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PUBLIC AND PRIVATE TRANSFERS AS SOCIAL PROCESS

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ABSTRACT

This paper is seen by the author as a companion piece to "Transfer Approaches to Distribution Policy" (Discussion Paper 63-70). The two papers add to our understanding of the role of transfers in income redistribution. The first paper sketches an accounting framework within which to envision the process whereby "producer incomes" are transformed into "user incomes." Some estimates are offered of the benefits and losses which arise through transfers and of the role of transfers in improving the lot of the poor. Further, estimates of benefits and losses of several possible family allowance and negative income tax plans are presented.

This paper presents new information on those who receive money transfers. That information adds to the discussion of such transfers in the first paper around Tables 6 and 7. This paper also includes some comments about alternative "mentalities" which underlie controversy about proposals to expand the "system" of transfers envisioned in the first paper. These "mentalities" are identified as minimum provision, replacement of loss, horizontal and vertical equity, and efficiency of investment.

In the first part of this paper, we examine the redistributive effects of money transfers. In the second part, we take a broader look at the whole system of transfers and its underlying rationales.

I

The most generally understood type of income redistribution is that done by money transfer. Recently available data collected by the Survey of Economic Opportunity¹ enable us to know more than ever before about who receives the several types of public and private transfers listed in Table 1. The total amount of these transfers recorded for 1966 was \$39.2 billion, which was 8.5 percent of the total family money income there recorded of \$462.1 billion. Out of all the families and unrelated individuals in the nation, 24.9 million, or 40 percent of the total, received a transfer. See Table 2. (Hereafter, the term "families" includes unrelated individuals. This definition corresponds to the "Interview unit" on the SEO files.)

These transfers have great impact on the pre-transfer poor families,² who numbered 16.1 million in 1966. This group had a mean pre-transfer poverty-income-gap³ of \$1,590; 12.3 million of these families received a transfer, the mean amount of which, per recipient, was \$1,840; 6.1 million families were taken out of poverty by transfers; and 10.0 million remained poor after transfers, but the latter group had a mean poverty-income-gap, after transfers, of only \$970.

The pre-transfer poverty-income-gap total was \$24.3 billion; after-transfer, the gap was \$9.7 billion. Of the total of \$39.2

billion of transfers, \$22.6 billion, or 58 percent, went to the pre-transfer poor. This amount, in turn, was divided between those taken out of poverty by receipt of transfer, who received \$15.8 billion, and those left in poverty, who received \$6.8 billion.

Table 3 gives an insight into the shifting of families by welfare-ratio,⁴ which is accomplished by transfers. For example, the number of families having welfare-ratios under 0.5 is reduced from 11,105,000 to 3,224,000. For another example, about 1.8 million families are added to the top welfare-ratio group. Transfers cannot, by definition, raise everyone's income; they must be paid for by someone, and that will reduce the welfare-ratio of some families. We will return to this point later in a discussion of taxes and other means of paying for transfers.

Another look at the effect of transfers is afforded by Table 4, which shows how transfers change the mean incomes of those in the several pre-transfer welfare-ratio groupings. While the mean income was raised by \$640 for all families, it was raised by successively larger amounts for those in the lower welfare-ratio groupings above the zero group. This pronouncedly pro-poor effect is, undoubtedly, the most striking effect to be observed relative to these transfers.

As we mentioned earlier, 6.1 million families were taken out of poverty by transfers in 1966. However, it is interesting to note that the group thus taken out is not representative of those who were poor before transfer (see Table 5). The groups which appear to be most favored include the aged and the family heads who worked very little. By contrast, the groups who are least favored include

nonwhites, who make up 18 percent of pre-transfer poor families but only eight percent of those taken out of poverty, families headed by women, families of three or more persons, and families in the South.

We can pursue the extent of these biases of the transfers, first, by looking at the frequency of receipt of transfer and the mean amount of transfer by color and by sex of family head. Table 6 shows that whites have a higher mean transfer than nonwhites but that women heads have a higher mean transfer than men. Table 7 shows that nonwhites receive lower mean amounts than do whites of most, but not all, of the several types of transfers. They received a total amount of transfer of \$3.7 billion, or a little less than 10 percent of the total. Women heads received a total amount of transfer of \$12.3 billion, or about 31 percent of the total.

