12.5
Wives (any age) of male heads	6.4	26.9	.7	18.5	10.9
Children under 6	.5	2.1	.2	5.2	40.0
Children 6-15	1.9	8.0	.5	13.1	26.3
Youth 16-21 (never married)	2.2	9.2	.3	7.9	13.6
Other adult relatives (including married youth)	2.9	12.2	.3	7.9	10.3
Total	23.8	100.0	3.8	100.0	16.0

[1] Estimated by OEO staff.

THE AGED, 65 AND OVER

Over 20 percent of the poor are accounted for by aged family heads and their wives, children, and other relatives, and by aged unrelated men and women not living in families. Children and youth are about one-ninth of the total poor in these households, as compared with one-quarter of those in households having heads aged 55 to 64 and almost two-thirds in those of heads aged 22 to 54. Programs directed toward the aged poor will therefore have small effect on the young, and those benefiting the young will have a correspondingly small effect, on the average, on the old.

In 1963, the lowest third of married couples receiving Federal old age and survivor benefits averaged only about $1,600 in total income from all sources. The lowest third of those not getting such benefits averaged $1,250 per couple. Both figures are well below the poverty line of about $1,850 per aged couple, and both go far to sustain the 1965 determination that 38 percent of all households headed by the aged were poor in 1964.

Housing is a major worry of the aged, even though a heavy majority are homeowners, since to continue to enjoy the lower cash outlay available to homeowners, taxes must be paid and some maintenance must be done. In view of the large poor fraction of the aged, their housing might well be expected to be inferior.

In 1960, 69 percent of aged household heads were homeowners; 30 percent of these aged homeowners were in dilapidated or deteriorating homes; 39 percent of aged tenants, too, were in dilapidated or deteriorating homes.

TABLE 7.—*The household and family status of the aged and of their younger family members*

[In millions]

	All income levels			The poor		
	Total	White	Nonwhite	Total	White	Nonwhite
The aged (65 or over), total	17.4	16.0	1.4	[1] 5.4	4.7	0.7
Living as unrelated individuals, total	4.6	4.2	.4	2.7	2.4	.3
Male	1.3	1.1	.2	.6	.5	.1
Female	3.3	3.1	.2	2.1	1.9	.2
Aged heads of families, total	6.7	6.1	.6	1.5	1.2	.3
Male	5.6	5.2	.4	1.2	1.0	.2
Female	1.1	.9	.2	.3	.2	.1
Aged wives of these aged heads	3.1	3.0	.1	.7	.6	.1
Other aged relatives of these aged heads:						
Male	.2	.2	-------	.1	.1	-------
Female	.4	.4	-------	.1	.1	-------
Aged wives of younger heads	.3	.2	.1	.1	.1	-------
Other aged relatives of younger heads:						
Male	.6	.5	.1	-------	-------	-------
Female	1.5	1.4	.1	.2	.2	-------
Add younger members of families having aged heads: total	-------	-------	-------	1.9	1.1	.8
Children of preschool age, under 6	-------	-------	-------	.2	.1	.1
Children of probable school age, 6 to 15	-------	-------	-------	.4	.2	.2
Youths 16 to 21, total	-------	-------	-------	.2	.1	.1
Male	-------	-------	-------	.1	-------	.1
Female	-------	-------	-------	.1	.1	-------
Prime earning years, 22 to 54: Wives of aged	-------	-------	-------	.1	.1	-------
Male relatives	-------	-------	-------	.2	.1	.1
Female relatives	-------	-------	-------	.2	.1	.1
Declining years, 55 to 64: Wives of aged	-------	-------	-------	.3	.2	.1
Male relatives	-------	-------	-------	.1	.1	-------
Female relatives	-------	-------	-------	-------	-------	-------
Total aged living in their own households as heads or spouses	-------	-------	-------	4.9	-------	-------
Add those younger or older who live with them in subordinate status but with mingled fortunes	-------	-------	-------	2.1	-------	-------
Total to be affected by policies helping aged heads	-------	-------	-------	[2] 7.0	-------	-------
Total aged who will be affected by policies helping younger heads	-------	-------	-------	[3] .3	-------	-------

[1] Percentage of 34,300,000 poor persons, 15.7.
[2] Percentage of 34,300,000 poor persons, 20.4.
[3] Percentage of 34,300,000 poor persons, 0.9.

TABLE 8.—*Youth never married, 16 to 21, by school and labor force status, by poverty level, and by residential location*

[Percentage of youth in each category]

	All youth			Youth in families with female head		
	All locations	Nonfarm	Farm	All locations	Nonfarm	Farm
All incomes; all races: All youth	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force	52.4	52.8	47.8	45.5	45.9	34.6
In school, in labor force	18.8	19.0	17.3	15.4	15.9	5.1
Not in school, in labor force	24.3	23.9	28.3	32.3	31.5	50.0
Not in school, not in labor force	4.5	4.3	6.6	6.8	6.7	10.3
Nonwhite: All youth	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force	51.7	52.7	44.6	49.8	50.4	41.7
In school, in labor force	10.4	11.4	3.6	9.1	9.8	----------
Not in school, in labor force	27.5	26.3	35.7	28.9	28.3	36.1
Not in school, not in labor force	10.4	9.6	16.1	12.2	11.5	22.2
Incomes below poverty level; all races: All youth	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force	50.2	50.7	47.9	52.0	52.7	36.7
In school, in labor force	13.0	12.8	14.0	15.9	16.6	----------
Not in school, in labor force	24.7	24.2	27.3	22.7	21.7	46.6
Not in school, not in labor force	12.1	12.3	10.8	9.4	9.0	16.7
Nonwhite: All youth	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force	52.9	54.2	47.1	56.0	57.5	34.8
In school, in labor force	7.4	8.3	3.8	8.1	8.7	----------
Not in school, in labor force	26.4	24.2	35.7	25.0	23.6	43.4
Not in school, not in labor force	13.3	13.3	13.4	10.9	10.2	21.8

DEPARTMENT OF STATE

Foreign Service Retirement and Disability System

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

A major purpose of the Foreign Service retirement and disability system, similar to the purpose of all retirement systems, is to provide an income continuation plan for Foreign Service personnel and their survivors upon retirement, disability, or death. This system has some distinctive features designed to meet the needs of those who serve at posts throughout the world, many in unhealthful, dangerous, or hardship areas.

Also, provisions of this retirement system are closely alined with features of the Foreign Service personnel system to facilitate the selection-out or retirement of the least able and the enhancement of advancement opportunities for the most able.

Selection-out separates from the Foreign Service not only the marginal officer but also the generally competent officer who has slowed down or who no longer can keep pace with the majority of his colleagues. He is selected-out to make room for the advancement and development of more junior officers with greater potential for growth. The selection-out provisions are complemented by the voluntary and mandatory retirement provisions. All three functioning together are necessary for the attainment of the management objective of enabling the most able officers of promise and potential to move upward in the Service.

2. Operation

The retirement system is wholly a direct Federal operation and is administered by headquarters of the Department of State.

3. History

The Rogers Act of 1924, which established the modern Foreign Service, also established the Foreign Service retirement and disability system. This system was designed to meet the special needs of the Foreign Service personnel system.

Originally, the only persons covered by the Foreign Service retirement and disability system were Foreign Service officers and noncareer chiefs of mission with 20 or more years of service as a chief of mission. The Foreign Service Act Amendments of 1960 made all Foreign Service staff personnel with 10 or more years of continuous service in the Department of State's Foreign Service participants in this retirement system. This extension of coverage recognized that staff personnel who make a career of the Service are subject in a large measure to the same conditions of service as Foreign Service officers and should be subject to the same retirement benefits and restrictions, especially those relating to the earlier voluntary and mandatory retirement ages.

