

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D.C., January 13, 1964.*

THE PRESIDENT:

SIR: The Council of Economic Advisers herewith submits its Annual Report, January 1964, in accordance with Section 4(c) (2) of the Employment Act of 1946.

Respectfully,



WALTER W. HELLER,  
*Chairman.*



GARDNER ACKLEY



JOHN P. LEWIS

tinue to expand more rapidly than it has in the past. With the major relaxation in fiscal restraint in 1964, we will get a new and more accurate assessment of the strength of private demand as we move toward full employment. This information will help to guide the monetary and budgetary programs for the years ahead. But the principles to guide policy are clear. They were stated in the Employment Act; they have been dramatized by the experience of recent years. If this Nation is to achieve and maintain "maximum employment, production and purchasing power," it will be the continuing task of fiscal and monetary policy to support a strong, sustainable pace in the expansion of aggregate demand.

## Chapter 2

# The Problem of Poverty in America

**I**N HIS MESSAGE on the State of the Union, President Johnson declared all-out war on poverty in America. This chapter is designed to provide some understanding of the enemy and to outline the main features of a strategy of attack.

### ELIMINATING POVERTY—A NATIONAL GOAL

There will always be some Americans who are better off than others. But it need not follow that "the poor are always with us." In the United States today we can see on the horizon a society of abundance, free of much of the misery and degradation that have been the age-old fate of man. Steadily rising productivity, together with an improving network of private and social insurance and assistance, has been eroding mass poverty in America. But the process is far too slow. It is high time to redouble and to concentrate our efforts to eliminate poverty.

Poverty is costly not only to the poor but to the whole society. Its ugly by-products include ignorance, disease, delinquency, crime, irresponsibility, immorality, indifference. None of these social evils and hazards will, of course, wholly disappear with the elimination of poverty. But their severity will be markedly reduced. Poverty is no purely private or local concern. It is a social and national problem.

But the overriding objective is to improve the quality of life of individual human beings. For poverty deprives the individual not only of material comforts but of human dignity and fulfillment. Poverty is rarely a builder of character.

The poor inhabit a world scarcely recognizable, and rarely recognized, by the majority of their fellow Americans. It is a world apart, whose inhabitants are isolated from the mainstream of American life and alienated from its values. It is a world where Americans are literally concerned with day-to-day survival—a roof over their heads, where the next meal is coming from. It is a world where a minor illness is a major tragedy, where pride and privacy must be sacrificed to get help, where honesty can become a luxury and ambition a myth. Worst of all, the poverty of the fathers is visited upon the children.

Equality of opportunity is the American dream, and universal education our noblest pledge to realize it. But, for the children of the poor, education is a handicap race; many are too ill prepared and ill motivated at home to learn at school. And many communities lengthen the handicap by providing the worst schooling for those who need the best.

Although poverty remains a bitter reality for too many Americans, its incidence has been steadily shrinking. The fruits of general economic growth have been widely shared; individuals and families have responded to incentives and opportunities for improvement; government and private programs have raised the educational attainments, housing standards, health, and productivity of the population; private and social insurance has increasingly protected families against loss of earnings due to death, disability, illness, old age, and unemployment. Future headway against poverty will likewise require attacks on many fronts: the active promotion of a full-employment, rapid-growth economy; a continuing assault on discrimination; and a wide range of other measures to strike at specific roots of low income. As in the past, progress will require the combined efforts of all levels of government and of private individuals and groups.

All Americans will benefit from this progress. Our Nation's most precious resource is its people. We pay twice for poverty: once in the production lost in wasted human potential, again in the resources diverted to coping with poverty's social by-products. Humanity compels our action, but it is sound economics as well.

This chapter considers, first, the changing numbers and composition of America's poor. Second, it presents a brief report on the factors that contribute to the continuation of poverty amidst plenty. Although the analysis is statistical, the major concern is with the human problems that the numbers reflect. The concluding part concerns strategy against poverty in the 1960's and beyond. Supplementary tables at the end of the chapter provide further data on the dimensions of poverty in America.

The sections below will chart the topography of poverty. A few significant features of this bleak landscape deserve emphasis in advance. Poverty occurs in many places and is endured by people in many situations; but its occurrence is nonetheless highly concentrated among those with certain characteristics. The scars of discrimination, lack of education, and broken families show up clearly from almost any viewpoint. Here are some landmarks:

- One-fifth of our families and nearly one-fifth of our total population are poor.
- Of the poor, 22 percent are nonwhite; and nearly one-half of all nonwhites live in poverty.
- The heads of over 60 percent of all poor families have only grade school educations.
- Even for those denied opportunity by discrimination, education significantly raises the chance to escape from poverty. Of all non-

white families headed by a person with 8 years or less of schooling, 57 percent are poor. This percentage falls to 30 for high school graduates and to 18 percent for those with some college education. —But education does not remove the effects of discrimination: when nonwhites are compared with whites at the same level of education, the nonwhites are poor about twice as often.

—One-third of all poor families are headed by a person over 65, and almost one-half of families headed by such a person are poor.

—Of the poor, 54 percent live in cities, 16 percent on farms, 30 percent as rural nonfarm residents.

—Over 40 percent of all farm families are poor. More than 80 percent of nonwhite farmers live in poverty.

—Less than half of the poor are in the South; yet a southerner's chance of being poor is roughly twice that of a person living in the rest of the country.

—One-quarter of poor families are headed by a woman; but nearly one-half of all families headed by a woman are poor.

—When a family and its head have several characteristics frequently associated with poverty, the chances of being poor are particularly high: a family headed by a young woman who is nonwhite and has less than an eighth grade education is poor in 94 out of 100 cases. Even if she is white, the chances are 85 out of 100 that she and her children will be poor.

#### THE NATURE AND EXTENT OF POVERTY

Measurement of poverty is not simple, either conceptually or in practice. By the poor we mean those who are not now maintaining a decent standard of living—those whose basic needs exceed their means to satisfy them. A family's needs depend on many factors, including the size of the family, the ages of its members, the condition of their health, and their place of residence. The ability to fulfill these needs depends on current income from whatever source, past savings, ownership of a home or other assets, and ability to borrow.

#### NEEDS AND RESOURCES

There is no precise way to measure the number of families who do not have the resources to provide minimum satisfaction of their *own* particular needs. Since needs differ from family to family, an attempt to quantify the problem must begin with some concept of average need for an average or representative family. Even for such a family, society does not have a clear and unvarying concept of an acceptable minimum. By the standards of contemporary American society most of the population of the world is poor; and most Americans were poor a century ago. But for our society today a consensus on an approximate standard can be found. One such standard is suggested by a recent study, described in a publication of the

Social Security Administration, which defines a "low-cost" budget for a nonfarm family of four and finds its cost in 1962 to have been \$3,955. The cost of what the study defined as an "economy-plan" budget was \$3,165. Other studies have used different market baskets, many of them costing more. On balance, they provide support for using as a boundary, a family whose annual money income from all sources was \$3,000 (before taxes and expressed in 1962 prices). This is a weekly income of less than \$60.

These budgets contemplate expenditures of one-third of the total on food, i.e., for a \$3,000 annual budget for a 4-person family about \$5 per person per week. Of the remaining \$2,000, a conservative estimate for housing (rent or mortgage payments, utilities, and heat) would be another \$800. This would leave only \$1,200—less than \$25 a week—for clothing, transportation, school supplies and books, home furnishings and supplies, medical care, personal care, recreation, insurance, and everything else. Obviously it does not exaggerate the problem of poverty to regard \$3,000 as the boundary.