We get more detail on the differential treatment of nonwhites from Table 8, which shows that transfers go to fill a smaller share of the poverty-income-gap for nonwhites than for whites within welfare-ratio groups. (Compare the numbers in column 5 for whites and nonwhites.)

Families headed by women have a larger share of the poverty-income-gap filled by transfers, on the average, than do families headed by men. However, this is not true for many of the lowest welfare-ratio groups (see Table 9).

We turn next (see Tables 10, 11, and 12) to the important question of how transfers relate to family size.⁵ Table 10 shows that relatively few large families are taken out of poverty by transfers. While families of four or more persons made up 21 percent of the pre-transfer poor, they were only 10 percent of the families taken out of poverty.

Table 11 shows that, except for families of one person, the share of the poverty-income-gap filled by transfers, on the average, declines as family size increases. For the families with eight or more persons, only 42 percent of the poverty-income-gap was filled by transfer. Table 12 shows that transfers vary by family size within welfare-ratio groups but do not appear to be responsive to the needs of the larger families.

The amounts transferred increase with age from a low of \$190 for those under 25 years, to a high average of \$1,680 for those headed by persons 65 years or older (see Table 13). Those in the extremes of the age distribution have the greatest poverty-income-gaps, or least negative gaps.

Table 14 indicates that transfers to poor families do not vary significantly by years of educational attainment of the family head. However, in the case of the nonpoor, mean transfers rise sharply for the college educated.

Weeks worked by the principal earner vary inversely with the share of the poverty-income-gap filled by transfers (see Table 15). Over 100 percent of the gap is filled, on the average, for those poor families whose principal earners work no more than 13 weeks in the year; but only 60 percent of the gap is filled for poor families whose principal earners worked 40 or more weeks.

Transfers are not responsive to the greater poverty-income-gap of the rural areas (see Table 16) and the southern region (see Table 17).

TABLE 1

Number of Families Receiving Transfers
and the Mean Amount of Those Transfers

Item	Pre-transfer Poor		Pre-transfer Nonpoor		All Families Receiving Transfers	
	Number (in thousands)	Mean (\$)	Number (in thousands)	Mean (\$)	Number (in thousands)	Mean (\$)
All transfers	12,260	1,840	12,651	1,310	24,911	1,570
Social security	8,846	1,280	5,248	1,170	14,094	1,240
Government pensions	1,382	1,790	1,236	2,250	2,619	2,010
Veterans' pensions	1,518	1,040	1,842	820	3,360	920
Private pensions	1,195	1,300	793	1,400	1,988	1,340
Workman's compensation	315	1,050	1,713	410	2,028	510
Unemployment insurance	459	510	2,408	380	2,867	400
Public assistance	2,660	1,170	567	760	3,228	1,100
Other transfers	1,329	1,510	1,899	1,600	3,228	1,570

TABLE 2

Total Money Transfers Received by Families and the Effects of these Transfers on Family Poverty Status, 1966

	No. Families (millions)	Transfers Received, <i>total</i>		Poverty-Income-Gap, <i>total</i>	
		No. families receiving (millions)	Total received (\$ billions)	Pre-transfer (\$ billions)	Post-transfer (\$ billions)
All families	61.7	24.9	39.2	---	---
Pre-transfer nonpoor	45.6	12.6	16.6	---	---
Pre-transfer poor	16.1	12.3	22.6	24.3	1.7
Taken out of pov- erty by transfers	6.1	6.1	15.8	7.8	-8.0
Post-transfer poor	10.0	6.2	6.8	16.5	9.7

	No. Families (millions)	Transfers Received, <i>Mean</i>		Poverty-Income-Gap, <i>Mean</i>		Income, <i>Mean</i>	
		Families Receiving (\$)	All families (\$)	Pre-transfer (\$)	Post-transfer. (\$)	Pre-transfer (\$)	Post- transfer (\$)
All families	61.7	1,570	640	---	---	6,850	7,490
Pre-transfer nonpoor	45.6	1,310	360	---	---	8,980	9,350
Pre-transfer poor	16.1	1,840	1,400	1,500	106	850	2,250
Taken out of poverty by transfers	6.1	2,590	2,590	1,280	-1,310	825	3,410
Post-transfer poor	10.0	1,100	680	1,650	970	870	1,550

TABLE 3

All Families Ranked by Pre-transfer and Post-transfer Welfare Ratio
and Number of Families Receiving Transfers
by Pre-transfer Welfare Ratio, 1966