4. Level of operations. (See table 1.)

Program: Foreign Service retirement and disability system.
Department or agency, and office or bureau: Department of State.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program: Active personnel contributing to the fund	Employees	4,353	4,457	4,633	4,803
(b) Participants and beneficiary survivors receiving annuities	Annuitants	1,206	1,337	1,423	1,545
(c) Federal finances:					
Unobligated appropriations available	Trust fund	$39,502,721	$41,133,605	$41,959,571	$41,938,487
Obligations incurred	Expenditures	7,485,891	8,306,583	[2] 9,285,384	10,414,634
(d) Number of Federal Government employees administering, operating, or supervising the activity.[1]	Man-years	6	6	6	6

[1] A composite of 6 employees are involved in establishing policies and procedures for the administration and maintenance of the Foreign Service retirement and disability system, including counseling services, maintenance of individual employee records, computation of annuities, preparation of monthly annuity roll, overall accounting and reporting requirements, etc.

[2] This figure includes $45,000 (a request for supplemental payment from the general fund in fiscal year 1966) which is reflected in the 1967 budget. This amount represents the additional cost in payments to widow survivors for that portion of the year remaining after passage of Public Law 89–308, approved Oct. 31, 1965.

5. Estimated magnitude of program in 1970

Active personnel contributing to the fund ---------- 5,313
Participants and beneficiary survivors receiving annuities ---------- 1,945

6. Prospective changes in program orientation

(a) *Pending legislative proposals.*—H.R. 6277, Foreign Service Act Amendments of 1965.

The primary objective is to facilitate the establishment of a single personnel system within each of the three agencies most actively engaged in foreign affairs—the Department of State, the U.S. Information Agency, and the Agency for International Development. These three agencies conduct their activities under two personnel systems—one operating under civil service laws and the other under the Foreign Service Act. The ground rules governing appointments, assignments, promotions, separation, and retirement are different for each system and, to some degree, for each of the agencies. These amendments will provide identical treatment in the matter of participation in the Foreign Service retirement system for present and prospective officers and employees of the three foreign affairs agencies.

(b) *Proposed administrative and organizational changes.* None.

(c) *Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social.* None.

7. Coordination and cooperation

(a) *Within your bureau, division, or office:* None.
(b) *With other units of your department or agency:* None.
(c) *With other Federal Government departments or agencies:* None.

8. Laws and regulations

The Foreign Service Act of 1946, as amended to November 7, 1965. Title VIII (p. 30) pertains specifically to the Foreign Service retirement and disability system.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income.

Foreign Service annuitants supplement their annuities by teaching, writing, and other activities for which they are qualified. Some have outside income from investments, and a few have small social security and Veterans' Administration pensions. It is estimated that on the average, Foreign Service annuitants derive 40 percent of their total income from the above sources.

10. Economic classification of program expenditures. (See table 2.)

Program: Foreign Service retirement and disability system.
Department or agency, and office or bureau: Department of State.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government: Transfer payments to individuals	8.3
Total, Federal expenditures	8.3

DEPARTMENT OF THE TREASURY

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U.S. Coast Guard

Family Housing Program

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To provide adequate family housing for Coast Guard military personnel and their dependents in areas where housing is not sufficient, is too costly, or is too far distant to meet requirements.

2. Operation

Construction of family housing is programed, planned and budgeted at the Headquarters level and supported with Federal funds. Construction, operation and maintenance is the responsibility of the field command having control of the housing units.

3. History

During the latter part of 1963 the Commandant stated that it was to be the policy of the Coast Guard that Coast Guard personnel be able to reside with their dependents whenever possible and that adequate living conditions be considered as an operational necessity. As a result, the first Coast Guard servicewide housing survey was conducted during early 1964. At this time the inventory of Coast Guard owned housing units was a level of just under 500 and located primarily at small shore stations. The results of the survey indicated that, with the criteria established, approximately 62 percent of our personnel were inadequately housed. A board was designated in October 1964, to study and develop a long-range housing program. The report of the board received the command's approval in July 1965. Budget requests for fiscal year 1967 implement the initial construction of family housing units as a direct result of the long-range program.

The present long-range program provides primarily for family housing in large metropolitan areas, but does include housing at small shore stations.

4. Level of operations. (See table 1.)

Program: Family housing program.
Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (in housing units)	496	520	1,140	1,540
(b) Applicants or participants:				
Families	496	520	1,140	1,540
Other				
(c) Federal finances (in thousands of dollars):				
Obligations incurred	$1,624	$1,369	$1,591	$6,675

5. Estimated magnitude of program in 1970

In 1970, provided planning schedules are realized, it is estimated that the Coast Guard will have approximately 2,500 Government family housing units in the inventory. In addition, if requested leasing authority is granted, approximately 2,000 units will be under lease for occupancy by Coast Guard military personnel and their families.

6. Prospective changes in program orientation

(*c*) A change in the conditions under which the program will function in 1970 would be created by an increase in the basic allowance for quarters for all military personnel. If an increase occurs by 1970, and the present price levels of housing are maintained it should reduce the number of personnel living in inadequate community housing. However, it is not anticipated that the housing supply program will be affected appreciably.

7. Coordination and cooperation

(*i*) The Coast Guard's program is coordinated closely with like programs of the Department of Defense with regard to planning, construction, and occupancy. In order to utilize DOD construction capabilities our requirements are consolidated wherever possible. When Coast Guard personnel are stationed at a DOD unit, the host service provides family housing on the same basis as for its own personnel. Requirements for housing necessitate continuing liaison to make our needs known to the Federal Housing Administration at the headquarters level as well as in the field, with chambers of commerce, real estate boards, builders' associations, mayors, and members of city councils.

(*ii*) A Coast Guard Housing Administration Manual in the process of being published provides for the coordination and cooperation stated in (*i*) above.

8. Laws and regulations

Bureau of the Budget Circular No. A–18 dated October 18, 1957, regulates policies on construction of family housing.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(*a*) Those families residing in military family housing units benefit by receiving adequate housing at a cost less than other forms of housing in the area. This, in effect, releases personal income that would normally have been allocated to housing for use elsewhere.

(*c*) The building trade and real estate industry are directly affected by the location and magnitude of the various construction programs.

(*f*) Coast Guard facilities are generally located near large water areas. Many of these areas are highly inaccessible.

10. Economic classification of program expenditures. (See table 2.)

Program: Family housing program.
Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government: Purchases of goods and services	2, 248
Total, Federal expenditures	2, 248

PROCUREMENT ACTIVITY DESIGNED TO ASSIST SMALL BUSINESS AND LABOR SURPLUS AREAS

Federal procurement regulations require the Coast Guard to set aside part of each year's procurement funds for awards to small business and to labor surplus areas. This set-aside amounted to $8.7 million in 1964 and $4.8 million in 1965. Expenditures through 1970 are estimated to be $5 million annually.

RESERVE TRAINING PROGRAM

1. Objectives

The Coast Guard Reserve is "maintained for the purpose of providing trained units and qualified individuals to be available for active duty in the" Coast Guard "in time of war or national emergency, and at such other times as the national security may require * * *"

2. Operation

The Reserve training program operates wholly as a direct Federal operation, conducted under the direction of the District Commander in the various Coast Guard districts with headquarters supervision.

3. History

By act of February 19, 1941 (55 stat. 854), a military Coast Guard Reserve was established which was modeled after the Naval Reserve.

During World War II the Reserve reached a peak strength of 150,000 officers and men. Immediately following the end of the war, the Coast Guard was reduced to an organization of 22,000 military personnel, and as a result, almost all Reserves were discharged or placed on inactive duty.

As world conditions became more precarious, a survey of the Coast Guard was made in 1950, and as a direct result, the first funds to provide training to inactive Reservists were appropriated in 1951. The Armed Forces Reserve Act (AFRA) of 1952 gave further definition and emphasis to the program by establishing the mission of the Reserve Forces, their composition, and number.

The Reserve Forces Act (RFA) of 1955 assured the permanence of a peacetime Coast Guard Reserve. The authorized Ready Reserve ceiling at that time was 39,600 reservists. By 1959, this ceiling came close to being attained with 36,000 reservists in the Ready Reserve.

In 1964, the Department of Defense approved an increased ceiling of 45,200 ready reservists. At the end of 1965, the Ready Reserve strength was 30,242.

