



INSTITUTE *for*
RESEARCH *on*
POVERTY

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Impact of Anti-Poverty Programs in the United States

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Poverty 101

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Where we are going

I will focus on four questions:

- 1) How much does the government spend on the safety net and other programs helping the poor?
- 2) Have these expenditures gone up or down over time?
- 3) How much do these expenditures reduce poverty?
- 4) Have the “anti-poverty” effectiveness of expenditures become better or worse and for whom?

Safety Net (Means Tested) Spending (Federal and State, 2007, pre-recession)

	Recipients(000)	Expenditures(mil)
Medicaid	54,800	\$328,900
School Food	40,700	10,900
SNAP	26,500	30,400
EITC	24,600	48,500
WIC	8,300	5,400
SSI	7,400	41,200
Housing	5,100	39,400
TANF	4,100	11,600

The total is about **\$515 billion**—half a trillion.

Spending on **Social Insurance** Programs (2007, pre-recession)

	Recipients(ooo)	Expenditures(mil)
Medicare	44,000	\$432,200
OASI	40,900	485,881
SSDI (DI)	8,920	99,100
UI	7,642	32,500
WC	NA	55,200

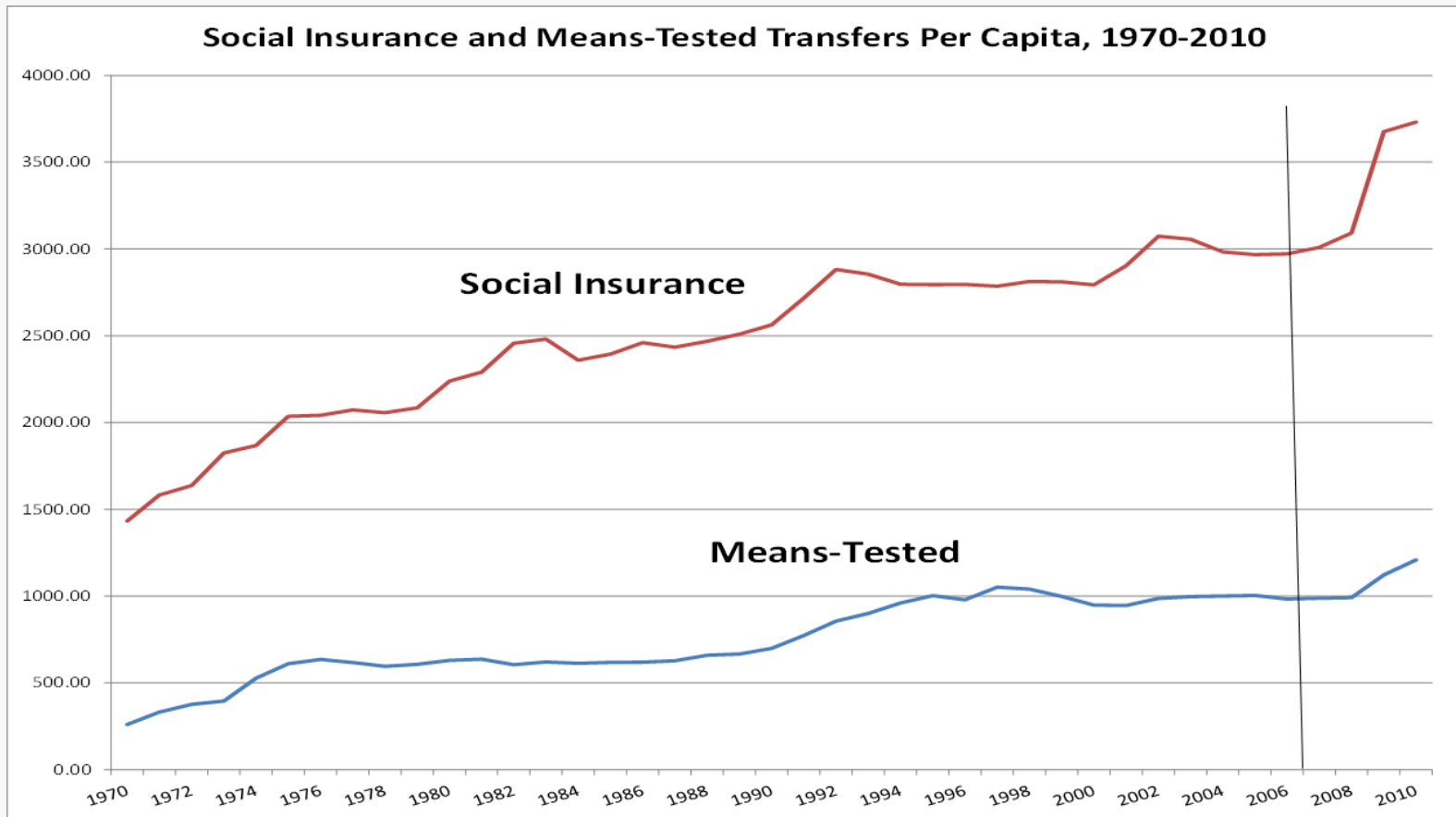
Total is \$1.1 trillion; however, the bulk of these expenditures go to non-poor people.