Welfare Ratio	Families Ranked by Pre-transfer Welfare Ratio (thousands)	Number of Families Receiving a Transfer (thousands)	Families Ranked by Post-transfer Welfare Ratio (thousands)
Negative	212	110	138
0	4,266	3,907	402
0-.25	4,021	3,514	762
.25-.50	2,666	1,933	1,922
.50-.75	2,472	1,503	3,216
.75-1.0	2,517	1,293	3,573
1.0-1.25	2,809	1,275	3,738
1.25-1.50	2,866	1,145	3,744
1.5-2.0	6,998	2,117	8,297
2.0-3.0	12,755	3,489	13,977
Over 3.0	20,136	4,625	21,948
Total	61,717	24,911	61,717

TABLE 4

Mean Pre-transfer Income, Mean Amount of Transfer and Mean Post-transfer Income of All Families, by Pre-transfer Welfare Ratio, 1966

Pre-transfer Welfare Ratio	Mean Pre-transfer Income	Mean Transfer	Mean Post-transfer Income
Negative	\$-1,390	\$ 750	\$- 650
0	30	1,620	1,650
0-.25	240	1,840	2,080
.25-.50	900	1,330	2,230
.50-.75	1,660	1,070	2,740
.75-1.0	2,530	760	3,290
1.0-1.25	3,570	700	4,270
1.25-1.50	4,460	560	5,020
1.5-2.0	5,620	370	5,990
2.0-3.0	7,430	340	7,770
Over 3.0	12,530	300	12,840
Total	6,850	640	7,490

TABLE 5

Pre-transfer Poor Families and Families Taken out of Poverty by Transfer
Having Selected Characteristics, by Percentage, 1966

Characteristic	Pre-transfer Poor Families	Families Taken out of Poverty by Transfer
Family head 65 or over	50%	70%
Principal earner worked no more than 13 weeks during the year	61	69
Family resides in central city or urban fringe of SMSA	55	61
Family head has no more than 8 grades of school- ing completed	58	56
Family head female	44	35
Family resides in South	36	27
Family head nonwhite	18	8
Family has 3 or more members	31	19

TABLE 6

Number of Families and Types of Income Received,
by Color and Sex of Family Head, 1966

Item	Color of Head		Sex of Head	
	White	Nonwhite	Male	Female
No. of families (in thousands)	55,174	6,543	48,945	12,829
Pre-transfer income, mean	7,160	4,280	7,930	2,730
Poverty-income-gap, mean (Poverty cutoff level minus pre-transfer income)	\$-4,430	-1,370	-5,000	-690
Transfer, mean, for those receiving and not receiving transfer	\$ 640	560	550	960
Post-transfer income, mean	\$ 7,800	4,840	8,480	3,680

TABLE 7

Types of Transfers Received, by Color and Sex of Family Head, 1966

Item	Color of Head				Sex of Head			
	White		Nonwhite		Male		Female	
	Number (thousands)	Mean	Number (thousands)	Mean	Number (thousands)	Mean	Number (thousands)	Mean
All transfers	22,053	\$1,610	2,858	\$1,280	16,741	\$1,610	8,170	\$1,500
Social security	12,850	1,260	1,244	1,010	8,689	1,360	5,405	1,030
Government pensions	2,465	2,040	153	1,490	1,806	2,270	812	1,430
Veterans' pensions	3,098	920	262	920	2,712	930	648	860
Private pensions	1,894	1,360	93	960	1,605	1,410	383	1,050
Workman's compensation	1,833	510	195	490	1,810	500	218	590
Unemployment insurance	2,484	400	382	390	2,467	390	400	450
Public assistance	2,171	1,060	1,057	1,170	1,466	1,000	1,762	1,180
Other transfers	2,875	1,630	353	1,050	1,840	1,550	1,388	1,590
Amount of Total Transfers Received	\$35.5 Billion (91%)		\$3.7 Billion (9%)		\$26.9 Billion (69%)		\$12.3 Billion (31%)	

TABLE 8

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer, and Post-transfer Income of All Families,
by Pre-transfer Welfare Ratio and by Race, 1966