4. Level of operations. (See table 1.)

Program: Reserve training program.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program	Training units	272	286	286	293
(b) Applicants or participants:					
Individuals or families	Reserve trainees	19,810	21,743	19,175	19,923
Other					
(c) Federal finances:					
Unobligation appropriations available	Thousands of dollars.	19,500	20,939	23,700	24,429
Obligations incurred	do	19,473	20,859		
Allotments or commitments	do				
(d) Number of Federal Government employees administering, operating, or supervising the activity.	Military	901	951	1,028	1,041
	Civilian	110	149	191	191

5. Estimated magnitude of program in 1970

(*a*) Trainees: Present planning indicates the Reserve training program will expand until such time as the Reserve training unit strength and the overall Ready Reserve strength total 29,475 and 45,200 respectively. It is envisioned that by the end of fiscal year 1970, there will be 22,572 drilling reservists and 39,016 ready reservists. The number of organized Reserve training units (ORTU's) required to provide training to the drilling reservists will be 374.

(*b*) Facility support: Three additional training centers will be established and various temporary buildings at Reserve Training Center, Yorktown, Va., will be replaced. Major items of training equipment that will be required are: Additional training vessels (5), organized Reserve port security unit (ORPSU) equipment (45 sets, including 48 30-foot utility boats), coastal force equipment (15 sets), and light aircraft (32).

(*c*) Support personnel: Administrative personnel, stationkeepers, recruiters, etc., must keep pace with the increasing workload; therefore, total support personnel required will be 2,038 military and 195 civilian during fiscal year 1970.

(*d*) Appropriation: The estimated appropriation level will be slightly in excess of $40 million.

6. Prospective changes in program orientation

(*c*) By 1970, it is envisioned that greater reliance will be placed on the use of electronic data processing equipment and computers. The possible technological advancements realized from EDP equipment will result in management improvements, such as mobilization, pay, retirement point records, and various miscellaneous reports to name but a few.

7. Coordination and cooperation

(*a*) Within the bureau: The Reserve training program is a part of the regular service (Coast Guard); therefore, coordination and cooperation is extensive in the joint utilization of facilities wherever and whenever possible and/or practicable.

(*c*) With other Federal Government departments or agencies: The Coast Guard Reserve participates in the joint construction of Reserve training facilities with the cognizant service in the Department of Defense whenever it is mutually advantageous. There is a joint utilization of existing training facilities and training aids between the other Armed Forces Reserve components and the Coast Guard Reserve wherever practicable.

8. Laws and regulations

(1) Appropriate sections of title 10, United States Code, relating to the Reserve components generally.

(2) Appropriate sections of title 37, United States Code, relating to pay and allowances for reservists.

(3) Chapter 21, title 14, United States Code.

(4) Universal Military Training and Service Act, as amended.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(*a*) The regular income of drilling reservists is supplemented by the amount they receive for drill pay and active duty training.

(*f*) Reserve training units are located throughout the United States. They are, however, primarily concentrated in large urban areas with heavy distribution of those areas located near large waterways.

10. Economic classification of program expenditures. (See table 2.)

Program: Reserve training program.
Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries	15.5
Other	5.4
Total, Federal expenditures	20.9

RETIRED PAY

1. Objectives

The appropriation, "Retired pay, Coast Guard," provides pay for retired military members of the Coast Guard and Coast Guard Reserve, retired members of the former Lighthouse and Lifesaving Services, and annuities payable to beneficiaries of retired military personnel under the "retired serviceman's family protection plan."

2. Operation

The program is a direct Federal operation primarily controlled at Coast Guard headquarters.

3. History

Retirements began in the Revenue Cutter Service for the purpose of stimulating officer promotions by placing 39 officers upon permanent waiting orders (retired list) at half-pay under the act approved March 2, 1895. Refinements and extensions of the retirement system have continued until today's retirements may be voluntarily taken for years of service or made involuntarily for reason of age, physical disability, or forced attrition.

4. Level of operations. (See table 1.)

Program: Retired pay.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (average number retired members)	10,436	11,026	11,670	12,402
(b) Federal finances:				
Unobligated appropriations available	$34,400,000	$36,961,000	$41,000,000	$44,250,000
Obligations incurred	$34,280,000	$36,958,000		
Allotments or commitments made				
(c) Number of Federal Government employees administering, operating, or supervising the activity	15	15	15	15

5. Estimated magnitude of program in 1970

By 1970 it is estimated that the number of Coast Guard retired members will increase to 14,650. This will necessitate an appropriation of $52 million based on present laws.

6. Prospective changes in program orientation

(c) The number to be retired will continue to rise through 1970 primarily due to increased years of service of personnel on active duty. This rise, coupled with prolonged life expectancy of those receiving retired pay results in an ever-increasing program level.

7. Coordination and cooperation

Not applicable.

8. Laws and regulations

10 U.S.C. 1431–1446 "The Retired Serviceman's Family Protection Plan."

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(*a*) The entire cost of the program results in a direct increase by that amount to the personal incomes of the individuals involved.

(*f*) Retired members are found throughout the United States with a few in foreign countries. It is noted, however, that most retirees tend to settle near large water areas. California, Florida, Massachusetts, Virginia, North Carolina, Washington, and New York house retired members receiving 57 percent of the entire retired pay appropriation.

(*g*) Since the expenditures of consumers is part of the gross national product, the entire program may be considered as contributing to the magnitude of the GNP.

10. Economic classification program expenditures. (See table 2.)

Program: Retired pay.
Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government: Transfer payments to individuals	37,061
Total, Federal expenditures	37,061

TRAINING PROGRAM

1. Objectives

The Coast Guard training program is intended to provide such training necessary to meet the needs of the service. Initial training of officers and enlisted men is provided as well as advanced and specialized training for continued educational development.

2. Operation

Training requirements are determined mainly at a headquarters level with some needs for special skill training determined at the district level. The training program is a wholly Federal operation administered at the headquarters level. Training programs are many and varied, ranging from officer training at the Coast Guard Academy and Officer Candidate School to recruit and basic petty officer training for enlisted men. Specialized and advanced training is provided to increase the technical skills required of enlisted personnel as well as officers. Most of the training is provided at Coast Guard training commands; however, service schools of the other Armed Forces and some civilian institutions are utilized for advanced and specialized training.

3. History

The Coast Guard training program has been a continuing one since the beginning days of the service. The Coast Guard has seen a shift in emphasis from on-the-job-type training to formal schools as scientific and technological advances made this type of training necessary due to more complicated equipment. In recent years an increasing amount of short-term courses in use of specific equipment has been necessary due to the rapid changing technology. In the last 10 years the requirements for basic schools has remained relatively stable, while short-term specialized schools increased tenfold. As the number of personnel in the Coast Guard has grown there has been a proportionate increase in the numbers requiring training.

4. Level of operations. (See table 1.)

Program: Training program.
Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program	Persons [1]	9,000	10,000	13,400	13,500
(b) Federal finances:					
Unobligated appropriations available.	Thousands of dollars.				
Obligations incurred	do	11,107	12,500	13,900	14,000
Allotments or commitments made.	do				
(c) Number of Federal Government employees administering, operating, or supervising the activity.[2]		1,400	1,400	1,400	1,417

[1] Direct beneficiaries of training.
[2] Coast Guard only.

5. Estimated magnitude of program in 1970

Based on the growth of the Coast Guard, the number of persons expected to receive training in 1970 is estimated to be 15,700.

6. Prospective changes in program orientation

There are no pending legislative proposals or proposed organizational changes known at this time that would indicate a change in the orientation or emphasis of the Coast Guard training program. As technological advances continue to result in more sophisticated equipment it will be necessary to continue the emphasis on specialized courses.

7. Coordination and cooperation

(*a*) The Training and Procurement Division cooperates with the other divisions within headquarters to provide training to meet the needs as determined by the other divisions. This procedure is set forth in the Coast Guard Organization Manual.

(*b*) Opportunities for cooperation with other bureaus of the Treasury Department arise through Coast Guard utilization of the Treasury Law Enforcement School.

