

President Johnson's 1964 war on Poverty: who won? What did we learn?

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Poverty, inequality and Mobility
ECON 3240 Spring 2015

War Declared on Poverty 1964

Lyndon Johnson declares “unconditional war on poverty” in his 1st State of the Union Address



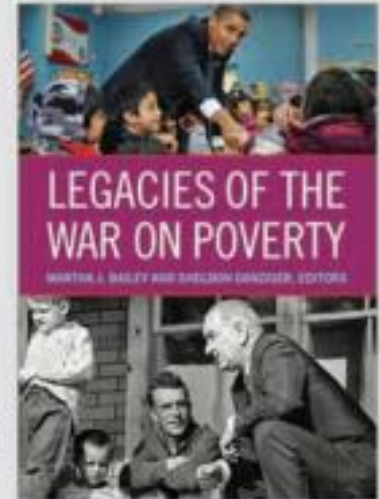
*“We fought a war on poverty,
and poverty won”*

LEGACIES OF THE WAR ON POVERTY

A new book from the Russell Sage Foundation

Edited by Martha Bailey & Sheldon Danziger

Many believe that the War on Poverty, launched by President Johnson in 1964, ended in failure. Historical and contemporary accounts often portray the War on Poverty as a costly experiment that left doubts about the ability of public policies to address complex social problems. Featuring a multidisciplinary team of renowned scholars, *Legacies of the War on Poverty* challenges and contests this conventional wisdom as too simplistic. The volume examines the empirical evidence accumulated over the past 50 years and offers a balanced and broad assessment of the long-term impacts of the War on Poverty.



(Available September 2013; visit russellsage.org/publications for more information)

The War on Poverty: Was It Lost?

Christopher Jencks

APRIL 2, 2015 ISSUE

Legacies of the War on Poverty

edited by Martha J. Bailey and Sheldon Danziger

Russell Sage, 309 pp., \$39.95 (paper)



Cecil Stoughton/LBJ Presidential Library

Lyndon Johnson campaigning in Illinois in 1964, the year he declared 'war on poverty'

Early in 1964 President Johnson's Council of Economic Advisors (CEA) gave him the report President Kennedy had requested in 1963...

- ***report included the first official estimates of America's poverty rate... 22% in poverty— making less than \$3000 per year in 1964 dollars...***
- ***The report pointed out that “It would be cost only \$11 billion-- less than 2% of GNP -- to eliminate poverty using transfers” (note the poverty deficit)***
- ***But, the CEA report emphasized: “Americans want to earn the American standard of living by their own efforts and contributions. It would be far better, even if more difficult to permit the poor of the nation to earn the additional \$11 billion.”***

*Johnson appoints Sargent Shriver to head war on poverty,
he promises to end severe poverty...*



AffluentSociety Part4

“Mr. Shriver do you really believe poverty can be wiped out? Yes I do, I disagree with those who feel that grinding poverty, the kind of poverty I mean the kind of poverty where you have very bad medical care, very bad housing, very bad education. That kind of poverty does not need to exist in the United States any longer, it can be wiped out...”

Total poverty... no shoes, no electricity, holes in the floor, 33% poverty rate in Appalachia



The war on Poverty: what went Right?

- **Severe poverty largely eliminated by rising incomes and expanded safety-net** – housing quality up, basic necessities... food stamps Medicaid (Medicare), WIC, few “shoeless” children left though these transfer programs not part of the original war on poverty
- **Education and training helped women** and minority groups get jobs and increase their hours worked
- Some War on Poverty education programs did work: **Job Corps**, [Headstart](#) (early childhood education has large unanticipated benefits, see [James Heckman, 2010](#) on the [Perry pre-school project](#))
- **Elderly Americans benefited** from expanded social security benefits and Medicare... poverty fell through postwar period– for them poverty almost ended by 2000 (indexed social security).
- [America’s war on poverty \(2006\)](#)