Pre-transfer Welfare Ratio	(1) Mean Pre-transfer Poverty-Income- Gap		(2) Mean Pre-transfer Income		(3) Mean Transfer		(4) Mean Post- transfer Income		(5) Col. 3 As a Percent of Col. 1	
	W	N	W	N	W	N	W	N	W	N
Negative	\$4,030	\$4,100	\$-1,390	\$-1,380	\$750	\$660	\$-640	\$-710	19%	16%
0	1,940	2,160	10	100	1,650	1,510	1,660	1,610	85	70
0-.25	1,790	2,480	230	340	1,960	1,190	2,190	1,520	109	48
.25-.50	1,420	1,950	840	1,170	1,480	620	2,320	1,790	104	32
.50-.75	900	1,210	1,560	2,110	1,190	520	2,760	2,630	132	43
.75-1.0	330	430	2,410	3,030	860	320	3,270	3,350	261	74
1.00-1.25	-420	-430	3,520	3,790	770	400	4,280	4,190	-183	-93
1.25-1.50	-1,220	-1,220	4,450	4,510	620	230	5,070	4,740	-51	-19
1.50-2.00	-2,440	-2,290	5,650	5,360	390	240	6,040	5,600	-16	-10
2.00-3.00	-4,450	-4,060	7,470	6,880	350	250	7,820	7,130	-8	-6
Over 3.00	-9,990	-8,450	12,610	11,010	310	160	12,910	11,170	-3	-2
Total	-4,430	-1,370	7,160	4,280	640	560	7,800	4,840	-14	-41

W = White
N = Nonwhite

TABLE 9

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer, and Post-transfer Income of All Families,
by Pre-transfer Welfare Ratio and by Sex of Family Head, 1966

Pre-transfer Welfare Ratio	(1) Mean Pre-transfer Poverty-Income- Gap		(2) Mean Pre-transfer Income		(3) Mean Transfer		(4) Mean Post- transfer Income		(5) Col. 3 As a Percent of Col. 1	
	M	F	M	F	M	F	M	F	M	F
Negative	\$4,310	\$2,390	\$-1,510	\$-650	\$710	\$930	\$-800	\$280	16%	39%
0	2,080	1,910	10	60	1,930	1,370	1,940	1,430	93	72
0-.25	1,980	1,810	260	220	2,100	1,560	2,370	1,780	106	86
.25-.50	1,630	1,360	980	790	1,490	1,140	2,470	1,930	91	84
.50-.75	1,060	760	1,830	1,340	1,080	1,050	2,910	2,390	102	138
.75-1.0	370	270	2,750	1,920	710	890	3,470	2,800	192	33
1.00-1.25	-460	-280	3,860	2,510	640	910	4,500	3,410	-139	-325
1.25-1.50	-1,320	-820	4,790	3,010	510	780	5,300	3,790	-39	-95
1.50-2.00	-2,580	-1,490	5,970	3,520	340	520	6,320	4,040	-13	-35
2.00-3.00	-4,630	-2,900	7,780	4,880	310	560	8,090	5,440	-7	-19
Over 3.00	-10,320	-6,300	13,020	8,160	290	380	13,320	8,550	-3	-6
Total	-5,000	-690	7,930	2,720	550	960	8,480	3,680	-11	-139

M = Male
F = Female

TABLE 10

Number of Families Pre-transfer Poor, Post-transfer Poor, and Taken out of Poverty by Transfers and Mean Pre-transfer Income of Pre-transfer Poor Families, by Family Size, 1966

Family Size	Number of Pre-transfer Poor Families (thousands)	Number of Post-transfer Poor Families (thousands)	Number of Families Taken out of Poverty (thousands)	Mean Pre-transfer Income of Pre-transfer Poor Families
1	6,340 (39%)	4,253	2,087 (34%)	\$390
2	4,847 (30)	1,983	2,864 (47)	570
3	1,487 (9)	898	589 (10)	930
4	998 (6)	746	252 (4)	1,490
5	795 (5)	624	171 (3)	1,720
6	526 (3)	451	75 (1)	2,190
7	507 (3)	475	32 (.5)	2,780
8 or more	652 (4)	583	69 (1)	2,590
Total	16,154 (100)	10,013	6,141 (100)	850

TABLE 11

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer, and Post-transfer Income
of All Families, by Family Size and Pre-transfer Poverty Status, 1966

