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RURAL POVERTY, HUMAN
RESOURCES, AND
WELFARE POLICY

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ABSTRACT

This paper reviews the nature, dimensions, and causes of rural poverty. We also discuss potentially effective remedies for these problems--more effective manpower training and rural labor mobility programs and welfare reform. The paper suggests that poverty remains quite prevalent in rural areas, especially in the rural South, because of the relatively low welfare benefits and the lack of success in rural manpower training in these areas. While the rate of poverty has declined significantly in rural America over the past twenty years, it still exceeds the poverty rate in urban America--by more than 40 percent once in-kind transfers are counted as income. To the extent to which rural poverty has declined, and continues to decline due to the outmigration of younger, more productive people, the remaining rural poverty which is observed will prove increasingly difficult to remedy.

1. INTRODUCTION

Just over a decade ago, the President's National Advisory Commission on Rural Poverty (1967) published its report, The People Left Behind. At that time fully one-half of all poor Americans lived in nonmetropolitan areas, while only one-third of the total population (poor and nonpoor) lived in such places. By 1977--the latest year for which data is available--the percentage of the poor in nonmetropolitan areas had decreased to 40 percent while the proportion of all Americans living in rural areas remained at about one-third. Between 1959 and 1977 the nonmetropolitan poverty rate dropped 58 percent (from 33.2 percent to 13.9 percent) as compared to only a 32 percent decline in metropolitan poverty rates (see Table 1).

Such signs of progress against rural poverty must be tempered by other less encouraging observations, however. The poverty rate in nonmetropolitan America (13.9 percent) is still one-third higher than the poverty rate in metropolitan areas (10.4 percent), while the poverty income gap (the difference between income and the poverty threshold) is greater for the nonmetropolitan poor than for the metropolitan poor. Moreover, the large decline in poverty in nonmetropolitan areas (and in contrast the less rapid decline in central-city poverty) over this period was in large part due to the migration of poor families to larger cities in search of better jobs--not a widespread economic growth in the poverty pockets of rural America. The dispersion of the rural population suggests that nonmetropolitan poverty is much more diverse and heterogenous than metropolitan poverty, which is primarily found in the ghettos of large central cities. However, nonmetropolitan poverty also has its areas of concentration. A full 60 percent of

Table 1

Number and Percentage of Persons Below the Poverty Level by Place of Residence, 1959-1977

| Year | All Persons | Metropolitan | Non- metropolitan | In Central Cities | Living on Farms |
|------------------------------------|--------------------------|--------------|----------------------|--------------------------|------------------------|
| 1959 | 38.87(22.0) ^a | 17.02(15.3) | 21.75(33.2) | 10.44(18.3) ^b | 7.4(45.0) ^b |
| 1967 | 27.77(14.2) | 13.83(10.9) | 13.94(20.2) | 8.65(15.0) | 2.71(25.9) |
| 1969 | 24.15(12.0) | 13.08(9.5) | 11.06(17.9) | 7.99(12.7) | 2.00(20.7) |
| 1971 | 25.56(12.2) | 14.45(10.4) | 11.00(17.2) | 8.91(14.2) | 2.07(20.9) |
| 1973 | 22.97(11.1) | 13.76(9.7) | 9.21(14.0) | 8.51(14.0) | 1.28(13.4) |
| 1974 | 23.37(11.2) | 13.85(9.7) | 9.52(14.2) | 8.37(13.7) | 1.46(16.2) |
| 1975 | 25.88(12.3) | 15.34(10.8) | 10.53(15.4) | 9.09(15.0) | 1.32(16.4) |
| 1976 | 24.98(11.8) | 15.23(10.7) | 9.75(14.0) | 9.48(15.8) | 1.26(15.9) |
| 1977 | 24.72(11.6) | 14.86(10.4) | 9.86(13.9) | 9.20(15.4) | 1.34(17.1) |
| Percentage Change: 1959-1977 | -47.3 | -32.0 | -58.1 | -15.8 | -62.0 |

Source: U.S. Bureau of the Census, Current Population Reports, P-60, #98; #115; and #119; all, Table 3.

^a Numbers are in millions, percentages in parentheses.^b Author's estimate based on unpublished census data.

all nonmetropolitan poor still reside in the South, mainly in the Mississippi Delta, along the Southeastern Coastal Plain, in Appalachia, and on the Ozark Plateau. Relatively new pockets of poverty, mainly consisting of Chicanos, are appearing in southern Texas and New Mexico (Tienda, 1979). Moreover, since 1973 there has been no overall progress against poverty in America--as the official poverty figures in Table 1 suggest.¹

Going beyond a descriptive picture of rural poverty to an analysis of its causes (and cures) is a somewhat more difficult task. Recent shifts in regional economic development patterns--the "Snowbelt/Sunbelt" phenomena--and net migration from metropolitan areas to nonmetropolitan places (Beale, 1975, 1976; Clawson, 1976; Martin, 1977) make it hazardous to summarize the current state of knowledge regarding rural poverty, much less to predict future patterns of poverty in rural areas.

However, despite the heterogeneity and diversity of ongoing trends in rural areas, several facts stand out:

1. The recent migration from metropolitan to nonmetropolitan areas has had little effect so far on the broad typology of rural poverty in the United States. In particular, it has had little effect on the low incomes and the high incidence of poverty in the rural South. Based on an income concept which includes the effects of in-kind transfers on poverty, the poverty rate in rural America is still more than 20% higher than in central-city areas--the place where the poverty conditions are supposedly the worst.
2. As educational attainment among younger rural residents approaches that of metropolitan residents, these more mobile rural people (particularly in the South) are moving to areas

where economic growth has made jobs available (Zuiches and Brown, 1978; U.S. Department of Agriculture, 1975). However, underemployment and low wages, particularly among middle age and older residents in depressed rural areas, are still persistent problems which call for innovative public policies. So far, there have been few successful strategies. In particular, recent manpower policy efforts (e.g., the CETA program) have had little effect on rural labor markets and rural poverty.

3. Welfare reform of the type recently suggested by the Carter administration would enormously and undeniably benefit the rural areas of the country, particularly the rural South. However, powerful political forces and antigovernment feeling do not leave much hope for passage of such legislation at this time.

The remaining sections of this paper will examine evidence to support these conclusions by reviewing the conditions and problems of poverty, manpower programs, and welfare systems in rural areas. In section 2 the descriptive characteristics of poverty are identified according to the typology of rural areas. A simple framework for understanding the underlying factors of low income and its resultant attributes is presented in the next section of the paper. This framework serves as an outline for the remaining two sections of the paper: section 4 on poverty and its relationship to human resources (human capital, labor mobility, and other labor market problems of rural low-wage earners), and section 5 on the current welfare system and welfare reform.

Several socioeconomic issues that indirectly affect rural poverty are not included within the scope of this discussion. Deavers (1978, p. 1) has described "rural development" as the existence of viable opportunities for a large majority of individuals to choose among a wide range of decent opportunities to live and work in rural (or urban) areas. The following discussion omits the direct and traditional concept of rural development as it relates to the regional nonmetropolitan industrial infrastructure--the demand side of rural labor markets.² Instead, the emphasis will be on how rural development relates to labor mobility and human resources--the supply side of the rural job market. In order to develop some general perspectives on the relevant rural poverty literature, a detailed examination of all of the demographic features of rural vs. urban poverty will not be attempted.³ Finally, the poverty status of specific rural groups, e.g., American Indians and several Hispanic minorities (Mexican-Americans, Puerto Ricans, Cubans) will not be reviewed.

2. THE TYPOLOGY OF POVERTY IN RURAL AND NONMETROPOLITAN AREAS

This section describes the level and trend in rural poverty according to the typology of rural areas. This typology is divided into five groups: regional context, size of community, rate of population change, structure of settlement patterns (concentrated or dispersed), and degree of urban access (influence). Depending on the question to be asked, or for our purposes depending on the typological aspect of interest, different definitions of rural are appropriate. While we will try to arrive at the correct concept of rural for each of the typological aspects of rural areas, unless otherwise

specified, the terms rural (urban) and nonmetropolitan (metropolitan) will be used interchangeably.⁴

Although poverty has several dimensions and definitions (Davis, 1977; Deavers, 1978; Tweeten and Brinkman, 1976; Howes and Markhusen, 1979), the poverty data presented here focuses on only one of these dimensions: income inadequacy. We would argue, however, that income inadequacy is probably the most important determinant of poverty. Other dimensions of poverty, such as inadequate assets, lack of social mobility, low socioeconomic status, and lack of political power, are highly correlated with inadequate incomes. In addition, individual low income is typically accompanied by poor housing, inadequate nutrition, and poor health, while concentrations of low-income people (i.e., in the rural South) create communities in which basic public services (education, sanitation, police, fire, utilities) are poor or nonexistent (Coelen and Fox, 1979). It seems reasonable to argue that patterns of income poverty and low incomes generally serve as proxies for all of the other dimensions of poverty.

Poverty Under Three Definitions of Income

As a preface to the typological analysis of poverty presented below and in contrast to the official Census poverty estimates on which this typological analysis is generally based, we first examine nonmetropolitan poverty under three different definitions of income: official income, pretransfer income, and final or adjusted income. We will show that depending on those receipts which are counted as income, very different pictures of rural vs. urban poverty emerge.

The inadequacies of the Census Bureau's poverty statistics are by now widely known (Smeeding, 1977; Congressional Budget Office, 1977). The official income measure used by the Census includes only cash income--earnings, property income, and transfers--gross of direct federal taxes. Since the official Census poverty line⁵ is a consumption needs standard, income must be adjusted to reflect ability to meet the given consumption floor. Therefore, both direct federal income taxes and Social Security payroll taxes need be subtracted from income. Moreover, Census income figures are derived from Current Population Survey (CPS) data which is on average substantially underreported. For instance, in any one year only about 75% of the cash public assistance actually received is reported in the CPS. Most importantly, Census poverty data completely ignores the antipoverty effect of in-kind transfers in the form of food, housing, and medical care. While these transfers are less valuable to most recipients than equal amounts of cash income, they should in some way be accounted for. Clearly they add to the economic well-being of recipients and substitute for out-of-pocket expenses. Given the rapid growth of in-kind transfer programs in recent years, this is a serious omission. In-kind transfers from Medicare, Medicaid, and Food Stamps totalled \$48.5 billion in 1977, while cash public assistance benefits, Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and General Assistance were only \$17.9 billion in this same year (Danziger et al., 1979). We include in-kind transfers based on an estimate of their cash equivalent (ce) value to recipient households. This ce is equal to the amount of cash income which would leave the recipient family equally as well off as the in-kind subsidy (Smeeding, 1977). By adjusting the data for income

underreporting, federal income and payroll tax liability, and in-kind transfers, we arrive at an adjusted or final income measure. On this basis the poverty count declines by a substantial amount, particularly in metropolitan areas and central cities where the reciprocity and generosity of in-kind benefits is highest (Tables A1 and A3). In 1974, these adjustments reduced the official poverty count by 36.6 percent in central cities vs. only 24.0 percent in nonmetropolitan areas. Given the relatively low levels of transfer benefits and widespread racial discrimination in the rural South, the differential effect of in-kind transfers is especially pronounced for nonwhites, reducing central-city nonwhite poverty by more than twice as much (42.3 percent) as rural nonwhite poverty (20.8 percent).

A third approach is to consider the poverty position of families based on pretransfer income (or factor income) only, i.e., before receiving any transfers. Since larger numbers of rural persons are "working poor," the percentage of all poor pretransfer persons who live in nonmetropolitan areas is considerably less than when poverty is measured on the basis of either official or adjusted income (Table A2). Once more, this effect is most pronounced for nonwhites. While our latest data is for 1974, unpublished Congressional Budget Office data for 1976 using a similar adjusted income measure, shows an even more pronounced pro-urban bias in the antipoverty effect of the current income transfer system. Thus, while these data adjustments sharply reduce the incidence of poverty regardless of residence, their effect is most pronounced in metropolitan areas, an issue which is discussed more fully in section 5.