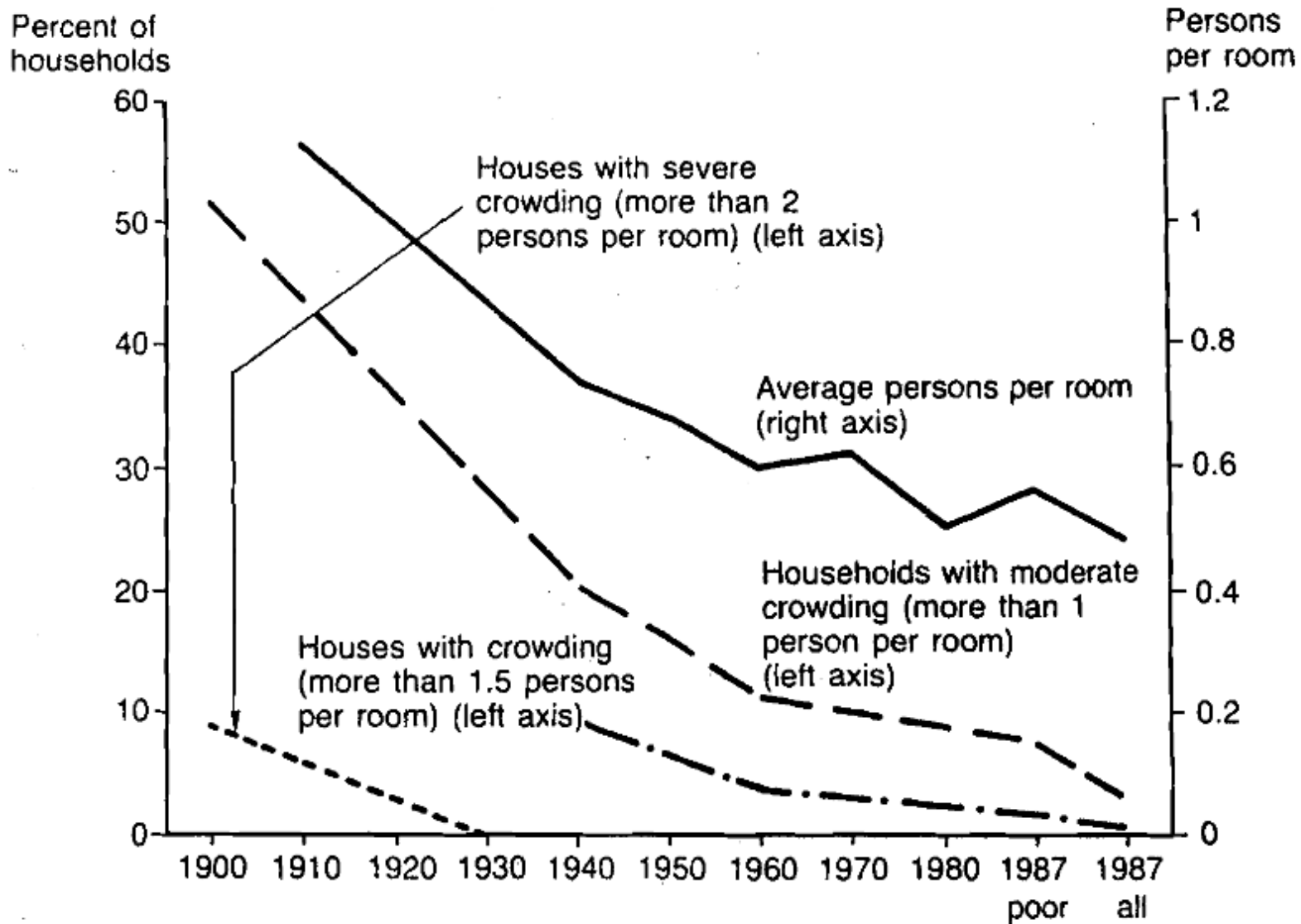


Figure 24.2b Declining crowding in American housing, persons per room, 1900–87

Sources: Data for 1900–60: S. Lebergott, *The American Economy: Income, Wealth, and Want* (Princeton: Princeton University Press, 1976). Data for 1987: US Dept of Commerce and US Dept of Housing and Urban Development, *American Housing Survey for the United States in 1987*, Current Housing Reports, H-150-87.

