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ABSTRACT

Over 35 million Americans were officially poor in 1983, 15.2 percent of the total population-the highest figures since the mid-1960s. Some attribute continued poverty to government social welfare policies. But poverty among the nonelderly is linked much more to economic trends. The number in poverty dropped from 39.5 million (22.4 percent of the population) in 1959 to a low of 23 million (11.1 percent of the population) in 1973, fluctuated with the economy to 1978, and then rose sharply. The 1978-83 rise was greatest among groups with traditionally lower poverty rates who were harder hit by deep recession and unemployment in the early 1980s--younger adults of working age and their children, male-headed families, and Whites. With economic recovery in 1984, the 1984 poverty rate should be lower than 1983's. The bulk of increased federal social spending since the mid-1960s has gone to the elderly, whose poverty rate plunged from 35.2 to 14.1 percent between 1959 and 1983. The value of "means-tested" Aid to Families with Dependent Children payments and food stamps fell 22 percent between 1972 and 1984. In 1983, the poverty rate of Blacks was 36 percent versus 12 percent for Whites, and 40.5 percent in female-headed versus 9.3 percent in male-headed families. The dearth of "marriageable" Black men appears more important than welfare in explaining the increase in poor Black female-headed families. Welfare is still needed for vulnerable groups, but poverty and expenditures could be reduced in the long run by expanded government-sponsored job training and educational programs. (Author/CMG)

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Poverty in America: Trends and New Patterns

By William P. O'Hare

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Abstract—35.3 million Americans were defined as officially poor in 1983, 15.2 percent of the total population—the highest figures since the mid-1960s. Some attribute continued poverty to increased government social welfare spending launched in the mid-1960s with the War on Poverty; others blame the 1981 Reagan budget cuts for the recent rise. But poverty among the nonelderly is linked much more to economic trends. The number in poverty dropped during the booming 1960s and early 1970s from 39.5 million, 22.4 percent of the population, in 1959 to a low of 23 million, 11.1 percent of the population, in 1973, fluctuated with the economy to 1978, and then rose sharply. The 1978-83 rise was greatest among groups with traditionally lower poverty rates who were harder hit by deep recession and unemployment in the early 1980s—younger adults of working age and their children, male-headed families, and whites. With economic recovery in 1984, the 1984 poverty rate (to be released in late 1985) should be lower than 1983's 15.2 percent. The bulk of increased federal social spending since the mid-1960s has gone to the elderly, aged 65 and over, whose poverty rate plunged from 35.2 to 14.1 percent between 1959 and 1983. The value of "means-tested" Aid to Families with Dependent Children payments and food stamps, not indexed to rise with inflation as is Social Security for the retired elderly, fell 22 percent between 1972 and 1984. In 1983, the poverty rate of blacks was 36 percent versus 12 percent for whites, and 40.5 percent in female-headed versus 9.5 percent in male-headed families. The dearth of "marriageable" black men appears more important than welfare in explaining the increase in poor black female-headed families. Welfare is still needed for vulnerable groups, but poverty and welfare expenditures could be reduced in the long run by expanded government-sponsored job training and educational programs.

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Poverty in America: Trends and New Patterns

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Laid off work in Illinois. The proportion of the total U.S. population below the poverty line rose sharply between 1978 and 1983, from 11.4 to 15.2 percent, after declining from 22.4 percent in 1959 to a low of 11.1 percent in 1973. Most of the 1978-83 rise was accounted for by the "new poor"—younger men and their families who were particularly hard hit by the deep recession and unemployment of the early 1980s.

Poverty in America: Trends and New Patterns

By **William P. O'Hare**
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Americans have recently been bombarded with disparate views on poverty and what should be done about it. Conservative analyst Charles Murray in his much-publicized 1984 book, *Losing Ground: American Social Policy 1950-1980,* contends that government assistance programs launched with the War on Poverty in the mid-1960s have encouraged many of the poor to remain poor and should be eliminated for the able-bodied poor of working age. Liberal stalwart Michael Harrington, whose 1962 book *The Other America* helped spark the War on Poverty, argues that more government aid and employment generation are needed to combat what he described in his 1984 book as *The New American Poverty,* produced by structural changes in the national economy. The National Catholic Conference of Bishops also has decried rising poverty in a draft pastoral letter issued in November 1984, which declared that the United States has a moral obligation to ensure that no one is hungry, homeless, or unemployed. The Reagan administration contends that its 1981 budget cuts have left intact a basic "safety net" for the truly needy; opponents argue the contrary.

Confusion over recent trends in poverty was mixed with political rhetoric in the electioneering of 1984. President Reagan in the first of his televised debates with Democratic presidential contender Walter Mondale insisted that "[Poverty] has begun to decline but it is still going up," alluding, presumably, to the recent slowdown but not reversal in the rise of the poverty rate since 1978. Republican Health and Human Services Secretary Margaret Heckler displayed ignorance of recent trends with her post-debate interview statement that poverty in America was at an all-time low. On the other hand, presidential candidate Jesse Jackson predicted at the summer's Democratic National Convention that "By the end of this year [1984], there will be 41 million people in poverty." This contradicts most analysts' expectation that improving economic conditions will reduce the number of persons below the official poverty line from the 35.3 million of 1983, the last year for which statistics are available.

This *Bulletin* attempts to sort out these varied messages about poverty in America with an overview of changes since 1959 in the size and characteristics of the poverty population and some of the ideas put forward to explain these changes. The focus is particularly on the period from 1978 to 1983 when the number of poor rose by 10.8 million, or 44 percent, from 24.5 to 35.3 million, and the poverty rate—the proportion of the total population below official poverty thresholds—rose from 11.4 to 15.2 percent. This had followed declines in the number of poor and the poverty rate from 39.5 million and 22.4 percent, respectively, in 1959 to record lows of 23.0 million people and 11.1 percent in 1973, and fluctuating numbers and rates from 1973 to 1978.

Much recent analysis of poverty covers trends only through the 1970s and thus misses much data that reveals how poverty in the 1980s differs from that of the 1960s. The increase in poverty since 1978 has been pervasive, touching every major demographic group and occurring in every region of the country and in central cities, suburbs, and nonmetropolitan areas alike. And the depth of poverty has grown as the gap has widened between the poverty thresholds and the average income of poor families. On the positive side, however, this report shows that changes in poverty levels are more closely related to the nation's economic health than to social welfare policy, so the economic recovery since 1983 may help reduce the numbers of poor.

Developing appropriate policies to combat poverty requires a clear picture of who is poor and why. Some widespread misperceptions about poverty may be dispelled by the latest data which show, for example, that:

- Most poor people are white not black, though the poverty rate remains three times higher for blacks than whites (36 versus 12 percent in 1983).
- Only 14 percent of the elderly aged 65 and over are poor.
- Just 14 percent of the poor live in inner-city ghettos (poverty areas of central cities). In 1983 a quarter of the poor lived in the suburbs of metropolitan areas.
- Although the poverty rate of female-headed families is more than four times that of male-headed families (40.5 versus 9.3 percent in 1983), most poor people in families live in male-headed families and since 1978 the poverty rate has increased faster for male-headed than for female-headed families.
- Most poor adults aged 22-64 are working or looking for work.
- Only slightly over a third (35 percent) of poor families receive cash welfare benefits.
- "Antipoverty" programs have little to do with helping people get out of poverty.

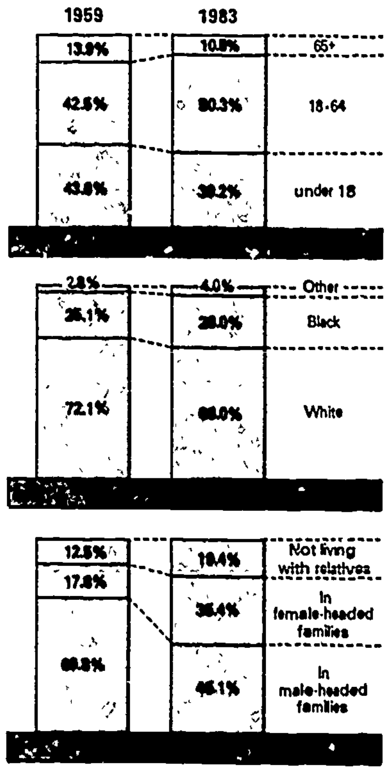
The official poverty measure counts only cash income. Some critics claim that counting in the cash value of benefits such as food stamps, housing subsidies, Medicaid and Medicare would show that the War on Poverty is close to being "won." But a recent Census Bureau study shows that even on this score at least 23.7 to 30.5 million people were poor in 1983 and the number had increased substantially since 1978.

Whatever the statistics, Americans are interested in the poverty population. As a generally compassionate people, we would like to alleviate poverty, though most would probably concede that it cannot be eradicated.

There are also pragmatic reasons for following poverty trends. Changes in the number of poor affect the cost of public assistance which in fiscal year 1984 amounted to $8.3 billion just for the federal share of Aid to Families with Dependent Children, the major federal-state cash assistance program for the nonelderly poor, and $44.2 billion for the federal share of the four chief noncash benefit programs aimed at the poor—Medicaid, food stamps, subsidized housing, and free or reduced-price school lunches. And changes in the number and location of the poor determine the allocation of federal welfare dollars to states and local areas and the additional funds they must earmark to serve the poor in their jurisdictions.

Shifts in poverty figures sway public opinion and the political climate for welfare legislation. Fraught with political and racial overtones, these shifts have been used time after time to make charges and countercharges of failed social policies or cold-hearted treatment of the poor.

Figure 1. The Poor from 1959 to 1983



Some 35.3 million persons lived below the official poverty line in 1983. By age, race, and family characteristics, the poor, who represented 15.2 percent of the total U.S. population in 1983, were a diverse group whose composition had changed since 1959. The quarter century was dominated by two trends—a general decline in poverty during the 1960s and early 1970s and a sharp increase between 1978 and 1983.

Another important trend was the decline of poverty among the elderly. In 1959, 35.2 percent of those aged 65 and over lived in poverty; by 1983, thanks in part to generous increases in Social Security, the figure was down to 14.1 percent. The proportion of all poor people comprised of adults of working age (18-64) grew from 42.5 percent in 1959 to 50.3 percent in 1983. The rise was particularly marked between 1978 and 1983.

Some 35.4 percent of all poor people in 1983 lived in families headed by a woman, up from 17.8 percent in 1959. In 1983, 40.5 percent of persons in female-headed families lived in poverty, versus 9.3 percent in male-headed families.

The proportion of the total population below the poverty line fell from 22.4 percent in 1959 to a low of 11.1 percent 1973, fluctuated about this level to 1978, and then rose to 15.2 percent in 1983.

Some observers attribute increasing poverty to government assistance for the poor, which rose sharply with the launching of the War on Poverty in the mid-1960s. In their view, this assistance has undermined the work ethic and encouraged the formation of female-headed families and welfare dependency and should be eliminated for the nonelderly poor.

Others attribute the upturn in poverty since 1978 to deteriorating economic conditions for younger workers in particular—the loss of well-paid jobs for the lesser-skilled to mechanization, automation, and foreign competition, exacerbated by recession, competition among the swollen baby boom generation, and the rising labor force participation of women. According to this school of thought, welfare assistance for the working-age poor is still needed, along with expansion of government-sponsored job training and educational programs.

It is widely agreed that a growing economy reduces poverty most effectively. With the economic recovery in 1984, the poverty figures for 1984 (available in late summer 1985) should be lower than those of 1983. But it is possible that even if the U.S. economy continues to grow in the second half of the 1980s, some young adults who missed crucial labor market experience in the early 1980s will be left permanently behind.

Partisan policymakers are seldom convinced of the objectivity of any particular study of poverty.

Because the cross-sectional data used to track the poverty population show little change from year to year in the overall demographic characteristics of this group, it is easy to believe that the same people are represented year after year. This perception is reinforced by the "culture of poverty" literature which suggests that a large body of individuals remains stuck at the bottom of the socioeconomic ladder. However, recent research following individual families from year to year shows that there is much movement into and out of poverty.

The data

This *Bulletin* relies primarily on the official government definition of poverty, the most widely accepted measure despite numerous weaknesses. This is sometimes called the Orshansky Index after Mollie Orshansky, the Social Security Administration economist who developed it in 1965 in response to the War on Poverty.

The poverty line was set at three times the cost of obtaining a minimally adequate diet, based on a 1955 survey which showed that poor families at that time spent on average about one-third of their income on food.[1] The index uses a series of income thresholds set in relation to needs, determined by family size, number of children, and age of the householder. People not living in families—called "unrelated individuals" by the Census Bureau—are essentially treated as one-person families.

These thresholds are updated each year to account for inflation. In 1983 the threshold was $10,178 for an average family of four and the range was from $4,775 for a single person over 65 to $20,310 for a family of nine or more persons.[2] It was these thresholds that produced the official count of 35,266,000 persons living below the poverty line, 15.2 percent of the total U.S. population, based on income in calendar year 1983.

The chief current criticism of the official measure is the claim that it overstates the number of people in poverty because it counts only cash income and not the in-kind food, housing subsidies and medical care assistance which obviously raise the living standards of many low-income families. In August 1984 the Census Bureau reported that counting in the cash value of these benefits would have lowered the number of poor people for 1983 to between 23.7 and 30.2 million, or 10.2 to 13.0 percent of the total population, depending on the method used to assign a cash value to the benefits.[3]

It is also pointed out that the number of poor can be overstated because of underreporting of income in the Census Bureau's Current Population Survey which gathers the data used to measure the poverty population.