Regional Poverty

Regional poverty patterns are of interest due to the widely divergent locational and racial dimensions of poverty in each area of the country (see Table A3). The nonmetropolitan South holds more than 61 percent of all rural poor and nearly one of every four poor persons in the country as a whole. Within the South, the incidence of rural poverty in 1974 was highest (24.1 percent) in the West South Central (WSC) division which includes the states of Arkansas, Oklahoma, Louisiana, and Texas. Nonmetropolitan poverty incidence in the rest of the South is not much lower. For instance, in 1968, poverty incidence in the East South Central (ESC) region (including Mississippi, Alabama, Kentucky, and Tennessee) was the highest in the country. Official poverty figures reveal that almost one in three rural persons were poor in that region in 1968. Together, the eight states in the WSC and ESC encompassing the Ozark Plateau and the Mississippi Delta (traditionally two of the poorest areas of the country) contain almost 40 percent of all poor rural persons. In 1975, only three non-Southern states (Arizona, New Mexico, Missouri) had rural poverty incidence rates exceeding 15 percent, while all Southern states (excluding the border states of Delaware and Maryland) had in excess of 15 percent of their rural population in poverty (U.S. Bureau of the Census, 1979; Hoppe, 1979).

While these general characteristics of regional poverty hold under all three income concepts, they are most pronounced when we use the adjusted or final income figures (Table A3, C.). After taking in-kind transfers and other adjustments into consideration, in 1974, the incidence of rural poverty in the West South Central region (18.3 percent) was more than twice the national average (7.8 percent) and almost 75 percent above the overall nonmetropolitan poverty rate.

These regional patterns of poverty have a clear racial dimension as well. About three of every five poor nonwhites live in the South-- more than half of these in nonmetropolitan areas. Almost three quarters of the remaining black poor live in the central cities of the North East and the North Central regions of the country. The northern ghettos in conjunction with the rural South, virtually exhaust the geographic locations of nonwhite poverty in the U.S. today.

Size of Community and Degree of Urban Influence

The size of a community and its proximity and accessibility to urban job centers exerts a significant force on the spatial pattern of rural poverty. In general, the smaller and more remote the rural place, the less the opportunity to find a good job (National Rural Center, 1978). And, where commuting and job search costs are excessive, underemployment, low wages, and working poor families can be found (Berry, 1970). Further, due to the isolation of these areas, public assistance, benefits, supportive social services, and other transfers, including food and medical transfers, are also in short supply due to the high transportation costs necessary to file for or to provide benefits. The poverty rate in nonmetropolitan counties without a community of 2,500 or more is substantially above that which is found in rural counties with a town of 25,000 or more (Table A4). This pattern holds especially true for the working poor: Of all poor family heads who worked full year in 1976, the poverty rate in the most sparsely populated rural areas was twice that which was found in those rural areas with the largest towns (U.S. Department of Agriculture, 1979). Furthermore, over 67 percent of all rural poor families had at least one earner in 1975; compared to only 48 percent of all poor urban families (National

Rural Center, 1978:59). In fact, overall poverty rates for the working poor in all nonmetropolitan areas are 25 to 75 percent greater than similar families in metropolitan areas. The overrepresentation of the working poor in rural areas vs. urban areas is possibly the result of the movement of low skill-low wage manufacturing enterprises (e.g., textiles, shoes) to nonmetropolitan areas (particularly in the South) in order to take advantage of low labor costs (declining farm labor demand, underemployed female labor force, cheap land, etc.) as is suggested by Beale (1976, p. 955), and Roy and Bordelon (1974, p. 82).

Despite the fact that smaller nonmetropolitan areas have the highest rate of poverty incidence in 1969 and 1976, they have also shown the greatest percentage decline in that rate over this period. One possible reason for this decrease is the migration of younger, better-educated, low-income families to more urbanized areas. This seems particularly true for younger nonwhites who continued to migrate on a net basis to urban areas in the 1970s, where they were at a lesser income disadvantage to whites (Brown, 1978), despite the reversal of this rural to urban migration trend for the population as a whole (Zuiches and Brown, 1978:66). However, there are still more than 1.4 million poor people in small nonmetropolitan places (Table A4) and another 6.1 million in nonmetropolitan counties with at least one town with a population between 2,500 and 24,999.

Structure of Settlement Patterns

The structure or compactness of settlement patterns is an important geographic aspect of rural poverty. If the rural poor are widely dispersed across large geographic areas, it will be more difficult to

effectively implement all types of antipoverty policies, particularly manpower programs, industrial location subsidies, and health care programs. On the other hand, to the extent to which the poor are clustered in fairly compact areas, such policies are more likely to succeed. The U.S. Bureau of the Census (1979) publishes data on the poor for various size nonmetropolitan places according to the proportion of the poor living in "poverty areas" which are defined as "nonmetropolitan civil divisions (townships, districts, etc.) in which at least 20 percent or more of the population was poor in 1969 (Klein, 1975)."¹¹ These poverty areas are disproportionately (60 percent) located in nonmetropolitan areas. They contain poor families which are mainly white (63 percent in 1973), older, and less likely to be female-headed than the poor in metropolitan poverty areas. There is a clear regional dimension to poverty areas as well. In the South over 75 percent of all rural poor live in poverty areas, vs. 38 percent in the West and smaller percentages in other areas (Hoppe, 1979). Table A5 points to the extent to which the poor are clustered in various metropolitan and rural places. The smaller the rural place the greater the concentration of the poor in poverty areas. Over two-thirds of all nonwhite poor live in poverty areas, while seven of every eight poor rural nonwhites in isolated places (less than 2,500) live in poverty areas. However, the relevance of these statistics for poverty policy remains to be seen. Poverty areas are places with at least 20% poverty rates in 1969. But the average poverty rates for rural nonwhites was 52.6% in 1969. In other words, virtually all rural areas which had high proportions of nonwhite residents were also poverty areas in

1969. In fact, 36.8% of all rural places are classified as poverty areas. While several well-defined and fairly compact pockets of rural poverty exist in various parts of the country,⁶ there are still 16,776 rural poverty areas in the United States. Such a large number of poor areas would seem to negate the usefulness of using poverty area data to "target" funds for rural development.⁷ However, large clusters of adjoining rural poverty areas, such as those in the rural South, might be useful geographic guides for antipoverty policy (see map in Beale and Brown, 1979).

Rate of Population Growth

According to many observers (Clawson, 1976; Beale, 1976, 1979; Deavers, 1978), the sudden recent increase in migration to rural areas (especially smaller rural areas) and the resultant widespread and substantial growth of the rural population heralds a new "rural renaissance." The following interrelated demographic and economic trends have been noted:

1. Ever increasing numbers of retirees are moving to "Sunbelt" and other retirement communities which offer attractions such as scenery, water recreation, and pleasant climate. Many of these communities are in nonmetropolitan areas. Because of their "portable incomes" (pensions, annuities, Social Security) and low labor supply, these retirees provide a stable and dependable income base for the area to which they emigrate. In theory, this income injection should produce multiplier effects creating jobs and higher incomes in these rural areas.

However, retirees are still only 10 percent of total net migration to rural areas.

2. The South has in recent years achieved unprecedented rates of economic growth. In particular, the energy and defense industries of the South have grown substantially over the last decade. Along with them, Southern metropolitan areas have rapidly expanded. While a large part of this growth is due to net migration of residents from other areas of the country, strong pull effects are exerted on the mobile population in nearby rural Southern counties, many of which are quite poor (Engels and Healy, 1979).
3. The net migration of the poor from the rural South to other areas of the country in search of jobs has been reversed (Long, 1978). Recent data (U.S. Bureau of the Census, 1978, p. 7) indicates that mobile black nonmetropolitan residents in the South--those who are younger and better educated--are migrating to metropolitan areas in the South in search of jobs.

While these population developments would seem to translate into rapidly declining poverty levels, particularly in the rural South, many researchers (e.g., Engels and Healy, 1979), the authors included, remain skeptical for several reasons. First, a full 28 percent of the growth in "nonmetropolitan areas" between 1970 and 1975 took place in counties which, by 1975, had been redesignated as metropolitan (Zuiches and Brown,

1978, p. 65). Hence, a good deal of nonmetropolitan "resurgence" is really only "metro spillover"--the outward expansion of metropolitan suburban areas due to greater accessibility (Morrison, 1979). In addition, between 1970 and 1976, only the largest SMSAs (those with cities of greater than three million population) actually lost population. In fact, SMSAs of less than 2 million grew faster than nonmetropolitan areas in percentage terms, and by twice as much in terms of the total number of net immigrants (Engels and Healy, 1979, p. 17).⁸ While a majority of people express a desire to live in nonmetropolitan vs. metropolitan areas (Zuiches and Fuguitt, 1976), they may be constrained by several factors. In particular, the continuing energy crisis and the growth of two-earner joint location problems for highly educated husband-wife households argue against future rapid growth of rural areas. Hence the "rural renaissance" and its effects on rural poverty may be suspect. Let us pursue this dichotomy by examining the effect of the three trends noted above on rural poverty.

Due to increasing private and public pensions, and income tax changes on taxation of capital gains from the sale of homes for those over 55, the tendency for the elderly to migrate may be expected to continue on into the 1980s. However, the retirement effect cited above has had little impact on poverty in rural areas so far. The most rapidly growing states in the country are the retirement states of Arizona and Florida (and also the Mountain states, Nevada, Colorado, Utah, etc.). In neither of these two retirement states has the decline in the overall poverty rate from 1969 to 1975 equalled that of the U.S. as a whole. In fact, the total number of poor

persons in Arizona and Florida increased by 19 and 13 percent respectively from 1969 to 1975. Moreover, considering both elderly and nonelderly population growth, none of the ten fastest growing states in the U.S. have substantial numbers of rural poor. Taking all of the ten fastest growing states together,⁹ we have only 920,000 of the rural poor--less than 10 percent of the total.

Looking at regional migration patterns, the South appears to have benefitted greatly. The Southern region achieved the greatest overall reduction in poverty between 1969 and 1975, with the number of poor falling by 16 percent vs. 13 percent nationally. The net change in population for the Southern states from 1969 to 1975 (8.3 percent), while not as high as the top ten states, was still far above the average U.S. rate of population change (4.8 percent) for this same period. Yet the majority of this growth was due to younger nonpoor immigrants to Southern metropolitan areas. In contrast, Southern nonmetropolitan areas grew due to natural population increase and lesser outmigration (Engels and Healy, 1979), not due to immigration per se. To many, such a growth pattern in the rural South would seem to signify stagnation more than resurgence. In fact, (white) retiree immigration to Florida and other Southern states has disguised much of the substantial and persistent poverty among the indigenous and largely black Southern aged population located in rural poverty areas (Thomas, 1973). The migration of younger rural Southern families to the urban South is not an encouraging development. If anything, economically disadvantaged rural areas (e.g., Mississippi Delta) will become even worse off and with them, the remaining older and more disadvantaged poor. It was mentioned earlier that between 1969 and 1975,

the Southern region experienced the largest decline in overall poverty of any region in the country. The South also had the smallest percentage decline in aged poor, 27 percent vs. 42 percent nationally, over this same period.

Despite some progress made against poverty in the rural South during the past decade, poverty rates in Southern states remain intolerably high (Table A6). Since 1959, the same 10 to 12 Southern states¹⁰ have led the nation in the percentage of residents--total or rural only--who are poor. The poor in these same states are heavily, over 60 percent, rural. Perhaps the extreme impoverishment of the rural South can best be brought out by the following observation by Deavers, "There are in the U.S. (as of 1975) 255 nonmetro counties which have been in the lowest per capita income quintile of all nonmetro counties for 25 years; 237 of these are in the South (1978, p. 5)."

