HOW FAR WILL THE GOVERNMENT GO IN PROVIDING A MINIMUM LEVEL OF INCOME?

D. Lee Bawden
Director of Human Resources Policy Center,
The Urban Institute,
Washington, D.C.

I will begin with a brief history of aid to the poor in the United States; then draw some lessons from this history about factors which influence how much society is willing to assist the poor; and, finally, assess current and projected conditions which will significantly affect how far the government will go in the future in providing a minimum level of income.

The History of Public Assistance

Charity is probably as old as mankind, and its virtue is strongly anchored in all of the major religions of the world. Public assistance—government sponsored charity—can be traced to ancient Greece, where orphans and the poor and crippled received government aid.

Current welfare programs in the United States were derived from the Poor Laws in England. Trattner reported that Virginia, in 1646, was the first state to acknowledge public responsibility for the poor, requiring local taxpayers to be responsible for their support. For the next 290 years, responsibility for public welfare in the U.S. largely remained at the local level. Who was deemed worthy of public support and the type and level of support was generally left to local discretion—county, city, or parish officials. Extensive private support was provided by the church and by individual citizens.

During this time, from the mid 1600s until 1935, how far the state and local governments went in providing a minimum level of income varied widely, depending in part on the availability of local resources. There were, however, factors that caused the level of support for the poor throughout the nation to ebb and flow over this time period.

During the seventeenth and eighteenth centuries, poverty was generally believed to be caused by individual misfortune, economic conditions, or imperfections in society, and great public responsibility was assumed for the poor. However, settlement of the West after the Revolutionary War brought with it a greater emphasis on self sufficiency. Industrialization, urbanization, and rising welfare costs in the East followed. By the early 1800s poverty began to be viewed more and more as the fault of the individual, and public aid was believed to foster dependency. Consequently, the level of support for the poor declined, and shifted to institutionalization of the poor in county poorhouses.

This trend was reversed by the Civil War. With so many people in need of aid during and after the war, obviously not because of individual failure, support for public assistance grew. Northern states began to take more responsibility for county-level public assistance, and the Southern county-level system, while generally denying aid to blacks, increased support for poor whites.

But the pendulum had swung back by the end of the century. Dramatic economic growth between 1865 and 1900 again brought about the belief that able-bodied citizens should earn their own keep. Consequently, public support for the poor declined, compensated in part by a growing private charity movement.

Around the turn of the century, research on the causes of poverty began to be published, showing that the causes were rooted more in the failures of our economic and social systems than in failures of the individual. These studies, coupled with a strong child welfare movement throughout the nation and increased concern for public health, led to another reversal of the trend. Public assistance for the poor increased.

This trend and the depression of the 1930s set the stage for the federal government to assume a major responsibility for public assistance. The Social Security Act of 1935 established federal aid for the poor who were blind, elderly, disabled, or husbandless mothers with children. The Act also established old-age insurance (Social Security) and unemployment insurance. While a number of these programs had already existed in many states, the most significant effects of the Social Security Act were to institutionalize the right to public benefits by certain categories of needy people, shift much of the responsibility of alleviating poverty from state and local governments to the federal government, and increase the amount of assistance given to the poor.

Post World War II prosperity brought widespread belief that poverty was a diminishing problem in America. But massive migration to the cities and such books as Michael Harrington's *The Other America: Poverty in the United States* soon brought the realization that the poor, while perhaps less visible, were indeed among us, and in large numbers. This reawakening, coupled with rapidly rising federal revenues, permitted enactment of the Great Society programs during the 1960s and early 1970s. New in-kind programs were begun, and expenditures for public assistance rose dramatically.

But in the 1970s economic growth began to slow and more was heard again about poverty being the fault of the individual. Work requirements were imposed on many welfare recipients, and the growth in public assistance expenditures slowed. As we enter the 1980s, all forms of cash and in-kind assistance are being substantially reduced.

