

January 7, 2014

## War on Poverty: Large Positive Impact, But More Work Remains

By Sharon Parrott

President Reagan famously declared, and others have often repeated, that the United States fought a war on poverty and poverty won. But, as we mark the 50<sup>th</sup> anniversary of President Johnson's War on Poverty, we should recognize that poverty has fallen significantly over the last half-century, and other troubling poverty-related conditions have declined. Since the mid-1960s, average incomes among the poorest fifth of Americans have risen significantly, infant mortality has dropped sharply, and severe child malnutrition has largely disappeared.

Nevertheless, poverty and hardship remain high, with millions of Americans having trouble putting food on the table and a roof over their heads. Nearly 50 million Americans were poor in 2012, including 13 million children, and 16 million people lived below half of the poverty line. Moreover, large racial disparities remain, with child poverty much higher and the share of African Americans with a college degree much lower than among whites. Meanwhile, poverty in America is high compared to other wealthy nations largely because our safety net does less to lift people out of poverty than those of other Western nations.

The poverty story over the last half-century in the United States is mixed for several reasons. A much stronger safety net along with factors such as rising education levels, higher employment among women, and smaller families helped push poverty down. At the same time, rising numbers of single-parent families, growing income inequality, and worsening labor market prospects for less-skilled workers have pushed in the other direction.

Today's [safety net](#) — which includes important programs and improvements both from the Johnson era and thereafter — cuts poverty *nearly in half*. In 2012, it kept 41 million people, including 9 million children, out of poverty, according to the Census Bureau's Supplemental Poverty Measure (SPM). If government benefits are excluded, today's poverty rate would be 29 percent under the SPM; with those benefits, the rate is 16 percent. Most analysts view the SPM as a better poverty measure than the "official" measure because it's more comprehensive. The SPM counts not only cash income but, unlike the official measure, also non-cash and tax-based benefits, such as SNAP (food stamps), the Earned Income Tax Credit (EITC), and rental vouchers. Also unlike the official measure, it accounts for income and payroll taxes paid, out-of-pocket medical expenses, and child care expenses, and it adjusts the poverty line to reflect geographic differences in living costs.

Beyond reducing poverty, alleviating hardship, and giving millions of Americans access to health care, the safety net also generates other important achievements, with [research](#) showing that programs such as SNAP and the EITC have long-term positive educational and health benefits for children.

## Roots in the War on Poverty, Along With Later Developments

Many of today's efforts to address poverty, provide access to health care, and ensure that poor children have a shot at economic success have roots in the Johnson era. Back then, policymakers created Medicare and Medicaid, boosted Social Security benefits, began to help fund K-12 education, established the basic contours of today's college aid and loans for low- and moderate-income students, and launched Head Start, among other innovations. They converted food stamps from a pilot project into a permanent program, expanded housing assistance for low-income families, and took initial steps toward creating today's housing voucher program to help low-income families afford modest private housing.

Nevertheless, some of today's most important anti-poverty efforts emerged in later years, such as the EITC and the Child Tax Credit, which together keep 10 million people out of poverty; and WIC, which has helped improve nutrition among pregnant women and infants, lower infant mortality, and improve children's health. In addition, the Food Stamp Program did not become a nationwide program with a national benefit structure until the late 1970s.

Moreover, key programs have changed substantially over the past 50 years. For example, Medicaid initially went mainly to families who received cash welfare and some low-income seniors and people with disabilities. Policymakers later expanded it and, today, only a small share of Medicaid beneficiaries receive cash assistance, and Medicaid and the Children's Health Insurance Program cover many more low-income children, parents, and childless adults — including millions of people in low-income working families.

Indeed, today's safety net focuses far more on low-income working families than the safety net of the late 1960s and 1970s. Since the mid-1990s, the safety net for the poorest families with children and childless adults has grown significantly [weaker](#), as cash welfare assistance shrunk, particularly for jobless families, contributing to an increase in [extreme](#) poverty.

## Progress to Date

Without question, we have made [significant improvements](#) in addressing poverty over the last 50 years, even if we've fallen well short of the bright hopes of the 1960s. Poverty has fallen significantly since 1967, according to [new research](#) from a team at Columbia University that, for the first time, applied a version of the SPM to years before 2009.

To measure poverty since the late 1960s by today's living standards, the researchers took the 2012 SPM poverty line and adjusted it for inflation back to 1967. Under this measure, overall poverty fell from 26 percent to 16 percent between 1967 and 2012, it fell among children from 29 percent to 19 percent, and it fell among the elderly from 47 percent to 15 percent. (The researchers also measured poverty using a different poverty line that's based on what people spent for basic necessities such as food and shelter in different years, rather than based on what people spend today, and adjusted back for inflation. This method results in a *lower* poverty line in 1964, reflecting the lower living standards

at that time. As a result, under this measure, poverty still has fallen since 1967, but the decline is more modest because the starting point is lower.)

Some critics say the safety net impedes progress against poverty by influencing individual behavior, such as by reducing work effort. But several leading researchers who [reviewed](#) the research in the field and applied it to poverty data for 2004 showed that, even after accounting for what the research indicates are modest behavioral effects, the safety net lowered poverty by at least 14 percentage points, keeping more than 40 million people out of poverty.

