The rise and fall of poverty as a policy issue

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Poverty as a concern has been with us for a long time. The fact that the issue has endured so long is a testament to just how compelling and contentious it is. And why is it so compelling, to us policy wonks at least? Well, poverty is what we call a "wicked social problem" where we are confused about: (1) the nature of the problem; (2) the theories and evidence brought to bear on the issue; (3) the ends or goals we are trying to achieve; and (4) the means for achieving those ends.

I am reminded of a story I told at my retirement party. I noted what a marvelous career I had fallen into, a career where I got to fly around the country to work with the best and brightest on some of society's most vexatious problems; poverty and welfare reform. It was like working in a professional candy store with all sorts of policy delights laid out before me.

It was fun but also hard. Think about this: Kennedy promised to put a man on the moon within a decade, and we did it; Johnson launched a war on poverty, not such a good result.

We often date our national focus on poverty as a salient public policy issue to the 1960s, but there is, of course, a much longer history. The "poverty as a public issue" story is not unimodal, rising once to national prominence and then fading. It is cyclical, rather, rising and falling several times.

With rapid urbanization, industrialization, and a resurgence of immigration (particularly from southern and eastern European countries) after our Civil War, poverty emerged as an object of significant public attention. In response, there arose Charity Organization Societies (to bring some coherence to a confusing array of local efforts), the Scientific Charity Movement (to bring some rigor to the investigation of distressed families), and a number of Settlement Houses (to help mostly poor, ethnic immigrants integrate into American society). With the exception of a Civil War Pensions program, virtually all aid to the poor was local, much of it private, and all of it disorganized.

Above all, a fundamental aspect of the subsequent national debate about poverty was already evident: the distinction between poverty and pauperisms, between institutional or environmental explanations of poverty and those explanations based on perceived personal failings. It was a distinction between what was thought of as the "worthy" and the "unworthy" poor that would stay with us.

The Wisconsin Idea

The national poverty debate has a long history so let me pick up the story with a local perspective, the Wisconsin Idea or scholarship in the service of the public good. The idea goes back to the early decades of the University. Among its promoters were Charles Van Hise, an early president of the school, and Robert La Follette, the great progressive politician and reformer. The two were classmates and became good friends. Another early UW president, Thomas Chamberlain, captured the underlying foundation of the Wisconsin Idea as follows:

> *Scholarship for the sake of scholars is refined selfishness. Scholarship for the sake of the state and the people is refined patriotism.*[1]

A wonderful sentiment to be sure, but I doubt that he would get tenure today.

During what was called the "Progressive Era" early in the 20th century, faculty members such as John Commons, Charles McCarthy, and Richard Ely worked with Wisconsin legislators on a number of ideas that eventually became national initiatives, including a Workers Compensation program, a Progressive Income Tax, and various labor market improvements. Perhaps more importantly, they helped elevate the professionalism of the state legislature by developing an independent staff capability, on occasion taking staff positions themselves. This wrested control of the bill-writing process from powerful special interests who had previously drafted legislation for their own narrow purposes.

One of Ely's students, Willford King, wrote a tract titled *Wealth and Income of the People of the United States.*[2] His work spurred interest in determining how much of the nation's income was concentrated in the top 1 percent of the population. He and others found that inequality was growing during this period, with the top 1 percent commanding 18 percent of all income in 1913 before rising to a 24 percent share by 1928, just before the onset of the Great Depression.

The 1930s saw an economy in ruins, with at least one-quarter of the labor force unemployed, and poverty rates estimated at 60 percent or higher using contemporary measures. Quite naturally, economic want resurfaced as a dominant public issue. When President Roosevelt wanted academic help he turned once again to the University of Wisconsin. He tapped Ed Witte, a student of John Commons, to head the Committee on Economic Security. Witte, in turn, brought several other Wisconsin experts to D.C., including Arthur Altmeyer and Wilbur Cohen. Members of this team drafted and helped implement the Social Security Act, which established a dramatically expanded federal role in dealing with economic insecurity in this country.

A War on Poverty

Fast forward a quarter of a century! Robert Lampman, a student of Ed Witte and another economics professor at Wisconsin, was serving on President Kennedy's Council of Economic Advisors. He, along with Burt Weisbrod, wrote a seminal chapter in the annual economic report to the president that is often credited with inspiring the subsequent declaration of a War on Poverty.

