

**Summary of Data Supporting
“The War on Poverty – Won and Lost”**

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This paper evaluates the apparent contradiction between the failure of the official poverty measure to improve over the last 50 years and the rapid increases in real-dollar per-beneficiary spending on government transfer payments to low income people over the same period.

The Census Bureau counts as poor the number of people in families with “money incomes” lower than established money-income thresholds for their respective family size and composition. These thresholds were first established for 1963 and adjusted for inflation since then. “Money income” consists of earned income and cash transfer payments such as Temporary Assistance for Needy Families.

The history and trends of poverty

Lyndon Johnson’s anti-poverty proposals were made in 1964 and the the constituent programs were legislated and implemented over the next few years. The first year with a significant increase in the growth rate for need-based transfer spending was 1966.¹ That was a transition year; real transfer spending for low-income programs rose 9.1%, about three times the average increase for the previous five years, but still more than 10 percent below the average increase for the next ten years.

In 1966, the estimated proportion of the population determined to be in poverty was 14.7 percent. This was the end of a systematic decline in the official poverty rate which occurred over the preceding 20 years as the rate fell from 32.1% in 1947.² Since 1966, the poverty rate has fluctuated between 11.1% (in 1973) and 15.2% (in 1983). The most recent 12.7% in 2016 was just slightly less than the average 13.2% over the entire 50-year period.

The UN report of 40 million in poverty is nothing new. It is the standard, published Census number -- more precisely 40.6 million in poverty, which constitute 12.7 percent of the population.

¹ For calculations in the next two paragraphs, total transfer payments relate to the total government social services transfers to people from the National Income and Product Accounts, U.S. Department of Commerce, Bureau of Economic Analysis, reduced by expenditure for Old Age and Survivor Insurance (Social Security) and Medicaid (aged component, excluding disabled and ESRD), and converted to real dollars using the PCE deflator.

² Data from 1959: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements, Table 2. Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2017. Data 1947 – 1958, Gordon Fisher, “Estimates of the Poverty Population Under the Current Official Definition, Years Before 1959,” U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1986.

The divergent trends of poverty incidence and real per-person transfer payments to low income individuals

While the poverty rate was oscillating within a narrow range, inflation-adjusted government spending on transfer payments aimed at poor families rose by more than a 1,000%.

Real transfer payments per poor person uses the social transfer payments to persons from the National Income and Product Accounts. We include only programs specifically targeted for the poor and do not even include Old Age and Survivor Insurance (Social Security) and Medicare payments that go to the poor.

The total dollars spent are then divided by the number of poor people identified by the annual Census survey to get dollars per poor person, and that result is converted to 2016 dollars using the Personal Consumption Expenditure (PCE) deflator. See Table 1 for results.

Table 1.
Fifty-year trends in spending per poor person for anti-poverty transfers and the measured poverty rate

	1965	1973	1983	2016
Social service transfers per poor person, constant 2016 dollars	\$ 3,070	\$ 3,529	\$ 4,497	\$ 34,093
Percent of population defined as poor	14.7%	11.1%	15.2%	12.7%

Sources: Poverty rates and counts: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements, Table 2. Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2017. Transfers of Social Benefits to Persons, U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Table 3.1. Government Current Receipts and Expenditures, Government Social Benefits to Persons, May 30, 2018. Real transfers per poor person computed by author: Government Social Benefits to Persons minus Old Age and Survivor Insurance (OASI) benefit payments (Social Security Board of Trustees, Social Security Supplemental Historical tables, supplement16), minus OASI proportion of OASDI benefit payments times total Medicare benefit payments (Medicare and Medicaid Board of Trustees, 2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, (Washington, D.C, July 13, 2017) , 2017 Expanded and Supplementary Tables and Figures, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/index.html>) and result are converted to 2016 dollars using the personal consumption expenditures deflator.

The total anti-poverty transfer spending includes major federal programs such as Medicaid, Supplemental Nutrition Assistance Program (SNAP—food stamps), Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), and Children’s Health Insurance Program (CHIP). In addition to these five, the Congressional Research Service (CRS) has identified another 78 major programs aimed at assisting low-income families, and the Senate Budget Committee has added another 11. See Appendix A for the full lists. These lists do not include any programs spending less than \$100 million per year or the \$310 billion in programs financed solely by the states.