A family's ability to meet its needs depends not only on its money income but also on its income in kind, its savings, its property, and its ability to borrow. But the detailed data (of the Bureau of the Census) available for pinpointing the origins of current poverty in the United States refer to money income. Refined analysis would vary the income cut-off by family size, age, location, and other indicators of needs and costs. This has not been possible. However, a variable income cut-off was used in the sample study of poverty in 1959 conducted at the University of Michigan Survey Research Center. This study also estimates the over-all incidence of poverty at 20 percent; and its findings concerning the sources of poverty correspond closely with the results based on an analysis of Census data.

A case could be made, of course, for setting the over-all income limit either higher or lower than \$3,000, thereby changing the statistical measure of the size of the problem. But the analysis of the sources of poverty, and of the programs needed to cope with it, would remain substantially unchanged.

No measure of poverty as simple as the one used here, would be suitable for determining eligibility for particular benefits or participation in particular programs. Nevertheless, it provides a valid benchmark for assessing the dimensions of the task of eliminating poverty, setting the broad goals of policy, and measuring our past and future progress toward their achievement.

If it were possible to obtain estimates of total incomes—including non-money elements—for various types of families, those data would be preferable for the analysis which follows. The Department of Commerce does estimate total nonmoney incomes in the entire economy in such forms as the rental value of owner-occupied dwellings and food raised and consumed on farms, and allocates them to families with incomes of different size.

Because of statistical difficulties, these allocations are necessarily somewhat arbitrary, and are particularly subject to error for the lower income groups. No attempt is made to allocate them by other characteristics that are meaningful for an analysis of poverty. Of course, the total of money plus nonmoney income that would correspond to the limit used here would be somewhat higher than \$3,000.

THE CHANGING EXTENT OF POVERTY

There were 47 million families in the United States in 1962. Fully 9.3 million, or one-fifth of these families—comprising more than 30 million persons—had total money incomes below \$3,000. Over 11 million of these family members were children, one-sixth of our youth. More than 1.1 million families are now raising 4 or more children on such an income. Moreover, 5.4 million families, containing more than 17 million persons, had total incomes below \$2,000. More than a million children were being raised in very large families (6 or more children) with incomes of less than \$2,000.

Serious poverty also exists among persons living alone or living in non-family units such as boarding houses. In 1962, 45 percent of such "unrelated individuals"—5 million persons—had incomes below \$1,500, and 29 percent—or more than 3 million persons—had incomes below \$1,000 (Supplementary Table 9). Thus, by the measures used here, 33 to 35 million Americans were living at or below the boundaries of poverty in 1962—nearly one-fifth of our Nation.

The substantial progress made since World War II in eliminating poverty is shown in Chart 7 and Table 3. In the decade 1947-56, when incomes

TABLE 3.—Money income of families, 1947 and 1950-62

Year	Median money income of all families (1962 prices)		Percent of families with money income	
	Dollars	Index, 1947 = 100	Less than \$3,000 (1962 prices)	Less than \$2,000 (1962 prices)
1947	4,117	100	32	18
1950	4,188	102	32	19
1951	4,328	105	29	17
1952	4,442	108	28	17
1953	4,809	117	26	17
1954	4,705	114	25	17
1955	5,004	122	25	15
1956	5,337	130	23	14
1957	5,333	130	23	14
1958	5,329	129	23	14
1959	5,631	137	22	13
1960	5,759	140	21	13
1961	5,820	141	21	13
1962	5,946	145	20	12

Sources: Department of Commerce and Council of Economic Advisers.

were growing relatively rapidly, and unemployment was generally low, the number of poor families (with incomes below \$3,000 in terms of 1962 prices) declined from 11.9 million to 9.9 million, or from 32 percent to

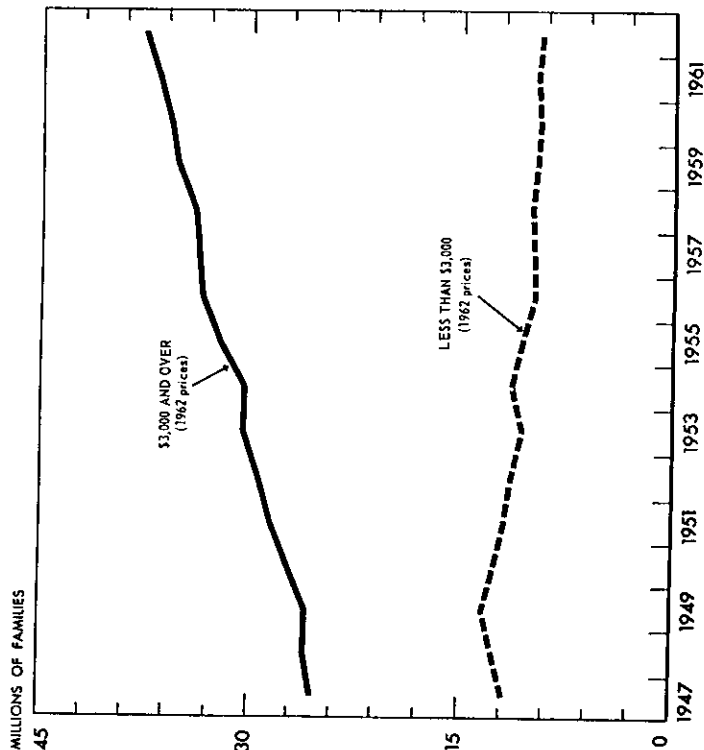
23 percent of all families. But in the period from 1957 through 1962, when total growth was slower and unemployment substantially higher, the number of families living in poverty fell less rapidly, to 9.3 million, or 20 percent of all families.

The progress made since World War II has not involved any major change in the distribution of incomes. The one-fifth of families with the highest incomes received an estimated 43 percent of total income in 1947 and 42 percent in 1962. The one-fifth of families with the lowest incomes received 5 percent of the total in 1947 and 5 percent in 1963.

Even if poverty should hereafter decline at the relatively more rapid rate of the 1947-56 period, there would still be 10 percent of the Nation's families in poverty in 1980. And, if the decline in poverty proceeded at the slower rate achieved from 1957 on, 13 percent of our families would still have incomes under \$3,000 in 1980. We cannot leave the further wearing away of poverty solely to the general progress of the economy. A faster

Chart 7

### Number of Families by Family Income



SOURCE: DEPARTMENT OF COMMERCE.

reduction of poverty will require that the lowest fifth of our families be able to earn a larger share of national output.

#### THE COMPOSITION OF TODAY'S POOR

To mount an attack on poverty we must know how to select our targets. Are the poor concentrated in any single geographical area? Are they confined to a few easily identifiable groups in society? Conclusions drawn from personal observation are likely to be misleading. Some believe that most of the poor are found in the slums of the central city, while

TABLE 4.—Selected characteristics of all families and of poor families, 1962

Selected characteristic	Number of families (millions)		Percent of total	
	All families	Poor families	All families	Poor families
Total.....	47.0	9.3	100	100
Age of head:				
14-24 years.....	2.5	0.8	5	8
25-54 years.....	39.4	3.9	85	42
55-64 years.....	7.3	1.4	15	15
65 years and over.....	6.8	3.2	14	34
Education of head: <sup>1</sup>				
9-11 years.....	16.3	6.0	35	61
12 years.....	8.6	1.7	19	17
13 years.....	12.2	1.5	26	15
More than 12 years.....	9.3	.7	20	7
Sex of head:				
Male.....	42.3	7.0	90	75
Female.....	4.7	2.3	10	25
Labor force status of head: <sup>2</sup>				
Not in civilian labor force.....	8.4	4.1	18	44
Employed.....	38.6	4.6	78	49
Unemployed.....	1.7	.6	4	6
Color of family:				
White.....	42.4	7.3	90	78
Nonwhite.....	4.6	2.0	10	22
Children under 18 years of age in family:				
None.....	18.8	4.9	40	52
One to three.....	22.7	3.3	48	36
Four or more.....	6.5	1.1	12	11
Earners in family:				
None.....	3.8	2.8	8	30
One.....	21.1	4.3	45	46
Two or more.....	22.1	2.2	47	23
Regional location of family: <sup>3</sup>				
Northeast.....	11.5	1.6	25	17
North Central.....	13.4	2.9	28	25
South.....	13.4	4.3	30	47
West.....	7.0	1.0	16	11
Residence of family: <sup>4</sup>				
Rural farm.....	3.3	1.5	7	16
Rural nonfarm.....	9.9	2.7	22	30
Urban.....	31.9	5.0	71	54

<sup>1</sup> Based on 1961 income (1962 prices).

