*Photograph by Jacob Riis of the courtyard at 22 Baxter Street, Manhattan, about 1890. The poor in the slums, Riis wrote, "are the victims, not the masters, of their environment; and it is a bad master."*

# The War on Poverty 1965–1980

No one disputes that poverty exists in America. But how serious is the problem? *Who* are the poor? *Why* are they poor? Are there more poor people than there used to be? On such questions there is little agreement. Budget director David Stockman contends that failure to count the value of noncash benefits to the poor artificially inflates the number living below the official poverty line; critics respond that, even using Stockman's criteria, the poor population in the United States rose by some eight million between 1979 and 1982. White House counsellor Edwin Meese's comments about hunger in December 1983—he had never, he said, seen any "authoritative figures" on hungry children, only "anecdotal stuff"—prompted angry, if largely inconclusive, efforts to quantify the problem.

The debate over statistics carries over into the discussion of policy. The Reagan administration contends that its domestic budget cuts have left intact a basic "safety net" for the truly needy; opponents argue the contrary. The nonpartisan Urban Institute published *its* analysis earlier this summer. Most analysts seem to agree that increased federal aid has reduced material hardship, improved health, increased access to higher education. Scholars variously blame continuing poverty among Americans on shifting job markets, growing family dissolution, past racial discrimination, culture, inadequate schooling (see Background Books, pages 137–139).

In *Losing Ground*, to be published this autumn by Basic Books, Charles Murray takes a different look at poverty and U.S. social policy in the United States since 1950, especially since 1965, when Lyndon Johnson's War on Poverty began. His provocative point of departure is the paradox suggested by the chart on the next page: The number of people living below the official poverty line failed to decline *and even began to rise* during the very years when government spending to combat poverty was growing the fastest. Was the War on Poverty itself inviting many of the poor to remain poor? In essence, Murray believes, the answer is Yes. During the late 1960s, he writes, Washington began to change "the rules of the game—the stakes, the risks, the payoffs, the tradeoffs, and the strategies for making a living, raising a family, having fun, defining what 'winning' and 'success' can mean." The rules were changed for the family, the schools, criminal justice, the workplace, for assistance to the poor. Murray examines them all in his book. His essay below focuses on one aspect: the effects of a drastic shift in the government's attitude toward the disadvantaged and how to help them.


The problem that Murray addresses is not federal social spending per se. It is not federal aid to the elderly and disabled, where clear progress has occurred. It is the growing problem of bringing into the American mainstream the able-bodied poor of working age: women with children and no husbands, men who have dropped out of the labor force or who have never really been in it. How many American adults and their children are mired in "long-term poverty"? As cited in Ken Auletta's *The Underclass* (1982), the best estimates range from 30 to 45 percent of those 29 million Americans of all ages officially defined as poor by the 1980 census.

There are no villains in this story, Murray emphasizes. The War on Poverty was launched two decades ago with the noblest of intentions. Today, with the 1984 presidential campaign under way, such intentions are not much in evidence. As Jesse Jackson complained last spring, basic issues of social policy and poverty have gotten little attention. Murray, a political scientist who spent eight years evaluating federal social programs in the field, argues that a new look is overdue.

*Charles Murray*

# LOOKING BACK

In early 1950, in that year of transition from the first half of the century to the second, *Life* magazine's editors paused to editorialize on the state of the U.S. economy. They found the country still "hip-deep in a postwar boom" that had been under way for more than four years. The editorial did not mention poverty. There was a passing reference to four million unemployed citizens but no indication that the country was troubled by a sizable number of people who were even chronically hard up, let alone impoverished.

*Life* was not alone. The other leading popular magazines contained very little about poverty in America. Nor did the newspapers have much to say about the problem except during the Christmas charity appeals. The *New York Times* index contained no "poverty" heading in 1950.

Two of the scarce references to poverty are instructive today. In a 15-page State of the Union editorial marking the new year, the *New Republic* included a subsection entitled "The Lowest Third," referring to "the 10 million American families who earned less than $2,000." The writers, however, could not muster much indignation. They suggested that "some of the causes for the condition of the lowest third are beyond the power of any Congress to solve."

A second exception to the general silence on the topic was a piece in the June issue of *Harper's*, by Harvard economist Robert L. Heilbroner, entitled "Who Are the American Poor?"

Heilbroner's analysis should have been a shocker. He sliced the population into several groups (the elderly, blacks, farmers), discussed how the poverty level might be defined, and eventually came up with estimates of poverty that ranged from one-quarter to one-third of the population, depending on the definition and statistics used. "It is because our total national income is so large," Heilbroner wrote, "that the thinness of 30 million slices of the income cake at the bottom is disturbing and provoking."

Heilbroner's numbers were accurate. Retrospectively applying the official definition of poverty—the one now employed by federal spokesmen, the press and TV, and academics when they discuss poverty—one discovers that in 1950 approximately 30 percent of the U.S. population lived below the poverty line.

By today's standards, the United States was in the midst of an agonizing crisis of poverty.

Yet hardly anyone noticed, except the poor.

If, by later standards, the poverty problem was appallingly large, the federal effort to deal with it was irresponsibly puny. In 1950, social-welfare spending for the general public (excluding programs for veterans and government personnel) cost a little over $3 billion—roughly $11.6 billion in 1980 dollars. This figure includes outlays for Social Security pensions, Aid to Families with Dependent Children (AFDC), unemployment insurance —in short, the entire federal effort.

### From Complacency to Panic

We skip now to 1968, when the expansive confidence of 1950 had turned to something close to despair. In 1968, the nation's economy was booming once more. Real gross national product (GNP) had risen for nine straight years, while inflation had been held to an average of only 1.6 percent during those same years. Real income, fringe benefits, and job security had all been improving. Among the poor, who had been so ignored in 1950, joblessness had vanished. In 1968, the unemployment rate was running at 3.6 percent, which economists considered tantamount to full employment.

Concern for the underprivileged had also grown apace. During the four years of the Johnson administration, Congress had passed into law landmark legislation in civil rights, medical care, housing, education, and job training. The Office of Economic Opportunity (OEO) was a new and active force for urban renewal, community development, drug rehabilitation, alternatives for juvenile delinquents, and yeasty experimentation with solutions for just about every other known social problem.

In the courts, the poor and uneducated were winning legal

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*Americans "rediscovered" poverty during the early 1960s. The picture above appeared in a January 1964* Life *photo-essay on Appalachia.*

protections that previously had been enjoyed largely by people with the money to hire good lawyers. Constitutional precepts—one man, one vote; separation of church and state; protection against self-incrimination, to name but a few—were being interpreted with unprecedented literalism and applied with unprecedented scope.

There was ample reason for satisfaction in early 1968 but very little of it to be found. The prevailing spirit ranged from determination to grim foreboding. The Vietnam War was part of the reason, of course, but hindsight can easily distort our memories of what happened when. The Tet Offensive, generally accepted as the pivotal event in American political perceptions of the war, was still in the future as 1968 began. Cambodia and Kent State were more than two years away. Harlem, Bedford-Stuyvesant, Watts, and, most recently, Detroit, were battlefields closer to home. In its lead editorial for the first issue of 1968, the *New Republic* assessed the domestic scene: "We no longer ask whether there will be mass violence and racial war next summer," the editors wrote, "but whether it will break out sooner.

To respond constructively would be to see what we are (and could be) and to admit that the United States, its immense wealth and managerial technology notwithstanding, has slipped out of rational control. Real reform could then begin."

Real reform? What, if not "real reform," had been going on during the past four years?

The editors of the *New Republic* were not alone in dismissing the progress to date. Two months into the new year, the President's National Advisory Commission on Civil Disorders would release its report recommending emergency legislation to create *two million* new jobs, lest the deep frustrations of the poor push them to more desperate measures to pry action from an unresponsive system—this in an economy with an unemployment rate of 3.6 percent. From complacency in the face of real want, in 1950, to hysteria in a time of plenty, in 1968: In less than two decades, the perception (or misperception) among opinion-leaders of what was happening in America had done an about-face.

## How Much Progress?

During the 1970s, the poor receded from public attention. Their plight was invoked in Congress or by civil-rights spokesmen, when it had to be, as the justification for new and expanded social programs. But the poor were at the periphery of our national concerns even during election campaigns, presumably taken care of, more or less.

Within three months of Ronald Reagan's inauguration on January 20, 1981, the poor were once more at center stage. A budget crisis was upon us, and something had to give. The Reagan administration sought to cut the "fat" from the nation's social-welfare programs without ripping the "social safety net." Liberals argued that the cuts savaged the lives of the poor and vulnerable. Both sides proceeded from the premise that the important progress in overcoming poverty should be preserved.

Few stopped to ask exactly how much progress had actually been made.

The statistics were—and are—there for all to see. In 1968, as Lyndon Johnson left office, 13 percent of Americans were poor, according to the official definition. Over the next 12 years, in constant dollars, federal spending on all social-welfare programs quadrupled.* Yet, in 1980, 13 percent of Americans were

*The social-welfare budget includes the categories "social insurance" (e.g., government pensions; old-age, survivors', and disability insurance; Medicare), "public aid" (e.g., AFDC, Medicaid, Supplemental Security Income, food stamps), "health and medical," "veterans," "housing," and "education."

poor still according to the U.S. census.

Worse yet, despite the best of governmental intentions and the expenditure of vast amounts of public money, the *quality* of life for poor people in America deteriorated sharply between 1965 and 1980. In terms of crime, welfare dependency, family disintegration, education quality, and chronic unemployment, the poor became worse off.

The question is, Why? Why at that moment in history did so many trends in the quality of life for the poor go sour? The complex answer begins with understanding the fundamental way that not-poor and advantaged Americans changed their view of what it means to be poor, who the poor are, and what they are owed by the rest of society.

## I

## A HAND, NOT A HANDOUT

The increases in federal expenditures for social-welfare programs between 1950 and 1980 were extraordinary. Using constant dollars as the basis for comparison, spending for health and medical programs in 1980 was six times greater than in 1950; public assistance costs, 13 times greater; education costs, 24 times greater; social insurance costs, 27 times greater; housing costs, 129 times greater. Overall, civilian social-welfare costs increased 20-fold from 1950 to 1980. During the same period, the U.S. population increased by half.

The revolution began, as so many revolutions begin, with reform. It sprang from the simplest, most benign of objectives. President John F. Kennedy wanted the federal welfare effort to be a force for social progress. In his welfare message to Congress in 1962, he wrote: "The goals of our public welfare program must be positive and constructive . . . . [The welfare program] must stress the integrity and preservation of the family unit. It must contribute to the attack on dependency, juvenile delinquency, family breakdown, illegitimacy, ill health, and disability. It must reduce the incidence of these problems, prevent their occurrence and recurrence, and strengthen and protect the vulnerable in a highly competitive world."

