

SCHOLASTIC

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# UPDATE

TEACHERS' EDITION

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50 Years of U.S. Spending  
POSTER INSIDE!

## ABOUT THIS ISSUE



Cover of Student Edition:  
"Uproar over U.S. Social Spending"

Few national issues are more baffling to the average citizen than U.S. social spending—the enormous federal outlay for programs ranging from Food Stamps and job training to Social Security and Aid to Families with Dependent Children. For the past five years, social spending—the fastest-growing sector of the federal budget—has been the target of Administration cost-cutters and the focus of heated national debate. This issue of UPDATE has been designed to help your students understand that debate and the emotionalism that surrounds it.

UPDATE's coverage opens with profiles of four men and women and a child whose well-being depends, in part, on federal social programs. A seven-page Special Report follows, introducing your students to the five major areas of social spending. A History feature—"How the Welfare State Began"—traces the genesis of large-scale social spending in three nations: Germany, Great Britain, and the United States. In exclusive interviews, two experts on social spending—a liberal U.S. Congressman and an analyst for a conservative think tank—give their views of the U.S. role in the social arena. Your students are then introduced to 10 men and women who shape U.S. social policy. A look at Europe's welfare states today rounds out the issue, which also contains the regular DataBank, Wordpower, and Puzzle features, all tied to social spending.

The National Issues Forum, which sponsors "town meetings" around the nation, has prepared teaching and study material on welfare spending which you might want to use as an extension of this issue. For information, write: Domestic Policy Association, 5335 Far Hills Avenue, Dayton, Ohio 45429. —The Editors

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### ISSUE DATES FOR THIS YEAR

Sept. 6	Sept. 20	Oct. 4	Oct. 18	Nov. 1	Nov. 15	Nov. 29	Dec. 13	Jan. 10
Jan. 24	Feb. 7	Feb. 21	Mar. 7	Mar. 21	Apr. 4	Apr. 18	May 2	May 16

**SCHOLASTIC UPDATE PRE-TEST****Payroll Tax Rates for Social Security Programs in Selected Countries (1981)**

Country	Total Tax Rate	Employer Rate	Employee Rate
United States	17.60%	10.95%	6.65%
France	48.55	37.41	11.14
West Germany	34.75	18.12	16.63
Italy	55.02	47.57	7.45
Japan	22.85	12.80	10.05
Netherlands	54.86	29.23	25.63
Sweden	32.76	32.65	.11
Switzerland	17.60	8.45	9.15
United Kingdom	21.45	13.70	7.75

Source: U.S. Social Security Administration, Office of International Policy

General Directions: On the line to the left of each statement, write the letter of the choice that best completes a statement or answers a question.

**A. TRUE (T), FALSE (F), OR . . . ?**

Write T if the statement is true, F if it is false, or N if there is not enough data in the table to help you decide.

- \_\_\_ 1. Among the countries shown, Dutch workers pay the highest social security tax rate.
- \_\_\_ 2. Italian employers pay about 85% of the tax money collected for their employees' social security benefits.
- \_\_\_ 3. The French pay about twice as many tax dollars as the Japanese for social security programs.
- \_\_\_ 4. Swedish employees pay only 11% of their wages for social security.
- \_\_\_ 5. Switzerland and the U.S. have the most equally matched social security benefits.

**B. ODD ONE OUT!**

Check (✓) any item(s) NOT included in U.S. federal social spending programs.

- \_\_\_ 1. Aid to disabled workers
- \_\_\_ 2. Retirement paychecks
- \_\_\_ 3. Aid for purchasing food
- \_\_\_ 4. Veterans' benefits
- \_\_\_ 5. Negative income tax.
- \_\_\_ 6. Aid for dependent children
- \_\_\_ 7. Medical payments for the needy

**C. MATCH-UP!**

*Column A*

- a. James C. Miller
- b. U.S. Treasury
- c. Food Stamps
- d. Social Security
- f. COLA
- g. Head Start
- h. Block Grant

*Column B*

- \_\_\_ 1. automatic increase in payment, based on rising consumer prices
- \_\_\_ 2. begun under President Franklin Roosevelt
- \_\_\_ 3. reviews federal spending proposals, to preserve Executive priorities
- \_\_\_ 4. federal monies spent largely at state discretion

**D. FREE CHOICE**

- \_\_\_ 1. Approximately how many Americans receive social security payments? (a) 1 out of 3; (b) 1 out of 6; (c) 1 out of 9
- \_\_\_ 2. Which was the first modern nation to adopt a system of welfare laws? (a) Germany; (b) U.S.; (c) Japan
- \_\_\_ 3. Which U.S. President is credited with launching a federal "War on Poverty"? (a) Harry Truman; (b) Richard Nixon; (c) Lyndon Johnson
- \_\_\_ 4. Which of the following projects under President Franklin Roosevelt was NOT a jobs-development program? (a) CCC; (b) WPA; (c) OPA

**E. OPINIONS, PLEASE!**

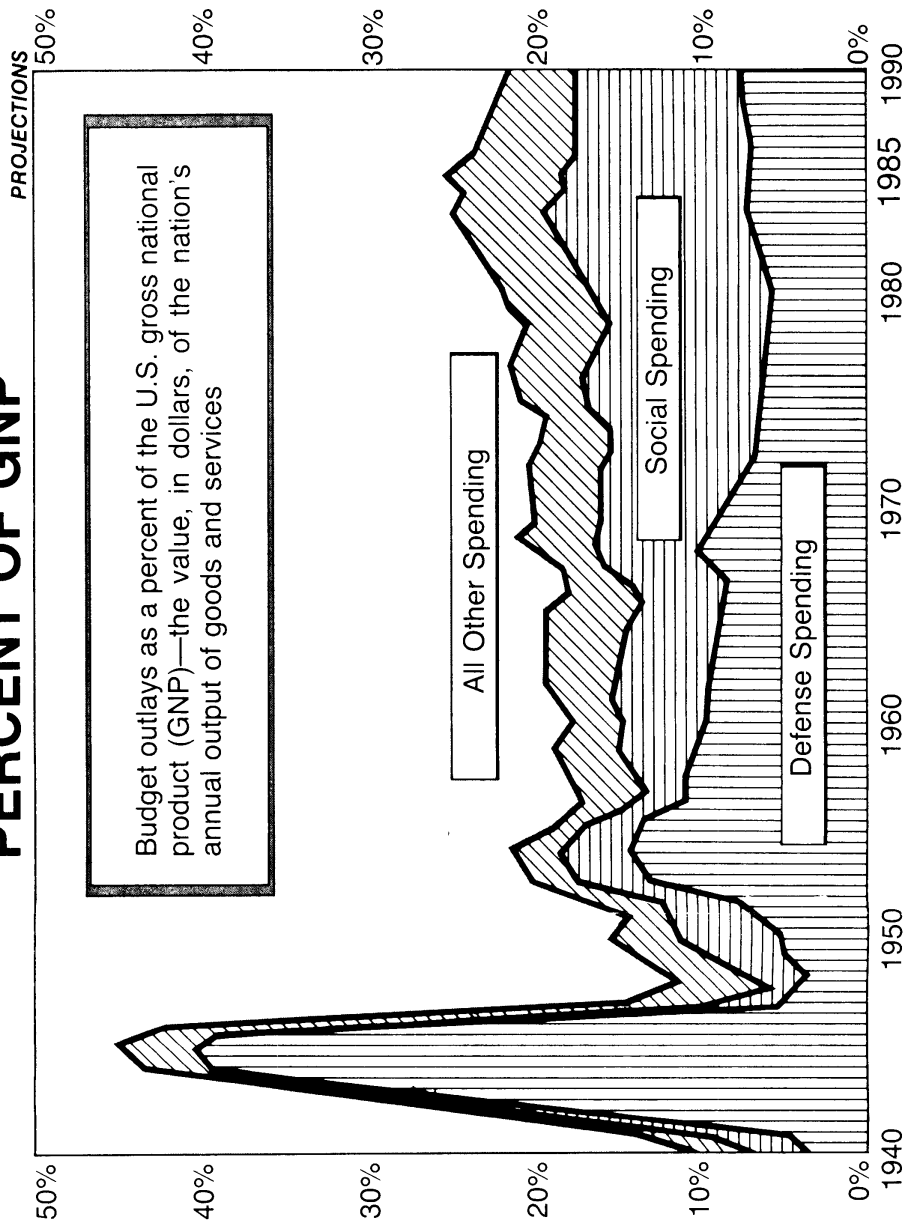
Does the federal government spend too much on social benefits? Write your opinion as a 150-word "speech" on the reverse side of this paper.

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# FIFTY YEARS OF U.S. SPENDING: 1940-1990

## PERCENT OF GNP



The debate over social spending has been growing since the 1950s, when U.S. outlays as a percentage of the nation's gross national product began to swell. In 1950, the U.S. government provided a "safety net" for citizens mainly in four areas: Social Security, Aid to Families with Dependent Children (AFDC), unemployment insurance, and workers compensation. These four programs cost the government \$7.2 billion in 1950. The U.S. spent \$746 million more for programs in such areas as medical care, institutional care, and vocational education.

In the 1960s, the U.S. government's commitment to social programs intensified. U.S. President Lyndon B. Johnson declared a "War Against Poverty" in 1964. The U.S. Congress passed the Economic Opportunity Act and other laws to combat illiteracy, unemployment, and poor public services. The next year, President Johnson kicked off his "Great Society" programs. Anti-poverty spending doubled. For the first time, the U.S. spent heavily on elementary and secondary education in an attempt to help poor children learn the skills they needed to escape poverty. The year 1965 also saw the start of Medicare, a health insurance plan for the elderly, and of Medicaid, a federal- and state-funded plan to help the poor cover medical costs. To coordinate new housing programs for low-income families, Congress set up a new Department of Housing and Urban Development.

During the 1970s, the costs of these and other new programs skyrocketed. By 1980, the total federal outlay for all social programs, from Social Security to job training, came to more than \$244 billion. That's 32 times more than the U.S. spent for safety net programs in 1950. During the intervening 30 years, the U.S. population had increased by only 48 percent. The enormous increase in spending prompted a debate over social spending that still goes on.

U.S. President Ronald Reagan vowed to slow the growth of federal spending when he took office in 1981. As the chart shows, he succeeded in doing this for social spending while increasing the outlay for defense. The Administration plans to continue to reduce social spending growth for the rest of the 1980s. Government programs included in the social spending category include: education, job training, employment, and social services; health; Social Security and Medicare; income security, such as Aid to Families with Dependent Children (AFDC); and benefits and services for veterans.

Source: U.S. Office of Management and Budget

(Continued from page T-3)

2. To give students perspective on the 1940s "peak" on the Poster chart, have them research (or supply them with) GNP figures for the years shown, so that they can compute the actual dollars involved. GNPs: 1940—\$200 billion; 1950—\$286.5 bil.; 1960—\$506.5 bil.; 1970—\$992.7 bil.; 1980—\$2,631.9 bil.; 1984—\$3,662.8 bil.

**LESSON 3**  
**From Bismarck to Roosevelt: How the Welfare State Began**

**Content (History, pages 13-15; plus Interview, 18-19).** Origins of the welfare state; plus debate on whether it can and/or should continue.

**Objectives.** With these features, you can ask students to (1) trace the development of welfare systems and legislation through three countries; (2) evaluate the goals that prompted this development; (3) debate the pros and cons of its continuance.

**Introduction.** "Historically, the government of the United States has been expected to provide support for those people who could not support themselves." —Rep. Ted Weiss, (D-NY)

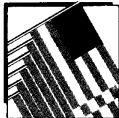
"If a social program can be maintained in the private sector, it should be." —Anna Kondratas, analyst

Asking students to comment on both of these excerpts (taken from this week's Interview) may serve two purposes: (1) to set the dividing line across which our guest debaters present their arguments in the Interview feature; (2) to raise (at least indirectly) the question of how and when government stepped into the role of provider for the poor.

**Questions to Guide Reading.** (1) (History feature) How did government get into welfare? (2) (Interview) Does it belong there now?

**Activities.** 1. Author Jonathan Rose begins his account of modern welfare programs where it belongs: in German TEACHERS' EDITION ■ DECEMBER 13, 1985

3. Key points to quiz in our Databank. (a) The largest poverty-related expenditure by the U.S. government? (*Medical*) (b) The highest (cumulative) poverty-targeted spending by states? (*Michigan*) (c) The current percent of over-65ers in the U.S. population? (*about 11%*) (d) The largest group getting entitlement monies? (*retired & disabled*) (e) Total number of recipients of social spending? (*Students will have to estimate. Some recipients turn up in*



ny, a century ago.

But some students may be interested in researching the longer historic tradition of attention to the needy that prevailed during the almost 2,000-year influence of the Judeo-Christian ethic in Western Europe, especially in the Middle Ages. For as long as "church" and "government" were united, heads of state supported (or tolerated) the operation of hospitals for the needy; "bread-lines," etc.

Ask students doing this research to include an observation on whether the reasons for community care of the needy in the past still make sense today.

2. Role-play! As a variation on the read-and-outline approach to handling UPDATE features, you might want to ask three role-players to represent Germany's Bismarck, England's Lloyd George, and America's Franklin Roosevelt in a round-table discussion of why and how each sponsored "welfare" legislation in their respective countries.

Have the role players pre-read the History feature, present the views of the trio to the rest of the class, and then "take questions from the audience."

3. This week's Interview feature presents two views of a controversial topic (federal social spending). In the process, it dramatizes two very different views on government's role in American life.

**Introduction to this lesson** Who's "right"? One way to tap students' thinking: Suggest that each

select categories. See footnote.)

**Evaluation.** Suggest that students read the World feature (pages 22-23) to themselves. Then ask them to: (1) State the main idea of the feature. (Sample: *Governments of free, industrialized nations are lately beginning to weigh the costs of providing all the services that are part of a democratic welfare state.*) (2) Write a prediction about trends in welfare government over the next 15 years. Urge them to draw on data from all three sources in this lesson.

student fill in and complete this statement for BOTH debaters: When Weiss/Kondratas says I believe he/she is right/wrong because

Collect, compare, and discuss students' answers. Note with them the viewpoints that received particular attention. Is there a consensus?

**Evaluation.** Ask students to list the major problem(s) and benefit(s) of federal social spending.

**ANSWERS**

**Crossword, p. 26**  
Across: 1. A.D.C.; 4. poverty; 7. S.R.O.; 8. O.L.I.; 10. soup; 12. B.S.; 14. man; 16. Pa; 17. net; 19. 40; 21. AR; 22. B.C.; 23. eye; 30. Aes.; 32. Rh.; 33. rd.; 37. D.A.; 38. eye; 50. Van.; 51. beg.; 53. xel.; 54. need; 56. Dr.; 57. Day.; 59. welfare; 60. cash.  
Down: 2. foster care; 3. C.; 4. poor; 5. 6%.; 6. 34%; 7. Lunch; 11. underclass; 15. me; 18. truly; 20. odd; 21. and; 22. bread; 29. 55.; 32. give; 34. New.; 35. def.; 38. NC.