<sup>2</sup> Labor force status relates to survey week of March 1963.

<sup>3</sup> Based on 1960 residence and 1962 income (1962 prices).

<sup>4</sup> Data are from 1962 and 1963; therefore not strictly comparable with the other data shown in this table which were derived from Current Population Reports.

<sup>5</sup> Based on 1959 residence and 1959 income (1962 prices).

Note.—Data relate to families and exclude unrelated individuals. Poor families are defined as all families with total money income of less than \$3,000.

Sources: Department of Commerce and Council of Economic Advisers.

others believe that they are concentrated in areas of rural blight. Some have been impressed by poverty among the elderly, while others are convinced that it is primarily a problem of minority racial and ethnic groups. But objective evidence indicates that poverty is pervasive. To be sure, the inadequately educated, the aged, and the nonwhite make up substantial portions of the poor population. But as Table 4 shows, the poor are found among all major groups in the population and in all parts of the country. Further data on the composition of the poor population are found in Supplementary Tables 10 and 11.

Using the income measure of poverty described above, we find that 78 percent of poor families are white. Although one-third of the poor families are headed by a person 65 years old and over, two-fifths are headed by persons in the 25 to 54 year range. Although it is true that a great deal of poverty is associated with lack of education, almost 4 million poor families (39 percent) are headed by a person with at least some education beyond grade school. The data show that less than half the poor live in the South. And the urban poor are somewhat more numerous than the rural poor. In Chart 8 the poor and the non-poor are compared in terms of these and other characteristics.

Yet there are substantial concentrations of poverty among certain groups. For example, families headed by persons 65 years of age and older represent 34 percent of poor families. Moreover, they appear among the poor 2 1/4 times as frequently as they appear among all families. The last 2 columns of Table 4 show 5 additional major categories of families that appear more than twice as often among the poor as among the total population: non-white families, families headed by women, families headed by individuals not in the civilian labor force, families with no wage earners, and rural farm families. Of course, some of these groups overlap considerably; but the data help to identify prospective targets for an antipoverty attack. The next section pinpoints these targets further.

#### THE ROOTS OF POVERTY

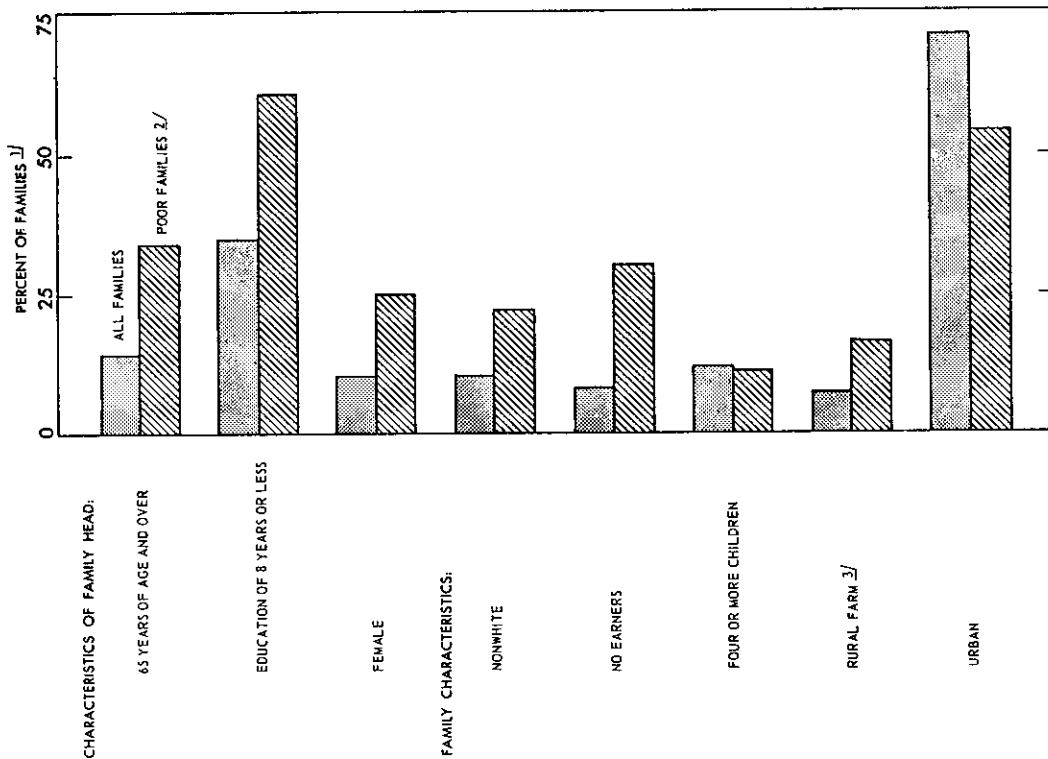
Poverty is the inability to satisfy minimum needs. The poor are those whose resources—their income from all sources, together with their asset holdings—are inadequate. This section considers why those in poverty lack the earned income, property income and savings, and transfer payments to meet their minimum needs.

##### EARNED INCOME

Why do some families have low earned incomes? Some are unemployed or partially unemployed. High over-all employment is a remedy of first importance. It would provide earned income for those unemployed who are able to accept jobs and greater earnings for many presently working part-time. Yet it is clear that this is only a partial answer. Even for those able and willing to work, earnings are all too frequently inadequate, and a

Chart 8

## Characteristics of Poor Families COMPARED WITH ALL FAMILIES



1/ BASED ON 1962 DATA (EXCEPT AS NOTED).  
2/ FAMILIES WITH INCOME OF \$1,000 OR LESS.  
3/ BASED ON 1959 DATA.  
SOURCE: DEPARTMENT OF COMMERCE.

large number of the poor are unable to work. An analysis of the incidence of poverty helps one understand the reasons for low earnings.

The incidence of poverty for any specified group of families is the percentage of that group with incomes below \$3,000. For all families, the incidence in 1962 was 20 percent. An incidence for a particular group higher than 20 percent, or higher than the rates for other similar groups, suggests that some characteristics of that group are causally related to poverty. The basic cause may not be the particular characteristic used to classify the group. But an examination of groups with high incidence should throw light on the roots of poverty. Incidence of poverty in 1947 and 1962 is shown for several major types of families in Chart 9.

Table 5 shows that the incidence of poverty is 76 percent for families with no earners. From other data, it appears that the incidence rate is 49 percent for families headed by persons who work part-time. A family may be in either of these situations as a result of age, disability, premature death

TABLE 5.—Incidence of poverty, by characteristics relating to labor force participation, 1962

Selected characteristic	Incidence of poverty (percent)
All families	20
Earners in family:	
None	76
One	20
Two	10
Three or more	8
Labor force status of head: <sup>1</sup>	
Not in civilian labor force	50
Employed	12
Unemployed	34
Age of head:	
14-24 years	31
25-54 years	13
55-64 years	10
65 years and over	47
Sex of head:	
Male	17
Female	48

<sup>1</sup> Status relates to survey week of March 1963.

