Most people, including most scholars, think the War on Poverty began with a formal declaration by Lyndon Johnson in 1964. In a sense this is true, for there was in fact no formal governmental decree before that time. Academic researchers have chosen to conduct their statistical analyses of poverty within this narrow time frame, producing books with titles like A Decade of Federal Antipoverty Programs (published in 1977), or Progress Against Poverty: A Review of the 1964-1974 Decade. And so persuasive has this scholarly conception of recent history been that public debate over the Reagan administration's domestic agenda has been based on the widespread assumption that only beginning in 1964 were great strides made toward the elimination, or at least the alleviation, of poverty in America.

Editors' note: The Public Interest has asked a distinguished group of authors to contribute their thoughts on "the future of the welfare state." The remaining articles, which will be published in the Winter 1983 issue, include: Nathan Glazer on voluntarism, Leslie Lenkowsky on defining poverty, Mary Jo Bane on the family, and Clifford Orwin on the idea of dignity. We also hope to reprint Alexis de Tocqueville's overlooked "Memoir on Pauperism," with a new introduction by Gertrude Himmelfarb.
But in another sense this view is profoundly misleading. One cannot make a thoroughgoing statistical analysis of the War on Poverty—specifically, of the Great Society's efforts to eliminate it—if one does not examine the statistics on poverty before the Great Society. Only by doing this can we begin to understand both the effects of the War on Poverty and our present situation.

The data for such an analysis are readily available. As we look back, the figures, unless otherwise noted, will be drawn from the standard publications of the Bureau of the Census: the annual *Statistical Abstracts of the United States*, *Historical Statistics of the United States*, and the decennial census reports.

The purpose here is not to gain converts to one interpretation of recent social history, but to bring to the surface some of the empirical reasons for questioning whether the reforms of the Great Society were a good idea for the poor. The issue is too important to be left, as it generally has been, to political rhetoric and politicized statistics.

**The measures: official poverty**

When news reports cite percentages of "people living in poverty," they are drawing from the official definition of the "poverty line" established in 1964 by a task force in the Social Security Administration. The poverty line is, in effect, set at three times the cost of an adequate diet, and is adjusted for inflation, a variety of family characteristics, and one's location (rural or nonrural).

This measure has been attacked as niggardly by some and as overly generous by others. Almost everyone agrees that it fails to capture the important differences in the quality of life between a family living at the poverty line in the South Bronx, for example, and a family with the same income that lives in a less punishing environment. But this measure of poverty has its merits nonetheless. It is widely known, it takes family size and inflation into account, and it provides a consistent measure for examining income over time. I will use it to discuss the history of three different "types" of poverty: official poverty, net poverty, and latent poverty (see figure).

The most widely used measure of poverty is the percentage of people with cash incomes that fall beneath the poverty line before taxes, but after taking cash income transfers from government into account. We shall call it *official poverty* because it is the measure reported by the Bureau of the Census.
Conventional wisdom has it that, at least according to this one measure, the 1960's and 1970's brought economic progress for the poor. The most widely shared view of recent events is that the United States entered the 1960's with a large population that had been bypassed during the prosperity of the Eisenhower years. The rich and the middle class gained but the poor did not. Then, after fits and starts during the Kennedy years, came the explosion in the number and size of social programs under Johnson. The programs were perhaps too ambitious, it is widely conceded, and perhaps some of the efforts were misdirected, but at least they put a big dent in the poverty problem; this can be seen, it is said, in the large reduction in poverty that occurred during LBJ's administration and thereafter. The Great Society reforms were seen to have produced results that Eisenhower's "trickle-down" economics had not.
The essential assertion of this view is that poverty decreased during the War on Poverty and had not been decreasing as rapidly before this period. It is a simple assertion, for which the data are a matter of historical record, and it is only half right.

