

3212 ECONOMIC OPPORTUNITY ACT AMENDMENTS OF 1967

TABLE 1.2.—Federal, State and local government expenditures on public aid, including public assistance, emergency aid, and value of surplus food to needy families

Year	Federal expenditures	State and local expenditures	Total expenditures	GNP	Total expenditures as percent of GNP
	<i>Millions</i>	<i>Millions</i>	<i>Millions</i>	<i>Billions</i>	
1955.....	\$1,504	\$1,499	\$3,003	\$398.0	0.76
1960.....	2,117	1,984	4,101	503.8	.81
1965.....	3,585	2,674	6,259	1,676.3	.93

¹ Estimated.

Source: U.S. Bureau of the Census, *A Statistical Abstract of the United States*, Washington, D.C., 1966; Federal, State, and local, and total expenditures, p. 280; GNP, p. 322.

The newer Office of Economic Opportunity programs are not included; the expenditures on these are estimated at \$1.2 billion in 1966.⁹ Thus, it may be reasonably concluded that the social welfare costs of poverty are increasing concomitantly with the "wearing away" of poverty in the United States. The proliferation of recent publications regarding the increasing costs of public welfare costs attest to this topic's importance as a public policy issue.¹⁰

The Work Experience and Training Program (WE and T) will be studied as an example of a program whose long-range objective is to diminish the costs of poverty by increasing the future earning power of the participants and children in these families. In the short run, the participants are given a sufficient income to meet their basic needs, as well as free medical care and an emphasis on education. This study analyses the short-run expenditure decisions and other behaviors of formerly impoverished families who are participants in the WE and T Program. The focus is on short-run decision responses which have longer run developmental significance in terms of the individual and his family's welfare and productivity.

This study will show the extent to which participants in programs such as WE and T utilized free medical programs, respond to an educational emphasis, as well as how they spend their income and the developmental significance of such expenditures. This is quite important when one considers the various proposals such as a guaranteed annual income or a negative income tax, which are currently under study by the Executive Branch of the Federal Government.¹¹ The WE and T Program represents an attempt to use "welfare payments" to do more than alleviate deprivation. Its purpose is to motivate toward, and provide means of achieving longer range objectives of economic improvement. Therefore, the program is a laboratory within which to study the effect on economic consumer decisions of these rather unique approaches as compared with pure economic transfers.

THE WORK EXPERIENCE AND TRAINING PROGRAM

Title V of the Economic Opportunity Act of 1964 established the Work Experience and Training Program, a federally supported project whose objective was to retrain workers for jobs and thereby reduce poverty and welfare dependency.¹² The Department of Health, Education, and Welfare (HEW) receives funds to operate WE and T from the Office of Economic Opportunity. HEW delegates the administration of the WE and T program to the respective states, who administer it within HEW's guidelines. In Kentucky, the Department of Economic Security, Division of Public Assistance, administers the Work Experience and Training Program.

There were about 6,000 participants in the Kentucky WE and T Program when this study was conducted. Nineteen counties were included in the program,

⁹ U.S. Bureau of the Census, *Statistical Abstract of the U.S.* (Washington, D.C.: U.S. Government Printing Office, 1966), p. 293.

¹⁰ See for example, Edgar May, *The Wasted Americans: The Cost of Our Welfare Dilemma* (New York: New American Library, 1966), or Herbert Krosney, *Beyond Welfare: Poverty in the Supercity* (New York: Holt, Rinehart and Winston, 1966).

¹¹ U.S. President (Johnson), *Economic Report of the President Together with the Annual Report of the Council of Economic Advisors* (Washington: U.S. Government Printing Office, January 1967), p. 17.

¹² See Appendix I for a complete description of the Work Experience and Training Program.