NOTE.—Data relate to families and exclude unrelated individuals. Poverty is defined to include all families with total money income of less than \$3,000; these are also referred to as poor families. Incidence of poverty is calculated by the percent that poor families with a given characteristic are of all families having the same characteristic.

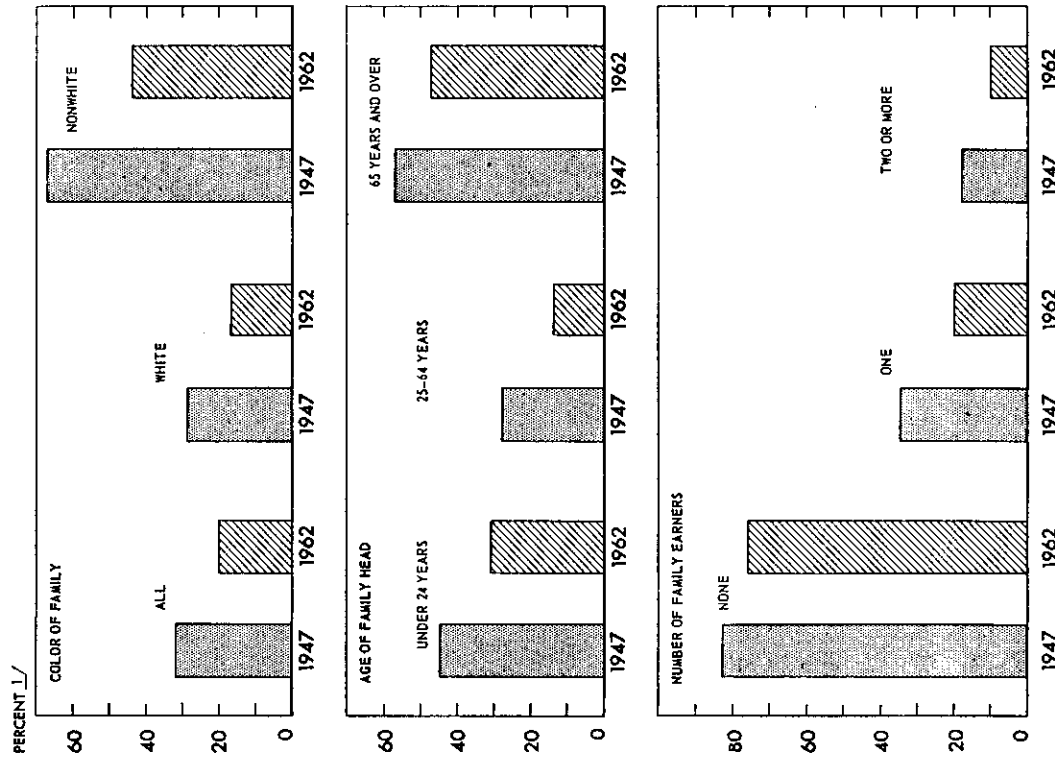
Sources: Department of Commerce and Council of Economic Advisers.

of the principal earner, need to care for children or disabled family members, lack of any saleable skill, lack of motivation, or simply heavy unemployment in the area.

The problem of another group of families is the low rates of pay found most commonly in certain occupations. For example, the incidence of poverty among families headed by employed persons is 45 percent for farmers, and 74 percent for domestic service workers (Supplementary Table 12).

Chart 9

## Incidence of Poverty



1/PERCENT OF FAMILIES WITH GIVEN CHARACTERISTIC THAT ARE POOR. POOR FAMILIES ARE DEFINED AS ALL FAMILIES WITH TOTAL MONEY INCOME OF LESS THAN \$3,000 (1962 PRICES)

SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS

The chief reason for low rates of pay is low productivity, which in turn can reflect lack of education or training, physical or mental disability, or poor motivation. Other reasons include discrimination, low bargaining power, exclusion from minimum wage coverage, or lack of mobility resulting from inadequate knowledge of other opportunities, or unwillingness or inability to move away from familiar surroundings.

The importance of education as a factor in poverty is suggested by the fact that families headed by persons with no more than 8 years of education have an incidence rate of 37 percent (Table 6). Nonwhite and rural families show an even higher incidence of poverty (Table 6 and Supplementary Table 13). The heads of these families are typically less well educated than average. For example, nonwhite family heads have completed a median of

TABLE 6.—Incidence of poverty by education, color, and residence, 1962

Selected characteristic	Incidence of poverty (percent)
All families.....	20
Education of head: <sup>1</sup>	
8 years or less.....	37
9-11 years.....	20
12 years.....	12
More than 12 years.....	8
Color of family:	
White.....	17
Nonwhite.....	44
Residence of family:	
Farm.....	43
Nonfarm.....	34
	18

<sup>1</sup> Data relate to 1961, and money income in 1962 prices.

Note.—Data relate to families and exclude unrelated individuals. Poverty is defined to include all families with total money income of less than \$2,000; these are also referred to as poor families. The incidence of poverty is measured by the percent that poor families with a given characteristic are of all families having the same characteristic.

Sources: Department of Commerce and Council of Economic Advisers.

8.7 years of school, compared to 11.8 for whites. In 1959 the median education of all males over 25 with incomes below \$1,000 and living on a farm was slightly above 7 years in school; those with incomes above \$5,000 had completed over 10 years in school.

Supplementary Table 14 presents additional detail from the 1960 census on the incidence of poverty among families classified by educational attainment, color, age, and family type. The severely handicapping influence of lack of education is clear. The incidence of poverty drops as educational attainments rise for nonwhite as well as white families at all ages. The high frequency of poverty for nonwhites is not, however, fully explained by their educational deficit. As Supplementary Table 14 shows, the incidence of poverty among nonwhites is almost invariably higher than among whites regardless of age, family type, or level of educational attainment. Supplementary Table 15 shows that nonwhites earn less than whites with the same education even when they practice the same occupation.

Some families are forced into poverty by society's own standards. Their potential earners, otherwise able to hold a job, cannot free themselves from the family responsibilities which they must fulfill. Such is the case, for example, with families headed by women with small children.

Customary or mandatory retirement at a specified age also limits earnings by some healthy, able-bodied persons. However, retirement is often associated with deteriorating health, and poverty among the aged is greatest at ages over 70 or 75 and for aged widows—persons for whom employment is not a realistic alternative.

#### PROPERTY INCOME AND USE OF SAVINGS

Some families with inadequate current earnings from work can avoid poverty thanks to past savings—which provide an income and, if necessary, can be used to support consumption. Savings are particularly important for the elderly. More than half of those over 65 have money incomes above \$3,000, and many also own homes. Others, although their money incomes are below \$3,000, have adequate savings that can be drawn upon to support a decent standard of consumption.

But most families with low earnings are not so fortunate. If avoiding poverty required an income supplement of \$1,500 a year for a retired man and his wife, they would need a capital sum at age 65 of about \$19,000 to provide such an annuity. Few families have that sum. The median net worth for all spending units (roughly equivalent to the total of families and unrelated individuals) was only \$4,700 in 1962. For all spending units whose head was 65 years or more, the median net worth was \$8,000. Meeting contingencies caused by illnesses is often a crucial problem for older people. About half of the aged, and about three-fourths of the aged poor, have no hospital insurance, although their medical care costs are 2½ times as high as those of younger persons. Their resources are typically inadequate to cover the costs of a serious illness.

The median net worth of the fifth of all spending units having the lowest incomes was only \$1,000. Much of what property they have is in the form of dwellings. (About 40 percent of all poor families have some equity in a house.) Although this means that their housing costs are reduced, property in this form does not provide money income that can be used for other current expenses.