Poverty did indeed fall during the five Johnson years, from 18 percent of the population in 1964 to 13 percent in 1968, his last year in office. Yet this was scarcely an unprecedented achievement. Between 1949 and 1952, poverty had already begun to fall from 33 to 28 percent. Under Eisenhower it fell to 22 percent. Under Kennedy and Johnson it dropped to 18 percent by 1964. In short, the size of the official “impoverished” population dropped by twenty percentage points in twenty years, of which the five Johnson years accounted for precisely their fair share, five points.¹

Then, after two decades of reasonably steady progress, improvement slowed in the late 1960’s and stopped altogether in the 1970’s. A higher percentage of the American population was poor in 1980, in terms of cash income, than at any time since 1968. The percentage dipped as low as 11.1 percent in 1973, but by 1980 it stood at 13.0 percent and was heading upward.

When this history of the official poverty level is placed alongside the history of social welfare expenditures, a paradox appears. Social welfare expenditures had been increasing at a steady rate through the Eisenhower, Kennedy, and early Johnson years. But it was not until the budgets of 1967 and 1968 that the Johnson programs were reaching enough people to have a marked impact on the budget; it was then that social welfare expenditures started to take off. So just at the time when the reforms of the mid-1960’s were being implemented, progress in reducing poverty began grinding to a halt!

The paradox is even more pronounced when we remember what it is we are measuring. If the measure were of chronic joblessness, for example, the flattening curve we see in the figure would be understandable: It often is harder to fix the last 10 percent of a problem than the first 90 percent. But in this case, “official poverty” is simply a measure of cash income after taking government transfers into account. To eliminate official poverty, all we need

do is mail enough checks with enough money to enough people. Starting in the late 1960's, the number of checks, the size of the checks, and the number of beneficiaries all began to increase. Even if we ignore increased in-kind expenditures such as housing, food stamps, and medical care (which are not included in this definition), and discount administrative costs and the effects of inflation, the federal government increased its real cash-benefit payments for income maintenance programs by more than two-thirds during the 1970's.

Furthermore, the antipoverty programs of the 1970's had a much smaller target population than those of earlier, smaller budgets. In 1950 there were an estimated 46 million people living beneath the poverty line (as it was subsequently defined); in 1960 there were 40 million, and in 1970 only 25 million. Given these conditions—more money and fewer people—progress begun during the 1950's and 1960's should have accelerated in the 1970's instead of slowing, stopping, and then reversing.

Net poverty

The official poverty statistic is based only on cash income. In-kind assistance—food programs, housing, medical care—is not included. Yet this assistance has been the fastest-growing component of the social welfare budget, rising from $2.2 billion in 1965 to $72.5 billion in 1980. If the dollar value of these benefits is computed and added to cash income, this new measure may be called net poverty: The percentage of the population remaining beneath the poverty level after all resources—cash and in-kind, earned and unearned—are taken into account.2

In 1950, in-kind transfers were quite small, so the percentage of official poor (30 percent) was nearly identical to the percentage of net poor. This situation continued into the early 1960's as net poverty decreased at roughly the same rate as official poverty. By 1968, the gap between official poverty (12.8 percent) and net poverty (10.1 percent) was quite small.

Unlike changes in official poverty, however, large decreases in net

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poverty continued into the early 1970's. Then, from 1972 until 1980, the trendline flattened, just as that for official poverty had a few years earlier. In 1980, net poverty stood at 6.1 percent of the population, compared to 6.2 percent in 1972, despite the fact that expenditures on in-kind assistance had tripled (in constant dollars) during the 1970's.

The concept of net poverty is ambiguous. Taken by itself, 6.1 percent represents a near victory over poverty; it is a very small proportion of the population. But a citizen who lives in a black or Hispanic ghetto, for example, may be forgiven for arguing that poverty has not come within 6.1 percentage points of vanishing. We must consider what it really means to live at or near the poverty level through in-kind support.

