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## A NEW TEST FOR NATIONAL POLICY

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## ABSTRACT

President Johnson's War-on-Poverty slogan offered a new theme for federal welfare statism. Two antipoverty goals have been accomplished. The size and scope of income poverty have been substantially reduced, and social welfare expenditures having disproportionate benefits for the poor have been increased.

However, these accomplishments have been criticized as inadequate because income inequality has not been narrowed, the increased social welfare expenditures have not been "effective," and political participation and power of the poor remain limited. Some of the criticism amounts to an escalation of the original goals; some of it results from original failure to make the goals limited, specific, and measurable. In particular, no definitions of education poverty and health care poverty were ever offered.

Further difficulties, which may be called the problems of success, arise out of the income conditioning of a set of in-kind benefits. Solutions for these difficulties are likely to require major reforms. Ten years of the War on Poverty thus show some meeting of goals, some escalation of goals, and some encountering of new problems.

# WHAT DOES IT DO FOR THE POOR? A NEW TEST FOR NATIONAL POLICY

Robert J. Lampman

John F. Kennedy's slogan was "Let's get the country moving again!". He sought to reduce unemployment and increase the rate of economic growth without causing inflation or a deficit in the balance of payments. His emphasis was on efficiency and--although he did press for such New Deal-Fair Deal measures as civil rights, health insurance, and aid to education--the priorities were higher for an investment tax credit, research and development outlays, and highest of all for a Keynesian tax cut designed to spur recovery.

Lyndon B. Johnson's vision of a "Great Society" emphasized equity. He foresaw a nation where no one would have to live in poverty and all would have sufficient money income, public services, and civil rights to enable them to participate with dignity as full citizens. It would be an affluent society, but also a compassionate one, one that called for sacrifice by the majority to bring out the talents and willing cooperation of previously submerged and disadvantaged minorities.

It is right to call the War on Poverty--first enunciated in President Johnson's State of the Union Message and promptly endorsed by Congress in the Economic Opportunity Act of 1964--a logical extension of Franklin D. Roosevelt's Social Security Act and Harry S. Truman's Employment Act. It is also correct to identify it as in the general pattern laid down by the more advanced welfare states of Western Europe.

But no other President and no other nation had set out a performance goal so explicit with regard to "the poor." No one else had elevated the question of "what does it do for the poor?" to a test for judging government interventions and for orienting national policy.

This question served as a flag for the great onrush of social welfare legislation commencing in 1965 and the consequent expansion in the role of the federal government. When poverty became a question of national interest, Washington moved into fields where state and local governments had had dominant if not exclusive sway up to that time. This movement was manifested by the enactment of such measures as medicare and medicaid, and aid to elementary and secondary education. It led to uniform national minimum guarantees in the food stamp program and in cash assistance to the aged, blind, and disabled (the latter under the title of Supplemental Security Income); and in stipends for college students in the form of Basic Educational Opportunity grants--all adopted in the first administration of President Richard M. Nixon. Other interventions--notably equal opportunity legislation, the provision of legal services for and on behalf of the poor, and "community action"--made little impact on the budget, but reflected new efforts by the federal government to be an integrative force in national life.

I

The scope of the American poverty problem and ways to measure progress against it were originally stated in terms of income. "Poverty" was quite arbitrarily defined as pretax money income below $3000 in 1962 prices ($4300 in 1973 prices) for a nonfarm family of four. Perhaps this is no more arbitrary or unreasonable than the official definition of "unemployment" and, like the latter, it enabled a quantification, in this case, of the changing number of poor people and hence of progress toward the goal of eliminating poverty. No target date was ever set for the reaching of this goal.

In the late 1940s, more than 45 million persons, almost a third of the population, had incomes below the poverty line. This number was reduced in the period 1950-1956 by about one million a year. It stood, then, at about 39 million through the late 1950s and early 1960s. After that period of recurring recession, the more favorable developments of 1962-1969 brought the number in poverty down by more than 2 million a year to under 25 million persons--about 12 percent of the total population--where it stands today. The typical family in poverty has a cash income about $1000 below its poverty line. That is, its "poverty income gap" is of that order, and the gaps of all poor families cumulate to $9 billion, which is less than one percent of the gross national product (GNP).