Anti-poverty programs do not make payments exclusively to poor people because they also give reduced benefits to families with up to four times the poverty threshold. This phase-out arrangement

means that the dollars per poor person are higher than the actual benefits paid to most poor individuals, but they show the expenditures in our effort to reduce poverty, normalized to the size of the target population. These numbers do not only exclude Social Security and Medicare payments going to poor people. They also exclude any earnings from work in both the formal and informal economies, returns from saving, and most gifts from family, friends, unmarried partners, and charitable institutions.

By excluding Social Security and Medicare benefits going to poor people, these numbers understate the full anti-poverty expenditure. Compared with what they pay in Social Security taxes, the lowest quintile of earners can receive as much as 10 times the lifetime benefits received by higher earners.³

See the graph in Appendix B for a 50-year history of transfers to the bottom two quintiles including Social Security and Medicaid compared to the poverty rate.

Missing transfers

Census uses data from the Current Population Survey (CPS) to compare the “money income” reported by each family in the survey to its relevant poverty threshold based on size and composition. If the money income is less than its relevant threshold, the family is designated poor. The poverty rate is computed as the total number of people in poor families divided by the total population. “Money income” includes only the following government transfers reported by the family:

- Social Security (OASDI)
- Unemployment compensation
- Worker’s compensation
- Veteran’s benefits
- Public assistance (Temporary Assistance to Needy Families – TANF—and other unspecified cash assistance)
- Supplemental Security Income (SSI)
- Government educational assistance (grants but not loan subsidies)

Transfers missing from the Census calculation include:

- Medicaid
- Medicare to low-income beneficiaries
- Supplemental Nutrition Assistance Program (SNAP – food stamps)
- The refundable portion of the Earned Income Tax Credit (EITC)
- Children’s Health Insurance Program (CHIP)
- Another 76 major federal means-tested programs (See Appendix A for full list from the Congressional Research Service.)
- An additional 10 federal programs identified by the Senate Budget Committee staff as having significant need-based components.

³ For details of the computation see John F. Early, “Appendix C: Redistribution through Social Security and Medicare,” *Reassessing the Facts about Inequality, Poverty, and Redistribution, Technical Appendixes*, <https://object.cato.org/sites/cato.org/files/pubs/pdf/pa-839-technical-appendixes.pdf>

- That is a total of 91 missing federal programs. (5 listed above +76 from CRS + 10 from Senate Budget Committee)
- Any federal program spending less than \$100 million
- \$310 billion in state-only programs

These missing transfers to low-income families total approximately \$1.5 trillion. See table 2. The first data column shows the amounts of Social Security, Medicare, and means-tested dollars in the bottom two quintiles used by Census in calculating poverty. The next column shows the same from the National Income and Product Accounts. The final column shows the missing amounts that we will use to create an improved estimate of the poverty rate. The missing Social Security represents under-reporting in the Census survey. This 14.6% under-reporting is the lowest among transfer programs. Some are significantly larger.⁴

Table 2

Comparison of transfer payments to low-income families used to calculate poverty with actual government payments, 2016

Transfers to low-income families, \$ billions			
	Census poverty calculation	National Income and Product Accounts (portion to bottom two quintiles)	Missing we added
Social Security	465.1	544.7	79.6
Medicare	-	400.2	400.2
Means-tested	86.3	1,068.5	982.2
Total	551.4	2,013.4	1,462.0

Sources: Values used in calculating poverty rate: U.S. Department of Commerce, Census Bureau, Current Population Survey, Annual Social and Economic Supplement, micro data, March 2017, reporting on income from 2016. Total actual transfers: U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Government Current Receipts and Expenditures, Table 3.1. Government Current Receipts and Expenditures, Government Social Benefits to Persons, May 30, 2018. Actual Social Security Payments: Medicare and Medicaid Board of Trustees, 2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, (Washington, D.C, June 5, 2018).

We added the \$1.462 trillion in missing transfers to the Census money incomes from the Current Population Survey. With those additions only some 3% of the population would have been below the relevant poverty thresholds. The official Census number was 12.7%.

⁴ Social Security underreporting calculated by author comparing total from U.S. Census, Current Population Survey – Annual Social and Economic Supplement March 2017, 2016 reference period, micro data tabulated by authors with the total Social Security payments from Medicare and Medicaid Board of Trustees, *2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, (Washington, D.C, July 13, 2017). See also Bilal Habib, “How CBO Adjusts for Survey Underreporting of Transfer Income in Its Distributional Analyses”, Congressional Budget Office, Working Paper 2018-07, July 2018.