It means, to begin with, living in housing projects or other subsidized housing. Given their cost, most of these units ought to provide decent, comfortable housing, but in practice public housing is among the most vandalized, crime-ridden, and least livable housing in the country. It means relying on food stamps. In theory, food stamps can purchase the foods necessary for a nutritious diet, but in practice they can also purchase junk food or expensive processed foods, or they can be misused in other ways. It also means paying for medical care through Medicaid or Medicare, which have concrete value only if the recipient is sick.

In short, having the resources for a life that meets basic standards of decency is not the same as actually living such an existence. Whether this is the fault of the welfare system or the recipient is not at issue; it is simply a fact that must be kept in mind when interpreting the small, encouraging figure of 6.1 percent.

But the economic point remains: As of 1980, the many overlapping cash and in-kind benefit programs made it possible for almost anyone to place themselves above the official poverty level. If the ultimate criterion of social welfare policy is eliminating net poverty, the War on Poverty has very nearly been won.

Latent poverty

Of course, eliminating net poverty is not the ultimate criterion. Lyndon Johnson undertook the War on Poverty to end the dole, to enable people to maintain a decent standard of living by their own efforts. As he signed the initial anti-poverty bill he sounded the theme that formed the basis of the consensus for the Great Society:

We are not content to accept endless growth of relief or welfare
rolls. We want to offer the forgotten fifth of our population opportunity and not doles. . . . The days of the dole in our country are numbered. 8

Johnson was articulating a deeply shared understanding among Americans as to how the welfare system is supposed to work—"a hand, not a handout" was the slogan. Throughout American history, the economic independence of the individual and the family has been the chief distinguishing characteristic of good citizenship.

To measure progress along these lines we must calculate yet a third statistic. The poverty statistic with which I began, the one used by the government in its analyses, is cash income *after* the cash transfers from the government have been counted. Then I added the value of the noncash, in-kind transfers in order to measure net poverty. Now I must ask: What is the number of poor before the cash and in-kind transfers are taken into account? How many people *would be* poor if it were not for government help? These may be called the *latent poor*. For practical purposes, they are the dependent population, those who were to be made independent as we eliminated the dole.

Latent poverty decreased during the 1950's. We do not know the precise level of decline, because 1965 is the first year for which the number of latent poor has been calculated. 4 But we do know that the number of latent poor (pre-transfer poor) can be no smaller than the number of post-transfer poor; therefore, since the number of post-transfer poor stood at 30 percent of the population in 1950, the percentage of latent poor had to have been somewhat larger (a conservative estimate is 32 percent). As of 1965, the latent poor were 21 percent of the population—a drop of about one-third. Put another way, dependency decreased during the years 1950-1965. Increasing numbers of people were able to make a living that put them above the poverty level and progress was being made on the long-range goal of eliminating the dole.

The proportion of latent poor continued to drop through 1968, when the percentage was calculated at 18.2, but this has proved to be the limit of our success in the war against economic dependence. At some point during 1968-1969, progress stopped; the percentage of latent poor then started to grow. It was 19 percent by

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1972, 21 percent by 1976, and 22 percent by 1980.\textsuperscript{5} Once again, as in the case of official poverty, the shift in the trendline coincided with the advent of the programs that were to eliminate poverty.

Again, how could it be that progress against official poverty and net poverty slowed or stopped when so much more money was being spent for cash and in-kind transfers? The data on latent poverty provide one of the most important answers: Because latent poverty was increasing, it took more and more money in transfers just to keep the percentage of post-transfer poor stable. The social welfare system fell into the classic trap of having to run faster and faster to stay in the same place. The extremely large increases in social welfare spending during the 1970's were papering over the increase in latent poverty.

The three measures of poverty—official poverty, net poverty, and latent poverty—reveal a pattern from 1950 to 1980 that has important implications for the American welfare state. For example, it explains a major element in the budget crisis. As of 1980, roughly the same proportion of people remained above the poverty line through their own earned incomes as did in the early 1960's. But in the early 1960's, our legislated spending obligations to those who earned less than that amount were comparatively small. Whether or not one approves of the spending obligations taken on since then, they cannot be sustained indefinitely in the face of increasing latent poverty. Latent poverty must be turned around, or the obligations must be slashed, or both.