Family Size	(1) Mean Pre-transfer Poverty-Income- Gap		(2) Mean Pre-transfer Income		(3) Mean Transfer		(4) Mean Post-transfer Income		(5) Col. 3 As a Percent of Col. 1	
	P	NP	P	NP	P	NP	P	NP	P	NP
	1	\$1,200	\$-3,790	\$390	\$5,450	\$1,020	\$230	\$1,410	\$5,680	85%
2	1,440	-6,220	570	8,350	1,940	580	2,510	8,930	135	
3	1,600	-6,710	930	9,280	1,620	390	2,550	9,670	101	
4	1,770	-6,850	1,490	10,140	1,610	260	3,100	10,410	91	
5	2,100	-6,440	1,720	10,320	1,280	230	3,000	10,550	61	
6	2,110	-5,980	2,190	10,340	1,080	290	3,280	10,620	51	
7	2,240	-6,110	2,780	11,530	820	350	3,600	11,880	37	
8 or more	2,390	-5,300	2,590	10,610	1,010	340	3,600	10,950	42	
Total	1,500	-6,100	850	8,980	1,400	360	2,250	9,350	93	

P = Pre-transfer Poor
NP = Pre-transfer Nonpoor

TABLE 12

Mean Transfer Received by All Families, by Pre-transfer
Welfare Ratio and by Family Size, 1966

Pre-transfer Welfare Ratio	Family Size								All Families
	1	2	3	4	5	6	7	8 or More	
Negative	\$650	\$1,200	\$910	\$760	\$90	\$690	\$70	\$10	\$750
0	1,140	2,000	2,250	1,880	2,620	2,370	2,560	2,970	1,620
0-.25	1,210	2,250	2,150	4,700	1,270	1,930	1,050	1,580	1,840
.25-.50	930	1,920	1,580	1,350	1,640	1,210	510	880	1,330
.50-.75	700	1,750	1,430	680	920	720	480	580	1,070
.75-1.0	660	1,340	710	600	650	450	280	310	760
1.0-1.25	460	1,350	920	740	320	320	510	470	700
1.25-1.50	430	1,050	790	390	370	390	230	510	560
1.5-2.0	230	890	410	250	270	160	260	240	370
2.0-3.0	190	550	510	240	180	340	380	220	340
Over 3.0	190	440	260	220	190	300	410	350	300
Total	640	990	560	400	360	410	490	590	640

TABLE 13

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer, and Post-transfer Income of all Families, by Age of Family Head, 1980

Age of Family Head	Mean Pre-transfer Poverty-Income-Gap	Mean Pre-transfer Income	Mean Transfer	Mean Post-transfer Income
Less than 20	\$-100	\$2,080	\$190	\$2,260
20-24	-2,760	5,190	190	5,370
25-34	-4,170	7,340	270	7,610
35-44	-5,130	8,560	320	8,880
45-54	-6,330	9,250	410	9,660
55-59	-5,610	8,050	420	8,480
60-64	-4,230	6,500	920	7,410
65 and over	-530	2,470	1,680	4,140
Total	-4,110	6,850	640	7,490

TABLE 14

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer, and Post-transfer Income of All Families,
by Years of Schooling Completed by Family Head and by Pre-transfer Poverty Status, 1966

Years of Schooling Completed by Family Head	(1) Mean Pre-transfer Poverty-Income- Gap		(2) Mean Pre-transfer Income		(3) Mean Transfer		(4) Mean Post- transfer Income		(5) Col. 3 As a Percent of Col. 1	
	P	NP	P	NP	P	NP	P	NP	P	NP
0-7	\$1,600		\$780	\$6,640	\$1,270	\$440	\$2,050	\$7,080	79%	
8	1,460		790	7,470	1,440	450	2,220	7,930	99	
9-11	1,600		900	8,150	1,350	310	2,240	8,460	84	
12	1,420		1,000	8,630	1,580	290	2,580	8,920	111	
13-15	1,170		900	10,270	1,460	310	2,360	10,570	125	
16	1,180		760	12,070	1,950	340	2,710	12,420	165	
Over 16	950		1,100	13,600	1,820	750	2,920	14,350	192	
Total	1,500		850	8,980	1,400	360	2,250	9,350	93	

P = Pre-transfer Poor

NP = Pre-transfer Nonpoor

TABLE 15

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer, and Post-transfer Income of All Families, by Number of Weeks Worked in Past Year by Principal Earner of Family and by Pre-transfer Poverty Status, 1966

