

LEGACIES OF THE WAR ON POVERTY

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Declaration of War On Poverty



President Johnson declared an “unconditional war on poverty” in his first State of the Union address (Jan. 8, 1964)



- Americans today enjoy the highest standard of living in the history of mankind. But for nearly a fifth of our fellow citizens, this is a hollow achievement. ...
- We cannot and need not wait for the gradual growth of the economy to lift this forgotten fifth of our nation above the Poverty line. *We know what must be done, and this Nation of abundance can surely afford to do it.*
- Today, as in the past, higher employment and speedier economic growth are the cornerstones of a concerted attack on poverty...*But general prosperity and growth leave untouched many of the roots of human poverty* (Lyndon Johnson, 1964: 15).

Strategy Against Poverty

Ch. 2, 1964 Economic Report of President

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

War on Poverty Era Legislation I

- November 22, 1963, President Kennedy assassinated; Lyndon B. Johnson becomes president
- January 8, 1964, President Johnson's State of the Union declares War on Poverty
- February 26, 1964, The Revenue Act of 1964 lowers individual income tax rates
- July 2, 1964, Civil Rights Act of 1964
- August 20, 1964, Economic Opportunity Act of 1964 creates Community Action Agencies, Head Start, Job Corps, Community Health Centers, Upward Bound, VISTA, Legal Services, and federal work study programs.
- August 31, 1964, Food Stamp Act of 1964 creates national program
- April 11, 1965, The Elementary and Secondary Education Act of 1965 creates Title I which distributes funding to schools with high percentages of poor students

War on Poverty Era Legislation II

- April 26, 1965, Manpower Act of 1965 expands funding for training and retraining
- July 14, 1965 The Older Americans Act of 1965 funds various services
- July 30, 1965, Medicare and Medicaid are signed into law
- August 6, 1965, Voting Rights Act abolishes literacy tests and other barriers used by state and local governments to disenfranchise voters
- November 8, 1965, Higher Education Act of 1965 creates federal loan programs including the Educational Opportunity Grant and Guaranteed Student Loan
- September 30, 1966, Amendments to Fair Labor Standards Acts increases minimum wage & extends coverage to public schools, nursing homes, laundries, construction and farm workers and large farms
- October 11, 1966, Child Nutrition Act of 1966 increased funding for school lunches and created a school breakfast program.

