



# CONGRESSMAN'S REPORT

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## **SOCIALISM, SPENDING AND THE 'WELFARE STATE' -- WHAT ARE THE FACTS?**

For years now we have been hearing about the "drift to socialism" in this nation's federal spending programs. Charges have been made and denied. Millions of angry words have been exchanged. But what are the facts? A look at the federal budget -- the only reliable indicator of what the government is doing--can be quite revealing.

### FIRST -- "DEFINING OUR TERMS"

In most such discussions problems arise concerning definitions. A program one person calls "socialism" another will label as "bolstering the free enterprise system." I don't intend to get into any such argument. We can all agree on that part of the federal budget where these disputes arise, and for purposes of this discussion I am going to consider the unlikely possibility that every bit of it fits the description of "socialism" and "welfare state spending." If it's getting larger, we'll take note of that; if it's getting smaller, we'll know that charges of a "drift to socialism" are unfounded.

### THE FISCAL 1963 BUDGET

In January of this year the Bureau of the Budget published its annual best-seller, "The Budget in Brief, " an analysis of federal spending plans for the fiscal year starting July 1, 1962. We're now into that year, and it might be interesting to see how much we expect to take in, how much we expect to spend, and how we expect to apportion your tax money.

In this fiscal year it was estimated this nation's Gross National Product would reach \$570 billion, that federal receipts would be \$93 billion and federal expenditures \$92.5 billion, or roughly 16% of the total value of all goods and services produced by individuals and corporations during the year. Today it appears the \$570 billion figure was overly optimistic and that the total will be about \$555 billion, a new high but not enough to save us from a loss of tax revenue and a deficit rather than a surplus.

The budget pamphlet explains where these tax funds will be spent. Going through the list of budget items, one can see rather quickly that the expenditures fall into two categories: 1) those which are caused by the needs of national security, including preparation for war (which we hope will never come) and paying the costs of past wars, and 2) all other expenditures, which can be called non-defense or domestic expenditures.

With these groupings established, let's take a look at the 1963 administrative budget.

### WAR-RELATED EXPENDITURES

All Americans, regardless of party, recognize that the defense and security of our country in the world require heavy expenditures to meet the challenge of the Soviet system. Following are the expenditures which arise because of past wars, the present "Cold War" and preparation for future wars:

A. <u>Major National Security</u> (57¢ of your tax dollar) Cost of armed services, ships, planes, missiles, atomic energy, military assistance, research activities. Military foreign aid is included here -- aid to our military allies.	\$52.7 billion
B. <u>Space Research &amp; Technology</u> (2 1/2¢ of your tax dollar) This is the program that put our astronauts into orbit and is calculated to prevent any aggression from a Russian-dominated outer space. Supported by nearly everyone in Congress.	2.4 billion
C. <u>Interest on Public Debt</u> (10¢ of your tax dollar) Public debt jumped from \$1 billion to \$25 billion level after World War I, to \$270 billion level after World War II. Our present public debt is wholly caused by our involvement in two great wars plus Korean War and "Cold War"; "Welfare State" spending is responsible for very little of this expense.	9.4 billion
D. <u>International Affairs &amp; Finance</u> (3 1/4¢ of your tax dollar) All the activities directed toward maintenance of peace and strengthening free world alliances. Economic foreign aid of \$2.5 billion is included here.	\$ 3.0 billion
E. <u>Veterans' Services &amp; Benefits</u> (6¢ of your tax dollar) VA hospitals, rehabilitation, compensation and pensions -- a debt of honor to 4 1/2 million disabled veterans, widows, orphans and other beneficiaries.	5.3 billion
 TOTAL FOR DEFENSE, DIPLOMACY AND TO PAY THE COST OF PAST WARS (79¢ of your tax dollar)	 \$72.8 billion

#### NON-DEFENSE EXPENDITURES

While there is no serious dispute over defense expenditures, no one would suggest that government exists only to prepare for and fight wars. As it turns out, even in the non-defense

category there is more agreement than disagreement. Following are the expenditures which are thus classified:

A. <u>General Government</u> (2 1/2¢ of your tax dollar) Congress, courts, buildings, FBI, etc. There is no question about the need for these expenditures.	\$ 2.0 billion
B. <u>Natural Resources</u> (2 1/2¢ of your tax dollar) Reclamation, flood control, national parks, mineral resources, Indian Affairs. There are some differences about particular programs, but there is general agreement on the value of nearly all these expenditures.	2.3 billion
C. <u>Commerce &amp; Housing</u> (3 1/2¢ of your tax dollar) Post Office, Weather Bureau, aviation, Census, and FHA and VA housing, the programs that have enabled 60% of our people to own their own homes. This category also includes the funds for Urban Renewal and Public Housing -- subjects of some controversy -- but 90% of these expenditures are non-controversial.	3.4 billion
D. <u>Agriculture &amp; Agricultural Resources</u> (6 1/4¢ of your tax dollar) Price supports, Soil Conservation, Agricultural Extension, Forest Service, REA, etc. Nearly everyone wants to find a way to reduce the price support program in the years ahead.	5.8 billion
E. <u>Labor, Health, Education and Welfare</u> (7¢ of your tax dollar) HERE IT IS -- this is the segment of the budget which produces nearly all the controversy over "socialism" and "welfare state" spending. I will go into this further below.	6.6 billion
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TOTAL FOR NON-DEFENSE EXPENDITURES (21 1/2¢ of your tax dollar)	\$19.7 billion

#### A POINT TO REMEMBER

It's important to note that if all expenditures included in that last 7-cent "welfare state" portion of the budget were eliminated, the person who paid \$1,000 in income tax last year would pay \$930 next year.

Should they all be eliminated? I'm sure no one would suggest this. Perhaps, some reductions or economies can be made. Here is how that 7 cents will be spent:

Aid to states for aged, blind, disabled and dependent children	\$2.9 billion
Health services and research--the National Institutes of Health, aid for hospital construction, medical scholarships, etc.	1.4 billion
Education--federal aid for college housing and academic buildings, college scholarships, the National Defense Education Act, federal impact aid, the National Science Foundation, libraries and museums.	1.5 billion
Labor and manpower services -- on-the-job training, unemployment compensation, policing labor unions, U.S. Employment Service, etc.	.3 billion
School lunch and special milk program	.3 billion
Vocational rehabilitation and other services -- program returning approximately 110,000 disabled and handicapped persons to gainful employment.	.2 billion
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TOTAL "WELFARE STATE" EXPENDITURES (7¢ of your tax dollar)	6.6 billion

### WHERE ARE WE HEADED?

The common assumption, expressed frequently, is that every year this country finds itself further involved in programs of a "socialistic" or "welfare state" nature. As we have seen, in fiscal 1963 we will spend 7 per cent of our federal budget for programs that are sometimes described in this manner. How does this compare with former years?

I had the Library of Congress dig out a copy of the fiscal 1939 budget for a comparison, and the makeup of this typical pre-war budget was a real eye-opener. Consider these facts:

- \* In 1939 we spent, not 7 per cent, but 44 per cent, of our budget for labor and welfare programs.
- \* In 1939 we spent \$30 per capita on these programs.
- \* In fiscal 1963, using the 1939 dollar to provide a fixed basis of comparison, we will spend \$16 per capita for these same programs.

Is it true, then, that the federal government is creating a vast "welfare state" by leaps and bounds? Quite obviously not. The brutal fact is that in the past 24 years our "welfare state" programs have withered to little more than half their pre-war level. The charge of "creeping socialism" simply is not supported by the facts.

### NO REASON FOR APATHY

The fact that the record of federal spending fails to support the charge of "socialism" is no reason for apathy. Of course, we want to be on the alert against proposals that would weaken or harm our economic or social structure. I am a strong believer in the merits of the free enterprise system; I want to see more competitiveness in our economy--not less; and I believe this is the view of most Americans. If any portion of our present federal budget needs to be eliminated, let's root it out with vigor. Let us always be alert for waste and inefficiency. (For example, I believe the time is approaching when we should drastically reduce our expensive farm support programs.) But let's make our analysis calmly and responsibly, as the President and members of Congress must do, and let's not be frightened by the false notion, nurtured so long, that this country is "going down the road to socialism." Sweeping charges such as this, unsupported by the facts, contribute little to the solution of real problems that beset us -- problems such as substantial, persistent unemployment and inadequate educational facilities for our children.