Adopting measures to count noncash welfare benefits without raising poverty thresholds could mean fewer Americans would be eligible for welfare programs and probably would mean less federal money for those programs. Another political issue is that some view it unfair that the government should count noncash benefits received by the poor as income and not the noncash benefits going to the nonpoor, such as employee health benefits, business lunches, etc.[4]

Some critics argue, on the other hand, that the official poverty measure is set too low and underestimates the numbers of poor. For one thing, it is based on pretax income rather than aftertax income which better indicates resources available to a family. An April 1984 report of the Center on Budget and Policy Priorities noted that following the 1981 tax changes, the federal income tax threshold (the point at which low-income working families must start paying income tax on their wages) has "dropped far below the poverty line, so that substantial numbers of those who live in poverty now have a steadily increasing portion of their small incomes eaten up by federal income taxes." The working poor are also paying steadily more in Social Security payroll taxes.[5]

In addition, the food plan used as a

basis for the poverty measure has now been outdated by a new plan for a minimally adequate diet, based on recent nutritional studies, that would be more costly, and in any case was originally intended only as a stopgap diet while funds are low. Also, data of the early 1980s show that poor families now spend only one-fifth of their funds on food.[6]

Mollie Orshansky, in the late 1970s, estimated that a poverty index revised to take account of new information would produce a poverty population about 38 percent higher than the official measure.[7]

Public opinion polls also indicate that most Americans would consider the poverty line too low. Respondents to a 1983 Gallup poll said a family of four needed an income of $15,400 to get along in the average community.[8] This was 50 percent higher than the official poverty threshold of $10,178 for such a family in 1983.

The official poverty line is set by the Office of Management and Budget but eligibility guidelines for program assistance to the poor are set by those who run the programs and are almost always higher than the poverty line. The eligibility requirement for many programs, such as legal aid, is income below 125 percent of the poverty thresholds, which included 47 million people in 1983. The cutoff is 130 percent of the poverty threshold for food stamps and up to 195 percent for reduced-price school lunches. President Reagan has argued that the eligibility cutoffs are too high and allow programs to serve persons other than the "truly needy." A more reasonable interpretation would seem to be that official poverty thresholds are unrealistically low.[9]

The official poverty measure obviously has deficiencies, but many of these offset each other and others have trivial impacts. To show trends over time and group differences, as in this *Bulletin*, the measure serves reasonably well.

The Bureau of the Census is the major supplier of statistical information on the poor. In the 1960, 1970, and 1980 decennial censuses, sufficient information was collected to determine poverty status. Between the censuses, information on cash income (including welfare income, if any) and noncash benefits from government programs received in the previous calendar year is collected in the March round of the Current Population Survey, a monthly Census Bureau survey of about 60,000 households across the nation. This information is used for an annual Census Bureau statistical portrait of the population below the poverty level and periodic reports on special poverty topics, such as receipt of noncash benefits.

A particularly useful source of information on movements into and out of poverty is the University of Michigan Panel Study of Income Dynamics. Designed to study disadvantaged groups, this study has gathered annual information since 1968 on some 5,000 families across the nation, including members who have left the original families.

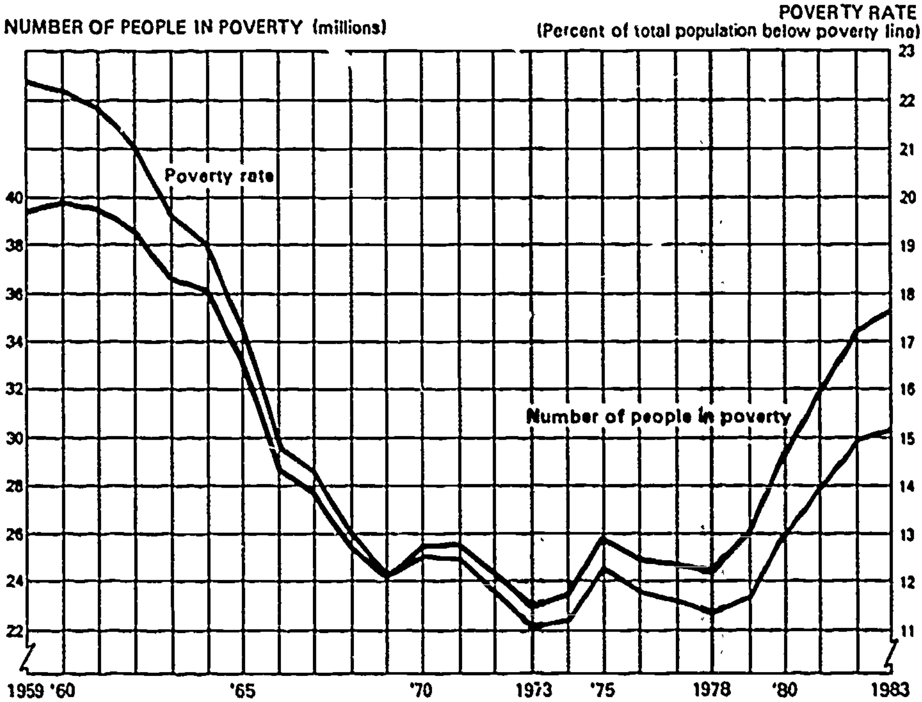
As results become available, the Census Bureau's Survey of Income and Program Participation, which began fieldwork in the fall of 1983, is likely to provide the most comprehensive information on low-income groups. Interviewing the same people in samples of 20,000 at four-month intervals over two and a half years, it is gathering information more detailed than possible from the household-based Current Population Survey on income, assets, and noncash benefits received from private business programs as well as the government.

Poverty Trends: 1959-1983

Figure 2 (page 8) shows the three distinct periods of poverty change since 1959, the first year for which the official poverty measure was used. Between 1959 and 1973 the number of poor fell from 39.5 million to just under 23 million and the poverty rate was halved from 22.4 to 11.1 percent. This continued the trend from 1950 to 1960 when the poverty rate fell by nearly ten percentage points, according to unofficial estimates.

From 1973 to 1978 the figures hovered

Figure 2. Number of Poor and Poverty Rate: 1959-1983



Year	Number of people in poverty (in 1,000s)	Poverty rate - Percent of total population below poverty line	Year	Number of people in poverty (in 1,000s)	Poverty rate - Percent of total population below poverty line
1959	39,490	22.4	1974	23,370	11.2
1960	39,851	22.2	1975	25,877	12.3
1961	39,628	21.9	1976	24,975	11.8
1962	38,625	21.0	1977	24,720	11.6
1963	36,436	19.5	1978	24,497	11.4
1964	36,055	19.0	1979	26,072	11.7
1965	33,185	17.3	1980	29,272	13.0
1966	28,510	14.7	1981	31,822	14.0
1967	27,769	14.2	1982	34,398	15.0
1968	25,389	12.8	1983	35,266	15.2
1969	24,147	12.1			
1970	25,420	12.6			
1971	25,559	12.5			
1972	24,460	11.9			
1973	22,973	11.1			

Sources: Bureau of the Census, Characteristics of the Population Below the Poverty Level 1978, *Current Population Reports*, Series P-60, No 124, 1980, Table 1, and Characteristics of the Population Below the Poverty Level 1983, *Current Population Reports*, Series P-60, No 147, 1985, Table 1

near these low points. The small rise in the number of poor to 24.5 million in 1978 was partly due to the increasing size of the total population. The poverty rate was pushed over the 12 percent mark, to 12.3 percent, only in one year, 1975, largely due to a recession-induced unemployment rate of 8.5 percent. This waffling of the poverty rate partly reflected diverging trends among the elderly and the nonelderly. Poverty among the elderly continued to fall during the 1970s, but poverty among the nonelderly bottomed out.

Some observers contend that omission of noncash benefits from the official poverty measure masks what was a continued decline in the real level of poverty during the mid-1970s. By 1975 noncash benefits made up more than half of means-tested government welfare assistance, compared to only 25 percent in 1965.[10] According to one study, counting in the cash value of these benefits would have lowered the 1976 poverty rate from 11.8 to 6.7 percent.[11]

The attention drawn to this issue by a 1977 report of the nonpartisan Congressional Budget Office prompted Congress to mandate a Census Bureau study of the topic.[12] Meanwhile, many analysts were calling for a reassessment of poverty trends to reflect increases in noncash benefits.[13] Martin Anderson of Stanford University's Hoover Institution and later President Reagan's chief domestic policy adviser testified to Congress in 1980 that counting noncash benefits in the official poverty measure would show that "the 'War on Poverty' that began in 1964 has been largely won."[14] That conclusion proved to be premature.

By 1983 the number of poor according to the official measure was 35.3 million, the highest since 1964, and the poverty rates of 1982 and 1983—15.0 and 15.2 percent—were the first above 15 percent since 1965. As noted, the August 1984 Census Bureau report indicates that counting noncash benefits along with cash income in the poverty measure lowers the absolute numbers and the percentages in poverty.[15] Nevertheless, three methods for valuing food stamps, medical care (Medicaid and Medicare), and housing subsidies all show that the proportion of people in poverty rose about four percentage points between 1979 and 1983.

The "depth" of poverty has also increased. Between 1978 and 1983 the poorest of the poor, families with annual incomes under $5,000 (in 1983 dollars), increased from 3.9 to 5.7 percent of all families.[16] At the same time, while the poverty thresholds stayed the same in real terms (that is, rising only as much as inflation), the median income for poor families measured in 1983 dollars fell from $5,507 to $4,225 and the poverty gap—the average amount between the cash income of the poor and the poverty thresholds—widened from $2,947 to $3,557.[17] The gap was not being filled by noncash benefits. From 1979 to 1983 the number of poor persons increased by 35 percent, but federal expenditures on means-tested noncash benefits rose only 10.4 percent, from $45.2 to $49.9 billion (in constant 1983 dollars), so noncash benefits per poor person fell.

Perspectives on Poverty

Social analysts Charles Murray and Michael Harrington are leading spokesmen for two very different schools of thought on poverty among the able-bodied poor of working age.[18] Murray focuses on the end of the poverty decline in the 1970s; Harrington on the upturn into the early 1980s. But both are useful to sort out factors that might explain trends since 1959.

Murray contends that welfare benefits of the War on Poverty, offered to the poor as a right rather than a handout, have among blacks in particular discouraged work and encouraged formation of female-headed families, the most likely to be poor. (See page 10 for a description of War on Poverty programs.) He credits a strong economy with the fall in poverty during the 1950s and 1960s but blames social policy for the failure of the decline to continue in the 1970s and argues that

The War on Poverty

Part of President Lyndon Johnson's "Great Society," the War on Poverty was formally launched with passage of the Economic Opportunity Act in August 1964. It included [illegible] of a wide variety of programs designed to provide the poor with [illegible] medical care, food and shelter [illegible] job training and education [illegible] escape from poverty. [illegible]

Benefits were increased in [illegible] and subsidized school lunches and housing. New programs [illegible] (for the elderly), Medicaid (for all poor), Supplementary Security [illegible] Corps (later part of CETA, the Comprehensive Employment and [illegible] Model Cities, Legal Aid, Headstart, school aid for high-poverty [illegible] and Secondary Education Act, Upward Bound, Foster Grandparents [illegible] pro-grams continued to expand through the 1970s, but since 1981 many have been sharply reduced (e.g., AFDC, food stamps, subsidized housing) or ended (e.g., CETA).

all government assistance programs should be eliminated for the able-bodied poor of working age. This view touches a raw nerve in the American public who watched social spending increase dramatically from the mid-1960s to the early 1980s with little or no visible impact on lowering poverty.

Harrington, on the other hand, views poverty among the working-age population as a direct response to economic trends—falling during the boom time of the 1960s, going up and down like the recession-pocked economy in the 1970s. The high unemployment and "new poverty" since the late 1970s he blames on structural changes in the economy that have made it much more difficult to obtain and keep decent-paying jobs with prospects for advancement. With mass-production manufacturing now going to Third World countries and automation in the U.S., high-paid unionized manufacturing jobs are being eliminated, to be replaced by low-paid, unstable service jobs. To protect workers from the hardships of economic dislocations, he calls for increased, or at least restored government assistance (the large bulk of which has hitherto gone to the elderly, as he points out), along with policies to achieve full employment.

Which is right? Is poverty increasing because antipoverty programs have unwittingly undermined the work ethic, as Murray implies, or is the nation's economic health the key, as Harrington argues?

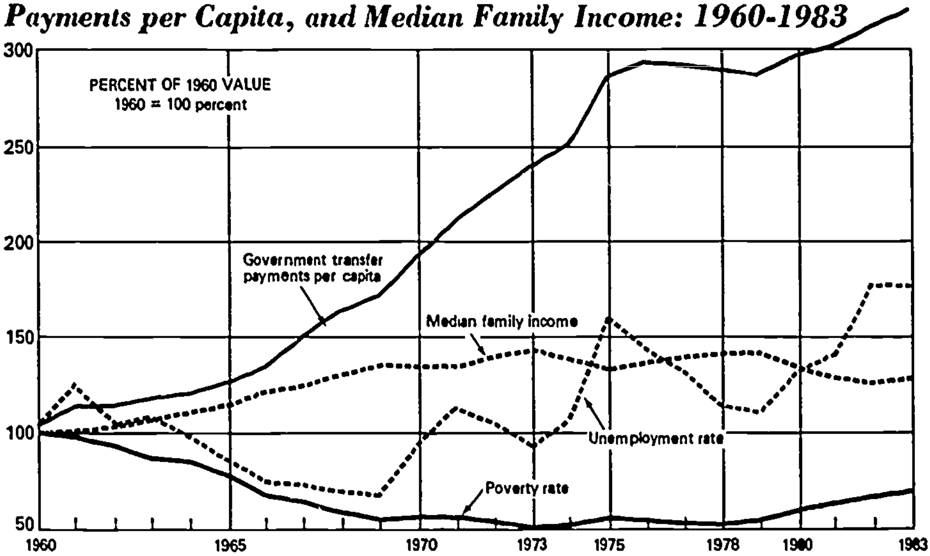
Anecdotal evidence could be used to build a case for either view. Press stories feature welfare "cheats," who under-report job earnings, and slackers who refuse to work, and also industrious citizens who have simply fallen on hard times. But this *Bulletin* looks at the total poverty population and draws on the two views to see how [illegible] they explain broad trends over the past 25 years, particularly the recent upsurge in poverty.