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

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

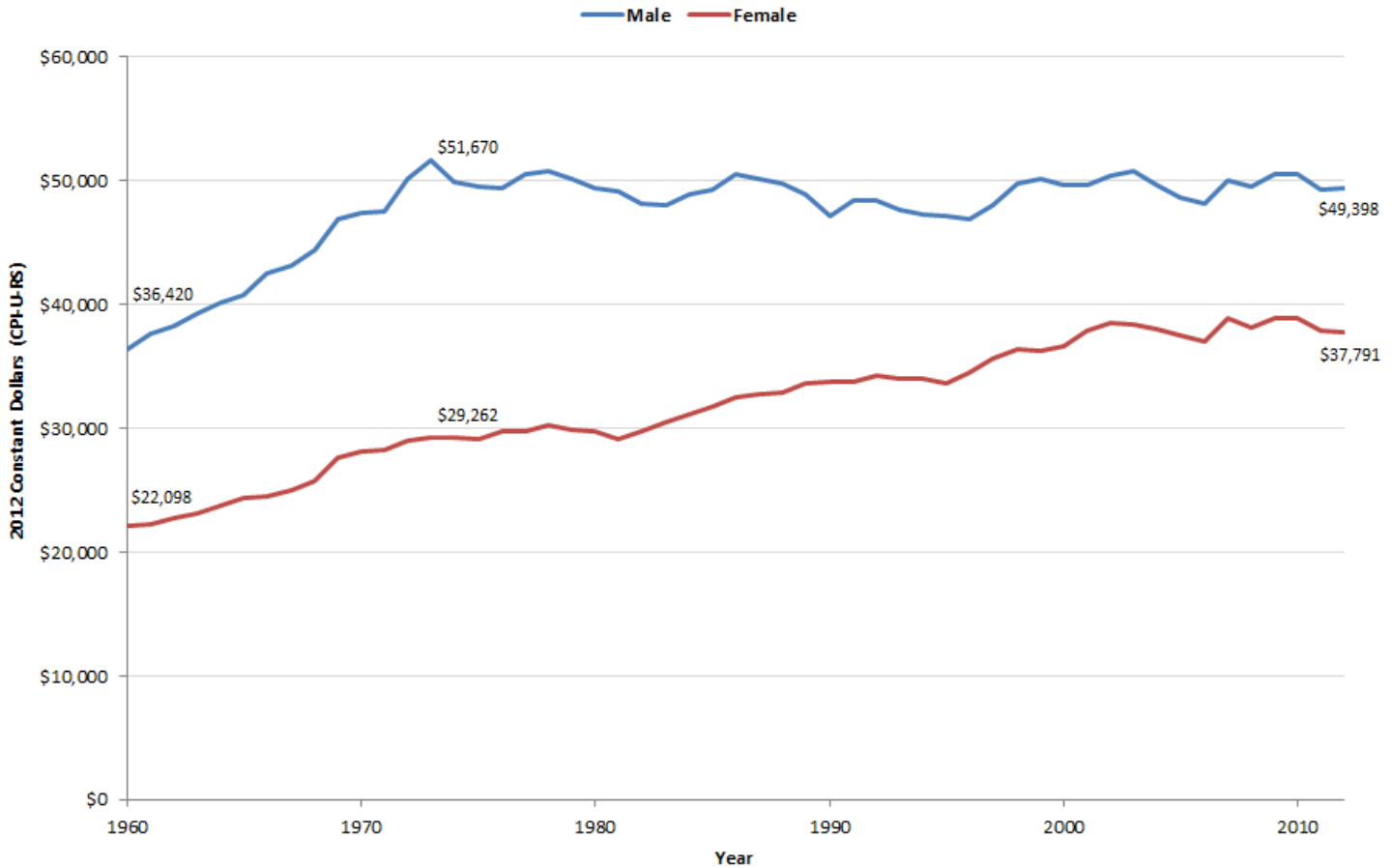
The Post-War on Poverty Decade

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

A Gilded Age of Rising Inequality 1973-present

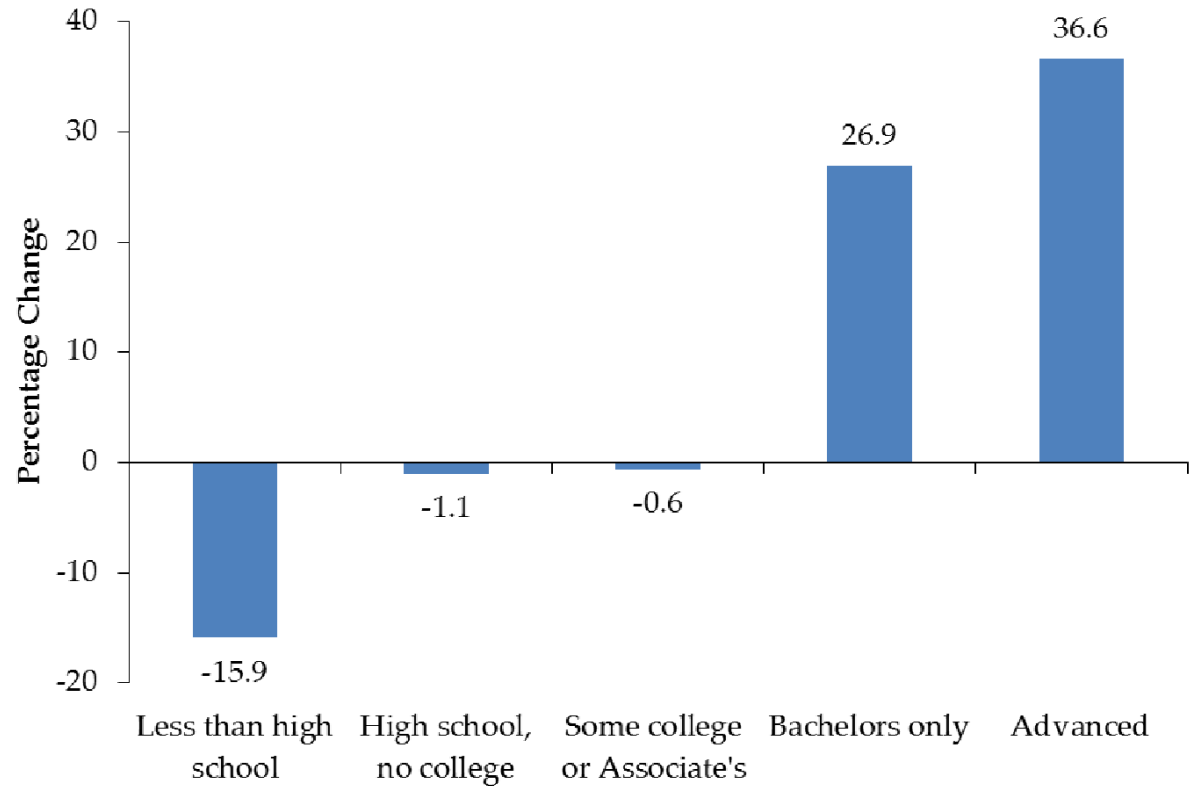
- Poverty rises above 15% during severe recessions of early 1980s, milder recession in early 1990s, and Great Recession of 2007-09
- Poverty falls during recoveries, but not to 1973 level
- Less-educated workers & median male worker no longer benefit much from economic growth
- Inequality increases rapidly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