Of course, the story is more complicated than one chapter in a voluminous report. For example, some have pointed out that Kennedy had been quite moved by the abject poverty he had seen while campaigning in West Virginia. Others note that a book by Michael Harrington titled *The Other America* seems to have reminded the country that an impoverished segment of the population existed but was being ignored.[3] And an Edward R. Murrow documentary, *The Harvest of Shame*, also had an outsized impact.[4] While each of these contributed something to the "rediscovery" of poverty, I doubt that any of them was seminal.

Rather, I believe the following happened. In the quarter-century following World War II, the country experienced an extraordinary period of economic growth. In retrospect, this was not a shocking development. We had about 6 percent of the world's population but were producing over 50 percent of total economic output. Our natural competitors were in ruins, bankrupt, in disarray, or all three. Moreover, the safety net and labor market protections enacted during the New Deal were not dismantled when the Republicans took power in the 1950s (though I do wonder what might have happened if Robert Taft, not Eisenhower, had won the Republican presidential nomination in 1952).

Poverty was falling like a rock, to about 22 percent at the end of the 1950s, and it continued to fall through the 1960s, though at a slower pace. In addition, real income more than doubled during this period with every income quintile participating in this growth. That is, both income and wealth inequality were falling sharply in what later became known as the "great compression."

In effect, poverty was becoming a manageable issue, something that was feasible to attack. Robert Lampman argued that this expanding economy, in fact, would continue to remove people from economic want. But he threw in an important caveat: the rising tide would not lift all boats. Some groups would be left behind, because of geography, race, or physical or mental limitations. These "structural" pockets of poverty would need special help, assistance for which directed federal interventions would be necessary.

Poverty was now a war that might actually be won. Even as late as 1967, Nobel laureate James Tobin wrote that continued economic growth combined with targeted public interventions could yet eliminate poverty by 1976, the country's bicentennial. Sensing the possibilities and drawing upon his hardscrabble Texas roots as a teacher to poor Hispanic children, Lyndon Johnson declared a War on Poverty in 1964. Picking up the themes that had been floating around the Kennedy administration, he created the Office of Economic Opportunity (OEO) to coordinate this war.

To wage such a war, the generals needed two things: (1) a better understanding of the enemy, and (2) information, or intelligence, about that enemy. For the first, a mid-level bureaucrat in the Social Security Administration, Molly Orshansky, was given the assignment to come up with a poverty measure. She did a simple back-of-the-envelope calculation. She took an older study that estimated that food absorbed about one-third of a low-income family's budget. Then she took a more recent estimate of the lowest cost of a "basket" of food for such a family and multiplied that amount by three. And that became the official poverty measure, which, except for updates for inflation over time and a few other minor technical adjustments, remains the official measure today, despite shortcomings that became increasingly obvious over time. Years later, when she was long retired, I heard Molly Orshansky express shock and dismay that no one followed up her crude measure with a more sophisticated alternative.

For the second need, federal officials approached the University of Wisconsin, largely because of Robert Lampman's connection to the University, to create a kind of think tank that would do the sort of thoughtful research and analysis needed to successfully wage such a war. Though some at the University worried that getting overly involved in a controversial public policy issue would erode academic independence, the Institute for Research on Poverty was created in 1966 with Robert Lampman being appointed as the first interim director.

In brief, the "war" had two fronts. The first largely focused on rehabilitating people and communities, including strengthening local participation in the policy development process. These were purposes that were close to the original OEO vision. Head Start, Upward Bound, Model Cities, Community Action Programs, and too many other programs to mention were developed under this banner.

The second front is best associated with what came to be associated with the "Great Society" and involved either expanding or creating new benefits programs. We saw the creation of Medicaid, Medicare, and new housing and education programs among other initiatives. No matter the tactic involved, this "war" remained front and center in most domestic policy debates. Robert Lampman himself noted that many policymakers applied a litmus test to new proposals: "What does it do for the poor?"

Despite all this effort, there never was an underlying consensus regarding the War on Poverty. All the traditional tensions bubbled just under the surface:

> What was the nature of the problem(s) being addressed—personal failings or institutional shortcomings?
>
> What ends should be pursued—increased opportunities or guaranteed (income) outcomes?
>
> How should the disadvantaged be helped—human capital enhancements, increased job opportunities, community rehabilitation, the remediation of personal problems, or direct transfer of cash and cash-like resources?
>
> Who should be in charge—the federal government, the states, locals, nonprofits, or private markets?
>
> And perhaps most importantly, did government action help or hurt?