Explaining the Trends

Figure 3 shows yearly changes from 1960 to 1983 in the poverty rate and three key measures one might expect to see reflected in poverty trends: the unemployment rate, government transfer payments per capita, and median family income. The four measures are expressed as percentages of their 1960 values, adjusted for population growth and inflation. The actual values are shown at the bottom of the figure, with per capita transfer payments and median family income held constant in 1983 dollars.

The measures have drawbacks. Me-

Figure 3. Poverty Rate, Unemployment Rate, Government Transfer Payments per Capita, and Median Family Income: 1960-1983



Actual values: 1960-1983

Year	Poverty rate (percent)	Unemployment rate (percent)	Government transfer payments[a] per capita (in 1983 dollars)	Median family income (in 1983 dollars)
1960	22.2	5.5	538	18,907
1961	21.9	6.7	593	19,100
1962	21.0	5.5	597	19,617
1963	19.5	5.7	617	20,335
1964	19.0	5.2	625	21,100
1965	17.3	4.5	656	21,968
1966	14.7	3.8	697	23,123
1967	14.2	3.8	791	23,672
1968	12.8	3.6	853	24,720
1969	12.1	3.5	894	25,636
1970	12.6	4.9	1,003	25,317
1971	12.5	5.9	1,118	25,301
1972	11.9	5.6	1,189	26,473
1973	11.1	4.9	1,264	27,017
1974	11.2	5.6	1,133	26,066
1975	12.3	8.5	1,529	25,396
1976	11.8	7.7	1,562	26,179
1977	11.6	7.0	1,552	26,320
1978	11.4	6.0	1,535	26,939
1979	11.7	5.8	1,526	26,885
1980	13.0	7.0	1,580	25,418
1981	14.0	7.5	1,606	24,525
1982	15.0	9.5	1,670	24,187
1983	15.2	9.5	1,728	24,580

Source. Office of Management and Budget. *Economic Report of the President.* February 1985. Appendix B.
[a]Federal government cash transfer payments include Social Security retirement and disability payments, unemployment insurance, Aid to Families with Dependent Children, Supplemental Security Income, and veterans benefits. For a description of federal government cash and noncash assistance programs, see pages 26-29.

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dian family income does not reflect changing family composition; the unemployment rate does not reflect the rise in families with two workers and leaves out "discouraged" workers; and government transfer payments go to both the poor and the nonpoor. Nonetheless, the indicators capture many of the major changes in American life over the past quarter century.

During the 1960s the poverty rate fell dramatically to 54.5 percent of its 1960 value by 1969. This was accompanied by a 36.4 percent decline in unemployment, a 35.6 percent increase in real median family income, and a 66.2 percent increase in per capita government transfer payments. All three trends are plausible explanations for the poverty decline, so it is difficult to say which had the greatest effect.

It is tempting to see the growth of transfer payments as reflecting the antipoverty programs launched in the mid-1960s and link this with the poverty decline. This would be contrary to Murray's view. But Murray argues—and he is correct—that funding for these programs took off only in the late 1960s, which was *after* the sharp drop in the poverty rate.

During the early to mid-1970s, the poverty rate hovered at 50-55 percent of its 1960 value, while unemployment turned sharply upward and median income growth slowed as the first of the 1970s mini-recessions took hold in the wake of the OPEC oil price hike of late 1973. However, per capita government transfer payments grew even faster than in the 1960s. During the Kennedy-Johnson years of 1961-1968, these payments had grown by 43.6 percent; in the Nixon-Ford years (1969-1976), the increase was 74.7 percent. If government transfer payments had played an important role in the poverty decline of the 1960s, that decline should have been even more rapid in this next period. This clearly did not happen. Nevertheless, one might still conclude that transfer payments had a major impact on lowering poverty up to the late 1970s if one assumes that poverty continued to fall in the 1970s but this was missed in the Census Bureau figures which excluded noncash benefits.

But the picture changed after 1978. Per capita transfer payments continued to climb but the poverty rate turned upward, which was the wrong direction if earlier changes in the poverty level were linked to growth in transfer payments. The poverty upturn is clearly associated with the dramatic increase in the unemployment rate and decline in median family income from 1978 to 1982 (though both leveled off in the following year), just as the reverse was true in the 1960s.

Interpreting the association between government transfer payments and poverty trends is confused because the 1978-1983 growth in these payments could be due to increasing numbers of poor who are eligible for cash welfare rather than overall expansion of government cash assistance programs. But this is not the reason for the growth because most of the payments go to the nonpoor, as detailed later (see page 29).

This is also one reason why there is little relationship between the growth in per capita transfer payments and changes in poverty since 1960. The largest proportion of government cash benefits (Social Security retirement and disability payments and unemployment insurance) is not distributed according to need and goes primarily to the middle class rather than people below the poverty line. Another reason is that most of the cash and noncash benefit programs that are "means-tested" (Aid to Families with Dependent Children, Supplemental Security Income, Medicaid, food stamps, subsidized housing and school lunches) are intended only to provide the poor with a "safety net" of basic income, food, shelter, and medical care and not to boost income above the poverty level. The job training and educational programs that might lead to economic independence are a very small part of the social welfare system, and a part that has been reduced sharply since 1981[19] (see pages 29, 35-36).

Government benefits have expanded greatly since 1960 and have alleviated many of the hardships of poverty, but they have had little to do with changes in the poverty rate of the nonelderly. The limited antipoverty effects of social programs targeted toward the nonelderly have been more than offset by a deteriorating economy in the late 1970s and early 1980s, resulting in the rising poverty rate of 1978-1983.[20]

This increase represents a new kind of poverty. Much of the old poverty is still there, but the increase has not occurred primarily among those groups usually viewed as the most vulnerable. Poverty has gone up rapidly for younger adults of working age and scarcely at all for the elderly of retirement age, 65 and over, and has increased faster among male-headed than among female-headed families and faster among whites than among blacks. Social welfare programs have provided some protection for the vulnerable groups—ill-educated mothers without spouses and their children, the disabled, and certainly the elderly—but there are few safeguards for those expected to avoid poverty through participation in the work force.

Experiences of Younger and Older Working-Age People

Changes in our economy that resulted in growing poverty from 1978 to 1983 have been particularly disadvantageous for younger workers and their families.

Most of the poverty increase in these five years occurred among younger adults and their children. In 1983 the poverty rate for families with a householder under 25 was 29.5 percent, up from 18.5 percent in 1978. For families with a householder aged 45-64, the rate was only 8.7 percent in 1983 and 6.4 percent in 1978. For those in between—with a householder aged 25-44—the figures were 14.2 percent in 1983 and 10.2 percent in 1978.[21] In 1983, 81 percent of children in poor families—compared to 65 percent of all children under 18—lived in a family where the householder was under 45. Of the 6.9 million adults added to the poverty population between 1978 and 1983, 5.5 million were aged 18-44 (see Table 1, page 14).

The figures in Table 1 further suggest that the new poverty is due to the difficulty younger workers now have in finding and keeping a reasonably well-paid job. The 5.5 million increase in poor people aged 18-44 made up half (51 percent) of the total 10.8 million people added to the numbers of poor between 1978 and 1983. The numbers in poverty in this age group went up 93.3 percent for men and 56.9 percent for women. By contrast, the poor among the 45-64 year-old age group went up by less than a million: 33 percent for men and 22.5 percent for women. This supports Harrington's argument that changes in the U.S. occupational structure are causing many sons and daughters of middle-class, blue-collar families to slip into the ranks of the poor, either forced to take low-paying, unstable service jobs or finding none at all.[22] Adults aged 45-64 are more likely to have jobs that keep them above the poverty income level and less likely to lose them in hard times because they are typically more established in their careers if they are white-collar workers and have seniority if they are blue-collar workers.

Most of the elderly of retirement age, 65 and over, are not dependent on wages for income, so changes in the economy are not likely to affect them. The numbers in poverty of this age went up less than half a million, or 14.8 percent, between 1978 and 1983.

The plight of younger adults is partly linked to increased competition for jobs due to the tidal wave of baby boomers (born 1947-1964) in the young working ages in recent years, the loss of jobs to mechanization and automation, and increased female labor force participation. These factors were not so pronounced and did not matter so much in the 1960s

Table 1. Number of People in Poverty, by Age and Sex, 1978 and 1983, and Increase, 1978 to 1983

Age and sex	Number (in 1,000s)		Increase 1978 to 1983	
	1978	1983	Number (in 1,000s)	Percent
All ages				
Males	10,017	15,182	5,165	51.6
Females	14,480	20,084	5,604	38.7
Total	24,497	35,266	10,769	44.0
Under 18				
Males	4,917	6,885	1,968	40.0
Females	5,014	6,922	1,908	38.1
Total	9,931	13,807	3,876	39.0
18-44				
Males	2,832	5,474	2,642	93.3
Females	4,998	7,843	2,845	56.9
Total	7,830	13,317	5,487	70.1
45-64				
Males	1,317	1,751	434	33.0
Females	2,187	2,679	492	22.5
Total	3,504	4,430	926	26.4
65 and over				
Males	951	1,072	121	12.7
Females	2,282	2,640	358	15.7
Total	3,233	3,712	479	14.8

Sources: Bureau of the Census, "Characteristics of the Population Below the Poverty Level, 1978," Table 11, and "Characteristics of the Population Below the Poverty Level, 1983," Table 11.

and early 1970s when the economy was strong, but began to take their toll in the mid-1970s when economic growth slowed.

The situation for young job-seekers has been exacerbated by the fact that American workers are increasingly competing with foreign workers in an international marketplace, as Harrington emphasizes. In 1966 U.S. exports of machinery and transportation equipment, for example, brought in two-and-a-half times the value of such imports; by 1983 imports exceeded exports by 5 percent.[23] Well-paid jobs for low-skilled labor are drying up as American workers compete with workers in Asia and South America where payscales are a fraction of U.S. rates.

The shifting international distribution of manufacturing jobs is reflected in the changing U.S. occupational structure. The share of the U.S. work force in manufacturing fell from 31 percent in 1960 to 21 percent in 1983. In 1983 there were fewer jobs in manufacturing than in 1970. In the 1960s, an unskilled or semi-skilled young person could move into a job on the assembly line and earn enough to support a family. In the 1980s, that kind of job has all but disappeared. Evidence of young people's difficulties in today's job market is the unemployment rate among teenagers which has been running near 20 percent for all teenagers and more than twice that among black teenagers, compared to the 9.5 percent unemployment rate for the total work force in 1982 and 1983.

In addition, mechanization is now eliminating jobs of workers who have already put in ten or more years. Those who have jobs are obviously aware of their precarious position. Job protection was more important than wage increases in the industry-setting contract negotiations between the United Automobile Workers and General Motors in the fall of 1984, and the Department of Labor reports that there were fewer strikes in 1984 than in many years past.

While workers who have kept their manufacturing jobs are doing well, many of those who have been laid off or failed to find such a job are now battling poverty and many are losing the battle. This produced a paradox in 1983 in Flint, Michigan, a quintessential manufacturing city, which had both the highest earnings per worker and the highest unemployment rate of any major U.S. city in that year.

Murray evidently feels structural changes in the economy had no bearing on poverty levels over the past 20 years. Harrington believes they are the root of the problem.

Changing Demographics of the Poor

The poor in America add up to far more than a handful of individuals in a few

Table 2. Poverty Population of Regions and Nonmetropolitan and Metropolitan Areas: 1959, 1978, 1983

Area	Number of poor (in 1,000s) 1959	1978	1983	Poverty rate (percent) 1959	1978	1983
Total	38,766	24,497	35,266	22.0	11.4	15.2
		Regions				
South	19,116	10,255	13,484	35.4	14.7	17.2
Outside the South	19,650	14,242	21,782	16.0	9.8	14.2
Northeast	—	5,050	6,561	—	10.4	13.4
North Central	—	5,192	5,536	—	9.1	14.6
West	—	4,000	6,684	—	10.0	14.7
		Nonmetropolitan and Metropolitan Areas				
Nonmetropolitan areas	21,747	9,407	13,516	33.2	13.5	18.3
Metropolitan areas	17,019	15,090	21,750	15.3	10.4	13.8
Central cities	10,437	9,285	12,872	18.3	15.4	19.8
Suburbs[a]	6,582	5,805	8,878	12.2	6.8	9.6

Sources. Bureau of the Census, Characteristics of the Population Below the Poverty Level, 1978, Table 4, and "Characteristics of the Population Below the Poverty Level: 1983," Table 4.