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



Source: U.S. Census Bureau

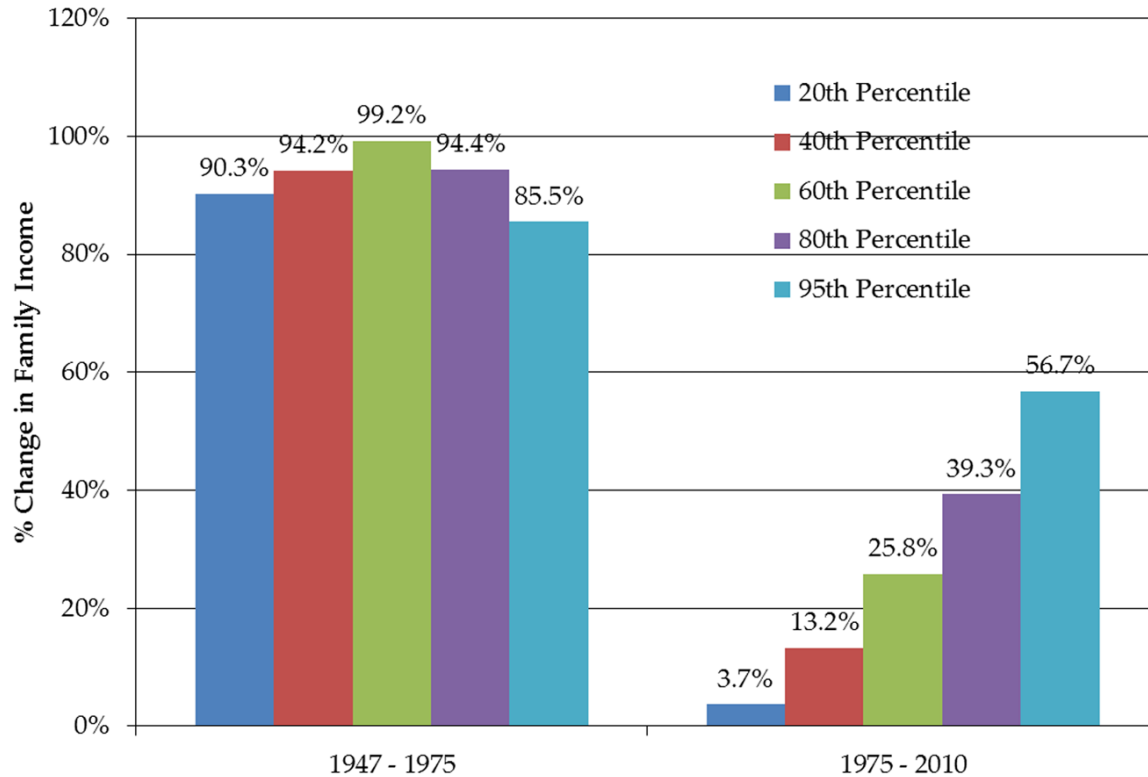
Real Median Weekly Earnings by Educational Attainment* Percent change 1979 - 2010