(*c*) A considerable amount of Coast Guard training is received at various Armed Forces schools. The Navy in particular provides a large amount of training for Coast Guard personnel. Some training is provided through other Government agencies such as the Civil Service Commission and General Services Administration. The Coast Guard reciprocates by providing training for other Government agencies and Armed Forces at Coast Guard schools or through assignment of instructors or liaison personnel at their commands.

(*f*) The Coast Guard provides training to personnel of foreign governments by participating in the military assistance plan and cooperating with the Agency for International Development.

8. Laws and regulations

Not applicable.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

No measurable effect.

10. Economic classification of program expenditures. (See table 2.)

Program: Training program.
Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[Thousands of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries	6.7
Other	5.8
Total, Federal expenditures	12.5

DEPARTMENT OF DEFENSE

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FULL TIME TRAINING AND EDUCATION

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The formal, full-time education and training programs of the Armed Forces are organized and function for the specific purpose of providing skilled officer and enlisted personnel for the management, operation, and support of the military forces established to defend the Nation.

2. Operation

The programs are largely direct Federal operations, with a small percentage accomplished under contract to other activities. The programs are conducted at Armed Forces schools, at schools operated by weapon systems and equipment contractors, and at civilian institutions of higher learning. Less than 2 percent of the annual production of trained personnel are derived from other than federally operated education and training facilities.

3. History

The formal individual education and training programs date from the establishment of the Military Academy founded in 1802 by act of Congress. The Naval Academy was founded in 1845 and the Air Force Academy in 1955. Enlisted skill training was formerly done within the operating units, but in more recent years, particularly since World War II, specialist and technical schooling has been provided.

4. Level of operations. (See table 1.)

Program: Full-time training and education.
Department or agency, and office of bureau: Department of Defense: Office of Training and Education.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimates)	Fiscal year 1967 (estimates)
(a) Magnitude of the program (individuals)	748, 638	785, 230	1, 010, 009	1, 049, 501
(b) Applicants or participants (individuals)	748, 638	785, 230	1, 010, 009	1, 049, 501
(c) Federal finances (millions—estimated)	$1, 924. 7	$1, 959. 0	$2, 772. 7	$2, 768. 6
(d) Matching or additional expenditures for the program	0	0	0	0
(e) Number of Federal Government employees administering, operating, and supervising the activity (man-years)	113, 382	111, 706	145, 182	142, 157
(f) Non-Federal personnel employed in the program (individuals)	206	153	15	0
(g) Other measures of level or magnitude of performance (man-years of training)	136, 986	137, 617	179, 067	180, 953

NOTE.—All figures contained herein pertains to training-educational programs which would benefit the individual when he returns to civilian life. Examples are university programs, service academies, and all technical training. Combat training per se is not included.

5. Estimated magnitude of program in 1970. (See table 2.)

Program: Full-time training and education.
Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—*Estimate of the probable level of magnitude of the program in fiscal year 1970*

Measure	*Fiscal year 1970 (estimates)*
(a) Magnitude of the program (individuals)	848, 048
(b) Applicants or participants (individuals)	848, 048
(c) Federal finance (millions)	$2, 115. 7
(d) Matching or additional expenditures for the program	0
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years)	117, 290
(f) Non-Federal personnel employed in the program	0
(g) Other measures of level or magnitude of performance (man-years of training)	148, 627

6. Prospective changes in program orientation

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in the conditions under which the program will function in 1970: The formal education and training programs of the Armed Forces for fiscal year 1970 will support the technology of the time period and will be the product of continued research and development in personnel management, and instructional techniques and methodology.

7. Coordination and cooperation

(a) Within your bureau, division, or office: Inherent within the DOD organization, functions, regulations, and personnel management policies it is the responsibility of individuals and organizations to coordinate and cooperate. This practice permeates throughout the services to include the most remote units.

(*b*) With other units of your department or agency: The majority of the schools within DOD perform training for other DOD departments or agencies as well as for their own.

(*c*) With other Federal Government departments or agencies: DOD cooperates fully, uses other agencies' training and accepts their students on a space available basis. Continuing liaison and cooperation in educational activities is maintained through committees such as the Federal Interagency Committee on Education and with nongovernmental organizations such as the American Council on Education.

(*d*) With State governments or their instrumentalities: The formal education and training resources of the Armed Forces are extended to the separate units of the State Air National Guard and State National Guard as requested and required within the support capability of the programs.

(*e*) With local governments or communities: Armed Forces personnel are encouraged to use, support, and participate, as appropriate, in community formal and informal education and training activities.

(*f*) With foreign governments or international organizations: The Armed Forces supports the military assistance program through the training of friendly foreign military personnel both in the United States and within the participating countries.

(*g*) With nonprofit organizations or institutions: The Armed Forces are periodically called upon to furnish formal and informal education and training curriculum and statistical data to nonprofit research organizations.

(*h*) With business enterprises: The training facilities of weapon systems and equipment contractors and civilian institutions are used on an austere basis when it is more economical than to provide such education and training at a Federal facility.

(*i*) With others: The Armed Forces provide dependent school facilities, leadership and encampment training facilities for Civil Air Patrol cadets and Boy Scouts, and curriculum specialists, instructional materials and logistic support for training programs of the Office of Economic Opportunity.

8. Laws and regulations

(*a*) Laws—

(1) National Security Act of 1947 as amended—Public Law 253, 80th Congress (61 Stat. 495).

(2) Title 10, United States Code, section 9301; title 10, United States Code, section 9314; title 10, United States Code, section 9331; title 10, United States Code, section 9382; title 10, United States Code, section 9411; title 10, United States Code, chapter 403; title 10, United States Code, section 671; title 10, United States Code, chapter 603; title 10, United States Code, chapter 605; title 10, United States Code, chapter 503; title 10, United States Code, chapter 519; title 10, United States Code, chapter 531; title 10, United States Code, chapter 601; title 10, United States Code, chapter 101; title 10, United States Code, chapter 102; title 10, United States Code, chapter 103.

(3) Annual DOD Appropriation Acts (for fiscal year 1966, Public Law 89–213, 70 Stat. 863).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(*a*) The personal income of persons served or involved is raised by providing the individual skills which enable them to be promoted. These skills vary from the manual skills to the Ph. D. levels; therefore, no quantitative estimates are feasible.

(*b*) The Department of Defense endeavors to utilize the skills of its personnel to the best advantage commensurate with providing appropriate career opportunities. Placement of workers has little effect upon their earnings except for hazardous duty.

(*c*) None.

(*d*) The volume of business in nearby communities is affected by the level of training input at our large training bases. The effects are felt primarily in businesses dealing in services and entertainment.

(*e*) Industry benefits generally from the Armed Forces training and education programs by being able to hire technically trained individuals, e.g., several thousand electronic technicians leave the Armed Forces annually for better paying jobs in industry.

(*f*) Not applicable.

(*g*) Unknown.

(*h*) Not applicable.

10. Economic classification of program expenditures. (See table 3.)

Program: Full-time training and education.
Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government: Purchases of goods and services [1]	1,959
Total, Federal expenditures	1,959

[1] It is not feasible to accurately distinguish between wages and salaries and other purchases of goods and services. It is estimated that wages and salaries comprise approximately 71 to 74 percent.

OFF-DUTY EDUCATIONAL PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The off-duty educational program, commonly called the general educational development program, is designed to provide Armed Forces personnel with supplementary educational opportunities which will enable them to perform their duties more effectively, prepare them for more responsible service jobs and increase opportunity for promotion, and increase their value in the civilian manpower pool when they are separated from the Armed Forces.

2. Operation

The general educational development program is operated within the Department of Defense through the base education centers, staffed by professionally qualified civilian educators and administrative assistants. Offerings include correspondence courses provided by the U.S. Armed Forces Institute (USAFI), group study classes in academic subject matter areas of importance to the military profession, technical-vocational courses, and university-level instruction offered by accredited civilian institutions of higher learning. These programs are responsive to command needs. Academic degree courses and programs are provided through the facilities of accredited colleges and universities under the tuition assistance program. Tuition assistance is provided all military personnel on active duty for attendance at off-duty college courses. The amount paid by the Department of Defense is up to 75 percent of costs, but not to exceed $14.25 per semester hour.