[a]Data for portion of metropolitan areas that is outside central cities.

pockets of poverty as some would have us believe. The 35 million people below the poverty line in 1983 exceeded the entire population of all but 23 countries in that year, including such major nations as Argentina, Austria, Canada, Sweden, and Taiwan. A population this large is bound to be diverse. However, a look at the demographics of the poor—residence, age, sex, race, family status—shows that some groups are more likely to be poor than others, although poverty increased in almost all groups between 1978 and 1983.

Region

In 1959 the South contained 49 percent of the nation's poor people (19 million of the 39 million total) and its poverty rate (35.4 percent) was more than double that of the rest of the nation (16.0 percent), as shown in Table 2. By 1983 the South's share of poor people was down to 38.2 percent and its poverty rate (17.2 percent), though still highest of all four Census Bureau-defined regions of the country, was just three percentage points above the average outside the South (14.2 percent).

However, poverty rates had increased even in the booming Sunbelt states of the South and West between 1978 and 1983, although, as might be expected, the rises were sharpest in the "smokestack" states of the North Central region (Michigan, Ohio, Illinois, etc.) and Northeast (Pennsylvania, New Jersey, New York, etc.).

Central cities, suburbs, nonmetropolitan areas

As in 1959, the poverty rate of 1983 was higher in nonmetropolitan areas (18.3 percent) than in metropolitan areas (13.8 percent). But the rate was still higher in the central cities of metropolitan areas—19.8 percent (Table 2). Central city residents are twice as likely to be poor as suburban dwellers (9.6 percent). But between 1978 and 1983, the poverty rate increased more in the suburbs (41 percent) than in either central cities (29 percent) or nonmetropolitan areas (37 percent). Today, about one of every four poor persons in the nation lives in the suburbs.

Table 3. Poverty Rate in the 20 Largest Standard Metropolitan Statistical Areas: 1978 and 1983

Standard Metropolitan Statistical Area	Poverty rate (percent) 1978	1983
1. New York	13.6	17.1
Central city	18.7	23.4
2. Los Angeles-Long Beach	10.9	18.5
Central cities	12.4	21.4
3. Chicago	9.7	14.4
Central city	18.4	27.2
4. Philadelphia	11.2	13.9
Central city	19.8	24.8
5. Detroit	6.6	16.6
Central city	12.1	36.4
6. San Francisco-Oakland	7.6	7.6
7. Washington, D.C.	6.1	7.3
8. Boston	11.9	7.8
9. Pittsburgh	5.6	13.8
10. St. Louis	9.2	15.8
11. Baltimore	10.2	10.9
12. Cleveland	5.7	11.5
13. Houston	11.9	10.3
14. Newark	11.7	13.9
15. Minneapolis-St. Paul	6.1	9.0
16. Dallas	6.8	10.6
17. Seattle-Everett	6.7	10.5
18. Anaheim-Santa Ana-Garden Grove, Calif.	5.4	8.9
19. Milwaukee	6.0	10.8
20. Atlanta	12.3	16 3

Sources Bureau of the Census, Characteristics of the Population Below the Poverty Level 1978," Table 10, and "Characteristics of the Population Below the Poverty Level. 1983, Table 10.

The poverty rate of central cities was actually higher in 1983 than in 1959—19.8 versus 18.3 percent. This reflects not only a growing number of poor in central cities but also a large exodus of the middle class and well-to-do. In the early 1980s, central cities were experiencing net outmigration of over 2 million a year as many people with the means to move did so. Those left behind in often deteriorating neighborhoods are frequently the disadvantaged—the elderly and minority groups.

Central city residents appear worst off in the largest metropolitan areas. In 1983 poverty rates in the central cities of the five largest standard metropolitan statistical areas (SMSAs) were all higher than the national average of 19.8 percent for central cities (see Table 3).

Between 1978 and 1983, poverty rates increased in 17 of the 20 largest SMSAs, declined in only two (Boston and Houston), and remained unchanged in one (San Francisco–Oakland). In the hard-hit industrial SMSAs of the North—Detroit, Pittsburgh, and Cleveland—the poverty rate more than doubled in these five years, and in the central city of the Detroit SMSA, it tripled.

While many people associate poverty with central city ghettos, only about 14 percent of the nation's poor lived in Census Bureau-defined poverty areas of central cities in 1983 and within central cities, more poor people lived outside poverty areas (7.9 million) than in them (5 million). (A poverty area is one with more than 20 percent of the population in poverty.) Poverty is increasing more rapidly outside poverty areas than inside. The number of central-city poor people outside poverty areas went up 52.0 percent from 1978 to 1983, compared to 33.2 percent inside these areas.

Age differences

Changes in poverty rates by age over the past quarter century are a good news-bad news story: good news if you were old; bad news if you were young.

Social welfare programs have been most successful in reducing poverty among the elderly aged 65 and over, for whom the poverty rate plunged from 35.2 percent in 1959 to just 14.1 percent in 1983 (see Table 4). Most of this decline has been achieved through government support programs, notably Social Security retirement payments, started in the 1930s and, unlike payments under Aid to Families with Dependent Children (AFDC), indexed to rise with inflation, and Medicare. As Budget Director David Stockman testified to Congress in 1984, without government transfers, 55.1 percent of the elderly would have been poor in 1983, four times the actual 14.1 per-

Table 4. Number of Poor and Poverty Rate, by Age, Sex, Race and Spanish Origin, and Family Status: 1959, 1978, 1983

	Number of poor (in 1,000s)			Poverty rate (percent)		
Characteristics	1959	1978	1983	1959	1978	1983
Total	39,490	24,497	35,266	22.4	11.4	15.2
Age						
Under 18	17,208	9,931	13,807	26.9	15.9	22.2
18-64	16,801	11,333	17,748	17.4	8.7	12.4
65 and over	5,481	3,233	3,711	35.2	13.9	14.1
Race and Spanish origin						
White	28,484	16,259	23,974	18.1	8.7	12.1
Black	9,927	7,625	9,885	55.1	30.6	35.7
Spanish origin[a]	—	2,607	4,249	—	21.6	28.4
Sex						
Males	—	10,017	15,182	—	9.6	13.5
Females	—	14,480	20,084	—	13.0	16.8
Family status						
In families	34,562	19,062	28,434[b]	20.8	10.0	14.1
In male-headed families	27,548	9,793	15,940	18.2	5.9	9.3
In female-headed families	7,014	9,269	12,494	49.4	35.6	40.5
Unrelated individuals[c]	4,928	5,435	6,832	46.1	22.1	23.4

Sources Bureau of the Census, 1959 and 1978 Characteristics of the Population Below the Poverty Level, 1978, Tables 1 and 11, 1983: "Characteristics of the Population Below the Poverty Level: 1983," Tables 1 and 11.

[a]Persons of Spanish origin may be of any race.

[b]The 1983 family data have been adjusted to include 630,000 persons living in unrelated sub-families below the poverty line who are not included in these categories in the published Census Bureau report on poverty for 1983.

[c]Unrelated individuals are persons not living with persons related to themselves by blood or marriage

cent.[24] With inflation-proof Social Security, the poverty rate of the elderly had increased only minimally from 13.9 percent in 1978. Even with the remarkable reduction in their poverty rate since 1959, however, there were still 3.7 million elderly people with incomes below the poverty line in 1983 and another 2.2 million with incomes between 100 and 125 percent of the poverty threshold.[25]

Programs to assist children have not been nearly so widespread or generous. The poverty rate for children under 18 went from 26.9 percent in 1959 to a low 13.8 percent in 1969 and then climbed to 15.9 percent in 1978 and on up to 22.2 percent in 1983, when it was a full seven percentage points above the average rate for all ages. The increased proportion of children living in poverty is linked to the growth in female-headed households. In 1959, 24 percent of poor children lived in female-headed families. By 1983 the figure was up to 49 percent. However, the sharp rise in the poverty rate for children between 1978 and 1983 had less to do with the growth of female-headed families than with rising unemployment and declining family income. Only a quarter of the 4 million children under 18 added to the poverty population in those five years lived in female-headed households.

Another reason for the rise in poverty among children was the decline in benefits from AFDC, the principal program to assist poor single-parent families with children. Between 1976 and 1982, the


Government assistance programs have been most successful in reducing poverty among the elderly.

average monthly federal payment per recipient family, measured in 1982 dollars, dropped from $400 to $303.[26]

American society has clearly changed in terms of responsibility for dependents. Fifty years ago, family members in the working ages were expected to take care of both children too young to work and parents too old to work. Now there is substantial government assistance available for the elderly, but children can qualify for meager public assistance only when their parents are destitute.

Poverty among the working-age population (18-64) was halved from 17.4 to 8.7 percent between 1959 and 1978, but rose as steeply as the rate for children in the next five years, to 12.4 percent in 1983. Due largely to total population growth, there are now more working-age poor than there were in 1959. But people this age are still less likely to be poor than either children under 18 or the elderly over 65.

Male/female differences

The balance between males and females in the poverty population has changed less than one might suppose, given the popular impression of the "feminization of poverty," evoked by the growth in poor female-headed families. The female share of the overall poverty population was the same in 1983 as it was in 1966 (the earliest available data)—57 percent.

Since children in poverty are split evenly among boys and girls, the proportion of adults in poverty who are women is somewhat higher. Sixty-two percent of the poor aged 21 and over in 1983 were women and this too was the same as in 1966.

One obvious reason for the higher proportion of adult women in poverty is the growth of families headed by a woman, almost always without a husband present. Because of the lower wages received by women and because many separated and divorced mothers fail to receive child support, these families are much more likely than two-parent families to have incomes that put them below the poverty level.

Another reason is that women outlive men and the numbers of women in poverty are inflated by the large number of widows with meager incomes. Of the 4.2 million poor women in 1983 who were "unrelated individuals" not living in families, 1.9 million were 65 or older.[27] Among unrelated individuals the poverty rate is higher for women than men at age 65 and over, but very similar at younger ages. At ages 25-34 in 1983, for example, the rate was 15.3 percent for males and 15.0 percent for females.[28]

Although the female share of the adult poverty population in 1983, 62 percent, was the same as in 1966, it had been 66 percent in 1978. Fewer women than men slipped into poverty between 1978 and 1983. This could have been partly because adult women are less dependent than men on earnings from wages, so they were less affected by the recessions in these five years. In 1982, 84 percent of the income for men came from wages and salaries, compared to 76 percent for women.

Even though poverty has been increasing faster for men than for women since 1978, females are still more likely than males to be poor. In 1983 the overall poverty rate for females was 16.8 percent compared to 13.5 percent for males (Table 4).

Poverty among blacks

Discussions of poverty and welfare are typically laced with racial overtones. This is partly a legacy of the Great Society era of the 1960s when the War on Poverty and the civil rights movement arose simultaneously and issues of poverty and racial equality were often intermingled. Also, an obvious reason is that over one-third of the black population is poor and the poverty rate of blacks is three times that of whites—35.7 versus 12 1 percent in 1983 (Table 4). In 1983 the 9.9 million blacks with incomes below the poverty line comprised 28 percent of the poor, although blacks as a whole accounted for only 12 percent of the nation's total population.

The poverty status of blacks relative to whites has not changed at all over the past quarter of a century; in 1959, as in 1983, blacks were three times more likely than whites to be poor. Furthermore, like poverty rates in general, the rate for blacks has been moving upward in recent years. That rate reached its lowest point, 30.3 percent, in 1974, hovered around 31 percent until 1978, and then climbed to 35.7 percent in 1983. Between 1978 and 1983, the rise in the poverty rate was actually less for blacks than for whites—17 versus 39 percent.

Discouraging as it is, the 35.7 percent poverty rate for blacks is still a marked improvement over 1959 when over half (55.1 percent) of the black population was officially poor and almost two-thirds (65.6 percent) of all black children under age 18 were living in poverty families. In 1983, 45.2 percent of black children were living in poverty families. This was still in stark contrast to the figure for white children—17 percent.

Regional shifts illuminate the trend in black poverty. The South's economic gains in recent years could be expected to benefit blacks disproportionately since 53 percent of American blacks still reside in this region. In 1959 the poverty rate among blacks in the South (68.5 percent) was twice the rate for blacks outside the South (34.3 percent). (See Table 5.) By 1970 both rates had dropped substantially but the gap between them remained the same. In the early 1970s, poverty among blacks in the South fell further and rose only from 34.1 to 37.5 percent between 1978 and 1983. Outside the South, however, the black poverty rate soared from 19.1 percent in 1970 to 33.8 percent in 1983. This trend suggests that poverty rates for blacks inside and outside the South will soon converge.

These regional changes are obviously related to the decline in heavy industry in the North, particularly in the North Central region (the Midwest), which had provided the jobs that boosted large numbers of blacks into the middle class after World War II, in contrast to the recent economic growth of the South. The fact that the majority of blacks live in the South both helps keep the overall black

Table 5. Poverty Rates of Blacks, by Region: 1959, 1970, 1978, 1980, 1983

	Poverty rate (percent)				
Region	1959	1970	1978	1980	1983
South	68.5	42.6	34.1	35.1	37.5
Outside the South	34.3	19.1	26.7	29.6	33.8
Northeast	—	20.0	29.1	30.7	32.5
North Central	—	25.7	24.8	33.3	39.2
West	—	20.4	26.1	19.0	25.6

Sources Bureau of the Census. Characteristics of the Population Below the Poverty Level 1978, Table 1, Characteristics of the Population Below the Poverty Level 1980, *Current Population Reports*, Series P 60, No 133, 1982, Table 1, and Characteristics of the Population Below the Poverty Level: 1983," Table 1.

poverty rate high—because the black poverty rate is still highest in the South—and has dampened the recent national increase in black poverty—because the rise has been much less in the South than elsewhere.