\textbf{Rising tide, sinking ships}

The poverty trendlines displayed in the figure are not widely publicized. Because it has not been recognized that the implementation of the Great Society reforms coincided with an end to progress in reducing poverty, there has been no debate over why this should be the case.

The best place to begin the debate is to examine the common view that the bright hopes of the 1960's dimmed in the 1970's due to a slowdown in the economy. According to this view, inflation and

\textsuperscript{5} It should be noted that the measure of latent poverty excludes Social Security income. Since families headed by persons over the age of 65 make up nearly half of those in latent poverty, the percentages reported here may somewhat exaggerate the extent of the problem among those able to work. (Unfortunately, no figures on this point prior to 1976 have been published.) But even if it were possible to include Social Security—or exclude the elderly—in calculations over this period, this adjustment would not affect the steep rise in latent poverty we have observed over the past decade.
dislocations brought on by the Vietnam war, along with the revolution in energy prices, made the economy go sour. As the expansionist environment of the 1960's vanished, strategies and programs of the War on Poverty had to be put aside. It is good that the entitlements and income transfer programs were in place, runs this line of argument, or else the troubles in the economy would have been even more devastating on the poor.

What, if anything, do the data suggest about the merits of this economic explanation? As in the discussion of poverty, I must start with the simplest, most widely used measure of the state of the economy, growth in the GNP, and examine its relation to changes in the number of people living in poverty. The answer—perhaps surprisingly to those who have ridiculed “trickle-down” as a way to help the poor—is that changes in GNP have a very strong inverse relation to changes in poverty. As GNP increases, poverty decreases. (The simple correlation coefficient for the period 1950-1980 is -.696.)

The effects of economic growth did indeed trickle down to the lowest economic levels of the society. Economic growth during the 1950's and 1960's was strong, during the 1970's it was weak—and progress in reducing poverty ceased.

So it can be said that the fortunes of the economy explain recent trends in poverty. But the flip side of this finding is that social welfare expenditures did not have an effect on poverty. Once the effects of GNP are taken into account, increases in social welfare spending do not account for reductions in poverty during the last three decades. The same analysis that supports the economic explanation for the failure in the 1970's gives scant support to remedies that would boost social welfare spending now.

Conservatives generally recognize the role of economic growth in reducing poverty, but some feel this is not a sufficient explanation for the failures of the 1970's. It is not just that the social welfare reforms were ineffective in reducing poverty, they argue, but that the reforms actually made matters worse byemasculating the work ethic and creating “work disincentives.” As people became less inclined to take low-paying jobs, hold onto them, and use them to get out of poverty, they became dependent on government assistance. The academic treatment of poverty has generally dismissed this conservative explanation out of hand. It has understandably been mistaken for curmudgeonly, mean-spirited, and occasionally

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6 The variables are the first difference in real GNP per household and the first difference in percentage of population under the poverty line using the official measure of poverty.
racist rhetoric. But the trendline for latent poverty—the key indicator of how people are doing without government help—offers a solid reason for concluding that the Great Society reforms exacerbated many of the conditions they sought to alleviate.

It is important to emphasize that the trend in latent poverty did not reverse direction when the economy went bad; it did not even wait until the official poverty and net poverty figures stabilized. Latent poverty started to increase while the other two measures of poverty were still going down. Most strikingly, progress on latent poverty stopped in 1968 while the economy was operating at full capacity (unemployment stood at 3.5 percent in 1968-1969, the lowest rate since the Korean War).

**Welfare and labor-force participation**

The last half of the 1960's was a watershed in other ways as well. A number of social indicators began showing strange and unanticipated shifts during those years, and the onset of these changes had no discernible relation to the health of the economy. Together, the evidence is sufficiently provocative to make the conservative interpretation worth looking into.