A comparison of the poorest states at different poverty levels further reinforces these observations (U.S. Bureau of the Census, 1979a, p. 21). Many researchers (Fuchs, 1972; Piven and Cloward, 1972) have argued for relative poverty standards which reflect the economic status of low-income families relative to the incomes of the rest of the population. Most often, these researchers refer to a poverty line of one-half median family income (MFI) as a reasonable poverty cutoff. The official poverty line for a family of four was \$5470 in 1975. One-half MFI was \$6860--just about 25 percent larger. If we were to adopt a relative poverty standard for 1975, and to adjust for family size, we would end up with a poverty estimate very close to the alternative poverty level data for persons living below 125 percent of the official Census poverty line. As one might expect, all

but one of the ten poorest states on this basis are again Southern states with large, impoverished rural populations. While relative and absolute poverty levels produce different numbers of poor people, both poverty perspectives point to the rural South as the area where poverty remains most prevalent and intractable.¹¹

Conclusion

This typological analysis has pinpointed several persistent and important regional differences in rural poverty. While progress against rural poverty is being made, rural poverty levels, particularly in the South, remain intolerably high. The eight states in the WSC and ESC regions of the country contain 40 percent of all rural poor, but only 22.5 percent of the entire rural population. Three quarters of the rural Southern poor live in remote rural poverty areas. Many are aged and/or disabled and in poor health. Rapid Sunbelt economic expansion and the recent rural "renaissance" had little impact on economic well being of these people.

While the specific solutions to these longstanding poverty problems remain to be found, the prime contributing factors--lack of good jobs for the younger poor and inadequate support from income transfers for the older and disabled poor--will be considered in the following sections.

UNDERLYING FACTORS OF RURAL POVERTY AND LOW INCOME

While the existence of widespread rural poverty is clear and well-documented, the basic causes are not. Poverty in the form of substandard earnings is, of course, partly dependent on market determined forces.

In both urban and rural labor markets income is derived from market determined returns on factor endowments of human and physical capital. Since most rural nonfarm people have very little physical capital (other than owner-occupied housing) they must rely on their human resources to generate earned income. Earned income is dependent on several elements, the most important of which include (a) the skills, knowledge, and experience of the worker (quantity and quality of human capital); (b) the mobility of the worker, both physical (ability to migrate to or commute to areas where decent jobs are found) and social (lack of racial and sexual discrimination barriers); and (c) the nature of labor demand (location, wage structure, skill requirements). "Adequate" earnings depend on the ability to effectively synthesize all three of these elements. While we do not concentrate on the nature of labor demand in rural areas (see Howes and Markusen, 1979), a major aspect of chronic rural poverty is, and will most likely continue to be, the lack of capacity to adjust to changing economic development patterns--a shortcoming that can be traced to labor immobility (Tweeten and Brinkman, 1976) and deficiencies in human capital attainment [(a) and (b) above]. Clearly, impoverished rural areas do not offer much in the way of decent job opportunities. The industrial structure is usually based on a few technologically obsolete and often declining industries--usually low-skill manufacturing industries. In order to increase earnings, the worker must be able to migrate or commute to areas which offer higher wages and better opportunities. This physical mobility is a necessary prerequisite to escaping poverty although it alone is not sufficient. The capacity of individuals to adjust their situation also depends on their stock of

human capital. Without the skills, knowledge, or experience required for a good job, migration to an urban-industrial complex offers little payoff, as the Southern migration to the Northern central cities in the 1960s demonstrated (Long, 1979). Finally, for minorities and many female-headed, single-parent families, there are substantial racial and sexual discrimination barriers to overcome. However, increased earnings are not the only way, at least for a short period, to escape poverty.

Under welfare state capitalism, inability to generate sufficient factor income is often tempered by the availability of transfer payments. Social insurance transfer programs such as Social Security (OASDHI) and Unemployment and Workers' Compensation are designed to replace losses in earned income due to old age, disability, or involuntary unemployment. These transfers are usually independent of other nonlabor income of the earner. Unfortunately, many of the poor do not qualify for adequate social insurance benefits due to poor work histories, and chronic illness or disability. In order to provide for the needs of these people and others, public assistance programs are designed to put a floor under incomes by catching those who fall through the cracks of the social insurance structure. For instance, SSI benefits poor elderly, blind, and disabled people who have too little income (usually inadequate OASDI) to escape poverty. A third type of transfer, intended to maintain and enhance human capital, consists of education transfers, nutritional programs (e.g., school lunch program), and health care transfers (e.g., Medicaid).

It is important to note that transfer programs only offer a permanent solution for the chronic poverty of the aged, and the permanently and/or totally disabled. For younger able-bodied persons who are poor, income transfers are intended to provide only temporary aid until suitable jobs can be found. Transfers alone are not the solution to the poverty problem for these individuals.

RURAL POVERTY, HUMAN RESOURCES, AND EARNINGS

While a number of socioeconomic factors contribute to rural poverty, many observers single out the inadequate level of human capital investment in the rural labor force as either a basic symptom or a cause of poverty. The human resource interpretation of rural poverty is based on the premise that rural America has traditionally experienced a serious underinvestment in human capital due to inferior schooling, lack of individual incentives for educational self-investment, and a disproportionately small share of training funds via established manpower programs. The result, according to Hansen (1970) and others, is a nonmetropolitan concentration of underdeveloped and immobile human resources characterized by underemployment, substandard wages, and below poverty level earnings for rural households. A corollary of this "deficient" human resource approach is the pronounced selectivity of rural outmigration by age and education levels (Engels and Healy, 1979).

Educational attainment categorized by elementary, high school, and postcompulsory education is the standard, qualitative indicator of human capital development.¹² Available educational data for metropolitan and

Table 2
Median Education Levels (Years of Schooling) by
Region and Poverty Status

| Area | Central-City Poor | Non-Metro Poor | National Poor |
|--------------------|-------------------|----------------|---------------|
| United States | 9.4 | 8.4 | 9.2 |
| New England | 8.5 | 10.3 | 9.9 |
| Mid Atlantic | 9.3 | 9.5 | 9.7 |
| East North Central | 10.1 | 9.6 | 10.1 |
| West North Central | 10.5 | 10.1 | 10.2 |
| South Atlantic | 9.3 | 7.9 | 8.5 |
| East South Central | 8.6 | 7.6 | 7.9 |
| West South Central | 8.7 | 7.5 | 7.9 |
| Mountains | 11.0 | 9.0 | 9.6 |
| Pacific | 9.7 | 9.6 | 10.2 |

Source: Authors' compilations from March 1975 CPS.

rural population show a pattern consistent with our earlier observations that rural America contains a disproportionate share of the nation's poverty population in contrast to its share of total population. Geographic variation in median years of schooling measured by the Census Bureau for 1974 reveals lower educational levels and, by implication, a less-developed stock of human capital for the rural poor in comparison to urban and national poverty populations. This disparity holds for every region with the exception of the New England and Mid-Atlantic regions (Table 2). Part of these differences reflect a comparative paucity of opportunities (job alternatives) in rural areas. Martin (1977) points out that rural wages tend to be lower than urban wages for the same job and skill levels. Yet educational deficiencies per se are a serious rural problem. In 1974, over 2 million rural adults--8 percent of the rural adult population--had less than 5 years of schooling and thus were considered to be functionally illiterate. Nationally only 5.3 percent of adults are in this category (Parham, 1978, p. 551).

A nationwide difference of one median year of schooling between urban and rural poor conforms to differentials in educational attainment for total metropolitan and nonmetropolitan populations during the current decade (U.S. Bureau of the Census, 1978). In 1970, roughly 75 percent of metropolitan residents (25 years and older) attained some postelementary education in contrast to 65 percent of nonmetropolitan residents. This urban-rural difference narrowed slightly by 1977 with 83 percent of the metro and 75 percent of the nonmetro populations respectively attaining an elementary level of education. Moreover, a given level of education in rural areas offers less protection from poverty status in contrast to

metropolitan areas. Poverty incidence in 1975 (U.S. Bureau of the Census, 1979a) for metro families headed by a person with less than eight years of education was lower in comparison to rural households with the same education. One-fourth of the latter were below the 1975 poverty level (\$5500 for a nonfarm family of four persons) while only 18 percent of the metro households in this educational cohort were below poverty level. At any given education level, a higher incidence of poverty was also characteristic of rural vs. urban households.

These patterns are descriptive, suggesting only an association between lower educational attainment in nonmetropolitan areas and a disproportionately high incidence of poverty for rural households. Systematic attempts to directly specify and estimate the relationships between a substandard stock of human capital and rural poverty are virtually nonexistent.¹³ Fishelson (1971) estimated returns to human capital investment for farm earners using public expenditure per pupil in rural areas as a proxy variable for human capital produced by schooling. Those estimates were not statistically significant nor did they pertain to the nonfarm rural sector.¹⁴

Education and rural outmigration of labor is another aspect of the human resource interpretation of rural poverty. Recent evidence (Zuiches and Brown, 1978: 67) indicates that the outmigration of better-educated younger persons is continuing on net, particularly for younger nonwhites. While many younger white families have been moving to rural areas in recent years, increases in rural immigration rates are mainly among retired persons. In general, this selective outflow has left a residual rural population with less developed human resources and lower

educational levels and earnings. The selective nature of this process is reinforced by a complementarity between individual differentials in human capital and propensities to outmigrate. Schultz (1975) makes an argument in favor of a positive association between levels of human capital investment and migration suggesting that "geographical relocation of human resources are responses to incentives that arise as a consequence of disequilibria and that education increases the efficiency of migrants in relocating themselves (p. 835)." Greenwood (1975) reviews several studies which suggest that (a) education levels are an important factor in outmigration from distressed areas, and (b) that the dominant migration streams--movement out of the Deep South and movement off the farm--have been most profitable for more educated movers. While these studies do not directly confirm a lower educated, less productive post-migration residual in rural areas, the results are highly suggestive. While the recent net reversal of overall population migration streams to selective rural areas may change this situation in coming years (Beale, 1977), the selective outmigration process continues today in many poor areas (e.g., the Mississippi Delta).

Policy Efforts to Upgrade Human Capital in Rural Areas

The education and migration dimensions of the human capital interpretation of rural poverty lead to the chronic underinvestment in human resources syndrome which is both cause and symptom of the problem. A policy strategy of greater investment in human resources has been the traditional reaction (e.g., Marshall, 1974; Hansen, 1973). The actual manpower policy response to rural poverty includes programs implemented under the Manpower Training and Development Act (MDTA), and its

successor the Comprehensive Employment and Training Act (CETA), as well as other "family-based" programs and labor mobility demonstration projects.

The Rural Manpower Service established under the MDTA (1971) was designed to provide equity of access to manpower services for rural clientele. A number of other pilot programs were formulated in the early seventies with a view toward improving the delivery of manpower services and training to sparsely populated rural areas. These included the Smaller Communities Program where travelling teams of specialists delivered manpower services into rural areas and the Concerted Services in Training and Education project aimed at identifying (a) employment opportunities and occupational education for the rural poor, and (b) ways in which rural communities could promote human resource development. Delivery of manpower programs to rural areas has been the major policy concern of all these programs including the Concentrated Employment Programs which operated in thirteen rural communities in 1970 and only four communities by 1978. Marshall (1974) points out that the delivery problem for most of these programs has resulted in higher program costs that, in turn, have raised some controversy about their feasibility and effectiveness.