Factors Affecting the Level of Public Assistance

Four factors appear to have affected the extent of relief for the poor in America over the past 350 years. The first and most important factor is what society perceives to be the major causes of poverty. The belief that the poor are poor by choice—arising from laziness, slothfulness, drunkenness, sexual permissiveness, or failure to take advantage of a free educational system—erodes public support for aid to the poor. A second related factor is the size of the poverty population. When large numbers are poor, poverty can be more easily attributed to war, natural disaster (such as the drought of the 1930s), or economic recession, leading to greater public support for the poor.

A third factor is growth in the economy, reflected in the amount of revenue governments can collect under acceptable rates of taxation. Levels of public assistance varied both across states and over time, in part according to the amount of taxable income. The fourth major factor affecting the level of public support for the poor is the extent of mobility and urbanization of the population. Small communities, stable populations, and extended families foster more private charity, permit firsthand knowledge by the nonpoor of the causes of poverty in their community, favor local administration of public assistance, and probably lead to more public relief for the poor.

Changes in these four factors explain in a major way the cyclical trends in how far governments have been willing to go in providing relief for the poor.

The Future Level of Public Assistance

Despite hundreds of studies of the causes of poverty, there remains much disagreement over whether poverty among the able-bodied population is primarily the fault of the individual or of society. And, as indicated above, society's views are not unrelated to the size of the poverty population. Thus, changes in the number of poor and swings in beliefs about the causes of poverty will still affect the level of public assistance in the future. Changes in real economic growth, and demographic changes in the population will have an enormous effect on the amount of public support for the poor in the future.

Economic Growth

Rapid economic growth from 1950-70 resulted in significant increases in real per capita incomes and even greater increases in government revenues. The fiscal dividends generated from this growth and a receptive political climate led to a rapid rise in expenditures for public assistance during the 10 years from 1965-75. Income transfers from all levels of government plus food stamps jumped from 5.6 percent of GNP in 1965 to 9.4 percent in 1975 (Harris).

However, the rate of growth of GNP has slowed in recent years; increases in productivity (output per hour worked), which grew an average of 3 percent per year from 1948 to 1965, have declined since then and have actually been negative the past three years; and real weekly earnings, which rose steadily from 1950 to 1972, have since fallen back to the 1963 level.

In short, the fiscal dividends of the 1950s and 1960s have vanished. The growth in income transfers began to wane in the mid-1970s, and they currently make up less than 9 percent of GNP.

Economic conditions are difficult to forecast, but the recent trends in GNP, productivity, and real wages are not likely to change dramatically in the near future. Also, recently enacted cuts in federal taxes, indexation of personal income taxes, and taxing limits imposed by many states severely limit governments' ability to provide assistance to the poor. Expenditures for public assistance, unemployment insurance, and assistance for dislocated workers will be reduced in real terms in FY 82, with more cuts likely to come in later years. Significant reductions in Social Security benefits are almost certain to begin in FY 83, if not before.

If President Reagan's Economic Recovery Program takes hold in a year or two, some fiscal dividends may begin to accrue in the latter half of this decade. Even so, any reversal in the trend of declining income support for the poor is not likely to happen before the 1990s.

Demographic Changes

The most important demographic changes affecting future support for the poor are the post-World War II baby boom, extending into the 1960s, followed by the baby bust of the 1970s. Fertility rates since 1975 are the lowest ever recorded and, while inching up recently, are still at a level which will lead to declining population in the future. Why are these changes so important to future support for the poor? Because the aged will represent an increasing proportion of the population, placing an enormous strain on all social welfare expenditures and almost certainly resulting in a real decline in public aid to all needy persons.

The percent of the population age 65 and over, now at slightly less than 11 percent, is projected to rise to 12.2 percent by the year 2000, and to 15.5 percent by 2020. There will be fewer workers to support the retired population. For example, the ratio of Social Security contributors to beneficiaries, which was 5 as recently as 1960, will decline to nearly 2 over the next 50 years. In 1979 about a fourth of federal outlays went to the aged. Storey and Hendricks estimated that, with no change in current programs, the elderly's share of the federal budget would rise slowly over the next 20 years to 32 percent, but then would leap to 42 percent by the year 2015 and reach an astounding 63 percent by the year 2025.