Changes in poverty among blacks have also been closely linked to the increase in female-headed households among blacks, as noted later.

Table 4 shows that the poverty rate for the Spanish-origin population in 1983 (28.4 percent) was lower than that of blacks (35.7 percent), but still well over twice that of the white population as a whole (12.1 percent). This rate too had gone up markedly from 1978 when it was 21.6 percent.

Poverty by family status

Persons living in families are generally much less likely to be poor than "unrelated individuals" not living in families; in 1983 the poverty rates for these two groups were 14.1 percent and 23.4 percent, respectively (Table 4). But this is not the case if the family is headed by a woman. In 1983, 40.5 percent of people in female-headed families were poor—more than four times the 9.3 percent for male-headed families. This clearly reflects the fact that men earn substantially more than women, on average, so that households with male earners are much less likely to fall below the poverty line.

The 1983 poverty rate of 40.5 percent for people in female-headed families was down less than one-fifth from the rate of 49.4 percent in 1959, while the rate for male-headed families had been cut in half, from 18.2 to 9.3 percent. During this quarter century, the poverty rate for male-headed families was much more responsive to economic swings, falling faster than the rate for female-headed families during the boom times of the 1960s and early 1970s and rising much more rapidly during the economic downturn from 1978 to 1983.

Female-headed families with income below the poverty threshold doubled from 1.9 to 3.8 million between 1959 and 1983. By 1983, 48 percent of families in poverty were headed by a woman, although female-headed families made up only about 14 percent of all families.

In sum, the swings in poverty over the past 25 years have been widespread, with the number of poor and the poverty rates for various demographic groups all falling between 1959 and the early to mid-1970s and then increasing between 1978 and 1983. The recent trend is clear and pervasive; regardless of region, age, sex, race, or family status, poverty has increased since 1978. The situation has deteriorated most for those who depend on earnings for income. Hopefully, this upturn in poverty will be reversed by the resurgence of the economy in 1984.

These changes give a clue as to the relative merits of Murray's and Harrington's viewpoints. If antipoverty programs fueled the increase, as Murray's view would have it, the recent increase might be expected to be more evident among groups prone to rely on welfare. Instead, the increase has been more rapid among those least likely to be welfare recipients.

Movements in and out of Poverty

A major drawback of yearly poverty statistics derived from the Current Population Survey is the inability to follow the movement of individual families and people into and out of poverty. Because these statistics, based on a cross-section of households, show relatively little annual change in the numbers and demographic characteristics of the poverty population, it is easy to take them as representing the same people each year. This perception is reinforced by writings on the "culture of poverty" and "underclass" which portray the poor as a permanent, well-defined group in American society. However, recent research indicates that this is far from the case. Most of this research is based on the University of Michigan Panel Study of Income Dynamics (PSID) which, as noted, has followed the economic fortunes of 5,000 representative families each year since 1968. Research so far, based primarily on the first ten years of PSID data, may not capture the "new poverty" of the 1980s, but this is the best information now available on the "dynamics" of poverty.

Persistence of poverty

The popular notion of a persistently poor underclass has been fostered by studies of the 1960s such as anthropologist Oscar Lewis' graphic picture of welfare dependency and poverty passed on from generation to generation, sociologist Elliot Liebow's portrayal of black street-corner society in Washington, D.C., and urbanologist Gerald Suttles' description of a slum neighborhood in Chicago, along with journalist Ken Auletta's recent report on groups typically seen as part of an underclass—ex-prisoners, long-term welfare mothers, problem youth, and drug addicts.[29] PSID studies, however, indicate that only a portion of people deemed poor in a year's official statistics could be called persistently poor or part of a culture of poverty, although poverty touches the lives of a substantial proportion of Americans over a ten-year period.

In an early study of the persistence of poverty using PSID data, economist Frank Levy estimated that there were 10.6 million "permanently" poor people in the U.S. during the years 1967 through 1973.[30] This was less than half the official poverty numbers of those years.

Summarizing research based on PSID data for 1969 through 1978, Greg Duncan reported that only 6.8 percent of the family members had incomes below the poverty line in 1978, but nearly a quarter (24.4 percent) had fallen below the line in at least one of the ten years from 1969 to 1978.[31] Just 2.6 percent were "persistently" poor—defined as poor for eight or more years—and a minimal 0.7 percent were poor in all ten years. Using a slightly different approach with the PSID data, another researcher put the persistently poor at about 1 percent.[32]

The characteristics of the persistently poor were what might be expected of an "underclass": 62 percent were black and 61 percent were members of households headed by women.[33] This contrasts with 28 percent black and 35 percent in female-headed families in the nation's overall poverty population of 1983, according to Current Population Survey statistics.

Harvard researchers Mary Jo Bane and David Ellwood adjusted the PSID data to capture those who began a spell of poverty before the ten-year period and those still in a stretch of poverty at its close.[34] They concluded that most people who slip into poverty will remain poor only a year or two, but in any one year, the persistently poor—those poor for at least eight years at a stretch—make up 60 percent of the poverty population.

The PSID may not be appropriate for measuring the size of the "underclass," it is pointed out, because it covers only people living in families at the beginning of the study and trackable over ten years and could well miss the hard-core, homeless poor with no family ties. Also, since people living in families are less likely than others to be poor, the original PSID sample of 5,000 families may not have included as large a proportion of poor as found in the general population. The poverty rate derived from the PSID was in fact systematically a couple of percentage points below the official Census Bureau annual figures during the early 1970s. However, this could be because income has been better reported in the PSID interviews than in the Current Population Survey.[35]

When welfare dependency is used to measure persistent poverty, an Urban Institute study using PSID and other data found that fewer than 10 percent of mothers receiving AFDC welfare payments stayed on welfare for ten consecutive years.[36] These long-term welfare dependents had less education than

Table 6. Reasons for Beginning a Spell of Poverty

(Based on 1969-78 data from University of Michigan Panel Study of Income Dynamics)

Reasons for movements of panel family members into poverty	Percent of total movements in a year
Earnings of family head fell	36.8
Earnings of wife fell	6.5
Earnings of other family members fell	6.9
Family unearned income fell	6.2
Needs/poverty level rose	6.0
Child became head or wife in another family	15.6
Wife became female head of family	4.8
Child of male-headed family became child of female-headed family	6.5
Child was born into poverty family	10.5

Source: Mary Jo Bane, "Household Composition and Poverty," paper presented at the conference on "Poverty and Policy: Retrospect and Prospects," Institute for Research on Poverty and U S. Department of Health and Human Services, Williamsburg, VA, December 6-8, 1984, Table 5.

other AFDC mothers and were more likely to be black, live in the North, have five or more children, be never married, and raised in a single-parent family. These are characteristics usually associated with an underclass, although a study based on AFDC mothers and their children cannot tell us much about the 35 percent of poor adults who are males or the two-thirds of poor families who do not receive AFDC.

Entering and leaving poverty

To judge from the PSID, half (50.2 percent) of people who become poor in a year do so because of a job loss or pay cut which reduces the family earnings (see Table 6). This far outweighs reasons related to changes in family composition—a child strikes out on his/her own ("child became head or wife in another family," 15.6 percent) or the family became female-headed (11.3 percent)—or a loss of cash welfare payments, which would show up in a drop in unearned income (6.2 percent).

On the opposite side of the coin, obtaining a job or pay raise is by far the most likely path out of poverty, particularly for men and people in households headed by men. Overall, increased earnings account for 80.3 percent of moves out of poverty, according to PSID data: 92.2 percent for people in male-headed families and 55.7 percent for people in female-headed families.[37] Only 4.6 percent of people leaving poverty do so as a result of their own or a parent's marriage or remarriage, although the figure is over a quarter (26.9 percent) for people in female-headed households.

Intergenerational welfare dependency

Are women who grow up in AFDC families likely to become welfare mothers themselves? This has become an important policy issue as the number of children being raised in poor female-headed families has grown.

Again using PSID data, Levy found that among women eligible for AFDC in 1976, those who were children in AFDC families in 1968 were 1.4 times more likely to be AFDC mothers themselves in 1976 than women who had been children in families not receiving AFDC in 1968.[38] Some of this relationship may be due to other characteristics likely to be passed from generation to generation, such as low educational attainment. Controlling for a host of demographic and socioeconomic factors, Levy found that among white women eligible for AFDC in 1976, 11 percent of those from families receiving AFDC in 1968 were receiving AFDC themselves in 1976, compared to 7 percent of women from families not receiving AFDC in 1968. For black women eligible for AFDC, coming from a welfare family increased the proportion on welfare from 25 to 36 percent.

However, University of Michigan researchers Martha Hill and Michael Ponza found much less evidence of welfare dependency being passed on from one generation to the next when they looked at a sample of people who had been children in PSID families in 1968 and had set up their own households by 1981.[39] They concluded: "In general, welfare receipt by parents does not encourage welfare receipt by offspring. However, apparently at high levels of receipt there is some welfare dependency among whites."

Poverty, Work, and Sources of Income

Is poverty increasing because poor able-bodied people of working age refuse to work if they can rely on government assistance? This is the thrust of Murray's argument, but the evidence suggests otherwise.

Work experience

Again contrary to popular impressions, most poor people of working age are working or looking for work. In March 1984 there were 14.9 million men and women aged 22-64 whose 1983 incomes put them below the poverty line, according to the Current Population Survey. Of these, 7.3 million, 49 percent, reported that they had worked in 1983, and another 1.5 million, 10 percent, said they did not work in 1983 because they were unable to find work (see Table 7, page 24).

Of the 7.6 million poor people this age who did not work—in addition to those who tried but could not find a job—44.4 percent (3.4 million) were keeping house (this was the reason given by 62 percent of the 5.4 million poor women this age who did not work in 1983); 22.7 percent (1.7 million) were ill or disabled; 5.6 percent (425,000) were going to school; 4.4 percent (337,000) were retired; and 3.7 percent (280,000) gave some other reason for not working. Of the 7.9 million families in poverty in 1983, 61 percent had at least one worker and 21 percent had two or more workers.[40]

These figures certainly do not indicate that work incentives have disappeared. On the contrary, it seems that most poor adults of working age who are not caring for children, going to school, or disabled are trying to work their way out of poverty.

While it is perplexing that a large share of people in poverty are poor even though they work or live in a family which has one or more workers, it should be noted that of the 7.3 million poor adults aged 22-64 who reported working in 1983, only 1.9 million (26 percent) had worked full-time, the year round (50-52 weeks). Most worked at part-time or temporary jobs. The most common reason for working less than 50 weeks in 1983 was the inability to find a job.

It is also important to recognize that a person working 40 hours a week for 52 weeks at the minimum wage of $3.35 per hour (in 1983 as in 1985) would earn only $6,968, less than the poverty line of $7,938 for a family of three in 1983. Two adults working full-time, year-round at the minimum wage would earn $13,936, which would put a family of four above the 1983 poverty line of $10,178 for a family of four, but taxes and child-care costs would consume much of the additional income. Child-care costs would also loom large for female-headed families, who made up 3.1 million, or 54 percent, of the 5.8 million poor families with children under 18 in 1983. These female-headed families typically have only one worker, if any.

The situation has become dramatically worse for those trying to work their way out of poverty. In 1978, the year the recent poverty increase began, 4.5 million poor adults aged 22-64 worked (Table 7). By 1983 the number had grown to 7.3 million. At the same time, however, the number of poor adults aged 22-64 who did not work because they could not find jobs grew from 316,000 to 1.5 million (an increase of 364 percent), and of those who did work, the number unemployed 27 or more weeks increased by 838,000 (up 249 percent), and those who worked full-time for 50-52 weeks but were still poor increased by 776,000 (67 percent).

All these figures suggest that many of the people added to the poverty population from 1978 to 1983 did not become poor because they or their parents refused to work, as Murray would imply. Among adults of working age, a large

Table 7. Work Experience of the Poor Aged 22-64: 1978 and 1983

Work experience	Number of poor aged 22-64 (in 1,000s)		Increase/decrease 1978 to 1983	
	1978	1983	Number (in 1,000s)	Percent
Total	9,297	14,941	5,645	60.1
Worked during year	4,520	7,289	2,768	61.2
Worked full-time	3,109	4,637	1,528	49.1
50-52 weeks	1,159	1,935	776	67.0
26 weeks or less	1,278	1,788	510	39.9
Worked part-time	1,411	2,652	1,241	88.0
50-52 weeks	403	751	348	86.4
26 weeks or less	671	1,380	709	105.7
Worked less than 50 weeks because:				
ill or disabled	344	313	-31	-9.3
keeping house	930	820	-110	-11.9
unable to find work	915	2,331	1,416	154.6
other	768	1,137	369	48.0
Number of weeks unemployed				
1 to 4 weeks	260	326	66	25.4
5 to 14 weeks	434	629	195	44.9
15 to 26 weeks	346	755	411	118.5
27 or more weeks	337	1,175	838	249.0
Did not work in year	4,744	7,627	2,883	60.8
Reason for not working:				
ill or disabled	1,454	1,734	280	19.3
keeping house	2,293	3,385	1,092	47.6
going to school	216	425	209	96.8
unable to find work	316	1,467	1,151	364.2
retired	177	337	160	89.8
other	288	280	-8	-2.8
In armed forces	32	26	-6	-18.8

Sources Bureau of the Census, "Characteristics of the Population Below the Poverty Level 1978, Table 14, and Characteristics of the Population Below the Poverty Level: 1983." Table 14.

share of the new poor are in poverty because they cannot find jobs, can find only temporary or part-time work, or work full-time all year but still cannot earn enough to move out of poverty. The proportion of people poor for these reasons increased between 1978 and 1983.

