

GOVERNMENT EXPENDITURES IN THE POSTWAR ERA: THE BULGE IN THE NONDEFENSE AREA

INTRODUCTION

The growing debate over federal government expenditures has served to focus attention upon the magnitude of spending by all levels of government and to underscore the role of the public sector of the economy. An examination of the trends in the federal administrative budget since World War II pinpoints the growth pattern in federal outlays and perhaps suggests the direction and magnitude of government spending in the next decade unless government spending philosophy and fiscal control procedures change drastically.

THE TREND OF GOVERNMENT EXPENDITURES SINCE WORLD WAR II

A. The Overall Picture

Nondefense Expenditures

The fiscal year 1948 marked the beginning of a period of steadily rising expenditures by the federal government in the postwar era. In the following two decades total federal outlays (the administrative budget and the trust funds) quadrupled from \$33.7 billion to an estimated \$184.9 billion for fiscal 1968. Although defense spending has been massive, a very substantial portion of the increase in federal expenditures came in nondefense spending which rose from \$22.8 billion in 1948 to an estimated \$104.0 billion in 1968. Toward the end of this period the trend of rising nondefense expenditures accelerated and exceeded the rate of growth of defense spending. Whereas the average annual (compound) increase for nondefense expenditures was 7.9 percent between 1948 and 1968, it rose to 8.9 percent for the eight-year period beginning in 1960. This 8.9 percent per year growth in nondefense expenditures in the 1960-68 period can be compared with a rise in the Gross National Product of 5.2 percent per year. A major factor in this growth in government expenditures has been the introduction of new programs and the expansion of old ones. These have significantly influenced both the level and the rate of increase of such expenditures.

Defense Expenditures

Total expenditures for national defense are estimated at \$80.9 billion in 1968 as compared with \$10.9 billion in 1948. While a large part of these expenditures in 1968 reflects the costs of operations in Vietnam, the bulk of the defense outlays are devoted to forces assigned to other missions. These include capabilities for nuclear, conventional, and countersubversive conflict and as such cover the activities of the Atomic Energy Commission and various defense-related functions of other agencies.

In terms of rates of growth, the rise in expenditures was 10.2 percent per annum between 1948 and 1968; for the 1960-68 period it fell to a 7.3 percent increase per year. Defense spending, of course, has increased substantially in the past two years because of the rising cost of the Vietnam war.

Some Background Considerations

This memorandum discusses primarily the rise in federal nondefense expenditures in the postwar period by examining the separate functional categories of the federal administrative budget. The administrative budget data are used throughout this review because they represent the more traditional and thus better understood measure of governmental revenues and expenditures. Furthermore, it is the working document for government operations, subject to congressional appropriations. However, use of this budget as contrasted with the consolidated cash budget does lead to a serious understatement of government expenditures for it does not include the trust funds which finance such programs as social security, federal highway aid, and unemployment compensation. For this reason, special note will be made of these programs when considering the various functional groupings.

One final comment should be made in order to put this discussion in perspective. A more detailed report would call for a number of adjustments in the data which show the very substantial growth we have been experiencing in federal expenditures. For example, the population of the United States over the twenty-year period we are reviewing has grown from some 145 million persons in 1947 to our present level of some 200 million. This in itself would lead to increased expendi-