

LEGACIES OF THE WAR ON POVERTY

Sheldon Danziger

President, Russell Sage Foundation

Innovating to End Urban Poverty

USC Sol Price School of Public Policy

March 27, 2014



Declaration of War On Poverty

State of the Union address (January 8, 1964)

- "Americans today enjoy the highest standard of living in the history of mankind. But for nearly a fifth of our fellow citizens, this is a hollow achievement....
- We cannot and need not wait for the gradual growth of the economy to lift this forgotten fifth of our nation above the poverty line. We know what must be done and this nation of abundance can surely afford to do it.
- Today, as in the past, higher employment and speedier economic growth are the cornerstones of a concerted attack on poverty... But general prosperity and growth leave untouched many of the roots of human poverty."

Strategy Against Poverty

Ch. 2, 1964 Economic Report of President

- Maintain High Employment
- Accelerate Economic Growth
- Fight Discrimination
- Improve Regional Economies
- Rehabilitate Urban & Rural Communities
- Improve Labor Markets
- Expand Educational Opportunities
- Enlarge Job Opportunities for Youth
- Improve the Nation's Health
- Promote adult Education & Training
- Assist the Aged & Disabled

The Golden Age: A Rising Tide Lifts All Boats, 1947-73

- Rapid Economic Growth, modest recessions
- Rapid wage growth for all workers
- Spread of employer-provided health insurance & pensions
- Minimum wage rises relative to inflation
- Rapidly falling poverty
- Slowly falling income inequality