How Much Do We Spend?

Let's put these numbers into context.

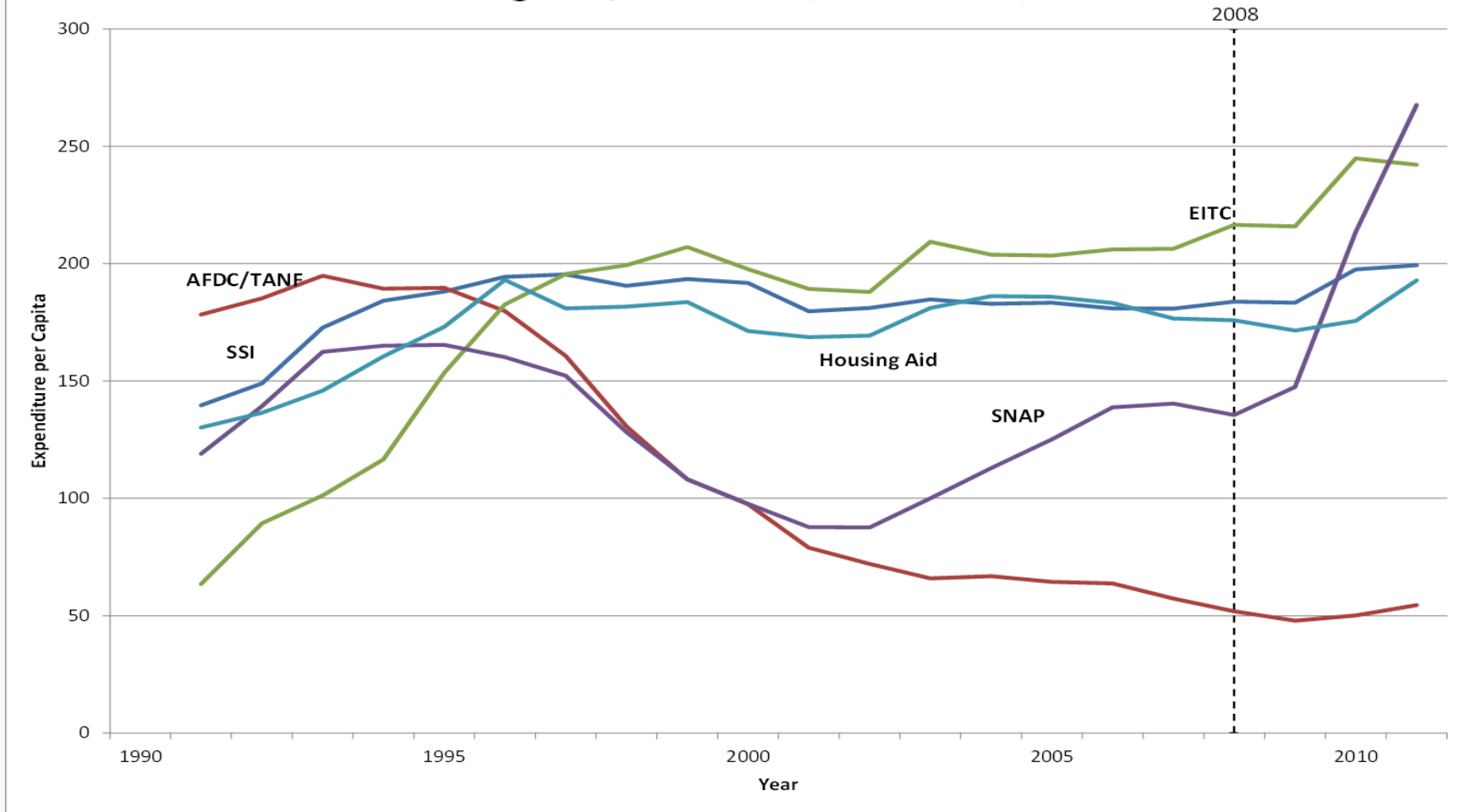
- Including all public spending on means-tested and social insurance, they total about **\$1.6 trillion**.
- Spread over the nation's 320 million citizens it is about \$3500 per person.
- The nation's GDP is about \$17.7 trillion
 - So, about 11 percent of GDP
- Total Federal government spending is about \$3.6 trillion
 - So, about 44 percent of Federal spending

What is spending now relative to the past?