3. History

Antecedents of the present program began during World War II as a means of bringing educationally substandard personnel to a useful level of achievement necessary for acceptable military service. It has continued to the present time, with orientation changing to meet altered training and career requirements of military service.

4. Level of operations. (See table 1.)

Program: Off-duty educational program.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program (enrollments)	549,778	824,689	669,400	700,500
(b) Applicants or participants	(1)	(1)	(1)	(1)
(c) Federal finances (in thousands of dollars)	16,241	18,490	18,767	19,674
(d) Matching of additional expenditures for the program (estimated cost to individuals under tuition assistance program) [2]				
(e) Number of Federal Government employees administering (individuals)	1,521	1,432	1,486	1,524
(f) Non-Federal personnel employed in the program (nonpersonal services contracts) teachers)	2,304	2,678	2,785	2,835
(g) Other measures of level or magnitude of the program:				
Preparatory-high school	15,569	17,380	18,000	18,500
High school equivalencies	84,374	91,171	93,500	94,750
1-year college equivalencies [3]	5,104	4,058	4,000	4,200
2-year college equivalencies (individuals)	676	637	660	690
Baccalaureate and advanced degrees earned	[4] 3,158	3,213	3,273	3,420

[1] Same as *a*.
[2] Military personnel enrolled in tuition assistance programs are required to pay the tuition not funded by the Armed Forces in addition to all other costs. The Armed Forces are authorized to pay 75 percent, not to exceed $14.25 per semester hour, of the tuition fees. The estimate of total "matching" amount provided by military personnel varies between 20 and 50 percent of item *c*.
[3] Records on this item are maintained by only 1 service.
[4] Estimate.

5. Estimated magnitude of program in 1970

Estimate an approximate 8 percent increase over the fiscal year 1965 level depending upon No. 6 below.

6. Prospective changes in program orientation

(*a*)* Pending legislative proposals: Senate bill 9 is now before the Veterans' Affairs Committee of the House of Representatives. It would reenact expired veterans' benefit legislation to include financial

*Outdated by enactment of P.L. 39–358, Veterans Readjustment Benefits Act of 1966.

assistance for further education for veterans with "cold war" active duty service. Passage of such legislation would affect the general educational development program both in orientation and emphasis, depending on the provisions of the measure finally enacted into law. Should such legislation provide for educational benefits for personnel while in service, the off-duty program would be greatly expanded.

(*b*) Proposed administrative and organizational changes. None.

(*c*) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social. Planned and anticipated changes in direction and content of program will include projects for investigation, validation, and proper utilization of the latest methods and equipment in automated and programed learning designed to accelerate the learning and retention processes in basic academic subject materials, areas, and skills. Emphasis will be modified in response to command needs and changing educational levels of military personnel.

7. Coordination and cooperation

(*a*) Full coordination and cooperation exists among the components of DOD in the operation and utilization of this program. Since the benefits regarding tuition assistance and USAFI courses are limited to military personnel on extended active duty, other aspects of coordination are limited to those noted below; nevertheless, other correspondence courses are available to employees of other Federal agencies on the basis of need.

(*b*), (*c*), (*e*), (*f*), (*h*) Not applicable.

(*d*) With State governments or their instrumentalities. Coordination and cooperation with State universities in conducting educational programs on bases within the United States and overseas.

(*g*) With nonprofit organizations or institutions. Representation is provided the Armed Forces Committee of the National University Extension Association, and the Commission on Accreditation of Service Experiences of the American Council on Education. Policies between military and civilian educational programs are coordinated as well as the evaluation of educational experiences of military personnel.

(*i*) With others. With private educational institutions in matters pertaining to educational programs.

8. Laws and regulations

The program was established under chapter 401, sections 4301 and 4302, title 10, United States Code. Minor clauses of annual Defense Appropriation Act limit certain types of training and establish obligated service.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(*a*) The personal income of persons served or involved is raised by providing the individual with skills which enable him to be promoted and to get better jobs when he leaves the Service. No quantitative estimate is feasible but an indication may be obtained by perusal of Table 1.

(*b*) The Department of Defense endeavors to utilize the skills of its personnel to the best advantage commensurate with providing appropriate career opportunities. Placement of workers has little effect upon their earnings except for hazardous duty.

(*c*) None.

(*d*) None.

(*e*) Unknown.

(*f*) Not applicable.

(*g*) Unknown.

(*h*) Not available.

10. Economic classification of program expenditures. (See table 2.)

Program: Off-duty educational program.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:	
Purchases of goods, services:	
Wages and salaries	8, 400
Other	7, 472
Transfer payments to individuals and nonprofit organizations	2, 618
Total, Federal expenditures [1]	18, 490
Non-Federal expenditures [2]	------

[1] Includes $331,000 furnished from central welfare funds of local commands.

[2] Data on tuition and other fees paid by individuals to universities are not recorded. See note 2 of Table 1.

DEPENDENTS' EDUCATION

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To provide primary and secondary education to eligible minor dependents of military and civilian personnel of the DOD stationed overseas.

2. Operation

Funds are authorized by the Congress in the general provisions of the DOD Appropriations Act for the education in grades 1 through 12 of children of DOD personnel stationed overseas. The DOD makes provision for the education of the children through the Military Departments by—

(*a*) Establishing Service operated schools on military installations throughout the world.

(*b*) Contracting with local schools when they are adequate to provide the required education.

(*c*) Purchasing correspondence courses and allied educational services for students where the facilities in (a) and (b) above are not available.

3. History

The dependents' school system began in 1945 amid the rubble of wartorn Europe. Actual school operations began on October 14, 1946, when 38 elementary and 5 high schools in Germany opened their doors to 2,800 American children and 120 teachers.

The original Munich American High School was located in a private German home and accommodated 38 students. Classes were taught in the basement, the attic, and bedrooms. The Navy opened its first school in Guantanamo, Cuba, in 1946. The Department of the Air Force came into being in 1947 and gradually assumed responsibility for the education of its dependents.

From this humble beginning, the system expanded at a tremendous rate of growth during the next few years as schools operated by the Army, Navy, and Air Force were opened in various countries throughout the world.

Today, schools are operated in 29 countries and island groups throughout the world. Approximately 174,000 children participate in the DOD overseas dependents' education program.

4. Level of operations. (See table 1.)

Program: Dependents' education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimated)	Fiscal year 1967 (estimated)
(a) Magnitude of program: Average daily membership DOD students.	Pupil	163,775	168,338	173,984	182,869
(b) Applicants:					
Army	do	86,086	89,751	92,133	97,842
Navy	do	11,661	11,540	11,384	12,100
Air Force	do	66,028	67,047	69,529	71,985
Defense Intelligence Agency	do	(1)	(1)	938	942
(c) Federal finances—Unobligated appropriations available:					
Obligations incurred	Thousands	$69,390	$73,852	$79,050	$89,900
Allotments or commitments made					
(d) Matching or additional expenditures: Nonappropriated funds.	Thousands	$1,223	$936	$156	$406
(e) Number of Federal Government employees administering, operating or supervising the activity:					
Classroom teachers	Individuals	5,615	5,698	6,108	6,457
Teacher principals	do	80	47	36	34
Remedial and special teachers	do	349	294	270	313
Professional personnel not regularly engaged in full-time classroom teaching; i.e., administrators, supervisors, counselors, librarians, and dormitory supervisors	do	903	800	876	901
Clerical personnel	do	172	210	221	374
Military personnel	do	0	413	410	414
(f) Non-Federal personnel employed in the program:					
Foreign national librarians	do	108	152	131	168
Foreign national teachers	do	179	195	342	226
Busdrivers	do	(2)	823	649	676
Janitorial and maintenance personnel	do	(2)	1,037	1,001	975
Foreign national clerical		629	672	524	455

[1] Included with military departments.
[2] Reports not required prior to July 1, 1964, on this item.

5. Estimated magnitude of program in 1970. (See table 2.)

Program: Dependents' education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—*Estimates of the probable level in 1970*

Based upon the growth pattern for the years 1963 to 1967 the average daily membership of DOD children overseas for 1970 is estimated to be 205,703. (This, of course, could change markedly as a result of any significant changes in the world situation.)