Some neo-conservative critics have faulted the antipoverty theme as committing the government to an unattainable goal. As Aaron Wildavsky phrases it, in an article in the August 1973 issue of Commentary, "Part of the secret of winning, as any football coach knows, lies in arranging an appropriate schedule. Governmental performance depends not only on ability to solve problems, but on selecting problems government knows how to solve." However, eliminating income poverty, as defined, may be rated a "set up" on the schedule, because it was reasonable to believe in 1964 that increases in per capita real income, stable unemployment, and an evolving set of cash transfer programs would all contribute to achievement of the goal. As of 1973, the goal is virtually achieved.

The poverty-income gap will be reduced by the Supplemental Security Income plan which goes into effect in January, and could be further cut by merely "cashing out" the $2 billion worth of food stamp benefits that are in the current budget.

Unfortunately, the measure of poverty was not well-articulated with the larger vision of a Great Society and the several components of policy directed toward its building. There is a hiatus between the measure and the policy, in that expenditures targeted to the poor but taking the form of noncash or in-kind benefits--such as food stamps, health care, or education benefits--do not show up in family money income. It is more unfortunate that the goals with respect to these in-kind benefits were never made precise. Was it simply more for the poor than they had been receiving, or was it access to (or consumption of) a per capita quantity of selected goods and services equal to the national average? Or was it--and here the goal would be most expansive--the achievement by the poor of health (as indicated by morbidity and mortality experience) and educational attainment (as indicated by school test scores) in line with norms for the nonpoor population? We comment later on the fact that such goals--which would require compensatory expenditures and new and untried methods--were read into the several programs by both proponents and opponents. We also return later to a third antipoverty goal, namely increased political participation by the poor. But closer to the point here is the failure to establish definitions of "health care poverty" and "education poverty" and so forth in any way comparable to the income poverty definition.

We can say that if the import of the antipoverty theme was to expand the broad set of "social welfare expenditures under public programs" and to get more cash and in-kind benefits for the poor, then it must be identified as a huge success. Social welfare expenditures are defined by the Social Security Administration as those for health, education, welfare services, and income maintenance. Such expenditures by the federal, state, and local governments went up almost four-fold between 1960 and 1972--from $52 billion to $193 billion. See Table 1. They were 10.6 percent of GNP in 1960 and 17.6 percent in 1972. By far the greater part of this rise happened after 1965. The average annual

Table 1

Social Welfare Expenditures under Public Programs
(Federal, State, and Local)

| | 1960 | 1965 | 1970 | 1972 |
|---|---|---|---|---|
| | | (billions of dollars) | | |
| Total | 52.3 | 77.2 | 146.0 | 192.7 |
| Social insurance | 19.3 | 28.1 | 54.8 | 75.1 |
| Public aid | 4.1 | 6.3 | 16.5 | 25.6 |
| Health and medical programs | 4.5 | 6.2 | 9.8 | 12.4 |
| Veterans' programs | 5.5 | 6.0 | 9.0 | 11.5 |
| Education | 17.6 | 28.1 | 50.8 | 61.1 |
| Housing | .2 | .3 | .7 | 1.4 |
| Other social welfare | 1.1 | 2.1 | 4.4 | 5.7 |

Source: Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1971-72," Social Security Bulletin, December 1972, Table 1.

increase in real terms was only 5 percent between 1960 and 1965. Since 1965 that rate of increase has been 9 percent. To keep this in perspective it should be noted that social welfare expenditures have risen more rapidly than GNP in every decade. The post-1965 record is one of unusually sharp transition toward a "mature" welfare state. Perhaps the full measure of this trend is that public and private spending now devote 9 percent of GNP to income maintenance, 7.6 percent to health care, 6.8 percent to education, and 1.4 percent to welfare and other services--for a grand total of 25 percent of GNP. (This contrasts with about 8 percent for the military.) A rising share--now 40 percent--of all public and private social welfare expenditures is funded via the federal government, and a considerable part of the private spending is encouraged by income tax exclusions (employer contributions to health insurance, for example) and deductions.