Most families—including the aged—whose incomes are low in any one year lack significant savings or property because their incomes have always been at poverty levels. This is clear in the results of the Michigan study already cited. Among the reporting families classified in that study as poor in 1959, 60 percent had never earned disposable income as high as \$3,000, and nearly 40 percent had never reached \$2,000. The comparable figures for all families were 17 percent and 10 percent, respectively. Among the aged poor reporting, 79 percent had never reached \$3,000, and fully one-half had never earned \$2,000. While nearly 60 percent of all families have

enjoyed peak incomes above \$5,000, among all poor families only 14 percent had ever reached that level; and a mere 5 percent of the aged poor had ever exceeded \$5,000.

The persistence of poverty is reflected in the large number who have been unable to accumulate savings. The Survey Research Center study found that more than one-half of the aged poor in 1959 had less than \$500 in liquid savings (bank deposits and readily marketable securities), and they had not had savings above that figure during the previous 5 years. Less than one-fifth of all poor families reported accumulated savings in excess of \$500. The mean amount of savings used by poor families in 1959 was \$120; and only 23 percent of the poor drew on savings at all.

It is clear that for most families property income and savings do not provide a buffer against poverty. Some 1962 data on liquid savings are contained in Supplementary Table 16.

#### TRANSFER PAYMENTS AND PRIVATE PENSIONS

Poverty would be more prevalent and more serious if many families and individuals did not receive transfer payments. In 1960, these payments (those which are not received in exchange for current services) constituted only 7 percent of total family income, but they comprised 43 percent of the total income of low-income spending units. At the same time, however, only about half of the present poor receive any transfer payments at all. And, of course, many persons who receive transfers through social insurance programs are not poor—often as a result of these benefits.

Transfer programs may be either public or private in nature and may or may not have involved past contributions by the recipient. Public transfer programs include social insurance—such as Unemployment Compensation, Workmen's Compensation, and Old-Age, Survivors', and Disability Insurance (OASDI); veterans' benefits; and public assistance programs, such as Old Age Assistance (OAA) and Aid to Families with Dependent Children (AFDC).

Private transfer programs include organized systems such as private pension plans and supplementary unemployment benefits, organized private charities, and private transfers within and among families.

It is important to distinguish between insurance-type programs and assistance programs, whether public or private. Assistance programs are ordinarily aimed specifically at the poor or the handicapped. Eligibility for their benefits may or may not be based upon current income; but neither eligibility nor the size of benefits typically bears any direct relationship to past income. Eligibility for insurance-type programs, on the other hand, is based on past employment, and benefits on past earnings.

The Federal-State unemployment insurance system covers only about 77 percent of all paid employment and is intended to protect workers with a regular attachment to the labor force against temporary loss of income. Benefits, of course, are related to previous earnings.

While the largest transfer-payment program, OASDI, now covers approximately 90 percent of all paid employment, there are still several million aged persons who retired or whose husbands retired or died before acquiring coverage. Benefits are related to previous earnings, and the average benefit for a retired worker under this program at the end of 1963 was only \$77 a month, or \$924 a year. The average benefit for a retired worker and his wife if she is eligible for a wife's benefit is \$1,565 a year.

Public insurance-type transfer programs have made notable contributions to sustaining the incomes of those whose past earnings have been adequate, and to avoiding their slipping into poverty as their earnings are interrupted or terminated. These programs are of least help to those whose earnings have never been adequate.

Public assistance programs are also an important support to low-income and handicapped persons. Money payments under OAA average about \$62 a month for the country as a whole, with State averages ranging from \$37 to about \$95 a month. In the AFDC program the national average payment per family (typically of 4 persons) is about \$129 a month, including services rendered directly. State averages range from \$38 a month to about \$197 a month.

Private transfers within and between families are included in the total money income figures used in this chapter only to the extent that they are regular in nature, e.g., alimony or family support payments, and are excluded when they take the form of casual or irregular gifts or bequests. While data are lacking on the value of such gifts, they are clearly not a major source of income for the poor.

Private pensions, providing an annuity, are additional resources for some persons and families. In 1961 the beneficiaries of such plans numbered about 2 million (as against about 12 million receiving OASDI benefits), and total benefits paid were about \$2 billion. While the combination of OASDI and private pensions serves to protect some from poverty, most persons receiving OASDI receive no private pension supplement. In any case, benefits under private pension plans range widely, and since they are typically related to the individual's previous earnings, they are low when earnings have been low.

Thus, although many families do indeed receive supplements to earnings in the form of pensions, social insurance benefits, and incomes from past saving, those families with a history of low earnings are also likely to have little of such supplementary income. And since most poor families have small amounts of property, they cannot long meet even minimum needs by depleting their assets.

#### THE VICIOUS CIRCLE

Poverty breeds poverty. A poor individual or family has a high probability of staying poor. Low incomes carry with them high risks of illness; limitations on mobility; limited access to education, information, and train-

ing. Poor parents cannot give their children the opportunities for better health and education needed to improve their lot. Lack of motivation, hope, and incentive is a more subtle but no less powerful barrier than lack of financial means. Thus the cruel legacy of poverty is passed from parents to children.

Escape from poverty is not easy for American children raised in families accustomed to living on relief. A recent sample study of AFDC recipients found that more than 40 percent of the parents were themselves raised in homes where public assistance had been received. It is difficult for children to find and follow avenues leading out of poverty in environments where education is deprecated and hope is smothered. This is particularly true when discrimination appears as an insurmountable barrier. Education may be seen as a waste of time if even the well-trained are forced to accept menial labor because of their color or nationality.

The Michigan study shows how inadequate education is perpetuated from generation to generation. Of the families identified as poor in that study, 64 percent were headed by a person who had had less than an eighth grade education. Of these, in turn, 67 percent had fathers who had also gone no further than eighth grade in school. Among the children of these poor families who had finished school, 34 percent had not gone beyond the eighth grade; this figure compares with 14 percent for all families. Fewer than 1 in 2 children of poor families had graduated from high school, compared to almost 2 out of 3 for all families.

Of 2 million high school seniors in October 1959 covered by a Census study, 12 percent did not graduate in 1960. Of these drop-outs 54 percent had IQ's above 90, and 6 percent were above 110. Most of them had the intellectual capabilities necessary to graduate. The drop-out rate for non-white male students, and likewise for children from households with a nonworking head, was twice the over-all rate. And it was twice as high for children of families with incomes below \$4,000 as for children of families with incomes above \$6,000. Moreover, many of the children of the poor had dropped out before reaching the senior year.

A study of drop-outs in New Haven, Connecticut, showed that 48 percent of children from lower-class neighborhoods do not complete high school. The comparable figure for better neighborhoods was 22 percent.

Other studies indicate that unemployment rates are almost twice as high for drop-outs as for high school graduates aged 16-24. Moreover, average incomes of male high school graduates are 25 percent higher than those of high school drop-outs, and nearly 150 percent higher than those of men who completed less than 8 years of schooling.

There is a well-established association between school status and juvenile delinquency. For example, in the New Haven study cited above, 48 percent of the drop-outs, but only 18 percent of the high school graduates, had one or more arrests or referrals to juvenile court.

Low-income families lose more time from work, school, and other activities than their more fortunate fellow citizens. Persons in families with incomes under \$2,000 lost an average of 8 days of work in the year 1960-61, compared to 5.4 for all employed persons. They were restricted in activity for an average of 30 days (compared to 16.5 for the whole population) and badly disabled for 10.4 days (compared to 5.8 for the whole population).