**Wordsearch, p. 26**  
Horizontal: Medicard; Job; Caseworker; Stamp; Homless; Vertical: Pauper; Indigent; Dependents; Class; Medicare; Ration; Aims; Law; Dismal; Food; Hunger; Hobo; Want; Benevolent.  
**Hidden Word: Agriculture**  
**Scrambler, p. 26**  
Circs: Memphis; Detroit; Milwaukee; Cincinnati; Wic.Kad.  
**Riddle: Wic.Kad.**

**Skills Review, page TE-8.**  
A. 1a: 2a; 2b: 3a; 4: Answers will vary. B. Answers will vary.  
**Pre-Test, page TE-2.**  
A. 1-T; 2-T; 3-N; 4-F; 5-N; B. Only #5 is NOT correct. C. 1-F; 2-d; 3-a; 4-b; 1-b; 2-a; 3-c; 4-e. Answers will vary.  
**Post-Test, page TE-7.**  
A. 1-c; 2-d; 3-f; 4-a; 5-b; B. 4-c; 2-b; 3-b; 4-a; C. 1-O; 2-F; 3-O; 4-F; D. 1-b; 2-a; 3-b; 4-b; E. 1-F; 2-F; 3-F; 4-F; 5-T; 6-T; E. Answers will vary.

**LESSON 1**

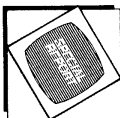
**The Scope of Social Spending**

**Content (Special Report, pages 6-12).** Concise surveys of U.S. social spending targets: health care, social security, unemployment, poverty, and education.

**Objectives.** With this feature, you can ask students to (1) identify who gets how much, under what conditions, in U.S. social spending programs; (2) analyze problems associated with these programs.

**Introduction.** 1. Before students open this week's UPDATE, ask them to interpret our cover. (Prompts, if needed: Is America becoming a place to sit at home, waiting for various kinds of government checks? Who funds the "paymaster"? Is the U.S. spending too much on too many social programs? Are some social spending programs preferable to others?) Follow up by directing students' attention to the short photo-report on recent visits by UPDATE's David Goddy to federally supported senior-housing, day-care, and medical centers (see page 4). Ask for students' reactions: How necessary are the services offered in each place? What option(s) would each interviewee have, if federal support were not available?

2. This week's Special Report on social spending lends itself to practicing the skill of chart-making. Divide the class into five groups—each to read and outline an assigned segment of the Report: medical care (pages 6-7), social security (8), unemployment (9), poverty (10-11), and



education (12). For the purpose of later cross-checking, suggest that each group use the same chart headings:

- (A) Typical Programs or Benefits
- (B) Description of Services
- (C) People Who Are Aided
- (D) Total Dollars Involved
- (E) Good Points
- (F) Bad Points

After checking their work, ask students to discuss their entries under (E) and (F) on the charts. Are there any generalizations to be made about good and bad points of social spending? 3. Distribute copies of this week's Skills Review (see page TE-8 in this Teacher's edition). Discuss the reading excerpts: Does the federal government have a need to gather social and economic data?

**Evaluation.** Have students reread the cited opinions of each of the following experts, select ONE, and write a brief paragraph (with supporting details) in DEFENSE or OPPOSITION: a. Governor Richard Lamm (*Medical care*) b. James D. Davidson (*Social Security*) c. Rep. Don Pease (*Unemployment*) d. Pres. Lyndon Johnson (*Poverty*) e. Nancy Koehn (*Education*)

social spending (see pages 6-11) make it clear that some Americans are in an uproar about social spending. Display the Poster in this Teacher's Edition (pages TE-4, -5) to establish a basis for the debate. Ask: (a) Approximately what percent of the U.S. GNP is the federal budget? (23%) (b) What is the largest spending area in the current U.S. budget? (*Social Sp.*) (c) When did social spending begin to dominate the U.S. budget? (*Mid-1970s*) (d) What budget trend does the present Administration seek to establish for the 1990s? (*growth of defense spending; reduction in rate of growth of other spending*) Encourage students to think about both parts of the projected trend—which spending goals are being expanded, and which are being slowed down. (Please turn to page T-6)



**LESSON 2**  
**The U.S. Safety Net & Europe's Welfare States Today**

**Content (Databank, pages 16-17; plus World feature, pages 22-23; and Poster).** The facts on social spending—from at home and abroad.

**Objectives.** With these features, you can ask students to (1) read and interpret charts and graphs on social spending and demographic trends; (2) evaluate social spending in industrialized nations.

**Introduction.** Who are the poor? Ask students to respond in writing to the following two questions: (1) What is the age group with the highest percentage of individuals living in poverty? (2) On average, what is their family status? Collect and tally responses, and report to students how close they were

to the current statistics: (1) 22% of American children below 18 live in poverty, and (2) more than 50% of these children live in households headed by women (47.6% of poor white households, 68.5% of poor black households).

Any surprises? Remind students of the need to have a good grasp on basic statistics before jumping into the debate on social spending. This week's Databank and Poster meet that need.

**Questions to Guide Reading.** (1) How do the facts fit into the current spending debate? (2) Do current trends say anything about the future of these budgets?

TEACHERS' EDITION ■ DECEMBER 13, 1985

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**THE UPROAR OVER U.S.  
SOCIAL  
SPENDING**



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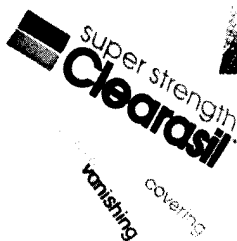
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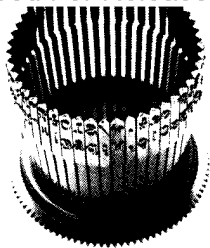
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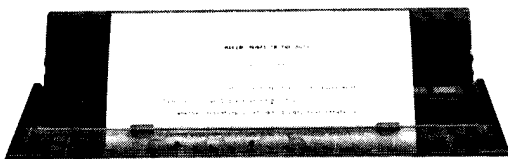




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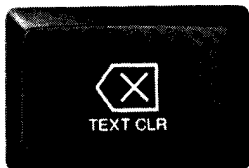
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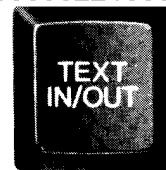
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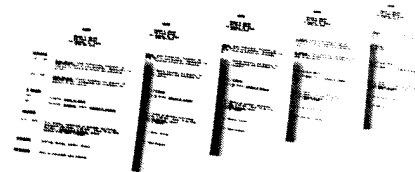
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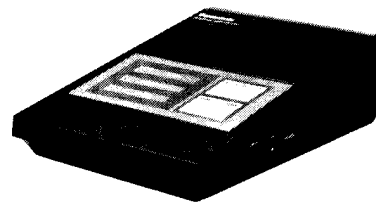
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# UPDATE®

December 13, 1985 ■ Vol. 118, No. 8

## The Uproar Over U.S. Social Spending



Medical care has made great strides in recent years, as this arthritis sufferer's artificial joints demonstrate. But such progress is costly. How much of the price should the U.S. government bear?

Cover Illustration: Andrea Baruffi

### 4 Five Who Benefit from U.S. Social Spending

Behind the dollars and cents of government spending are people, including these citizens for whom U.S.-sponsored social services provide an edge.

### 5 What If You Held the Cost-Cutter's Knife?

Certain types of social programs are more vulnerable to the cost-cutter's knife than others. Where would you reduce government spending?

### Special Report: The Scope of Social Spending

#### 6 The Battle to Control the Costs of Medical Care

The wonders of modern medicine cost money. But who should pay?

#### 8 Worries About Social Security's Cloudy Future

Questions about the nation's largest—and most successful—social program.

#### 9 U.S.-State Partnership Aids Jobless Workers

Unemployment insurance helps most jobless workers find their footing.

#### 10 The War Against Poverty Enters a New Phase

Despite 20 years of battles, poverty remains. What went wrong?

#### 12 Shifting Views on the U.S. Role in Education

The government proposes a dose of competition to improve U.S. schools.

#### 13 How the Welfare State Began

Political as well as humanitarian goals motivated Germany, England, and the U.S. to take responsibility for their citizens' well-being.

#### 16 DataBank: Views of the U.S. Safety Net

Two pages of charts and graphs provide a snapshot of the "social safety net" that the U.S. provides its citizens. Some problems show up, too.

### Interview / Debate:

#### 18 "Spending Makes Us Strong"

A liberal U.S. Congressman defends U.S. social programs.

#### 19 "We Need a Private Solution"

A conservative policy analyst calls for restrictions on U.S. outlays.

#### 20 Ten Voices in the Debate over Social Spending

Academics, policymakers, and administrators provide a sampling of the men and women who shape and oversee U.S. social programs.

#### 22 Europe's Welfare States: Alive . . . and Cutting Back

The U.S. isn't the only nation having second thoughts about the extent of the protection it affords its citizens. A look at Europe's problems tells why.

#### 23 A Social Spender's Lexicon

A glossary that introduces and explains some of the terms used in this issue.

#### 26 Puzzle Page

A Crossword, Wordsearch, and Scrambler—all on the social spending debate.

**NEXT TIME (Jan. 10): "Southern Africa—Region in Revolt."** An in-depth report on the turmoil in South Africa and the system of apartheid that fuels it. Plus a Special Report on the "frontline states"—South Africa's angry northern neighbors.

Maurice R. Robinson, founder of Scholastic Inc., 1895-1982

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DECEMBER 13, 1985 ■ 3

# FIVE WHO BENEFIT FROM U.S. SOCIAL SPENDING

**SELMA REISS** speaks of her life with a smile and a modest shrug. "You can't depend on your children," she says. "They are in the full speed of life, working hard to make ends meet. But we have been fortunate so far."

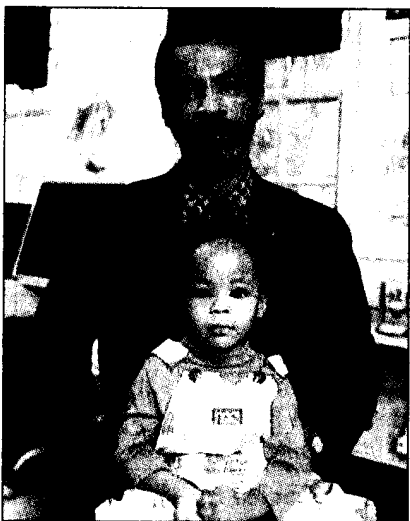
Like millions of other retired Americans, Selma and her husband Ernst aren't forced to depend on their families. Instead, government aid helps them stay active and independent by meeting their basic needs—a steady income, an affordable place to live, and help with medical bills.

Selma, 75, and Ernst, 82, immigrated from Eastern Europe in the mid-1950s. Ernst, an ex-farmer, never earned a high income. Together they receive \$750 a month in Social Security benefits. They pay 30 percent of that—\$271 a month—in rent for a one-bedroom apartment in

Spruce Circle, a federally financed housing project for senior citizens in Princeton, NJ. The setting resembles a park, with many trees and buildings clustered around the Princeton Senior Resource Center. The center sponsors activities such as dances and handicraft classes.

"I really don't know what we'd do if we had to move," Selma says. One married daughter lives in California. But there, as new residents, they might not be able to find such convenient housing. "And what would we do for friends?" Selma asks. "We would be shut-ins."

A more pressing concern is the cost of getting sick on a fixed income. Ernst's last check-up, plus tests, cost \$75. Medicare paid only \$40 of that. "When you're sick a lot, it really hurts," says Selma. "Doctor bills are what frighten us most."



**NICOLE CHRISTIE** can't wait to get to school these days. Her group meets in a bright, cheery classroom. There she has new friends to play with, songs to learn, and a chair with her name on the back. "She loves it," says her father, Richard. "Everyone on the staff is a motherly type who gives the kids individual attention."

Nicole, 2½, attends the Little People's College, a day-care center in Trenton, NJ, that offers inexpensive child care—thanks to government aid. "Most of the parents couldn't work if they couldn't bring their kids here," says Flora Batts, the center's director. "Or they'd be forced to use sitters who give only custodial care."

That was what Nicole's parents had to do before they found the Little People's College. Nicole's mother, Alice, works as a tax auditor for the State of New Jersey.

Richard is a self-employed electrician. Until this fall, they left Nicole with a relative. "The problem was, she's an older woman and didn't get out," says Christie. "So Nicole was confined to the house and wasn't around other kids."

The center, housed in a two-story brick building next door to a factory yard, cares for 66 children from ages two to five. Federal social service grants—administered by state and city agencies—subsidize over one fourth of the center's \$200,000 yearly budget. And government child nutrition programs help provide each child with breakfast, lunch, and an afternoon snack. "In the long run we're saving taxpayers money," says Batts. "Our kids do well in school, and they stay out of trouble. But there's not enough day care to fill the community's need."

**MARGARET WILLIAMS** is on familiar terms with hardship. She gave birth to her first child, a son, at 13. Later she dropped out of school. "I was too young," Williams recalls. "I was listening to what everybody else told me to do." Now, at 20, she's pregnant again, and the baby is due January 6.

Metta Cahill, a nurse-midwife at the Henry Austin Health Center in Trenton, NJ, is monitoring Williams' pregnancy. The center, largely funded by federal grants, is the Trenton area's only low-cost medical clinic. Patients pay as little as \$7 a visit. "Poverty has a big medical effect on poor women and their children," says Cahill. "Problems like insufficient food and inadequate housing present a special risk during pregnancy."

Ordinarily, doctors would prescribe a

better diet and more rest for a woman whose baby was not developing properly. "For many of these women, that's impossible," says Cahill. To help, a government grant is paying for a special high-risk pregnancy clinic.

So far Williams' pregnancy is going smoothly. She spends her days raising her son, Lamont, and caring for her mother, who now has cancer. They make do on less than \$700 a month in welfare assistance. Lamont's father disappeared long ago. Her new baby's father wants to help out, but they have no plans to marry.

Still, Williams feels that her life is looking up. Her sister, a nurse, has started to help out. "Before, I didn't know anything about life," she says. "After I have this baby, I'm going to get my diploma and get a part-time job." —David Goddy



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Protesters in San Francisco, CA—at least one from the senior citizens' group, the Gray Panthers—demonstrate in defense of social spending. Wide support for “middle-class entitlements” has kept Social Security off limits to cost-cutters.

## WHAT IF YOU HELD THE COST-CUTTER'S KNIFE?

The size of the U.S. government's commitment to its citizens' well-being has mushroomed over the past 35 years. And so have questions over the nation's ability to support such a role.

**W**hat role should the U.S. government play in delivering social services—education, for example, or health care and low-income housing? That question is at the heart of the debate over U.S. social spending. For that reason, it is at the heart of this issue of UPDATE, which has been designed to help you put together your own answer.

The debate over U.S. involvement in delivering everything from food aid to job retraining has been raging for at least 35 years. In 1950, nearly all U.S. social spending was limited to four areas: Social Security, Aid to Families with Dependent Children (AFDC), unemployment insurance, and workers' compensation. The U.S. spent \$7.2 billion for these four programs in 1950 and another \$746 million for medical care, institutional

care, and vocational education.

During the 1960s, the U.S. involvement in delivering social services mushroomed. The government declared a “War on Poverty.” The U.S. began spending heavily on public education—formerly the preserve of local and state governments—and on medical care for the elderly and the poor. By 1980, total U.S. spending for all social programs had topped \$244 billion. The U.S. population had increased by less than 50 percent in 30 years. But U.S. social spending had increased almost 3,200 percent!

During that year's Presidential election campaign, President Reagan vowed to reduce the federal government's role in the social arena. Yet he never challenged the belief that the U.S. had a role to play in helping its neediest citizens. He spoke of main-

taining a “social safety net” of “essential commitments” to the poor, the elderly, and the disabled. He never challenged the belief, intact since the 1930s, that the U.S. government has a vital responsibility in these areas.

“He did not even suggest that the termination of some [social] programs would be necessary,” William Niskanen, a former member of the President's Council of Economic Advisers, said recently. Back in 1981, when he first took office, the President “put off limits [to cost-cutters] some of the most important elements of the welfare state,” Niskanen said. These items were largely “middle-class entitlements”—programs such as Social Security, veterans' benefits, and Medicare, which go to people in all income classes who qualify. So many people depend on these programs, the President didn't feel it was possible, politically, to alter them.