One such indicator is *participation in the labor force*. By definition, participation in the civilian labor force means either being employed or intending to work, given the opportunity. Among the poor, participation in the labor force "should" be very high, approaching 100 percent, for able-bodied adults without child-care responsibilities. Conservatives argue that such participation has dropped because welfare benefits have become more extensive and more easily available. The statistics on labor-force participation—a standard measure calculated by the Bureau of Labor Statistics—are readily available, and they conform quite well to conservative expectations.

Consider the record of two populations of immediate comparative interest: black males, who are disproportionately poor relative to the entire population, and white males, who are disproportionately well off. In 1948 (comparable data for 1950 are not available), the participation rate for both groups was 87 percent. This equivalence—one of the very few social or economic measures on which black males could claim parity with whites in the 1950's—continued throughout the decade and into the early 1960's. As late as 1965, only a percentage point separated the two groups. But by 1968, a gap of 3.4 percentage points in participation had opened up be-
tween black males and white males. By 1972, the gap was 5.9 percentage points. In 1980, 70.5 percent of black males participated in the labor force compared to 78.6 of white males; the gap had grown to 8.1 percentage points. To put it another way, during the period 1954-1967, 1.4 black males dropped out of the labor force for every white male who dropped out; from 1968 to 1980, 3.6 black males dropped out for every white male who did.

The abrupt drop in the labor-force participation of black males cannot easily be linked to events in the economy at large. One of the most commonly cited popular explanations of why poor people drop out of the labor force is that they become discouraged—there are no jobs, so people quit looking. But the gap first opened up during the boom years of 1966-1968, when unemployment was at historic lows. The "discouraged worker" argument cannot be used to explain the dropout rate during this period. Nor can the opposite argument be substituted: Black males did not stop dropping out when the Vietnam boom cooled and unemployment rose. Whether unemployment was high or low, until 1967 black males behaved the same as whites; after 1967 they did not.

One may ask whether this is a racial phenomenon; it is nothing of the kind. Using the 1970 census data, participation for 1970 may be broken down by both race and economic status, and doing so reveals that the apparent racial difference is artificial. For males at comparable income levels, labor-force participation among black males was higher than among white males. The explanation of the gap is not race, but income. Starting in 1966, low-income males—white or black—started dropping out of the labor force. The only reason it looks as though blacks were dropping out at higher rates is that blacks are disproportionately poor. If trendlines are examined showing participation rates by income rather than race, the 1970 census data strongly suggest that middle- and upper-income males participated in the labor force at virtually unchanged rates since the 1950's, while the participation rate for low-income males decreased slowly until 1966, and plummeted thereafter.

This phenomenon needs explanation, for it was a fundamental change in economic behavior—participation in the labor market itself. Once explanations based on unemployment fail, and once the racial discrepancy is shown to be artificial, the conservative hypothesis has considerable force. Without a doubt, something happened in the mid-1960's that changed the incentives for low-income workers to stay in the job market. The Great Society reforms constitute the biggest, most visible, most plausible candidate.
Welfare and family breakup (revisited)

A second social indicator which links increases in latent poverty to the Great Society reforms is the decline in the intact husband-wife family unit, especially among blacks.

A racial difference in family composition has existed since statistics have been kept, but by the middle of this century the proportions for whites and blacks, while different, were stable. As of 1950, 88 percent of white families consisted of husband-wife households, compared to 78 percent of black families. Both figures had remained essentially unchanged since before World War II (the figures for 1940 were 86 and 77 percent, respectively). In the early 1950's, the black proportion dipped slightly, then remained between 72 and 75 percent through 1965. The figures for white families stayed in the 88 to 89 percent range between 1958 and 1965, never varying by more than two-tenths of a percentage point from year to year.