Innocuous as his words sound today, Kennedy was engaged in a major departure from precedent. No president—not Dwight D. Eisenhower, nor Harry S Truman, nor Franklin D. Roosevelt, nor any of their predecessors—had seen the federal role in this light. This was something new.

The 1950s saw the last years of a popular consensus about the purpose of welfare that had survived, with remarkably little alteration, since the Republic was founded and, for that matter, could trace its roots to the Poor Laws of Elizabethan England. Its premise was elemental: A civilized society does not let its people starve in the streets. It makes "a decent provision," as Samuel Johnson put it, for those who would otherwise be destitute.

This decent provision was hedged with qualifications, for while some people could be considered the "deserving" poor (the involuntarily unemployed and the helpless) others were undeserving indeed and merely sought to take advantage of the community's generosity. Everyone, including many of the poor, agreed that this was so. Thus the dilemma: How is a civilized society to take care of the deserving without encouraging people to become undeserving? How does it do good without also doing harm?

### Indignation . . .

By the late 1950s, there was widespread dissatisfaction with the American system's failure to resolve the dilemma. Care for the elderly and the disabled was not at issue. Social Security and other measures to help them were generally accepted as appropriate steps for the federal government to take. The problem—and, it should be emphasized, the one that will be addressed throughout this discussion—was what to do for the able-bodied of working age. On this score, two broad, very different, perceptions of the current state of affairs had fed the dissatisfaction.

On the Right and among large numbers of blue-collar Democrats, there was increasing resentment at the *permanence* of welfare. It was acceptable for a worker to receive unemployment checks while looking for a job. But it was quite another thing for society to be supporting a healthy adult year after year.

Although it accounted for only one percent of the federal budget in 1958, AFDC was the focal point for the resentment. The New Deal sponsors of AFDC had intended to help the widow with small children—to tide her over between the loss of her husband and the day when the children were old enough to take over her support.

By the 1950s, however, it had become embarrassingly clear that most of the women receiving AFDC were not widows. Many of them had not even been married. Worst of all, they did not stop having babies after the first lapse. They kept having more. This had not been part of the plan.

The most flagrantly unrepentant, to judge from media portrayals, seemed to be black. The statistics show, in fact, that whites have always been the largest single group of AFDC recipients, but the stereotype that stirred the critics was the family of four, five, six, and more children reared at government expense, and somehow the stories published about such families always seemed to talk about black families.

Thus the *Atlantic Monthly*, a sober-minded and liberally oriented magazine, ran a story in its April 1960 issue describing, in muckraking detail, the cases of "Charlotte," with 14 children, "Maude," with nine (several of whom were fathered, it was reported, by an illiterate mental defective), and others who were portrayed as mindlessly accumulating children, neglecting them, and producing generations that would come back to haunt America in the decades to come. All of the examples were black, lending a troubling overtone to the closing paragraph. "What is particularly disturbing to social workers, judges, and other public officials," the author concluded, "is not simply the failure of these people to support themselves but the complete breakdown of moral values. . . ."

Meanwhile, as many politicians, writers, and middle Americans were inveighing against the welfare mother, leaders of the Left and of minorities of all political persuasions were beginning to express their outrage at what they saw as pervasive injustice in the American system. The statistics on unemployment and wages, on infant mortality and life expectancy, on education and voter registration—the open, sanctioned discrimination in everything from union membership, to access to lunch counters, to admission to universities—all were counterpoint to articles in the news media about welfare mothers. Yes, the critics of the system agreed, welfare was too often permanent, but thanks to opportunity denied rather than opportunity spurned.

### . . . Versus Guilt

White indignation at the deplorable morals of the welfare recipients and white guilt over who was responsible collided, and at just about the same time that a new political center was evolving. During the 1950s, the Right had, in effect, accepted the New Deal and made it respectable. The Left, for its part, was now less dogmatic, more wary of ideologues. *New York Times* columnist Arthur Krock commented in 1960 that "when the national platforms and candidates of 1960 have been chosen, the American voters will find it difficult to detect a major ideological difference between the two major parties." The "New Center" was not only a matter of issues; perhaps more importantly,

## DEFINING POVERTY: OFFICIAL, NET, AND LATENT

Before Washington could launch a War on Poverty, social scientists had to define the enemy. For this purpose, the Social Security Administration set up a task force in 1963. The result of its efforts was the definition of poverty that has been used since then, the one that is meant when politicians cite the percentage of "people living in poverty."

The task force had hoped to define a minimal decent existence—i.e., what constituted adequate (if barely) shelter, clothing, food, and various amenities. Unfortunately, no one really knew what "adequate" meant in terms of housing, clothes, or recreation. Diet, however, was another story. The task force reckoned that it might reasonably call on objective knowledge of basic nutritional requirements, integrate that knowledge with the realities of food preference in the United States, and settle on a dollar figure for the cost of a "minimal-but-adequate diet."

The task force parlayed this one relatively objective datum (though a subject of controversy to this day) into a definition of poverty by making the elegantly simple assumption that the proportion of the typical American family's budget spent on food—about one-third—is the "right" proportion. The "core calculation" for the poverty line then became easy: Multiply the cost of the minimal-but-adequate diet times three. The figure that resulted would, of course, be adjusted over the years for inflation and adjusted as well to reflect a variety of family characteristics, such as the size of a family or whether it lives in a rural or nonrural setting.

The "official" definition of the poverty threshold has been attacked from all sides but continues to be used because, despite its flaws, it has a good deal of merit. The poverty line does not truly divide the "poverty-stricken" from the rest of us—the transition consists of a continuum rather than a distinct border—but it gives us a common yardstick for talking about the issue. It is widely accepted, takes family size and inflation into account, and provides a consistent definition for examining income over time.

The official poverty statistic is based exclusively on cash income: It does not take into account what was during the 1970s one of the fastest growing components of the social-welfare budget—the "in-kind" or noncash benefits, such as food stamps, Medicaid, and public housing. What would happen to the official poverty statistic if the dollar value of these benefits—$28.6 billion in 1980 for the three programs just cited—were added to cash income? What would happen if income underreporting and tax liabilities were also considered? Counting this way, economist Timothy Smeeding has calculated that the proportion of Americans living below the poverty line in 1979 would have stood at 6.1 percent, rather than 13 percent.

Let us call this figure "net poverty": the percentage of the population remaining beneath the poverty level after all resources, cash and noncash, are taken into account. Net poverty looks to be very small. Bear in mind, however, that while slicing the data in this fashion may provide a useful analytic tool, many people who are statistically "above the net" are, nevertheless, living in considerable hardship.

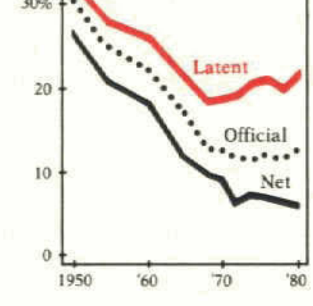
Another way to measure progress in eliminating poverty is to tally the number of poor *before* governmental cash and noncash transfers are taken into account. This population, the "latent poor," includes not only those below the "official" poverty line but also those above it solely by virtue of government support. The concept of latent poverty affords a glimpse of the total dependent population in the United States, the people whom the Kennedy and Johnson administrations sought to help to "help themselves" off the welfare rolls. Neither the official nor the net poverty statistic measures progress toward this goal. The latent poverty statistic does.

The graph below shows the trend line for latent poverty, compared with those for official and net poverty. Latent poverty decreased from approximately one-third of the U.S. population in 1950 to 21 percent in 1965. The proportion of latent poor continued to drop through 1968, when it was calculated at 18 percent. This proved to be the limit of progress. At some point during 1968–70, the ranks of the latent poor began to expand, reaching 22 percent by 1980.

Can the increase in latent poverty be attributed to the elderly, whose numbers grew significantly during the 1970s? Data broken out by age group are available for only two years, 1976 and 1982. In 1976, the Congressional Budget Office estimated that the rate of latent poverty for households headed by people under age 65 was 31 percent lower than the rate based on the entire population. Seven years later, the Census Bureau, looking at individuals rather than at households, fixed the gap at only 17 percent—a substantial narrowing. Had the data been strictly comparable, the clear implication would be that latent poverty was climbing more steeply among the working-age population than among the elderly. A prudent interpretation of the evidence suggests in any event that the rate of increase in latent poverty in the 1970s was not inflated by the presence of older folks and did increase among Americans of working age.

The increase since the late 1960s in latent poverty, particularly as it affects those of working age, is a telling statistic. For those who consider personal independence to be a paramount consideration in determining the quality of life, it is perhaps the most important.

—*C. M.*



it reflected a new frame of mind.

John F. Kennedy exploited this frame of mind and found support for an entirely new approach to the welfare mess. In substance, the program President Kennedy proposed in his 1962 message to Congress was modest. It consisted of a few training programs and other rehabilitative efforts amounting to only $59 million in the 1963 budget. But by shifting the focus of welfare policy away from the dole and toward *escape* from the dole, Kennedy gave the federal government a continuing responsibility for helping Americans to help themselves. The essence of the approach was expressed in the slogan that later became a rallying cry for the War on Poverty, "Give a hand, not a handout."

## Second Thoughts

Editorialists took up the theme. The time was right: The country was at peace, the economy was healthy, and the cause was worthy. In the "can-do," sleeves-rolled-up spirit of the since-maligned Best and Brightest, the domestic policy-makers of the Kennedy administration and, later, the managers of Lyndon Johnson's War on Poverty saw themselves as hard-nosed idealists who would be able to get results where the social workers had failed. Their premise: Most of the able-bodied folk on welfare would work if only given the opportunity. Their program: Train the chronically unemployed, train the youngsters growing up without skills or resources, help them get that first job. Their promise: The able-bodied would soon be on their way to permanent self-sufficiency.

The ultimate test of a new welfare program, Charles Frankel wrote at the time, "will be the effect it will have on producing individuals who, like Eliza Doolittle at the conclusion of *Pygmalion*, are prepared to walk out on those who have helped them and to open competitive enterprises of their own."

Kennedy implemented fragments of his program—the Public Welfare Amendments of 1962, the first Manpower Development and Training Act, for example. But, taken as a whole, he did not preside over costly social innovations. Social-welfare outlays under Kennedy rose less rapidly than they had under Eisenhower. Kennedy's legacy to Lyndon Johnson was not a new system but a new tone, new expectations, and a new consensus that the federal government had a continuing responsibility to help poor Americans help themselves.