Basic housing conditions improved

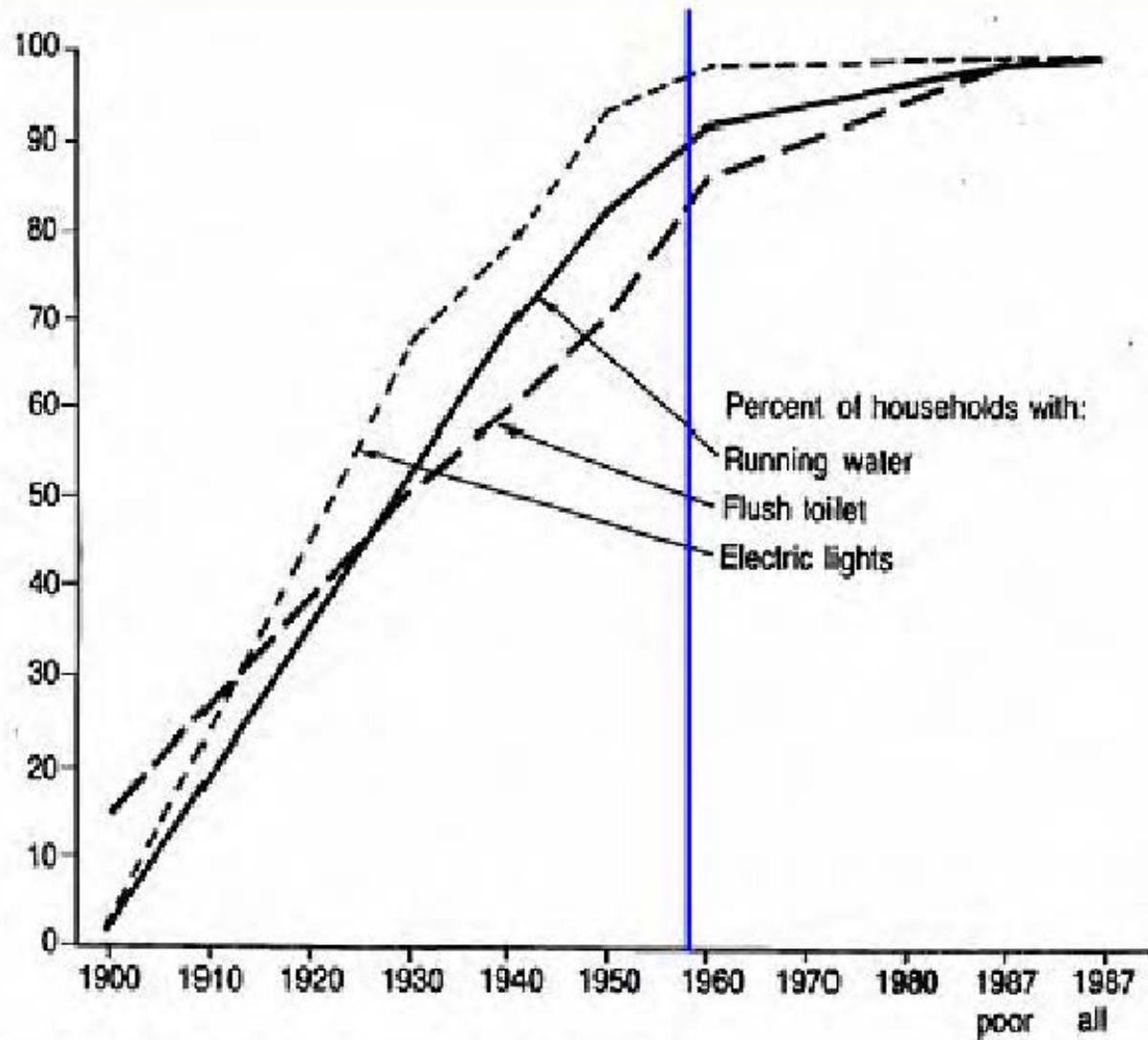


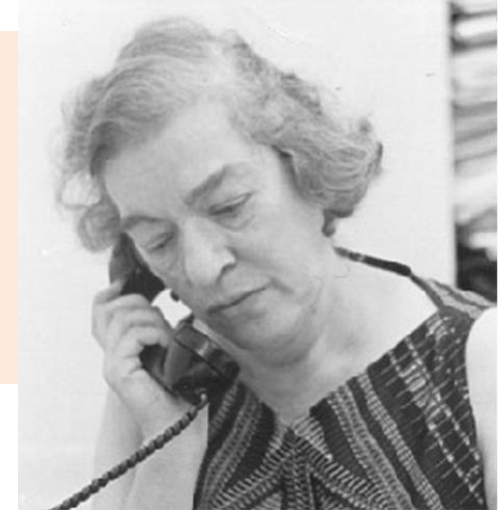
Figure 24.3b Amenities in American housing, 1900–87

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Key point: Since *“Americans want to earn the American standard of living by their own efforts and contributions”*
The U.S. Poverty lined defined in terms of cash income...

- *First \$3000/year simple for a family of 4*
- *Then refined for family size (many poverty lines)*
- *Adjusted for inflation but otherwise an absolute poverty line (not relative) but was about 50% of median income at the time*
- *Noncash benefits? Commodity food programs, but no medical care, no housing, no food stamps (SNAP)*

***But to fight a war on poverty, you need
to define poverty: SSA economist does
this in 1965***



- Molly Orshansky, 1925-2006 Ukrainian immigrant living in NYC went to take minimum diet for different family groups
- Created many poverty lines, depending on family size
- <http://www.ssa.gov/policy/docs/ssb/v68n3/v68n3p79.html>

**2014 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES
AND THE DISTRICT OF COLUMBIA**

**U.S. Poverty
line depends
on family
size, about
\$11/day
compared to
\$1.25/day**

Persons in family/household	Poverty guideline
1	\$11,670
2	15,730
3	19,790
4	23,850
5	27,910
6	31,970
7	36,030
8	40,090
For families/households with more than 8 persons, add \$4,060 for each additional person.	

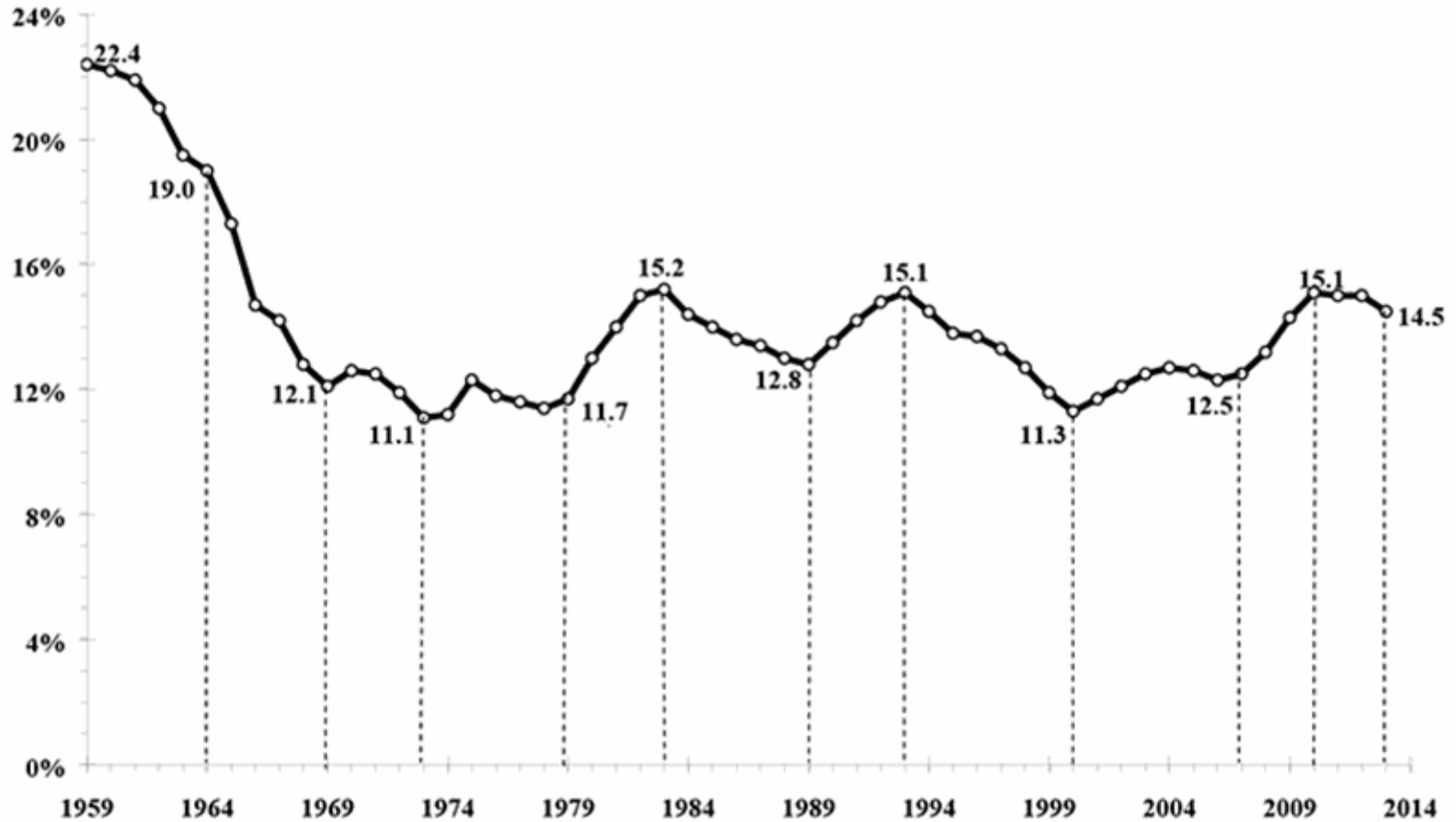
**Note \$4000/year is about \$11/day would be considered middle class in
developing countries, Adam Smith's Linen Shirt (and shoes and plumbing**