Source: Census Bureau

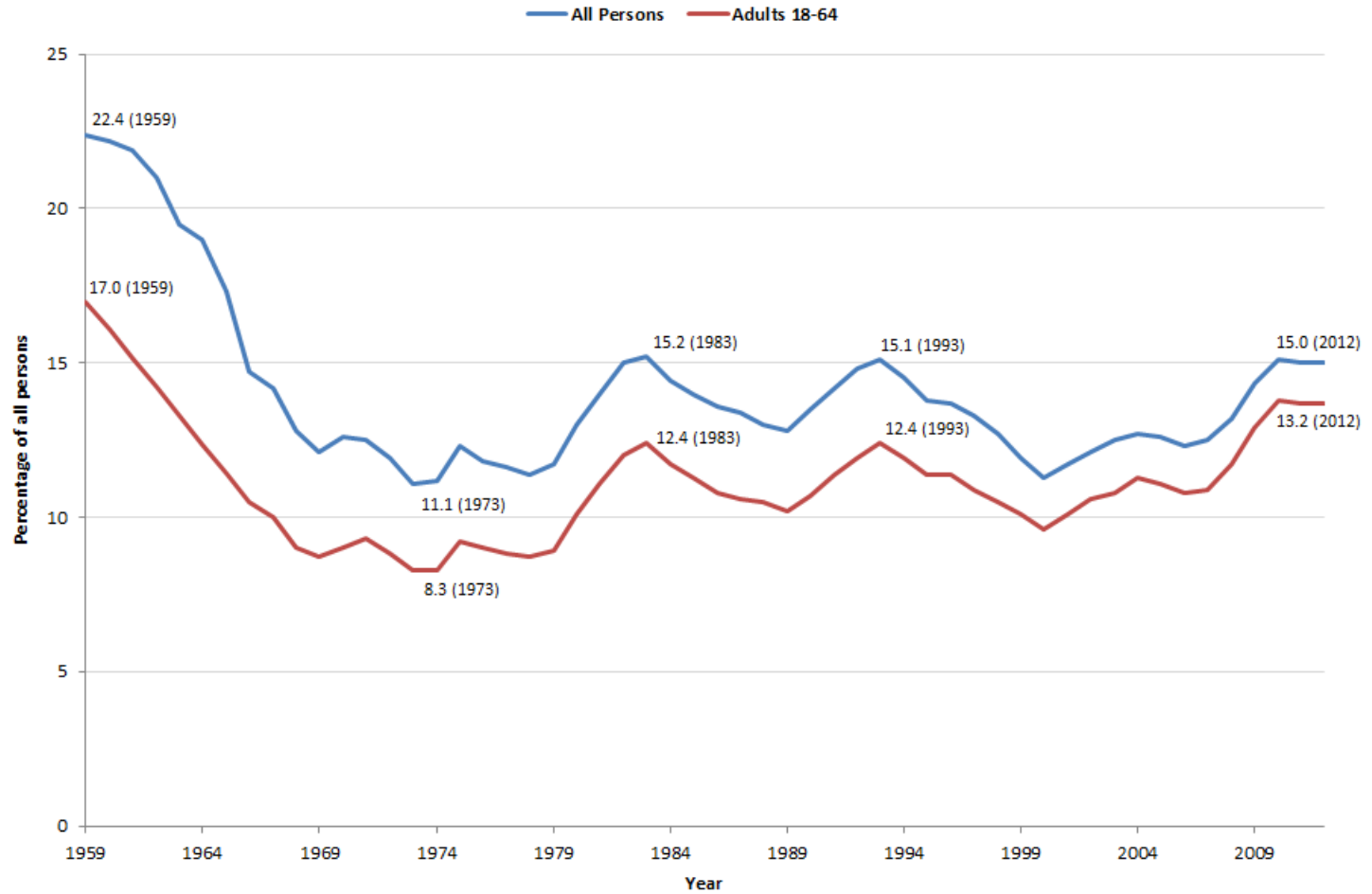
*For full time wage and salary workers, deflated by the PCE deflator