It is, of course, impossible to say what part of the acceleration of social welfare expenditures would have occurred without the marking out of the poor as a target for federal attention. The declaration of war on poverty coincided with the realization that federal budget revenues were rising faster than projected expenditures for ongoing programs. So there were annual "fiscal dividends" to be claimed for tax cuts, general revenue sharing with the states, or new programs. In the event, some of these dividends were claimed by the military; some went to federal tax cuts (particularly in 1964, 1965, 1969, and 1971); but the great bulk of them went to social welfare programs. Yearly federal outlays for older income maintenance programs went up from $28 billion in 1963 to $75 billion in 1973, while spending on new Great

Society programs went up from \$2 billion to \$36 billion. Of the latter total, \$20 billion provided goods and services directly to people and \$16 billion was in the form of grants to state and local governments and nonprofit institutions. These increases came in large part out of forgone tax cuts, although social security payroll tax rates and state and local tax rates were raised. This meant that, overall, the nation's tax system became somewhat less progressive. The new federal programs claimed only part of rising incomes, and few families experienced direct cuts in their standard of living because of them. Almost everybody was better off and almost nobody was worse off--truly, a Great Society!

By no means all of these increased expenditures went to the account of families in income poverty, nor even to families who would be poor without receipt of benefits. Out of the 1972 total of public social welfare expenditures of \$193 billion, only \$25 billion were income-tested in a way designed to confine them to poor families. However, many of the non-income-tested benefits go to poor families. Eighty billion dollars of the total were in the form of cash transfers to persons. A rough guess, based on a 1967 survey, is that about \$35 billion of this \$80 billion went to the pretransfer poor. In the earlier year, cash transfers went to 40 percent of all households and took 6.1 million households out of income poverty. The pretransfer poverty income gap was \$24.3 billion; posttransfer, it was \$9.7 billion. These cash transfers are heavily weighted, of course, toward the aged and disabled and do little for the poverty of families headed by able-bodied men under 65.

Of the \$193 billion of social welfare expenditures, \$113 billion take the form of goods and services. If 10 percent of the education services, half of the health services, half of veterans' services, and most of a wide range (all which total $14 billion) of housing, social services, and food stamps go to the poor, then about $32 billion of noncash benefits can be credited to the poor. As we noted earlier, none of these noncash benefits are counted in the income measure of poverty, and no increases in them nor in direct taxes to pay for them figure directly in the recorded reduction of poverty. It is of at least related interest that the pretransfer poor have about 3 percent of "original" income, but after all social welfare expenditures and offsetting taxes are taken into account they have about 8 percent of "post-tax money and in-kind income."

## II

We have asserted that two antipoverty goals have been accomplished. The numbers of people in income poverty have been reduced, and public social welfare expenditures having disproportionate benefits for the poor have been substantially increased. However, numerous critics claim that these two achievements are relatively insignificant and that a "real" war on poverty would aim for far greater victories. Let us consider two of these claims: first, that inequality of income should be substantially narrowed and, second, that benefits for the poor must be not simply large but also "effective" in meeting the needs of the poor.

Some economists and others have wanted to set the poverty line equal to a constant fraction (say, one-half) of the national median of family incomes. By that standard there has been virtually no reduction of poverty in recent decades. This standard is essentially the same as saying the goal should have been to increase the share of total money income received by the lowest fifth of households--which is about 5 percent--and thereby to narrow the overall inequality of income. By this measure, inequality has failed to decline in the United States since the end of World War II and is higher than in several Western European nations.

To change the lowest fifth's share of income from 5 to, say, 10 percent of total income is a demanding goal and would require strong measures. Senator George S. McGovern's $1000 per person refundable tax credit, which called for a thorough-going change of the income tax base with all income subject to a 30 percent tax rate, would only change that share about two percentage points. Those points would, of course, have to be offset by reducing the posttax income share of the top 80 percent of families from 95 to 93 percent. Increasing governmental outlays for the poor and assuring them new rights to jobs and political participation, mean that some of the nonpoor have to give something up, and many discussions of the poverty program are flawed by not being explicit about this. In practice, some violations of vertical and horizontal equity do occur. Some of the pretransfer poor have more combined money income and in-kind benefits than do some of the nonpoor. This kind of leap-frogging of poor over nonpoor in income ranking--and some unhappiness with poverty programs because of it--might not have happened if the total income distribution had been more clearly in view.