TABLE 7.—Number of families and incidence of poverty, by selected family characteristics, 1947 and 1962

Selected characteristic	Number of families		Incidence of poverty (percent) <sup>1</sup>	Percentage change in number of poor families, 1947 to 1962
	Millions			
	1947	1962		
All families.....	37.3	47.0	32	20
Earners in family:				
None.....	2.2	3.8	83	76
One.....	21.9	21.1	35	20
Two.....	9.9	17.0	20	10
Three or more.....	3.3	6.1	10	8
Labor force status of head: <sup>2</sup>				
Not in civilian labor force.....	5.5	8.4	61	90
Employed.....	1.2	1.7	49	34
Unemployed.....	31.9	38.9	28	16
Age of head:				
14-24 years.....	1.8	2.5	45	31
25-54 years.....	25.0	30.4	27	13
55-64 years.....	6.1	7.3	32	19
65 years and over.....	4.4	6.8	57	47
Sex of head:				
Male.....	33.5	42.3	30	17
Female.....	3.8	4.7	51	46
Color of family:				
White.....	34.2	42.4	29	17
Nonwhite.....	3.1	4.6	67	44
Children under 18 years of age in family:				
None.....	16.2	18.8	36	26
One.....	8.9	8.7	30	17
Two.....	6.4	8.5	27	13
Three or more.....	6.7	10.9	32	17
Regional location of family: <sup>3</sup>				
Northeast.....	10.1	11.5	26	14
North Central.....	11.5	13.1	30	18
South.....	11.6	13.6	49	32
West.....	6.1	7.0	28	15
Residence of family:				
Farm.....	6.3	3.2	56	43
Nonfarm.....	30.8	43.8	27	19

<sup>1</sup> The incidence of poverty is measured by the percent that poor families with a given characteristic are of all families having the same characteristic.

<sup>2</sup> Labor force status is for April survey week of 1949 and March survey week of 1963. Income data (1962 prices) are for 1948 and 1962.

<sup>3</sup> Income data for 1949 and 1959. Since regional location data are from 1950 and 1960 Censuses, they are not strictly comparable with other data shown in this table, which are derived from *Current Population Reports*.

<sup>4</sup> The 1960 Census change in definition of a farm resulted in a decline of slightly over 1 million in the total number of farm families. Therefore, the incidence figures for 1947 and 1962 may not be strictly comparable.

<sup>5</sup> Since 1959, nonfarm data are not available separately for rural nonfarm and urban.

NOTE.—Data relate to families and exclude unrelated individuals. Poverty is defined to include all families with total money income of less than \$3,000 (1962 prices); these are also referred to as poor families.

Sources: Department of Commerce and Council of Economic Advisers.

**RECENT CHANGES IN THE PATTERN OF POVERTY**

In spite of tendencies for poverty to breed poverty, a smaller proportion of our adult population has been poor—and a smaller fraction of American children exposed to poverty—in each succeeding generation. But, at least since World War II, the speed of progress has not been equal for all types of families, as is shown in Table 7.

The incidence of poverty has declined substantially for most categories shown in the table. But there are some notable exceptions—families (1) with no earner, (2) with head not in the civilian labor force, (3) with head 65 years of age or older, (4) headed by a woman, and (5) on farms. It is also striking that in these classes poverty is high as well as stubborn. Poverty continues high also among nonwhites, although there has been a large and welcome decline in this incidence.

With the sole exception of the farm group, the total number of all families in each of these categories has remained roughly the same or has increased. Hence the high-incidence groups, including the nonwhites, have come to constitute a larger *proportion* of the poor (Table 8).

TABLE 8.—Selected characteristics of poor families, 1947 and 1962

Selected characteristic	Percent of poor families with characteristic	
	1947	1962
Family head:		
65 years of age and over.....	20	34
Female.....	16	26
Nonwhite families.....	18	22
Rural farm families.....	30	20
No earners in family.....	16	30

<sup>1</sup> Data are from *Current Population Reports* and are for 1960, based on income in 1962 prices. See Table 7, footnote 4, for comparability problem.

Note.—Data relate to families and exclude unrelated individuals. Poor families are defined as all families with total money income of less than \$3,000 (1962 prices).

Sources: Department of Commerce and Council of Economic Advisers.

This tabulation shows that certain handicapping characteristics, notably old age, or absence of an earner or of a male family head, have become increasingly prominent in the poor population. This is both a measure of past success in reducing poverty and of the tenacity of the poverty still existing. Rising productivity and earnings, improved education, and the structure of social security have permitted many families or their children to escape; but they have left behind many families who have one or more special handicaps. These facts suggest that in the future economic growth alone will provide relatively fewer escapes from poverty. Policy will have to be more sharply focused on the handicaps that deny the poor fair access to the expanding incomes of a growing economy.

But the significance of these shifts in composition should not be exaggerated. About half of the poor families are still headed neither by an aged person nor by a woman, and 70 percent include at least one earner. High employment and vigorous economic growth are still of major importance for this group. And it is essential to remember that one-third of the present poor are children. For them, improvements in the availability and quality of education offer the greatest single hope of escaping poverty as adults.

**STRATEGY AGAINST POVERTY**

Public concern for the poor is not new. Measures to prevent, and particularly to relieve, poverty have an ancient origin in every civilization. Each generation in America has forged new weapons in the public and private fight against this perennial enemy. Until recent decades the focus was primarily on the alleviation of distress, rather than on prevention or rehabilitation. Yet all the while, the sources of poverty have been eroded as a by-product of a general advance in economic well-being and of measures designed to achieve other social goals. Universal education has been perhaps the greatest single force, contributing both to social mobility and to general economic growth.

The social legislation of the New Deal, strengthened and expanded in every subsequent national administration, marked a turning point by recognizing a *national* interest in the economic well-being and security of individuals and families. The social insurance programs established in the 1930's were designed principally to alleviate poverty in old age and to shield families from the loss of all income during periods of unemployment. The tasks for our generation are to focus and coordinate our older programs and some new ones into a comprehensive long-range attack on the poverty that remains. A new federally led effort is needed, with special emphasis on prevention and rehabilitation.

A forthcoming special Presidential message will describe the new attack and propose specific programs. The purpose of this section is not to present those measures, but rather to outline some leading elements of an over-all attack on poverty, recognizing the wide array of existing antipoverty programs, pointing to ways in which they might be reinforced and focused in the years ahead, and taking account of programs proposed in the past three years and awaiting consideration.

**MAINTAINING HIGH EMPLOYMENT**

The maintenance of high employment—a labor market in which the demand for workers is strong relative to the supply—is a powerful force for the reduction of poverty. In a strong labor market there are new and better opportunities for the unemployed, the partially employed, and the low paid. Employers have greater incentive to seek and to train workers when their own markets are large and growing. For these reasons, tax reduction is the first requisite in 1964 of a concerted attack on poverty. To

fight poverty in a slack economy with excess unemployment is to tie one hand behind our backs. We need not do so.

*Accelerating economic growth.* In the longer run the advance of standards of living depends on the rate of growth of productivity per capita, and this in turn depends on science and technology, capital accumulation, and investments in human resources, as Chapter 3 has indicated. Growth also expands the resources available to governments and private organizations to finance specific programs against poverty.

*Fighting discrimination.* A program to end racial discrimination in America will open additional exits from poverty, and for a group with an incidence of poverty at least twice that for the Nation as a whole. Discrimination against Negroes, Indians, Spanish-Americans, Puerto Ricans and other minorities reduces their employment opportunities, wastes their talents, inhibits their motivation, limits their educational achievement and restricts their choice of residence and neighborhood. Almost half of nonwhite Americans are poor. For nonwhites infant mortality is twice as high as for whites; maternal deaths are four times as frequent; expectation of life for males at age 20 is almost five years less.

Discriminatory barriers have been erected and maintained by many groups. Business and labor, other private organizations and individuals, and all levels of government must share in their removal.