It was easier to cut programs that benefit the poor. So, among other things, Congress made it more difficult for working families to qualify for AFDC. For some—a mother of three who earned \$4 an hour at a job, for example—this meant hardship. By being dropped from AFDC, that mother of three lost about \$2,000 a year in benefits, says Jack Meyer, an economist at the American Enterprise Institute. “I can't believe this doesn't cause real pain for someone like that,” Meyer told *The Wall Street Journal*. “And I think it's unfair in a world where we're hardly touching middle-class benefits.”

The Administration did manage to slow the growth of some middle-class entitlements, however. Cost-cutting shaved about 6.4 percent from these programs in 1985, for a savings of \$21 billion. The corresponding cut from low-income programs amounted to 8.3 percent, for a \$6.4 billion savings. In all, non-defense programs other than Social Security and Medicare—the two largest middle-class entitlements—dropped from 40 percent of the 1981 U.S. budget to 30 percent of the current year's budget. The defense share of the budget rose from 23 percent in 1981 to 28 percent in 1986.

Is that an appropriate balance? The features in this issue of UPDATE, beginning with a seven-page Special Report on the details of social spending, will help you make up your mind.

# THE SCOPE OF SOCIAL SPENDING

**P**art of the uproar over U.S. social spending is no doubt due to confusion over its goals and results. Some examples: In 1984, the Census Bureau says, poverty took its greatest dive since 1968. But a Congressional study says that benefits for poor children are at their lowest point in 10 years. Employment is up, says the White House. But so are on-the-job accidents and illness, says the Department of Labor. Health care is a thriving industry, billing \$360 billion a year—one third of

it to two U.S. programs, Medicare and Medicaid.

To help clear up the confusion, this Special Report groups U.S. social spending into five categories: Health Care (pages 6-7); Social Security (page 8); Aid to the Unemployed (page 9); Anti-Poverty Programs (pages 10-11); and Education (page 12). Each article details the programs' costs and proposals to cut them. The five articles also go beyond the cold statistics to show how impersonal numbers actually touch people's lives.

## HEALTH CARE

### The Battle to Control the Costs of Medical Care

**N**o longer will older Americans be denied the healing miracle of modern medicine." U.S. President Lyndon B. Johnson said on July 30, 1965. "No longer will illness crush and destroy the savings they have so carefully put away over a lifetime. . . ." With these words, he launched Medicare, a system of health insurance provided through Social Security for people 65 and over.

No one expected the Medicare program to be cheap. It cost \$3.4 billion during its first full year of operation. Experts predicted that the yearly cost would reach \$8.8 billion by 1990—a figure actually reached in the early 1970s. The government's share of the Medicare bill, around \$77 billion this year, is now expected to top \$100 billion by 1990.

But Medicare isn't the only health-care program that the U.S. government spends heavily on. The U.S. also contributes to medical research and education, public health projects, and Medicaid—a health-care program for the poor, partly funded by state and local taxes. A look at the problems and promise of these programs will show you just how tough it is to control social spending.

The sharp rise in Medicare spending reflects the spectacular increase in

all public and private health-care spending. In 1950, Americans spent \$12.7 billion on health care. That was just 4.4 percent of the U.S. gross national product (GNP), the total value of all goods and services produced in a year. Now we are spending more than \$360 billion on health care—around 11 percent of our GNP.

Despite the enormous growth of government spending on Medicare, the program has not freed older Americans from the worry of medical bills. Over the past five years, the bill-paying burden for most senior citizens has actually increased. Medicare now pays, on average, about 45 percent of older people's medical expenses.

#### BACKWARD SLIDE

In Medicare's early years, the program greatly reduced older Americans' out-of-pocket payments for doctor visits, medication, and hospital stays. As a result, people 65 and over spent, on average, about 5 percent of their yearly incomes on medical care. Now, however, the average medical expenditure by an older person is 15 percent of annual income—just what it was *before* Medicare was created.

Does that mean that the Medicare program is a failure? Not at all. Medicare and other government-sponsored

health programs have helped Americans live longer. Medicare's total costs are up partly because the number of people 65 and older has increased—from 8.9 percent of the population in 1965 to 11.6 percent in 1982. For this reason alone, experts call the high cost of Medicare and other health programs a measure of the programs' success.

Surprisingly, the conquest of some diseases has added to the cost of government-backed health programs. Many of the diseases that killed their victims relatively quickly in the past—pneumonia, tuberculosis, influenza, meningitis, hepatitis—are now rare or easily treated. So, most Americans now die of chronic illnesses—diseases that linger for a long time and are costly to treat. Cancer and ailments of the heart and circulatory system are two such illnesses. In 1982, they were responsible for seven out of every 10 U.S. deaths. In most cases, the final illnesses involved long periods of expensive medical care.

New medical breakthroughs have added to the costs, too. Many tests and treatment programs that were not available or extremely rare in 1965 are now routinely prescribed. New diagnostic tools include computerized axial tomography (CAT scan) and nuclear magnetic resonance. Therapies that have become routine include open heart surgery, artificial artery replacement, kidney dialysis, and long courses of drug or radiation treatment for cancer. And, understandably, most doctors will do almost anything to keep a patient alive.

This "no limit approach" to health care has come under increasing attack.

Critics, among them Colorado governor Richard Lamm, argue that we must draw the line on certain expensive procedures. Speaking to his state's Health Lawyers Association, Lamm said: "We're heading for the day when they can keep us alive with transplants and high-technology medicine long past when our quality of life is gone." He added that elderly people who are terminal-ly ill "have a duty to die and get out of the way."

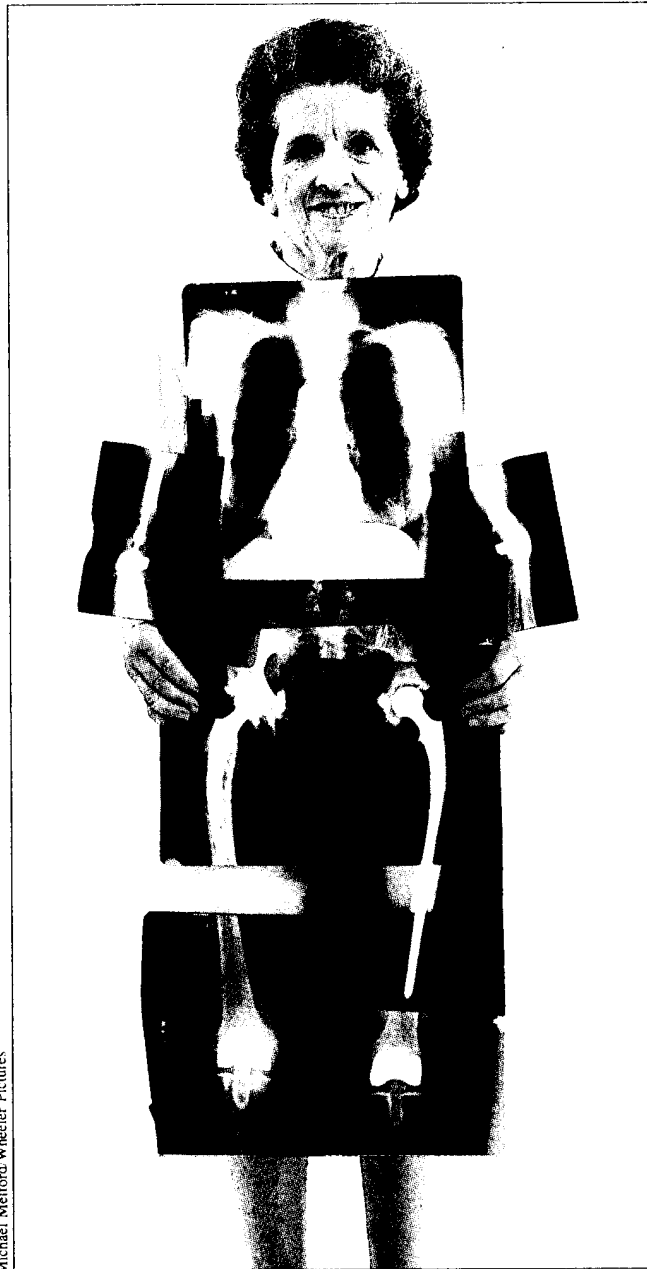
Lamm's remarks shocked a great many Americans. Yet there is a growing awareness that we must reduce medical costs before they undermine Medicare.

#### NEW APPROACHES

Since 1980, the Reagan Administration has sought ways to reduce Medicare costs. It introduced a system of fixed hospital fees for treating certain illnesses, or diagnosis-related groups (DRGs), in 1983. If a hospital spends less than the fixed DRG fee, it can keep the difference. If it spends more, it takes a loss.

The Administration also introduced restrictions on doctor's fees. After patients whose doctor visits are covered by Medicare pay the first \$75 of a year's bills, Medicare pays 80 percent of all "reasonable charges." The patients, or their private insurers, pay the other 20 percent, plus any part of the doctors' fees that Medicare deems unreasonable.

President Reagan has proposed cutting \$4 billion from Medicare in 1986. Experts say that if Congress accepts the cut and medical costs continue to soar, older Americans will face an ever-rising medical expense burden. President Johnson hoped Medicare would bring older people into the "mainstream of medical care." But many people now fear that poorer senior citizens, caught in a crunch between rising medical costs and falling Medicare coverage, could be squeezed out of the "mainstream."



Michael Melford/Wheeler Pictures.

**Arthritis sufferer displays X-ray film of the artificial joints that brought her relief. Who should pay for such miracles?**

That would be tragic, many feel. Medicare has suffered waste and abuse. Yet it has brought new life and hope to millions of older Americans. The case of Mrs. N. is one example.

#### ANOTHER CHANCE

After her husband died, this woman plunged into volunteer work for a local hospital, her church, and other organizations. However, she had a worsening problem—arthritis, particularly in her knee joints. Pain was constant. On some days, she could hardly

move around her apartment.

Then a doctor told her about artificial knee joint transplants. After some hesitation, she had her right knee joint replaced by one of steel and ceramic. Today, four years after the operation, she is active and happy, looking forward to many productive years.

Without Medicare, she feels, she could never have afforded the operation when she had it. Yet even with Medicare, she doesn't think she could afford the operation today. The operation's cost has skyrocketed, as has the share of the cost that patients must bear.

Many of Medicare's supporters feel that shifting the program's costs to patients may not be the best way to strengthen it. Instead, they argue, overall medical costs ought to be reduced. To do this, many common practices might need change.

Some changes are already taking place. Hospital stays have been shortened. More procedures are being done outside hospitals, in doctors' offices. For long-term patients, there's a new emphasis on home care. In many communities, medical committees are reviewing hospital and clinic records to identify and eliminate wasteful or unnecessary practices.

Under the guidance of the American Medical Association, some 150 groups are trying to hammer out an overall plan—a "Health Policy Agenda" for the nation. The groups represent unions, businesses, government units, scientists, insurance companies, retired persons, and lawyers, among others. Together, they are examining the way medical resources are allocated and how doctors use new technologies. They're also taking a close look at long-term patient care, insurance policies, new ways to deliver health care, and the government's role in funding it. Their goal is to find the best ways to provide quality health care, at the lowest possible cost, for all who need it.

—Michael Cusack

## SOCIAL SECURITY

# Worries About Social Security's Cloudy Future

**O**n August 14, 1985, the U.S. Social Security program turned 50. Celebration of the event, however, was overshadowed by fears for the program's future. Among them:

- How safe is the system that provides benefits for 37 million Americans—among them the elderly, the disabled, and surviving spouses and children of deceased wage earners?
- Can the government use Social Security funds for other programs?
- When today's high school students reach retirement age, will there be anything left for them?

These questions reflect real concerns. Not all Social Security recipients depend totally on their benefits. But a great many have no other source of income, so every nickel counts.

Cost of Living Adjustments, or COLAs, are supposed to keep social security payments in line with price increases. Many older Americans, however, argue that inflation is usually a few steps ahead of each COLA.

## A TEMPTING TARGET

Because the Social Security program is so large and expensive—it paid out \$178 billion in 1984—it is a tempting target for money-saving efforts. Recently, several economists and politicians argued that efforts to cut U.S. spending must include cuts in the Social Security program.

Several ways to cut the program's costs have been suggested—including a one-year freeze on COLAs. Last April, the U.S. Senate voted to reduce COLAs. Then, a few days later, most Senators voted to restore the cuts.

The Senate's reversal points out how politically sensitive the issue of Social Security is. Retired people now form a large—and growing—share of the voting public. On Social Security issues, they tend to vote as a bloc.

In 1984, President Reagan said that he would not cut the program to reduce the government's need to borrow money. "Social Security," he added, "is totally funded by the payroll tax

levied on employer and employee. It . . . has nothing to do with balancing a budget or lowering the deficit."

Yet, this past October 30, when Congress was slow to permit further government borrowing, the Administration seemed to change its mind. It declared that, if it couldn't borrow, it might have to take money from the Social Security trust fund to keep the government running. To many people, this threat was a sign that Social Security may not be safe from pressures on the federal budget.

Another factor also casts doubt on the long-term strength of Social Security. Each year, the number of people receiving benefits from the program rises faster than the number of people paying into the program. In 1960, for example, 67.1 million workers paid Social Security taxes, and 14.3 million people received payments. Now, about 120 million workers pay into the plan—an 80 percent increase. Yet 37 million people—a whopping increase of 150 percent—collect Social Security benefits.

Such figures lead some social scientists to call today's Social Security system unfair. They say it favors the old over the young. Most retired people are now getting more from the system than they paid into it. But people now under 30 may only break even. And people under 15 may end up losers—getting less than they paid.

## CALL FOR CHANGE

James Dale Davidson of the National Taxpayers Union, a private group, calls the Social Security program "a rip-off." He points out that a poor person, with only a 50-50 chance of living past 65, may pay thousands of dollars into the program and never collect a penny. Yet a rich person may live 20 or more years past retirement and collect thousands of dollars more than he or she paid into the program.

Davidson advocates changing the system. But opinion polls show that about 90 percent of Americans like the system as it is. They hope that ways can be found to make the system even better for future generations.

Fred Harris, former U.S. Senator from Oklahoma, feels that the system should be continued and improved. He argues that Social Security and similar programs help all of us by stabilizing our economy and society. Paraphrasing Pogo, a character in an old comic strip, he said, "We have met the beneficiary, and he is us!"

—Michael Cusack



Scenes like this one in a Florida Social Security office suggest that the program benefits only old people. Yet more than 8 million surviving dependents of deceased wage earners get Social Security payments. So do 4 million disabled workers.

**AID TO THE UNEMPLOYED**

# U.S.-State Partnership Aids Jobless Workers

**F**or 10 years, Bill Smith assembled mechanical parts at a factory near Philadelphia, PA. Then the factory laid off Smith and his co-workers. Smith, 34, applied for more than 70 jobs without luck. "And that doesn't even count the ones where you walk in and they tell you, 'We ain't hiring,'" he says.

Smith and his wife, Betty Ann, barely squeaked by with his unemployment insurance benefits and her minimum-wage job. "My nine-year-old keeps asking, 'Daddy, what are you going to do when your unemployment runs out?'" he says. "It's been terrifying for me."

Smith's fears are shared by millions of Americans. When the paycheck stops, family members don't stop getting sick or needing clothes or food.

To soften the hardship, the U.S. runs a \$28.8 billion Unemployment Insurance system. States devise their own plans, which the U.S. government oversees. Workers who lose their jobs through no fault of their own get 25 to 55 percent of their lost

wages for up to 26 weeks. Some states extend the aid. Federal and state taxes on employers pay for 86 percent of the program—\$25.3 billion in 1985. State and federal budgets cover the rest.