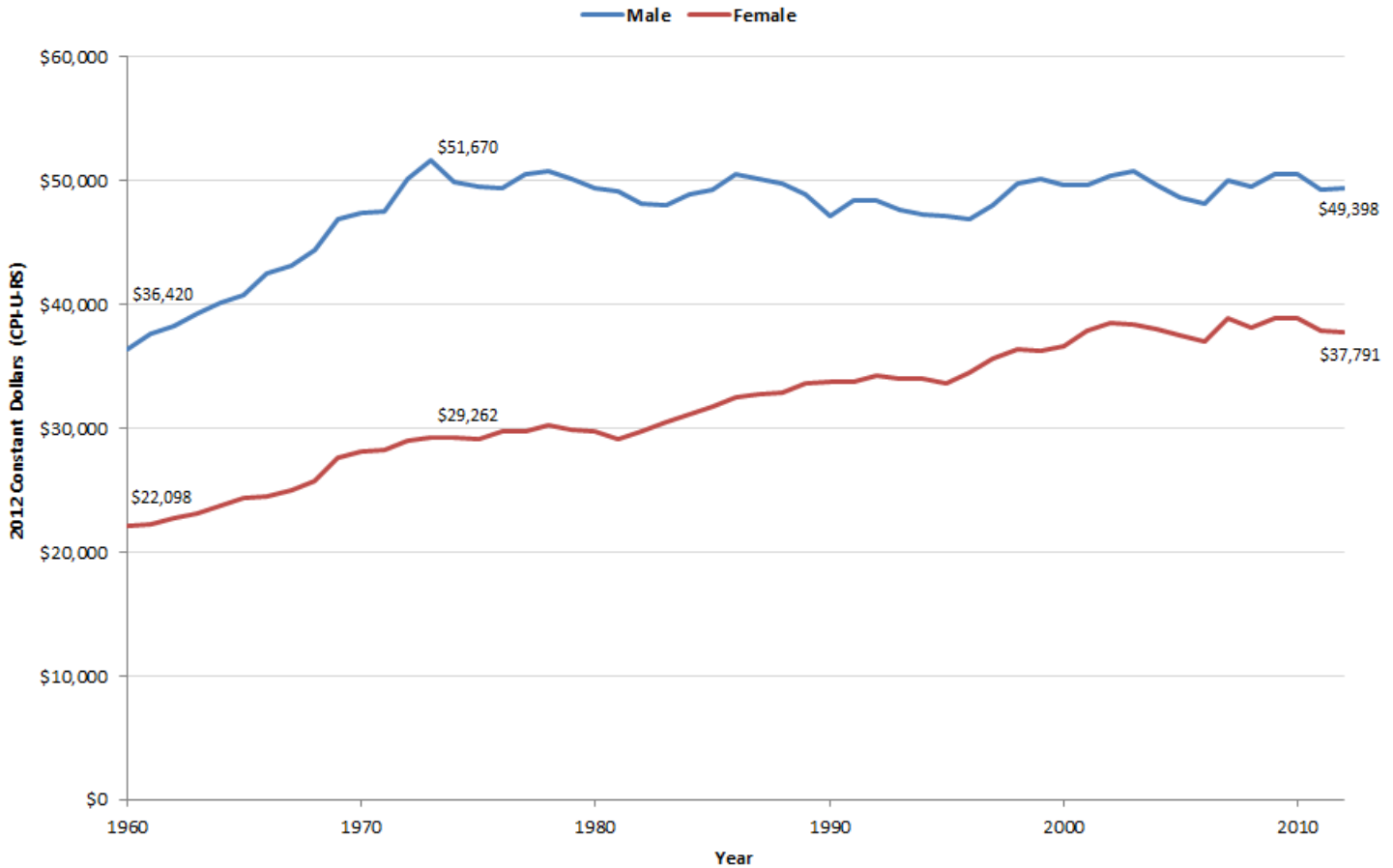
The Post-War on Poverty Decade

- A golden age of social program growth at the end of a golden age of economic growth.
- Optimism about government's ability to solve complex social problems.
- Willingness to spend federal funds to reduce poverty and promote opportunity in the face of state and local opposition (a) in social spending: first major federal spending on education programs and (b) enforcement of civil rights