Weeks Worked by Principal Earner	(1) Mean Pre-transfer Poverty-Income-Gap		(2) Mean Pre-transfer Income		(3) Mean Transfer		(4) Mean Post-Transfer Income		(5) Col. 3 As a Percent of Col. 1	
	P	NP	P	NP	P	NP	P	NP	P	NP
	None	\$1,680		\$230	\$5,230	\$1,860	\$2,910	\$2,090	\$8,130	111%
1-13	1,770		600	5,700	1,390	1,610	1,990	7,310	79	
14-26	1,250		1,210	5,220	1,010	1,080	2,220	6,300	81	
27-39	1,190		1,720	6,220	1,000	680	2,720	6,900	84	
40-49	1,140		2,000	7,450	780	410	2,780	7,850	68	
50-52	1,210		1,840	9,550	650	270	2,500	9,820	54	
In armed forces	700		2,380	7,320	600	270	2,980	7,590	86	
Total	1,500		850	8,980	1,400	360	2,250	9,350	93	

P = Pre-transfer Poor

NP = Pre-transfer Nonpoor

TABLE 16

Mean Pre-transfer Poverty Income-Gap, Pre-transfer Income, Transfer
and Post-transfer Income of All Families, by Extent
of Urbanization of Family Residence

	Mean Pre-transfer Poverty-Income- Gap	Mean Pre-transfer Income	Mean Transfer	Mean Post- transfer Income
Central City, in SMSA	-3,860	6,490	660	7,150
Residence Urban Fringe in SMSA	-5,640	8,520	550	9,070
Urban, Outside SMSA	-3,540	6,210	770	6,980
Rural, Outside SMSA	-2,440	5,200	640	5,840

TABLE 17

Mean Pre-transfer Poverty-Income-Gap, Pre-transfer Income, Transfer
and Post-transfer Income of All Families, by Region of Residence

Region	Mean Pre-transfer Poverty-Income- Gap	Mean Pre-transfer Income	Mean Transfer	Mean Post- transfer Income
Northeast	-4,540	7,260	720	7,980
North Central	-4,250	6,550	580	7,570
South	-3,170	5,960	620	6,580
West	-4,330	7,560	630	8,190

II

In the preceding section, we reviewed the pattern of money transfers and observed that it was heavily redistributive toward the poor. But what part do these money transfers comprise of an overall system of transfers? Are other transfers and the costs of financing all transfers distributed in such a way as to offset the pro-poor characteristic of money transfers?⁶

To answer these questions we must have some limits for the terms "transfer" and "redistribution." We propose to limit those terms to changes in the distribution of income among families, assuming that factor income as it arises in the market is given. Further, we propose to define income to include certain in-kind items which relate directly to family health, education, and welfare, and to account for gifts, contributions, and taxes paid out by families for such transfers. We would isolate transfer for purposes of health, education, and welfare from the much broader concepts of Kenneth E. Boulding⁷ and Martin Pfaff,⁸ who suggest that all one-way transactions, including those for all functions of government, fall under the heading of transfer. Our concept stems from a view of a necessary minimum of interpersonal transfer. Each society, in order to perpetuate itself, must invent ways to shift a substantial part of its yearly output away from those who may be said to have produced it, to others. In simple societies, the defense against want, insecurity, ignorance, and illness is managed by the family. In more advanced societies, the

family is assisted in carrying out these defenses by other inter-mediating institutions, including the voluntary association, the employer, the insurance intermediary, and the state. The relocation of responsibility for these defenses does not necessarily connote social progress. Our accounting of the system of transfers should, ideally, be broad enough to encompass the simultaneous decline of one mode of transfer and the rise of another. It is at least conceivable that, relatively, there is no more transferring going on in the United States now than fifty years ago, even though the transfers which enter the national income accounts are a rising proportion of national income. Increase of transfers may reflect greater concern for what Boulding calls integrative processes and a growing sense of community. Alternatively, this increase may indicate a conversion from thinking of transfers as defensive and parasitic in nature and likely to diminish in relative importance as a society gets richer, to something more affirmative. Goals in the health, education, and welfare fields have evolved from relief of suffering, rescue from illiteracy, and shielding against poverty to the promotion of positive health and longevity, the cultivation of talent, skill, and new knowledge, and the attainment of income security and constant growth in average income.⁹

This statement of goals would indicate that a student of the sub-discipline of the economics of health, education, and welfare is interested in the allocation of resources to achieve aggregative purposes. That is true, but in the present context, we want to emphasize the redistributive aspect of that sub-discipline as it is shown in a one-year accounting of changes in "income" sharing.