Rural manpower programs under CETA have been primarily developed under Title III (Special Federal Responsibilities) and focus on migrant and seasonal farmworkers. Rurally underemployed and unemployed workers are, of course, included in other portions of CETA, although Hansen (1978) suggests that CETA is geographically biased toward prime sponsors in metropolitan areas. Hansen attributes this urban bias to the low visibility both politically and economically of small towns and rural residents.

and to a lack of managerial capability at the local, rural level where prime sponsorship operates out of the executive offices of the state in the majority of states.

The urban bias of CETA also stems from the funding formulas used for the distribution of funds. Coltrane, King, and Barnow (1978) simulate the geographic distribution of CETA funds using formulas based on (a) countercyclical unemployment, (b) structural unemployment, and (c) income maintenance needs. Their analysis shows a metropolitan bias in fund distribution using countercyclical and structural unemployment measures, but a rural bias for distribution formulas based on income needs. This latter prorural distribution pattern reflects areas which have either relatively low or incomplete unemployment rates, but high proportions of low-earnings families and underemployed workers, i.e., the working poor.

The urban bias in the existing distribution of manpower programs is explicitly identified by Tweeten (1978) who calculates that 88.3 percent of all CETA funds (Table 3) were distributed to metropolitan areas in 1975. A comparatively larger proportion of Title III funds were distributed in nonmetropolitan areas and reflect the rurally based target groups of Indians and migrant seasonal farmworkers. Job Corps outlays (Title IV) also displayed a nonmetropolitan tendency, although the target group for this program area is composed of both urban and rural hard-to-employ individuals.

Other manpower policy responses to "chronic underinvestment" in rural human resources include "family-based" programs and labor mobility projects. The former have been implemented on a pilot basis during the current decade and have involved the relocation of low-income, rural

Table 3

Percentage Distribution of Federal Outlays for Human Resource Development
in Metro and Nonmetro Counties, Fiscal Year 1975

| Program | Total (\$ million) | Metro (% of U.S.) Total | Nonmetro (% of U.S.) Total |
|---|-----------------------|----------------------------------|-------------------------------------|
| Department of Labor: | | | |
| CETA title I, comprehensive manpower (ETA) | 1,915.5 | 89.6 | 10.4 |
| CETA title II, public employment (ETA) | 642.3 | 86.6 | 13.4 |
| CETA title III, special Federal response (ETA) | 244.5 | 84.0 | 16.0 |
| CETA title IV, Job Corps | 166.0 | 81.0 | 19.0 |
| CETA title VI, emergency jobs program (ETA) | 842.3 | 92.1 | 7.9 |
| Older Americans community service employment | 12.0 | 99.9 | .1 |
| Work incentives program | 129.8 | 91.0 | 9.0 |
| Placement services (ETA) | 493.6 | 82.6 | 17.4 |
| Total | 4,446.1 | 88.3 | 11.7 |
| Unemployment insurance (ETA) | 1,453.0 | 79.2 | 20.8 |
| Population, 1974 (Persons) | 211.4 | 72.3 | 27.6 |

Source: President of the United States (1977) and Tweeten (1978, p. 6).

families to a residential training site. The National Institute of Education has funded a limited number of such projects where unemployed and underemployed household heads enroll in a vocational training program to acquire some job-related skills. Spouses are encouraged to participate in career education and are required to participate in a family core curriculum designed to teach basic household skills while school age children receive education designed to advance them to the proper level for their age. This strategy of the program to break the poverty syndrome by dealing with the family unit is noteworthy, although the effectiveness of such an approach has not been thoroughly examined (Seninger and Stevenson, 1979).¹⁵

Labor mobility projects reflect a different manpower policy strategy which is aimed at relocating unemployed and underemployed workers from depressed rural labor markets to other areas. Morrison, Mazie, et al. (1974) point out that no direct reference to relocation assistance is included in CETA, although implicit authority is provided to local governments for establishing mobility assistance programs. This type of program has been implemented in the Wisconsin-Michigan area, rural Mississippi, and other regions. The aim of such an approach is to relocate potentially productive workers to places where they can be effectively employed--the problem, as Marshall (1974) points out, is the effect such an approach can have on that portion of the population not relocated. He suggests that relocation assistance as a component of manpower policy may be important for younger, better-educated workers and that, in fact, those who benefit from relocation are the ones who

have the greatest tendency to migrate without assistance. Again, recent evidence (Zuiches and Brown, 1978) bears out this hypothesis.

In sum, the rural poor suffer disproportionately from low earning. These are attributable to deficiencies in human capital caused by low educational attainment and/or lack of good job opportunities in rural areas. The most mobile of those in rural low-income areas--the younger and more educated and those relocated by labor mobility projects--are migrating to better jobs. Policy efforts to upgrade the skills and market ability of rural workers have met with little or mixed success, a deficiency which suggests that more policy attention should be paid to the problems of rural labor markets and rural workers during the 1980s.

5. TRANSFER PROGRAMS: WELFARE POLICY AND RURAL AREAS

Comparative urban-rural research on the transfer system in the United States has unequivocally found that the rural poor, particularly those in the South, are disproportionately served by the current transfer system and would benefit substantially from welfare reform (Bawden, 1977, 1974, 1972; Owens, 1977, 1972; Huffman, 1977; Briggs et al., 1977; National Research Center, 1978; Chernick and Holmer, 1979; Lyday, 1971; Pryor, 1979). This proposition holds regardless of the welfare reform plan under consideration. This final major section of the paper explains how the current income transfer system affects rural families in general and the rural South in particular, and how welfare reform would benefit these same individuals.

While the remainder of this discussion will deal specifically with transfer programs designed to benefit low-income families--i.e., income- or means-tested programs, the non-income-tested portion of the transfer system--the social insurance--deserves mention as well. Only meager amounts of research on the distributional effect of social insurance benefits on rural poor families are available. The research that does exist suggests that the largest source of growth in personal income in the 1970s for 800 rural counties (mainly underdeveloped Southern counties) was transfer benefits in general and Social Security (OASDI) benefits in particular (U.S. Department of Agriculture, 1979, p. 34). Yet, Hines and Reed (1977) found that the rural aged received less than their fair share of OASDI benefits, an inequity that can be traced to several sources. Many of the rural elderly were not eligible for OASDI for much of their working lives--only in relatively recent years have farmers and the self-employed been covered by Social Security. To the extent to which low-income rural residents have poor work histories marked by long spells of unemployment, and to the extent to which their wages are low, OASDI retirement benefits will also be low. Yet the fact remains that in several rural areas from which younger, more mobile families have emigrated, OASDI benefits still provide much of the areas' economic base.

Low wages and long periods of unemployment also lead to lower Unemployment Insurance (UI) benefits for those workers who are eligible. UI benefits are usually lowest, both in terms of weekly benefits and number of weeks before benefits are exhausted, in the South where most of the rural poor are located (U.S. Congress, Joint Economic Committee, 1974). Ancillary facilities and services for the unemployed are also in short supply in rural areas. For instance, Rural Job Service employment

centers are few and far between, providing little aid to the job search of the rural unemployed (Tweeten, 1978; Marshall, 1974).

The Current Welfare System

The inconsistencies in the current welfare system are well known although little recent analysis on the effect of these vagaries on the rural poor is available.¹⁶ On average the cash welfare system covers only about one-half of the poor, lifting only one-quarter from poverty (Bawden, 1979). However, the picture is even more bleak in rural areas. Traditionally, those states with the highest number and/or proportion of rural poor have discouraged welfare applicants by keeping benefits low, by making application for benefits difficult, and by maintaining stringent eligibility qualifications. Table 4 presents the major features of the current welfare system for those thirteen states which ranked in the top ten of the number or percentage of rural poor in 1975.¹⁷ Together these 13 states contain 55 percent of all poor rural persons. It is immediately obvious that 12 of the 13 states listed in Table 4 (all but New Mexico¹⁸) are Southern states. In fact, while all Southern states (except for the border states of Delaware and Maryland) had rural poverty rates of 15 percent or greater in 1975, only three non-Southern states can be so designated (Arizona, New Mexico, Missouri).

The major cash welfare program in the United States is AFDC. Yet the rural poor fare less well in this program than do their urban counterparts. Maximum benefit levels in poor states are far below the national median (Table 4). In July 1975, average AFDC benefit levels were only \$50 in MS, \$90 in SC, \$95 in LA, and \$108 in TX compared to a national

Table 4

Characteristics of the Public Assistance System in the Poorest Rural States¹

| State | Rural Poverty in 1975: | | | Cash Public Assistance: | | | Medicaid | Food Stamps: | | Welfare Effort: |
|--------------------------|--|--|---------------------------------------|-------------------------|---------------------|--|-------------------------------------|--|---|---|
| | Rural Persons (millions) who are poor (rank) (1) | Percent of rural persons who are poor (rank) (2) | Maximum AFDC benefits (July 1975) (3) | AFDC-UP program (4) | SSI supplements (5) | Cash public assistance recipients as % of state poor (6) | Average payment per beneficiary (7) | Medicaid recipients as % of state poverty population (8) | Participation rates: 1974 (9) 1978 (10) | Percent of state budget spent for public welfare (11) |
| Texas | .658(1) | 20.3%(8) | \$140 | No | No | 34.4% | \$632 | 18% | 35.2% 29.4% | 15.5% |
| Georgia | .560(2) | 23.2(4) | 153 | No | No | 56.7 | 497 | 35 | 32.2 35.7 | 16.8 |
| North Carolina | .528(3) | 15.8(16) | 200 | No | No | 43.4 | 496 | NA | 23.0 37.8 | 10.5 |
| Mississippi | .513(4) | 27.6(1) | 60 | No | No | 50.5 | 326 | 16 | 34.5 44.5 | 12.4 |
| Kentucky | .426(5) | 22.2(5) | 235 | Yes | No | 47.5 | 281 | 43 | 38.1 51.4 | 17.2 |
| Florida | .414(6) | 16.7(14) | 170 | No | No | 33.1 | 448 | 27 | 30.0 48.8 | 9.7 |
| Louisiana | .394(7) | 25.0(2) | 158 | No | No | 53.0 | 361 | 23 | 41.8 46.1 | 13.1 |
| Tennessee | .355(8) | 17.0(12) | 132 | No | No | 52.2 | 384 | 19 | 26.4 49.5 | 15.0 |
| South Carolina | .330(9) | 21.2(7) | 117 | No | No | 46.2 | 284 | 16 | 41.3 40.2 | 9.9 |
| Alabama | .329(10) | 21.3(6) | 135 | No | No | 53.3 | 406 | 17 | 28.8 40.2 | 13.3 |
| Arkansas | .279(12) | 19.8(9) | 140 | No | No | 49.7 | 505 | 10 | 33.0 37.4 | 16.2 |
| West Virginia | .218(19) | 17.5(10) | 249 | Yes | No | 43.0 | 231 | 35 | 38.3 55.2 | 11.8 |
| New Mexico | .186(21) | 24.4(3) | 206 | No | No | 39.0 | 381 | 28 | 42.6 39.9 | 9.5 |
| National Totals/Averages | 9.480 | 14.3% | \$278 | Yes=26 States | Yes=26 States | 59.2% | \$549 | 59% | 37.5% 46.9% | 19.3% |

Sources (by column number)

1. National Rural Center 1978:50.
2. U.S. Bureau of the Census, 1976; Survey of Income and Education, special tabulation.
3. U.S. Department of Health, Education and Welfare, 1976:9.
4. National Rural Center, 1978:94.
5. National Rural Center, 1971:101 (states which supplement payments to the aged maintaining their own residences).
6. National Rural Center, 1978:124-125 (includes AFDC, AFDC-UP, or SSI recipients as Public Assistance recipients).
7. U.S. Department of Health, Education and Welfare, 1978:79.
8. Davis and Schoen, 1978:68 (1970 estimate).
9. MacDonald, 1978:94-95 (percentage of all eligible households which participate).
10. U.S. Department of Agriculture, 1979a:36 (percentage of all eligible households which participate).
11. National Rural Center, 1978:70.

average of \$205 (U.S. Congress, Joint Economic Committee, 1974, p. 166). Briggs et al. (1977) in their study of four rural Southern poverty areas found average monthly AFDC benefits were \$100 in 1973, less than half of the national average. In fact, more than 70 percent of the rural poor live in states whose maximum AFDC benefits are below the national median. In isolated rural areas throughout the country information on program rules and available benefits are scarce. Few states have rural outreach programs to instruct potentially eligible families on how to go about applying for benefits. Even if the family is eligible and knows where to go to apply for benefits, transportation costs in terms of both time and money are high and often welfare benefit offices are open only on specific days (Pryor and Carlin, 1979). Hence, most nonmetropolitan states have below average participation rates in the AFDC program. In any case, only 36 percent of all rural poor children live in female-headed families as compared to 61 percent of all metropolitan poor children.