The economic costs of discrimination to the total society are also large. By discrimination in employment, the Nation denies itself the output of which the talents and training of the nonwhite population are already capable. By discrimination in education and environment, the Nation denies itself the potential talents of one-ninth of its citizens. But the basic case against discrimination is not economic. It is that discrimination affronts human dignity.

The Executive Branch is vigorously pursuing nondiscriminatory policies and practices. It has proposed comprehensive Civil Rights legislation that would help make it possible for all Americans to develop and use their capabilities. But it will have its full effect only when all Americans join in dedicating themselves to the justice of this cause.

*Improving regional economies.* In a dynamic economy, whole regions lose their economic base when their natural resources are depleted or changes in taste and technology pass them by. Appalachia and the cutover areas of the Northern Lakes States are contemporary examples. State and regional programs, assisted by the Federal Government through the Area Redevelopment Administration, seek to restore in such regions a viable economic base suitable to their physical and human resources.

*Rehabilitating urban and rural communities.* Overcrowded, unsanitary, and unsafe neighborhoods are a drag on the economic progress of a whole city. Eradication of slums can provide improved opportunities for their residents and enable them to contribute more to the community. Improved relocation programs are essential to avoid pushing the poor from an old

slum to a new one. Improved community facilities and services, including day care centers for children of working mothers, are needed in low-income urban areas. (Nine million children under 12 have mothers who work outside the home. Of these fully 400,000 are now expected to care for themselves while their mothers work full time.) Among facilities that are critically needed for slum families are adequate housing, hospitals, parks, libraries, schools, and community centers. Improvement of the physical environment, however, is not enough. Especially when newcomers to urban areas are involved, there need to be programs to facilitate adaptation to the new environments. The Administration's proposed National Service Corps could aid and supplement local efforts to provide these and other urgently needed services.

Parallel programs for rehabilitation are needed in depressed rural areas. In some rural communities, even in whole counties, almost every family is at the poverty level. In such situations local resources cannot possibly provide adequate schools, libraries, and health and community centers. A healthy farm economy is basic to the strength of farm communities; and the Rural Area Development program and the ARA are also of assistance in improving income and employment opportunities on and off the farm. Particular attention must be paid to the special problems of depressed nonfarm rural areas—such as the Ozarks or the larger part of rural Appalachia; of Indians on reservations; and of migrant workers.

*Improving labor markets.* Improved employment information can help potential workers learn about and take advantage of new job opportunities, sometimes in different industries, occupations, and locations. A strengthened Federal-State Employment Service, better guidance and counseling services, development of a system for early warning of labor displacement resulting from technological change, assistance in worker relocation (as provided by the Trade Expansion Act and in the recent amendments to the Manpower Development and Training Act), increased amounts and duration of unemployment insurance benefits and extension of its coverage—all these will enable more persons to maintain or increase their earnings.

*Expanding educational opportunities.* If children of poor families can be given skills and motivation, they will not become poor adults. Too many young people are today condemned to grossly inadequate schools and instruction. Many communities lack resources for developing adequate schools or attracting teachers of high quality. Other communities concentrate their resources in the higher income areas, providing inadequate educational opportunities to those at the bottom of the economic ladder. Effective education for children of poor families must be tailored to their special needs; and such education is more costly and surely more difficult than for children from homes that are economically and socially more secure. The school must play a larger role in the development of poor youngsters if they are to have, in fact, "equal opportunity." This often means that

schooling must start on a pre-school basis and include a broad range of more intensive services. The President's program against poverty will propose project grants to strengthen educational services to children of the poor.

Where such special efforts have been made, it has become clear that few children are unable to benefit from good education. Only a small percentage of those born each year are incapable of acquiring the skills, motivation, and attitudes necessary for productive lives. The idea that the bulk of the poor are condemned to that condition because of innate deficiencies of character or intelligence has not withstood intensive analysis.

*Enlarging job opportunities for youth.* Recent legislation for Vocational Education will help to improve the preparation of teen-agers for productive employment. Improved counseling and employment services are needed for those leaving school. The Administration's proposed Youth Employment Act will strengthen on-the-job training and public service employment programs, and will establish a Youth Conservation Corps.

*Improving the Nation's health.* The poor receive inadequate medical care, from before birth to old age. And poverty is perpetuated by poor health, malnutrition, and chronic disabilities. New and expanded school health and school lunch programs will improve both health and education. The recent Report of the President's Task Force on Manpower Conservation, based on a survey of Selective Service rejectees, lends particular emphasis to the importance of improving our health programs, especially those aimed at children and young people. That Report also underlines the need to cope with educational deficiencies by expanded vocational and literacy training and improved counseling.

Legislation has recently been enacted to increase the supply of physicians and dentists, and to expand mental health services. The poor have a special stake in our ongoing programs of medical research. Many aged persons are confronted by medical needs beyond their financial means. Passage of the program to provide hospital insurance for the aged under the social security system is an urgent immediate step.

*Promoting adult education and training.* In an economy characterized by continual technological advance, many adults will not be able to earn incomes above the poverty line without new skills and training. The Manpower Training and Development Act and the training programs under the Area Redevelopment Act represent public recognition of this need. These and other programs to train and retrain workers must be expanded and strengthened, placing more emphasis on those with the greatest educational deficiencies. In particular, our relatively modest efforts to provide basic literacy have proved the value of such training. Many who have been regarded (and have often regarded themselves) as uneducable can and do learn the basic skills, and these in turn equip them for training programs supplying the specific skills sought by employers. Such basic education is now being made available to many more adults.

*Assisting the aged and disabled.* Continued long-run improvement of social insurance benefits, along with expanded programs to cover hospital-

related costs for the aged, and augmented construction of housing to meet the particular needs of the aged, are necessary steps in a continuing campaign against poverty.

#### ORGANIZING THE ATTACK ON POVERTY

In this latest phase of the Nation's effort to conquer poverty, we must marshal already developed resources, focus already expressed concerns, and back them with the full strength of an aroused public conscience.

Poverty, as has been shown, has many faces. It is found in the North and in the South; in the East and in the West; on the farm and in the city. It is found among the young and among the old, among the employed and the unemployed. Its roots are many and its causes complex. To defeat it requires a coordinated and comprehensive attack. No single program can embrace all who are poor, and no single program can strike at all the sources of today's and tomorrow's poverty.

Diverse attacks are needed, but we must not lose sight of their common target—poverty. Many programs are directed against social problems which the poor share with the non-poor—insecurity of income, depressed regional economies, inefficient and unattractive rural and urban environments, disabilities of health and age, inadequate educational opportunities, racial discrimination. These are all to the good. But we must not let poor individuals and families get lost between these programs. Programs must be sufficiently coordinated that, whatever else they individually accomplish, they act together to lift the economic and social status of America's poor. And soon. For war has now been declared on poverty as such.

This coordinated attack must be adapted to local circumstances. The needs of the poor are not the same in East Kentucky and in West Harlem. Coordinated programs of community action will play a critical role in the assault on poverty. Communities will be encouraged and helped to develop individual programs aimed at the special problems of their own poor families. Individual communities thus can participate in a nationwide action, research, and demonstration program, backed by the interest and resources of State and local governments and private organizations, and the coordinated efforts of Federal agencies working in such fields as education, health, housing, welfare, and agriculture.

Conquest of poverty is well within our power. About \$11 billion a year would bring all poor families up to the \$3,000 income level we have taken to be the minimum for a decent life. The majority of the Nation could simply tax themselves enough to provide the necessary income supplements to their less fortunate citizens. The burden—one-fifth of the annual defense budget, less than 2 percent of GNP—would certainly not be intolerable. But this "solution" would leave untouched most of the roots of poverty. Americans want to *earn* the American standard of living by their own efforts and contributions. It will be far better, even if more difficult, to equip and to permit the poor of the Nation to produce and to earn the additional \$11 billion, and more. We can surely afford greater generosity in relief of distress. But the major thrust of our campaign must

be against causes rather than symptoms. We can afford the cost of that campaign too.