## MILLIONS JOBLESS

This past October, 7.9 million Americans who wanted work couldn't find it. Only one in four, or 2 million, were getting unemployment benefits. Many had used up their aid. Others—many of them teenagers—had not worked long enough to qualify for it.

Most jobless workers find unemployment insurance an adequate safety net. The average jobless person goes without work for about 15 weeks. Half of all jobless people find work in seven weeks or less.

Other jobless workers have more trouble, the U.S. Labor Department has found. Forty percent of the workers who lost their jobs between 1979 and 1984 because of plant closings did not have jobs by November, 1984.

These "displaced" workers are the victims of an economy that has shifted

away from jobs that produce goods, such as steel, to jobs that provide services, such as fast food. "There's a real underclass growing in the U.S.," says Mike Wenger, spokesman for the Center for Budget and Policy Priorities, a private research group in Washington, DC. "Where these people are going, I don't know."

## EXTENDED BENEFITS

For states with extra-high unemployment, an extended benefits program provides up to 13 extra weeks of aid. Its costs are shared by the states and the federal government. In 1981, however, the U.S. Congress made it hard for states to qualify for the extension. So, today, only jobless people in Puerto Rico and Alaska receive extra benefits.

"The program is on the books," says Ellen Vollinger, executive director of the Full Employment Council, a group that promotes measures to create jobs. "But, for all practical purposes, it's dead." She points out that only 1.2 percent of all workers who have been jobless for more than 26 weeks get extra benefits.

For three years—from 1982 to this past April—the U.S. funded an emergency program to help workers who ran out of other benefits. This Supplemental Benefits Program added up to 14 additional weeks of aid. After unemployment dropped from 10.7 percent in 1982 to 7.1 percent early this year, the Administration ended the program, saving \$1.85 billion.

Critics say 7.1 percent unemployment is still too high. "Six years ago, 7 percent unemployment would have been a national crisis," Congressman Don J. Pease (D-OH) said recently. "Many people have given up trying to get most Americans back to work."

Job retraining has helped many unemployed people get on their feet. The U.S. spent \$223 million last year to retrain displaced workers as part of the Job Training and Partnership Act. This program helped 180,000 workers last year. Many workers whose jobs were lost to imports got help under the 1974 Trade Adjustment and Assistance Act, which spent \$26 million to retrain and relocate workers in 1985. U.S. President Reagan now thinks these programs unnecessary because, he says, the economy is creating 3,000 new jobs a month.

—Maura Christopher



Eddie Adams Gamma Liaison

A U.S.-state insurance program helps jobless workers like the ones above, lined up at a state employment office. The \$28.8 billion program partly replaces lost wages, for up to 26 weeks, of workers who are jobless through no fault of their own.



© Daniel J. Rutkowski, 1985

Children dig into a hot breakfast of oatmeal at the Little People's College, a day-care center in Trenton, NJ. Federal social service grants subsidize meals and pay day-care costs for one fourth of the center's children.

## ANTI-POVERTY PROGRAMS

# The War Against Poverty Enters a New Phase

**P**overty isn't a disease, but try telling that to Bernice Murray and Sandy Benjamin. They're head nurses at the Henry J. Austin Health Center in New Jersey's capital, Trenton, a city with a depressed economy and a high jobless rate. The city-run health center is the area's only source of regular medical care for the needy. Every day, Murray and Benjamin see patients whose most troubling ailments result from the facts of poverty—want, distress, and ignorance.

"It's common for people we see to have many problems, because they go untreated until they can't wait anymore," says Murray. The most common adult complaints: hypertension, or high blood pressure, diabetes, arthritis, obesity, and heart disease. Hypertension, usually an older person's ailment, is a rising problem among young people. "It's a combination of a bad diet and stress," Murray says.

Poverty poses even greater health risks for infants. Many suffer from what's called the "failure-to-thrive" syndrome—the result of neglect and poor nourishment. "We see this often with the babies of low-income teenage mothers," says Benjamin. If not caught and corrected, developmental problems may hinder such children throughout their lives.

Community clinics such as the Austin Health Center, funded largely by federal grants, are only a small part of the U.S. effort to help the needy. In 1985, that effort cost U.S. taxpayers some \$86.3 billion, not including state and local spending. Most of that money paid for welfare programs that helped more than 23 million low-income Americans meet basic needs for food, shelter, and health care.

Most Americans, polls show, back the idea of helping those who can't help themselves. But with government

spending rising faster than its income, the question of government's ability—and its obligation—to help out has become a hot political issue. Many people contend that anti-poverty programs cost too much and do little to cure the problems of the poor. The programs' backers, however, claim that government isn't doing enough. "We've been able to cushion the deprivations of poverty," says Sheldon Danziger, director of the Poverty Research Institute at the University of Wisconsin. "But we haven't been able to get the poor into regular jobs."

## HIGH POVERTY RATE

Experts on both sides agree on some facts. Despite the recent economic recovery and rising employment, poverty in the 1980s remains at its highest level in 20 years. In 1984, according to the Census Bureau, 33.7 million Americans—14.4 percent of the population—were below the official poverty line. The bureau called a family of four poor that year if it had cash income of less than \$10,609.

More alarming, some say, is rising poverty among children. Nearly one in four Americans under 18 is poor—up from one in seven in 1969. Poverty is even higher among minorities. It affects one in two black children, and



two in five Hispanic children. And more than half of all children in families headed by women are poor.

Experts fear the creation of a large new "underclass" of young people who lack the education and skills needed to raise themselves out of poverty. "If we continue to bring up children who don't get a decent education, who aren't very well fed, we're going to have another generation of the same problem," warns Gordon Raley of the Child Welfare League.

It wasn't supposed to turn out this way. Only two decades ago, in 1964, President Lyndon Johnson called for a "War on Poverty" to wipe out illiteracy and unemployment. "For the first time in our history, it is possible to conquer poverty," he said. Buoyed by rapid economic growth and rising social concern, most Americans agreed.

### MAJOR PROGRAMS

Throughout the 1960s, Congress expanded and created today's major anti-poverty programs. Among them:

- Aid to Families with Dependent Children (AFDC), which provides cash support to low-income families with children. A joint federal-state program run by the states, its 1985 budget was \$16.4 billion, with an \$8.7 billion federal share.

- Medicaid, which funds free or low-cost medical care for the poor. Also a joint federal-state program, its 1985 budget was \$39.7 billion, including a \$22.6 billion federal share.

- The Food Stamp program, which helps low-income families buy food. The program's 1985 budget: \$12.3 billion, almost all federally paid.

- Supplemental Security Income (SSI), which gives cash support to the elderly and disabled poor. Another federal-state program, the U.S. share of its 1985 budget was \$8.9 billion.

- Housing aid, which provides rent subsidies for low-income families and funds housing projects. Its 1985 budget: \$11 billion.

These programs are known as "means-tested entitlements." That is, anyone whose income, or means, is low enough to qualify for the program is legally entitled to receive benefits. Cash supports, however, vary widely because individual states generally set the benefit levels. Monthly AFDC payments for a family of four range from a low of \$120 in Mississippi, to

a high of \$800 in Alaska.

Congress also passed smaller programs to provide needed services. Federal grants helped build the Austin Health Center's modern brick building, for example, and pay for most of its \$3 million yearly budget. The center finds many of its doctors through the National Health Service, which pays for doctors' training, then assigns them to needy areas.

For a decade, the nation seemed to be winning the "War on Poverty." As the number of families drawing welfare benefits grew, the poverty rate dropped—from 19 percent in 1964 to less than 12 percent during most of the 1970s. Then the rate rose again in the late 1970s, and welfare spending rose with it. Many Americans began to question whether government programs were the right way to solve social problems.

### CRITICS OF SPENDING

President Reagan, a long-time critic of welfare spending, has agreed with those who say anti-poverty programs backfired. Such programs, critics argue, encourage the poor to become dependent on aid. "Poverty went back up because we changed the rules for young poor people," says Charles Murray, author of *Losing Ground: American Social Policy 1950-1980*. "We said poverty was not their fault, and government aid allowed them to

**The Agriculture Dept. bases food stamp allotments on a "thrifty" food budget—\$268 a month for a family of four.**



Bryce Flynn/Picture Group

move in and out of the labor market without a work record or skills."

Many poor people agree. A recent *Los Angeles Times* survey found that 43 percent of the poor say welfare benefits make them more dependent. Sixty-four percent say poor young women often have babies to get welfare. And 60 percent say that welfare rules encourage poor fathers to leave so their families can get welfare.

Welfare's backers concede that the system has had unwanted side effects. But critics are off base, they say. A major study of family income has found "absolutely no evidence" that welfare creates a "cycle of poverty," says Greg Duncan of Michigan's Institute of Social Research. "Only 2 percent of the population are persistently on welfare. Kids from families on welfare are no more likely to become dependent than other kids."

### INFLATION'S TOLL

Some researchers say poverty is up because government benefits lag behind inflation. AFDC benefits, for instance, have lost 37 percent of their buying power since 1970. Others blame cutbacks that, according to one estimate, denied benefits to 4 million people who had been receiving support from the major poverty programs.

Most experts now believe that the only long-term solution to the problem of poverty is to find new ways to get the poor off welfare and into the work force. Twenty-three states, including California and New York, have adopted "workfare" plans. Such plans generally require welfare recipients without young children to work for public or private non-profit agencies or risk losing their benefits. In just two years, Massachusetts' program has helped more than 18,000 welfare parents find real jobs—saving state taxpayers \$22 million a year in welfare payments.

The best such programs, experts say, combine education or training and an extended period of support. "Republicans came to realize people on welfare weren't shiftless but lacked essential skills," says Art Agnos, a state lawmaker who devised California's workfare plan. "And Democrats learned it was no sin to ask people to work. This is what the poverty programs of the 1960s should have looked like."

—David Goddy

## EDUCATION

# Shifting Views on the U.S. Role in Education



George Ancona/International Stock Photo

Federal money helps pay for classes in vocational education to give high school students needed job skills. In 1985, the U.S. spent \$940 million on vocational education. U.S. Department of Education spending totaled \$19.1 billion in 1985.

Last month, William J. Bennett, U.S. Secretary of Education, announced a plan that could affect the education of 5 million students. The plan would provide low-income families with federal money in the form of vouchers. These families could "spend" the vouchers for schooling—public or private—outside their own districts. Bennett feels his plan could lead to a "healthy rivalry" among schools that might improve them.

At present, the money Secretary Bennett wants to offer as vouchers, \$3.7 billion, goes directly to schools. It helps students in the nation's low-income districts improve basic skills. This program, Chapter I of the 1981 Education Act, is the Department of Education's most costly one.

Giving a hand to students from poorer families is one of the many ways the U.S. gives education a boost. Traditionally, education has been a state and local job. The U.S. government's share of education spending is small—only 6.2 percent. States cover 49 percent and local tax-

payers add 44.8 percent. "Educators always want to see more federal dollars, but this is ice cream on the cake," says Chris People, spokesman for the Education Commission of the States. In 1985, U.S. education spending topped \$19.1 billion—a \$4.3 billion increase over 1981.

## SCALING BACK

President Reagan calls for scaling back the federal role. "We created the greatest public school system the world has ever seen," he said recently. "I think it began to deteriorate when the federal government started interfering." For 1986, the President asked the Congress to fund education at \$15.6 billion. Congress, however, voted to spend more—\$18 billion.

Among the President's proposals are cuts in programs that help students pay college costs. These programs, which cost \$8.7 billion in 1985, add up to 45 percent of the Education Department's budget. They include Pell Grants and student loan programs, among others.

The Guaranteed Student Loan (GSL) program allows students to take loans at interest rates lower than a bank would charge. The U.S. government pays the difference between the bank's real interest charge and the lower rate the students pay.

Early this year, the Administration asked Congress to tighten eligibility for the GSL program. By 1987, the request would cut the number of students getting loans by 35 percent, from 3.6 million to 2.3 million. The Administration calls GSL an entitlement for the middle class. "The taxpayer making \$20,000 a year is subsidizing the college costs of a family making \$80,000," says Sharon Messenger, an expert in the U.S. Office of Post-Secondary Education. "And the costs of defaulters are enormous."

## CATCHING DEFAULTERS

So far, Congress hasn't backed the President's request. It plans to keep 1986 student aid funding at 1985 levels. Last year, however, Congress acted to reduce the number of students who default, or fail to repay, their loans. Starting in 1986, students who fall behind on their payments will find their debts subtracted from any federal tax refunds they might be due.

Most other U.S. education money aids elementary and secondary schools. The government helps fund classes for students who speak little or no English—a program that costs \$1.2 billion. Another \$1.3 billion helps fund education for the handicapped. And \$940 million goes to vocational education to help build job skills.

Some experts say elementary and secondary schools need more funding. "The federal government put a teacher in space," says Nancy Kochuk, public affairs officer at the National Education Association, a teachers' group. "That's a nice boost for the teaching profession. But we need textbooks that are up-to-date, and enough of them to go around."

Kochuk points to the Chapter I program, which the Administration wants to transform. A major study in 1984 placed Chapter I among the U.S. Education Department's most effective programs. Yet, she says, 55 percent of the 11 million students eligible for this aid got none. "These kids," she says, "are falling through the cracks."  
—Maura Christopher

# FROM BISMARCK TO ROOSEVELT: HOW THE WELFARE STATE BEGAN

**Idealism alone didn't convince governments to take responsibility for their citizens' welfare. The first social welfare programs were created by politicians seeking to solve practical problems.**

In 1881, German chancellor Otto von Bismarck stunned Europe with a radical proposal. He asked the Reichstag, the German parliament, to create the world's first welfare state. He wanted German workers to be granted national health and accident insurance, as well as retirement pensions. At a time when no other government provided these services, Bismarck boldly affirmed that the state should offer the poor "a helping hand in distress. . . . Not as alms, but as a right."

The Reichstag was astonished. Bismarck was one of the most conservative and ruthless politicians in Europe. He had enacted laws banning socialist agitation and socialist newspapers. And now he was proposing what he himself called a system of "state socialism."

Bismarck's motives will become clear if you look back at the beginnings of the welfare state in three nations—Germany, Britain, and the United States. In each case, you will see that idealism alone did not create government social services. In reality, the welfare state was constructed by shrewd practical politicians who were responding to concrete political pressures.

The pressures on Bismarck were obvious. The rapid expansion of German industry had created a large class of urban workers. Impoverished, living in gloomy slums, lacking basic social services, these laborers were voting for the Socialist Party in ever-increasing numbers.

At first, Bismarck tried

to suppress the Socialists, but the party continued to grow. So the chancellor changed his tactics. Instead of fighting the Socialists, he would steal their thunder by offering a complete social welfare program.

## THE PRICE OF STABILITY

Bismarck cleverly realized that the German worker would not overthrow the government that offered him a social security system. "Whoever has a pension assured to him for his old age is much more contented and easier to manage than the man who has no such prospect," the chancellor pointed out.

He admitted that a welfare state

**Otto von Bismarck's government in Germany was the first to assume responsibility for its citizens' well-being.**



would be expensive but pointed out that it might "avert a revolution." And that, he said, "is a good investment for our money." By 1889, Bismarck's scheme was in full operation, funded by contributions from employers, employees, and the government.

These welfare measures did not stop the Socialists, who soon built the largest political party in Germany. But Bismarck was right on one point. Now that German workers had their pensions to protect, they became more moderate in their demands. The Socialist Party gradually abandoned revolutionary goals and turned to bread-and-butter issues, such as better wages and working conditions.

The welfare state paid one other important dividend for Germany. In 1914, she entered World War I with the healthiest soldiers in Europe.