Johnson lost no time in giving substance to Kennedy's rhetoric. The initial antipoverty bill, the Economic Opportunity Act, was written, debated, passed, and signed (in August of 1964) within

Johnson's first nine months in the Oval Office. The bill was a faithful attempt to follow the "hand, not a handout" script. It provided for job training; part-time jobs for teen-agers and college students; community antipoverty programs; loans to low-income farmers and businessmen; and establishment of a domestic Peace Corps, later to become part of ACTION. There was not a handout in the lot. Johnson was careful to point this out at the signing ceremony, incorporating into his remarks the cheerful prediction that "the days of the dole in this country are numbered."

President Johnson waged war on poverty enthusiastically. In rapid order, he and Congress gave the nation food stamps, Medicare, Medicaid, a vastly expanded public housing program, and other subsidies. But in the process, he also worked the revolution. In only three years, from 1964 to 1967, social-welfare policy switched from the intention of ending the dole to the institution of permanent income transfers. These transfers embraced not only the traditionally eligible recipients of the dole but large new segments of the American population who are best described as the "working poor." It was a polar change in policy that went almost entirely unrecognized as such while it was happening.

Four major forces impelled this fundamental shift:

1) *The triumph of the economy*. One explanation for the reforms of the 1964–67 period, and why they came then rather than earlier, is so simple that it is sometimes overlooked: 1964–67 was the first time that we thought we could afford them. The nation was extremely rich and extremely confident of its ability to keep getting richer. Economists believed that in Keynesian economics they had found the key to perpetual prosperity. Judicious use of public spending to revive consumer buying power seemed as if it would preclude any repetition of the Great Depression. John Maynard Keynes graced *Time*'s cover in 1965, and the magazine quoted President Johnson's economic adviser, Charles Schultze: "We can't prevent every little wiggle in the economic cycle, [but] we now can prevent a major slide."

2) *The discovery of "structural" poverty*. As previously indicated, from the end of World War II until the early 1960s, little in the popular press, in political rhetoric, or in the published work of American scholars focused on poverty in America. Then, in 1962, came Michael Harrington's *The Other America*. His thesis was that a huge population of poor people—50 million by his count—was living in our midst, ignored. "To be poor," Harring-

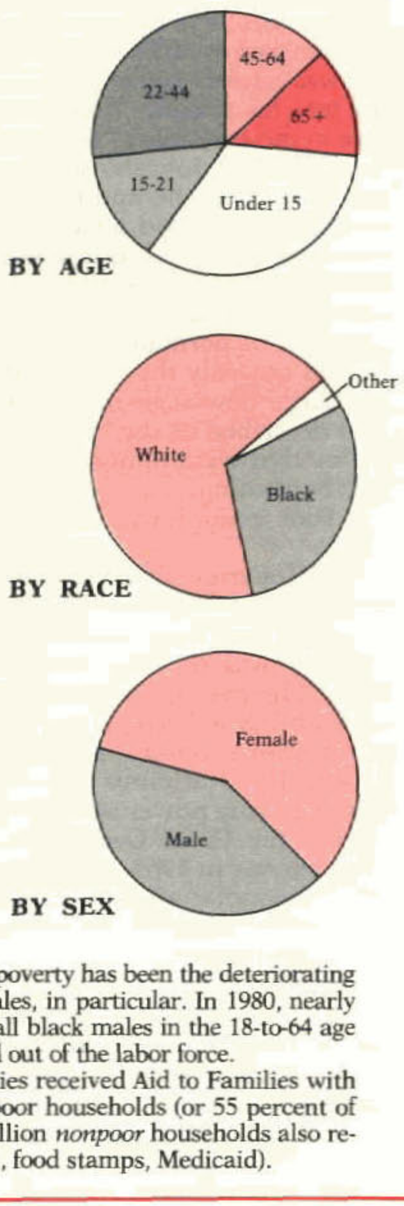
## WHO THE POOR WERE IN 1980

Some 29 million individuals in 11.7 million households lived below the *official* poverty line in 1980. By sex, age, and other characteristics, "the poor," who represented 13 percent of all Americans, were a diverse group whose internal composition had changed over a period of two decades. Several trends dominated the recent picture.

One was the relative *decline* of poverty among the elderly. In 1959, more than one-third of those over age 65 lived in poverty; by 1980, thanks to generous increases in Social Security, the figure shrank to less than one-sixth.

As a proportion of all poor people, both the old and the young in 1980 accounted for *smaller* fractions (13.2 and 38 percent, respectively) than they did in 1959 (13.9 and 43.6 percent). Making up the difference have been growing numbers of poor adults of working age (48.8 percent of the total in 1980, versus 42.5 percent in 1959), clustered in 8.5 million households, including 5.3 million families.

More than half (2.8 million) of these poor families were headed by women with no husband present (versus less than one-quarter in 1959), and female-headed families in 1980 accounted for more than half of the 11 million children living in poverty (versus less than 25 percent two decades earlier).




The flip side of the "feminization" of poverty has been the deteriorating economic status of working-age black males, in particular. In 1980, nearly two million of these men—30 percent of all black males in the 18-to-64 age group—were unemployed or had dropped out of the labor force.

In 1980, 58 percent of all poor families received Aid to Families with Dependent Children. Some 6.4 million poor households (or 55 percent of all such households) and nearly eight million *nonpoor* households also received one or more noncash benefits (e.g., food stamps, Medicaid).

ton wrote, "is not simply to be deprived of the material things of this world. It is to enter a fatal, futile universe, an America within America with a twisted spirit." The ranks of the poor consisted of the aged, the unskilled, women heading households with small children, and others who were bound to be bypassed, no matter how much economic growth occurred, because of the way that the capitalist economy distributed income. Poverty was not just a matter of isolated "pockets"; it was built into the American system. Within a few years, an almost unbroken intellectual consensus had formed behind the structuralists' underlying premise: Poverty is not a consequence of indolence or vice. The system is to blame.

3) *The long, hot summers*. This perception of the "system" as the problem and of the individual as a victim was obliquely reinforced by the racial violence of the mid-1960s. The first phase of the civil-rights movement had culminated in the signing of a sweeping Civil Rights Act by Lyndon Johnson in July of 1964; for all practical purposes, the national legislative struggle for equality was over. A voting-rights bill remained to be enacted a year later, but the generalized legal clout granted in the 1964 act was enormous. Yet 13 days after the Civil Rights Act became law, bloody race riots erupted in Harlem. More riots followed that summer in Rochester, Paterson, Philadelphia, and Dixmoor, a suburb of Chicago. In 1965, came the week of Watts. In 1967, rioting in Detroit claimed 43 lives.

Why did these and scores of other cities explode in racial violence? High expectations had gone unfulfilled. Long-delayed equality of rights under the law had not quickly been translated into equality of condition. Blacks blamed this situation on an entrenched pattern of Northern racism, and whites who saw themselves as friends of the civil-rights movement tended to agree. White confusion and guilt created what Daniel Patrick Moynihan has called "a near-obsessive concern to locate the 'blame' for poverty, especially Negro poverty, on forces and institutions outside the community concerned." If American society were to blame for the riots, for the economic discrepancies between whites and blacks, for poverty among all races; and if society's responsibilities were not fulfilled simply by enforcing *legal* equality, then a social-welfare program would have to be devised to go beyond equality of opportunity. It would have to promise equality of *outcome*. A "hand" was no longer enough.

4) *The failed experiment*. Riots and black militancy constituted one of the two real-world developments that made the

structural view of poverty attractive. The second was the early realization, within the senior ranks of the Johnson administration as well as among its critics, that the much-publicized bootstrapping programs were not working as expected. Scores of case studies of Community Action programs showed projects that either had never gotten beyond the planning stage or were bogged down in bureaucratic infighting. Job-training programs produced disappointing results.

It soon became clear that the Eliza Doolittle model was not going to end poverty. In April of 1967, Joseph Califano, a principal aide to President Johnson, called reporters into his office to tell them that a government analysis had shown that only 50,000 persons, or fewer than one percent of the 7.3 million people then on welfare, were capable of being given skills and training to make them self-sufficient. The repudiation of the dream—to end the dole once and for all—was complete.

Later that year, in a column that ran on Christmas Eve, *New York Times* columnist Tom Wicker summed up the implications for policy toward the poor: "Really compassionate and effective reforms to do something about poverty in America," he wrote, "would have to recognize, first, that large numbers of the poor are always going to have to be helped. Whether for physical or mental reasons, or whatever, they cannot keep pace. . . . Thus the aim of getting everyone off welfare and into 'participation in our affluent society' is unreal and a pipe dream. . . . [A] decent standard of living ought to be made available not just to an eligible few but to everyone, and without degrading restrictions and police-like investigations."

Once it was accepted in Washington that the American system was to blame for able-bodied people being poor, principles that had largely gone unchallenged since the Republic's early days became hoary and obsolete. A new wisdom took over.

## II

# THE NEW WISDOM

In *The Structure of Scientific Revolutions* (1962), Thomas Kuhn describes the history of science as a sequence of "paradigm shifts." The intellectual universe was Aristotelian for centuries, then, abruptly, Newtonian; Newtonian for centuries and then, abruptly, Einsteinian. Kuhn likens it to a religious conversion experience. What was heresy yesterday becomes dogma today. An analogy with what happened to notions of social welfare during the post-1967 period is apt.

It is important to specify, of course, who was converted. Despite all the tumult, the mid- and late-1960s did not see a revolution in American *opinion*. Among the blue-collar and white-collar electorate, opinion did not much change. To them, what George Wallace called "welfare loafers" still loomed large. Sturdy self-reliance was still a virtue.

### Blaming the System

The shift in assumptions about welfare policy occurred among a group that was small relative to the entire population but of enormous influence. It is perhaps best labeled the "intelligentsia"—a broad and diffuse group in late 20th-century America. It includes the upper echelons of (in no particular order of importance) academia, journalism, publishing, and the vast network of foundations, institutes, and research centers that has been woven into partnership with government during the last 30 years. It also includes congressional staffers as well as many civil servants in key positions just below the presidential appointment level, where so much of policy formation goes on.

The salient feature of the intelligentsia is that, at any given moment, it is the custodian of the received wisdom. It originates most of the ideas in the dialogue about policy, writes about them, embeds them in memoranda for presidential aides. Most of all, it confers respectability on ideas. The process is akin to fashion. Ideas are "in" and ideas are "out" for reasons having something to do with their merit but also with their being new.