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



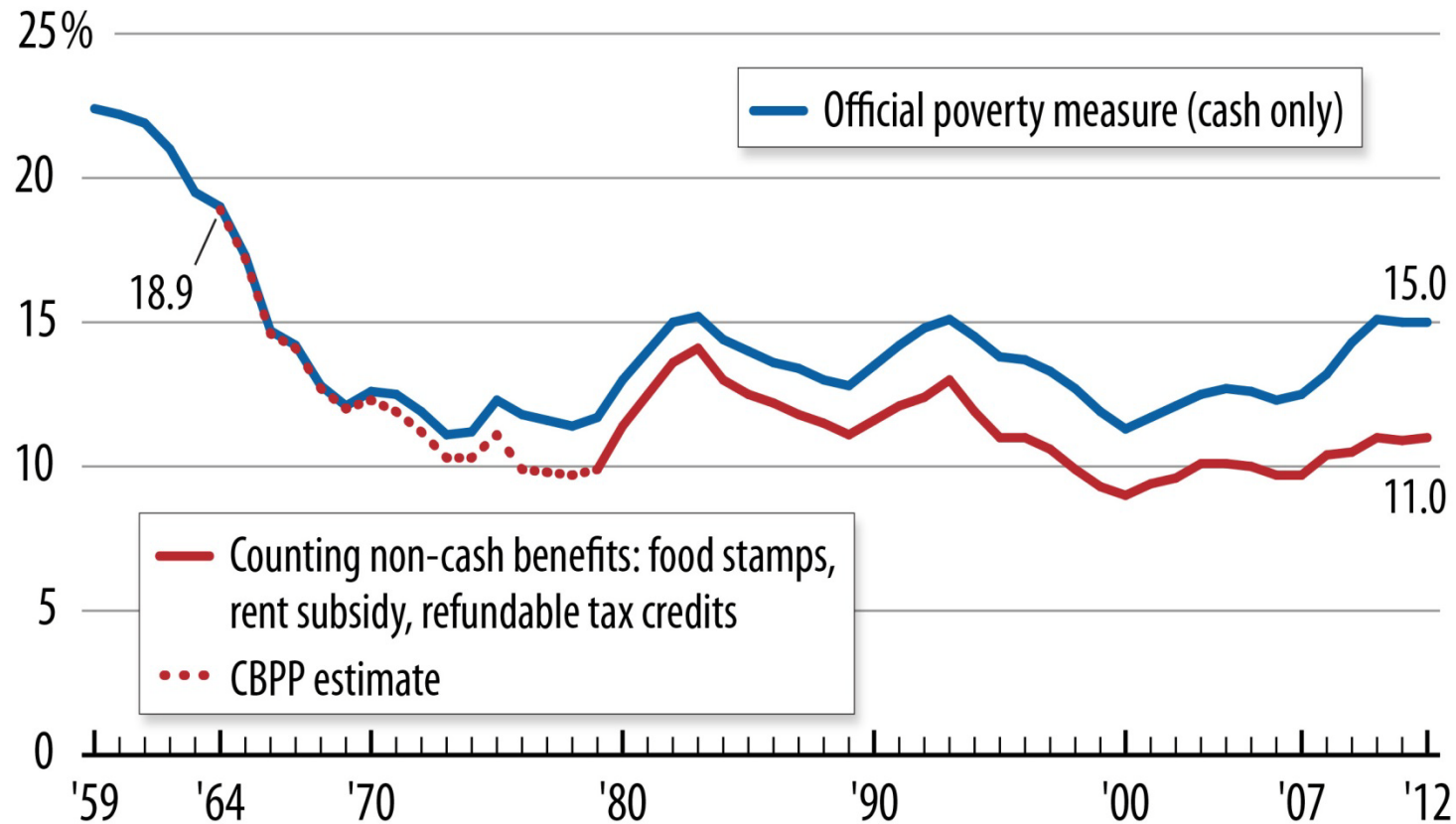
Source: U.S. Census Bureau (2011). Table F-1. Income Limits for Each Fifth and Top 5 Percent of Families, from Historical Income Tables. Retrieved from: <http://www.census.gov/hhes/www/income/data/historical/index.html>

Official U.S. Poverty Rate, 1959 - 2012



Source: U.S. Census Bureau

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



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

President Reagan's View

"In 1964, the famous War on Poverty was declared. And a funny thing happened. Poverty, as measured by dependency, stopped shrinking and actually began to grow worse. I guess you could say, 'Poverty won the War.' Poverty won, in part, because instead of helping the poor, government programs ruptured the bonds holding poor families together."