Britain cared less well for her fighting men. In the Boer War (1899-1902), the forces of the British Empire had suffered several humiliating defeats fighting small bands of South African farmers.

In 1902, an English general thought he could explain this poor performance. He estimated that 60 percent of all army volunteers were physically unfit for military service. The cause? Poverty. Poor diet, substandard housing, unsafe working conditions, and lack of medical care were ruining the health of British workers.

World War I was still 12 years in the future, but already many Englishmen realized that they might someday have to fight Germany. In such a war, they reasoned, Britain would not have enough fit soldiers to defend her vast empire—unless she adopted a German-style welfare state.

At the time, British so-

## HISTORY

cial services were pitifully inadequate. For the destitute, there were workhouses. As described in Charles Dickens' novel, *Oliver Twist*, the workhouses were like prisons. Inmates had to wear uniforms and perform hard labor. Visiting rights were restricted, and family members were forced to live in separate dormitories for men and women.

Not all workhouses were as harsh as those in Dickens' novels. Most paupers were allowed to live in their homes. Like U.S. welfare recipients today, they received a small cash payment from local authorities. Still, for the British worker, the system of poor relief was stingy and humiliating.

Around 1900, sociologists Charles Booth and B. Seebohm Rowntree alerted the British public to the problem of poverty. They estimated that about 30 percent of the population was living below the "poverty line." Such people didn't earn enough to maintain a state of bare physical health, even if they spent every penny wisely and wasted nothing.

### POVERTY'S CAUSES

Booth and Rowntree showed that most poor people were poor through no fault of their own. Many were destitute simply because they were elderly and could no longer work.

So, in 1908, the British government enacted a system of old age pensions. Post offices paid out five shillings a week (about \$1.20) to every poor person over age 70. In those days, when a shilling bought much more than it does today, that small payment often meant the difference between independence and the workhouse.

Meanwhile, other reforms were coming in quick succession—free school meals in 1906, medical inspections in 1907, and laws promoting the welfare of children in 1908. Winston Churchill, then head of Britain's Board of Trade, set up special trade boards in 1909 to enforce minimum wages and decent working conditions in sweatshops. In 1910, he opened the first "labour exchanges"—government employment bureaus.

The chief architect of the British welfare state was David Lloyd George. Although he genuinely sympathized with the poor, Lloyd George was also a crafty politician. He realized that his own Liberal party was losing votes to its left-wing rival, the

Labour party. Like Bismarck, Lloyd George tried to win back working-class voters by giving them a social welfare program. Fifty-five years before U.S. President Lyndon Johnson declared his own "war on poverty," Lloyd George vowed "to wage implacable warfare against poverty and squalidness."

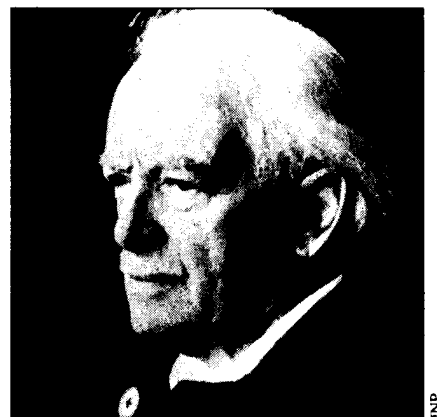
In 1911, after studying the German welfare system, Lloyd George proposed his own program of unemployment insurance and national health insurance. The plan was bitterly opposed by Conservatives, aristocrats, prosperous doctors, and many newspapers. Wealthy ladies protested that they would have to pay health insurance premiums for their maids—about six cents per maid each week.

### WINNING AND LOSING

Lloyd George skillfully maneuvered his program through Parliament. But, like Bismarck, he failed to win over working-class voters, who gradually turned to the Labour party.

The United States, with a strong tradition of economic individualism, did not create a federal welfare system until the Great Depression. The crisis

**U.S. Pres. F.D. Roosevelt signs the Social Security Act on August 14, 1935. Behind him stands the first woman Cabinet member, U.S. Secretary of Labor Frances Perkins, who crafted the plan.**



**David Lloyd George (1863-1945), chief architect of Britain's welfare state, later led his nation during World War I.**

began in October, 1929, when the stock market collapsed. By 1932, over 100,000 businesses had failed, and 11 million people were unemployed. Taking office in 1933, President Franklin D. Roosevelt responded to the emergency with a revolutionary economic program—the New Deal.

One of the most serious problems Roosevelt faced was overproduction of food. Farmers could not sell their produce to unemployed workers, and food prices had collapsed.

To control farm production, the Agricultural Adjustment Administration (AAA) was created in 1933. The AAA paid farmers to plow under 10 million acres, and it purchased and slaughtered 5 million pigs. At a time when many Americans were going hungry, this was a drastic remedy. Yet it worked. Agricultural surpluses were eliminated, farm prices began to rise, and farmers once again could earn a decent living.

### INDUSTRIAL REFORM

To regulate industry, the New Dealers created the National Recovery Administration (NRA). Two million employers voluntarily accepted NRA codes to ensure fair competition, minimum wages, and shorter working hours. State and local welfare agencies, now close to bankruptcy, were rescued by the new Federal Emergency Relief Administration (FERA).

One of the largest New Deal projects was the Tennessee Valley Authority (TVA). The TVA built a network of dams and power stations in the Tennessee River basin, providing cheap electricity, soil conservation, and reforestation. In the Civilian Conservation Corps (CCC), 2 million

young men were put to work developing reservoirs, parks, and forestland.

The Public Works Administration (PWA) fought unemployment with huge government construction projects, including Boulder Dam, New York's Triborough Bridge, and the aircraft carriers *Yorktown* and *Enterprise*. The Works Progress Administration (WPA) spent \$11 billion to provide jobs for 8.5 million people. The WPA built or improved 651,087 miles of roads and streets, 124,031

for each of the 48 states.

Many newspapers and politicians called the WPA a costly "boondoggle," paying people to do pointless work. The British found it cheaper to give the unemployed weekly handouts rather than jobs. But many British laborers spent years "on the dole." They lost their work skills and their self-respect, and they nursed bitter resentment toward employers and what they felt was an uncaring government.

In contrast, most American workers

social Security system—the largest social spending plan in U.S. history. The Social Security Act of 1935 set up a system of pensions for retired people and benefits for widows and orphans. It also began a federal-state system of unemployment insurance.

Unlike British old-age pensions, which were paid for entirely by the government, U.S. Social Security pensions were funded by a payroll tax on employers and employees. Some New Dealers felt this was wrong. They believed that workers should not have to pay a tax in exchange for retirement benefits.

Roosevelt disagreed. If the voters paid for their Social Security, he realized, they would never tolerate any cuts in benefits. "With those taxes in there," FDR predicted, "no damn politician can ever scrap my social security program."

#### SENIOR CITIZENS' POWER

Roosevelt was right. Since the first Social Security checks went out in 1942, protests from the elderly have defeated every attempt to trim payments. Unlike Bismarck and Lloyd George, FDR succeeded in winning votes with his social programs. Backed by organized labor, urban political machines, liberal intellectuals, Southern conservatives, and black and ethnic voters, Roosevelt's Democrats became the nation's majority party. That "Roosevelt coalition" lasted for nearly half a century—until the Reagan landslides of 1980 and 1984.

Bismarck, Lloyd George, and Roosevelt were very different men, but they had one political principle in common. They were all pragmatists. Idealism, ideologies, and traditions didn't interest them. They simply wanted to find practical solutions to practical problems. To them, the welfare state seemed to be the most practical answer to the problem of poverty—as well as a way to win votes.

For Roosevelt, the New Deal was not an attempt to create a perfect society. He called it, simply, "bold, persistent experimentation." In an economic emergency, FDR said, "It is common sense to take a method and try it. If it fails, admit it frankly and try another. But, above all, try *something*." That something developed into the elaborate system of social programs that Americans enjoy—and debate—today.

—Jonathan Rose



Young members of the Civilian Conservation Corps (CCC), a New Deal program that gave 2 million jobless city youths work restoring the countryside.

bridges, 125,110 government buildings, 8,192 parks, and 853 airports.

Roosevelt realized that creative people needed jobs as badly as construction workers. So the WPA hired nearly 5,000 artists, who gave free art lessons and painted murals in post offices. About 100 million Americans heard free concerts by three dozen WPA orchestras.

For 55 cents, anyone could see a Shakespeare play staged by the WPA Federal Theater Project. And the WPA Writers Project paid about \$90 a month to 7,500 authors, who produced a classic series of travel guides

felt that the WPA was genuinely trying to help them. Roosevelt had remembered "the forgotten man at the bottom of the economic pyramid." Since the 1930s, labor and management have been much less hostile in the U.S. than in strike-plagued Britain. In part, experts say, that's because the WPA preserved labor's confidence in the U.S. economic system.

These job projects were dismantled when the Depression ended, and many other New Deal programs, such as the NRA, were declared unconstitutional by the U.S. Supreme Court. But Roosevelt left a lasting legacy in the So-

# VIEWS OF THE U.S. SAFETY NET

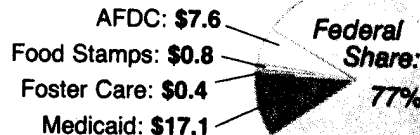
## MAJOR U.S. POVERTY PROGRAMS IN 1985

**THE FEDERAL SHARE: \$86.3 BILLION**

(billions of dollars)

Medicaid	\$22.6
Housing & Energy Aid	\$13.1
Food Stamps	\$11.5
Aid to Families with Dependent Children (AFDC)	\$8.7
Supplemental Security Income (elderly & disabled)	\$8.6
Job Training & Employment	\$6.2
Children's Education	\$4.5
School Meals	\$3.1
Social Services Grants	\$2.8
Refunded Tax Credit	\$1.9
Family Services	\$1.8
Food Supplements	\$1.5

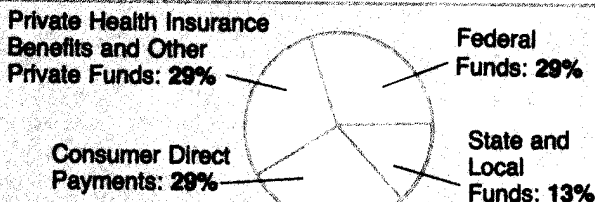
**THE STATES' SHARE: \$25.9 BILLION**



(billions of dollars)

Source: Cong. Bud

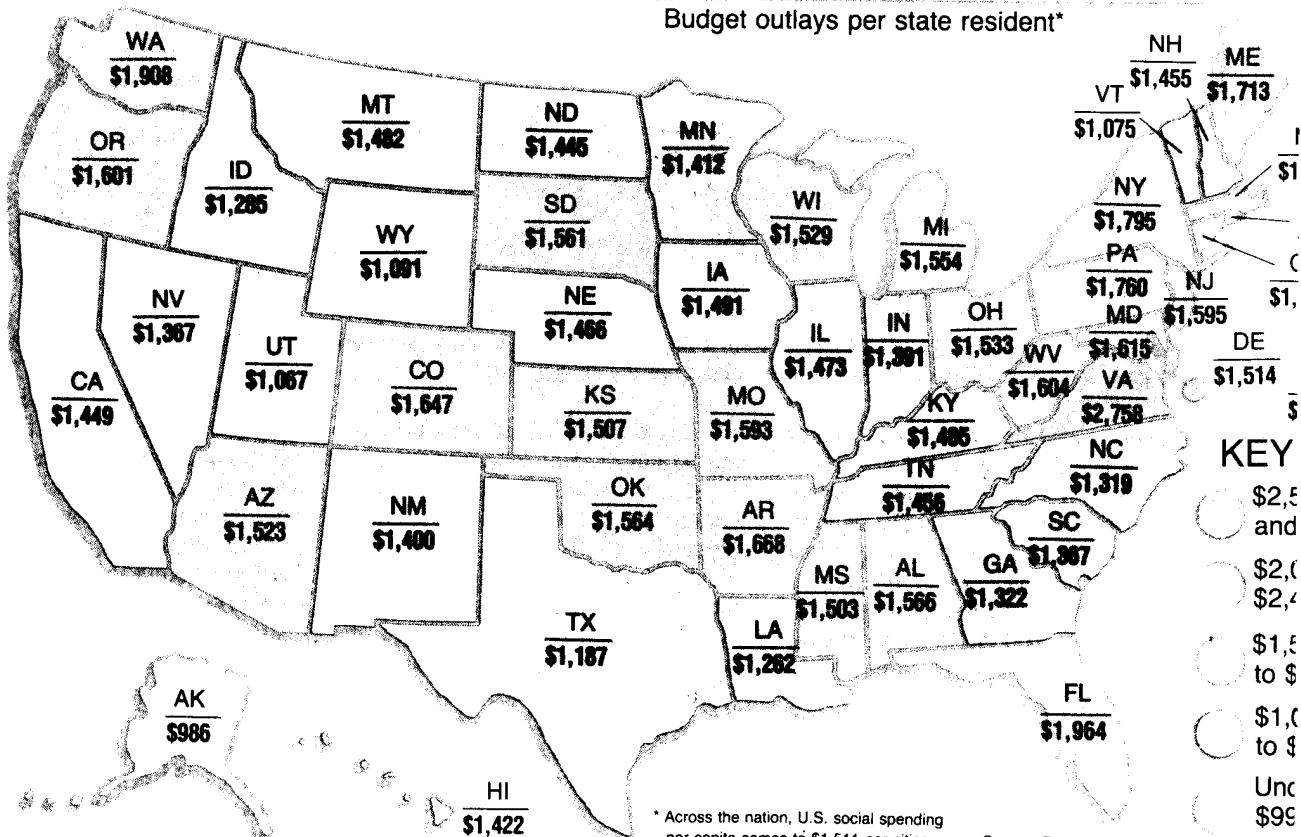
### WHO PAYS FOR HEALTH CARE



Source: President's Commission for the Study of Ethical Problems in Medicine and Biomedical and Behavioral Research

## U.S. SOCIAL SPENDING, STATE BY STATE

Budget outlays per state resident\*



\* Across the nation, U.S. social spending per capita comes to \$1,511 per citizen.

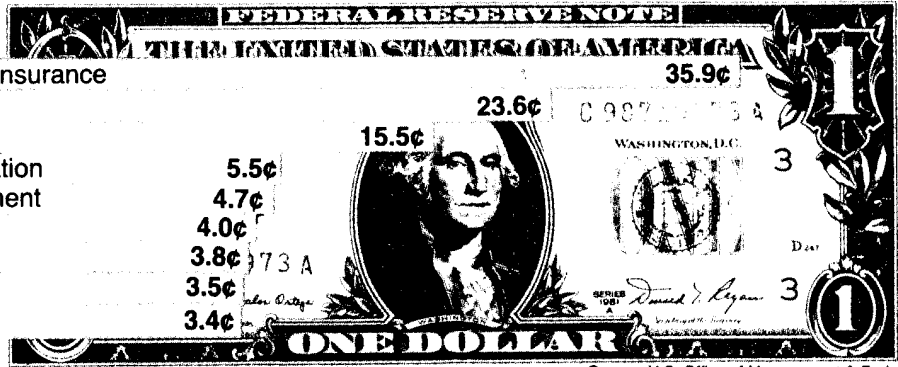
Source: Bureau of the Census

KEY  
 \$2,5 and  
 \$2,0  
 \$2,4  
 \$1,5 to \$  
 \$1,0 to \$  
 Unc  
 \$96

## WHERE THE U.S. ENTITLEMENT DOLLAR GOES

Entitlement programs, accounting for about 60% of all U.S. spending, provide benefits to all persons, businesses, and government units that qualify for them.