However, comprehending the distribution of money income and its dynamics is a bewildering challenge. It is remarkable and unpredictable that this distribution shows little change across the decades (see Table 2), in spite of staggering changes in the size and composition and geographic location of the population; the size and role of the family (with

Table 2

Shares of "Total Money Income" Received by Fifths of Families, Ranked by Income

| Families | 1950 | 1970 |
|---|---|---|
| Lowest fifth | 4.5 | 5.5 |
| Second fifth | 12.0 | 12.0 |
| Third fifth | 17.4 | 17.4 |
| Fourth fifth | 23.5 | 23.5 |
| Highest fifth | 42.6 | 41.6 |

the decline of the three-generation extended family); the pattern of participation in the labor force (with men starting later and retiring earlier and more women working away from home); the decline of farming and self-employment and the rise of service industries, government employment, and professional and technical occupations; a rise in the median income of black, relative to white, families; the increase of taxes and government spending; the growth of fringe benefits; and the conversion of ordinary income into capital gain. The explanation must be that some of these changes offset others to sustain a constancy in the shares of the several fifths, but we have no good explanation as to why the offsetting changes should balance out so neatly.

One matter that is confusing to many people is that although there has been no shift in the distribution over time, there is a considerable amount of redistribution in any one year. That is, there is a spread between the lowest fifth's share of earnings and poverty and their share of total income after taxes and transfers. Ben Okner at the Brookings Institution calculates that federal income and payroll taxes and cash transfers alone raise the share of the lowest fifth from 1.7 percent of "original" income to 6.3 percent of "income after redistribution." In spite of--and to a certain extent because of--this rather extensive redistribution in one year, inequality has not lessened over time. We say because of this since there can be no doubt that social security and public assistance benefits have enabled old people and women heading families to withdraw from the labor force and to live and be counted separately as low-income households.

It is not clear that the percentage shares of "total money income" going to fifths of "families" measure faithfully whatever changes in economic inequality may have taken place. Consider all the things left out of account--home production, imputed rent from owner-occupied housing and consumer durables, nonmoney benefits from employers and governments, realized and unrealized capital gains and losses, leisure, direct taxes paid, work expenses such as child-care costs, and disamenities experienced as a worker and as a consumer. Numerous adjustments to the crude income data would have to be made to get a true ranking of "richer to poorer" persons. These might include adjustment for family size, number of workers, part-year workers, variability of income, and net worth. Tax and welfare policies are often keyed to highly refined and adjusted definitions of "income" and "family," which take account of legislative determination of "reasonable classification" in ways that the crude income rankings do not.

The 12 percent of the population now counted as being in income poverty are quite different in composition from the persons in the lowest fifth of families. The latter group now includes all those with incomes under $5500. For one example of the difference, aged couples with $3000 or more of income are not below the poverty line but many of them are, of course, in the lowest fifth. A large family with $6000 is not in the lowest fifth, but is below the poverty line. It is a matter for judgment as to whether the poverty ranking, which makes adjustments for family size and holds to a constant market-basket of goods in setting the income cut-off, yields a more acceptable target group for governmental policy than does the lowest fifth. In any event, it would not be easy to get a concensus among experts on how best to measure overall income inequality and what targets should be set for change in it. The income poverty measure and goal doubtless have more public support than would any particular measure and goal which start from the thought that government should "manage" the whole income distribution.

Perhaps some of the difficulty arises from lack of awareness of the facts of income distribution. Few people seem to realize or accept their actual ranking in the income distribution. How many people with combined family incomes of $30,000 realize they are not "middle class," but are actually in the top 5 percent of the distribution? Although economists are wont to look to an index of inequality of income shares in comparing the fairness of result of one political economy with that of another, this particular measure has never had status among political leaders. None has rallied political troops with a plan to change the shares of the several fifths in a stated way. Concern with income inequality has been more indirect and for such purposes as "fairness" in taxation, relief for those "unable" to work, replacement of income lost without fault, sharing the cost of extraordinary expense, and helping people get a minimum provision of "essentials" in order to assure "equality of opportunity." It is interesting to note that advocates of such schemes as progressive income taxes and social security often deny that they are concerned with income redistribution. These have been more acceptable political approaches to equity questions than have wide sweeps to "correct" the distribution of income as such. The elimination-of-poverty goal is a modest addition to the array of apparently politically useful rationales for redistribution.

Economic inequality among persons is immensely complicated. This explains why it is possible for people to reach contradictory conclusions about what is happening on the inequality front in America. In the last ten years, there was no significant change in the distribution of "total money income" as it is conventionally measured, but there was a great drop in the percentage of people living in "income poverty." There was no increase in the progressivity of the overall tax system, but there was a considerable increase in public money going to the poor. Further, there was some narrowing of inequality in the consumption of food, medical care, and, perhaps, of housing, educational services, and public recreational facilities.