While all states are required to have an AFDC program, states may extend benefits to unemployed fathers in two-parent families through the AFDC-UP program if they so desire. However, among the Southern states only West Virginia and Kentucky have taken advantage of this provision (Table 4). Nearly three-fourths of the rural poor live in states without AFDC-UP programs. Because rural poor families are typically two-parent families--almost 65 percent of all rural poor children (60 percent of all rural poor) come from husband-wife families--the absence of AFDC-UP in rural states has resulted in a gap between need and available aid (National Rural Center, 1978). All in all, less than 5 percent of rural two parent-families with children receive AFDC-UP.

Typically, existing welfare programs have provided little help for the rural working poor¹⁹ who are ineligible for most cash assistance programs, and for most work training programs because they are not unemployed (Briggs, et al., 1977). One program which has provided substantial aid to the rural poor in general, and especially the working poor (Kotz, 1979), is the Food Stamp program. In effect, Food Stamps provide a national income floor in food vouchers instead of cash.²⁰ Nationwide, in 1974, approximately one-fifth of the population was eligible for Food Stamps. In the rural, poverty-stricken ESC and WSC regions, almost one-third of the population was eligible for Food Stamps. At the same time, participation in the Food Stamp program was typically lowest in the South (Table 4), presumably due to transportation costs (especially for the elderly), local administration discouragement, and general confusion on how the program operates (Kotz, 1979; MacDonald, 1977; Rungeling and Smith, 1975). Out of the 13 poorest states in Table 4, 9 had Food Stamp participation rates below the national average in both 1974 (Bickel and MacDonald, 1975) and 1978 U.S. Department of Agriculture, 1979a: 36).²¹ Not only are program participation rates lower, but average Food Stamp benefits in rural areas are also below those in urban areas (Martin and Lane, 1977), despite the fact that fewer rural families receive AFDC benefits and despite the fact that rural families are typically larger than urban families (both of which would tend to increase the value of Food Stamps to rural people).

Medicaid also benefits poor families if they qualify for aid and if adequate and suitable medical care providers are available. Unfortunately,

few rural residents qualify. In virtually every state, AFDC, AFDC-UP, and SSI recipients are automatically "categorically eligible" for Medicaid, but since few rural families receive AFDC, and since Southern states do not have AFDC-UP programs, not many of the rural poor qualify for Medicaid. Moreover, only five of the 13 states in Table 4 provide Medicaid benefits to low income families who are not categorically eligible. While the nationwide state average rates of Medicaid recipients to poor persons was 59 percent in 1970, the highest percent for the 13 states with severe rural poverty problems was 43 percent in Table 4. Moreover, Davis and Schoen (1978, p. 81) point to the fact that average Medicaid benefits in rural areas are only 50 to 60 percent as high as benefits in urban areas; a discrepancy which is due not only to the fact that rural Southern states spend little on Medicaid (Table 4), but also because the availability of medical care in rural areas is so limited. Even if all low-income residents were eligible for equal amounts of subsidized medical care, rural areas would receive smaller benefits due to the lack of health care facilities in such areas. Given the generally poorer health status and higher proportion of elderly residents in rural areas, one expects a higher than average demand for health care services. However, of 2600 non-metropolitan counties in 1976, 1888 or almost three-quarters of these counties were in whole or in part medically underserved according to the Department of Health, Education, and Welfare (Parham, 1978, p. 551).

The federal SSI program for poor aged, blind, and disabled persons provides a good example of the effect of welfare reform on the rural poor. In 1974, the federal SSI program superseded state programs for this group. A mandatory federal minimum annual benefit of \$2628 for

elderly couples, 80 percent of their poverty line, was established. SST resulted in large income gains for poor elderly families in previously low-benefit states. When coupled with Food Stamp and Medicaid benefits, which SST beneficiaries are almost universally eligible for, most elderly couples who participate in the program escape poverty. Of course, transportation problems, again, reduce program participation for rural families, but for those who do participate, welfare benefits have increased significantly. In addition, states were subsidized to increase benefits above the federal minimum. But for elderly SST recipients living alone, none of the 13 states in Table 4 have supplemented SSI above the federal minimum.

In summary, it appears that despite their reliance on transfers as a source of income, poor rural people benefit far less from the current welfare system than do urban residents. Overall, one in three of the urban poor benefit from cash public assistance vs. only one in five rural poor. Despite the fact that 40 percent of the poor lived in nonmetropolitan areas in 1975, the rural poor received 35 percent of federal SSI funds, 31 percent of Food Stamp benefits and only 18 percent of federal AFDC and AFDC-UP funds (National Rural center, 1978, p. 65). Further, none of the 13 states in Table 4 spent more than 17.2 percent of their state budgets for public welfare programs--the national average was 19.3 percent--despite their severe poverty problems. Clearly the welfare effort in rural America is below par according to all of the barometers which we have discussed.

The Rural Negative Income Tax Experiment

A rural negative income tax (NIT) experiment was carried out in North Carolina and Iowa under the directorship of Lee Bawden between 1968 and 1973. The primary purpose of the experiment was to measure the effect of income maintenance programs on the work effort of low-income rural families, particularly those who work and have family responsibilities. In addition to work behavior, the effect of the experiment on educational attainment, nutrition, occupational mobility, and asset position was studied (U.S. Department of H.E.W., 1976; Palmer and Pechman, 1978). The experiment resulted in a modest decline in hours worked for wives and other family members, but no significant decline for husbands (Bawden, 1979). Blacks in North Carolina and whites in Iowa responded in almost exactly the same way. Farmers increased their hours worked on the farm, but decreased off-farm work hours by a slightly larger amount.²²

The most important findings were, however, the effect of the experiment on human capital attainment in recipient families (Schuh, 1978). The decline in the labor supply of wives and teenagers provided the opportunity for an increase in home care of children and improvement in educational attainment. There was a significant improvement in nutrition in North Carolina, an improvement in the health status of children, and a large increase in the quality of school performance. In the long run, the cumulative effect of better health, nutrition, and school performance should produce a net increase in labor supply.

For adults in both experiment sites job search and occupational mobility increased as well. Because benefits were made available to the working poor, the program acted as a wage subsidy for those who enjoyed

their current jobs, and as a job search subsidy for those who quit their former job and used the guaranteed income to support the family while they searched for a better one. This "search subsidy" effect was particularly important for younger family heads. Finally, experiment families increased their purchase of automobiles which directly increased access to jobs in nearby urban areas.

The experiment also indicated that a full-scale, permanent, guaranteed minimum income would have the effect of increasing local wage rates as the labor supply of wives and teenagers decreased. By providing an alternative to low-wage jobs, a guaranteed income would force employers to raise wage levels, thus narrowing the local and national wage spread. However, as Schuh (1978, p. 233) has pointed out:

These general equilibrium effects in the labor market may give rise to political consequences different from those considered in the experiment. A private sector faced both with higher taxes to support an income transfer program, and higher wage rates as a consequence of the program, may become politically active against it.

Welfare Reform Proposals

For at least a decade, the U.S. government has been considering overhaul of the federal welfare system. The Nixon Family Assistance Plan (FAP) examined by Congress from 1969 to 1972 and finally rejected, would have provided a national minimum income of \$1600 for a family of four persons. If the plan had passed, about one-half of all FAP benefits would have

accrued to rural residents, leading to an average 35 percent increase in disposable income for poor rural families (Briggs et al., 1977). FAP would have reduced poverty, but because benefit levels were not high enough, it would not have eliminated it.

In 1977 President Carter proposed the Program for Better Jobs and Income (PBJI) which was similar to FAP in that it would have consolidated AFDC, SSI, and Food Stamps into a single program with a national guaranteed minimum income of about two-thirds of the poverty line. Under the Carter plan, all individuals--including younger single persons and childless couples--would have been eligible for benefits. Unlike FAP, however, PBJI would have created 1.4 million public service jobs for those persons (able-bodied, two-parent family heads) who would be required to work in order to receive benefits and who could not find a suitable private sector job. All families in which the head worked full-time, full-year (whether in private or public sector jobs) would have received enough in wages and other benefits to escape poverty. While public sector employment has been criticized by many, particularly with respect to its ability to add to human capital or to lead to stable private sector jobs, it does provide full-year, full-time work for residents of job-scarce rural areas lifting all families with full-time workers from poverty. It has been estimated that between 41.7 percent (Pryor, 1979) and 51.7 percent (Danziger et al., 1979a) of the net increase in personal income from program expenditures, i.e., up to \$2.1 billion, would have accrued to the South. Moreover, PBJI would have generated an additional net increase of up to \$3.6 billion in output in the South due to estimated regional multiplier impacts (Danziger et al., 1979). Due to the high incidence of rural poverty in

the South, PBJI would have both reduced rural poverty directly (via providing higher welfare benefits and stable jobs) and indirectly (via job creation due to the regional multiplier impacts of the net increase in transfers to the South). For rural areas on the whole, PBJI would have increased transfers and reduced poverty by a greater amount than in urban areas as compared to the current welfare system (Pryor, 1979). However, PBJI would also have led to net increases in welfare expenditures for Southern states (since their mandated 10 percent share of PBJI benefits would have exceeded current AFDC expenditures) and also would have generated upward pressure on wage levels in that area. PBJI died in committee in 1978, due in part to lack of support from Southern legislators.

In May 1979, the Carter administration introduced yet another welfare reform proposal, somewhat similar to PBJI, but not nearly so comprehensive. The reform would come in two parts: the Social Welfare Reform Amendments of 1979 (SWRA) and the Work and Training Opportunities Act of 1979 (WTOA). Unlike PBJI, single persons and childless couples would be excluded from both programs while Food Stamps would be retained. The net increase in welfare costs under both programs would be \$5.7 billion in 1982.²³ Under SWRA, a national combined guarantee of cash and Food Stamps of \$4654 or 65 percent of the poverty line would be legislated and AFDC-UP would be mandated for all states. In addition, under WTOA the federal government would step up its efforts to find jobs for unemployed poor family heads newly eligible for SWRA benefits and provide 260,000 additional public service employment jobs for family heads who could not find private sector jobs. In order to enlist the support of Southern politicians, the plan would "hold harmless" Southern states, guaranteeing that, unlike PBJI, they would incur no increased welfare costs under SWRA for seven years. In order to satisfy legislators from New York and

California who voted against PBJL, the new Carter bill contains fiscal relief for state and local "general assistance" welfare programs as well as for all state AFDC programs, thus benefiting New York City and Los Angeles. However, in this period of fiscal belt-tightening the chances for passage of any proposal which increases the federal deficit are slim. These programs would again lead to significant increases in welfare benefits for nonmetropolitan areas and for Southern states. Chernich and Holmer (1979) have estimated that 47.5 percent of the net increase in direct SWRA benefits, and 43.5 percent of all new public jobs under WTOA, would accrue to rural areas. The nonmetropolitan South would alone receive 28.0 percent of the net increase in assistance spending under SWRA and 20.6 percent of new WTOA jobs.