Linked to the increase in poverty among those who worked full-time, year-round is a decline in real income. The Bureau of Labor Statistics reports a drop in real weekly earnings of 10 percent between 1978 and 1983.[41] Also, Census Bureau figures show a drop in real median family income from $26,939 in 1978 to $24,580 in 1983, a decline of 9 percent (see Figure 3, page 11). Between 1982 and 1983, real median family income increased for the first time since 1978, and the increase in the poverty rate—from 15.0 to 15.2 percent—was less than any other year-to-year increase since 1978.

Table 8. Sources of Reported Income of Poor Families: 1978 and 1983

Type of income	1978: Number of families with income of this type (in 1,000s)	1978: Percent of total income of poor families	1983: Number of families with income of this type (in 1,000s)	1983: Percent of total income of poor families
Total	5,280	100.0	7,641	100.0
Earnings	3,153	41.3	4,557	46.6
Other	4,145	58.7	6,057	43.4
Social Security	1,206	16.9	1,437	13.6
Public assistance[a]	2,073	28.4	2,679	23.2
Supplemental Security Income[b]	493	4.1	576	3.5
Other transfer payments[c]	445	3.3	1,134	6.2
Dividends, interest, and rent	905	1.4	1,769	1.7
Other[d]	611	4.7	1,140	5.2

Sources. Bureau of the Census, Characteristics of the Population Below the Poverty Level, 1978, Table 38, and Characteristics of the Population Below the Poverty Level: 1983," Table 34.

[a]Aid to Families with Dependent Children and General Assistance.

[b]For the needy aged, blind, and disabled.

[c]Unemployment insurance, workman's compensation, and veterans' payments

[d]Includes pensions, alimony, child support, annuities, etc.

Sources of reported income

Statistics on the sources of income poor families report in the Current Population Survey also do not support Murray's charge that public assistance undermines the incentive to earn income.

In 1983, 60 percent of poor families (4.6 million of a total of 7.6 million poor families) reported income from job earnings. This was the same proportion as in 1978 (3.2 million of a total of 5.3 million). (See Table 8.) However, the proportion of total family income accounted for by earnings increased from 41.3 percent in 1978 to 46.6 percent in 1983. At the same time, the share of family income derived from public assistance—mainly AFDC, the chief cash benefit program for poor families headed by able-bodied persons under 65—fell from 28.4 percent to less than a quarter (23.2 percent).

This trend reflects the fact that an increasing share of the poor are marginal workers and their families, often male-headed families not eligible for AFDC. Workers in these households are able to find low-paying, part-time jobs from time to time, but not the kind of secure job that could lift their families out of poverty. As the economy faltered, their situation worsened.

Government Assistance Programs and the Poor

There is little doubt that the American public is frustrated and upset with the image of soaring social welfare costs *and* growing poverty. Much of this frustration, however, stems from a misperception of what programs are behind the escalating government expenditures, a misunderstanding about who is receiving government assistance, and an exaggerated notion of the amount of assistance going to the typical person in poverty. Most government benefits go to the middle class, the value of benefits going to the poor has fallen in recent years, and these benefits were not large to begin with.

Federal government benefits that go directly to families or individuals are sorted into three classes, as shown in the box. (1) social insurance (Social Security retirement and disability benefits, and unemployment insurance) which is not means-tested and goes primarily to the middle class, (2) means-tested cash assistance (Aid to Families with Dependent Children and Supplemental Security Income) which goes mostly to the poor, and (3) noncash assistance, which is both means-tested (Medicaid, food stamps, subsidized housing, free or reduced-price school lunches) and non means-tested (Medicare for the elderly and subsidized lunches for all students in participating schools).

Social insurance is typically viewed somewhat differently from means-tested assistance. Many people receiving payments from social insurance programs, such as Social Security retirement and unemployment insurance, feel they are simply getting back the money they put into these programs, while those receiving benefits from means-tested programs are getting something for nothing. This distinction becomes somewhat fuzzy, however, when it is recognized that many recipients of social insurance receive back far more than they put in and that the working poor who pay federal income tax are contributing toward their own welfare benefits

U.S. Federal Government Assistance Programs: Fiscal Year 1984

Government programs which provide benefits to families or individuals are divided into three categories: (1) social insurance, (2) means-tested cash assistance, (3) noncash benefits. The first two comprise what are called "transfer payments."

Social insurance benefits are entitlements, not means-tested, and go primarily to the middle class. Means-tested cash assistance goes primarily to the poor. Noncash benefits are split between non-means-tested benefits, which go primarily to the middle class, and means-tested benefits, which go both to the poor and near-poor, e.g., reduced-price school lunches for students from homes with incomes within 125 and 195 percent of the poverty line.

In addition, some federal programs provide funds not directly to individuals but to state and local governments to run programs to assist the poor and disadvantaged. Many War on Poverty programs were of this type, for example: Legal Aid, which provides free or subsidized legal services for poor people; the Community Services Administration, which funded local Community Action Agencies to help organize low-income communities; Headstart, which provides preschool training for disadvantaged children.

Programs marked with an asterisk (*) on the list below are the major programs from the War on Poverty.

The "costs" and "expenditures" shown for the programs listed are *federal* expenditures in fiscal year 1984 (October 1, 1983, through September 30, 1984). They do not include state and local expenditures. State and sometimes county and local governments pay part of the costs of Aid to Families with Dependent Children, Unemployment Insurance, Medicaid, subsidized school lunches and housing, and the employment and social services programs listed. Federal funds cover the full costs of Social Security retirement and disability payments, Supplemental Security Income, Medicare, and food stamps.

The programs listed accounted for $332.2 billion, or 77 percent, of federal expenditures of $432.0 billion on human resources in fiscal year 1984. Human resources in turn accounted for 50.7 percent of total federal expenditures in fiscal year 1984.

Social Insurance
Non-means-tested

Social Security Retirement (Old-Age and Survivors Insurance)
Established by the Social Security Act of 1935, subsequently amended several times to expand coverage. In 1972, benefits were indexed to rise with inflation. Provides cash payments to retired workers and their dependents and to survivors of insured workers.
Cost: $162.4 billion. **Recipients:** 32.4 million individuals.
Payments: Average annual expenditure, $5,005 per individual.

Social Security Disability Insurance
Cash payments for disabled workers aged 50 and over are provided by the Social Security Act amendment of 1956; payments for dependents of disabled workers 50 and over by the 1958 amendment; and payments for disabled workers under 50 by the 1960 amendment.
Cost: $18.5 billion. **Recipients:** 3.8 million individuals.
Payments: Average annual expenditure, $4,824 per individual.

Unemployment Insurance
A federal-state program established by the Social Security Act of 1935. Provides partial wage-replacement payments to covered workers who lose their jobs involuntarily. Payments normally last 26 weeks but are often extended 13 weeks during recessions. Figures below refer only to regular payments up to 26 weeks.
Cost: $18.3 billion. **Recipients:** 2.2 million individuals.
Payments: Average weekly expenditure, $119 per individual.

Means-Tested Cash Assistance

Aid to Families with Dependent Children
A federal-state program established by the Social Security Act of 1935. Program eligibility and payments were expanded during the 1960s, then reduced in 1981. Provides cash payments to "needy" families, with need defined by each state. In all states, eligible families are those with children under 18 where one parent is absent owing to death, desertion, divorce, incapacitation, or incarceration. In addition, 26 states aid two-parent families with the father out of work.
Cost: $8.3 billion. **Recipients:** 10.9 million individuals.
Payments: Average annual expenditure, $3,852 per family.

Supplemental Security Income
Established by 1972 amendments to the Social Security Act. Provides monthly cash payments to needy aged, blind, and disabled persons.
Cost: $8.5 billion. **Recipients:** 3.6 million individuals.
Payments: Average annual expenditure, $2,355 per individual.

Noncash Benefits: Non-Means-Tested

Medicare*
Established by 1965 amendments to the Social Security Act. Covers most medical costs for individuals eligible for Social Security retirement and disability payments.
Cost: $62.7 billion. **Recipients:** 29.6 million individuals.
Benefits: Average annual expenditure: $2,126 per individual.

Subsidized School Lunch Program
The National School Lunch Act of 1946 subsidizes costs at participating schools to reduce lunch prices for all students.
Cost: $800,000. **Recipients:** 11.6 million students on average day.

(continued)

Noncash Benefits: Means-Tested

Medicaid*
Established by 1965 amendments to the Social Security Act. Covers most medical costs for individuals in AFDC families and most individuals eligible for Supplement Security Income payments.
Cost: $20.1 billion. **Recipients:** 21.9 million individuals.
Benefits: Average annual expenditure, $918 per individual.

Food Stamp Program*
Currently operating under the Food Stamp Act of 1977, the program began as a pilot program under President John Kennedy in the early 1960s and was greatly expanded in the late 1960s. Distributes coupons redeemable for food to individuals and families with incomes below 130 percent of the poverty line.
Cost: $11.6 billion. **Recipients:** 20.8 million individuals or families.
Benefits: Average value of coupons per recipient per month: $46.

Housing Assistance Programs
Subsidized housing is provided under several programs, the most important of which are Low-Rent Public Housing and rent supplements provided for under the Housing Act of 1937. Provides housing assistance to families with incomes below a certain percentage (usually 80 percent) of median income for the area.
Cost: $9.9 billion. **Recipients:** 10 million families.
Benefits: Average annual expenditure, $990 per household.

Free or Reduced-Price School Lunch Program
Also provided for under the National School Lunch Act of 1946. Provides free lunches for students from homes with income under 125 percent of the poverty line and reduced-price lunches for those from homes with incomes between 125 and 195 percent of the poverty line.
Cost: $2.8 billion. **Recipients:** 11.9 million students on average day.

Programs Providing Assistance Through State and Local Governments

Job Training and Job Creation
The Area Redevelopment Act and Manpower Development and Training Act of the early 1960s funded job training in low-income areas and provided assistance to displaced workers. The Comprehensive Employment and Training Act (CETA) of 1973 consolidated these programs under one administration, maintaining job-training programs and expanding public-sector employment. Under the Reagan administration, in 1983, CETA was replaced with the Jobs Partnership Training Act, which attempts to involve industry and government as equal partners in coordinated local efforts to provide jobs in the private sector for disadvantaged and displaced workers.

The Work Incentive Program helps AFDC mothers find jobs in the private sector and the Job Corps provides training for a small number of unemployed.
Cost: $2.6 billion for all federal training and employment services.

Education Programs*
The Elementary and Secondary Act (ESEA) of 1965 provided federal funds to elementary and secondary schools based on the proportion of poor students in the local school district. Chapter I of the Education Consolidation and Improvement Act of 1981 replaced ESEA and now distributes funds to support compensatory education for disadvantaged students.
Cost: $3.1 billion for compensatory education.

Title XX Social Service Programs
In 1974, Congress created Title XX of the Social Security Act to provide states with funds to support certain social services. In 1981, this was changed into the Social Services Block Grant which provides funds to states to be used at their discretion for such services as in-home help for the frail elderly and child care for working AFDC mothers.
Cost: $2.8 billion for Social Services Block Grant.

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*Program initiated with the War on Poverty in the mid- to late 1960s.

Federal Expenditures in Fiscal Year 1984

Programs	Dollars spent (in billions)
Social Insurance	
Social Security Retirement	162.4
Social Security Disability Insurance	18.5
Unemployment Insurance	18.3
Total	199.2
Means-Tested Cash Assistance	
Aid to Families with Dependent Children	8.3
Supplemental Security Income	8.5
Total	16.8
Non-Means Tested Noncash Benefits	
Medicare	62.7
Regular School Lunches	0.8*
Total	63.5

Programs	Dollars spent (in billions)
Means-Tested Noncash Benefits	
Medicaid	20.1
Food Stamps	11.6
Public and Subsidized Housing	9.9
Free or Reduced-Price School Lunches	2.6*
Total	44.2
Social programs that do not provide direct benefits to individuals	
Employment and Job Training	2.6
Compensatory Education Aid	3.1
Social Services Block Grant	2.8
Total	8.5

Total for programs listed: $332.2 billion
Total federal expenditures on human resources: $432.0 billion

Sources. U.S. House of Representatives, Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, Committee Print No. 99-2, February 22, 1985, and Office of Management and Budget, Executive Office of the President, *Historical Table: Budget of the United States Government, Fiscal Year 1986*, February 1985.

*Author's estimates, based on Bureau of the Census data on noncash income and total federal outlays for school lunch program in fiscal year 1984.

Cash assistance

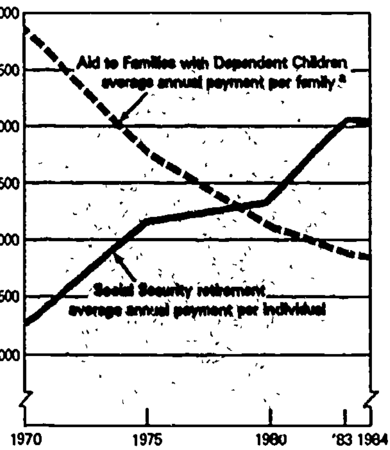
Social insurance programs account for the overwhelming majority of federal cash assistance expenditures and their share has been rising rapidly. In fiscal year 1984, Social Security retirement and disability insurance benefits together cost $181 billion (see above). Unemployment insurance accounted for another $18.3 billion, which alone was more than twice the $8.3 billion spent by the federal government on AFDC.