The last half of the 1960s saw remarkably broad agreement among the various sectors of the intelligentsia on the directions in which a just and effective federal social policy must move, and this agreement, this "elite wisdom," represented an abrupt shift from the past. By the end of 1967, the nature of the political dialogue had been altered beyond recognition. It was not just that certain types of legislation had more support than before, but that the premises themselves—the "everybody-knows-that" premises—had shifted in the minds of the people who were instrumental in making policy. The most important of these changed premises was the one that I have described: the belief that, left alone, the system would perpetuate unacceptable inequalities. The system itself was flawed.

The policy ramifications of the new wisdom were labyrinthine. Eligibility requirements were loosened for welfare of all kinds. New "in-kind" transfer programs, such as food stamps and Medicaid, were set into place and gradually expanded. And for the first time, provision was made for the *working* poor.

In the fiscal 1964 federal budget, the last of the pre-Johnson budgets, public-assistance funds for working people had been essentially nil. The major programs for people of working age—AFDC and unemployment compensation—were for the jobless.

The exclusion of working people (no matter how small their incomes) was not accidental, but neither was it much talked about. A citizen in good standing was self-supporting. To have a job was *ipso facto* to be self-supporting. If the income from that job was less than one liked, it was up to one to do something about it. This was not the opinion only of middle America; it was the old elite wisdom as well. Certainly, it did not seem to occur to leaders of either political party prior to 1964 that people who had jobs ought to get welfare assistance.

### Mr. Nixon's Great Society

At bottom, however, the consensus about no welfare for working people rested on a fragile assumption—that adults are responsible for the state in which they find themselves. The assumption required a certain suspension of disbelief. (Most people had recognized for years that one's inheritance mattered, circumstances mattered, luck mattered.) Because this assumption was not absolutely true, a second assumption was needed to buttress it: All things considered, the "system" was doing all that it *properly* could do by trying to provide equal opportunity.

Once the second assumption had been toppled—once it was accepted that the system itself was to blame for people being poor—policy principles that had gone unargued were instantaneously outdated. Among these was the principle that government should not support employed people. If the system were to blame for a person's entrapment in a job that paid too little money for a decent existence, then the principle was palpably unfair—so unfair that, like the principle that it replaced, it did not need to be debated.

Richard Nixon exemplified the breadth of the new consensus. Nixon lambasted the Great Society during the 1968 campaign. In office, he set about dismantling its symbolic appurtenances (including the OEO). But it was Nixon who, in 1969, proposed the Family Assistance Plan, a form of negative income tax that would have guaranteed every American family of four a "floor" income of $1,500 to $1,800. He argued that Washington must "recognize that it has not less of an obligation to the working poor than to the nonworking poor."

Congress rejected the Family Assistance Plan. But the same legislators authorized the creation of a new category of welfare assistance (Supplemental Security Income) and voted large increases in funding for food stamps, public housing, Social Security, and other forms of welfare for which working people were eligible. The number of participants in the Food Stamp Program, for example, grew from 424,000 in 1965 to 11.6 million by the end of President Nixon's first term. In constant dollars, Washington during the five Johnson years spent some $57 billion on the category the Census Bureau calls "public aid" (*not* including pensions, Social Security, education or housing programs); during the first five Nixon years, the government spent more than twice that amount on these same public-aid programs.

Hardly anyone except the most obdurate reactionaries opposed such efforts in principle, and once the principle was established, the scope and cost of the programs continued to escalate. Hardly anyone now argued that it was fundamentally *wrong* to take tax dollars from one worker, whose paycheck the government had decided was too large, and give the dollars to another worker, whose paycheck the government had decided was too


*This 1973 Oliphant cartoon captures Richard Nixon's popular image. Yet the 37th President significantly expanded most of the Great Society's antipoverty programs and signed new ones into law.*

small. Ten years earlier, hardly anyone, in or out of Congress, would have argued the opposite.

Other changes in the nature of the rapidly expanding welfare system were wrought less by legislation than by administrative fiat. As Nathan Glazer has written, "Today, crucial documents in American history are not necessarily to be found in legislation, executive action, or even the court orders of our powerful judiciary. The modest reporting forms issued by regulatory agencies may be as consequential as any of these." The enforcement of eligibility rules for unemployment insurance, disability compensation, AFDC, and other welfare programs was relaxed considerably during the 1960s, occasionally by means of explicit directives but often through a generally understood but hard-to-document change in the "way of doing business."* From time to time, the judicial branch mandated its own procedural refinements, such as when the Supreme Court, in 1968, struck down the "man-in-the-house" rule, declaring that a woman is entitled to receive AFDC benefits even if she is cohabiting with a man.

## Changing Goals

Underlying all of these developments was the assumption that the distinction between the deserving and the undeserving poor was no longer relevant. That assumption, plus the companion federal commitment to assisting both the working and the nonworking poor, animated the changes in the rules that took place beginning in the mid-1960s. By the mid-1970s, a sizable welfare complex had been built on the foundation laid during the Johnson administration. It consisted of a broad range of job-training programs, "entitlements," and noncash transfers of goods and services. In 1980, it cost the taxpayer some $64 billion. This figure does *not* count Social Security or Medicare, which are for the elderly; does *not* count unemployment insurance, which is for the temporarily out-of-work; and does *not* count Workman's Compensation, which is for those who have suffered work-related disabilities.

During an average month in that year of 1980, some 21.1

*Disability compensation provides a case in point. The program was established in 1956 and liberalized in 1960. Thereafter, at least on paper, the definition of a qualifying disability remained quite strict. Medical advances in rehabilitating the disabled were rapid during the 1960s. By all logic, then, the proportion of the U.S. population receiving disability benefits should have increased only modestly over time, perhaps even dropped. Instead, the number of disability beneficiaries increased from 687,000 in 1960 to 4,352,000 in 1975. Something odd was happening to the everyday administration of the disability compensation program.

million Americans were participating in the Food Stamp Program, 10.6 million were recipients of AFDC, 4.2 million received Supplemental Security Income, and 21.6 million availed themselves of health care under Medicaid. All of these programs were "means-tested," meaning that one's eligibility depended essentially on the level of one's income. In this manner did the social system identify its victims and offer redress.

Policy-makers and legislators hoped for a variety of good things from the War on Poverty, from the creation of entitlements, the expansion of benefits, and the widening population of eligible recipients. Perhaps some of the poor might even "escape" from the dole. But escaping the dole was no longer as important as escaping poverty. Whatever else they did, the new programs were to increase the *material well-being* of the poor. They were now meant to reduce poverty, not dependency.

III

# THE BOTTOM LINE

The story of what happened to poverty in the years after the reforms took effect, when compared to the situation *before* they were enacted, does not appear to make sense. The numbers go the wrong way at the wrong time.

Yes, the proportion of the population living in poverty did fall during the five Johnson years, from 18 percent in 1964 to 13 percent in 1968. But it is difficult to argue that the Great Society programs were primarily responsible. Not only was the funding for these programs still small during that period, the drop in poverty was not any greater than past experience would have led policy-makers to expect.

In 1950, as noted above, approximately 30 percent of the population would be considered poor. From that level, the number of people living in poverty dropped by 17 percentage points over the next 18 years. The Johnson administration, with a spectacular economy at work, presided over a five-percentage-point drop in five years—its fair share. Then, during the late 1960s, improvement slowed. During the 1970s, it stopped altogether. A higher proportion of the American population was officially poor in 1980 than at any time since 1967. This proportion hit a low point, 11 percent, in 1973. By 1980, it stood at 13 percent and was heading up. The number of people living in poverty stopped declining just as the public assistance program budgets and the rate of increase in those budgets were highest.

This perverse result was vividly apparent, for example, in the federally funded job training and employment programs. During the early years of the Great Society, it was thought that making enough jobs available would win the War on Poverty. To be sure, some poor people—the disabled, some of the elderly, perhaps single-parent mothers of young children—would have to be given other kinds of help as well; but for most of the working-age population, making a job available was believed to be the answer.

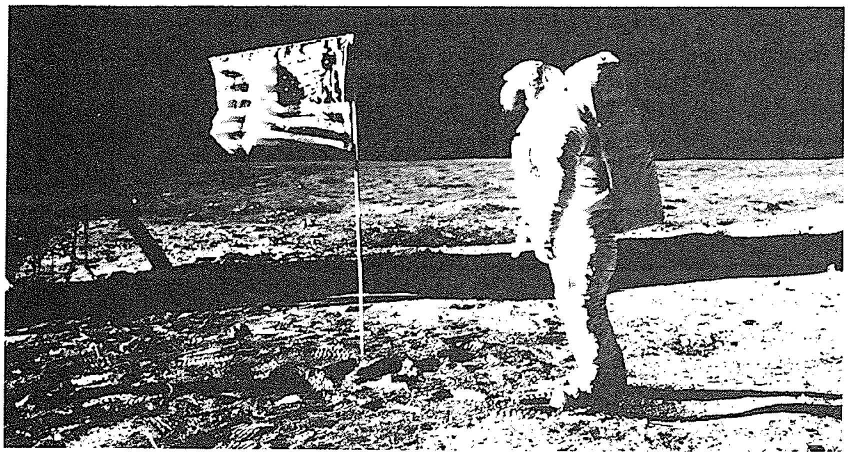
Between 1950 and 1960, the Department of Labor did virtually nothing to help poor people train for, or find, jobs. During the first half of the 1960s, it spent a comparatively trivial $500 million (in 1980 dollars) on jobs programs. Between 1965 and 1969, as the Johnson initiatives got under way, a more substantial $8.8 billion (in 1980 dollars) was spent. During the 1970s, through fiscal year 1980, expenditures totaled a whopping $76.7 billion.

The number of persons involved is even more impressive than the money. From the time that the first Manpower Development and Training Act trainees were cycled through the program (in 1962–63) through fiscal year 1980, some 32.6 *million* persons were reported to have enrolled in one or another of the Department of Labor's jobs programs. The total number cannot, of course, be taken at face value. Many of the programs were short-lived or badly run, many participants dropped out before they finished, and many individuals counted in that 32.6 million figure were repeaters. But the training and employment programs constituted an enormous national effort nonetheless.

### Something Happened

Furthermore, the effort was concentrated on a relatively small portion of the population. From the beginning, the focus of the government jobs programs was on disadvantaged youths in their late teens and early twenties. These young people had reached the most critical time in their job development. They were supposed to be the most trainable. And they had the longest time to reap the benefits of outside help.