This result is virtually the same as that calculated by Meyer and Sullivan in their American Enterprise Institute study, which measured poverty using family consumption.⁵

In addition to these statistics, observational studies of the poor show that they often receive substantial resources from off-the-books employment, family, lovers, and fathers of their children. These sources are not reported to the IRS, and generally not captured in Census surveys.⁶

The decline of work effort among the poor since the War on Poverty

This analysis measures the change in the proportion of families in each income quintile that are headed by individuals under the age of 65 and had nobody working during the reference year. The base year for comparison is 1965, the last year before significant funding for the War on Poverty. The analysis compares the rate at which people did not work at subsequent 10-year intervals through 2015. (The exception is 1985. Quirks in the Census archiving made it impossible to retrieve the needed data for 1985 or 1986, so 1987 was used.)⁷

We began by looking at the percent of families in each quintile which had nobody working during the previous year. See Table 3.

Table 3.

	Percent of families with nobody working				
	Lowest fifth	Second fifth	Middle fifth	Fourth fifth	Highest fifth
1965	32.045	7.367	1.296	0.613	0.863
1975	41.310	12.995	4.364	1.454	1.104
1987	40.400	18.300	7.600	3.900	2.100
1995	39.500	19.400	8.100	3.500	2.600
2005	38.992	18.929	7.551	3.891	2.088
2015	40.262	20.679	10.139	5.551	3.137

Sources: See Appendix C

Next, we adjusted these percentages by the share of the families headed by a person over age 65, which would be more likely to have nobody working. See Table 4.

⁵ Bruce D Meyer and James X Sullivan. “Annual report on U.S. consumption poverty: 2016.” American Enterprise Institute, 2017, <http://www.aei.org/publication/annual-report-on-us-consumption-poverty-2016/>

⁶ For example, Christopher Jencks, “Forward,” Kathy Edin and Laura Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*, Russel Sage Foundation, New York, 1997.

⁷ See Appendix C for a year-by-year list of detailed data sources.

Table 4.

	Percent of families with senior head				
	Lowest fifth	Second fifth	Middle fifth	Fourth fifth	Highest fifth
1965	35.399	16.453	8.113	5.713	5.731
1975	30.147	20.130	10.550	6.513	6.290
1987	23.900	24.900	14.600	9.400	7.500
1995	22.300	25.700	15.400	9.500	8.300
2005	22.578	24.255	14.819	9.308	8.097
2015	22.021	27.085	20.858	17.002	13.990

Sources: See Appendix C

Comparing 1965 in Table 3 with Table 4 shows that all quartiles in that year had more families with at least one person working than families in which the head of household was of prime working age.

The changes in these metrics over time could be affected by a variety of other trends and cyclical factors. We controlled for those other factors by computing the differences between the percentage of families with nobody working in the middle quintile and the same metric for the other quintiles in each year. We did the same for the percentage age-65 and above. Then we calculated the difference between those controlled values for not-working and aged families as an estimate of the proportion of quintile families with a working-aged head and nobody working. These differences as a percent of working-age families in each quintile are shown in Table 5.

Table 5.

	The percentage of working-age families with nobody working, controlled over time for other factors by differencing from the middle quintile				
	Lowest fifth	Second fifth	Middle fifth	Fourth fifth	Highest fifth
1965	5.4	-2.7	0.0	1.8	2.1
1975	24.8	-1.2	0.0	1.2	1.1
1987	30.9	0.5	0.0	1.7	1.7
1995	31.5	1.3	0.0	1.4	1.7
2005	30.6	2.6	0.0	2.0	1.4
2015	37.1	5.9	0.0	-0.9	-0.2

Sources: Computed from Tables 3 and 4

In 1965, families with working-age heads in the bottom quintile were 5.4% more likely to have nobody working than their peers in the middle, while those in the second quintile were 2.7% less likely to have nobody working. By 2015, the lowest-quintile working-age families were 37.1 percent more likely to have nobody working, the second quintile, 5.9 percent more likely.

Another indicator of the decline in work effort is the proportion of families with two or more workers. This indicator is not as readily adjusted for the effects of the retired population, but the differences are so large that they show yet another dimension of reduced work effort from transfers. See Table 6.

Table 6.