Female headed families in poverty, often portrayed as a heavy drain on the government treasury, received an average of $3,368 in federal public assistance payments in 1983, which was about the same amount that these families reported in earnings during that year ($3,115).[42] In fiscal year 1984, AFDC accounted for only 2 percent of the $432 billion in federal outlays for human resources, Social Security for the retired elderly accounted for 38 percent. Interest on the national debt alone cost 13 times the federal expenditure on AFDC in fiscal year 1984—$111.0 billion versus $8.3 billion.

Harvard researchers David Ellwood and Lawrence Summers report that between 1970 and 1980 alone, expenditures on Social Security retirement for the overwhelmingly middle-class elderly rose from $66.8 to $107.6 billion (measured in constant 1980 dollars).[43] The middle class also profited most from the 1970s growth in federal expenditures for assistance to the nonelderly. "The really large growth in social programs for the nonelderly came in the social insurance programs—Unemployment Insurance, Workman's Compensation [covered

Figure 4. Aid to Families with Dependent Children and Social Security Retirement, Average Annual Payments per Recipient: 1970, 1975, 1983, 1984

(in constant 1984 dollars)



Source U S House of Representatives, Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, Committee Print No 99-2, February 22, 1985

*Includes only the federal share of total AFDC payments

largely by state funds], Social Security Disability, and Medicare for the disabled together cost $56 billion, up from $25 billion just a decade before."

As social insurance cash assistance has been rising, cash assistance to the poor has been falling. Between 1975 and 1984, the average annual payment per recipient in Social Security retirement benefits, which are indexed to rise with inflation, increased by 20 percent, from $4,162 to $5,005, in constant 1984 dollars (see Figure 4). Meanwhile, the average annual federal expenditure per family in the AFDC program, which is not indexed, *fell* by 20 percent, from $4,795 to $3,852, in 1984 dollars. Between 1972 and 1984, the combined value of food stamps and AFDC cash assistance received by the average recipient family fell by 22 percent in constant 1984 dollars, from $8,894 to $6,955.

It is hard to imagine how this drop in benefits would encourage people to move onto the welfare rolls. To do so has become harder in any case. With tightening of federal guidelines for eligibility in 1981, the overall number of persons on AFDC dropped from 11.2 million in 1981 to 10.9 million in 1984, a decrease of about 3 percent. However, welfare rolls in many states were pushed up by the "new poor" laid off during the 1981-83 recession, with states obliged to raise taxes to cover the extra costs from their own funds. In hard-hit Ohio, for example, the number of AFDC recipients grew by 18 percent from 1981 to 1984.[44] Many people forced off AFDC rolls by the new regulations wound up on relief, programs for the destitute available in 33 states that are paid for entirely by state and county funds. Ohio's costs for AFDC and General Relief combined rose 48 percent between 1981 and 1984, and the proportion of the bill paid by state funds grew from 55 to 64 percent. (Federal funds cover 50 to 65 percent of AFDC costs, with the proportion determined by a state's per capita income and how well the state program is run.)

Unfortunately, Charles Murray, although the subtitle of his book is "American Social Policy 1950-1980," essentially ends his study in the mid-1970s, before the decrease in welfare benefits was well under way. He makes much of the rise in welfare benefits in the 1960s, but ignores the decline in the 1970s, and, of course, misses the effects of stringent new AFDC eligibility rules and cuts in federal shares of welfare costs by the Reagan administration in 1981.

Noncash assistance

The middle class also wins out in federal noncash assistance. In fiscal year 1984, federal outlays for Medicare, which provides noncash health care benefits to the elderly, amounted to $62.7 billion, compared to $44.2 billion altogether for the four major noncash benefit programs aimed at the poor—Medicaid, food

Buying groceries with food stamps. Less than half of poverty households received food stamps in 1983.

stamps, public and subsidized rental housing, and free or reduced-price school lunches (see page 29).

In addition, a large share of benefits under these four means-tested programs goes to people who are not officially poor. Eligibility for means-tested programs is gauged by determining whether or not a potential recipient has sufficient means of support without government assistance. The eligibility cutoff for most means-tested noncash programs is set to include the near-poor, for example, income below 130 percent of the poverty threshold for food stamps. However, assets are also taken into account in determining "need," so that a family with a car or equity in a house might be ruled out even though its cash income falls below the poverty line. In 1983, only half (50.6 percent) of households receiving one or more means-tested noncash benefits were below poverty level.[45] While 72.2 percent of households receiving food stamps had incomes below the poverty line, the proportions were lower for the other three major means-tested noncash assistance programs. 60.8 percent for Medicaid, 52.4 percent for subsidized housing, and 52.8 percent for free or reduced-price school lunches.

The share of federal means-tested assistance programs that *does* go to the poor also leaves out a large proportion of families with incomes below the official poverty line. In 1983 only 35.1 percent of families with incomes below the poverty threshold received public assistance cash payments (mostly AFDC) and only 58.9 percent of officially poor households received benefits from one or more of the four major means-tested noncash assistance programs.[46] Close to two-thirds (64.5 percent) of poor households with children aged 5-18 received federal assistance through the school lunch program, but less than half (41.4 percent) of poverty households received food stamps, only 39.7 percent had one or more members covered by Medicaid, and just 22.5 percent received subsidized housing assistance.

These figures do not fit the popular picture of poverty households living comfortably off a basketful of government benefits. In fact, the proportions of poor households receiving means-tested benefits do not differ markedly from the proportions of all households receiving government benefits. In the first quarter of 1984, according to the Census Bureau's new Survey of Income and Program Participation, 47 percent of U.S. households received direct government benefits of some kind.[47] These included Social Security retirement and disability, Medicare, unemployment insurance and veterans' benefits, as well as means-tested benefits.

Female-headed Families and Poverty

Between 1959 and 1983, female-headed families in the U.S. grew from 4.3 million and 9.8 percent of all families to 10.4 million and 14.3 percent of all families.[48] Since these families are over four times more likely than male-headed families to be poor, this highly publicized trend looms large in the changing poverty picture of the past quarter century.

In 1960, 18 percent of people in poverty were living in female-headed households. By 1983, 12.5 million, or 35 percent, of the 35.3 million people deemed officially poor were living in households headed by women.[49]

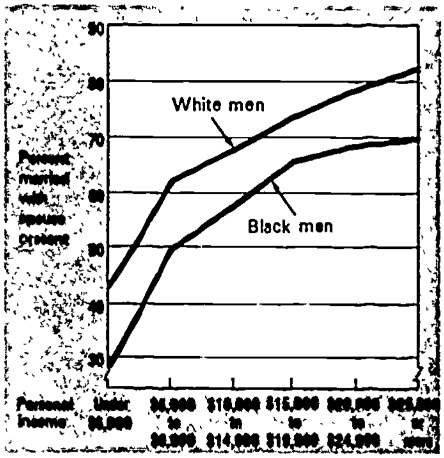
The increase in female-headed households has been particularly disastrous for the children in these households. In 1983 there were 13.8 million children under age 18 in households below the poverty level, and 49 percent of them (6.8 million) lived in female-headed households. The poverty rate for children in female-headed families was 55.4 percent compared to 13.4 percent for children in other types of families.

Among blacks these trends are even more striking. In both 1959 and 1983, the total number of poor blacks was about 9.9 million, but the number living in female-headed families rose from 2.9 million, 29.3 percent of the total, to 5.8 million, 53.8 percent of the total. In 1983 the poverty rate for blacks in female-headed families was 56.1 percent compared to 20.4 percent for blacks in male-headed families. Seventy-five percent of the 4.3 million black children in poverty in 1983 lived in female-headed families and the poverty rate for these children was 68.5 percent compared to 23.6 percent for black children in male-headed families.

Why the increase in female-headed families?

Demographically, the increase in female headed families since 1960 is linked to the rising proportion of children born out of wedlock and the increase in divorce, although the divorce rate has leveled off since 1981. Black women are more likely than white women to have children out of wedlock, 57 percent of births to black women in 1982 were out of wedlock compared to 12 percent of white births.[50] Black women who separate from their husbands spend an average of seven years as separated wives before divorce or reconciliation, compared to an average of only about a year for white women. Also, black women are more

Figure 5. Percent of Black and White Men Aged 25-64 Who Were Married, by Personal Income in 1983



Source Bureau of the Census, 'Money Income of Households, Families, and Persons in the United States 1983," *Current Population Reports*, Series P-60, No 146, 1985, Table 45

likely to divorce and much less likely to remarry after a divorce than white women.[51] As a result, 42 percent of black families were female-headed in 1983, compared to 12 percent of white families.

University of Chicago sociologists William Julius Wilson and Kathryn Neckerman suggest that two divergent factors may be behind the growth in female-headed families: the growing economic independence of women and the relatively poor economic situation of black men.[52] Higher female labor force participation and occupational upgrading mean that women are no longer forced to remain in an unhappy marriage—an option not available to their mothers and grandmothers. Many black women, on the other hand, may leave a marriage or forego marriage altogether because of the shortage of black men with the ability to support a family.[53]

The relationship between income and marriage for men is clear, among both blacks and whites, men with higher incomes are more likely to be married than men with lower incomes. In 1983, only 30 percent of black men aged 25-64 with personal incomes below $5,000 in that year were married, compared to 70 percent of black men that age with incomes of $25,000 and over (see Figure 5). Part of this relationship may result from younger men making less money than older men and also being less likely to be married. Thus, a reason for the lower proportions of married black than white men at each income level may be that a larger share of the black population falls in the younger age groups.

In 1983 the median income of black men aged 15 and over ($8,967) was just 58 percent of the median for white men ($15,401).[54] Black men are also less likely than white men to be employed and far more likely to be unemployed. At the end of 1984, even though employment had picked up for blacks as well as whites during the year, the proportion of working-age black men with a job was 53 percent compared to 61 percent for white men, and the unemployment rate of black men was 13.1 percent versus 5.4 percent for white men.[55] A recent National Urban League report points out that the disadvantages of black women in the marriage market are also linked to black males' higher rates of mortality and incarceration.[56]

Is welfare to blame?

In general a woman and her children are eligible for AFDC only if she has no legal husband in the house. Twenty-six states and the District of Columbia participate in AFDC-UP, for which hard-strapped two-parent families are eligible if an out-of-work father who is the primary wage earner has exhausted his unemployment insurance, but such households made up only 10.2 percent of the national AFDC caseload in 1984.[57] Murray contends that these rules and seemingly livable welfare benefits (AFDC, Medicaid, and food stamps) encourage improvident young women and their partners, faced with an out-of-wedlock pregnancy or birth, to choose welfare for the woman and the child over marriage. (They can live together without jeopardizing the woman's eligibility for welfare and so long as the father is not legally responsible for the child, he can work when they need extra cash and his income will not count against her eligibility for welfare benefits.) Other conservative critics claim that welfare also encourages irresponsible husbands to desert their families or unhappy wives to rid themselves of unwanted husbands.

If welfare does indeed promote female-headed families, the proportion of such families could be expected to be relatively high in states with high AFDC payments and lower in states with low benefits, but the statistics show otherwise. In 1980, monthly AFDC payments—set by each state according to a complicated "needs" standard—were lowest for a family of four in Mississippi, $160, and highest at $563 in New York and California. But the proportion of families headed by females in Mississippi, 16.0 percent, was nearly as high as in New York, 17.9 percent, and higher than in California, 14.8 percent.

David Ellwood and Mary Jo Bane recently conducted a careful examination of such relationships and concluded. "There is no obvious relationship between the fraction of children not living in two-parent families and AFDC benefit levels across states."[58] They did find that higher benefits were slightly associated with higher rates of divorce and separation and in low-benefit states young single mothers receiving welfare were much more likely to live with parents than their counterparts in high-benefit states. But there was no correlation between levels of AFDC monthly checks and rates of out-of-wedlock childbearing. In general, then, it appears that welfare provides little incentive to create single-parent families.

This conclusion is reinforced by trends in female-headed families and AFDC caseloads. Between 1972 and 1983, while the number of children living in female-headed families continued to in-

Welfare does not seem to explain the rapid growth of poor female-headed families. Among blacks, the main reason may be the shortage of black men with the ability to support a family.

crease, the share of female-headed families with children under 18 actually receiving AFDC fell from 77 to 59 percent.[59]

Recent trends promise a slowing pace of growth in female headed households. The divorce rate, after rising rapidly for two decades to a high of 5.3 per 1,000 population in 1981, inched down to 4.9 per 1,000 in 1984.[60] Fewer divorces now involve children, the average number of children per divorce decree fell from a high of 1.34 in the late 1960s to 0.94 in 1982.[61] Obviously divorces which do not involve children do not create single-parent families. And the increase in female-headed families, which averaged 304,000 a year in the 1970s, slowed to 225,000 a year from 1980 to 1983. From 1982 to 1983, only 66,000 new female-headed families were added, but this was probably due to the recession which discouraged family breakups.

The slowdown in the growth of female headed families, coupled with the improving economy and employment situation in 1984, should help nudge the poverty rate for 1984 (to be published in the late summer of 1985) below 15 percent.

Poverty and Social Policy

Unfortunately the sight of poverty in the U.S. rising since 1978 in tandem with a continuing rise in federal outlays for social assistance has led many to believe that government social programs have not worked and billions of dollars have been wasted on useless antipoverty programs over the past 20 years. Even the most avid supporters of War on Poverty programs would probably admit (at least to themselves) that some programs have not measured up to the high hopes of their designers. But a host of recent, carefully documented reports reveals many successes.