Thus, many critics have contributed to the feeling that the poverty theme and programs in pursuit of it have been unworthy because they did not address a more fundamental change in the distribution of income. Another group has fed the belief that poverty programs have failed because they did not meet new standards of "program effectiveness" that were introduced after 1964. The poverty theme and program-planning methodology both came into the social programs part of the federal budget at the same time--and both with the enthusiastic support of the same high-level appointees of President Johnson. It is ironic that the evaluations and cost-effectiveness studies and experiments started under the previous administration have been used with some effect by President Nixon to support his decision to cut back on certain parts of the poverty program.

It can be argued that a poverty program is "effective" if it simply channels more money or standardized goods or services to the poor, and thereby brings the level of income and consumption of the poor up to some stated minimums. To the extent that that was the goal of the President and the Congress that enacted the related set of measures, the budget shows considerable success in reaching the goal. However, as individual programs came up for budget review they were judged against quite different goals.

Any program will, of course, get a low score on a cost-effectiveness basis if the goals are set high enough and the constraints (or side effects to be avoided) are numerous enough. So the key to understanding what a low score means is to look at the goals and where they come from. Charles L. Schultze, Edward R. Fried, Alice M. Rivlin, and Nancy H. Teeters comment on this topic in their Brookings publication, Setting National Priorities: The 1973 Budget:

> It is no longer enough for politicians and federal officials to show that they have spent the taxpayers money for approved purposes; they are now being asked to give evidence that the programs are producing results.... In the 1960's..., people began asking more of the federal government. First, a variety of new programs were enacted, many of them designed to provide direct services to people, especially poor people. Poverty was to be reduced not just by giving people cash income but by providing medical care, pre-school programs, job training, legal services, compensatory education, and opportunities for community action.... Along with the new activities came the gradual development of new and far more ambitious standards for judging federal programs. For the first time, federal officials--indeed all government officials --were being asked to produce 'performance measures' as evidence that their efforts were achieving results. Administrators of education programs were asked, not just to show that money was spent for teachers' salaries or books or equipment, but for evidence that children were learning more.... Even transfer programs were judged in a new light. It was not enough to distribute food stamps to a specified number of people. Attention was focused on measurement of nutrition or malnutrition. It was not enough that Medicare and Medicaid paid medical bills for the poor and the aged. Attention was focused on the quality of care and the effect of the federal programs on the price of care for the rest of the population. (pp. 449 and 451).

This is an intriguing statement by key members of the Johnson Administration. Schultze was Director of the Bureau of the Budget and Rivlin was Assistant Secretary of Health, Education, and Welfare. In those roles they were foremost among those asking for "performance measures" as evidence that the programs were "achieving results." Those results were not simply that the poor were getting the same quality of educational and health services as the nonpoor, but that these services must meet some new tests of effectiveness that had never been applied to the same services when supplied to the nonpoor. In this exercise, the poor served as pawns in contests to reform all governmental policies wherein the best is the enemy of the good. The budget against poverty appeared to be entangled with discoveries that the links between educational spending and learning, and between outlays for medical care and health, are not too clear.

Special circumstances in the development of the War on Poverty may explain some of this escalation of standards. At the outset the policy was one of "let many flowers bloom," since there was no firm methodology as to what poverty--other than income poverty--was, and no consensus on preferred methods for dealing with it. The Office of Economic Opportunity was charged with responsibility for (1) evaluating the role of existing antipoverty programs and devising alternatives; (2) encouraging innovation, demonstration of and experiment with previously untried schemes; and (3) advising the President how best to allocate given levels of antipoverty funds. This meant that more programs were initiated on a tentative, pilot, and small scale basis than could be funded nationwide. Hence, some programs had to be shot down.