### OUR POPULATION PRESSURES

In 1939 this nation had a population of 130 million people. Today we have 186 million people. That we should be spending today less, in terms of 1939 dollars, than we spent 24 years ago is a startling revelation of our defensiveness about the issue of "creeping socialism."

Considering the 56 per cent decline in the purchasing value of the dollar since 1939, we will spend this year, in 1939 dollars, slightly over \$3 billion for labor, health, education and welfare. In 1939, with 56 million fewer people, we spent nearly \$4 billion.

Now, a housewife with nine children isn't expected to keep her grocery bill to the level set by her neighbor with six children, and yet that is what we as a nation have been doing. In fact, we have actually cut back our total expenditures as our population has grown. This may or may not be right, but I think we ought to recognize what we're doing.

### IS OUR GOVERNMENT GROWING?

In 1946 our federal debt per person was \$1,900. Today it is down to \$1,600. In 1946, out of every 1,000 persons in the United States, 19 were civilian employees of the federal government. Today that number has dropped to 13, and of these 13 six are civilian employees of our armed forces. These are further evidences that what so many critics say is not true -- that the federal government is not growing out of proportion to our population and economy.

A further indication of this came to light through comparing the federal debt with state-local and private debt in the United States. I doubt whether many citizens realize that between 1946 and 1960 -- the last year for which figures are available -- the federal debt grew just 6 per cent while

state-local debt grew 328 per cent and private debt 278 per cent. Even more startling is the fact that, whereas private debt in this country was well below the federal debt in 1946, it now is more than double the federal debt. The facts thus refute the "ever-bigger government" argument so often linked with charges of "socialism."

### WHERE'S THE SOCIALISM?

One of the basic goals of traditional socialism is economic equality -- "from each according to ability; to each according to need." Thus, if we are approaching socialism we should see a general leveling of society, fewer rich, fewer poor. We should see less opportunity for an individual to become wealthy or well-off. In this spirit let's look at some factual indicators. What's happening to personal income in this country? How much of our industrial capacity is owned by the federal government? What part does our system play in equalizing income and impeding the accumulation of wealth? Here are some pertinent facts:

- \* In 1953 there were 27,000 millionaires in the United States; today there are 100,000. According to the Wall Street journal, the last nine years have seen the greatest growth in number of millionaires in our nation's history.
- \* The United States, with 6% of the world's population and 7% of its land area has 35% of all its wealth -- more automobiles, telephones and other luxuries than all the other countries of the world combined.
- \* Personal income totals over \$400 billion, with a median of \$5,700, but the top 5% of U.S. families receive 20% of all income, and the bottom 20% of families receive 5% of all income.
- \* Persons owning common stock increased in numbers from 6.5 million in 1952 to 12.5 million in 1959.
- \* The top 9% of our population owns 46% of this nation's private assets.
- \* Government -- federal, state and local -- owns only 12% of the reproducible, tangible assets and 17% of the land in the United States. All the remainder is privately owned.
- \* A traditional goal of socialism is public ownership of mines, factories, railroads, airlines and communications. All of these key industries are privately owned in our country, in sharp contrast to the countries of Europe, Scandinavia, etc.

### LET'S DEBATE ISSUES ON THEIR MERITS

I have written this report, not to argue for increased federal spending or enlarging our federal government, but to help my constituents get a better picture of where we are, where we have been, and where we are going. We can do whatever we, as a nation, believe is right. Each of us has his own ideas about the proper role of the federal government, and I am certain we will

continue to debate these issues. All I hope is that, in the future, we will debate them on their merits and will discard the wholly false notion that this nation is about to abandon its competitive, free enterprise system for socialism.

President Eisenhower was an outspoken foe of federal spending, and yet his budget increased 19 per cent, from \$68 billion to \$81 billion, in eight years. If our population continues to grow at the rate of three million a year, and if the "Cold War" goes on, it is obvious that we will continue to have large federal budgets -- regardless of which party is in power. Anyone who holds out the promise of wholesale reductions in the cost of government under these circumstances is either uninformed or insincere.

Some time ago Walter Lippman concluded a study of the "creeping socialism" charge with these words: "It is evident, " he wrote, "that creeping socialism has not crept very far."