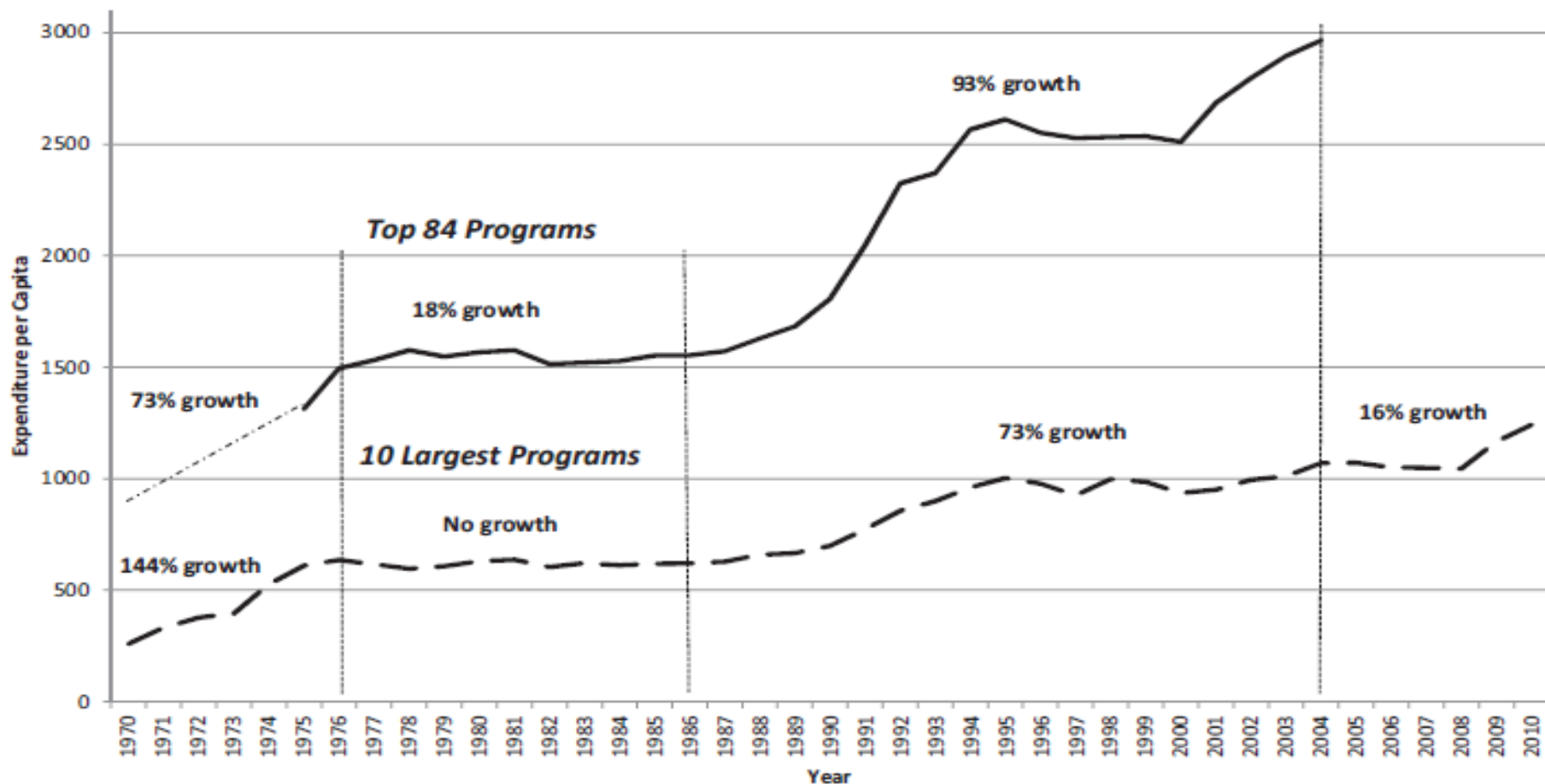
- In per capita terms, growth in both forms of expenditures.
- After the recession, rapid growth in both.