and...). Source: 2014 Poverty Guidelines, Office of ASPE Health and Human Services,
<http://aspe.hhs.gov/poverty/14poverty.cfm>

Figure 1

SHOULD YOU BELIEVE THIS CHART?

Official Poverty Rate for the United States: 1959 to 2013



Source: Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2013" U.S. Census Bureau, September 2014

The U.S. attains MDG – 1

Figure 2

APPROXIMATE REDUCTIONS IN THE OFFICIAL 2013 POVERTY RATE NEEDED TO MAKE IT COMPARABLE TO THE 1964 RATE

Official percent poor in 1964	19.0%
Official percent poor in 2013	14.5%
Reduction to correct for:	
Value of noncash benefits	-3.0%
Omission of refundable tax credits	-3.0%
Replacing CPI-U with PCE index	-3.7%
Adjusted percent poor in 2013	4.8%

Problems with the Official U.S. poverty measure the “OPM”

- Only counts pre-tax income
 - EITC and Child Care Credit now largest transfer program
- Inflation not well measured, housing costs, substitution (chain index) quality of goods, unintentionally raised line.
- Does not count non-cash or “in-kind” benefits
 - **Food Stamps (SNAP)**
 - Medical Care, Medicaid, Medicare, CHIP
 - Housing subsidies. Section 8

See Christopher Jencks, 2015 “The war on Poverty: was it lost?”

- **Cohabiting couples:** two who earn \$12,000 a year, if single they are poor if married, they would not be poor.... aka women’s agency
- **Noncash (in-kind) benefits:** OPM does not include food stamps, housing subsidies, pre-school after school
- **Refundable tax credit (EITC)** \$3250 per worker with two or more children (expanded greatly in 2003) a wage subsidy (President Obama?)
- **Price changes:** use PCE instead of CPI, or chain index... lowers poverty line 20% to \$9/day

See [Christopher Jencks, 2015](#) “The war on Poverty: was it lost?”

*“Fixing these flaws in the official poverty rate helps reconcile trends in poverty with trends in more direct measures of material well-being. Today’s poor live in less crowded housing, are more likely to have a complete bathroom and air conditioner in their residence, have bigger TV screens, are more likely to have a telephone, and more likely to have a cell phone. **Nonetheless, most of the poor are still beset by constant financial anxiety**”*

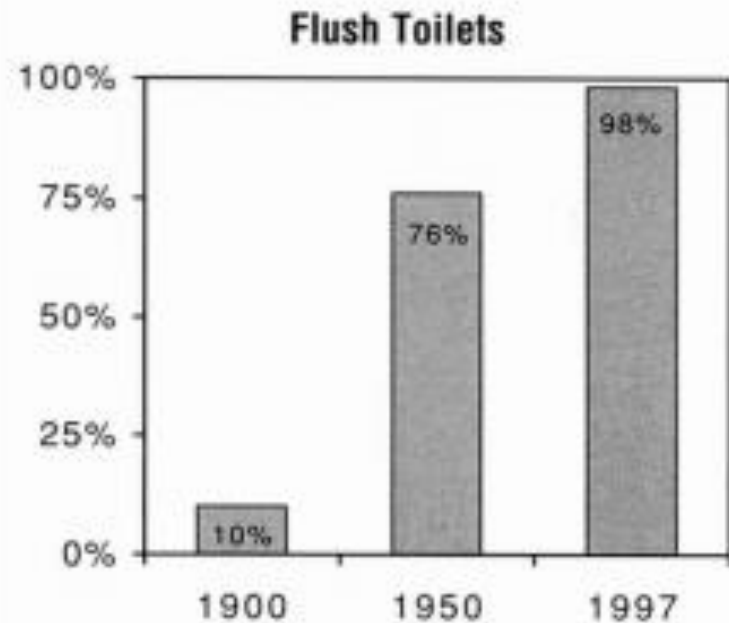
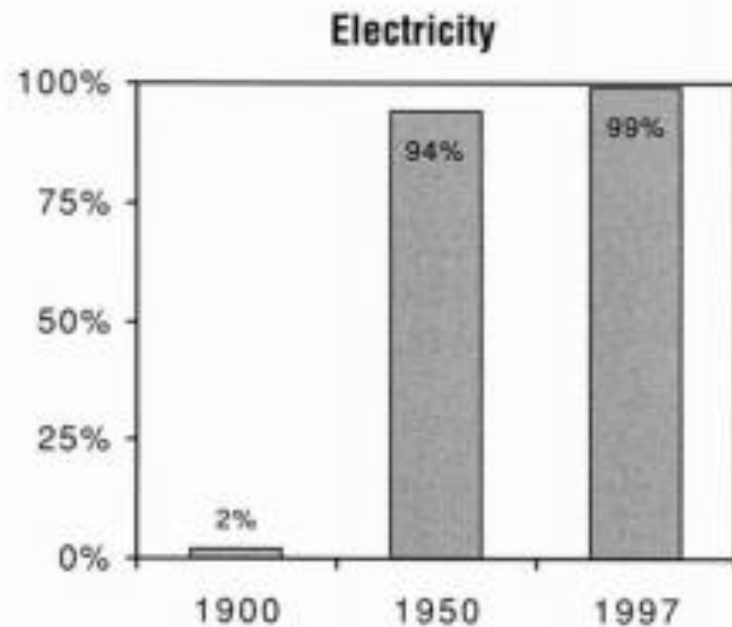
Christopher Jencks, 2015 on “relative deprivation” vs middle class