Year	Enrollment (admissions)	Amount of increase	Percentage growth
Fiscal year 1963	155,550		
Fiscal year 1964 [1]	163,775	8,225	5.28
Fiscal year 1965 [1]	168,338	4,563	2.78
Fiscal year 1966 [1]	173,984	5,646	3.35
Fiscal year 1967 [1]	182,869	8,885	5.10
Fiscal year 1968	190,184	7,315	4.00
Fiscal year 1969	197,791	7,607	4.00
Fiscal year 1970	205,703	7,912	4.00

[1] Average of 4-percent growth per year.

6. Prospective changes in program orientation

(*a*) Pending legislative proposals: The Udall bill (H.R. 6845) which provides that teachers overseas be paid salaries on a schedule which is comparable to the average of salary schedules used in urban school jurisdictions of 100,000 population and over and that teachers overseas be limited to a 5-year tour, was passed by the House of Representatives in the 1st session of the 89th Congress.

A similar bill, Hartke—S. 2228, was discussed in committee and reported out of full committee on January 18, 1966. It deletes the 5-year tour provision. This issue undoubtedly will receive further consideration in the 2d session of the 89th Congress.

(*b*) Proposed administrative and organizational changes: The program for fiscal year 1967 includes a substantial pay increase for the teachers in the overseas schools. A salary schedule is programed which is comparable to the average of schedules being used in urban school jurisdictions of 100,000 population and over. It is estimated that this will result in an average increase per teacher of $730.

(*c*) Probable changes in the conditions under which the program will function in 1970: Because of the great emphasis which is being placed on education by many sources including the White House and Congress, it is reasonable to assume that the overseas educational program for dependents will experience innovations and changes which may result in:

1. Free kindergartens for all children.
2. Greater emphasis on an intercultural program with the peoples of the host nation.
3. An exchange program for teachers and administrators which provides for more educators from schools in the United States to have opportunities in the overseas schools.
4. More research and cooperative study projects to make use of the unique educational opportunities which exist in this American school system abroad.
5. Modernization of facilities, equipment and instructional material including textbooks.

7. Coordination and cooperation

(*a*) Within DOD: The educational program for dependents of military and civilian personnel stationed overseas is a part of the support program for dependents who are authorized to be with their sponsors.

The military departments are responsible for the operation of the schools on their respective installations under the policy and guidance emanating from OSD. Constant coordination is required on all matters pertaining to this program within the various components of the DOD which are affected, such as areas of finance, personnel, facilities, supply, educational goals, accreditation, curriculum, etc.

(*b*) With other units of the Department: Same as for (*a*).

(*c*) With other Federal governmental departments or agencies:

Department of Health, Education, and Welfare, U.S. Office of Education: Constant coordination on trends in education, legislation and statistical data. Also coordination with the Civil Service Commission on personnel practices which affect personnel in the program.

Department of State: Discussions concerning policies in effect to provide education for dependents of State Department personnel stationed throughout the world and other matters of mutual concern (host nation program).

Department of Interior: Coordination on possible program of rotation for teachers and principals in the Indian schools and the DOD overseas schools.

(*d*) With State governments: DOD DASD(E) talked to chief State school officers at their recent annual meeting concerning the program. The main emphasis was on informing teachers and administrators of the opportunities which exist for them in the program.

(*e*) With local governments or communities: Contacts are made with personnel in charge of college placement offices to inform them of the educational opportunities and to seek their assistance.

(*f*) With foreign governments: In some countries, ministers of education are contacted to work out educational exchange programs between pupils and teachers of the host nation and the American school personnel.

(*g*) With nonprofit organizations or institutions: When the local schools can provide suitable education, contracts are made to provide education to children of military and civilian personnel overseas.

(*h*) With business enterprises: Contacts are made with book companies and suppliers of educational materials concerning instructional materials for use in the overseas dependents schools.

(*i*) With others: Much contact is made with individuals such as teachers and administrators who apply for jobs in the overseas schools.

8. Laws and regulations

General provisions of DOD Appropriation Act.

Public Law 86–91: Defense Department Overseas Teachers Pay and Personnel Practices Act (73 Stat. 214; Public Law 86–91; 5 U.S.C.).

H.R. 6845: To correct inequities with respect to the basic compensation of teachers and teaching positions under the Defense Department Overseas Teachers Pay and Personnel Practices Act.

S. 2228: Same as above, except does not include limitation on continuous employment in a teaching position overseas.

1342.5: Elements of cost for education of dependents overseas, and computation of costs chargeable to per pupil limitation.

1342.6: Overseas Dependents Schools, Department of Defense.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(*a*) In overseas dependents' schools, in general, salaries and perquisites of personnel employed compare favorably with those of educators and Federal employees in the United States, therefore no unusual effects are noted.

(*b*) Effects on the placement or productivity of workers or both, and on their earnings. Because some personnel like overseas employment, they have chosen to remain with the dependent school program as long as they can. As a result they remain government employees while if they remained in schools in the United States, they would be employed by local boards of education. Of the total employees, approximately 5 percent have been overseas 10 years or more.

(*c*) Effects on business or industrial organization and management. Educational equipment and materials which are used in the overseas dependents schools are similar to those used in schools in the United States. Thus there would be no appreciable effect in this area because the children are attending an American type school overseas rather than a similar school in the United States.

(*d*) Effects on the stability, level, volume, or other aspects of employment. The current number of educators in the overseas dependents schools represent less than one-half percent of the total educators in public elementary and secondary schools in the United States. Personnel are employed from school systems all over the United States. Therefore the impact on any particular system or geographical area would appear to be negligible.

(*e*) Any benefits (not included above) resulting from the particular governmental program. Teachers, administrators, and children receive enriched educational experiences by being in foreign countries which cannot be measured in dollars and cents or by letter grades on a report card.

(*f*) Not applicable.

(*g*) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product.

The contribution that the educational program in the overseas dependents schools makes would be difficult to identify. It is true, however, that the program does meet a vital need in the education of children who accompany their sponsors overseas.

10. Economic classification of program expenditures. (See table 3.)

Program: Dependents' education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries	45.0
Other	29.0
Total, Federal obligations	74.0
Individuals or nonprofit organizations	.9
Total obligations for program	74.9

ARMED FORCES INFORMATION AND EDUCATION

1. *Objectives*

Armed Forces information and education is designed to inform and educate the military personnel of all services in the broad, general, or informal sense. Formal education in classrooms or by correspondence courses is not a directorate program.

We have built up one of the most powerful military establishments in the peacetime annals of our country. Vital as military prowess is, we must be also strong in heart and mind.

In communism we are faced with one of the most dangerous threats ever known. Its aim is the total obliteration of all we cherish.

Pride of heritage, faith in freedom, and hatred of tyranny are the weapons of heart and mind which have sustained our servicemen.

But more is needed. The American serviceman must have a clearer view of his own participation in the struggle in which the Nation is locked. He must not suffer because we had not stressed, with sufficient vigor, the realities of freedom and the threat of communism.

The information and education program of the Armed Forces is designed to inform the members of the military services to help them understand our national identity and preserve our freedoms, through knowledge of the strength of our democracy, as well as the nature of the threat we face.

It is imperative that an adequate program of information and education equip the fighting forces with balanced training materials and hard news designed for the long-term struggle.

There exists a need for: (1) A variety of media capable of communicating Government-wide policies and postures concerning a series of specific subjects; (2) general information materials (motion pictures and publications) which provide basic background information and U.S. attitudes; (3) disseminating on a fast and reliable basis national and international news (shortwave radio and teletype) in order that U.S. military personnel may be kept abreast of national and worldwide happenings and (4) entertainment and educational features (radio and television) which assist in providing a continuous media flow capable of retaining a listening audience for more important information as well as aiding morale when military personnel undergo periods of enforced inactivity and waiting, primarily overseas.

There are five media available to the DOD to assist the service commander in carrying out his responsibilities in these broad areas. There are motion pictures, publications, troop newspapers, radio, and television. Each of these is a tool having different functions and serving different needs. These media provide materials in the areas of "democracy v. communism", "forces for freedom", "world affairs", "citizenship (including voting)", "code of conduct", and "orientation for overseas duty", by Department of Defense Directive 5120.32, October 23, 1961, and by military department concurrence.