The working population is unlikely to accept the tax burden required to meet these expenditures. Support for the elderly will decline in the future, but the reductions will be painful, and will squeeze expenditures on all other social programs as well, including public assistance for the non-aged poor.

To summarize, economic and demographic conditions will most certainly lead to declining public support for the poor—at least for the next decade and perhaps beyond. It is of interest to speculate about actions the government might take to ameliorate this situation.

Possible Government Actions

It is imperative to increase self-sufficiency among the dependent population if the nation is to provide a decent level of support for those who cannot help themselves. The trend toward early retirement must be reversed—by changing incentives to retire early in Social Security and other state and federal pensions, and perhaps by providing more part-time work opportunities for those in partial retirement. Recently enacted tax changes encourage greater saving for retirement, which should reduce welfare dependency in old age. More training for able-bodied welfare recipients, in the form of either direct government expenditures or tax incentives to businesses, and more effective work requirements for welfare beneficiaries should increase self-sufficiency and reduce public costs. These and other changes could increase the share of income from labor and capital accumulation, and permit scarce government resources to be used for the most needy.

Greater targeting of income-conditioned programs, a change made by the administration, helps to ensure continued support for the poorest of the poor. However, it creates greater disincentives to work by remaining beneficiaries, which could raise welfare costs in the long run.

Increasing incentives for private charity could also take up some of the expected shortfall in public charity. Private charity now accounts for about 30 percent of all social welfare expenditures, and about 15 percent of income transfers. Unfortunately, while the recent tax changes contained some provisions which would tend to increase charity, the overall effect is expected to substantially reduce individual giving in the next few years (Clotfelter and Salamon).

Finally, a rejuvinated economy providing more jobs and rising real incomes will create both more revenues for the government and more earned income for the poor, thereby reducing the need and slowing the inexorable decline in public income support for the poor. But most economists believe that this will be a slow process. Meanwhile, the government will not be willing—or able—to go as far as it has in the past to provide a minimum level of income.

Implications for Extension Agents

You might be asking yourselves how all of this relates to your work in extension. I believe there are at least two major implications for what you will be doing in the next few years. One implication relates to your role as educator and general policy adviser. Most public services in this country are delivered by state and local governments. The Reagan administration proposes greater local autonomy in delivering these programs by converting many of the categorical grant programs into a small number of block grants with few federal restrictions.

At the same time, total grant assistance is being cut by at least 25 percent in FY '82, with more cuts scheduled in later years. Moreover, this change arrives at a special time in the history of state and local governments, with over half the states having already adopted their own fiscal measures which limit spending growth and/or reduce tax rates, and with many other states experiencing fiscal difficulties.

Increases in state and local spending are unlikely to offset the sharp declines in federal grants to states, leaving to local governments the painful choices of which programs to reduce or eliminate. You will likely find increased demands and tougher challenges in your role of educating and helping citizens and officials to make wise policy choices.

A second implication for your work involves service to the low-income population. Government transfer payments have been an increasing source of income for the rural population. These transfers rose from 11.3 percent to 16.1 percent of total personal income in nonmetropolitan counties over just the eight-year period 1969 to 1977, and represent a larger share of personal income than in metropolitan areas. Thus, decreases in public income transfers will affect rural residents the most, especially reductions in income support for the aged who are found in greater numbers in rural than in urban areas. These reductions in income transfers in conjunction with anticipated declining federal transfers to farmers in the form of subsidized loans, disaster insurance, and price supports, presents a special challenge to you and others who have a responsibility to help people attain a decent income. The ingenuity and compassion which you bring to this task will, I suspect, be a major factor in determining how successfully and fairly we adjust to these times of declining public expenditures in general, and reduced public assistance to the poor in particular.

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