Percent of families with number of earners by quintile, 2015

Characteristic	Lowest fifth	Second fifth	Middle fifth	Fourth fifth	Highest fifth
No earners	40.3	20.7	10.1	5.6	3.1
One earner	49.5	44.9	31.9	22.9	16.9
Two earners	9.5	30.8	48.3	55.5	58.6
Three earners or more	0.7	3.7	9.6	16.1	21.4

Sources: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, March 2016 (reference year 2015), public-use micro data. Computed by authors.

The middle quintile has 5.1 times more families with two or more workers than the lowest quintile. Even the second quintile has 3.4 times as many.

Appendix A: Major Federal Transfer Programs to Low Income People

The following is a list of federal need-based (welfare) programs, assembled by the Congressional Research Service (CRS), “Spending for Federal Benefits and Services for People with Low Incomes, FY2008–FY2011,” Washington, DC, October 16, 2013. The original list has been rearranged to show which programs are included in the Census estimates of money income used to identify poor families.

Note that Social Security, unemployment insurance, workers’ compensation, and veteran’s benefits, were, by definition, excluded from the CRS analysis, but they are included in the Census calculation of money income. Medicare was also not included in the CRS report, and it is not included in the Census money income.

At least partially in Census money income estimates for estimating poverty:

1. Public assistance (Temporary Assistance to Needy Families – TANF—and other unspecified cash assistance)
2. Supplemental Security Income (SSI)
3. Government educational assistance (Pell Grants but not loan subsidies)

Not in Census calculations of money income for estimating poverty:

4. Medicaid
5. Supplemental Nutrition Assistance Program (SNAP – food stamps)
6. Refundable component of the Earned Income Tax Credit (EITC)
7. Children’s Health Insurance Program (CHIP)
8. School breakfast programs (free/reduced price components)
9. Public Housing
10. Section 8 Housing Choice Vouchers
11. Low-Income Home Energy Assistance Program (LIHEAP)
12. Family Planning
13. Consolidated Health Centers
14. Transitional Cash and Medical Services for Refugees
15. Voluntary Medicare Prescription Drug Benefit—Low-Income Subsidy
16. Ryan White HIV/AIDS Program
17. Breast/Cervical Cancer Early Detection
18. Maternal and Child Health Block Grant
19. Indian Health Service
20. Additional Child Tax Credit
21. National School Lunch Program (free/reduced price components)

22. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
23. Child and Adult Care Food Program (lower-income components)
24. Summer Food Service Program
25. Commodity Supplemental
26. Food Program Nutrition Assistance for Puerto Rico
27. The Emergency Food Assistance Program (TEFAP)
28. Nutrition Program for the Elderly
29. Indian Education
30. Adult Basic Education Grants to States
31. Federal Supplemental Educational Opportunity Grant
32. Education for the Disadvantaged—Grants to Local Educational Agencies (Title I-A)
33. Title I Migrant Education Program
34. Higher Education—Institutional Aid and Developing Institutions
35. Federal Work-Study
36. Federal TRIO Programs
37. Education for Homeless Children and Youth
38. 21st Century Community Learning Centers
39. Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
40. Reading First and Early Reading First
41. Rural Education Achievement Program
42. Mathematics and Science Partnerships
43. Improving Teacher Quality State Grants
44. Academic Competitiveness and Smart Grant Program
45. Single-Family Rural Housing Loans
46. Rural Rental Assistance Program
47. Water and Waste Disposal for Rural Communities
48. Public Works and Economic Development
49. Supportive Housing for the Elderly
50. Supportive Housing for Persons with Disabilities
51. Section 8 Project-Based Rental Assistance
52. Community Development Block Grants
53. Homeless Assistance Grants
54. Home Investment Partnerships Program (HOME)
55. Housing Opportunities for Persons with AIDS (HOPWA)
56. Indian Housing Block Grants
57. Neighborhood Stabilization Program
58. Grants to States for Low-Income Housing in Lieu of Low-Income Housing Credit Allocations
59. Tax Credit Assistance Program
60. Indian Human Services
61. Older Americans Act Grants for Supportive Services and Senior Centers
62. Older Americans Act Family Caregiver Program
63. TANF social services
64. Child Support Enforcement
65. Community Services Block Grant

66. Child Care and Development Fund
67. Head Start HHS
68. Developmental Disabilities Support and Advocacy Grants
69. Foster Care
70. Adoption Assistance
71. Social Services Block Grant
72. Chafee Foster Care Independence Program
73. Emergency Food and Shelter Program
74. Legal Services Corporation
75. Supplemental Nutrition Assistance Program (SNAP) (employment and training component)
76. Community Service Employment for Older Americans
77. Workforce Investment Act (WIA) Adult Activities
78. Workforce Investment Act (WIA) Youth Activities
79. Social Services and Targeted Assistance for Refugees
80. Temporary Assistance for Needy Families (TANF) employment and training
81. Foster Grandparents
82. Job Corps
83. Weatherization Assistance Program