2. Operation

The Armed Forces information and education program is wholly a direct Federal operation with headquarters and training materials production in Washington and with Armed Forces press, radio, and television operations located in field offices in Los Angeles, Calif., and New York, N.Y. The press activities located In New York will be moved shortly to Washington where they will be consolidated with other news-disseminating activities. This program is for members of the U.S. Armed Forces only.

The Armed Forces radio and television service provides the bulk of program materials, shortwave programing, and a teletype news service to a large number of radio and television networks and stations located all over the earth. While these networks and stations are the property of the services, their lifeblood is the programing supplied by the radio and television service. All networks and stations are the property of the Federal Government. To a lesser degree, news and feature materials supplied by the Armed Forces press service form an important source of information for the ship and station newspapers. A small number of these newspapers are privately owned, civilian enterprises which are subject to installation commander approval.

3. History

The information and education program can be traced to the Revolutionary War, but was begun as we know it today during World War I. In October 1918, the morale branch was established as a separate division of the Army General Staff to contribute to morale stimulation in the prosecution of the war. After the signing of the armistice, the Morale Branch directed its effort toward the problems of demobilization: establishment of educational and vocational training programs for men awaiting discharge. After demobilization the Morale Branch was dropped.

The necessity for morale activities became apparent and on July 20, 1940, a morale division was organized in the Army Adjutant General's office. In January 1942, this branch was redesignated the Special Services Division which was also concerned with athletics, recreation and the welfare of enlisted men. The special services and information and education functions were separated in the fall of 1943.

During World War II, I. and E. expanded greatly their activities for Army personnel. These included Army Talks, I. and E. bulletins, maps, posters, motion pictures, and troop magazines and newspapers such as Yank and Stars and Stripes. The famous filmed series, Why We Fight, was produced during this period. USAFI correspondence courses and the educational manuals were found in virtually every unit dayroom.

The I. and E. program continued under the I. and E. Division until 1947, when it became the Army Troop Information and Education Division. When the Air Force became a separate branch in 1948, the Army continued to exercise administrative responsibility for the Army-Air Force Troop Information and Education Division.

James Forrestal, first Secretary of Defense, in a memorandum dated March 24, 1949, transferred the Army-Air Force I. and E. Division to the Office of the Secretary of Defense under his Assistant Secretary for Manpower, renaming it Armed Forces Information and Education with essentially the same mission and responsibilities, but now for all the Armed Forces. On April 9, 1952, the title of Office of Armed Forces Information and Education was established.

On July 14, 1961, the Office of Armed Forces Information and Education was abolished and formed into two directorates: the Directorate for Education Programs which is concerned with formal academic training and the Directorate for Armed Forces Information and Education. Both directorates are under the Deputy Assistant Secretary of Defense (Education).

a. Radio and television history

The development of unofficial Army radio activities at the beginning of World War II foreshadowed the eventual pattern of program distribution.

At Fort Greely on Kodiak Island in Alaska, American soldiers succeeded in putting a low-powered station on the air in December 1941 which eased morale problems in an area where shortwave reception was nonexistent.

By the spring of 1942 all existing program material had been exhausted, and the resourceful servicemen dispatched letters to Hollywood stars requesting programs of any nature but the actors were unable to ship them because of security regulations. Undaunted, the actors called Washington and asked the War Department for permission to ship their programs to the Army station at Kodiak. This was Washington's first inkling that the Army owned a radio station in Alaska.

A second Alaskan station also started broadcasting in December 1941 at Nome.

The first coordinated efforts by the military started with the issuance of radio receivers and turntables to the troops. Included with these were transcribed half hour programs from the various radio networks. Under the aegis of the Army's Morale Services Division the Armed Forces Radio Service was born. Because of its proximity to talent and mass recording facilities, Los Angeles was selected in the summer of 1942 as headquarters. The station at Kodiak Island was the charter station in a chain of 177 outlets during World War II.

AFRS also used Office of War Information (OWI) shortwave transmitters on both coasts to beam programs around the world. AFRS-New York was started in 1943 sharing office space and studios with OWI. The programing from both field branches concentrated on material of an immediate nature such as news, sports, and special events. By combining transcriptions from Los Angeles with shortwave broadcasts, the local outlets were able to present their military audience with a quality of broadcasting comparable to the best commercial stations in the United States.

When the war ended, AFRS continued to serve those still on duty abroad. With fewer potential listeners, however, fewer stations were needed, and by 1950 the number of outlets was reduced to 45.

At the outbreak of fighting in Korea in 1950, the number of stations increased to 79.

As television swept through civilian life in a surge of popularity, it was recognized at once as an important medium for military morale and information.

The Air Force installed a pilot station at Limestone (now Loring) Air Force Base, located in northeastern Maine, 2 miles from the Canadian border. This station began telecasting Christmas Eve 1953, continuing until 1956 when a commercial station began operation in the area.

The television service, starting in New York in 1954, quickly had to expand to accommodate the rapid interest and build-up of television outlets. On October 17, 1954, a 50-watt station began operation at Lajes Field in the Azores and the Armed Forces Television was on its way.

Television programing and production moved to Los Angeles in 1957 while New York continued as the main clearing agency for all television programing.

During 1962 AFRTS became a field activity of the Assistant Secretary of Defense (Manpower) under the Directorate for Armed Forces Information and Education, Washington, D.C.

During 1965 the number of radio outlets, including relay stations and ships at sea, had grown to 288, and the weekly radio shipment reached a peak of 85 hours. The volume of television programs amounted to a weekly shipment of 55 hours to 43 outlets (including relay stations). Military and veterans hospitals were being furnished a selected music library on a weekly basis. The teletype news service, started in January 1964, was being sent around the world, and timely news, sports, and special events were being broadcast around the clock via shortwave transmitters from New York and Los Angeles.

b. Press service history

The value of news as an aid to military efficiency and morale has long been recognized by the Armed Forces. Instances of commanders who have taken special pains to provide their men with the latest news in the form of little handwritten sheets can be found in the records of almost every war in which the United States participated.

But it was not until World War I that a regular, authorized, and official service newspaper became an integral part of our operations. This was the famous Stars and Stripes distributed to the men of the AEF under General of the Armies, John J. Pershing.

In World War II great strides were made in news services for our fighting men. Since then, unit newspapers have become an established feature in the Armed Forces. Nearly every command down to the lowest unit now publishes a newspaper, even if it is no more than a mimeographed sheet or two.

The troop newspaper provides a daily or weekly roundup of materials supporting the commander, the needs of the base or station, and equally important, the news and events of the United States. The troop newspaper is fundamentally a tool of the commander that serves the wider objective of providing more detailed news on a more timely basis than any other media. Stars and Stripes is a major daily newspaper distributed by major commands to the Armed Forces overseas. Straight military news is not provided adequately by the regular news sources to the many smaller military newspapers and some assistance is provided by the Armed Forces Press Service.

Armed Forces Press Service is a field office and part of Armed Forces Press, Radio and Television Service in New York. It services 1,480 military newspapers with news, features, editorials, photographs, cartoons, and stencils. Armed Forces Press Service also provides policy information, technical assistance, and professional guidance to military newspaper editors. Armed Forces Press Service material is distributed mainly through the weekly Press File. Galley Guide, published at various intervals, provides editors with professional news, advice, and suggestions. The Armed Forces Newspaper Handbook is a useful aid to military personnel working on service newspapers.

Direct communications between commanders and editors of service newspapers and Armed Forces Press Service for materials and services is authorized.

The Armed Forces Press Service will move to Washington in early 1966 and will provide a twice-weekly Commanders Digest to key military personnel as well as the weekly Press File to newspaper editors. The Commanders Digest will provide up-to-date news emanating from Washington as well as policy background information.