- Retirement and Disability Insurance 35.9¢
- Net Interest 23.6¢
- Health 15.5¢
- Unemployment Compensation 5.5¢
- Federal Employee Retirement 4.7¢
- Public Assistance 4.0¢
- Veterans' Benefits 3.8¢
- Military Retirement 3.5¢
- Other 3.4¢

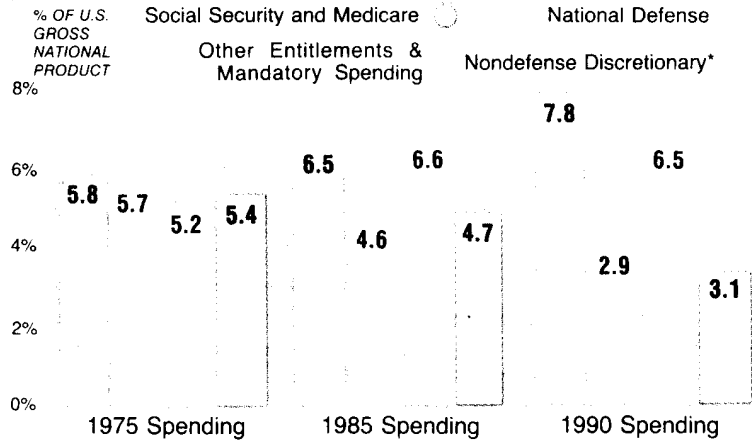


Source: U.S. Office of Management & Budget

### CHANGING THE SPENDING MIX: 1975-90

### KEY:

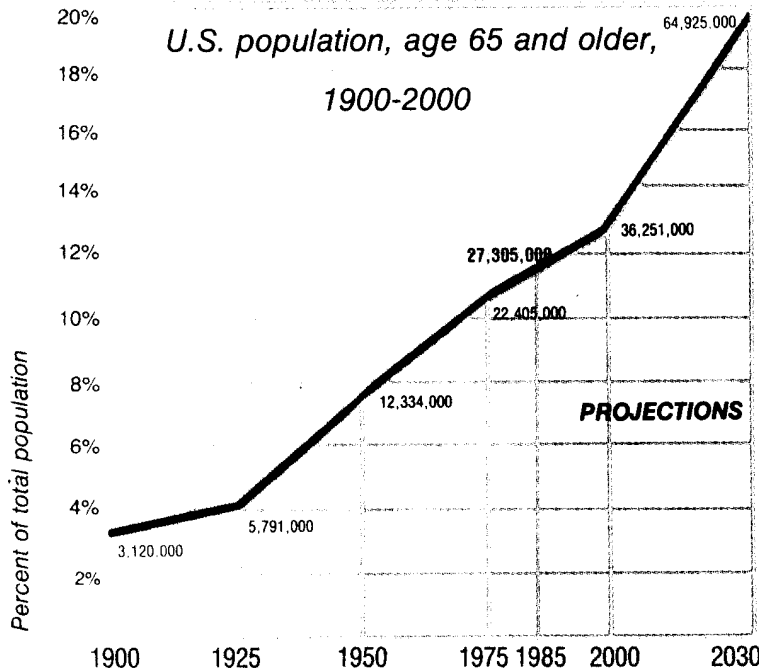
U.S. government spending as a percentage of the U.S. gross national product (GNP)—the value, in dollars, of the nation's annual output of goods and services. Figures for 1975 are actual. The 1985 figures are estimates. The 1990 figures are projections, based on the Reagan Administration's spending plans.



\* Nondefense discretionary spending includes such programs as foreign aid, environmental protection, education, and housing aid.

Source: Congressional Budget Office

### NUMBERS THAT WORRY SOCIAL SECURITY & MEDICARE PLANNERS



Source: U.S. Census Bureau, Social Security Administration

### WHO BENEFITS FROM FEDERAL ENTITLEMENTS

Estimated number of Americans entitled to benefits in fiscal 1985

- Social Security: **37 million**
- Medicare: **31 million**
- School-Lunch Programs: **24.6 million**
- Medicaid: **22.9 million**
- Food Stamps: **20 million per month**
- Grants and Loans to College Students: **7.2 million**
- Housing Assistance: **4.46 million households**
- Aid to Families with Dependent Children: **3.5 million families**
- Extra Income for Needy, Aged, Blind, Disabled: **3.4 million**
- Unemployment Aid: **2.8 million per week**
- Extra Food Aid for Low-Income Women with Infants and Children: **2.7 million**
- Veterans' Pensions: **2.6 million**
- Veterans' Medical Care: **1.4 million**
- Railroad Retirement Beneficiaries: **951 thousand**
- Head Start Pre-School Program for Low-Income Children: **430 thousand**

Note: Many people receive aid from more than one program at a time.

Source: U.S. Office of Management & Budget

# "SPENDING MAKES US STRONG"

**U.S. Congressman Ted Weiss, an outspoken defender of social spending, argues that cuts in programs that meet individual needs endanger the economy and the entire society.**

**Update:** You called President Reagan's first federal budget a "drop-dead America budget." Those are harsh words.

**Weiss:** I think that characterization was correct then and everything that's happened since has demonstrated its validity. What the Administration is attempting to do is to bury whatever remains of social programs.

**Update:** Critics ask why social programs, which cost so much money, shouldn't suffer budget cutbacks.

**Weiss:** The heavy cuts have already been made in social programs. Since 1981, actions initiated by the President have cut \$333 billion from domestic spending. But these cuts have been overwhelmed by increases of \$175 billion in defense spending and \$604 billion in revenue losses because of tax cuts. The domestic programs have suffered their share.

**Update:** Some critics say that government social programs just raise taxes and encourage waste and official corruption.

**Weiss:** There is going to be abuse. The question is whether or not there's a will to prevent it. Congress has created offices of Inspectors General to keep track of what's happening. Whether it's the military or health care, we have to make sure that the system is not ripped off. I'm very tough on people who steal money from the taxpayer. But that's a separate issue. It has nothing to do with providing for the basic health needs of people.

**Update:** Could you be specific about ways in which you think government fails in the social area?

**Weiss:** The problem of the homeless. We had one instance where we provided for \$6 million or \$7 million in the Department of Defense to upgrade some surplus properties to be turned over to the homeless. We found that they used less than \$1 million for that purpose. The balance was used to up-



**U.S. Rep. Ted Weiss (D-NY) heads the House Subcommittee on Intergovernmental Relations and Human Resources. He is a member of the Committee on Children, Youth, and Families.**

grade their own military facilities. After we raised hell about it, they decided that there had been a mistake.

**Update:** What is the biggest difficulty you encounter in trying to fund social welfare programs?

**Weiss:** The bottom line mentality. If it saves money on the ledger sheet today, then never mind that it may cost 10 times as much to cure the problem later. It's not because the Administration is unaware of the problems. It's that, as far as they're concerned, domestic programs aren't worthwhile.

## GOVERNMENT'S ROLE

**Update:** What is the government's role in this area?

**Weiss:** Historically, the U.S. government has been expected to provide support for people who could not support themselves. This has made us a stronger society. It's no coincidence that we've become a strong nation based on the consuming capacity of

our people. From an economic point of view, by removing the underpinning of social spending, we run very severe risks of becoming a Third World kind of nation. The things we see on my subcommittee at hearings around the country . . . it's the kind of thing you'd expect to see in some Third World countries.

**Update:** Many people don't believe that such poverty exists in the U.S.

**Weiss:** All they have to do is walk around the corner, especially now that the weather is colder. All they have to do is look around to see people who are sleeping on the ground, in doorways, in the street, in cardboard boxes. We saw it in Los Angeles, in Phoenix, people living outdoors, in open parks. This is going on in the United States in 1985.

**Update:** If you were forced to cut a program, where would you cut?

**Weiss:** I don't think you can do that in the abstract. The way budgets come to us, and the way we deal with them, is not to eliminate programs that have proven valuable, but to try to create some kind of balance. We try to shave pieces of programs but still allow the neediest people to receive benefits.

Social programs, though they support individuals, also support the society. We had 13 million veterans of World War II who received educational benefits under the "G.I. Bill of Rights." Our country is still living off the educational strength that was created for this country through those benefits. Nutrition programs came about because, as young men were drafted into the army, we found that many had to be rejected because they were malnourished. The driving force there was not really to build up the individual, but to make the country a healthy country.

That's the way you have to view social programs. Yes, they benefit the individual. But they do at least as much for society. Anybody who views social programs as being somehow a flop, a waste, or a surplus is playing reckless games. Not only with the well-being of individuals, but with our society as a whole.

—Conducted by Peter M. Jones



# "WE NEED A PRIVATE SOLUTION"

**Anna Kondratas, top analyst for a conservative research group, argues that any social program able to be privately-run ought to be. Yet she sees a permanent role for government aid.**

**Update:** *What role do you think the federal government should play in social programs?*

**Kondratas:** The federal government should step in only when social goals can't be met by any other level of government or by the private sector. Liberals feel that the federal government has the primary responsibility for meeting our social goals. Conservatives will turn themselves inside out to make sure any program that can be managed in the private sector will be.

**Update:** *Does the U.S. spend too much on social programs?*

**Kondratas:** One in three Americans now receives some federal entitlement. Spending could be brought down across the board without threatening basic rights and human services. Social programs are well meaning, but they're a patchwork answer that is very ineffective. If you eliminate a lot of the bureaucracy, you'd know better who's getting what.

**Update:** *What are the alternatives?*

**Kondratas:** The federal government could call for a private solution to social problems—for people who could afford it. Then the government would have more money to help people in need. You shouldn't have food stamps, you should have a cash grant. That could save a lot of money. I'd cut housing programs. They haven't served the poor as much as they've served the housing industry and the real estate developers.

**Update:** *Should the states take over more federal social programs?*

**Kondratas:** A lot of programs were [handed over] in the early days of the Reagan Administration. The states responded well, though they complained about losing money. Actually, most states are in much better financial shape than the federal government.

**Update:** *Many people charge that the U.S. is cutting its social programs to fund military growth. Is this true?*

**Kondratas:** This shouldn't be viewed



**Anna Kondratas, senior policy analyst at the Heritage Foundation, seeks "positive conservative answers to social programs." She looks for ways to cut the federal government's role.**

as a trade-off. Conservatives like to say that defense is the ultimate social program, because it protects your very existence. A lot of people don't realize that Health and Human Services' budget is larger than the Department of Defense's, even with the cuts.

## ANTI-POVERTY PROGRAMS

**Update:** *About 14.4 percent of all Americans are poor. Why aren't our anti-poverty programs working?*

**Kondratas:** At any point, about half the people on welfare are long-term recipients. They account for about 50 percent of the spending. [Welfare causes] some disincentive to work. But it's not as widespread as people believe. My concern is that we didn't target the poverty programs properly.

You could make Aid to Families with Dependent Children temporary and place some mothers in jobs. Some states are moving away from welfare to work-related programs.

**Update:** *Do you have any fears for*

*the Social Security system?*

**Kondratas:** The system needs long-term reform. Social Security taxes are a hard burden, particularly on young workers and the poor. The system should provide a basic minimum—as was originally intended—instead of being a retirement system that provides for everything.

**Update:** *How can Medicare and Medicaid costs be controlled?*

**Kondratas:** We've cut costs some with health-cost price controls. But Medicare recipients who can afford it should pay more of their costs. And there are alternatives in the private sector. For instance, hospitals are setting up "risk pools." All hospitals pay into a fund, which is drawn on by hospitals that have more than their share of non-paying patients. I don't want a national health system. It would slow down the economy.

**Update:** *Should the government restrain jobless workers?*

**Kondratas:** It depends on the number of dislocated workers in an area, and on whether a particular community has no jobs. But retraining shouldn't be thought of as a panacea. People do find jobs on their own, although they may take pay cuts.

**Update:** *Should the federal government be doing more for education?*

**Kondratas:** I don't think federal money makes the crucial difference in education. Conservatives view education as a federal concern, a state responsibility, and a local function.

**Update:** *Some people fear disaster from the Gramm-Rudman budget-balancing bill, which would let the President cut spending if Congress doesn't.*

**Kondratas:** The bill gives the President broad powers to cut the budget. Social Security and defense are exempt, and you can't cut interest payments. So, most of what's left to cut are social programs. Now, Congress doesn't have to cut social programs at all, but it does have to cut overall spending. If it doesn't, this bill is the last stop-gap—a draconian measure required because Congress doesn't have the courage to cut spending. It's very unsatisfactory.

—Conducted by Maura Christopher

# TEN VOICES IN THE DEBATE OVER U.S. SOCIAL SPENDING

**M**aking decisions about social spending is a complex process. Of the 10 men and women profiled here, five take widely differing views of social programs. One, Charles Murray, argues that anti-poverty programs have done more harm than good. Others, like Cyril Brickfield and John Jacob, vehemently oppose cuts in social programs. And Lupe Anguiano, who is committed to helping the poor, has her own formula for doing so. Her privately funded training program has been remarkably successful in getting mothers off the

welfare rolls and into the job market.

Half of the people presented here are officials who run key federal social service agencies. Some of them oversee the distribution of federal funds. Others, like James Miller, the new head of the Office of Management and Budget, have central roles in deciding what priorities the U.S. budget will reflect. Miller is also a link between the White House and Congress. His job, says one official, is to convince Congress and President Reagan that each will get "80 percent of what they want."



**Cyril F. Brickfield**, 66, is executive director of the 20-million-member American Association of Retired Persons (AARP), a group dedicated to improving all aspects of life for older Americans. AARP is strongly opposed to cuts in social programs. Brickfield argues that the elderly, children, and the poor suffer unfairly from such cuts. A lawyer who practiced in New York and Washington, DC, he helped manage the Veterans Administration before becoming active in AARP in 1967.



**Charles Murray**, 42, Washington-based political analyst, writes in his controversial book, *Losing Ground*, that the social welfare programs created in the 1960s have worsened poverty rather than cured it. He blames public-assistance programs such as AFDC and Food Stamps for undercutting traditional values of self-reliance among the poor, and for reducing their motivation to help themselves. Murray urges the removal of most income-support programs for people of working age.



**Dorcas R. Hardy**, 39, an assistant secretary at the Dept. of Health & Human Services, heads the multi-billion dollar human development services program. Her office reviews policy on family planning, child protection, day care, foster care, adoption services, and other issues, and administers block grants to states for aged, blind, disabled, low-income individuals. She has been active in the health field since 1970. In 1973-74, she was California's assistant secretary for health.



**Jo Ann B. Ross**, 35, Associate Commissioner for Family Assistance, oversees the nation's largest cash assistance program, Aid to Families with Dependent Children (AFDC). AFDC, funded jointly by the federal government and the states, helps parents provide for their children's basic needs and tries to place parents in work programs. Ross often visits work program sites. She frequently testifies before Congressional committees that oversee welfare issues.



**James C. Miller, 43,** is the new director of the Office of Management and Budget (OMB), which prepares and oversees the President's annual spending plans. An economist and professor from Georgia with a strong belief in the free market, Miller guides the OMB in reviewing all budget legislation, including social spending measures. Miller has lobbied hard for the proposed Gramm-Rudman bill, which is designed to end government borrowing by the early 1990s.



AP/Wide World

**John E. Jacob, 49,** executive director of the National Urban League, leads that agency in its efforts to fight racism and provide help to minorities in the areas of employment, housing, social welfare, and health. Jacob, a 20-year League veteran said to be hard-working and committed to his job, says blacks must support each other in confronting community problems. He also stresses the need for blacks and whites to work together to save social programs like rent subsidies and AFDC.