By the early 1970s, those fighting for community and personal rehabilitation strategies faltered, and the debate began to focus on direct resource transfers. For example, social workers, whose role in helping welfare families had been expanded early in the 1960s by President Kennedy, fled the field as fast as they could. I think they are still running. I served on the School of Social Work's Master's admissions committee for years and, when I ran across an applicant who wanted to work with the poor, would call for paramedics so that I might be revived.

Direct benefits to the disadvantaged, though, continued to increase in this period. President Nixon, despite his many flaws, proved a big spender on social programs. Among other things, he:

> Instituted a cost of living provision for Social Security recipients;
>
> Federalized welfare for the blind, disabled, and aged under the Supplemental Security Income program;
>
> Nationalized the Food Stamp program so that it almost became a funny-money income floor (a "negative income tax");
>
> Almost passed a real guaranteed income floor, or what most called a cash-based negative income tax;
>
> A bit later, one of the most important antipoverty measures ever developed was introduced, the Earned Income Tax Credit.

And yet, the underlying tensions never were far from the surface. Nixon dismantled or slashed many remnants of the original War on Poverty, oversaw the separation of human services from the transfer of cash to poor families with children, and vetoed the Comprehensive Child Development Act.

War-fueled deficit-spending (Vietnam), a robust social safety net, a booming economy, and declining income inequality worked their magic. In 1973, poverty would fall to its nadir, 11.1 percent, a figure we would not see again. Not surprisingly, income inequality had also fallen dramatically over time with the share of all income going to the top 1 percent of the population falling from about one-quarter in the late 1920s to less than 10 percent in the 1970s.

As the War on Poverty began to lose momentum, we found ourselves with a social safety net that yet reflected earlier world views of the poor, one based on a notion of the "worthy" and "unworthy" poor. For the worthy poor, those not expected to work, assistance was relatively more generous, included cash transfers, and was more likely to be a federal responsibility. For those deemed unworthy by some, those expected to work like single able-bodied adults, assistance was meager at best, mostly non-cash, and remained largely a local responsibility. For those in the middle, like single mothers with children, we were torn. Control was split between the federal and state levels while assistance was uneven across jurisdictions and increasingly conditional.

In addition, one could feel an ideological pushback gaining momentum. Many were frightened by civil discord (urban riots) and by what they saw as a breakdown of law and order. Moreover, there appeared to be a fracture in expected social conventions. For example, the nonmarital birthrate began an inexorable rise from 5 percent in 1960 to about 40 percent before finally leveling off. And welfare rolls continued to expand through the 1960s and 1970s, not decline as many had predicted, despite good economic times for the most part and a relatively robust safety net.

The pushback was aided in no large measure by a growth in the conservative voice. In earlier debates, the American Enterprise Institute (created during World War II) had been one of the few think tanks opposing an expansionary public assault on poverty. By the end of the 1970s, there were a plethora of such institutions with the Cato and Heritage Institutes leading the way.

In Washington, President Carter's Program for Better Jobs and Income was a last gasp for national comprehensive reform as residual concerns about poverty appeared to be going the way of the Titanic. Perhaps sensing the shift in where the debate would next settle, the states, the Wisconsin legislature mandated its own reform effort, an initiative chaired by Robert Haveman and staffed by me. We helped to develop a technocrat's dream with broad reforms of the state tax system, workforce development system, and child support system among many others. Some of it was actually implemented, including a state Earned Income Tax initiative and several major child support reforms. But most of the proposed changes were ignored and the Wisconsin Idea, unfortunately, was soon to run into trouble.

The tide turns

Remember the Reagan revolution? "Government is not the solution to our problems, it is the problem," and "We had a

War on Poverty and poverty won." In any case, we had a visible shift in the dominant political perspective and governing ideological norms, which transitioned from aggressive public interventions to remedy social problems to the following:

- Supply-side economics, market-based strategies, deregulation, privatization, and smaller government;
- A shift in political focus from ending poverty to minimizing welfare dependency; and
- The "devolution revolution"—the promotion of block grants and the turning of problems back to the states.
- In the end, though, we had more tax cuts than social spending cuts.