The Political Economy of Welfare Reform

Whatever the fate of the Carter administration's new welfare reform proposal, there will probably be little support from Southern legislators. Senator Russell Long (D-La.), powerful chairman of the Senate Finance Committee, has long been opposed to the idea of a national minimum welfare floor. In addition, legislators from other areas of the country are acutely aware of the pro-South (and hence, pro-rural) nature of the aggregate distribution of program benefits.

If welfare reform would be so beneficial to rural areas in general, and the rural South in particular, it seems fair to ask, why don't rural and Southern Congressmen support welfare reform? Radical economists (Persky, 1977; Bould Van Til, 1977) have long argued that the large pool of unemployed and underemployed workers in rural areas provide cheap labor for producers. In this way, rural poverty serves an important functional

role for capitalists in general and rural entrepreneurs in particular. Yet, while it is clear that all of the welfare reform proposals currently under review would increase wage costs and provide alternatives to low wage factory jobs in the rural South, it is also quite likely that most Southern voters are in principal against any sort of minimum guaranteed annual income for able-bodied working-age males²⁴ (Davis and Jackson, 1974; Moynihan, 1973).

6. CONCLUSIONS AND FUTURE DIRECTIONS

This paper has reviewed the nature and causes of rural poverty--- low earnings and insufficient transfer benefits. We have also discussed potentially effective remedies for these problems---more effective manpower training and rural labor mobility programs and welfare reform. While the rate of poverty has declined significantly in rural America over the past twenty years, it still exceeds the poverty rate in urban America--- by more than 40 percent once in-kind transfers are counted as income. To the extent to which rural poverty has declined, and continues to decline due to the outmigration of younger, more productive people, the remaining rural poverty which is observed will prove increasingly difficult to remedy.

Recently, Lynn Daft (1979) has summarized the rural poverty situation as well as anyone:

Ten years after the publication of the report of the Rural Poverty Commission, millions of Americans are still left behind. In the intervening years, significant improvements in programs and policies have been made. People's lives have been made more productive and

more meaningful as a result. Still, the thrust has not been sufficient to overcome all the problems of rural poverty. Despite the many significant gains we have witnessed over the past decade, rural poverty therefore remains a problem of major dimensions. Unfortunately, it is not a current-day glamour issue and therefore tends to receive less attention than it merits. I remain convinced that poverty will not be overcome without extensive reform of welfare programs, a coordinated program of human resource development, and substantial additions to the capacity of local governments and other public institutions to deliver essential services and to better adapt to structural change. These are the major components of the unfinished agenda.

Little more need be said about directions for future research in this area.

NOTES

¹There are at least two caveats to this statement. First, the situation is somewhat changed once the census poverty estimates were adjusted for their obvious deficiencies. Section 2 documents this change. Second, the "farm" poverty problem in the United States has, over the past 20 years, all but disappeared. Despite the fact that Table 1 shows a 17.1 percent poverty rate among persons living on farms, the farm poor total only 1.3 million--5.4 percent of all poor persons. There is recent evidence (Beale, 1976) that the farm population is stabilizing, and becoming younger. Smaller farm operators (those with annual farm sales of \$20,000 a year or less) receive the great majority of their income from nonfarm sources. Average nonfarm income for all farmers rose from 42 percent in 1973 to over 52 percent in 1976 (U.S. Department of Agriculture, 1975:14; U.S. Department of Agriculture, 1977). Less than 10 percent of all non-metropolitan (poor nonmetropolitan) workers listed agriculture as their major occupation in 1975 (Hoppe, 1979; U.S. Department of Agriculture, 1979). In sum, the move "off the farm" and the farm poverty problem seem to be practically over in the United States. Only in the rural South will excess underemployed farm labor continue to exert an influence on rural poverty, and even there the influence will be small. It follows that the farm-nonfarm dichotomy is of little use in this paper. Policies designed to help raise the income (earnings) of the rural poor in general will also aid the incomes (earnings) of those who live on farms.

²The reader is referred to the adjoining paper in this volume, "Rural Poverty--A Regional Perspective" by Candace Howes and Ann Markusen, which reviews the literature on rural industrial development.

³The interested reader should consult U.S. Bureau of the Census, 1978, 1979, 1979a, 1975 for such analyses.

⁴It is important to review the definitions of rural and nonmetropolitan which are most frequently used in this context. As others (National Rural Center, 1978; Zuiches, 1979; Beale, 1979; Davis, 1977) have argued, these definitions may be less than adequate depending on one's purposes. The U.S. Bureau of the Census in their P-20, Population Series, define metropolitan residents as all people living in counties with a city of 50,000 or more (an SMSA) plus persons living in contiguous counties (with smaller cities and rural areas) which are linked to metropolitan areas by daily commuting patterns. The nonmetropolitan population is the residual. By this definition the nonmetropolitan population increased from 62.8 million in 1970 to 71.1 million in 1977 (U.S. Bureau of the Census, 1978).

In contrast to this definition, the 1970 Census defined rural as those living in places of 2,500 or less, both outside and within metropolitan areas. Hence 16 million rural people--about 26 percent of the 1976 rural population (61.5 million) live within metropolitan areas (Beale, 1979). This rural population is the residual of the Census urban population definition.

These problems with these definitions are mainly conceptual: By rural do we mean open places or outside cities? Do we mean no communities or

small communities? Are we interested in access to large cities (i.e., potential places of employment) or size of place per se? Depending on the typological aspect of interest, different definitions of rural may need be employed. However, it is our general feeling that by using the term rural to refer only to places of 2500 or less, the official Census rural definition is too narrow. People living in places of from 2,500 to say 50,000 are classified as "urban" by this definition despite the fact that many of the people in such places have "rural" lifestyles. Hence in general, both our definitions of nonmetropolitan and rural coincide with the official Census definition of nonmetropolitan given above.

"Farm" and "nonfarm" are similarly difficult terms. For instance, in 1977, 382,000 or 17.6 percent of all farm families were located in metropolitan areas. Hence, farms are not necessarily located in rural areas. The rural nonfarm population cannot be derived by subtracting the farm population from the nonmetropolitan (rural) population.

⁵Unless otherwise stated, all poverty data are computed on the basis of the official Census Bureau poverty lines which vary by family size, composition, and farm-nonfarm residence. In 1974, the Census poverty line was roughly \$5,000 for a nonfarm family of four persons. The farm poverty line is 85% of the nonfarm poverty line, the difference reflecting the lower cost of living which presumably favors farm families. No other cost of living adjustments are included in the poverty line for two reasons: first, because cost-of-living differences between urban and rural areas and between regions of the country are very slight at poverty line income levels; and second, the cost-of-living difference between urban and rural areas within any region or state may be as large as the differences between regions or states. Hence, it is almost

impossible to adjust poverty lines for regional cost of living differences with any reasonable degree of accuracy (Smeeding, 1974).

⁶Several studies of rural poverty in specific low-income areas can be recommended. One of the best and most recent deals with four extremely poor Southern rural counties located in Georgia, Louisiana, Texas and Mississippi (Rungeling et al., 1977). Other studies and their geographic areas of interest include: Kentucky (Larson and Youmans, 1978); Louisiana (Roy and Bordelor, 1974); Mississippi Delta, Ozarks, Southeast Coastal Plain (McCoy, 1970); and North Central U.S. (Iowa Agricultural and Home Economics Experiment Station, 1974).

⁷When the 1980 Census is taken, holding constant the 20 percent cutoff for defining rural poverty areas, a smaller and hence more useful and exact count of rural poverty areas should emerge. However, such data will probably not be available until 1983 at the earliest.

⁸It is easy to confuse rates of population growth and actual net increases in population. For instance, between 1970 and 1976, Orange County California grew by 334,000 people, but only by 17.0 percent. In contrast, Summit County, Colorado more than doubled its population, but only grew by 3,000 people. Because nonmetropolitan areas hold fewer people than metropolitan areas, greater rates of growth often mean smaller actual increases in population. This is particularly true of isolated rural counties whose largest population center is less than 2500 people to begin with (Engels and Healy, 1979, p. 18).

⁹The ten fastest growing states in the U.S. from 1969 to 1975 and their percentage change in population are: AZ (24.6), FL (21.9), NV (20.8), AK (20.5), CO (15.0), ID (14.1), UT (13.5), WY (13.0), HA (12.8), and NM (12.5).

¹⁰The one non-South exception is New Mexico.

¹¹One might legitimately question whether the extreme levels of rural Southern poverty noted above are more closely correlated with "rural" or "Southern". Actually both forces are at work. Poverty rates in the South generally exceed those found in other (metro and nonmetro) areas of the country. However, the highest poverty rates are found in the nonmetropolitan South, particularly when in-kind transfers have been taken into account (Table A3). In the non-South, rural poverty levels are higher than urban poverty levels everywhere but in the Middle Atlantic States (Table A3). Interestingly, these states (New York, New Jersey, Pennsylvania) are just those states in which one might most seriously question the metro-nonmetro (urban-rural) dichotomy.

¹²Post-compulsory education includes college education (contained in most national data) as well as vocational education, manpower training programs, and other educational "self investments" which, unfortunately, are not contained in most national data series.

¹³Returns to education in general are comparatively lower in nonmetro areas using mean earnings by education level for adults as an approximate indicator of returns to schooling. Mean earnings for metropolitan residents were higher than nonmetropolitan residents in both 1970 and 1977

for each level of education (less than 8 years, 8 years, some high school, etc.)--see U.S. Bureau of Census (1978). These figures are, however, averages and do not account for (a) variance within educational categories, or (b) cost of living differences between metro and nonmetro areas which may be reflected by these wage (earnings) differentials.

¹⁴Moreover, as previously mentioned, observers (Booth, 1969; Huffman, 1979) have argued that the basic problem of rural America, poverty, is no longer connected with farming.

¹⁵The Mountain-Plains Education and Economic Development program established in Glasgow, Montana in 1971 is a good example. (Mountain-Plains, 1976).

¹⁶Briggs et al. (1977) and the National Rural Center (1978) are important exceptions.

¹⁷We chose this double ranking because both the absolute number of rural poor and the relative incidence of rural poverty are important for policy purposes (Hoppe, 1979). The number of poor reflect the state in which the largest concentrations of rural poverty can be found, while the incidence of poverty (percentage of rural persons who are poor) indicates the states in which the poverty is most prevalent among the rural population.

¹⁸Despite the fact that NM has poverty incidence figure of 24.4 percent, it ranks twenty-first in terms of the number of rural poor persons.

¹⁹The Earned Income Tax Credit (EITC) will probably provide some help for the working poor in current and future

years. In 1979, all families with children earning less than \$11,000 will be eligible for aid. Maximum benefits are, however, only \$600 per year. Almost 35 percent of benefits are expected to reach rural families (Carlin, 1976). However, it should be remembered that the EITC does little more than refund the employer portion of OASDHI payroll taxes for most of these families. For instance, in 1979, at the maximum EITC benefit earnings level of \$6000, the working poor family receives a net transfer bonus of only \$232.20 (\$600 EITC minus \$376.80 OASDHI payroll taxes).

²⁰In 1979 the Food Stamp program guarantees \$2400 of food vouchers to a family of four with no other income. In 7 of the 13 states in Table 4, the Food Stamp guarantee (maximum payment) exceeds the state maximum AFDC payment for the same size family.