The statement of rigorous goals and new methods for evaluating performance specified by the Program Planning Budgeting System were built into the new governmental programs more readily than into the old ones. R. Sargent Shriver manned many of the key positions in the Office of Economic Opportunity with experts from the Department of Defense and its satellite Rand Corporation, where program-planning-budgeting had flowered. Further, as time went on, the evaluators developed their own preferences for inclusion in the antipoverty budget and were comparing a range of rival programs against a perhaps untried ideal. Thus, some reached the conclusion that the Aid to Families with Dependent Children program was a "failure" because a negative income tax was a better alternative. Aids to existing schools were found to be unsatisfactory because a radical transformation of education via a voucher system was envisioned as more desirable. This kind of competition, which was built into the the operation, no doubt encouraged the public to view antipoverty programs as uniquely questionable. Perhaps the verdict would have been more favorable if a new set of nontentative programs could have been set up at one blow and put into operation--as was the case with the Social Security Act of 1935--before program-planning-budgeting was brought in, so that critical evaluations could have been produced more even-handedly across the full range of government operation.

It is important to make the distinction between "effective" and "efficiently managed" programs. An effective program is one which achieves a stated purpose, sometimes in spite of a degree of mismanagement. Some efficiently managed programs fail to achieve a stated purpose because they are not well-designed to do so or because no alternative design would achieve the purpose. Nothing we have said above is meant to condone corrupt, sloppy, slow, or misguided execution of government programs. The introduction of a considerable number of separate programs with novel purposes, some of which involved several federal departments, state and local governments, and private contractors, stretched the skills and powers of managers. Some observers see the problem as more fundamental than lack of management skills. They conclude that the federal government cannot satisfactorily reach poor families via such cumbersome intermediaries.

If poverty is a national problem, does its amelioration require direct federal administration? Alternatively, if a particular antipoverty purpose cannot be efficiently managed via federal guidelines to state and local governments, should that purpose be abandoned to the vagaries of general and special revenue sharing? These are not easy questions. The Nixon Administration has proposed to virtually federalize public assistance and at the same time to de-federalize manpower training.

Perhaps we should regard these issues as signs not of failure of the poverty program, but as indications of the problems of success. The goal of reducing poverty has been established, substantial resources have been committed and more are likely to be; the problem now is how to rationalize and manage the use of these resources, dealing with overlaps of programs and integrating programs for the poor with those for the nonpoor.

III

In addition to the program by program analysis of effectiveness and management efficiency referred to above, the evolution of the federal government's role against poverty has forced two other critical issues forward. Both are potentially explosive as equity issues and as "budget busters." One issue arises out of Congressional willingness to emphasize new in-kind benefits for the poor, to establish high standards for them, and then to <u>under-fund</u> them so that few of those potentially eligible in fact can get such benefits. Consider what would happen if Congress managed tax laws in a similar manner! For example, child-care standards are set at over \$2000 per year per child, which is more than most nonpoor working mothers are willing to pay for such care; part-subsidy for such care may extend to families well above the poverty line, but the benefits are in fact distributed almost randomly. Currently, about $1.5 billion is allocated day care, but many who are eligible cannot find places and some who are poor consume more of the service than do most of those who are not poor. To straighten these equity issues out will either cost a great deal of extra money--perhaps as much as $15 billion a year--or a sharp reduction in the cost of each child-care place. Similar problems are to be found in housing: public low rent housing may cost the government more than housing used by most near-poor families, and it is available for only a small fraction of all the poor. Rent assistance and rent supplements tied to specifically approved new construction are not much more equitable. About $2 billion now goes to these three programs. Again, to design a replacement that would produce an equitable result poses the choice between expanding the number of beneficiaries and cutting back on the level of maximum benefit per family. Problems akin to this are found in public job creation, medical care, food stamps, and college scholarships.