Figure 2: Expenditure per Capita, Non-Medicaid Means Tested Programs, 1990-2010 (real 2009 dollars)



- AFDC (welfare) has fallen throughout the period.
- Food Stamps and EITC have grown steadily especially after recession.

Growth in the Largest Means-tested Programs



- Rapid growth in years after start of War on Poverty.
- Also, rapid growth in the period after 1986.

How about changes in spending on families with various characteristics and poverty rates?

Per Family Transfer Spending 1983-2004 and 2004-2010

Real monthly transfer-program expenditure per recipient family.

A. 1983 to 2004	1983	2004	Percent change
Elderly	\$1,073	\$1,281	19
Disabled	\$1,237	\$1,311	6
Nonelderly, nondisabled	\$157	\$177	13
0 to 50% Official poverty	\$604	\$365	-40
50 to 100% Official poverty	\$246	\$393	60
100 to 150% Official poverty	\$168	\$274	63
150 to 200% Official poverty	\$115	\$180	57
B. 2004 to 2010	2004	2010	Percent change
Elderly	\$1,281	\$1,388	8
Disabled	\$1,311	\$1,532	17
Nonelderly, nondisabled	\$177	\$256	45
0 to 50% Official poverty	\$365	\$501	37
50 to 100% Official poverty	\$393	\$582	48
100 to 150% Official poverty	\$274	\$387	41
150 to 200% Official poverty	\$180	\$239	33

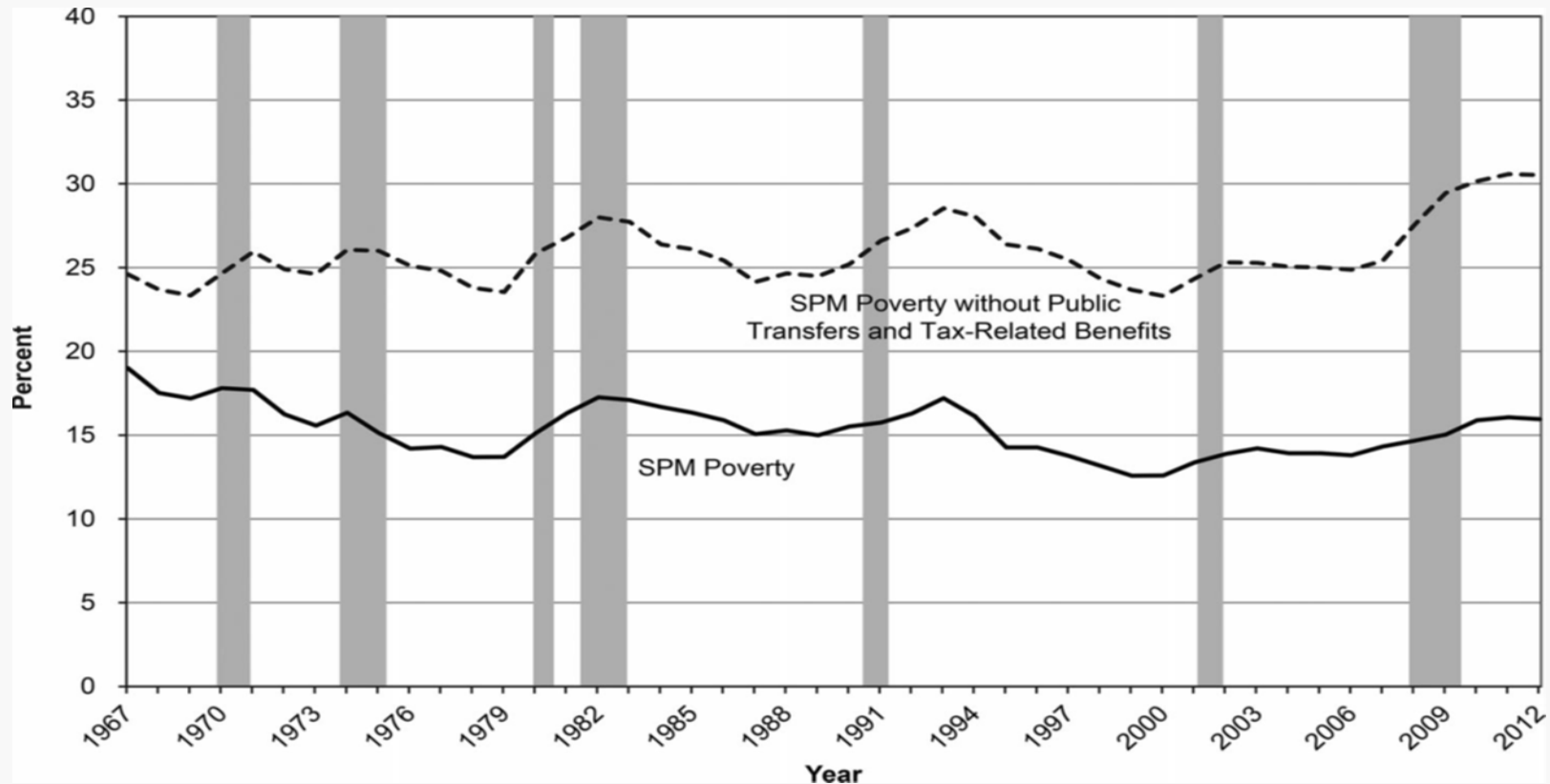
- From 1983 to 2004
 - Large increase for elderly and disabled
 - Growth for all except those in deep poverty.
- From 2004 to 2010
 - Growth concentrated on non-elderly, non-disabled
 - Sizable growth for those in deep poverty.