4. Level of operations. (See table 1.)

Program: Armed Forces information and education.
Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

[Dollars in millions]

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program:					
(1) AFIE [1]	Cost of I. & E. Media.	$4.8	$4.8	$4.9	$5.0
(2) DOD-military department	do	$4.5	$4.9	$4.7	$4.1
(b) Applicants or participants: Other	Million persons	2,685,000	2,687,000	2,836,000	2,850,000
(c) Federal finances:					
Unobligated appropriation available.		None	None	None	
Obligations incurred [1]		$4.8	$4.8	$4.9	$5.0
Allotments or commitments made.		None	None	None	
(d) Matching or additional expenditures for the program.		None	None	None	
(e) Number of Federal Government employees administering, operating, or supervising the activity: [2]					
(1) AFIE [3]	Number of persons	251	256	257	257
(2) Military departments	do	1,709	1,740	1,740	1,740
(f) Non-Federal personnel employed in the program.	None				
(g) Other measures of levels or magnitude of performance and specify nature of entries.	do				

[1] Includes cost of military personnel assigned.
[2] Includes preparation of I. & E. materials, administration, and operation of Armed Forces radio and TV stations.
[3] Includes average number of military personnel assigned.

5. Estimated magnitude of program in 1970

The state of the art of communications industry is advancing very rapidly which could require a sizable one-time conversion cost in order to provide better radio service (via satellite, etc.) at an equal or reduced recurring cost.

These unforeseen events are not now budgeted. Our present plans project an operating level of $9.6 million in fiscal year 1970.

6. Prospective changes in program orientation

Increased and more rapid supply of news and more background information are the most likely changes in the directorate for Armed Forces information and education's operations by 1970.

The consolidation and improvement of news gathering and disseminating activities in Washington, coupled with the use of technological advances in communications such as communications satellites and improved cable and radio services, will permit this directorate to supply commanders and information officers in the field and overseas with more news and explanatory background data. More rapid response to contingency situations in which U.S. forces are committed will be made possible.

The basic directorate programs, however, will remain substantially as they are today and will be supportable without appreciable manpower, material, or fiscal increases.

7. Coordination and cooperation

(*a*) *Within the directorate.*—All activities of the directorate, including the field activities, are mutually supporting. The headquarters planning activities conduct program and materials planning for all AFIE activities. Motion pictures, publications, and posters are used widely in Armed Forces radio and television production and become the basis of features and background materials for the commanders digest and press file. The Armed Forces radio and television programs also become the basis for films and publications.

(*b*) *Within Department of Defense.*—Directorate-produced films, publications, radio and television programs, and materials and news materials are widely distributed throughout Department of Defense activities and the military departments. These often become the basis for command adapted or interpreted productions or presentations. The sources and resources for much of directorate production come from other DOD and military department activities with similar production facilities. Much of the stock motion picture footage that is used, for instance, comes from military department resources. Since the military services are the major users of AFIE materials, regular liaison exchanges are utilized to determine production requirements and resources. Careful distribution of materials is made throughout DOD offices and agencies to insure that our programs and productions are known to potential users. These include distributions and staffing of printed media, and showings of motion pictures to potential users through various stages of production.

(*c*) *With other Federal agencies.*—This directorate conducts regular liaison exchanges of information and materials and has staffing arrangements with the State Department, the U.S. Information Agency, and the Agency for International Development because of similar production requirements or interests. All AFIE materials with national policy or international implications are staffed through the State Department to insure accuracy, and the State Department always alerts this directorate to its motion pictures and publications which might have application to the Armed Forces. The directorate makes use of USIA news commentaries over Armed Forces radio and television service, and relies heavily on USIA photo, information, and film data in the production of films and publications. Similarly, USIA makes frequent use of directorate resources. A large number of Government agencies with interests in area orientation meet monthly in a roundtable discussion for the exchange of ideas, programs, and materials. This directorate is a member of that roundtable. The directorate also makes use, through established points of liaison, of film and publications of other Government agencies which have application to the Armed Forces. These include the Social Security Administration and the Veterans' Administration.

(*d*) *With State governments.*—This directorate maintains indirect contact with the secretaries of state in the 50 States and the appropriate officials in the District of Columbia, Puerto Rico, the Virgin Islands, and Guam in regard to voting information. The Secretary of Defense has been designated by the President as coordinator of the voting assistance program under Public Law 296, the Federal Voting Assistance Act of 1955. Preparation of voting information materials has been assigned to AFIE. These materials while directed primarily to members of the Armed Forces are also provided to all personnel of the executive agencies of the Federal Government and their spouses and dependents. These materials are likewise provided the States for their information. Exchanges are conducted annually or as voting procedures change.

(*e*) *With local governments.*—None.

(*f*) *With international organizations.*—This directorate has established liaison with the publications and motion picture organizations of the United Nations, NATO, and SEATO. Whenever those organizations produce materials of interest to the Armed Forces, this directorate is notified and frequently utilizes those materials. In other cases, publications regularly produced by those organizations are given limited Armed Forces distribution. Materials produced by this directorate are furnished in limited quantities since all organizations are a source to one another for materials production.

(*g*) *With nonprofit institutions.*—This directorate supports the American Heritage and Freedom's Foundation programs for the promotion of patriotic ideals by means of annual support and publicity. These institutions make wide application of Armed Forces materials in their programs. Liaison is maintained with the American Bar Assocation in the preparation of materials for the annual observance of Law Day, U.S.A. These materials tell how our free people, under the reign of law, maintain their democratic way of life. The directorate also cooperates with educational organizations through systematic review of their programs, activities, and materials. This directorate has utilized Reserve officers from the educational profession to evaluate its programs and materials. The directorate has also exchanged materials with educational television networks and activities and is capable of regular review of their materials.

(*h*) *With business enterprises.*—The directorate receives the bulk of its radio and television programing from commercial networks through prior agreements with the networks, unions, sponsors, athletic organizations, etc., and by video recording or kinescoping monitored programs. The broadcasting industry has taken an active interest in support of Armed Forces radio and television and has given generously of its resources and advisory talents. Regular liaison with industry is maintained from both New York and Los Angeles offices. Direct motion picture projection of television programs to our troops in Vietnam was specifically authorized because of cooperative liaison between this directorate and patriotic industry, guilds, sponsors, and unions.

Liaison is also maintained with news, publications, and the motion picture industry since the bulk of I. & E.-oriented materials from industry such as reprints of articles from Time, National Geographic, and Newsweek magazine come from industry. Inasmuch as this directorate is a communicating organization, it has extensive contacts with all facets of the communications, publishing, news, broadcasting, graphic arts, motion picture, and other audiovisual industries. The directorate submits its programs and materials to such competitions as the Academy Awards, Emmy, and other similar competitors and is widely known throughout the industry.

8. Laws and regulations

The Directorate for Armed Forces Information and Education obtains its authority in compliance with the following laws and regulations:

(*a*) The National Security Act Amendments of 1949 (61 Stat. 499, as amended; 5 U.S.C. 171).

(*b*) The reorganization plan of 1953 (67 Stat. 638).

(*c*) Department of Defense Reorganization Act of 1958 (72 Stat. 514).

(*d*) Department of Defense Appropriation Act, 1966 (Public Law 89–213, O. & M. Defense agencies, title II).

(*e*) Specific directives and regulations:

(1) Secretary of Defense memo dated October 23, 1961; subject, "Armed Forces Information and Education Program."

(2) DOD directive 5120.27; subject, "Assistant Secretary of Defense (Manpower)."

(3) DOD instruction 5120.32; subject, "Armed Forces Information and Education Programs."

(4) DOD instruction 5120.20; subject, "Armed Forces Radio and Television Service."

(5) DOD instruction 5120.4; subject, "Policies Governing Publication of Service Newspapers," "Operation of Armed Forces Press Service," and "Relationship to Civilian Enterprise Publications."

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

a. Personal incomes of persons served

Although we strive for a great intrinsic value in appreciating and encouraging principles of an "American Way of Life," which improves our standard of living, this quantitative value cannot be measured.

b. Placement or productivity

We attempt to improve the serviceman's understanding of world conditions and the relationship of the forces against freedom, and bring entertainment to him by radio and television. Although we cannot measure earning and productivity to the individual, these