“Another reason the poor so often feel beleaguered, anxious, and depressed may be that what is often called “relative poverty” has not changed...” middle class (median income) sets the standard:

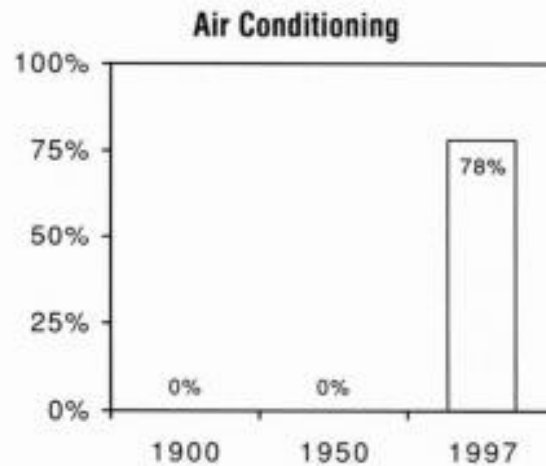
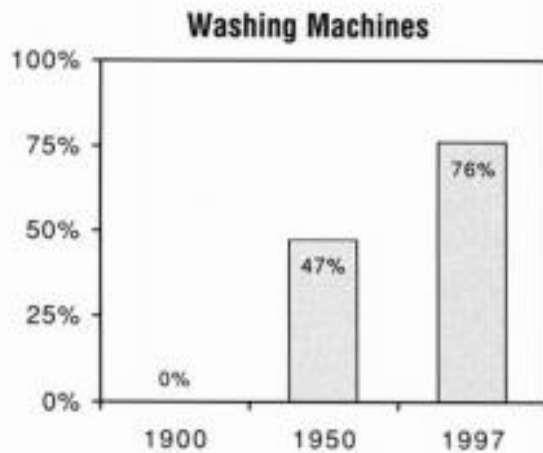
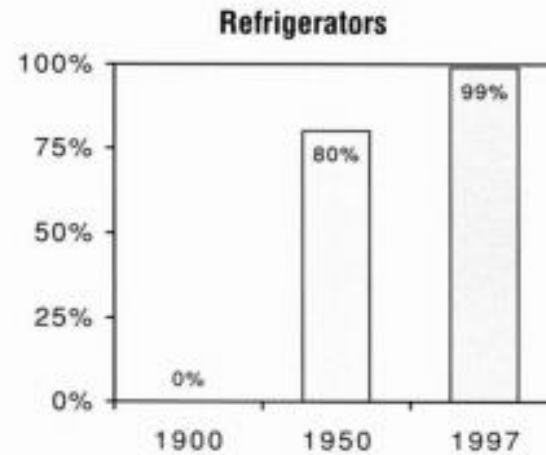
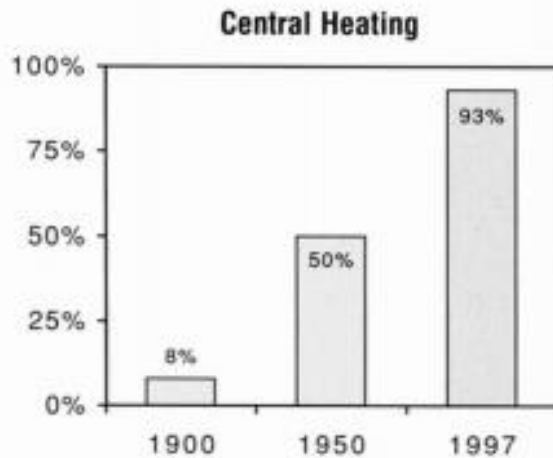
“There is quite a bit of evidence that Americans need an income at least half that of families near the middle of the distribution in order to buy the things they need to hold up their heads in public.”

Quality of life increases

Mechanization of the American Home
Percentage of occupied housing units with each item



Quality of life increases



The War on Poverty, 1964-68 begins-- Johnson determined to focus on job training and education along with aggressive civil rights enforcement..