How Much Do These Expenditures Reduce Poverty?

- Although aggregate expenditure has increased, the uneven increases in different programs, coupled with their different types of recipients, suggest there have been winners and losers.
- To answer this question, we need to turn to survey data; in this case the SIPP.
- Pre-transfer (“market”) income
 - For each family in the U.S., add up all private income; take out income and payroll taxes (so post-tax)
- Post-transfer income
 - For each family in the U.S., add in all the major benefits that each family receives (excluding Medicaid and Medicare).

First, let's look at the overall effect of these programs on the poverty rate over time.

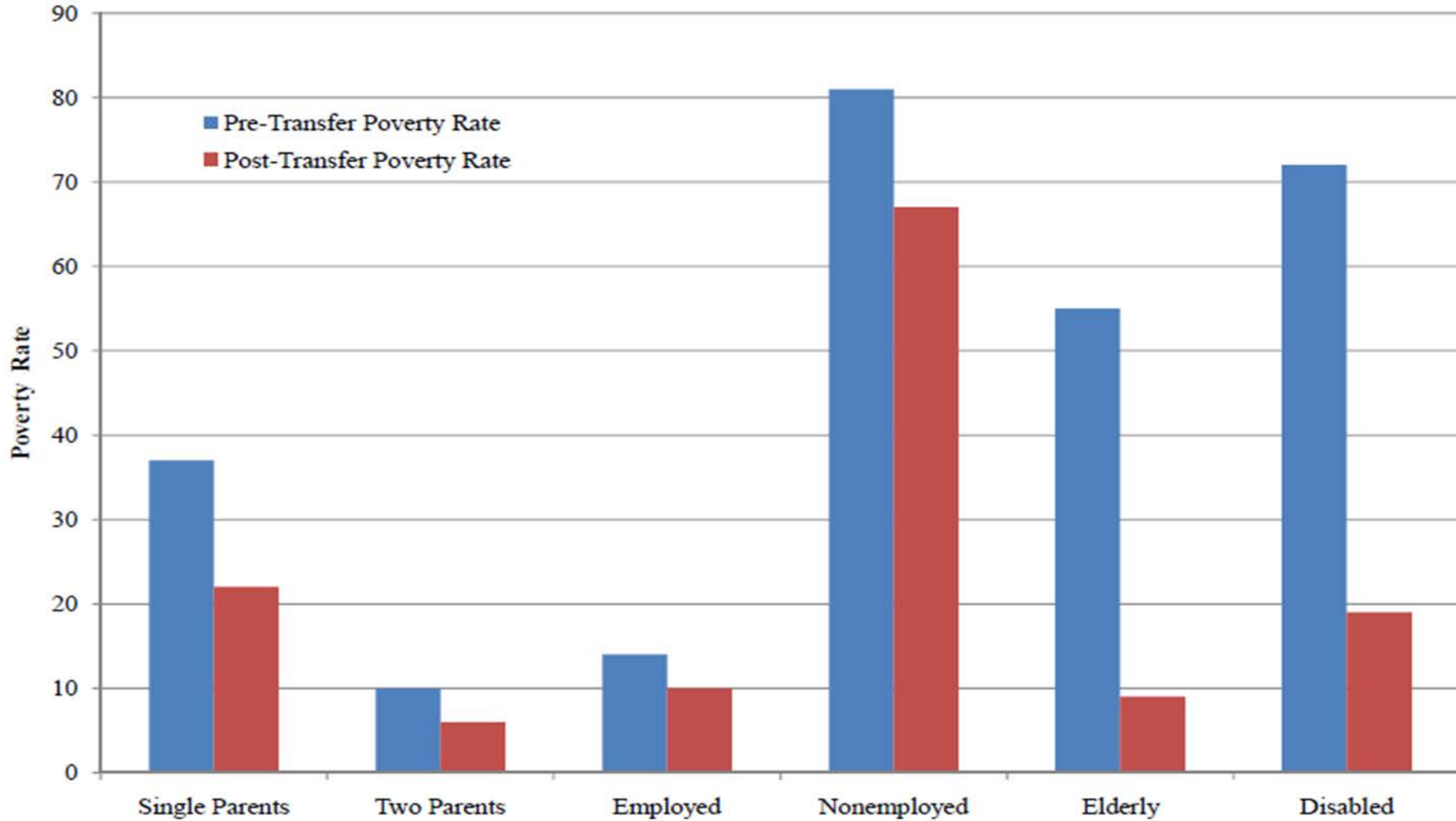
Supplemental Poverty Measure, with and without Public Cash and In-Kind Transfers and Tax-Related Benefits, 1967 to 2012.