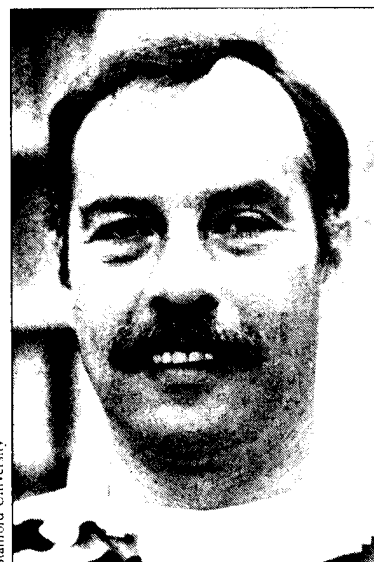
The New York Times

**Otis R. Bowen, 67,** is the new Secretary of the Dept. of Health and Human Services (HHS), the Cabinet-level agency most closely concerned with running and evaluating the nation's health, welfare and income security plans. A family doctor and medical school professor who is also a former governor of Indiana, Bowen is respected for his clear thinking and medical, administrative, and legislative abilities. He is well-liked for his informal and unpretentious manner.



National Women's Employment and Education, Inc.

**Lupe Anguiano, 56,** a former nun, has created a privately funded job training program whose aim is to get women off welfare and into steady employment. National Women's Employment and Education, Inc., has placed 3,000 women in five states into jobs. A year later, 88% of them were still working. Anguiano says her program works because she offers year-long, weekly counseling, where some federal programs may only offer three-month follow-ups.



Stanford University

**Henry K. Levin, 47,** economics professor at Stanford University's School of Education, recently wrote a report which describes a lack of attention nationwide to the educational needs of low-income students. He says government must devote more resources to the specific problems of disadvantaged students. Otherwise, he warns, a growing population of young adults will find themselves with no place in the labor force or in society, and poverty, welfare dependency, and crime will increase.



**Martha A. McSteen, 62,** Acting Commissioner of Social Security, runs several programs set up by the Social Security Act, including benefits for retired or disabled workers and their families, survivors' benefits, Supplemental Security Income for families with severely limited means, and refugee resettlement. McSteen has twice been awarded the prestigious Commissioner's Citation. In 1979, she was named Meritorious Executive by President Jimmy Carter.

—Sonia Kane



British students march this year to protest proposed cutbacks in education aid. The United Kingdom is one of many "social welfare" states that are realizing that they may have promised more than their treasuries can afford to pay.

AP/Wide World

## EUROPE'S WELFARE STATES: ALIVE, KICKING, AND CUTTING BACK

Heinz Bauer slipped, flipped through the air, and crunched onto a beam one floor below. He broke a thigh, an arm, and several ribs. Within minutes, an ambulance whisked him to one of the 1,000 hospitals in West Germany that are authorized to perform surgery in on-the-job accident cases.

The ribs and arm would heal. But the thigh was permanently injured. Heinz would no longer work as a well-paid bricklayer.

For Heinz, it wasn't the end of the world. The government immediately began paying him "transitional money," an amount equal to his sick pay, from a fund built by contributions from employers. Together, these checks equaled 80 percent of his salary. The government paid for job retraining and all his medical bills—and continued helping him pay the costs of raising his children.

**"Cradle to grave" security is a right in Europe's welfare states. But Britain and other nations are struggling to control their social spending.**

Heinz eventually went back to his old company, this time working at a drafting table. He earns less than a bricklayer. Because he is partially disabled, the government will give him a "disability payment" for the rest of his life. The payment fills the gap between his old and new salaries.

Heinz happens to live in West Germany. But his story could have happened in a number of democratic "welfare state" countries. In such a state, explains Asa Briggs, a British historian, "organized power is deliberately used to guarantee individuals and families a minimum income, irre-

spective of the value of their work."

Located mostly in Northern Europe, these nations have created a variety of social and health services unequaled in the free world. In Britain, Sweden, West Germany, the Netherlands, and other nations, the governments have made it their duty to provide social, economic, and health security for all.

### SPELLING OUT THE GOALS

Sweden even spelled out the goals of its social programs in a law. The law explains that the nation's social services are designed to promote "economic and social security, equality of living conditions, and active participation in the life of the community." The programs' overall purpose: "liberating and developing the innate resources of individuals." To do that, Sweden's programs cover everything from dental care to day care and from birth control clinics to burials.

Welfare states are expensive, as a 1980 study of 24 industrial nations made clear. These nations' social services cost, on average, one out of every four dollars that their economies produced in goods and services. Since then, social service costs have risen still higher, at a time when energy shortages, among other things, battered their economies. Unemployment, up everywhere, has created an extra drain on the budgets of welfare states, where unemployment benefits are unusually generous.

W. Allen Spivey of the University of Michigan sees more trouble ahead. "High unemployment and the aging of the population will exert pressure," he says. "A crisis in the funding of social programs will continue into the final decade of this century and possibly beyond."

In Britain, the crisis has begun to alarm the government, which recently completed an 18-month study of the nation's \$52 billion social welfare budget. One finding: Over the past 40 years, the cost of social services—now a third of Britain's budget—has risen five times faster than inflation. The system, says Norman Fowler, head of Britain's social services, is "a leviathan with a life of its own."

Britain's system of social services is growing at such a rate, says Fowler, that it will be a tax burden on young Britons in years to come. "It would be an abdication of responsibility to hand down obligations to our children which they cannot fulfill," he says.

Fowler proposes, among other things, phasing out state pensions for younger workers and lowering the level of housing aid for some 7 million poor. He would also cut back aid for students and children. About 20 million people would be affected.

Foes of the cuts are angry. "The proposals represent a cheap and nasty strategy from a cheating and nasty government," says Neil Kinnock, head of the opposition Labour Party. "This government has tripled unemployment and is now twisting the knife in its victims," adds Michael Meacher, Labour's expert on social security. Legislation authorizing the cutbacks is expected to go before Parliament within the next few weeks.

Germany created the idea. And a Briton coined the term "welfare state." But Scandinavian nations,

## Health & Welfare Spending in 15 Nations

(% Of Govt. Budget)\*

West Germany	69%
Spain	62%
Switzerland	62%
Austria	58%
Uruguay	58%
Luxembourg	52%
Netherlands	50%
Sweden	48%
Norway	45%
United States	45%
Belgium	44%
Italy	44%
Canada	40%
United Kingdom	39%
Finland	39%

\*Central government payments only. Social welfare states also rely on special taxes, local agencies. In Sweden, nearly 70 percent of the GNP—the value of all goods and services—goes to education, health, and social security.  
Source: International Monetary Fund

Phil Scheuer

Sweden especially, have developed the idea the fullest. The menu of Swedish social services is designed to cover almost every kind of problem a person might encounter.

### HELP WITH CHILD-RAISING

All Swedish families with children under age 16 qualify for government aid. They get extra help for each student between 16 and 19. Other benefits include a wide variety of free education and job training, low cost health insurance, pensions, and compensation for parents who must stay home with sick children.

Prescription drugs cost a maximum of \$6.50. Doctors' fees at a hospital are \$6. Seventy-five percent of all dental bills above \$320 are paid by the state. Pregnant women get maternity benefits 60 days *before* birth. After the birth, either parent may get paid leave to be with the baby for up to 180 days. And all Swedish workers get at least five weeks vacation.

As in Britain, however, the cost is high, growing by 482 percent between 1972 and 1982. To cover the costs,

Swedes pay, on average, half their incomes in taxes—the rate charged only the highest-paid U.S. workers.

High taxes are causing some Swedes to have second thoughts about the welfare state. In 1983, they cut social spending by nearly 6 percent.

But the debate didn't die. Ulf Adelsohn, who ran for election as prime minister last August, charged that the Socialists, under Prime Minister Olaf Palme, have plunged Sweden deep into debt. "They increase taxes and increase handouts and call it prosperity," he said. Unemployment, he said, is perhaps twice the official 3.2 percent rate. Adelsohn campaigned for deep tax cuts.

Adelsohn and others want private businesses to help deliver services in such areas as day care and health care. Private business, he reasons, would "increase efficiency" and give individuals the "freedom to decide where to go for treatment and services."

The charge that the system erodes freedom is a sensitive one in Sweden. Critics say "Big Brother" government saps initiative, creates isolation, and weakens moral values. "The bureaucracy is stifling," says Alan Wolfe, a sociologist at New York's Queens College. "The assumption by the state of social responsibility means less personal responsibility."

Those who champion the system don't see it that way. "In a country where both positive and negative developments are strongly [present]," says Gösta Rehn, a Swedish expert on social policy, "anybody can prove anything by shrewd selectivity."

Rehn and others point to studies indicating that Swedes are not isolated by the system and are more sociable than people in many countries. A Japanese study of teenagers in 12 nations found that Swedish teenagers had the least isolation and the best relationships with parents.

Whatever the system's problems, including the tax load and the bureaucracy, only a minority of Swedes want to change it. In his re-election campaign, Palme told voters that his opponents wanted to import the policies of President Reagan and Britain's Prime Minister Margaret Thatcher. That, he said, would lead to competition—"sharp elbows and egoism." Swedish voters re-elected him.

—Peter M. Jones

# A Social Spender's Lexicon

**Aid to Families with Dependent Children (AFDC):** A government welfare program that helps low-income parents of school-age children pay their bills. In 1985, the U.S. spent \$8.5 billion on AFDC, and the states paid \$7.6 billion. Over the last four years, federal funds for this program have been cut by 14 percent.

**Block Grants:** Federal aid which gives states large grants of money to spend on specific areas of government such as education or law enforcement. States then decide on specific programs to fund with the money.

**COLA (Cost of Living Adjustment):** An increase in the size of a benefit payment based on a rise in consumer prices, which reflect living costs. The Administration proposed eliminating COLAs for one year in all federal employee retirement and disability programs. The Administration does not propose to eliminate the 1986 COLA in other programs that are tied to inflation, such as Social Security and veterans' benefits.

**Disability Insurance:** The federal program that guarantees an income to people who, because of injury or disease, can no longer work. Like Social Security for the elderly, this program is paid for by the working population through deductions from paychecks.

**Entitlements:** Programs whose bene-



© 1984 Roy Roper Gamma Liaison

fits are paid to all persons, businesses, or government units that meet eligibility requirements defined by law. Example: Social Security benefits to people over 65. Entitlements account for about 60 percent of all U.S. spending.

**Guaranteed Student Loan Program:** A program supported by the federal government that helps students borrow money at extremely low interest rates. President Reagan has proposed that in 1986 all students whose families have incomes above \$32,500 be ineligible for this program.

**Head Start:** Federal program that provides young children in low-income families with pre-school education. Studies suggest that the program leads to greater achievement later.

**Health and Human Services (Dept. of):** The federal department responsible for most health, welfare, and income security programs and policies. HHS's proposed 1986 budget amounts to \$349 billion, or approximately one third of all U.S. spending.

**Health Care:** Term used most often to refer to medical treatment. Specialists extend the definition to cover the complex of forces that affects human health, including efforts to upgrade housing, make food safe, and improve the quality of the environment.

**Means Test:** Examination of a person's financial situation to determine eligibility for government assistance.

**Medicaid:** A program that pays medical bills for low-income people. Local, state, and federal governments fund the program jointly.

**Medicare:** A health insurance program for people over the age of 65 that is funded through Social Security contributions. This program is one of the fastest growing items in the federal budget. In 1985, Medicare cost approximately \$77 billion. By 1990,

costs are expected to top \$100 billion. **National Institutes of Health (NIH):** Eleven separate research institutes, all funded by the U.S. government, that sponsor research in basic medical science. Eighty percent of the NIH's \$5 billion budget is spent for research at medical schools, universities, and private research institutes.

**Social Security:** A federally run insurance program that most working people pay into. This program provides a variety of benefits to retired or disabled workers and to their dependents and survivors. Retired workers are eligible for partial benefits at age 62 and for full benefits at age 65.

**Social Spending:** That part of government budget outlays which meets human needs in housing, health, and economic security. Most of the U.S. budget, excluding expenditures for defense and interest on the national debt, is devoted to social spending.

**Survivor Benefits:** Social Security income provided to an insured worker's dependents after his or her death.

**Unemployment Compensation:** Payments made to people who are insured under a joint U.S.-state program and who have lost their jobs through no fault of their own. Payments are intended to partially replace lost wages while workers look for new jobs. In most states, unemployment benefits last 26 weeks, with extensions granted depending on the individual case.

**Welfare:** The group of government programs that protects the health and economic security of disadvantaged citizens. Welfare programs fall into four different categories. (1) *Direct income* programs improve people's living standards by giving them money directly. Supplemental Security Income and AFDC both fall into this category. (2) *Direct services* meet certain needs of low-income people with non-cash aid. Medicaid, food stamps, and housing assistance are included in this category. (3) *Indirect services* meet disabled and low-income people's needs in such areas as education and job training. (4) *Indirect income* programs foster economic growth in low-income areas to create jobs.

—Clare McHugh

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MOVIES

# Meet Mikhail Baryshnikov

Interview by Dorothy Scheuer



© 1985 Columbia Pictures, Inc.

**M**ikhail Baryshnikov is considered by many experts to be the finest male ballet dancer in the world. He is famous for his brilliant, daring style. Since July, 1974, he has been famous for something else. That was when he defected from his native Soviet Union. In his homeland, he was showered with honors and awards. He earned a huge salary. He lived in a luxurious apartment.

What Baryshnikov did not have was artistic freedom. The government told him when and where to dance and what to perform. Eventually, his attachment to his homeland yielded to the dream to dance as he wanted.

## MOVE TO THE U.S.

Baryshnikov came to the United States, where he joined the American Ballet Theatre and, later, the New York City Ballet. In 1980, he became artistic director of the American Ballet Theatre. He has choreographed new ballets, staged entire productions, and written a book. But it is his dancing that most dazzles the world.

Always eager to try new projects, he is appearing in a movie, *White Nights*. He plays Koyla, a famous Soviet dancer who defects to the U.S. Eight years after his defection, Koyla is on an international dance tour when his plane makes an emergency landing in the Soviet Union. Regarded as a criminal because of his defection, Koyla is arrested by the KGB, the secret police. He spends most of the movie trying to get out of the Soviet Union again.

For Baryshnikov, playing Koyla unlocked memories of what it was like to leave. "It's a separation, a separation with your past," he told UP-

DATE. "You still remember good and bad things about people who are not next to you anymore. It's memories and human relationships that are cut. And it's geographical attachments—to cities, smells, foods. It's very physical."

Although Baryshnikov has no formal training as an actor, this is his second movie. In 1977, he played in *Turning Point*. His acting won him an Academy Award nomination as Best Supporting Actor.

Baryshnikov views *White Nights* as an important project because it gives him a chance to show Americans what his homeland is like. "It's difficult to do something right about Russia because the country is very mysterious," he says.

## SERIOUS GOAL

"So many terrible books have been written about Russia," Baryshnikov says, "so many bad movies have been made, so many lies and half lies have been told. *White Nights* is a serious attempt to tell a story. Yes, the story is about getting out of prison. And it's also about some beautiful moments and some beautiful people. If both sides come across in the film, it will be wonderful."

Baryshnikov says that the story is hypothetical—it never happened but could have. "A lot of people have left their countries," he says. "It's not just me and it's not just Russia. It's South America, the East, anywhere in the world."

Does he ever regret leaving his homeland? "No," he says, "a lot of people live in a country that's not their homeland. It's their second home, their home now."