A Gilded Age of Rising Inequality 1973-present

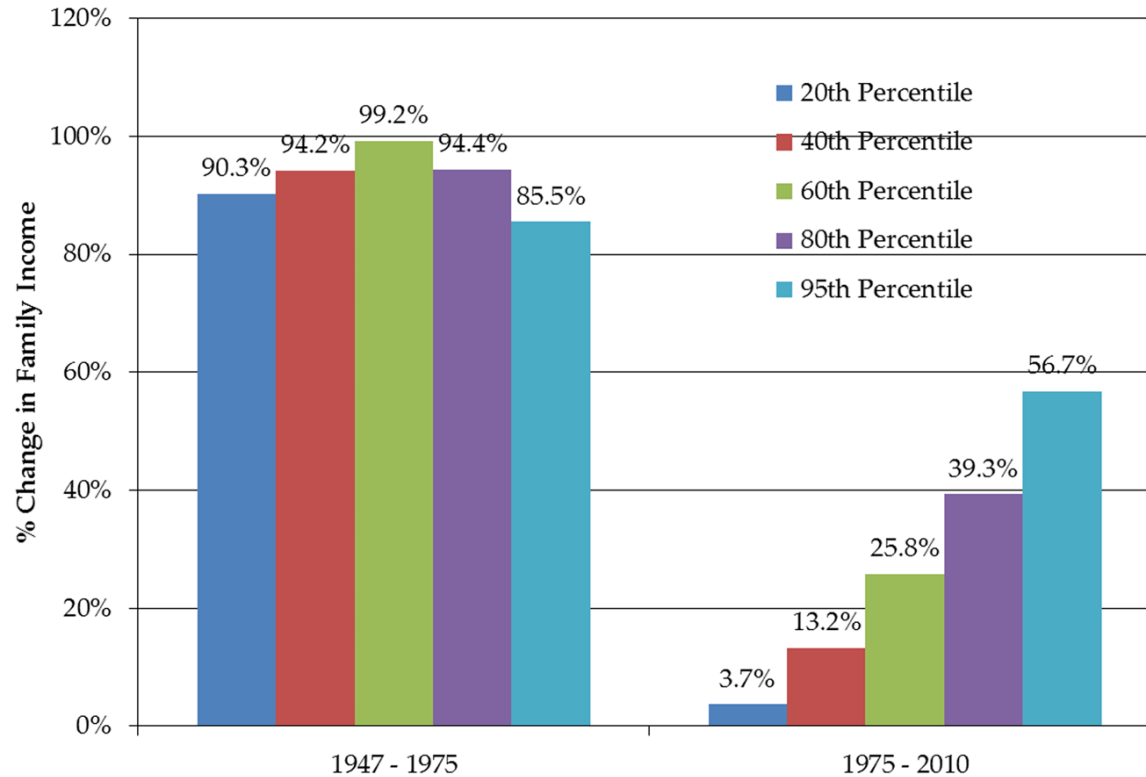
- Poverty rises above 15% during severe recessions of early 1980s, milder recession in early 1990s, and Great Recession of 2007-09
- Poverty falls during recoveries, but not to 1973 level
- Less-educated workers & median male worker no longer benefit much from economic growth
- Inequality increases rapidly
- Effective safety net only for elderly