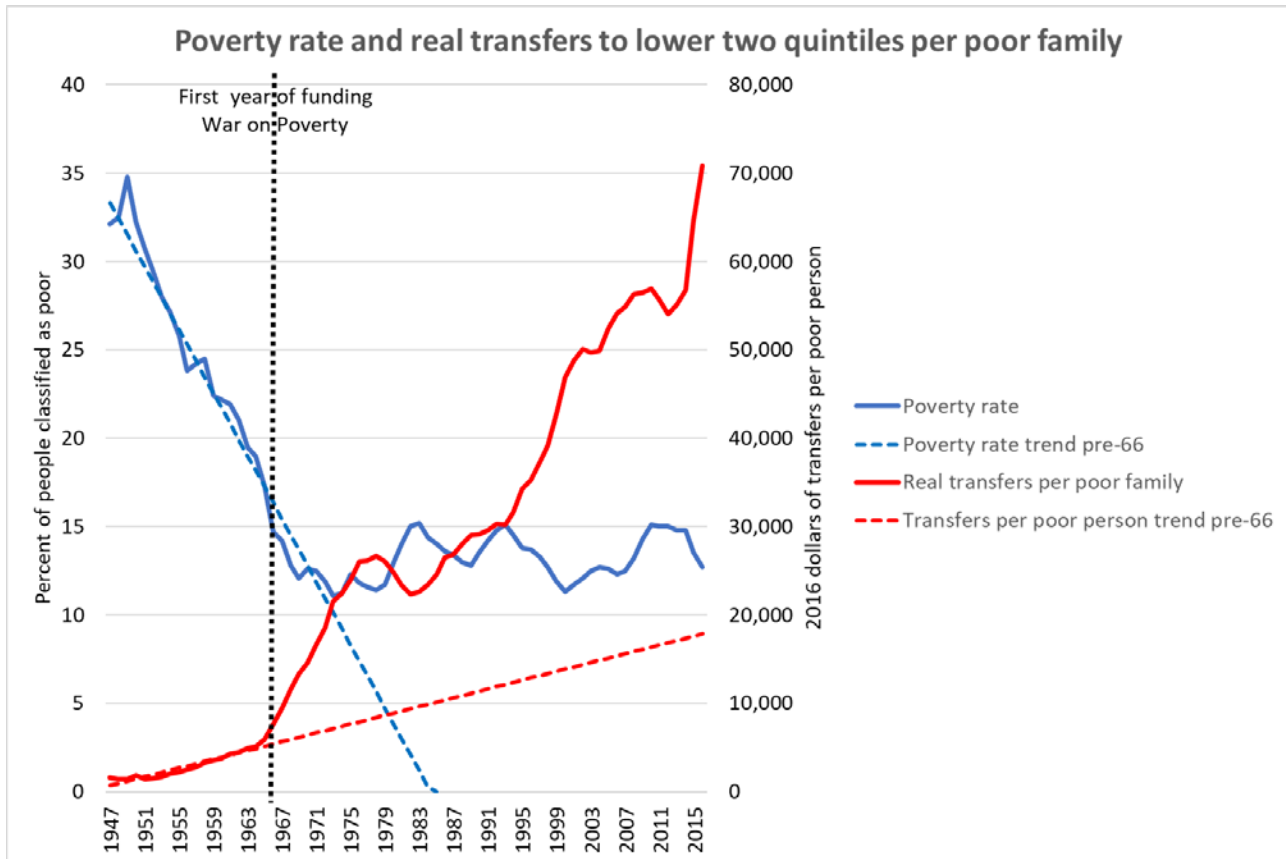
Additional means-tested programs identified by the staff of the Senate Budget Committee (United States Senate Budget Committee, "CRS Report: Welfare Spending: The Largest Item In The Federal Budget," 2013, Washington, DC)

84. Student loan subsidies
85. Federal fellowship grants
86. Lifeline free telephones
87. Bureau of Indian Affairs benefits

Additional programs identified by the staff of the Senate Budget Committee as having significant need-based components (United States Senate Budget Committee, "CRS Report: Welfare Spending: The Largest Item In The Federal Budget," 2013, Washington, DC)