The years 1966 and 1967 saw successive drops in the percentage of black husband-wife households, even though it remained in the 72-75 percent range. Then, in a single year (1968), the percentage dropped to 69, the beginning of a steep slide that has not yet been arrested. By the end of 1980, the proportion of black husband-wife families had dropped to 54 percent—a drop of 19 percentage points since 1965. The figure for whites dropped by four percentage points in the same period, from 89 to 85 percent.

From a demographic perspective, a change of this magnitude is extraordinary, nearly unprecedented in the absence of war or some other profound social upheaval. Much is made of the social changes that swept America during the 1960's and 1970's, and discussions of the change in black family composition have discounted the phenomenon as a slightly exaggerated manifestation of this broader social transformation. But the data do not permit such an easy dismissal. In the rest of society the changes in family composition were comparatively modest.

As in the case of labor-force participation, we are witnessing a confusion between race and income, though not as severe. When husband-wife families are examined on the basis of income (using the 1970 census), the percentage of husband-wife families among blacks above the poverty level is found to be 82 percent, very close to the overall rate for whites. This indicates that data based on income may be expected to show that the precipitous drop in intact families is concentrated among the low-income population, not exclusively (perhaps not even disproportionally) among blacks.
Why did low-income families start to disintegrate in the mid-1960's while higher-income families did not? As in the case of participation in the labor force, there is no obvious alternative to the conservatives' hypothesis: Namely, during precisely this period, fundamental changes occurred in the philosophy, administration, and magnitude of social welfare programs for low-income families, and these changes altered—both directly and indirectly—the social risks and rewards, and the financial costs and benefits, of maintaining a husband-wife family. It should surprise no one that behavior changed accordingly.

This hypothesis is not "simplistic," as has been charged. It is plausible that the forces which changed welfare policy could have affected family composition even if welfare policy had not been changed. Those forces were surely various and complex. Still, these forces are not enough to explain the extraordinary change in family composition. If in the early 1960's one had foreseen the coming decade of sweeping civil rights legislation, an upsurge in black identity and pride, and a booming economy in which blacks had more opportunities than ever before, one would not have predicted massive family breakup as a result. The revolutionary change in black family composition went against the grain of many contemporary forces. Casual assertions that "it was part of the times" are inadequate.

A Pyrrhic victory?

The effect of the decline in labor-force participation, and of the breakup of the husband-wife family, were tragic and severe. In the case of the labor market, the nature of the effect is obvious: When low-income males drop out of the labor force and low-income females do not enter it, the size of the latent poor population will grow. This alone could explain why the proportion of latent poor increased even as the proportions of official poor and net poor were still declining.

The effects of family breakup are less obvious, but no less noteworthy. An analysis by the Bureau of the Census indicates that changes in family composition accounted for 2.0 million additional poor families in the 1970's. For example, the analysis shows that if black family composition had remained the same as in 1971, the

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poverty rate for black families would have been 20 percent in 1980 instead of 29 percent. Other findings all lead to the same conclusion: The changes in family composition that started in the mid-1960's have raised poverty significantly above the levels that "would have" prevailed otherwise. The Bureau's analysis actually understates the overall effect of the change in family composition on poverty—by 1971, the baseline for the analysis, much of the deterioration had already occurred.

These are some of the reasons behind the paradox of our failure to make progress against poverty in the 1970's despite the enormous increases in the amount of money that the government has spent to do so. There are other reasons as well—the large proportion of the social welfare budget spent on people above the poverty level being perhaps the most notable—but the preceding few will serve to convey a point that is too often missed in the debates over budget cuts in social welfare programs. It is genuinely an open issue—intellectually as well as politically—whether we should be talking about spending cuts, or whether we should be considering an overhaul of the entire welfare system as conceived in the Great Society. If the War on Poverty is construed as having begun in 1950 instead of 1964, it may fairly be said that we were winning the war until Lyndon Johnson decided to wage it.