This accounting must not only show the role of the several types of redistributing agency, but also the form of that which is transferred (money or in-kind), and it must identify the givers as well as the takers. In Table 18 we offer some rough estimates of the amounts being transferred in the United States in 1967. The estimates are cast in a framework that follows income from its origins in the market place to its conversion into a post-redistribution income. The conversion is achieved via subsidy, social welfare expenditures by governments, payment of taxes, and other charges to finance the above; receipt of and payment for privately insured benefits and private gifts; and payment for general government activities, the benefits of which are thought to be indivisible and hence nonredistributive.

In column 1 we have marked out the benefits in money form, all of which, with the exception of items 2 and 3, are represented in the Tables in Section I of this paper. Careful study of the rest of Table 18 indicates that most items are thought to be redistributive to the poor and that the end result of all the givings and takings is to increase the share of the pre-transfer poor from three percent of pre-redistribution income to nine percent of post-redistribution income.

The amounts transferred for health, education, and welfare are substantial. Items 5 and 12 total \$132 billion, which was over one-fifth of the national income in that year. These amounts have been increasing both absolutely and relatively and indicate that the United States is approaching maturity as a welfare state. Decisions have

been made in a decentralized fashion as to how each year's transfer "growth dividend" is to be distributed among the several items in Table 18 and among possible groups of beneficiaries.

TABLE 18

Public and Private Transfers and Distributional Allocations
Received and Paid by All Families and by Pre-transfer
Poor Families, 1967

Items	All Families (in billions of dollars)		Pre-transfer Poor Families	
	Money	Money and in-kind	(% of col. 2)	(billions of dollars)
1. Pre-redistribution income (factor income net of 2 and employer financed part of 9)		\$644	3%	\$19.3
2. Increase in factor income due to direct subsidy	1	1	10	0.1
3. Reduction in market price due to direct consumer subsidy		1	10	0.1
4. Benefits of social welfare expen- ditures under public programs	43	100	40	40.1
a. Social Insurance	33	37	55	16.5
b. Public Aid	5	9	93	8.4
c. Veterans	5	7	46	3.2
d. Other welfare services and public housing		3	50	1.5
e. Health		8	50	4.0
f. Education		36	18	6.5
5. Total of 2-4		102	39	40.3

TABLE 18 (Cont'd)

Items	All Families (in billions of dollars)		Pre-transfer Poor Families	
	Money	Money (% of in-kind col. 2)	(billions of dollars)	
6. Taxes, user charges, fees and public prices used to finance 5		\$102	9%	\$9.2
7. Public transfers and distributional allocations net of 6		0		31.1
8. Income after public transfer and distributional allocation (1 + 7)		644	8	50.8
9. Privately insured benefits related to health and income maintenance	10	17	5	0.9
10. Direct inter-family gifts	6	10	50	5.0
11. Gifts via philanthropic institutions	1	3	33	1.0
12. Total of 9 - 11		30	23	6.9
13. Family and employer payments for insurance, gifts by family		30	5	1.5
14. Private transfers and distributional allocations less 13		0		5.4
15. Income after public and private transfer and distributional allocation (1+7+14)		644	9	55.8
16. Benefits of general government activity		100	8-9 ^a	8-9 ^a
17. Taxes to pay for 16		100	7	7
18. Benefits of 16 less taxes of 17		0		1-2
19. Post-redistribution income (1+7+14+18)		644	9	56.8-57.8

^aDistributed so as to not alter distribution of income. Note pre-transfer poor have 8% of item 8 and 9% of 15.

TABLE 18 (Cont'd)

Items	All Families (in billions of dollars)		Pre-transfer Poor Families
	Money	Money (% of in-kind col. 2)	(billions of dollars)
20. Allocations other than 4 or 16 through government having no redistributive impact ^b	-	-	-
21. Allocations through private sector other than 12 having no redistributive impact			

^bOmitted on grounds that these are like private nonredistributional allocations.