The contrast between the government's hands-off policy during the 1950s and its massive intervention during the 1970s is so great that it seems inconceivable that we should not be able to observe positive changes in the employment statistics. And yet the statistics went in exactly the wrong direction for the group that was at the top of the priority target list—black youths in the 16-to-24 age bracket.



*"It is by now almost a platitude," editorialized the* New York Times *the day after the first moon landing in 1969, "to contrast the fantastic efficiency of the Apollo program with the ineffectual approaches the country has made to combat the poverty and malnutrition of its least fortunate citizens."*

During the early 1950s, black youths had an unemployment rate almost identical to that of whites. (For 16-to-17-year-olds, in 1951, it was 9.5 percent for whites, 8.7 percent for blacks.) During the last half of the 1950s, the rate of unemployment among young blacks increased, largely because of the loss of agricultural jobs for black teen-agers, especially in the South. The rate stabilized during the early 1960s at the unacceptably high rate of roughly one-quarter of the black labor force in this age group. It appeared to observers at the time that a large segment of black youth was being frozen out of the job market, and this concern motivated congressional support for the early jobs programs.

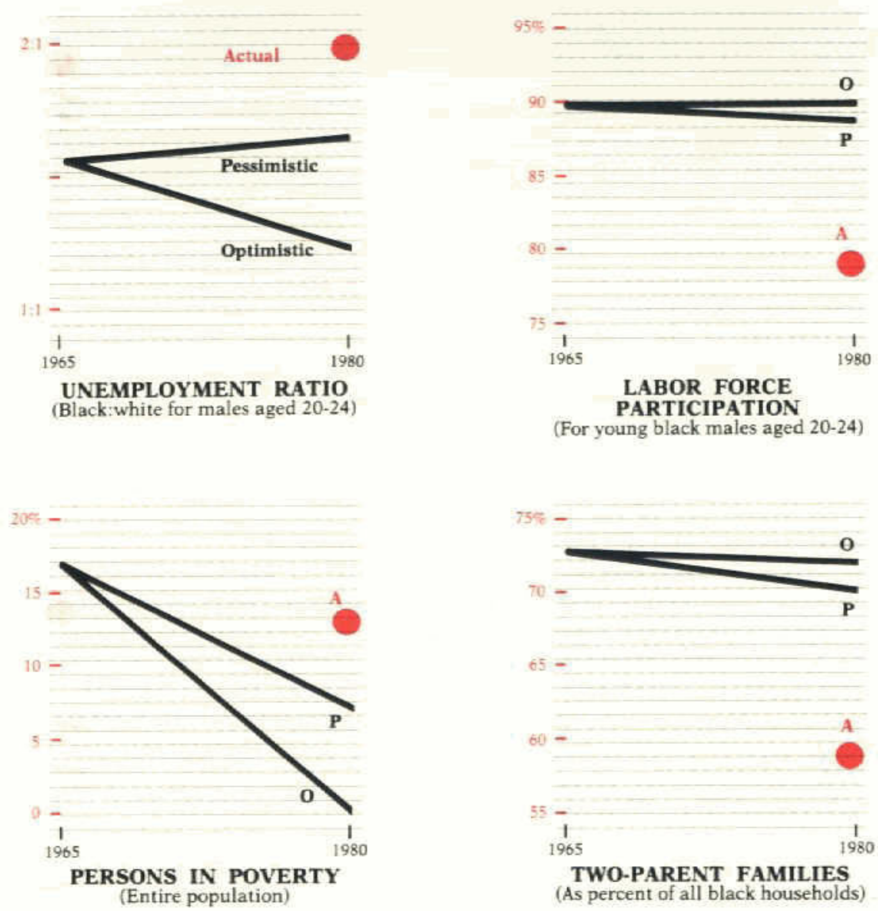
Black unemployment among the older of the job entrants improved somewhat during the Vietnam War years, although the figures remained higher than one might have predicted from the Korean War experience. But during the late 1960s—at the very moment when the jobs programs began their unprecedented expansion—the black youth unemployment rate began to rise again, steeply, and it continued to do so throughout the 1970s. In 1980, for example, it stood at 33 percent for black males aged 18 to 19, and 38 percent for those aged 16 to 17.

If young whites had been doing as badly as young blacks, we could ascribe the trends to economic factors that affected everybody, educated or not, rich or poor, discriminated against or not. But young blacks lost ground to whites. This is apparent

## EXPECTATIONS VERSUS REALITY: HOW THE UNDER-

A thought experiment: Imagine that it is June of 1966, and Lyndon Johnson has asked you to project the progress of the disadvantaged in the United States some years out—to 1980. As the easiest test population for this purpose, you are told to use black Americans. Good statistics exist for blacks; no data have been compiled to provide comparable portraits of, say, Appalachian whites. You begin by plotting an *optimistic* scenario and a *pessimistic* one. Thus, an "envelope" is formed within which the true future is likely to fall. As the basis for the optimistic scenario, you select the rate of economic and social progress, as manifested in various statistics, made by black Americans during the Kennedy-Johnson years, a period of steady economic growth. As the basis for your pessimistic scenario, you

THE UNDERCLASS

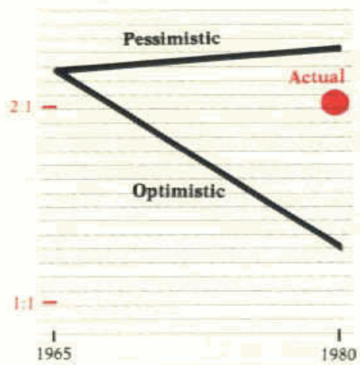


## CLASS AND WORKING CLASS HAVE FARED SINCE 1966

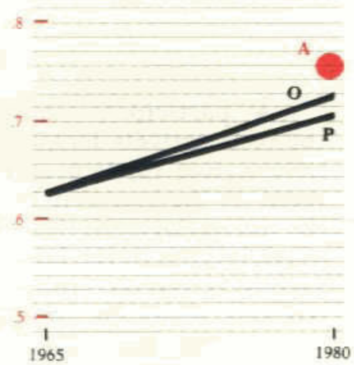
choose the corresponding rates of progress during 1954–61.

If you, the analyst, had actually produced such projections, the trend lines for one group of indicators (below, left), such as labor-force participation, would have been most pertinent to the progress of blacks at the bottom of the economic ladder—the "underclass." A second group of indicators (below) would have been most pertinent to the progress of working-class blacks, regularly employed but held down by discrimination in 1966. Ironically, your projections for indicators in both categories would almost never fall within the envelope. In 1966, you would have been too optimistic about the underclass, not optimistic enough about the working class.

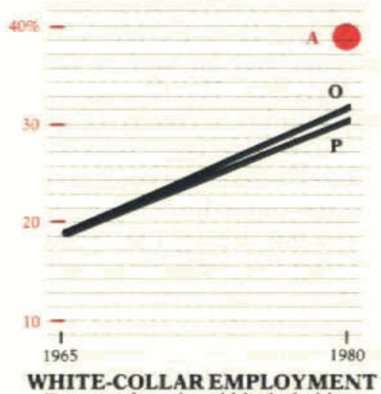
### THE WORKING CLASS



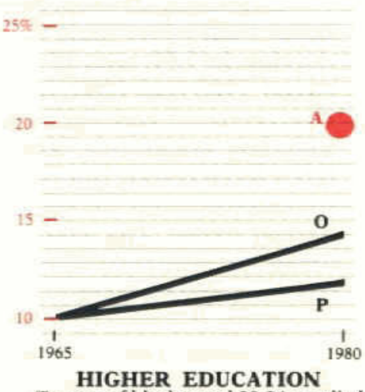

**UNEMPLOYMENT RATIO**
(Black:white for males aged 45-54)




**INCOME RATIO**
(Black:white for full-time, year-round workers)




**WHITE-COLLAR EMPLOYMENT**
(Percent of employed blacks holding white-collar jobs)




**HIGHER EDUCATION**
(Percent of blacks aged 20-24 enrolled in college)

when we examine the ratio of black unemployment to white unemployment—the measure of the racial differential—for new job entrants. From 1961 to 1965, for example, when there were virtually no jobs programs, the black-to-white ratio for 18-to-19-year-olds averaged 1.7 to 1. From 1966 to 1970, with a much stronger economy *plus* the many new jobs programs, the ratio averaged 2.2 to 1. From 1970 to 1980, when the jobs programs were enrolling millions annually, the ratio averaged 2.3 to 1.

Something was happening to depress employment among young blacks. The easy explanation—that job opportunities for young blacks were just not there no matter how hard people searched—runs into trouble when statistics on labor-force participation (LFP) are considered.

### Dropping Out

A "participant" in the labor force is one who either is working or is actively looking for work. The statistics on LFP are as informative in their own way as the statistics on unemployment. In the long run, they may be even more important. While the unemployment rate measures current economic conditions, participation in the labor force measures an individual's fundamental economic stance: Does he have an active intention of working, given the opportunity?

In 1954, fully 85 percent of black males aged 16 and older were in the labor force, a rate essentially comparable to that of white males. This was nothing new. Black males had been participating in the labor force at equal or higher rates than white males since the turn of the century.

Beginning in 1966, black-male LFP started to fall substantially faster than white-male LFP. Between 1954 and 1965, the black reduction in LFP was 17 percent greater than that for whites. Between 1965 and 1980, it was 252 percent greater. The divergence that occurred was not a minor statistical blip but a change of astounding magnitude. America had seen large-scale *entry* into the labor force before, but never had it witnessed large-scale voluntary *withdrawal* from (or failure to enlist in) the labor force by able-bodied males. The sharpest slide occurred not during the 1970s, when the economy was troubled, but during the 1965–69 period, when unemployment was at historic lows.

As in the case of unemployment, age is at the center of the explanation. The younger the age group, it turns out, the greater the decline in black LFP, the greater the divergence with whites, and the sooner "dropping out" began. The phenomenon, in other words, was generational. For whatever reasons, black males born during the early 1950s and thereafter shared an attitude toward the labor market different from that of black males born earlier. If one looks at three different age "cohorts"—say, black males born in 1938, 1944, and 1952—one discovers that, as far as labor-force participation is concerned, members of the two older black groups behaved much like each other and much like their white contemporaries. The younger group, the cohort of 1952, was far less fortunate.

What was different about being born in 1952? Nothing, necessarily. The difference lay in the environments in which the three age cohorts came of age in the labor market. The members of the 1938 cohort turned 16 in 1954, when the world was not different *in the rules governing the job market* from the world of 1960, the year that the youths born in 1944 turned 16. The cohort born in 1952, on the other hand, reached the age of 16 in 1968; by then the rules had been changed radically.