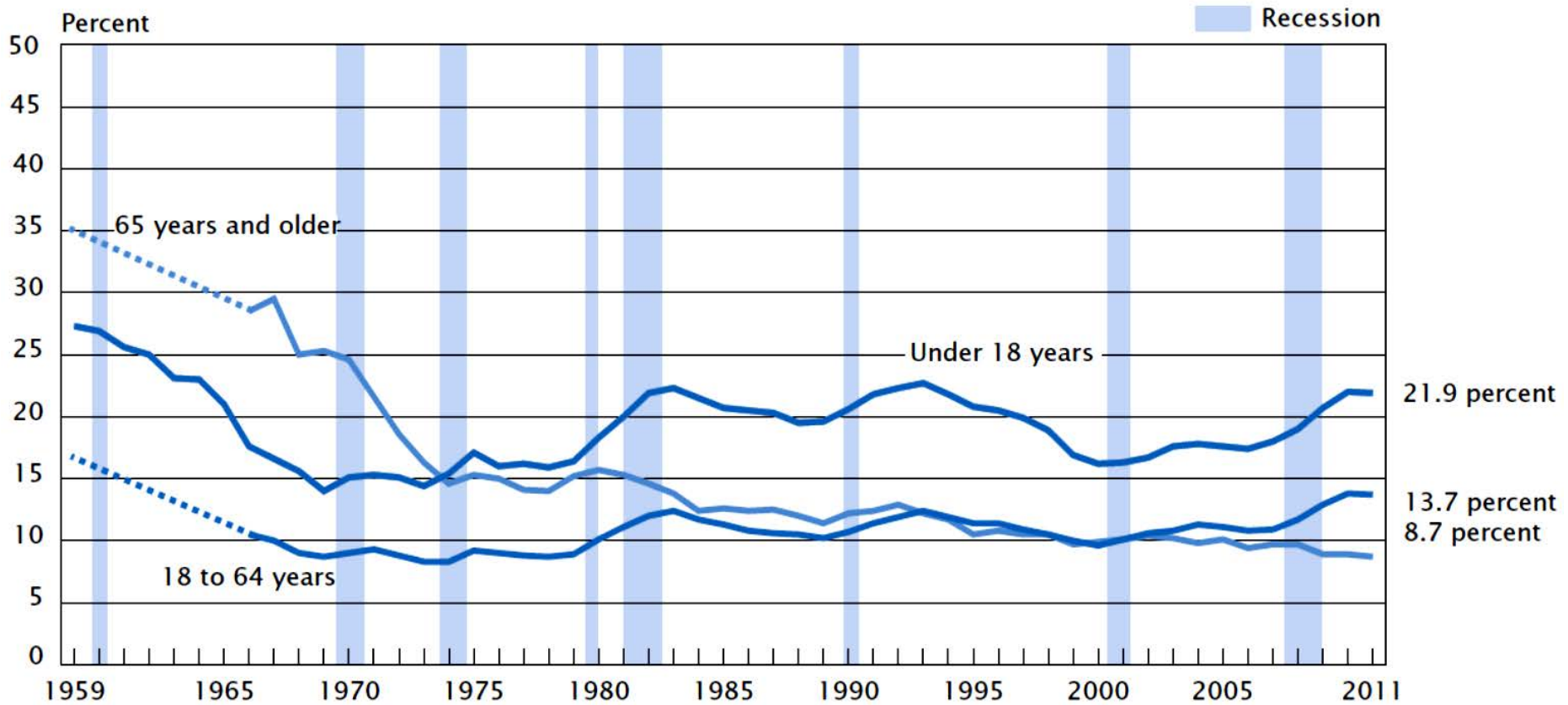
- ***During the 1960s boom unemployment was very low it seemed education and training*** would be all workers needed— rising wages and a low unemployment led most to argue problem was not a lack of jobs, but a lack of training...
- ***Discrimination against women minority groups*** was also a problem, but the Civil Rights Movement would taking care of that.
- Problem workers and community involvement would also involve and “empower” community groups in the War on Poverty programs such as Headstart the Job Corps – the Office of Economic Opportunity was set up to run these programs.

What went right?

1. Employment and training programs helped minorities and women get more work, Job Corps and Headstart still with us, WIC, food stamps, etc.
2. Poverty among the elderly fell from 35% to under 10% even less with houses and sans MOOP
3. Transfer programs implemented by Democratic congress did create as safety net
4. Housing standards and rising income reduced severe no shoes no plumbing poverty.
5. During the Great recession Post-Transfer poverty did not increase at all (ask [Ashley Bolton](#))

Poverty among elderly fell from 35 to under 10% even less with homes & sans MOOP (click 2012 data)

Figure 5.
Poverty Rates by Age: 1959 to 2011



Note: The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A. Data for people aged 18 to 64 and 65 and older are not available from 1960 to 1965.

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2012 Annual Social and Economic Supplements.

A Different Portrait of Poverty

To address shortcomings in the way poverty is measured in the United States, the Census Bureau has developed more comprehensive alternate measures. The example below calculates poverty rates by taking into account cost of living, taxes, medical expenses and benefits like food stamps and housing subsidies. [Related Article »](#)

		TRADITIONAL MEASURE	ALTERNATE	
Poverty rate		15.1%	13.4%	The alternate poverty rate is lower and did not rise as much during the recession, because it factors in many safety net benefits that supplement the incomes of the poor.
Change since 2006		+2.8 pct. pts	+1.1 pct. pts	
Rates by:				
Age	0-17 years	22%	15%	The alternate is lower for children , whom many programs target, but higher for older people, who have higher medical costs.
	18-64	14	13	
	65+	9	14	
Race	White	10	9	The alternate rate is lower for blacks, but it does not affect the rate as much for Hispanics , who have a lower participation rate in poverty programs.
	Black	27	21	
	Asian	12	14	
	Hispanic	27	24	
Region	Northeast	13	13	The alternate measure bases the poverty threshold on local cost of living , so it considers fewer people poor in rural areas where the cost of living is low.
	Midwest	14	10	
	South	17	14	
	West	15	16	
Area	Metro	15	14	
	Non-metro	16	11	

TRADITIONAL MEASURE

ALTERNATE

Poverty rate

15.1%

13.4%

Change since 2006

+2.8 pct. pts

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The alternate poverty rate is lower and did not rise as much during the recession, because it factors in many **safety net benefits** that supplement the incomes of the poor.