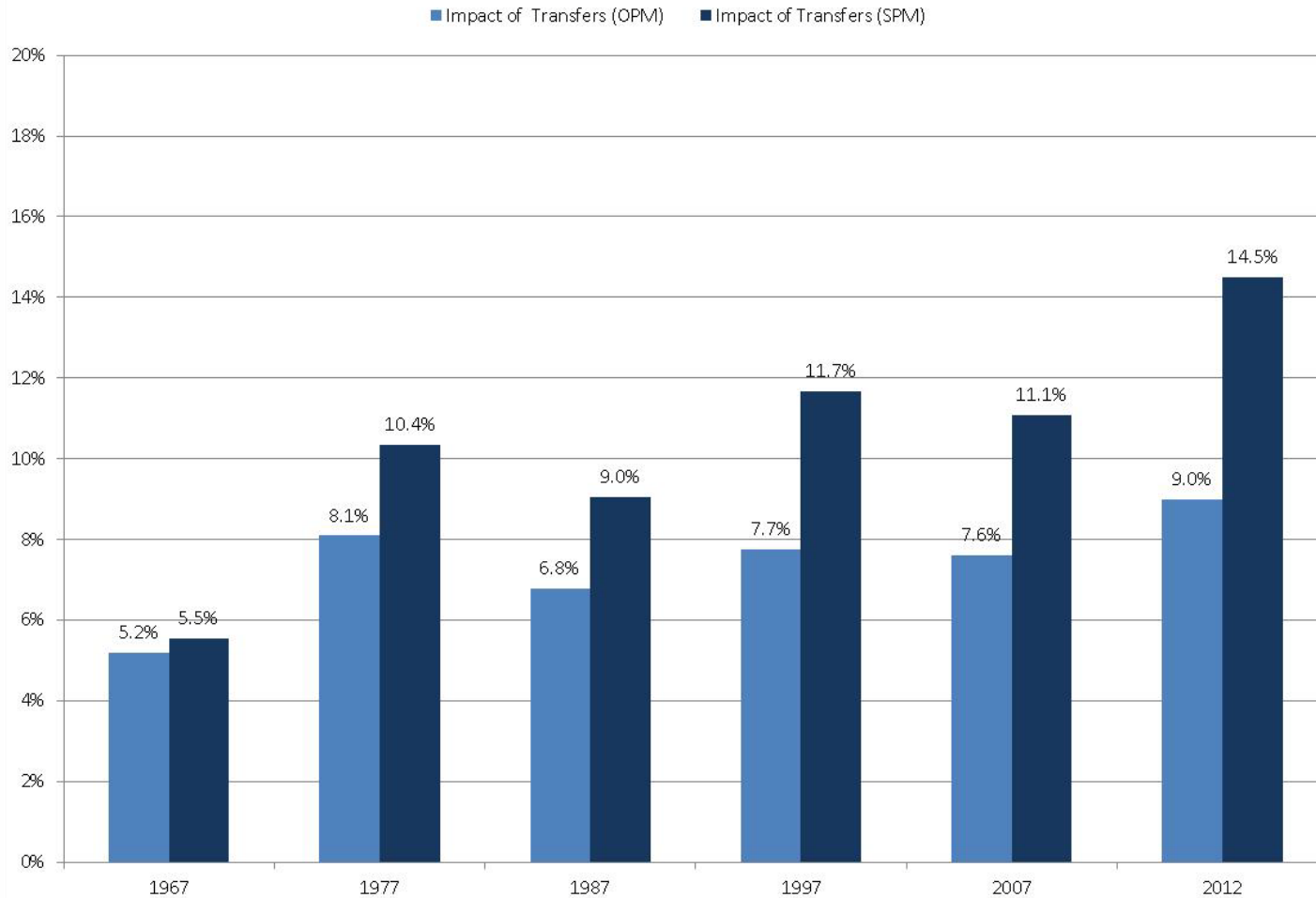
- Radio Address, February 15, 1986

Poor would be worse off without War on Poverty due to Economic Changes

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

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

Figure 5: Percentage Point Impact of Transfers Under OPM and SPM, 1967-2012



Current Economic Climate

- Unemployment still high 4 ½ years into recovery—could take several more years to replace all jobs lost
- Real wage growth unlikely for less-educated
- Income & wealth inequalities at high levels
- States are cutting social programs and public sector jobs
- Deficit Mania threatens safety net as we know it

Policy Recommendations – Adults

- Make permanent ARRA's Food Stamp and Unemployment Insurance changes that have expired
- Establish a subsidized jobs program for long-term unemployed
- Expand EITC for childless low-wage workers
- Raise minimum wage

Responses to Safety Net's Critics

- Labor market changes, not failure to take available jobs, are primary reason poverty and unemployment remain high
- Safety net programs reduce poverty without large distortions in work and family choices
- Modest tax increases reduce poverty and inequality without disrupting the market economy