Median Earnings, Full Time, Year Round Workers, 1960 - 2012 (inflation-adjusted)



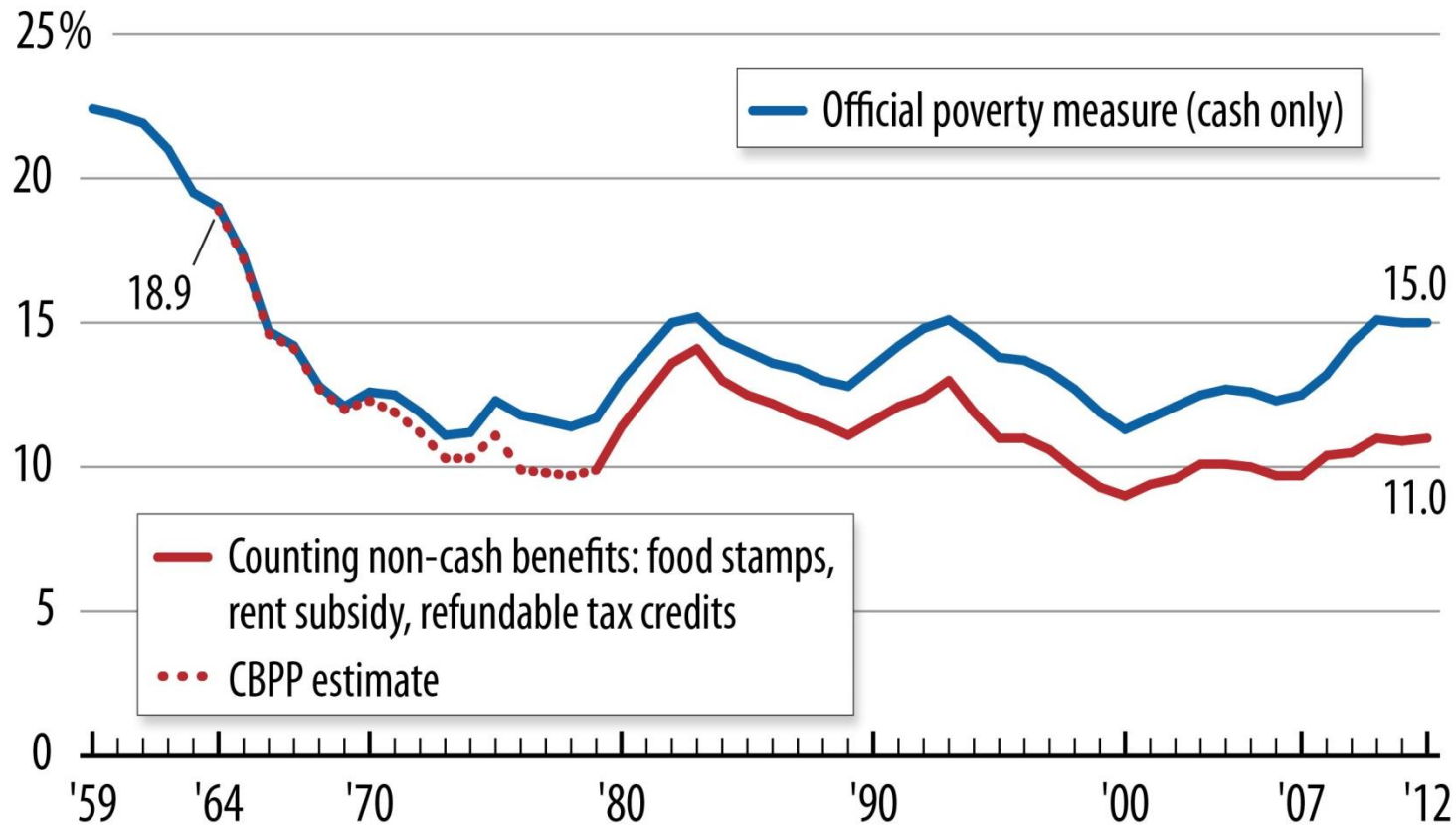
Source: U.S. Census Bureau

Change in Family Income (inflation-adjusted) at Selected Points in the distribution



Source: U.S. Census Bureau (2011). Table F-1. Income Limits for Each Fifth and Top 5 Percent of Families, from Historical Income Tables. Retrieved from: <http://www.census.gov/hhes/www/income/data/historical/index.html>

Decline in poverty is greater when non-cash benefits are counted



Source: U.S. Census Bureau and CBPP calculations based on Census data.

Poverty would be higher without War on Poverty due to Economic Changes

Real wages of median worker is no longer correlated with productivity increases due to:

- Skill-biased technological changes
- Globalization of markets
- Decline in unionization
- Erosion of the minimum wage
- Declining progressivity of federal income tax
- Explosion of Executive Pay and the size of the financial sector

Other Social and Policy Changes that Affect Trend in Poverty

- Poverty increasing social & demographic changes
 - Rising incarceration rates
 - Increase in single-headed household
 - Increased immigration of less-skilled
- Poverty Decreasing changes
 - Increased educational attainment
 - Increased work of women
 - Reductions in number of children

But, effects of slow economic growth and rising inequality are larger than demographic effects

Lasting Legacies

- Pioneering Programs for Early Childhood
 - Food stamps improved infant health and test scores
 - Head Start increased educational attainment
 - Children lead healthier and more productive lives
 - Some early childhood investments more than pay for themselves
- Racial integration and greater equity
 - Medicare reimbursements encouraged hospitals to desegregate
 - Infant mortality among African Americans fell sharply
 - Health improvements translated into better test scores for black teens into the 1980s

More Lasting Legacies

- Reduction in elderly poverty
 - Elderly poverty fell by half from 35% in 1959 to 16% in 1973—“European-style safety net”
 - Improved financial security of non-elderly as well
- Synergies of programs
 - Hospital and school integration is aided by Medicare and funds for public schools
 - Better infant health and child nutrition make education spending more effective and increase the returns to college financial aid and job training
 - Medicare increases family resources for college tuition or retirement savings

Broad Goals for Antipoverty Policy

1. Reduce Barriers to Quality Education, Health Care and Housing
2. Raise Employment and Earnings
3. Supplement Low Wages
4. Safety Net for long-term disconnected, unemployed, disabled
5. Funds to pay for them
6. Implement policy changes effectively

Promising Proposals from Conference Presentations

1. Human Capital—Education and Health
2. Where We Live—Housing and Neighborhoods
3. Targeting Those at Very High Risk
4. Safety Net Benefits and Jobs of Last Resort