The second issue arising out of achievement of antipoverty goals as stated ten years ago is this: How many income-conditioned cash and in-kind benefits can we offer simultaneously? If medicaid and child day care and housing and food stamps and college scholarships and cash public assistance are each made more equitable, that is, fully-funded at a uniform national level, and if all eligible persons below some moderate cut-off income level (say, twice the poverty line) take advantage of all of them, then the current federal, state, and local outlays for income-conditioned benefits, which now total $25 billion, will rise several-fold. In such a situation, a family headed by a nonworker might have combined benefits of medicaid with an insurance value of $1000, a housing allowance worth $1000, a food stamp bonus worth $1300, a college scholarship for one youngster worth $1400, and a cash income of $2400 (to select the figure offered by Nixon's Family Assistance Plan). This means a combined guarantee of $7100. But each of the benefits has a take-back rate or a rate at which the benefit falls to zero as earnings or other income rise. This is sometimes called an implicit tax rate. In Aid to Families with Dependent Children it amounts to 67 percent; in the Basic Educational Opportunity Grant it is 20 percent; in the food stamp program it is 30 percent. These tax rates have a way of combining and building a "dependency trap." Hence, even if each of the revised and more equitable benefit programs were to have what is now thought of as a reasonable tax rate, a family might well lose 50 cents in cash benefits, 30 cents in food stamps, 25 cents in housing allowance, 25 cents in health insurance, and 20 cents in college scholarship for every extra dollar earned. In this hypothetical example, the combined tax rate is 150 percent. This confiscatory rate of take-back of benefits means that a family would have to earn an amount substantially greater than $7100 before it is really any better off than it would be without work, even if child-care subsidies come into play. The fact that a number of benefits in our example are payable to people at twice the poverty line ($8300 for a family of four) makes millions of nonpoor families subject to high cumulative tax rates. If tax rates are lowered on each program, then additional families, who are subject to both payroll tax and income tax, are added to the benefit rolls.

There appear to be only a few ways out of this dilemma. One is to eliminate all but one or two of the enumerated programs and keep the combined guarantee and tax rates low. The other is to convert some of the income-conditioned benefits into non-income-conditioned ones. Thus, to combine these ways, we could trade-off food stamps and housing allowances for a higher cash guarantee, and convert medicaid into universal health insurance. But there seem to be powerful forces at work to expand rather than to contract income conditioning of benefits, and the separate federal departments and separate Congressional committees tend to respond in an uncoordinated manner to these forces. A subcommittee of the Joint Economic Committee, chaired by Representative Martha Griffiths, is currently studying this problem and may come up with recommendations on how to improve legislative consideration of income conditioning of benefits.

IV

Thus far we have argued that the War on Poverty is best interpreted as a logical extension of liberal welfare statism. It was based on a confidence that the poor--especially the well-educated young Blacks among the poor--would benefit from a stronger economy. It was also grounded in the belief that the rapidly growing set of health, education, and income maintenance institutions could be extended and adapted to improve the well-being of the poor. Hence, income poverty and poverty in terms of key goods and services could be reduced.

However, a third type of poverty was recognized, namely, lack of participation, the remedies for which were not so clear. Indeed, it was not spelled out what participation poverty is, any more than it was detailed what education poverty or health care poverty might be. Some seemed to assume that it was confined to those in income poverty and would be overcome as a by-product of the elimination of the latter. Some argued quite the other way around, that only with participation of the poor in the planning and execution of antipoverty programs would the other aspects of poverty be overcome. Like general revenue sharing, participation has a mystique as both a preferred means and a desired end.

It was, of course, known that the poor voted less frequently than the nonpoor. Voting rights legislation would help on that. Few were members of unions, cooperatives, or voluntary associations of any kind. Many of them felt they had little influence over what went on in their own neighborhood, to say nothing about policy determination at the national level. Numerous remedies for participation poverty and the feelings of powerlessness were offered. Voluntary organizations, including churches, the Boy Scouts, and community charities, should be encouraged to include the poor not only as "clients" but as full participants. Poor people should be helped to organize as workers, consumers, and clients. Hence, new types of unions, tenant associations, and "welfare rights" organizations were to be formed to help people "gain control of their own destinies." But the most unique invention to reduce the powerlessness of the poor was the "community action agency," which was to have a hand in administering some federally funded social welfare efforts at the neighborhood level. These agencies were constrained to facilitate "maximum feasible participation" by members of target neighborhoods, not all of whom were necessarily in income poverty. They were, in effect, a fourth level of government, distinct from state and local units. They were encouraged by the Office of Economic Opportunity to design their own antipoverty strategies, to adapt standard programs to their own local situations, and to employ and otherwise involve as many local individuals as possible.

The community action or participation strand of the War on Poverty may be evaluated on several levels. One has to do with the effectiveness or efficiency of specific social services delivered in the participatory framework. These differed widely from place to place and year to year. They included such diverse activities as family planning, preschool education, legal services, recreation, vocational training, and ombudsman services. In some instances, the purposes were inspired by OEO officials who saw community action as a way to go around established federal, state, and local administrations and to try out "non-bureaucratic" approaches to the delivery of services. In detached scientific vein, one must acknowledge that even a discovery of what fails to work against poverty is valuable. The flexibility of this variant of the revenue sharing technique makes it attractive, but the variability of projects defies a summary evaluation. Some critics allege that community action was counterproductive in some instances because it promised more than it could deliver, thus setting up expectations which were later frustrated. Others, most notably Edward C. Banfield in his provocative book, The Unheavenly City, fault community action along with other antipoverty techniques for failing to change the lifestyle of the chronic poor or to stop the antisocial behavior of urban youth who riot, as Banfield puts it, "for fun and profit."