- In 1967, public benefits reduced the poverty rate from 25 percent to 19 percent—6 percentage points.
- By 2012, benefits reduced the poverty rate from 31 percent to 16 percent—15 percentage points.

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- How about the distribution of these expenditures on people with various characteristics?
 - How about the impact of these expenditures on the poverty rate of people with various characteristics?

Poverty Rates By Demographic Group 2004



- In 2004, largest reduction in poverty due to transfers experienced by single parents (38 to 21 percent, the elderly (55 to 9 percent), and the disabled (72 to 19 percent).

Have these effects on various types of families changed over time?

Difference Between Pre- and Post- Transfer Poverty Rates, 1984 and 2004

	1984	2004
Nonelderly, nondisabled		
Single-Parent	25.2 percentage points	15.0 percentage points
Two-Parent	6.6	4.1
Employed	4.1	4.0
Nonemployed	24.4	13.8
Elderly families and individuals	47.8	45.8
Disabled families and individuals	50.4	52.8
Full Population	16.8	15.5

- Between 1984 and 2004, poverty rate for elderly and disabled held steady, while percentage point changes for other groups fell.

Government Spending Reduces Poverty, but More for Some than for Others

- Big reductions for the elderly and for persons with disabilities
 - Safety net expenditures also reduce poverty for the other groups we look at
 - the employed and the “nonemployed”
 - one-parent and two-parent families
- But the reductions for these groups are not as substantial.

Changes in the Poverty Expenditures Over Time—the Bottom Line

- Total expenditures have gone up, but there has been a redistribution away from programs assisting non-elderly, non-disabled to those targeting the elderly and persons with disabilities.
- Among the non-elderly, non-disabled population, there has been redistribution from those at the bottom to those somewhat higher up the income distribution

Some Additional Reading on this Topic

- “Trends in Income Support.” J.K. Scholz, Robert Moffitt and Benjamin Cowan, in Changing Poverty, Changing Policies, M. Cancian and S. Danziger, editors, Russell Sage Foundation, New York: New York, 2009, 203-241
- “Trends in the Level and Distribution of Income Support.” J.K. Scholz and Robert Moffitt, in Tax Policy and the Economy, J. Brown (ed.), MIT Press and NBER, 24, 2010, 111-152
- “An Assessment of the Effectiveness of Anti-Poverty Programs in the United States.” J. K. Scholz, Yonatan Ben-Shalom and Robert Moffitt, in Oxford Handbook of Economics of Poverty, P. Jefferson, editor, Oxford University Press, 2012, 709-749
- “The War on Poverty: Measurement, Trends, and Policy.” Robert Haveman, Rebecca Blank, Robert Moffitt, and Geoffrey Wallace. Journal of Policy Analysis and Management. 2015.
<http://onlinelibrary.wiley.com/doi/10.1002/pam.21846/abstract>