As far as the labor market was concerned, the changes were surely all for the best—more training programs for poor and minority youth, better regulations on equal opportunity and widespread social support for their enforcement, higher minimum wages, a red-hot economy—and still the cohort of 1952 youngsters fared far worse than their older brothers and their white counterparts.

They behaved in ways that, for many, forfeited their futures as economically independent adults. They behaved in those ways because, under the new rules, it seemed both profitable and rational to do so. For the new rules pandered to that most human of impulses, the pursuit of one's short-term advantage.

## IV
## THE REASONS WHY

There is bitter irony in the fact that poverty stopped dropping as spending on poverty increased, that labor-force participation decreased as the economy boomed, and that unemployment increased as the jobs programs reached their height. And yet, throughout the 1970s, mainstream politicians, academics, journalists, and bureaucrats remained committed to a way of thinking about poor people and social policy that manifestly failed to produce results. There seemed little to be done except sweat it out. The budgets for job training, food stamps, and the various social-action programs continued to grow almost by inertia.

There had been an alternative set of ideas all along, of course. If, during the 1960s and 1970s, there was an elite wisdom that shaped the directions of social policy, there was also a popular wisdom that explained why things were falling apart.

The popular wisdom is just that—the views to be heard in blue-collar bars or country-club lounges in most parts of the United States. It is the inarticulate constellation of worries and suspicions that helped elect Ronald Reagan in 1980. It is perhaps more precisely called a white popular wisdom, but some of its major themes are also voiced quietly by a conservative black working class, and by many among the poor of both races.

The popular wisdom is characterized by hostility toward welfare (it makes people lazy), toward lenient judges (they encourage crime), and toward socially conscious schools (too busy busing kids to teach them how to read). The popular wisdom disapproves of favoritism for blacks and of too many written-in rights for minorities of all sorts. It says that the government is meddling far too much in things that are none of its business.

The hostility one hears in the *vox populi* accounts, perhaps, for the reluctance of more intellectually sophisticated people to consider whether it might not be right. To listen carefully to the popular wisdom is also to hear a good deal of mean-spirited (often racist) invective. Acknowledging the merits of its insights is seen by many well-meaning Americans as approving of the invective as well. And one might add that, to the minds of many professional social analysts, the explanations of the popular wisdom are too *simple*, too unsubtle, to be true.

### Harold and Phyllis

By the end of the 1970s, however, a synthesis of wisdoms was under way. Too much of what Americans saw going on around them confirmed too many of the popular view's premises. Stripped of the prejudices and the bombast, these, as I see them, are three core premises of the popular wisdom that need to be taken into account:

*Premise one*: Individuals respond to incentives and disincentives. Sticks and carrots work.

*Premise two*: Individuals are not inherently hardworking and moral. In the absence of countervailing influences, many people will avoid work and be immoral.

*Premise three*: Individuals must be held responsible for their actions. Whether they *are* responsible in some ultimate philosophical sense cannot be the issue if society is to function.

It is my contention that social policy in the United States since 1964, though well-meaning, has ignored these premises and that it has thereby created much of the mess that we are in. It is not necessary to invoke the *Zeitgeist* of the 1960s, or changes in the work ethic, or racial differences, or the complexities of postindustrial economies in order to explain increasing unemployment among the young, the growing labor-force drop-out rate, or higher rates of illegitimacy and welfare dependency. It is only necessary to see how the rules were changed: how judges, bureaucrats, and policy-makers altered the rewards and penalties, the carrots and sticks, that help to shape an individual's attitude toward work and its alternatives.

The technical evidence in support of this view has been growing (albeit couched in the most obscure and reluctant terms) for two decades. But the essence of the argument is simple. Imagine a young couple—call them Harold and Phyllis—who have just graduated from an average public school in an average American city. Neither of them is particularly industrious or indolent, intelligent or dull. They are the children of low-income parents, do not wish to go to college, and have no special vocational skills. Harold and Phyllis "went together" during their last year in high school and find themselves in a familiar predicament. She is pregnant.

They will have a child together. They will face the kinds of painful decisions that many young people have had to face. What will they decide? What will seem to them to be "rational" behavior? We shall examine the options twice—first, as they were, in 1960, before the changes in incentives; then as they were only 10 years later, in 1970.

### *Options in 1960*

Harold's parents have no money. Phyllis has no money. He has two choices if he remains within the law. He can get a job, or he can try to get Phyllis to help support him. Getting Phyllis to support him is intrinsically more attractive, but the possibilities are not promising. If Phyllis has the baby, she will qualify for $23 a week in AFDC ($64 in 1980 purchasing power).* This is not enough to support the three of them. And, under the rules of AFDC, Phyllis will not be able to contribute more to the budget. If

*The figures used here for AFDC payments are based on the "highest amount for payment standard" (i.e., the amount guaranteed a woman with one child and no other income, as in Phyllis's hypothesized case), according to data obtained from the Office of Family Assistance, Department of Health and Human Services. The specific figures for AFDC and unemployment benefits are based on those applicable in Pennsylvania, neither the most liberal nor the most conservative of states on social-welfare payments but typical of the industrial states in which most of the welfare population lives.

## POVERTY: A FIRSTHAND VIEW

The nation's poor are most often assessed by analysts from a distance, through the wide-angle lens of statistical data. Less common, but no less useful, are close-up accounts by journalists and anthropologists of what it is *like* to be poor, of various material and psychological dimensions of poverty in America.

One of the first chronicles of this sort in the United States was *How the Other Half Lives* (1890), by Jacob Riis, the Danish-born journalist and photographer. Drawing on 12 years as a police reporter on Manhattan's Lower East Side during the 1870s and 1880s, Riis described the horrors of immigrant life in the slums in graphic detail.

The boundary line of the "other half," he wrote, ran through the tenements. "The boundary line lies there because . . . in the tenements all the influences make for evil; because they are the hotbeds of the epidemics that carry death to rich and poor alike; . . . that throw off a scum of forty thousand human wrecks to the island asylums and workhouses year by year; . . . that maintain a standing army of ten thousand tramps with all that that implies; because, above all, they touch the family life with deadly moral contagion."

Lorena Hickok described a very different sort of poverty in *One Third of a Nation* (1981)—the sudden poverty inflicted on small-town folk and farmers by the Great Depression. Hickok was recruited in 1933 by Harry L. Hopkins, director of the Federal Emergency Relief Administration, to tour the United States and report back to him on conditions across the land. She did so in hundreds of letters.

To Hopkins, from Bismarck, North Dakota, November 3, 1933: "Yesterday I visited one of the 'better-off' families on relief. In what was once a house I found two small boys, about two and four years old, running about without a stitch on save some ragged overalls. No stockings or shoes. Their feet were purple with cold. . . .

"The mother of those children, bare-legged, although she wore sneakers on her feet, is going to have another baby in January. IN THAT HOUSE. When she diffidently asked the investigator who was with me for assurance that a doctor would be on hand to see her through her confinement, I could hardly bear it."

Hickok documented the plight of people who were, for the most part, victims of temporary hard times. Three decades later, during far better times, anthropologist Elliot Liebow spent a year and a half among Washington, D.C.'s "streetcorner men," men whose plight would probably be permanent despite the nation's growing prosperity. Liebow relates what he learned in *Tally's Corner* (1967).

Middle-class values, often disparaged by self-appointed champions of the poor, were not alien to streetcorner men, Liebow contends. At some point in their lives, they had all *wanted* to get an education, had *wanted* to land a decent job, had *wanted* to marry and support a family. When, for various reasons, they did not succeed, they took refuge from self-loathing in a shiftless streetcorner culture "where failures are rationalized into phantom successes and weaknesses magically transformed into strengths."

Among other institutions, the school system cheated many of these men, Liebow contends. He offers "Richard's" story:

"I graduated from high school [in Baltimore] but I don't know anything. I'm dumb. . . . They graduated me but I didn't know anything. I had lousy grades but I guess they wanted to get rid of me. . . . I was at Margaret's house the other night and her little sister asked me to help her with her homework. She showed me some fractions and I knew right away I couldn't do them. I was ashamed so I told her I had to go to the bathroom."

Susan Sheehan looks at underclass life in *A Welfare Mother* (1976), a vivid profile of Mrs. Carmen Santana, a 43-year-old mother of four who lived during the mid-1970s in the Williamsburg section of Brooklyn. As Michael Harrington notes in an introduction, Mrs. Santana "is not really 'poor' in the sense that she has no money to buy basic food and shelter"—the welfare system takes care of that. But welfare has in turn created "a hapless and hopeless group of recipients who will never become integrated into our society."

Sheehan describes her subject with both candor and sympathy. "Mrs. Santana takes welfare as matter-of-factly as she takes everything else in her life. Although she has been the beneficiary of thousands of dollars of welfare for fourteen years, she doesn't consider welfare the only thing that stands between her and starvation. Because welfare exists, she avails herself of it. She believes that if there were no welfare she would find some means of surviving."

In *The Underclass* (1982), Ken Auletta underlines the difficulties faced by federal planners who want to move the "hardcore" poor off the welfare rolls and into paying jobs. Auletta spent seven months in 1979–80 observing a federally subsidized, experimental training program run in Manhattan by the Manpower Demonstration Research Corporation. He notes that those of the participants who did not drop out had to be taught "not just English, math, and typing but how to use an alarm clock and telephone, follow dress codes, cash checks, say Please and Thank You, tell the truth about their pasts, write letters, conduct job interviews."

Even the best such uplift programs get mixed results, Auletta explains, for the simple reason that "some members of the underclass [can use] help and some are beyond help."

Like Riis, Hickok, Liebow, Sheehan, and others who have studied the problem firsthand, Auletta emphasizes the sheer human *diversity* of the poor population in America.

"It does not take long to learn," Auletta writes, "that too many poverty experts . . . generalize about people they barely know."

she gets a job, she will lose benefits on a dollar-for-dollar basis.

Also, Harold and Phyllis will not be able to live together. AFDC regulations in 1960 prohibit benefits if there is "a man in the house." Apart from its psychic and sexual disadvantages, this regulation also means that Harold cannot benefit from Phyllis's weekly check. The amount could not possibly be stretched across two households. It follows that, completely apart from the moral stance of Harold, his parents, and society, it is in 1960 not possible for Harold to use Phyllis for support. Whether or not he decides to stay with her, he will have to find some sort of job.