The intellectual tide was also changing. Charles Murray wrote a very popular book titled *Losing Ground* in which he argued that public interventions for the poor exacerbated the problems being addressed rather than alleviating them. In short, poverty was no longer a salient policy concern; welfare and welfare dependency dominated the discussion. Even more than welfare writ large, it was the Aid to Families with Dependent Children (AFDC) program that stoked public indignation the most, even though it was relatively small in terms of both caseloads and expenditures. AFDC, it seems, proved a convenient proxy for a broad array of contentious public battles involving normative disputes concerning family, sex, work, personal responsibility, government overreach, compassion or the lack thereof, and so much more. It was, as many had said, "The Mideast of Domestic Policy."

In the meantime, income inequality began to worsen. From a low of 9 percent of total income during the 1970s, the top 1 percent saw their share grow to 12 percent by 1984 and to 20 percent in 1994.

Much of the world began to watch Wisconsin as Governor Tommy Thompson, later Secretary of Health and Human Services under George W. Bush, launched a host of welfare reform initiatives. The first to grab public attention was Learnfare, an intervention that linked children's school attendance to their parents' welfare benefits. It was to be the first of many that introduced what might be termed a "social contract" notion of public assistance where help was conditional on personal behavior. While this was, in reality, an old concept, the governor was quite successful in getting his agenda implemented where so many others failed. Buoyed by the notoriety his reform agenda generated, it was not long before the governor was proposing what was called Wisconsin Works (W-2), an initiative that was considered a radical welfare-replacement scheme.

Thompson's rhetoric was tough, but a closer look suggests that the reality of his reform agenda was more tempered. He expanded child care and health care and workforce development programs that greatly helped the working poor. He was quite willing to help those he felt were playing by society's rules. Through all these changes, the University played no role. The Wisconsin Idea had hit what we might call a rough patch.

The Clinton years: "Ending welfare as we know it"

By the 1990s, even many of a more liberal persuasion saw a new role for government, one where programs ought to be designed in ways more consistent with prevailing norms. This was clear when I went to Washington to work on President Clinton's welfare bill in 1993. The tensions across the partisan divide were enormous, as might be expected. But the tensions within the administration were equally daunting. While some attention was directed on poverty, for example by liberalizing the Earned Income Tax Credit, the main focus was on welfare dependency. Whether an initiative would end welfare as we know it became the new litmus test for determining the worth of any new idea.

A debate raged within the Clinton administration: what did 'ending welfare' mean? One thing is certain. I seldom heard the old litmus test as reform ideas were being vetted: "What does it do for the poor?" In any case, the internal debates delayed the bill's completion long enough to forego serious Congressional consideration until after the midterm elections. By then it was too late; the Republicans had taken control of the House.

Clinton eventually signed a Republican-sponsored bill in 1996. As the story goes, all his advisors counseled him to veto the Act except Al Gore, his vice president. When he did sign it, several of his top advisors resigned including Peter Edelman and Mary Jo Bane. The Act he signed created the Temporary Assistance for Needy Families (TANF) program, which ended the entitlement to cash assistance, imposed time limits, and strengthened the work requirements. Nationally, the rolls fell from 14 million recipients to about 4 million.

W-2 in Wisconsin suggested what might happen if the you transformed the very foundations of a cash welfare program. A conversation I had with a county welfare director in western Wisconsin will give you an idea of how profound the impacts were. Before W-2, she told me they had 1,400 AFDC cases. In the run-up to the reform, the caseload fell to about 800. When they signed a contract with the state to run W-2 (as a block grant), the state and county agreed that about 500 cases was a good assumption for the post W-2 caseload. After the dust had settled, they had about 60 cases remaining.

The Welfare Peer Assistance Network (WELPAN) concept, which I put together in the mid-1990s, periodically brought top state welfare officials together for intense two and three day discussions on the future of reform. For me, it was another "counter" in my professional candy store. The Midwest group (there were two others for a time) endured for over a decade and, in my opinion, captured best the thinking of those who were making reform a reality on the ground. Given new flexibility, and enjoying freed-up resources for a time, these officials yearned to go back to dealing with the root causes of poverty. They discussed ways of re-integrating income support with human services to heal whole families. And they played with ideas for integrating a broad array of human services to deal with the complex challenges many of these families faced. It was an exciting conversation for a time.

Once the welfare debate ended on the national level, so did any residual concern for the poor. In contrast, in 1999, British Prime Minister Tony Blair announced a kind of War on Poverty, pledging to eliminate child poverty in 20 years. It is hard to imagine any U.S. politician, even President Obama, making a similar announcement these days. Everyone seems to avoid discussing the poor.