For example, political scientist Edwin Cobb has related how a Community Action Agency improved conditions for the poor in southern Virginia.[62] Paul Starr documents the extent to which Medicaid and Medicare have lowered infant mortality, lengthened life expectancy, and improved the health of the poor, and food stamps and school lunch programs have reduced "nutritional inequality" between the poor and nonpoor.[63] Educator David Weikart found a record of increased employment, reduced welfare dependency, and lower rates of juvenile delinquency and teenage pregnancy among older adolescents who had participated in a Headstart preschool program.[64]

Most of the increased government spending on social welfare has been targeted toward the elderly and the dramatic decline in poverty among the elderly can be credited largely to Social Security and Medicare. Poverty among the nonelderly has not decreased because most programs initiated or expanded in the 1960s were not designed to provide income above the poverty line or stimulate economic independence and has recently increased because of deteriorating economic conditions.

Poverty and the Reagan administration

Perhaps the most widespread use of figures based on the poverty line is not for studying the poor or devising programs to ameliorate poverty but for political finger-pointing With the possible exception of the unemployment rate, the poverty rate is the most widely used gauge of how Americans are doing. If the poverty rate goes up, public policy is blamed. If it does down, public policy gets much of the credit.

Many observers have noted that the recent increase in poverty coincided with cutbacks in assistance to the poor. In 1980, the year before the start of the first Reagan term, there were 29.1 million people below the poverty line, in 1983 the number was 35 3 million. Studies by the nonpartisan Congressional Budget Office, the Urban Institute, and the Center on Budget and Policy Priorities all show that the revised welfare rules and the budget and tax cuts of 1981 82 have resulted in less assistance for the poor.[65] Many blame these changes for the startling increase in poverty. In my view that conclusion is unwarranted.

What were these changes? The Center on Budget and Policy Priorities lists the major ones:[66]

• The food stamp program was cut by $2 billion a year from what it would have been Benefits were terminated for nearly one million recipients and reduced for all others.

• Federal guidelines on circumstances under which AFDC benefits must be paid were narrowed in 1981.* As a result, according to the General Accounting Office, AFDC payments and Medicaid coverage were terminated for 500,000 low-income working families, and AFDC payments sharply reduced for other families.[67] Due to reduced federal funding, 40 states reduced Medicaid coverage in 1981 and 30 made additional cuts in 1982.

• A review of all persons receiving Supplemental Security Income payments for disability resulted in eliminating benefits for several thousand recipients, although many were later returned to the rolls after an appeals process.

• Rents on low-income housing were raised, resulting in a larger share of poor families' incomes going to shelter costs. The share of household income that a family must pay toward rent in subsidized housing was targeted to be raised by one percentage point a year from 25 percent in 1981 to 30 percent in 1986.

• All public-sector employment provided under the Comprehensive Employment and Training Act (CETA), about 500,000 jobs, was eliminated with CETA's demise in 1983. Some of these jobs will eventually be replaced by private-sector jobs generated by the Joint Partnership Training Act. According to the Congressional Budget Office, job-training programs for low-income and unskilled persons have been reduced by 41 percent. In addition, the Work Incentive Program to help welfare mothers obtain jobs in the private sector was cut 38 percent, despite a recent study by the Manpower Research

*In computing monthly payments for an AFDC family, any job earnings are taken into account according to the earned income formula Before 1981, the "thirty and a third" rule applied AFDC payments were reduced by one dollar for every dollar earned, after discounting the first $30 earned in a month and one-third of the remaining monthly earnings, plus allowances for child care and work expenses In 1981, the "thirty and a third" rule was restricted to four months in any 12-month period, in the other months, AFDC payments are reduced by a dollar for every dollar earned, with monthly allowances now limited to $160 per child for child care and $75 for work expenses Also in 1981, states were given the option to reduce benefits still further by counting food stamps and housing subsidies as income.

When net earned income after these deductions equals what would be the full AFDC grant for a family of this size, the family becomes ineligible for all AFDC payments and Medicaid after a period set at four months in 1981 but extended in 1984 up to 12 months for AFDC and 15 months for Medicaid, though the family may still be eligible for food stamps The loss of Medicaid is a deterrent to seeking a full-time job for many AFDC recipients Few minimum-wage jobs offer medical insurance.

Development Corporation which showed that, with a little government assistance, many long-term welfare mothers can find gainful employment.

- Among social service program cutbacks, the Community Services Administration, which provided technical assistance and guidance to local Community Action Agencies, was eliminated and funding reduced for the Legal Services Corporation, which supports local Legal Aid offices.
- The Congressional Budget Office reports that funding for programs targeted mainly toward the poor was cut $57 billion in the four years from fiscal year 1982 through fiscal year 1985, after adjustment for inflation and unemployment.
- At the same time, the failure of the tax "cut" of 1981 to increase the personal exemption rate and earned-income tax credit (which provides refunds of Social Security taxes to low-income workers) raised tax burdens for low-income working families. Federal taxes paid by officially poor families increased 58 percent from 1980 to 1982.

People line up for a meal at one of the private charity organizations meeting the food and medical needs of the poor in San Francisco, where the demand for such services doubled in 1984.

This list may seem dismaying and collectively these actions may have pushed the poverty population up by a million or so. But this does not explain why the number of poor increased by nearly 11 million between 1978 and 1983, nor why poverty began to increase in 1978, three years before these changes were implemented.

It should also be noted that some policies which increased the number of poor were implemented before Reagan's arrival Most notably, continued deinstitutionalization of the mentally ill has added a few hundred thousand to the poverty population, but this policy originated under President John F. Kennedy in the early 1960s.

This is not to say that the cuts in welfare and social service programs are not important Together they have made life much more difficult for the poor. Despite the Reagan administration's claims to the contrary, there are many homeless and hungry people in this nation who need help. The Harvard Physicians' Task Force on Hunger found abundant evidence of health and nutrition problems due to hunger.[68] The administration's own Department of Housing and Urban Development put the homeless at 250,000 to 350,000 in 1984, and most observers consider this a drastic underestimate.[69]

However, the recent increase in the number of poor stems primarily from economic changes rather than changes in social policy. Reversing the trend will depend far more on industrial and economic policies which relate to economic performance than it will on changes in social welfare policy.

Ample evidence of the importance of the economy for the poor is the fact that job earnings accounted for 75 percent of the income of poor male headed families in 1983 and about 40 percent of the income in poor female-headed families, and are the single largest source of income for the poor[70] Also, as the PSID data for 1969-78 revealed, 50 percent of people who slip into poverty in any one year do so because of a reduction in their family's earnings and increased earnings account for 80 percent of moves out of poverty.

President Reagan may have been no friend to the poor. But the social policy changes of his first term played only a minor role in the recent sharp rise in the offical poverty rate.

To their credit, the Reagan administration has made us take a hard look at government-funded social programs Perhaps there was a complacency in our thinking about these programs in the late 1970s. However, objectively examined, most programs appear to be performing well—improving the health of the poor, providing children from poor families with educational opportunities closer to those of middle-class children (Pell grants to subsidize college education, for example, as well as Headstart), and providing food and shelter to the destitute.

Summary and Some Measures to Reduce Poverty

Since 1978 the number of poor has increased dramatically. the increase has been pervasive, and the depth of poverty has grown Real median income for families in poverty has fallen and the gap between the income poor families receive and what is needed to lift them above the poverty line has widened. Where does the responsibility lie?

Most of the evidence examined here suggests that social welfare policies have had little to do with trends in the poverty rate of the nonelderly over the past quarter century. The major reason for the recent increase in poverty is summarized by Robert Reich:[71]

> "Since the late 1960s, America's economy has been slowly unraveling The economic decline has been marked by growing unemployment, mounting business failures and falling productivity."

Economists Frank Levy and Richard Michel not only agree with this scenario but also identify the major losers.[72]

> "For the past 11 years [1974-1985], the American economy has been in a quiet depression in which neither real wages nor real family income has grown This stagnation—a radical break in postwar trends—has been hard on everyone, but it has been hardest on the peak of the baby boom, those born after 1949 In a disastrous coincidence, these baby boomers were beginning their careers just as the economy went sour."

The antipoverty efforts launched in the 1960s were thwarted by a deteriorating economy which hit young workers particularly hard. This fact is little recognized as yet.

There is little evidence that today's poor are poor by choice as Murray implies. Government benefits for the poor and near-poor are not large enough to lure many into a life of welfare checks, food stamps, and public housing and most evidence indicates that people in these programs remain recipients for only a short time. Most of the working-age poor who can work are working or looking for work.

The simple fact is, many young workers cannot find steady jobs that pay enough to support a family. These people are faced with periodic unemployment and short-term reliance on government assistance and their circumstances have worsened considerably in the past few years. Some have become so discouraged that they have effectively dropped out. What can be done to help these young people and to reduce poverty in general?

Some measures to reduce poverty

There is wide agreement that the best way to reduce poverty is to put able-bodied people to work. Therefore a growing economy is vital. However, there is also concern that even in a growing economy there will be few decent-paying jobs for unskilled workers or workers whose skills do not match the needs of today's industries and businesses. This is where government-sponsored employment training programs would be most helpful. The money spent to provide young workers with employable skills will avoid much larger subsequent expenditures on welfare, not to mention how it would enhance these people's lives.

Saddled with a $200 billion annual deficit, the nation's budget is certainly not ripe for a plethora of new or expanded federal programs to help the poor. However, several steps could be taken with little or no impact on the budget deficit.

• There is almost universal agreement that those in poverty should not have to pay federal income taxes. Simple changes in the tax code which eliminate taxes paid by the poor, particularly raising the dependent allowance to a realistic level, would encourage the poor to work, promote family unity, and restore a sense of fairness that is now lacking. As reported by the Children's Defense Fund in the spring of 1985, with the tax code as it now stands, a family of four with an annual income of $12,000 and ordinary deductions pays more federal income tax than many large profitable corporations, including Boeing, General Electric, Du Pont, Texaco, Mobil, and AT&T.[73] As recently as 1977, the tax threshold for a family of four was 22 percent higher than the poverty threshold, but in 1984 the poverty threshold was 17.2 percent higher than the tax threshold.

• AFDC payments should be more standardized from state to state and payments should be linked to inflation. It makes no sense to provide an AFDC family in Mississippi with only one-fifth what the same family would receive in New York or California. And it makes no sense to set a standard of payments and then let that standard erode as did the real value of AFDC payments and food stamps—by 22 percent—between 1972 and 1984.


A VISTA volunteer trains young men in video operations The money spent to provide young people with employable skills could avoid much larger subsequent expenditures on welfare.

• There is quite clear evidence that many programs to enhance the lives of the poor reduce government expenditures in the long run, but so far little effort has been made to expand them. Headstart, which provides disadvantaged youngsters with compensatory preschool training, has been shown to reduce high school dropouts, teenage pregnancy, and juvenile delinquency, all of which cost taxpayers money, but this program remains very small. The Manpower Research Demonstration Project has shown that a little training and assistance help many long-term welfare mothers to become self-supporting. Such successful programs should be expanded.

The changes outlined would enjoy widespread political support and little opposition. They do require federal involvement, but with only minor initial costs, they would increase individual self sufficiency and reduce federal outlays in the long run. Obviously these changes would not bring about a dramatic reduction in poverty, but it is a place to start.

The Future of Proverty

Whether the recent upturn in poverty will continue is open to question. Part of the increase is clearly related to a rise in unemployment and decline in real income, so at least the new poor could be expected to benefit from the recovery of the economy in 1984—though that recovery slowed in the early part of 1985. But the "underclass" of hard-core unemployed are not likely to move out of poverty without substantial upgrading of their skills, training, and motivation and the programs which might provide such training are among those cut most heavily in recent years.

It is disturbing to note that the number of poor went up between 1982 and 1983 despite a rise in real median family income, a stable unemployment rate, a substantial increase in the number of adults with reported income from job earnings, and a slight decline in the divorce rate and the rate of increase in female-headed households. Normally these conditions should foster a decline in the poverty rate Perhaps their impact will be seen when the poverty figures for 1984 are released.

Based on a time-series analysis of poverty and other economic measures, poverty researchers Peter Gottschalk and Sheldon Danziger projected in 1984 that "Poverty [will] remain above 1979 rates through the mid-1980s even if the economy grows according to official projections."[74] For 1984 they project a poverty rate of 14.6 percent, down from 15.2 percent in 1983. I suspect that estimate is likely to be close to the mark but difficult to interpret. Will it represent a turning point in the recent trend—an indication that poverty rates will continue to fall until they reach the rates of the mid-1970s? Or will it simply mean that the poverty rates of 1982 and 1983—15.0 and 15.2 percent—were unusally high due to a severe recession and the 1984 rate is an adjustment to bring the poverty rate in line with the slower increase experienced prior to 1982?

It is not clear how things will shape up as the baby boom ages. The declining size of the young adult pool will ease the pressure for available jobs, but the pent-up demand for jobs will not dissipate quickly. Further, there is no indication that well-paid jobs for unskilled labor are likely to return. It is possible that those who have recently been struggling to find and maintain employment will find permanent jobs as the ranks of labor force entrants fall. It is also possible that the structural changes in the economy will leave us with a group of people who will never find a permanent niche in the economy. Along with the homeless and the hungry that we see in the streets, many struggling young and not-so-young families may be doomed to a life outside the economic mainstream of America. [ ]

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