The only job that he can find is working the presses in a dry-cleaning shop. It pays the rock-bottom minimum wage—$40 for a 40-hour week (or about $111 in the purchasing power of the 1980 dollar). It is not much of a living, not much of a job. There is no future in it, no career path. But it pays for food and shelter. Harold has no choice. Unemployment insurance will pay him only $20 ($56 in 1980 purchasing power).

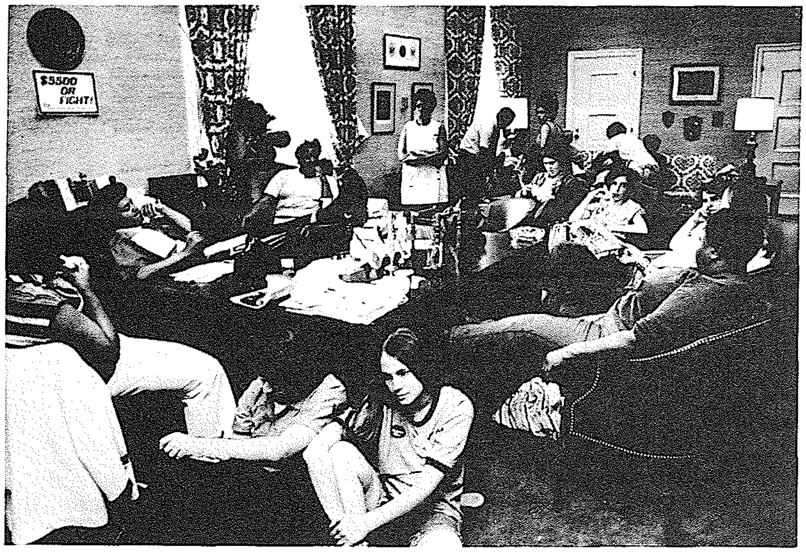
Phyllis has three (legal) options: to support herself (either keeping the baby or giving it up for adoption), to go on AFDC (which means keeping the baby), or to marry Harold.

Other things being equal, supporting herself is the least attractive of these options. Like Harold, she can expect to find only menial minimum-wage employment. There is no intrinsic reason to take such a job.

The AFDC option is worth considering. The advantage is that it will enable her to keep the baby without having to work. The disadvantages are the ones that Harold perceives. The money is too little, and she is not permitted to supplement it. Harold would not be permitted to be a live-in husband or father. If she tries to circumvent the rules and gets caught, she faces being cut off from any benefits for the foreseeable future.

Right now, setting up a household with Harold is by far the most sensible choice, even given the miserable wage he is making at the laundry. Being married (as opposed to just living together) has no short-term economic implications. This is shown in the following table:

| Harold | Living Together | |
|---|---|---|
| employed? | Unmarried | Married |
| Yes | $111 | $111 |
| No | $0 | $0 |




*Members of the National Welfare Rights Organization stage a "sit-in" at the Department of Health, Education, and Welfare in 1970. In an average month in 1960, about three million individuals received Aid to Families with Dependent Children. That number climbed to 10.6 million in 1980.*

The choice of whether to get married is dependent primarily on noneconomic motivations plus the economic advantages to Phyllis of having Harold legally responsible for the support of her and the baby.

Once the decision not to go on AFDC is made, a new option opens up. As long as Phyllis is not on AFDC, no penalty is attached to her getting a part-time or full-time job, so she goes job-hunting to supplement Harold's income. And though they may not be aware of it, by establishing a two-income household, they are taking what the economists know to be the surest way to escape poverty permanently.

*Options in 1970*

Harold and Phyllis's namesakes just 10 years later find themselves in an identical situation. Their parents have no money, he does not want to go to school any longer, she is pregnant, the only job he can get is in the back room of a dry cleaner's. That much is unchanged from 1960.

Harold's options have changed considerably. First, the

AFDC option. In 1960, he had three objections to letting Phyllis go on welfare: too little money, no way to supplement it, and having to live separately from his family. By 1970, all these objections have been removed. The rules have changed.

### Rewarding Dependence

Economically, the total package of AFDC and other welfare benefits has become comparable to working. Phyllis will get about $50 a week in cash ($106 in 1980 dollars) and another $11 in food stamps ($23 in 1980 dollars). She will get Medicaid, which will add an estimated $5 a week in 1980 dollars to a package of benefits available to her in a typical Northern state, amounting to a total purchasing power of about $134 in 1980 dollars. This minimal package adds up to $23 more in 1980 dollars than the purchasing power of 40 hours of work at a minimum-wage job 10 years earlier, in 1960.

Also, the money can be supplemented. If Phyllis works, she can keep the first $30 she makes. After that, her benefits are reduced by $2 for every three additional dollars of income.

Harold has even greater flexibility. *As long as he is not legally responsible for the care of the child*—a crucial proviso—his income will not count against her eligibility for benefits. He is free to work when they need a little extra money to supplement their basic (welfare) income.

The third objection—being separated from Phyllis—has become irrelevant. After 1968, the presence of a man in the house of a single woman could no longer be used as a reason to deny that woman benefits. The Supreme Court had said so.

The old-fashioned solution of getting married and living off the combined earned income has become markedly less appealing. Working a full 40-hour week in the dry-cleaning shop will pay Harold $64 ($136 in 1980 dollars) *before* Social Security and taxes are taken out. After deductions, Harold will take home less money than Phyllis does. The bottom line is this: Harold can get married and work 40 hours a week in a hot, tiresome job; or he can live with Phyllis and their baby without getting married, not work, and have more disposable income. From an economic point of view, getting married is dumb. From a noneconomic point of view, it involves him in a legal relationship that has no payoff for him. If he thinks he may someday tire of Phyllis and of fatherhood, the 1970 options provide a further incentive for keeping the relationship off the books.

What are the pros and cons for Phyllis? Keep the baby or give it up? Get married or not? Phyllis comes from a poor family. They want her out of the house, and she wants to get out of the house. If she gives up the baby for adoption (or, in some states by 1970, has a legal abortion), she will be expected to support herself; and, as in 1960, the only job that she will be able to find will probably be unattractive, have no security, and provide an income no larger than her baby could provide. Giving up the baby is rational behavior only if she prefers *any* sort of job to having and caring for a baby.

What about getting married? Say Phyllis and Harold marry. If he is employed, she will lose her AFDC benefits. His minimum-wage job at the laundry will bring no more income than she can obtain and, not insignificantly, he, not she, will have control of the check. In exchange for giving up this degree of independence, she gains no real security. Harold's job is not nearly as stable as the welfare system. And, should her marriage break up, she will not be able to count on residual benefits. In sum, marriage buys Phyllis nothing—not companionship she could not have otherwise, not financial security, not even increased income. In 1970, her child, thanks to the government, provides her with the economic insurance that a husband once represented.

Assuming that the two want to live together, their maximum weekly incomes (ignoring payroll deductions and Harold's means-tested benefits) are, in 1980 dollars:

| Harold employed? | Living Together Unmarried | Married |
|---|---|---|
| Yes | $270 | $136 |
| No | $134 | $134 |

Harold and Phyllis take the economically logical step: She has the baby, they live together without marrying, and Harold finds a job at the laundry to provide some extra cash. But when the back room gets too hot, it becomes economically feasible, and indeed reasonable, for Harold to move out of the labor market temporarily. It is not reasonable in the long-term because he is systematically, though unwittingly, making it impossible to move into a secure, better paying job. It is reasonable in the short term—which is not an unusual term for adolescents to use in their calculations.

Such is the story of Harold and Phyllis. They were put in a characteristically working-class situation. In 1960, the logic of their world led them to behave in traditional working-class ways. Ten years later, the logic of their world has changed and,

## KEY ANTIPOVERTY PROGRAMS, 1980

Listed below are the chief elements in the *federal* effort to combat poverty among people of working age in 1980. They included both cash payments and "in-kind" transfers. "Cost" refers to federal share. Not shown: programs focused on the disabled or the elderly and subsidies that are not "means-tested." In 1980, the "public-aid" category of the U.S. budget accounted for 11 percent of federal nondefense spending, or $49.2 billion.

**Aid to Families with Dependent Children (AFDC)**—estab. 1935
**Eligibility**: "Need" defined by each state. In all states, eligible families included those with one parent absent owing to death, desertion, divorce, incapacitation, or incarceration. Half of states aided two-parent families with father out of work.
**Cost**: $6.9 billion. **Recipients**: 3.6 million families (monthly avg.).
**Benefits**: Average monthly payment per family: $275.96.

**Food Stamp Program**—1964
**Eligibility**: Households with net income (i.e., income after certain deductions) at or below federal poverty line.
**Cost**: $9.1 billion. **Recipients**: 21.1 million individuals (monthly avg.).
**Benefits**: Coupons distributed on basis of need and redeemable in exchange for food *only*. Average value of coupons per recipient per month: $34.35.

**Medicaid**—1965
**Eligibility**: In most states, recipients of AFDC or Supplemental Security Income automatically qualified for Medicaid; 31 states also provided for the "medically needy," whose medical bills offset excess income.
**Cost**: $14.1 billion. **Recipients**: 21.6 million individuals.
**Benefits**: Covers most medical expenses.

**Comprehensive Employment and Training Act**—1973 (expired 1983)
**Eligibility**: Varied. In general, the unemployed, underemployed, economically disadvantaged.
**Cost**: $8.9 billion. **Recipients**: 4 million individuals.
**Benefits**: Job training in classroom or workplace; allowance paid for in-class time and minimum wage (at least) for on-the-job instruction. Provided public-sector jobs and support (e.g., daycare, transportation).

**Housing Programs**: 1) Low-Rent Public Housing—1937; 2) Rent Supplement Program—1965; 3) Home Ownership Assistance—1968; 4) Interest Reduction Payments—1968; 5) Lower Income Rental Assistance Program—1974
**Eligibility**: In general, income could not exceed a certain percentage (usually 80 percent) of median income for the area.
**Cost**: $5.4 billion. **Recipients**: 3.1 million households.
**Benefits**: Ceiling placed on proportion of income (e.g., 25 percent) spent on housing. Average yearly benefits: 1) $1,843 per household; 2) $1,577 per household; 3) $504 per household; 4) $1,732 per household; 5) $2,051 per household.

lo and behold, they behave indistinguishably from "welfare types." Their tragedy in 1970 is not that they are permanently poor or wholly dependent, but that they will never be permanently not-poor and wholly independent.