Rates by:
Age
0-17 years
18-64
65+



The alternate is lower for **children**, whom many programs target, but higher for older people, who have higher medical costs.

Race
White
Black
Asian
Hispanic



The alternate rate is lower for blacks, but it does not affect the rate as much for **Hispanics**, who have a lower participation rate in poverty programs.

Region
Northeast
Midwest
South
West



The alternate measure bases the poverty threshold on local **cost of living**, so it considers fewer people poor in rural areas where the cost of living is low.

Area
Metro
Non-metro



What went wrong?

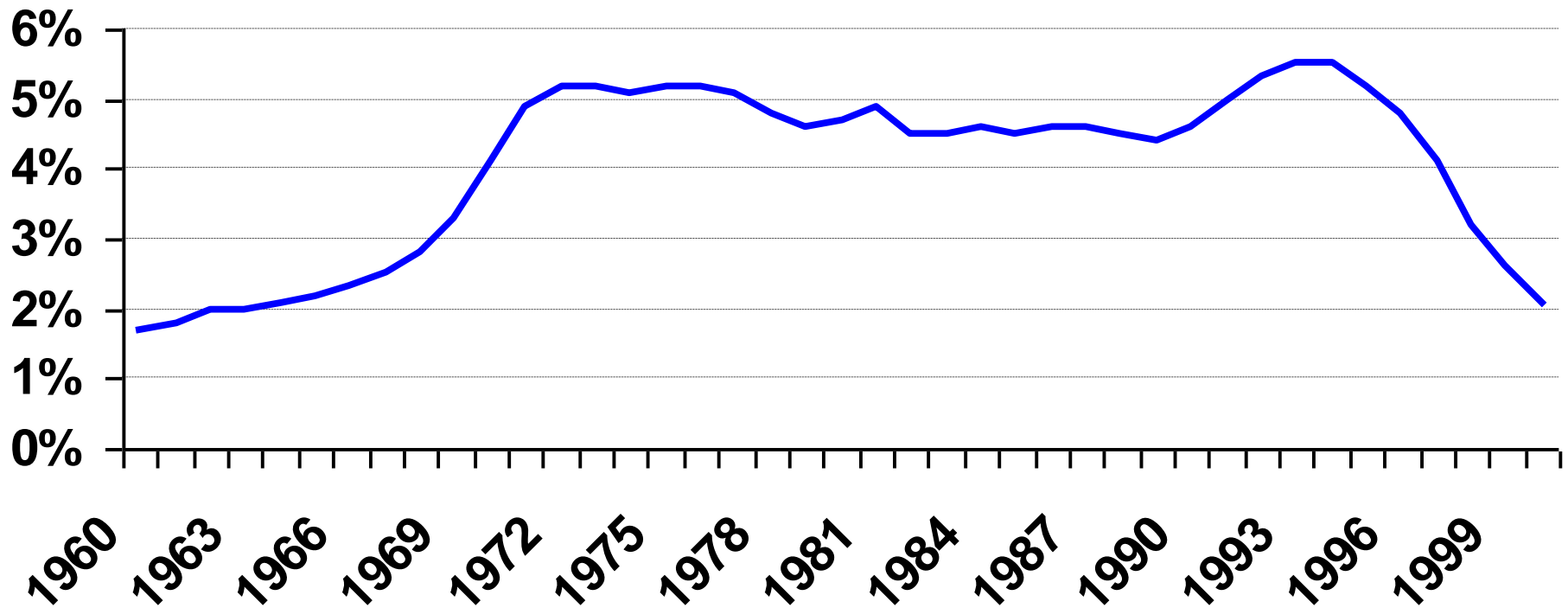
- Education and training not as effective as hoped
 - Post WWII baby boom led to flood of young workers, minorities, women went to work... a good thing, but it raised unemployment
 - Growth slowed after 1973.. Unemployment rose productivity and wage growth slowed, (for male factory workers, women's wages rose...).
- Women's agency increased: civil rights and women's rights movements empowered women and African Americans, which led women to start families on their own reducing the marriage rate
- In late 1960s the Supreme court struck down some restrictions on AFDC (such as [the "man in the house" rule](#)) adding to welfare caseloads...
- 1966-69 urban riots and politics led to greatly expanded in-kind benefits not included in official poverty measure... (public housing, food stamps, Medicaid, Medicare, expanded social security benefits expanded, but not counted).