A forgotten agenda: Our collective amnesia

Where has our amnesia about the disadvantaged gotten us? Well, we have:

- Overall poverty levels (almost 50 million) higher than they were several decades ago and child poverty rates (roughly 1 in 5) that would spark outrage in our peer countries (maybe six times the rate in some Scandinavian countries);
- Income and wealth inequality not seen since just before the Great Depression with the share of all income enjoyed by the top 1 percent back up to 24 percent in 2007, or right before the most recent economic collapse. While inequality in most advanced countries is up, the United States still ranks fourth out of 33 countries in terms of the concentration of income at the top;
- Social mobility rates in the United States that have declined to the point where we have fallen behind our so-called "socialistic" peers in that regard. By some measures of social mobility, the probability of moving up the income distribution, we rank dead last compared to our European peers;
- Health care outcomes that are middling at best. We stand next to Romania in some rankings despite spending far more than anyone else on health care. And we have the 47th highest infant mortality rate in the world;
- Educational outcomes that indicate our kids are falling further behind our primary economic competitors, particularly in math and science; and
- Just about the highest teen birth rate in the world.

What I find particularly troubling is that our easy strategies for dealing with declining economic opportunities (stagnating incomes for most families along with growing inequality) appear exhausted. We have already delayed marriage, had fewer children, thrown our spouses and partners into the labor market, saved less and borrowed more (using housing equity as personal ATMs), and added more advanced educational credentials after our names. And our children often delay establishing their own households (good luck in kicking them out of the nest). And still, economic outcomes grow more unequal.

And yet, so little outrage. When new policies are posed, not enough ask, "What does it do for the poor or for those falling further behind in an increasingly bitter Darwinian struggle for success?" So, let us ask again: have we lost the War on Poverty? On a superficial level, yes! But let us think of the question in a different way. Think of the trends over the past several decades that would be expected to exacerbate poverty and increase the economic struggles for so many:

Demographic changes—particularly the rise in single-parent households raising children.

Globalization—where firms seek to lower labor costs by outsourcing higher-paying jobs overseas.

Technology-driven changes, automation, and computerization—where tasks formerly done by humans are now done by digital technology and robotics (can robot-driven trucks be far off?).

Immigration—opening up in the mid-1960s, we saw the proportion of the population being foreign born jump from 5 percent to 13 percent, many (though surely not all) of whom are low-skilled individuals.

Deunionization—unionized workers in the private sector fell from about one-third of the workforce in the 1950s to about 7 percent in recent years.

A fractal economy—even within specific sectors of the economy, compensation has grown wildly unequal even in the face of modest differences in talent and contribution. A typical CEO's remuneration went from 27 times the average worker's pay in 1973 to 262 times the average in 2008.

Macro-policy changes—aggregate Federal taxes and benefits reduced inequality by 23 percent in 1979 but by only 17 percent in 2007.

When you consider these adverse trends, and others that might be cited, maybe we did better than many of us had thought in at least moderating the adverse effects of an increasingly hostile world for the less-well off. Still, so much remains to be done.

I remember asking a colleague many years ago why he thought the United States had such an impoverished safety net for the disadvantaged. He gave a one-word answer: heterogeneity. Over the years I came to appreciate his terse response. We are too tribal and have no common identity. It is too easy to say, and to believe, that the less successful are "them" and not "us." They did it to themselves; we are not all in this together. It is instructive to note that Americans are much more likely (by some 30 percentage points) than our European counterparts to respond positively to questions that assign success to personal efforts as opposed to luck or social environments or family fortunes.

Parting idea

Let me finish by returning one more time to the Wisconsin Idea. Key to the idea is that one generation helps the next, passes the torch so to speak. Each of you has a responsibility to pass on to the next generation an understanding of and a passion for an issue, poverty, and for a population, the poor, that too often go unnoticed these days. If you do not, who will?■

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[1]Thomas Chamberlin, *The Coming of Age of the State Universities* (no publisher listed, 1890), 9.

[2]Willford King, *The Wealth and Income of the People of the United States*. (New York: The Macmillan Company, 1917).

[3]Michael Harrington, *The Other America: Poverty in the United States*. (New York: Simon and Schuster, 1997).

[4]Edward R. Murrow, "Harvest of Shame," *CBS Reports*, first broadcast November 25, 1960.