Another question for evaluating community action is, did it improve participation levels for the poor and lessen feelings of powerlessness? There are examples to support any conclusion, but no good scales for how these important variables may have changed over time. Local community action agencies did provide valuable work and leadership experience for many from impoverished backgrounds. Such techniques as demonstrations, rent strikes, and class-action lawsuits were used to protect the rights of some groups. On the other hand, some found that the troubles and risks of taking part in the "politics of the poor" outweighed the gains, and became even more cynical than they were before about participation.

On a still different level, one can ask whether the community action approach attracted support from the general public for the major programs against poverty. It did dramatize in human terms what poverty was like in affluent America. It appealed to conservatives on the grounds that welfare services should be tailored to the specific situation and confined to the poor, rather than centralized and universalized. President Nixon found kind things to say about community action in 1969 only to withdraw his support in 1973. It offered ways for nonpoor volunteers to follow their charitable impulses and to learn about poverty at the grass roots level. At the same time, some community action leaders or their rivals may have undermined public support for antipoverty programs by their radical critiques of the "real" causes of poverty and the "crisis of a sick society" which it represented. Perhaps it was inevitable in such troubled times that antipoverty action groups would serve as a forum for a heady brew of social criticism. The fact that community action seemed at times to be working at cross purposes with the prevailing institutions and attitudes against poverty undoubtedly contributed to confusion and doubt in the minds of many voters.

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The efforts of the last ten years to achieve a society in which no one has to live below a poverty level, in which access to a minimum of certain key goods and services is assured, and in which government invites the political participation of all, have been at best partly successful. However, we have noted that even the successes have been called failures by reference to newer and higher goals which have tended to emerge almost before the ink is dry on the old ones. Eliminating income poverty is not enough; income inequality must be modified. Improving expenditures for goods and services going to the poor is not enough; they must be effective, efficiently managed, and equitable. Allowing the poor to participate in decision-making of how to allocate a small part of the nation's antipoverty budget is not enough, they must be assured full participation in all matters that affect them, and rivals for leadership of the poor must be given a chance to be heard.

We have asserted that some of this escalation of goals is evidence not of failure but of the problems of success. But some part of this tendency may be put down to failure to make the goals more specific and limiting at the outset. A target date for the elimination of income poverty could have been set. Definitions and measures of poverty with regard to key goods and services and participation could have been offered. Failure to count in-kind benefits in the measure of income poverty and lack of coordination of the target populations for the several programs may have contributed to a feeling of less accomplishment than would otherwise have been the case. In our pluralistic system, goals seldom hold as originally enunciated. The President may announce them only to see Congress modify them one way, state and local governments, administrators, courts, outside experts, and participating groups in yet other ways. Goals are likely to run on ahead not only of achievement, but of knowledge of how to achieve them. There is a tendency for planners at the Presidential level to set wide goals and to embrace a variety of sometimes contradictory methods in order to rally a wide spectrum of support. This tendency may explain why antipoverty efforts have not been confined to a limited set of carefully targeted measures, and why they have not been at the expense of--but rather are in addition to--other social welfare expenditures.

There is still much unfinished business on the antipoverty agenda--particularly with regard to families with children. Hence, it is still relevant to address new policy with the rude and restrictive challenge, "what does it do for the poor?". What started out under the antipoverty flag as an emphasis on social welfare expenditures for the poor is now enmeshed in efficiency and equity issues involving much of the population. That flag is not wide enough to symbolize, for example, the new range of issues associated with Congressional willingness to set high benefit levels in a series of separate in-kind programs such as those having to do with food, housing, health care, job creation, and college scholarships. It seems likely that these programs will pay out the greater part of their benefits to nonpoor people, but will not exclude the remaining poor. Knowledge gained in the War on Poverty should be applied to establishing new priorities and constraints for the next stage in the development of the American welfare state.