1967-72 Welfare Rights Movement

- Welfare Rights movement contributed to a doubling of welfare caseloads to double again during 1967-72 (17% growth per year)
- Courts struck down “man in house” rule in 1968, eligibility States were overwhelmed by the growth in caseloads, refusal rates fell.
- Social Workers were removed from eligibility determination process-- their discretion to hand out special benefits

Welfare roles rose after 1968 into early 1970s... due to expanded civil rights & rising unemployment

U.S. Welfare Recipients % of Population



War on Poverty: Employment and Training Programs

- **1962 -- MDTA-- Manpower Development and Training Act--targeted displaced male heads of households.**
- **1964 Great Society Programs--Equal Opportunity Act targeted “structural” unemployment: Job Corps, Neighborhood Youth Corps, Operation Mainstream.**
- **1971- Comprehensive Employment & Training Programs (CETA) a workfare program aimed at AFDC recipients.**
- **1980s: Job Training and Partnership Act (JTPA) – focus “on the job training” by employers, backfired to some extent.**

Lessons of the War on Poverty: Education and Training a success for women & minorities

- 1. Education and training helps** but not in small doses—expensive programs like Headstart and Job Corps work, but cannot compensate for good HS/college education and job experience. A few thousand dollars and a few months of training cannot do much: ***women were worked more hours but not for much higher pay these programs eased transition of women and minorities into workforce....***
- 2. Head Start worked:** focus on early child hood education (Perry pre-school for example) and traditional High Schools (anti-dropout campaigns, counseling). For adults ***work first train later*** seems to work best...

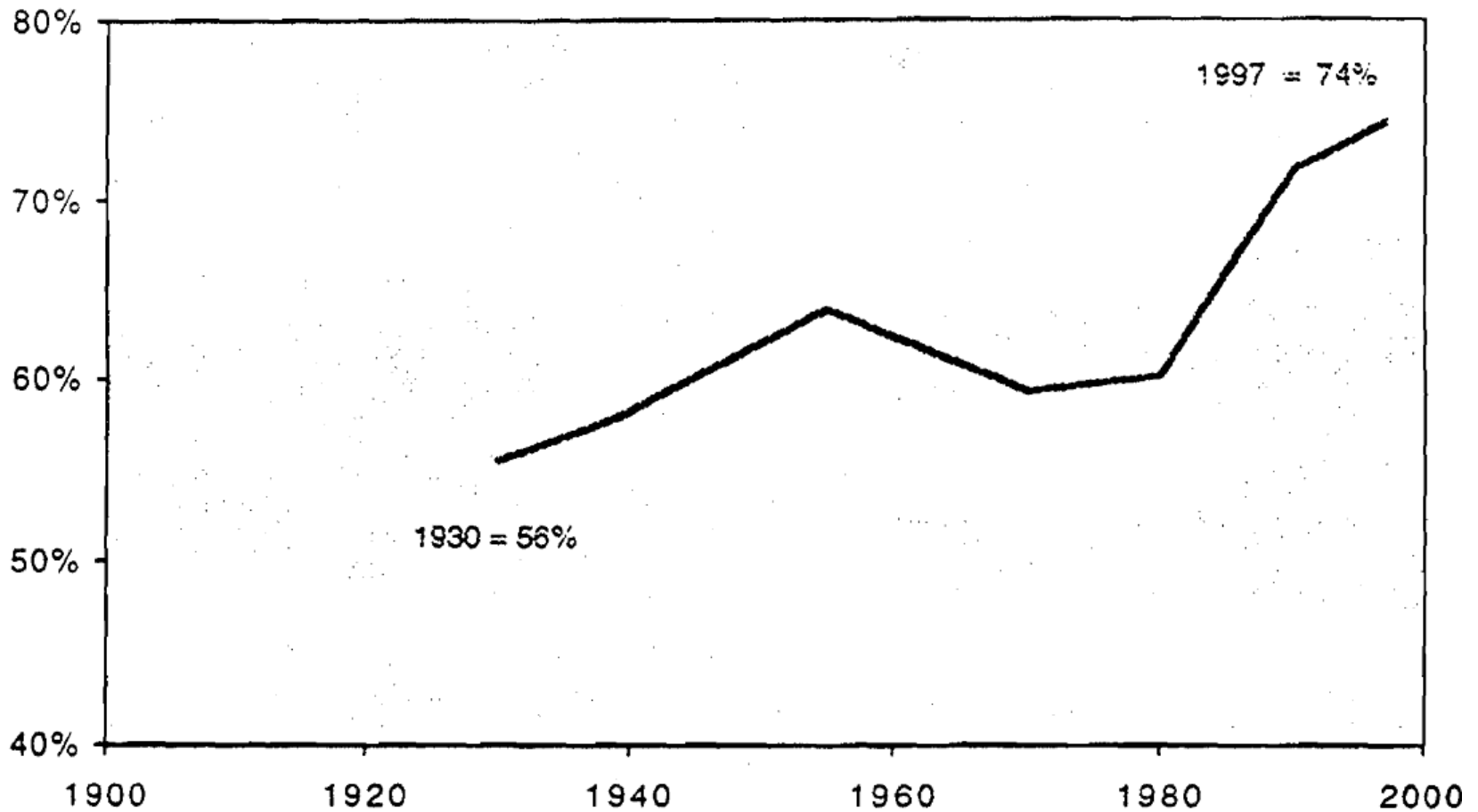
Lessons of the War on Poverty: education and training great idea, but...

3. Job training subsidies may create a social stigma for job seekers—labels workers as problem workers, most employers avoid-- in a Denver study participants in the Job Training Partnership Act did worse in getting jobs. Lesson; private business has difficulty provide social services, though internships (unpaid?) and employer training programs suggest employers can train workers (they have confidence in)

4. Short training programs or subsidies cannot compensate for lack of basic education or work experience: education and training spending should target poor neighborhood schools rather than poor workers.

Women begin to close earnings gap...

Women's Earnings as Percentage of Men's Earnings
Year-round, full-time employment



LEGACIES OF THE WAR ON POVERTY

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January 8, 2014



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