It is too easy to jump from stories such as these to one of two reactions. One is to assume that the evil effects derive from a particular piece of legislation or a particular court decision and that the solution is to exorcise a few demons: Fix AFDC (to take the easiest target), and all will be well. In fact, the story of Harold and Phyllis, to be fully told, must deal as well with multidimensional changes in the rules involving education, crime, community, and family. All point in the same direction.

Beginning in the mid-1960s, it was easier to get along without a job. It was easier to have a baby without being responsible for it (for a man) and without having to have a husband (for a woman). It was easier to get away with crime. Because it was easier to get away with crime, it was easier to support a drug habit. Because it was easier to get along without a job, it was easier to ignore education. Because it was easier to get along without a job, it was easier to walk away from a job—and thereby accumulate a record as an unreliable employee which, in turn, made it more difficult to get any but the least important, most dispensable kinds of work.

### A Matter of Status

The second too-typical reaction is to ask, usually in a tone of heavy disbelief: "Do you seriously think that these girls are deciding to have babies so that they can get on welfare?" To which the answer is, of course, No—in the sense that (presumably) few calculate the decision so deliberately. But if the question is changed slightly, to be: "Are decisions about marriage and children and work affected by economic considerations?" the answer is, of course, Yes—throughout history, and in every social class. During the 1960s and 1970s, the nature of these considerations was decisively altered for one set of Americans and one only: poor people. And millions of poor people, especially the young, began to behave much differently from before.

Changes in the tangible incentives and disincentives are only part of the story. Another equally important tool that society uses (consciously or not) to manage behavior is status, which serves as both a goad to ambition and a reward for certain types of behavior. Beginning in the 1960s, changes in social policy withdrew status from the low-income, independent working family, with disastrous consequences for the quality of life of

**THE GREAT EXPERIMENT: CARROTS, NO STICKS**

By 1966–67, planners at the Office of Economic Opportunity (OEO) increasingly assumed that providing some form of guaranteed annual income was the only way that the War on Poverty was going to be won.

In the face of opposition from congressional moderates and conservatives, who worried about the negative impact of a guaranteed income on the recipient's "work ethic," the OEO sought to show that all would be well. OEO would obtain proof that a guaranteed income would *not* cause people to reduce their work effort, divorce more quickly, or prompt any of the other things that the popular wisdom said that it would.

OEO's vehicle for providing the proof took the form of the most ambitious social-science experiment in American history. Known as the Negative Income Tax (NIT) experiment, it began in 1968, ultimately used 8,700 people as subjects, and lasted for 10 years. Briefly defined, a negative income tax provides payments to individuals whose income falls below a certain "floor"—thereby guaranteeing, in effect, a minimum income.

The federally financed NIT experiment was launched at sites in New Jersey and Pennsylvania, then extended to Iowa, North Carolina, Indiana, Washington, and Colorado. At each site, a sample of low-income individuals was selected by researchers and randomly split into two groups, the "experimental" group and the "control" group. The members of the experimental group were told that for a specified number of years (usually three) they would have a floor put under their incomes, whether they worked or not. The benefits to participants varied, to test the sensitivity of subjects' reactions to the generosity of the guaranteed income. The most common benefit established a floor at roughly the same dollar level as the official poverty line. The members of the control group received no benefits.

During the next decade, the results dribbled in. Finally, by the end

such families. Status was withdrawn from the very kinds of behavior that help poor people escape from poverty.

Historically, poor people in America have been a variegated group with complex status distinctions. There were the genteel poor, who had lost their money but not their manners. There were the poor people who were called "trash"—not just without money but also uncouth and generally unpleasant company. There were the immigrant poor who, even as they were climbing out of poverty, maintained elaborate status structures, even in the most crowded tenements. And there were the farmers, most of whom were cash-poor but, nevertheless, were widely believed to be the backbone of the nation and on a considerably higher moral plane than the effete rich.

of the 1970s, the social scientists working on Washington's behalf had enough information in hand to begin drawing some conclusions. It soon became clear that the NIT experiment validated not its federal sponsors' hopes but their fears, with methodological rigor and in enormous detail.

The key question was whether the NIT would reduce work effort among the poor. The answer was Yes, and the reduction was substantial. In Seattle and Denver, for example, the NIT trimmed "desired hours of work" by nine percent for husbands and by 20 percent for wives. ("Desired hours of work" was measured by actual employment after factoring involuntary work reductions, such as layoffs, out of the calculation.) Young males who were not yet heads of families—"nonheads" in the jargon—were especially affected. They were at a critical age in their lives: about to enter into the responsibilities of marriage and just establishing themselves in the labor force. If they were going to escape from poverty, now was the time to start. The NIT had a disastrous impact on the number of hours they worked weekly—down 43 percent for those who remained nonheads throughout the experiment, down 33 percent for those who married. The NIT also produced a striking increase in the *duration* of unemployment after a participant in the experiment lost his or her job.

What about the impact of welfare on the family? Looking again at the Seattle and Denver experiments, the marriage dissolution rate was 36 percent higher for whites receiving NIT payments than for those who did not, 42 percent higher among blacks. Interestingly, no effect was observed among participants in Indiana. The reason was that in Indiana couples were under the impression that they would lose their NIT payments if they split up.

The NIT experiment made a shambles of the expectations of its sponsors. But even as it got under way during the late 1960s, the disincentives that it would demonstrate were being woven into the fabric of the expanding welfare system. —*C. M.*

The status distinctions were based on the assumption that people were responsible for their actions and, specifically, responsible for taking care of themselves and their families as best they could. A person who was chronically unable to hold a job, who neglected children and spouse, was a bum and a no good, and was consigned by his neighbors to the lowest circle of status. This held true in most communities, regardless of race.

But once it was assumed by policy-makers or their intellectual advisers that the system was to blame when a person was chronically out of work and that the system was even to blame when a person neglected spouse and family, then the moral distinctions eroded. It was no longer deemed proper among mainstream writers, politicians, and rule-makers to draw a


*Food stamps changing hands. Thomas Jefferson appears on the $5 coupon; the $1 coupon features the signing of the Declaration of Independence.*

distinction between the deserving and the undeserving poor. The very term "deserving poor" was laughed out of use—witness the reaction of political columnists and cartoonists to the use of "truly needy" by officials of the Reagan administration. The poor were simply poor: None were permitted to be superior to others, all were victims.

Viewing the poor as victims prompted several new departures. One was the drive to rid welfare of its stigma. Welfare had heretofore been a blot on the recipient's reputation. Now, because it was no longer deemed the recipient's fault that welfare aid was needed, the stigma had to be removed. To this end, the portrayal and administration of the welfare system was changed dramatically. In addition to changing practices that stigmatized recipients (by discouraging at-home eligibility investigations, for example), the government deliberately mounted a propaganda effort. As early as 1965, the OEO began sending out emissaries to spread the word that it was morally permissible to be on welfare. Federal Community Action grants provided the wherewithal for booklets, speeches, and one-on-one evangelizing by staff workers. Welfare was to be considered a right, not charity.

The government's efforts were reinforced by the National

Welfare Rights Organization (NWRO), founded in 1966 and led by George Wiley. The innovative aspect of the welfare-rights movement was not that poor people were organizing. It was that their focus had shifted. No longer did the protestors proclaim, "We don't want charity, we want jobs." During the last half of the 1960s, the NWRO demonstrators were agitating not so much for jobs as for the right to long-term, unfettered, generous charity. Without stigma attached to being on welfare, how was one to take pride in *not* being on welfare?

Arguably, the most insidious single change affecting status relationships within the poor community was the introduction of "means-tested" welfare benefits, benefits available to anyone whose income fell below a certain threshold.

### The Chump

One of the insights of game theory involves the psychological importance of natural boundaries—What makes it easier to quit smoking than to cut down? What leads bargainers to compromise on a round number or to "split the difference"? With poor people, the traditional boundary was accepting *no charity at all* from anyone outside the family.

Means-tested programs effectively ended such useful taboos. One may approve or disapprove of food stamps, Medicaid, and housing assistance, but one result was unavoidable: In time, virtually all low-income persons became recipients of federal charity. Pride in independence was further compromised, and so was a certain degree of pressure on the younger generation to make good on the family tradition of never accepting charity. The notion that there is an intrinsic good in working, even if one does not *have* to, may have impressive philosophical credentials, but it is not very convincing, at least to many young people whose values are still being formed.

In the end, post-1964 social policy robbed the responsible and deserving poor of neighborhood status even as it eroded their incentive to make investments—in time, energy, psychic commitment, and money—that might pay off in upward mobility for themselves, or for their children, over the long-term. Over a period of years, the changes in the rules of the economic game caused status conventions to flip completely in some communities. To someone who is not yet persuaded of the satisfactions of making one's own way, there is something truly laughable about an individual who doggedly keeps working at a lousy, "dead-end" job for no tangible reason at all. The man who keeps working is a chump.

V

# WHAT IS TO BE DONE?

Realistically, it makes little sense to suppose that anything actually *can* be done, or in any event will be. Significant reform of social policy in the United States does not seem likely in the near future. Ours is, after all, a system that, faced with bankruptcy of Social Security during the early 1980s, went into paroxysms of anxiety at the prospect of delaying the recipients' cost-of-living increase for six months.

But the cautiousness of the system is not in itself worrisome. Reform is often inappropriate, and it should always be undertaken carefully and slowly. What *should* worry us is a peculiar escapism that has for two decades gripped the consideration of social policy in America. It seems that those who legislate, administer, and write about social policy can tolerate any increase in actual suffering or demoralization so long as the system in place does not explicitly permit it. It is better, by the logic we have been living with, that we *try* to take care of 100 percent of the problem and make matters worse than that we solve 75 percent of the problem with a solution that does not try to do anything about the rest.

Escapism is a natural response. Most Americans want to help. It makes us feel bad to think of neglected children and rat-infested slums, and we are happy to pay for the thought that people who are good at taking care of such things are out there. If the number of neglected children and the number of rats seem to be going up instead of down, it is understandable that we choose to focus on how much we put into the effort instead of what comes out. The tax checks we write buy us, for relatively little money and no effort at all, a quieted conscience. The more we pay, the more certain we can be that we have done our part. A solution—say, scrapping much of the modern welfare edifice—that would have us pay less, accomplish more, *and* acknowledge that some would go unhelped, is unacceptable.

As a result, the barrier to radical reform of social policy is not the pain that it would cause the intended beneficiaries of the present system, but the pain that it would cause the donors. The real contest over the direction of social policy in America is not between people who want to cut budgets and people who want to help. When reforms finally do occur, they will happen not because stingy people have won but because generous people have stopped kidding themselves.