The safety net has helped low-income Americans in a host of other ways, though other factors have played a role as well. The average income of the poorest fifth of Americans has risen by *more than 75 percent* since 1964 (after adjusting for inflation and the fall in household size). Both African-American and white households saw income gains, reflecting increases in both earnings and government benefits. Infant mortality is down sharply (in no small part due to Medicaid, which extended health insurance to many very poor pregnant women and infants), and the share of adults with a high school diploma and the share with a college degree have risen. African Americans, Latinos, and whites all experienced gains, though wide racial disparities persist in these and other areas. (Data for Latinos does not date back as many years.)

Severe child malnutrition is another area of clear progress. In the mid- and late 1960s, before food stamps were consistently available to poor households across the nation, medical teams found rates of childhood malnutrition and related diseases in some poor areas that were akin to Third World countries. In the late 1970s, with national food stamp standards in place, medical teams returned to many of the same areas and found dramatic improvement. While poverty remained, severe child malnutrition and related health conditions were rare. The teams said food stamps were the single largest factor for this striking progress.

Moreover, a [recent study](#) of what happened when food stamps (now called SNAP) gradually expanded nationwide in the 1960s and early 1970s found that disadvantaged children who had access to food stamps in early childhood and whose mothers had access during their pregnancy were less likely in adulthood to have stunted growth, be diagnosed with heart disease, or be obese than children who had lacked access to this nutritional assistance. The children also were 18 percentage points more likely to graduate from high school.

## **Poverty Remains High, and Large Racial Disparities Remain**

Nevertheless, much work remains. U.S. poverty is high [compared to other wealthy nations](#), largely because our safety net does less to lift people out of poverty than those of other Western countries. Some 49.7 million people were poor in 2012 under the SPM, including 13 million children. Moreover, 16 million people, including nearly 3.5 million children, live below *half* of the poverty line.

Many poor families face real-world material [hardships](#). Nearly six in ten (58 percent) poor children live in households that experience at least one of four serious hardships during the course of the year — problems affording adequate food, overcrowded housing, falling behind on rent or mortgage payments, or having utilities cut off.

And while average incomes have grown significantly among the poorest fifth of households, as noted above, much of that growth occurred between 1964 and 1973. From 1973 to 2007 (before the Great Recession), the average incomes of these households grew a rather modest 19 percent.

In addition, large racial disparities remain. In 2012, child poverty among African Americans was 29.2 percent, 20 percentage points higher than for white children. Among 25- to 34-year-olds in 2013, the share that completed a four-year college degree was 41 percent for whites as compared to 23 percent for African Americans.

## **Social Factors Both Help and Thwart Progress in Reducing Poverty**

Many changes in American society over the last 50 years have affected poverty, [some helping to reduce it and others doing just the opposite](#).

Over this period, the safety net became much more effective at fighting poverty. While it reduced the number of people who were poor before considering public benefits by only 4 percent in 1967, by 2012 it had lifted out of poverty 44 percent of those who would otherwise be poor.

Other trends were helping to drive poverty lower, too. The share of adults finishing high school rose from 56 percent in 1964 to 88 percent in 2012 while the share of adults with a college degree rose as well — all of which increased economic growth and improved the earnings prospects of those who attained more education. Families also got smaller, so income was shared among fewer people, which lowers poverty rates. The share of families with children who had fewer than three children rose from 61 percent in 1964 to 80 percent in 2012. (This decline in family size occurred across the income spectrum.)

In addition, women increasingly worked outside the home, with the share of women aged 18-64 who work rising over the same period from 42 to 64 percent.

At the same time, however, other developments have thwarted progress, keeping poverty higher than it otherwise would be. Rising income inequality resulted in less of the benefits of economic growth going to those at the bottom. Between 1964 and 2012, the share of national income going to the top 1 percent of households *doubled*, from 11 percent to 22 percent. The share of income going to the poorest fifth of households fell between 1979 (the earliest year for which comprehensive data are available) and 2012. If the benefits of economic growth had been more widely shared, poverty would be lower.

Less-skilled men faced an increasingly tough labor market. Over the period, the share of adult men (aged 18 to 64) with a job fell from 87 percent to 74 percent, with the reduction occurring largely among men with a high school diploma or less. Furthermore, after the share of all men who worked year-round but whose earnings were less than the poverty line for a family of four *fell* markedly between 1964 and 1973, the trend reversed. Between 1973 and 2012, the share of men who worked year-round but earned below-poverty wages rose from 10 percent to 14 percent.

While parents had fewer children, the share of families with children headed by a single parent grew from 11 percent in 1964 to 35 percent in 2012; single-parent families have much higher poverty rates, both because there is only one parent in the home who can work and because these parents tend to have less education and poorer employment prospects.

Overall, the notion that going back to “the way things were” in the 1960s would cure poverty is largely myth. If we simultaneously returned to 1964 patterns of marriage, number of children, high school completion, and men’s and women’s employment rates (without changing the poverty rates tied to those characteristics today), poverty would go *up*, not down.

## **Conclusion**

All told, the nation has made substantial progress against poverty and poverty-related conditions over the last half-century. Although rising income inequality and growing numbers of single-parent families pushed upward on poverty, on balance poverty declined thanks in large part to the safety net improvements, along with other factors such as increases in education and women’s work and other changes in the family. Yet, poverty, inequality, and racial disparities remain high. Today’s challenge is to take what we have learned and strengthen efforts to reduce poverty and hardship and to promote broad economic opportunity.