²¹Rungeling and Smith (1975) indicated that one reason for Food Stamp program nonparticipation was the cost of the stamps. Prior to 1979, the recipient was required to pay a fee for Food Stamps which varied inversely with income. For instance, many financially strapped rural families could not afford the \$100 purchase requirement necessary to purchase \$175 worth of Food Stamps. However, the new 1979 Food Stamp program has done away with the purchase requirement. Hence, in the example above, the family would not pay anything for \$75 worth of stamps. The effect of this rule change on program participation in rural areas remains to be seen.

²²Most researchers felt that this farm labor supply response was unfortunate in that these individuals were being subsidized to increase

their work effort in a technologically inefficient farming enterprise. More importantly administration of farm family (and other self-employed units) income and asset level eligibility tests and benefit determination proved to be an extremely difficult problem (Bawden, 1979).

²³PBJI was estimated to have cost an additional \$19.0 billion in cash assistance and job creation costs by the time it was fully implemented in 1982.

²⁴Nonmetro America contains 52.5 percent of all nonaged, employed, male-headed families with children vs. only 32.3 percent of all families (Pryor, 1979).

Table A1

I. Number of Poor (Millions) and Incidence of Poverty,
by Metropolitan-Nonmetropolitan Status,
Race, and Type of Income in 1974

| Income Definition | | Total | | Metropolitan | | | | Nonmetropolitan ³ | |
|--|-------------|-------------|--------|---------------------------|--------|---------------------|--------|------------------------------|--------|
| (Row Number) | Race | All Persons | (%) | Central City ¹ | (%) | Suburb ² | (%) | All Persons | (%) |
| A. Official Census Income⁴ | | | | | | | | | |
| (1) | All persons | 23.37 | (11.2) | 8.37 | (13.7) | 5.48 | (6.7) | 9.52 | (14.2) |
| (2) | Whites | 15.74 | (8.6) | 4.23 | (9.2) | 4.45 | (5.8) | 6.93 | (11.4) |
| (3) | Nonwhites | 7.63 | (30.3) | 4.14 | (18.3) | 1.03 | (19.0) | 2.59 | (4.06) |
| B. Pretransfer Income⁵ | | | | | | | | | |
| (4) | All persons | 38.64 | (18.5) | 13.75 | (22.5) | 9.84 | (12.1) | 15.04 | (22.5) |
| (5) | Whites | 28.44 | (15.6) | 8.06 | (17.6) | 8.46 | (11.1) | 11.92 | (19.7) |
| (6) | Nonwhites | 10.19 | (39.5) | 5.69 | (38.9) | 1.39 | (26.9) | 3.12 | (49.2) |
| C. Final Income⁶ | | | | | | | | | |
| (7) | All persons | 16.37 | (7.8) | 5.20 | (8.5) | 4.14 | (5.1) | 7.03 | (10.5) |
| (8) | Whites | 11.29 | (6.2) | 2.86 | (6.2) | 3.39 | (4.5) | 5.04 | (8.3) |
| (9) | Nonwhites | 5.07 | (19.0) | 2.34 | (16.0) | .75 | (14.4) | 1.99 | (30.2) |

II. Percentage Reductions in Poverty Under Various Income Definitions

A. Pretransfer Poor to Final Poor

| | | | | | |
|-------------|-----------------------|-------|-------|-------|-------|
| All persons | $\frac{(4)-(7)}{(4)}$ | 57.6% | 62.2% | 57.9% | 53.3% |
| Whites | $\frac{(5)-(8)}{(5)}$ | 60.3 | 64.5 | 59.9 | 57.7 |
| Nonwhites | $\frac{(6)-(9)}{(6)}$ | 50.2 | 58.9 | 49.7 | 36.2 |

B. Official Census Poor to Final Poor

| | | | | | |
|-------------|-----------------------|------|------|------|------|
| All persons | $\frac{(1)-(7)}{(1)}$ | 28.5 | 36.6 | 23.9 | 23.9 |
| Whites | $\frac{(2)-(8)}{(2)}$ | 40.1 | 30.9 | 23.5 | 25.2 |
| Nonwhites | $\frac{(3)-(9)}{(3)}$ | 33.2 | 42.3 | 26.5 | 20.8 |

Notes to Table A1

¹"Central Cities" include persons living in city centers of standard metropolitan statistical areas (SMSAs) with cities of 50,000 or more inhabitants.

²"Suburb" are all persons living in metropolitan areas but outside of central cities as defined above.

³"Nonmetropolitan" includes all persons not residing in SMSAs as defined above.

⁴"Official Census Income" is the same income measure used by the U.S. Bureau of the Census in their P-60 Income and Poverty Series.

⁵"Pretransfer Income" includes all taxable factor income except for capital gains plus non-Social Security pensions, gross of personal income and payroll taxes.

⁶"Final Income" is Census income, adjusted for underreporting of survey income, federal income and payroll taxes, and the cash equivalent value of in-kind food and medical care transfers. For more detail, see Smeeding (1977).

Table A2

The Metropolitan/Racial Composition of the Poor
Using Various Income Measures in 1974

| Income Definition | All ¹ Persons | Metropolitan | | Nonmetropolitan Total | |
|--|-----------------------------|--------------|-------------------|--------------------------|----------|
| | | Total | (Central City) | | (Suburb) |
| Race | | | | | |
| <u>A. Official Census Income²</u> | | | | | |
| All persons | 100.0% | 59.6% | (35.8) | (23.8) | 40.4% |
| White | 100.0 | 56.0 | (27.1) | (29.9) | 44.0 |
| Nonwhite | 100.0 | 67.8 | (53.5) | (13.4) | 33.2 |
| <u>B. Pretransfer Income²</u> | | | | | |
| All persons | 100.0 | 61.1 | (35.6) | (25.5) | 38.9 |
| White | 100.0 | 58.1 | (28.3) | (25.5) | 41.9 |
| Nonwhite | 100.0 | 59.4 | (55.8) | (29.7) | 30.6 |
| <u>C. Final Income²</u> | | | | | |
| All persons | 100.0 | 57.1 | (31.8) | (25.2) | 42.9 |
| White | 100.0 | 55.4 | (25.3) | (30.0) | 44.6 |
| Nonwhite | 100.0 | 60.8 | (46.1) | (14.7) | 39.2 |

¹Totals may not add to 100.0% due to rounding error.

²Income concepts are as previously defined.

Table A3

Regional Poverty

Number (Millions) and Percent of Persons Below the Poverty Level
by Region and Place of Residence: 1968 and 1974

A. Official Census Income¹

| Year and Region ² | Place of Residence ³ | | | | | |
|------------------------------|---------------------------------|---------------|------------------------------|---------------|--------------------|--------------|
| | Central City ³ | (%) | Nonmetropolitan ⁴ | (%) | Total ⁵ | (%) |
| <u>1974</u> | | | | | | |
| New England | .369 | (11.5) | .354 | (9.7) | .945 | (7.8) |
| Middle Atlantic | 1.951 | (15.4) | .389 | (6.0) | 3.322 | (9.4) |
| East North Central | 1.528 | (12.6) | .961 | (9.1) | 3.289 | (8.2) |
| West North Central | .406 | (11.7) | .885 | (10.3) | 1.473 | (9.2) |
| South Atlantic | 1.039 | (15.0) | 2.127 | (16.3) | 4.170 | (13.2) |
| East South Central | .586 | (17.7) | 1.689 | (21.6) | 2.502 | (17.1) |
| West South Central | 1.190 | (15.8) | 2.048 | (24.8) | 3.895 | (18.7) |
| Mountain | .268 | (10.0) | .702 | (16.2) | 1.147 | (11.8) |
| Pacific | <u>1.033</u> | <u>(11.5)</u> | <u>.368</u> | <u>(9.1)</u> | <u>2.623</u> | <u>(9.5)</u> |
| TOTAL | 8.370 | (13.7) | 9.520 | (14.2) | 23.370 | (11.2) |
| <u>1968</u> | | | | | | |
| New England | .213 | (7.0) | .300 | (8.2) | .753 | (6.5) |
| Middle Atlantic | 1.712 | (12.9) | .621 | (9.3) | 3.465 | (9.6) |
| East North Central | 1.360 | (10.6) | 1.241 | (9.7) | 3.322 | (8.2) |
| West North Central | .353 | (11.2) | 1.130 | (13.3) | 1.637 | (10.7) |
| South Atlantic | 1.059 | (18.7) | 3.341 | (23.4) | 5.162 | (17.7) |
| East South Central | .365 | (16.4) | 2.403 | (32.2) | 3.107 | (25.9) |
| West South Central | 1.101 | (15.4) | 1.963 | (27.5) | 3.409 | (19.6) |
| Mountain | .250 | (12.7) | .719 | (16.6) | 1.097 | (12.7) |
| Pacific | <u>.751</u> | <u>(10.3)</u> | <u>.549</u> | <u>(10.8)</u> | <u>2.219</u> | <u>(8.7)</u> |
| TOTAL | 7.200 | (12.6) | 12.170 | (17.6) | 24.180 | (12.3) |

(see notes at end of table)

Table A3 continued

B. Pretransfer Income⁶

| Year and Region ² | Place of Residence | | | | | |
|------------------------------|---------------------------|---------------|------------------------------|---------------|--------------------|---------------|
| | Central City ³ | (%) | Nonmetropolitan ⁴ | (%) | Total ⁵ | (%) |
| <u>1974</u> | | | | | | |
| New England | .641 | (20.0) | .609 | (16.6) | 1.870 | (15.3) |
| Middle Atlantic | 3.428 | (27.0) | .958 | (14.8) | 6.275 | (17.5) |
| East North Central | 2.469 | (20.2) | 1.787 | (16.8) | 5.740 | (14.2) |
| West North Central | .719 | (20.2) | 1.638 | (19.1) | 2.667 | (16.6) |
| South Atlantic | 1.591 | (22.9) | 3.213 | (24.5) | 6.452 | (20.1) |
| East South Central | .838 | (25.2) | 2.380 | (30.4) | 3.646 | (26.2) |
| West South Central | 1.664 | (22.1) | 2.721 | (33.1) | 5.196 | (24.8) |
| Mountain | .452 | (16.8) | .925 | (21.3) | 1.761 | (18.0) |
| Pacific | <u>1.947</u> | <u>(21.5)</u> | <u>.810</u> | <u>(19.9)</u> | <u>5.027</u> | <u>(18.1)</u> |
| TOTAL | 13.750 | (22.5) | 15.040 | (22.5) | 38.640 | (18.5) |
| <u>1968</u> | | | | | | |
| New England | .409 | (13.5) | .398 | (10.3) | 1.210 | (10.5) |
| Middle Atlantic | 2.448 | (18.5) | .833 | (12.5) | 4.858 | (13.5) |
| East North Central | 2.029 | (15.8) | 1.638 | (12.8) | 4.782 | (11.9) |
| West North Central | .548 | (17.3) | 1.423 | (17.6) | 2.203 | (14.4) |
| South Atlantic | 1.299 | (22.9) | 3.652 | (26.4) | 6.080 | (20.8) |
| East South Central | .488 | (21.9) | 2.682 | (35.9) | 3.601 | (30.0) |
| West South Central | 1.232 | (17.3) | 2.295 | (32.1) | 3.933 | (22.6) |
| Mountain | .299 | (15.3) | .843 | (19.6) | 1.322 | (15.4) |
| Pacific | <u>1.193</u> | <u>(16.3)</u> | <u>.875</u> | <u>(17.3)</u> | <u>3.495</u> | <u>(13.7)</u> |
| TOTAL | 9.999 | (17.5) | 14.650 | (21.2) | 31.490 | (16.1) |

(see notes at end of table)