88. Compensation for survivors of public safety officers
89. Compensation of victims of crime
90. Pension guarantee benefits
91. Disaster relief benefits
92. Radiation exposure compensation
93. Federal education exchange benefits

Appendix B: Trends in Poverty Rates and Transfers



Sources: Poverty rates and counts 1957 – 2016: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements, Table 2. Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2017; and 1947 – 1958, Gordon Fisher, “Estimates of the Poverty Population Under the Current Official Definition, Years Before 1959,” U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1986. Transfers of Social Benefits to Persons, U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts, Table 3.1. Government Current Receipts and Expenditures, Government Social Benefits to Persons, May 30, 2018. Real transfers per poor person computed by author: Government Social Benefits to Persons minus Old Age and Survivor Insurance (OASI) benefit payments (Social Security Board of Trustees, Social Security Supplemental Historical tables, supplement16) to top three quintiles, minus OASI proportion of OASDI benefit payments times total Medicare benefit payments (Medicare and Medicaid Board of Trustees, 2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, (Washington, D.C, July 13, 2017) , 2017 Expanded and Supplementary Tables and Figures, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/index.html>) to top three quintiles. Result converted to 2016 dollars using the personal consumption expenditures deflator. Trends are OLS linear fits to their respective series 1947 – 1965.

Appendix C: Labor Effort, Year-by-year Data Sources

For each year, we computed the percent families in each quintile which had nobody working the previous year and the percent which were headed by a senior age 65 or over.

Year	Characteristic	Source
1965	Nobody working	Table 6.--NUMBER OF EARNERS--FAMILIES AND UNRELATED INDIVIDUALS BY TOTAL MONEY INCOME IN 1965, BY SIZE OF FAMILY, FOR THE UNITED STATES, FARM AND NONFARM Current Population Reports, Consumer Income, Income in 1965 for families and Persons in the United States, Series P-60, No. 51 January 12, 1967 https://www2.census.gov/prod2/popscan/p60-051.pdf
1965	Head 65 and over	Table 3.--AGE OF HEAD--FAMILIES AND UNRELATED INDIVIDUALS BY TOTAL MONEY INCOME IN 1965, FOR THE UNITED STATES, FARM AND NONFARM Current Population Reports, Consumer Income, Income in 1965 for families and Persons in the United States, Series P-60, No. 51 January 12, 1967 https://www2.census.gov/prod2/popscan/p60-051.pdf
1975	Nobody working	Table 5.--Selected Characteristics of Families -- Percent Distribution of Families by Total Money Income, 1975 Current Population Reports, Consumer Income, Money Income in 1975 for families and Persons in the United States, Series P-60, No. 105 June 1977 https://www2.census.gov/prod2/popscan/p60-105.pdf
1975	Head 65 and over	Table 3.--AGE OF HEAD--FAMILIES AND UNRELATED INDIVIDUALS BY TOTAL MONEY INCOME IN 1965, FOR THE UNITED STATES, FARM AND NONFARM Current Population Reports, Consumer Income, Money Income in 1975 for families and Persons in the United States, Series P-60, No. 105 June 1977 https://www2.census.gov/prod2/popscan/p60-105.pdf Number of Families by money income and number of earners
1987	Nobody working	U.S. Census Bureau, Printed Report Archives, Quintile Household Characteristics 1987 Inc.xlsx
1987	Head 65 and over	U.S. Census Bureau, Printed Report Archives, Quintile Household Characteristics 1987 Inc.xlsx
1995	Nobody working	U.S. Census Bureau, Printed Report Archives, Quintile Household Characteristics 1987 Inc.xlsx
1995	Head 65 and over	U.S. Census Bureau, Printed Report Archives, Quintile Household Characteristics 2005 Inc.xlsx
2005	Nobody working	U.S. Census, Current Population Survey – Annual Social and Economic Supplement March 2006, 2005 reference period, micro data tabulated by authors
2005	Head 65 and over	U.S. Census, Current Population Survey – Annual Social and Economic Supplement March 2006, 2005 reference period, micro data tabulated by authors
2015	Nobody working	U.S. Census, Current Population Survey – Annual Social and Economic Supplement March 2016, 2015 reference period, micro data tabulated by authors
2015	Head 65 and over	U.S. Census, Current Population Survey – Annual Social and Economic Supplement March 2016, 2015 reference period, micro data tabulated by authors