There are several ways to describe this process of decisionmaking, but one way is as a contest of four competing mentalities, which we can identify as the minimum-provision mentality, the replacement of loss mentality, the horizontal and vertical equity mentality, and the efficiency of investment mentality. The first mentality is the one which has traditionally guided public assistance, public housing, and special services for the poor. Here the emphasis is upon the adequacy of the benefit for those who are unable to provide any part of the necessary item. Little attention is paid to the equities vis-a-vis those who are able to pay part of the cost of a minimum provision. The purpose is essentially defensive and crisis-oriented.

The replacement of loss mentality finds expression in insurance, both private and social. Here the emphasis is on the sharing of loss

without reference to need, but with reference to the several parties' ability to pay and ability to prevent the loss. This mentality traditionally has little concern for the maximum need identified by public assistance, but concentrates on irregularities of income or expenditure (as for health) experienced by regular members of the labor force.

The horizontal and vertical equity mentality is most fully developed in the individual income tax. The emphasis is on treating equally all those who are similarly stationed and narrowing inequality among the groups ranked in a superior to inferior relationship. This mentality comes into direct conflict with the two previously discussed mentalities when it is proposed that a negative income tax should replace some or all of public assistance and social insurance benefits. The advocate of the negative income tax tends to view with horror the categorical exclusions, the abrupt withdrawal of benefits, the high marginal tax rates, and the capricious changes of rank order of families observed in both public assistance and social insurance. On the other hand, advocates of the latter charge that the income tax mentality has no motive power to expand, since its goal of narrowing inequality is vague and formless and, to some, alarming.

The fourth mentality is that of efficiency of investment, wherein the goal is not equity but improvement of the quantity or quality of final output. The recipient of the transfer or distributive allocation (e.g., a higher education subsidy) is seen as a means to an end (e.g., a higher national product in some future year). The issue is not equity in the distribution of the benefits, but the relationship between the costs to the society and the benefits which will flow from those costs.

These four mentalities are presently expressed in our system of transfers. None of them speaks to the strong points of any of the others, yet each puts some constraint on the others. Perhaps what we see evolving in this late stage of growth of the national system of transfers is a new balance--or tension--among the four mentalities.

FOOTNOTES

¹U.S. Bureau of the Census, Survey of Economic Opportunity, 1966 and 1967. This survey, which was sponsored by the Office of Economic Opportunity, was carried out by the Bureau of the Census. A tape, prepared by the Brookings Institution, was released to research agencies, including the Institute for Research on Poverty, in August, 1969. The results reported here are the first computed from that tape by the staff of the Institute with the assistance of the Data and Computation Center of the Social Systems Research Institute of the University of Wisconsin. No attempts have been made to correct for under-reporting. Further, no study has yet been made by the author of possible inconsistencies between these data and those from other sources.

²Throughout this paper, the word "poor" refers to families with incomes below the Social Security Administration guidelines. "Pre-transfer poor" families are those that would be counted as poor in the absence of transfer payments.

³This is the difference between the poverty-line income for each family size and the actual pre-transfer income.

⁴A family with income at the poverty-line has a welfare-ratio of 1.0. A welfare-ratio of 0.5 means that the family has an income one-half the poverty-line for its family size.

⁵We were able to derive considerable information on this relationship from the Survey of Consumer Expenditures of 1961. Those findings are reported in Robert J. Lampman, "How Much Does the American System of Transfers Benefit the Poor?" in *Economic Progress and Social Welfare*, Leonard H. Goodman (ed.) (New York, 1966), pp. 125-157. Also available as Reprint No. 6, Institute for Research on Poverty.

⁶In this section, we follow concepts that are more fully developed in Robert J. Lampman, "Transfer Approaches to Distribution Policy," prepared for meeting of the American Economic Association at New York, December 30, 1969. To be published in *A.E.A. Proceedings*, (May, 1970). Also available as Discussion Paper 63-70, Institute for Research on Poverty.

⁷Kenneth E. Boulding, "An Invitation to Join a New Association for the Study of the Grants Economy," ASGE Newsletter No. 1, (Mimeographed, October 15, 1969); also by Boulding, "The Grants Economy," Presidential address to the Michigan Economic Association, March 22, 1968.

⁸Martin Pfaff, "The Grants Economy and the Transfer Economy: Some Basic Concepts," ASGE Newsletter No. 1, (Mimeographed, October 15, 1969).

⁹Robert J. Lampman, "Toward an Economics of Health, Education, and Welfare," *The Journal of Human Resources*, (Summer, 1966), pp. 43-53.