Table A3 continued

C. Final Income⁷

| Year and Region ² | Place of Residence ⁴ | | | | | |
|------------------------------|---------------------------------|--------|------------------------------|--------|--------------------|--------|
| | Central City ³ | (%) | Nonmetropolitan ⁴ | (%) | Total ⁵ | (%) |
| <u>1974</u> | | | | | | |
| New England | .133 | (4.2) | .202 | (5.5) | .481 | (3.9) |
| Middle Atlantic | .863 | (6.8) | .245 | (3.8) | 1.689 | (4.7) |
| East North Central | .801 | (6.6) | .676 | (6.4) | 1.998 | (4.9) |
| West North Central | .258 | (7.4) | .674 | (7.9) | 1.051 | (6.6) |
| South Atlantic | .782 | (11.3) | 1.629 | (12.4) | 3.343 | (10.4) |
| East South Central | .438 | (13.2) | 1.248 | (16.0) | 1.870 | (13.4) |
| West South Central | .977 | (13.0) | 1.510 | (18.3) | 3.073 | (14.7) |
| Mountain | .229 | (8.5) | .671 | (12.9) | .935 | (9.6) |
| Pacific | .714 | (7.9) | .284 | (7.0) | 1.925 | (6.9) |
| TOTAL | 5.197 | (8.5) | 7.029 | (10.5) | 16.370 | (7.8) |
| <u>1968</u> | | | | | | |
| New England | .140 | (4.6) | .218 | (6.0) | .529 | (4.6) |
| Middle Atlantic | 1.046 | (7.9) | .430 | (6.4) | .233 | (6.5) |
| East North Central | 1.064 | (8.3) | .875 | (6.9) | 2.527 | (7.3) |
| West North Central | .282 | (8.9) | .846 | (10.4) | 1.229 | (8.0) |
| South Atlantic | .930 | (16.4) | 2.940 | (21.2) | 4.658 | (15.9) |
| East South Central | .359 | (16.1) | 2.187 | (29.3) | 2.869 | (23.9) |
| West South Central | .987 | (13.8) | 1.676 | (23.4) | 2.975 | (17.1) |
| Mountain | .213 | (10.9) | .610 | (14.1) | .961 | (11.2) |
| Pacific | .545 | (7.4) | .415 | (8.2) | 1.548 | (6.1) |
| TOTAL | 5.598 | (9.8) | 10.200 | (14.8) | 19.630 | (10.0) |

Table A3 continued

NOTES

¹"Official Census Income" is the same income measure used by the U.S. Bureau of the Census in their P-60 Income and Poverty Series.

²The states included in each region cited below are as follows:

New England: CT, ME, MA, NH, RI, VT

Middle Atlantic: NY, NJ, PA

East North Central: OH, MI, IN, IL, WI

West North Central: MN, IA, MO, KS, NB, ND, SD

South Atlantic: DE, DC, MD, VA, WV, NC, SC, GA, FL

East South Central: KY, TN, AL, MS

West South Central: AR, OK, LA, TX

Mountain: AZ, CO, ID, NM, UT, NV, WY, MT

Pacific: AK, WA, OR, HI, CA

³"Central Cities" include persons living in city centers of standard metropolitan statistical areas (SMSAs) with cities of 50,000 or more inhabitants.

⁴"Nonmetropolitan" includes all persons not residing in SMSAs as defined above.

⁵"Total" includes all poor in metropolitan areas (central cities plus suburbs) and nonmetropolitan areas. Note that due to the omission of suburbs, central city and nonmetropolitan do not sum to Total.

⁶"Pretransfer Income" includes all taxable factor income except for capital gains, plus non-Social Security pensions, gross of personal income and payroll taxes.

Table A3 continued

Notes continued

⁷"Final Income" is Census income, adjusted for underreporting of survey income, federal income and payroll taxes, and the case equivalent value of in-kind food and medical care transfers. For more detail, see Smeeding (1977).

Table A4

Number (Millions) and Percent of Incidence of Poverty by Size of Place
and Work Status: 1969 and 1976

| Year Race, Work Status of Head | All Places | | Metropolitan | | | | Nonmetropolitan and Size of Place | | | | | | | |
|--------------------------------------|------------|--------|--------------|--------|-----------------|--------|-----------------------------------|--------|---------------------------|--------|---------------------------|--------|-----------------------------|--------|
| | Total | (%) | Total | (%) | Central City | (%) | Total | (%) | No Place 2,500 or more | (%) | One Place 2,500-24,999 | (%) | One Place 25,000 or more | (%) |
| A. All Persons | | | | | | | | | | | | | | |
| <u>1969</u> | | | | | | | | | | | | | | |
| Total Persons | 27.20 | (13.8) | 15.22 | (11.2) | 9.25 | (14.9) | 11.98 | (19.3) | 1.90 | (27.2) | 7.73 | (20.3) | 2.35 | (13.9) |
| Family Head: | | | | | | | | | | | | | | |
| Worked | 2.83 | (6.6) | 1.46 | (4.9) | .82 | (6.3) | 1.37 | (10.4) | .23 | (16.0) | .89 | (11.0) | .25 | (6.8) |
| Worked 50-52 weeks | 1.27 | (3.9) | .66 | (2.7) | .33 | (3.4) | .66 | (6.7) | .12 | (11.5) | .43 | (7.1) | .12 | (4.1) |
| <u>1976</u> | | | | | | | | | | | | | | |
| Total Persons | 24.98 | (11.8) | 15.23 | (10.7) | 9.48 | (15.8) | 9.75 | (14.0) | 1.44 | (16.8) | 6.08 | (14.0) | 2.25 | (12.8) |
| Family Head: | | | | | | | | | | | | | | |
| Worked | 2.55 | (5.7) | 1.37 | (4.5) | .76 | (6.5) | 1.18 | (8.0) | .19 | (10.3) | .72 | (7.8) | .27 | (7.3) |
| Worked 50-52 weeks | 1.04 | (3.0) | .46 | (2.0) | .26 | (2.9) | .58 | (5.2) | .11 | (8.2) | .35 | (5.1) | .12 | (4.2) |

Source: U.S. Bureau of the Census, Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Population: 1977 and 1970, P-23, #75.

Table A5

Number (Millions) and Percent Composition of Poverty by Size of Place,
Race, and Poverty Area Status: 1969 and 1976

| Year Race, Area Status | All Places | | Metropolitan | | | | Nonmetropolitan and Size of Place | | | | | | | |
|------------------------------|------------|---------|--------------|---------|-----------------|---------|-----------------------------------|---------|---------------------------|---------|---------------------------|---------|-----------------------------|---------|
| | Total | (%) | Total | (%) | Central City | (%) | Total | (%) | No Place 2,500 or more | (%) | One Place 2,500-24,999 | (%) | One Place 25,000 or more | (%) |
| A. All Persons | | | | | | | | | | | | | | |
| <u>1969</u> | | | | | | | | | | | | | | |
| Poverty Areas ¹ | 13.75 | (50.5) | 6.41 | (42.1) | 5.03 | (54.4) | 7.34 | (61.3) | 1.54 | (81.1) | 4.90 | (63.4) | .90 | (38.3) |
| Nonpoverty Areas | 13.45 | (49.5) | 8.81 | (57.9) | 4.22 | (45.6) | 4.64 | (38.7) | .36 | (18.9) | 2.83 | (36.6) | 1.45 | (61.7) |
| TOTAL | 27.20 | (100.0) | 15.22 | (100.0) | 9.25 | (100.0) | 11.98 | (100.0) | 1.90 | (100.0) | 7.73 | (100.0) | 2.35 | (100.0) |
| <u>1976</u> | | | | | | | | | | | | | | |
| Poverty Areas ¹ | 10.53 | (42.2) | 5.30 | (34.8) | 4.31 | (45.4) | 5.22 | (53.5) | 1.07 | (74.3) | 3.31 | (54.5) | .86 | (38.4) |
| Nonpoverty Areas | 14.45 | (57.8) | 9.93 | (65.2) | 5.17 | (54.6) | 4.52 | (46.5) | .37 | (25.7) | 2.77 | (45.5) | 1.39 | (61.6) |
| TOTAL | 24.98 | (100.0) | 15.23 | (100.0) | 94.8 | (100.0) | 9.75 | (100.0) | 1.44 | (100.0) | 6.08 | (100.0) | 2.25 | (100.0) |
| B. Nonwhites | | | | | | | | | | | | | | |
| Poverty Areas ¹ | 6.21 | (80.5) | 3.63 | (76.7) | 3.00 | (80.4) | 2.60 | (87.2) | .41 | (95.3) | 1.83 | (88.4) | .37 | (74.0) |
| Nonpoverty Areas | 1.50 | (19.5) | 1.12 | (23.3) | .73 | (19.6) | .38 | (12.8) | .02 | (4.7) | .24 | (11.6) | .13 | (26.0) |
| TOTAL | 7.71 | (100.0) | 4.73 | (100.0) | 3.73 | (100.0) | 2.98 | (100.0) | .43 | (100.0) | 2.07 | (100.0) | .50 | (100.0) |
| <u>1976</u> | | | | | | | | | | | | | | |
| Poverty Areas ¹ | 5.08 | (66.9) | 3.11 | (60.5) | 2.65 | (63.7) | 1.97 | (80.7) | .30 | (90.9) | 1.25 | (84.5) | .43 | (67.2) |
| Nonpoverty Areas | 2.51 | (33.1) | 2.03 | (39.5) | 1.51 | (36.3) | .47 | (19.3) | .03 | (9.1) | .23 | (15.5) | .21 | (32.8) |
| TOTAL | 7.59 | (100.0) | 5.14 | (100.0) | 4.16 | (100.0) | 2.44 | (100.0) | .33 | (100.0) | 1.48 | (100.0) | .64 | (100.0) |

Sources: U.S. Bureau of the Census, Social and Economic Characteristics of the Metropolitan and Nonmetropolitan Populations: 1977 and 1970, P-23, #75.

Table A6

The Ten Poorest States in Terms of Percent of Persons Who Are Poor: 1959-1975

| Rank | Overall Poverty | | | | | | | | Rural Poverty | |
|------------------|-----------------|-------|-------|-------|-------|-------|-----------------------|------------------------|---------------|-------|
| | 1959 | | 1969 | | 1975 | | | | 1975 | |
| | State | % | State | % | State | % | (Population change) * | (% Poor Who are Rural) | State | % |
| 1 | MS | 54.5% | MS | 35.4% | MS | 26.1% | (5.6) | (83.6) | MS | 27.6% |
| 2 | AR | 47.5 | AR | 27.8 | LA | 19.3 | (4.4) | (54.7) | LA | 25.0 |
| 3 | SC | 45.4 | LA | 26.3 | NM | 19.3 | (12.5) | (86.4) | NM | 24.4 |
| 4 | AL | 42.5 | AL | 25.4 | AR | 18.5 | (9.7) | (71.8) | GA | 23.2 |
| 5 | NC | 40.6 | SC | 23.9 | GA | 18.0 | (7.5) | (73.6) | KY | 22.2 |
| 6 | LA | 39.5 | KY | 22.9 | KY | 17.7 | (5.2) | (71.7) | AL | 21.3 |
| 7 | TN | 39.3 | NM | 22.8 | SC | 17.2 | (8.7) | (68.8) | SC | 21.2 |
| 8 | GA | 39.0 | WV | 22.2 | AL | 16.4 | (5.0) | (55.9) | TX | 20.3 |
| 9 | KY | 38.3 | TN | 21.8 | TN | 15.8 | (6.3) | (54.5) | AR | 19.8 |
| 10 | WV | 34.6 | GA | 20.7 | TX | 15.2 | (9.3) | (42.3) | WV | 17.5 |
| U.S. Average: | | 22.1% | | 13.7% | | 11.4% | (4.8) | (39.5) | | 14.3% |

Source: 1976 Survey of Income and Education.

Note: * Population Change equals the percentage change in state population from 1969 to 1975.

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