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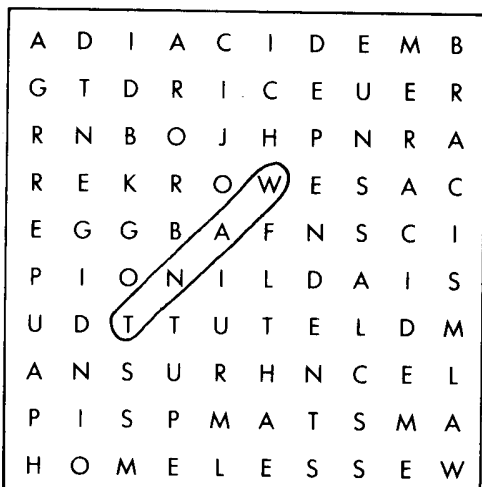
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DECEMBER 13, 1985 ■ 25

**WORDSEARCH**



The words on the list are hidden in the diagram. When you find them, circle them. Each word runs in a straight line. Some of them run on a slant, or backwards. (See *WANT*, in the example.)

Eleven letters will be left over. In order, they spell the federal department that administers food stamps:

- |            |              |          |          |
|------------|--------------|----------|----------|
| Alms       | Dependents   | Hunger   | Medicaid |
| Benefits   | Food Stamps* | Indigent | Medicare |
| Caseworker | Hobo         | Job      | Pauper   |
| Class      | Homeless     | Law      | Racism   |
|            |              |          | Want     |

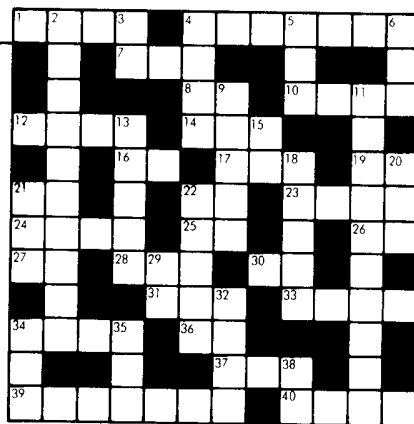
\*Written as separate words in diagram.

**CROSSWORD**

\*Starred clues refer to articles in this issue.

**ACROSS**

- \*1. Aid to Families with Dependent Children.
- \*4. Lack of means of support.
- \*7. Single Room Occupancy.
- 8. Old Latin (abbr.).
- \*10. \_\_\_ kitchen: place where food is given to the needy.
- 12. "\_\_\_ boy!"
- 14. Alcoholic liquor distilled from molasses.
- 16. Little-\_\_\_-little.
- \*17. Safety \_\_\_.
- 19. \_\_\_ or die.
- 21. Between OK, TN, and MS.
- 22. It ended with A.D.
- 23. What a movie is wound on.
- 24. Freezes, chills.
- 25. \_\_\_ factor, in biochemistry.
- 26. Str. or ave.
- 27. District Attorney, for short.
- 28. The night before New Years Day. for one.
- 30. Its cap. is Montgomery.
- \*31. Homeless woman: \_\_\_ lady.
- 33. Shout.
- \*34. Destitution, want.
- 36. Prince Charles' wife.
- 37. U.S. President Martin \_\_\_ Buren.
- \*39. Government aid to individuals or families.
- \*40. Money, dollars.



- 3. Cesium, to a chemist.
- \*4. Having little money.
- 5. Before ems and ens.
- 6. Quick, sharp bark.
- \*9. School \_\_\_ Program: student meal plan.
- \*11. Powerless people without resources.
- \*13. Major social problem: child \_\_\_.
- 15. Myself, I.
- \*18. \_\_\_ needy.
- \*20. \_\_\_-age pension.
- \*21. Assistance.
- \*22. Variation of 10 Across: \_\_\_ line.
- 29. Verb (abbr.).
- \*32. Donate, pay.
- \*34. \_\_\_ Deal: F.D. Roosevelt's promise to depressed America.
- 35. Definition (abbr.).
- 38. South of VA.

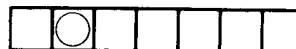
**DOWN**

- \*2. System of U.S.-financed homes for children (2 wds.).

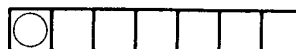
**SCRAMBLER**

Unscramble the letters in each of the four words listed below. Each word will spell a major city in the United States. The encircled letters, when rearranged in the spaces at the bottom, will answer the riddle.

**SHIP E M M**



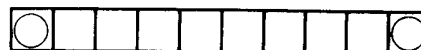
**I R O T T E D**



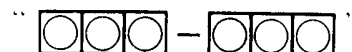
**A U W E E M I L K**



**I N I C N A C N I T**



**Riddle:** Angry description of foes of the Women and Infant Care program?



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# SPORTS

## LONG LIVE THE KING

by Peter Oliver

Hail, Prince Patrick, heir to the throne in the NBA court!

We're talking, of course, about Patrick Ewing, the new tower of power for the New York Knicks. He's just beginning his first pro season, but the experts are already predicting he will be the next big man to dominate the National Basketball Association. He has all the tools—except "cool." Once he learns to cool his hot temper, he will be ready to roll... and rule.

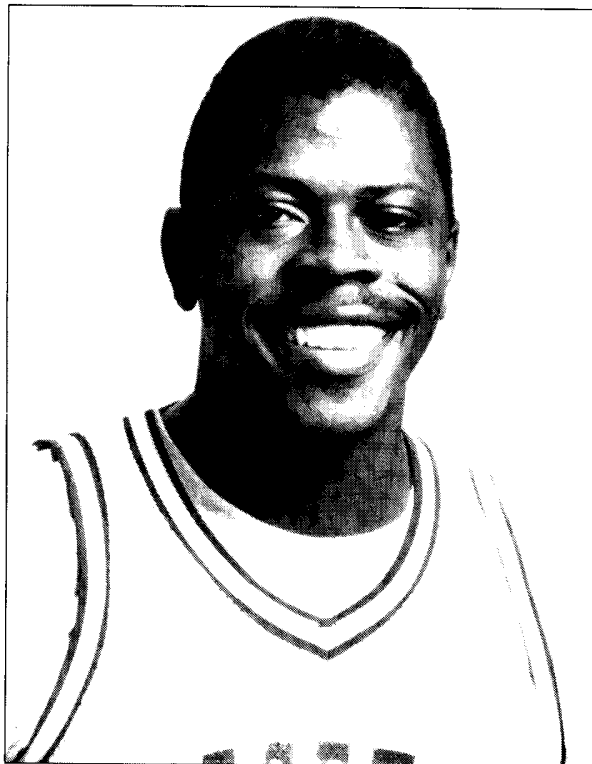
The first in the royal line was King George—giant George Mikan of the Minneapolis Lakers. Mikan led the Lakers to five NBA titles in six years in the 1950's. As the first king of the court, Mikan showed how important a big man in the middle is in order to win in the NBA.

King Bill—Bill Russell, that is—was next to rise to the throne. Russell reigned in the high-scoring era of Wilt, the Earl of Chamberlain. Wilt was wondrous, winning seven straight scoring titles in the 1960's, but Russell was king.

Team success, not individual statistics, is the name of the game in the NBA. With Russell in charge, the Boston Celtics won 11 NBA championships, including eight in a row. King Bill proved that, in order to win, smart defense is just as important as high scoring.

King Kareem took charge when Russell retired. In his first year in the pros, the 1970-71 season, Kareem Abdul-Jabbar led a so-so Milwaukee Bucks team all the way to the NBA championship. King Kareem was as smooth as regal satin. He showed how a big man can mix strength with grace and finesse.

And now, as the age of King Kareem is winding down, along comes



Prince Patrick. Ewing has the obvious tools—power, finesse, and an instinct for the game. But hustle is what puts him on a pedestal in the realm of the NBA. Except perhaps for Moses Malone, no big man puts as much all-out effort into the game as Ewing. He's like a seven-foot-tall Pete Rose.

Of course, taking over as king of the court is, well, a tall order. Can Ewing handle the pressure of playing in Patrick's Palace, the royal new nickname for Madison Square Garden?

"What pressure?" asks Ewing with a smile.

Ewing knows about handling pressure. Five years ago, he was the best high school player in the country. College recruiters chased him everywhere, and the press gave him a hard time. Many reporters said that Ewing was too dumb to make it through college, but he kept his cool. He chose to go to Georgetown, which had a below-average basketball program, but high academic standards. Not

only did Ewing turn Georgetown's team into one of the best in the country; he silenced the critics by earning his degree last spring.

He handled personal problems well, too. While at college, both his father and his mother died. It was a tough time for Ewing, but you would never have known by hearing him talk or watching him play. For three years, Ewing was the dominant force in college basketball. In short, Prince Patrick can handle pressure.

But can his team win? The Knicks already have one King—Bernard, that is—a super, too. But Bernard has a problem knee. And even after their pair of Kings, the Knicks have a lot of question marks. Not only that, they play in the league's toughest division, with Boston and Philadelphia.

Just give Ewing time, though. He's been the king of the court wherever he's played, in high school and in college. So why not in the pros? Hail to Prince Patrick. This is the season he will be heir-conditioned!

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## SCHOLASTIC UPDATE POST-TEST

Use with this week's UPDATE on Social Spending

**General Directions:** On the line to the left of each statement, write the letter of the choice that best completes the statement or answers the question.

### A. MATCH-UP!

#### Column A

- |                    |             |
|--------------------|-------------|
| a. John Jacob      | f. NIH      |
| b. James C. Miller | g. AFDC     |
| c. Means test      | h. Medicaid |
| d. Medicare        |             |
| e. James A. Baker  |             |

#### Column B

- \_\_\_ 1. Nation's largest cash-assistance program
- \_\_\_ 2. Health insurance for over-65ers
- \_\_\_ 3. Federally funded medical research
- \_\_\_ 4. Directs group to aid minorities, meet housing, health needs, etc.
- \_\_\_ 5. Prepares President's annual spending plans

### B. CHOOSING . . .

- \_\_\_ 1. The government's review of a person's income, prior to giving financial aid, is a form of (a) entitlement; (b) eligibility; (c) a means test.
- \_\_\_ 2. Federal disability insurance is paid for by (a) government borrowing; (b) payroll deductions; (c) income tax.
- \_\_\_ 3. The budget for the Department of Health and Human Services is about equal to one third of (a) the GNP; (b) the national budget; (c) the Defense budget.
- \_\_\_ 4. The average length of unemployment benefits in the U.S. is (a) 26 weeks; (b) 26 months; (c) 2.6 years.

### C. FACT (F) OR OPINION (O)?

- \_\_\_ 1. An unemployment rate of 7 percent is an acceptable rate for a healthy U.S. economy.
- \_\_\_ 2. U.S. employers carry the heaviest burden of unemployment insurance.
- \_\_\_ 3. The U.S. government should not be involved in job retraining.
- \_\_\_ 4. The majority of laid-off, unemployed Americans get new jobs within two months.

### D. WHICH CAME FIRST?

Within each of the following pairs, check ( ) the event that occurred first.

1. \_\_\_ a. The United Kingdom established a government welfare system.  
\_\_\_ b. Germany established a government welfare system.
2. \_\_\_ a. The New Deal  
\_\_\_ b. The War on Poverty
3. \_\_\_ a. Medicare legislation  
\_\_\_ b. Social Security legislation
4. \_\_\_ a. Federal aid for education in low-income areas  
\_\_\_ b. Federal aid for vocational education

### E. TRUE (T) OR FALSE (F)?

- \_\_\_ 1. The Federal government now funds the largest portion of U.S. health care.
- \_\_\_ 2. Americans aged 65 and over make up a steadily shrinking portion of the total U.S. population.
- \_\_\_ 3. Fewer than 10% of the U.S. population receives food stamps each month.
- \_\_\_ 4. The current government of the United Kingdom is seeking to expand social welfare programs.
- \_\_\_ 5. To support their welfare state, people in Sweden pay an average of 50% of their incomes in taxes.
- \_\_\_ 6. The average social welfare cost among industrial nations today is 50% of their gross national products.

### F. RIGHT OR WRONG?

Are U.S. social spending programs the cause of our national indebtedness? Read the following comment by Rep. Ted Weiss (D-NY). Then, on the reverse side of this paper, compose a letter to Weiss, explaining why you AGREE or DISAGREE.

"Since 1981, legislative actions initiated by the President will have cut \$333 billion from domestic spending. But these program cuts have been overwhelmed by increases of \$175 billion in defense spending, \$604 billion in revenue losses because of tax cuts, and \$111 billion in added interest costs . . . on the debt!"

## SCHOLASTIC UPDATE SKILLS REVIEW

*Use with this week's UPDATE on Social Spending by the Government.*

### STATISTICS

**A.** Examine the following brief excerpt and the chart to its right. Then answer Questions 1-5 below.

"Good statistics are rarely the end of knowledge, but they're often the beginning. Properly used, they can lead to truth and protect from falsehood. The trouble is, of course, that statistics are regularly abused."

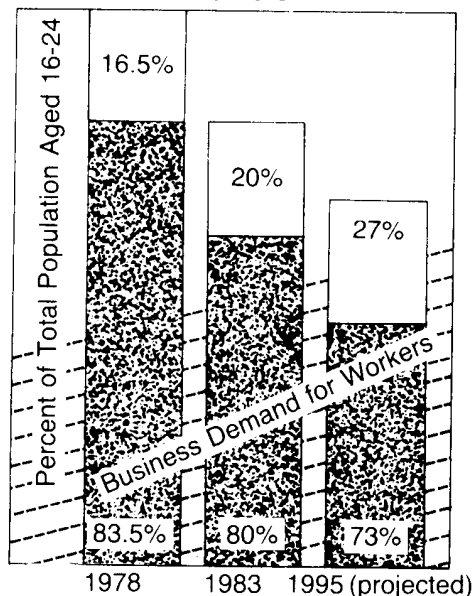
—From "The Joy of Statistics" by Robert Samuelson in *Newsweek*

Illiterate; unable to get a job; without social survival skills

Literate; able to get a job; having social survival skills

Source: "Reconnecting Youth: . . ." — Report by the Education Commission of the States; *Education Week*

**Young People's Readiness to Meet Business's Demand for Workers**



**General Directions:** Write the letter of the choice that best completes the item or answers the question.

\_\_1. According to the chart, the number of Americans aged 16-24 is (a) increasing; (b) decreasing; (c) remaining constant.

\_\_2. The percentage of jobs for Americans aged 16-24 who have few or no employable skills is (a) increasing; (b) decreasing; (c) remaining constant.

\_\_3. If present trends continue, U.S. employers in 1995 will (a) lack enough skilled workers; (b) have more skilled applicants than they need; (c) have no skilled workers.

\_\_4. Assume that all the following statements were made after interpreting the chart. Check (✓) any statement you think would be an example of a group's or person's "abusing" the chart's statistics.

\_\_a. A national teachers' group in 1985: "We educate enough skilled workers for American business demands."

\_\_b. A social critic: "Education in the U.S. fails to prepare young people for economic security."

\_\_c. A U.S. official: "In the 1990s, education will have a smaller need for federal funds than in the 1980s."

\_\_d. A manufacturer: "U.S. business has a growing stake in contributing to what our schools teach."

\_\_e. None of the above.

Briefly explain your answer(s) to Question 4. \_\_\_\_\_

**B.** Read the following excerpt and then answer the question below.

"The Labor Dept. no longer counts how many Americans belong to labor unions. Likewise, it has discontinued its survey of turnover rates (how many people quit or are fired) in manufacturing. Throughout the government there's been a nibbling away at the statistics we collect to show our social and economic condition. To be sure, . . . some information is available from private sources. But, mostly, these cutbacks are shortsighted and abandon government's legitimate functions."

—From "The Joy of Statistics" by Robert Samuelson in *Newsweek*

5. Should the U.S. government increase or decrease its collection of statistics? Use the reverse of this paper to write a newspaper editorial on this question. Include specific reasons.

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