The Nation's attack on poverty must be based on a change in national attitude. We must open our eyes and minds to the poverty in our midst. Poverty is not the inevitable fate of any man. The condition can be eradicated; and since it can be, it must be. It is time to renew our faith in the worth and capacity of all human beings; to recognize that, whatever their past history or present condition, all kinds of Americans can contribute to their country; and to allow Government to assume its responsibility for action and leadership in promoting the general welfare.

## Supplementary Tables Relating to Poverty

TABLE 9.—Number and money income of unrelated individuals, by selected characteristics, 1962

Selected characteristic	Number (millions)	Percent with income	
		Less than \$1,500 (1962 prices)	Less than \$1,000 (1962 prices)
All individuals.....	11.0	45	29
Ages:			
14-24 years.....	1.1	51	40
25-64 years.....	3.5	27	19
65 years and over.....	2.3	37	25
65 years and over.....	4.2	64	37
Sex:			
Male.....	4.3	35	21
Female.....	6.8	51	34
Color:			
White.....	9.5	43	27
Nonwhite.....	1.5	56	41
Residence:			
Farm.....	.4	67	50
Nonfarm.....	10.6	44	28
Nonearners.....	4.3	76	49

NOTE.—Unrelated individuals are persons (other than inmates of institutions) who are not living with any relatives.

Sources: Department of Commerce and Council of Economic Advisers.

TABLE 10.—Number and distribution of poor families, by education and other selected characteristics, 1959

Selected characteristic	Number of poor families (thousands)	Percent of poor families with characteristic				
		Total	Years of school completed			
			8 years or less	9 to 11 years	12 years	More than 12 years
All families <sup>1</sup> .....	9,861	100	64	16	13	6
White families.....	7,815	79	49	13	11	6
Head under 25 years of age.....	597	6	1	2	2	1
Husband-wife families.....	496	5	1	1	2	1
Female head.....	86	1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Head 25 to 64 years of age.....	4,419	46	27	8	7	4
Husband-wife families.....	3,288	34	21	6	5	3
Female head.....	851	10	5	2	2	1
Head 65 years old or older.....	2,699	27	21	3	2	1
Husband-wife families.....	2,120	22	17	2	1	1
Female head.....	2,359	4	3	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Nonwhite families.....	2,036	21	15	3	2	1
Head under 25 years of age.....	154	2	1	1	( <sup>1</sup> )	( <sup>1</sup> )
Husband-wife families.....	101	1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Female head.....	49	1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Head 25 to 64 years of age.....	1,533	16	11	3	1	( <sup>1</sup> )
Husband-wife families.....	1,062	10	8	1	1	( <sup>1</sup> )
Female head.....	511	5	3	1	1	( <sup>1</sup> )
Head 65 years old or older.....	349	4	3	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Husband-wife families.....	235	2	2	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Female head.....	94	1	1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Includes "husband-wife" families, "female head" families, and "other male head" families. Husband-wife families are those in which both husband and wife are present. Female head families are those with no male head. Other male head families are those with no female spouse present; this family type is excluded from the detail of table but is included in the totals for color and age.

Note.—Data relate to families and exclude unrelated individuals. Poor families are defined as all families with total money income of less than \$3,000 in 1959. Since the data in this table relate to income in 1959 prices, they are not strictly comparable with data in other poverty tables in this report, which are based on income in 1962 prices.

Sources: Department of Commerce and Council of Economic Advisers.

TABLE 11.—Number of families and distribution of poor families, by residence and other selected characteristics, 1959

Selected characteristic	Total families	Urban families	Rural nonfarm families	Rural farm families
Number of families:				
All.....	46.1	31.9	9.9	3.3
Poor.....	9.2	5.0	2.7	1.5
Percent				
Percent of poor families with selected characteristic:				
Head:				
65 years of age and over.....	31	17	10	4
Female.....	22	16	5	1
Nonwhite.....	21	13	6	2
No earners.....	31	19	9	3

Note.—Data relate to families and exclude unrelated individuals. Poor families are defined as all families with total money income of less than \$3,000 (1962 prices). Data are from 1960 Census and relate to residence in 1959, the latest year for which rural families can be identified as farm or nonfarm. Since percentage distributions are computed from 1960 Census data, they are not strictly comparable with distributions of poor families shown in Tables 4 and 8, which are derived from Current Population Reports.

Sources: Department of Commerce and Council of Economic Advisers.

TABLE 12.—Incidence of poverty, by occupation of family head, 1962

Occupation of head <sup>1</sup>	Incidence of poverty (percent)
Total civilian workers.....	12
Professional and technical workers.....	3
Farmers or farm managers.....	45
Clerical workers.....	7
Sales workers.....	9
Craftsmen.....	3
Operative workers.....	11
Domestic workers.....	74
Service workers other than domestic.....	22
Food workers or foremen.....	56
Laborers, except farm and mine.....	23

<sup>1</sup> Occupation in March 1963.

Note.—Data relate to families and exclude unrelated individuals. Poverty is defined to include all families with total money income of less than \$3,000; these are also referred to as poor families. Incidence of poverty is measured by the percent that poor families with a given characteristic are of all families having the same characteristic.

Sources: Department of Commerce and Council of Economic Advisers.

TABLE 13.—Number of families and incidence of poverty, by residence and other selected characteristics, 1959

Selected characteristic	Millions		
	Total families	Urban families	Rural nonfarm families
Number of families:			
ALL.....	46.1	31.9	9.9
Poor.....	9.2	5.0	2.7
	Percent		
Incidence of poverty by selected family characteristic:			
Head:			
65 years of age and over.....	47	39	62
Female.....	48	44	63
Nonwhite.....	46	38	88
No earners.....	81	77	87

NOTE.—Data relate to families and exclude unrelated individuals. Poor families are defined as all families with total money income of less than \$3,000 (1962 prices). Incidence of poverty is measured by the percent that poor families with a given combination of characteristics are of all families with the same combination of characteristics.

Data are from 1960 Census and relate to residence in 1959, the latest year for which rural families can be identified as farm or nonfarm.

Since incidence figures are computed from 1960 Census data, they are not strictly comparable with incidence figures in Tables 5, 6, and 7, which are derived from *Current Population Reports*.

Sources: Department of Commerce and Council of Economic Advisers.

TABLE 14.—Number of families and incidence of poverty, by education and other selected characteristics, 1959

Selected characteristic	Number of families (thousands)	Incidence of poverty (percent)				
		Total	Years of school completed			
			8 years or less	9 to 11 years	12 years	More than 12 years
All families.....	46,150	21	35	18	12	8
White families.....	40,887	19	31	15	11	7
Head under 25 years of age.....	2,114	28	45	33	22	22
Husband-wife families.....	1,964	25	42	28	20	20
Female head.....	112	77	85	86	68	60
Head 25 to 64 years of age.....	33,164	13	23	12	8	5
Husband-wife families.....	30,087	11	21	9	6	4
Female head.....	2,344	42	51	46	36	23
Head 65 years old or older.....	5,909	48	53	39	33	24
Husband-wife families.....	4,354	48	52	39	34	23
Female head.....	4,849	42	46	40	33	23
Nonwhite families.....	4,263	48	57	42	30	18
Head under 25 years of age.....	242	64	76	66	51	40
Husband-wife families.....	178	57	71	56	45	42
Female head.....	55	89	94	92	83	50
Head 25 to 64 years of age.....	3,527	43	53	38	27	15
Husband-wife families.....	2,980	36	47	26	19	11
Female head.....	713	72	77	73	62	39
Head 65 years old or older.....	494	71	74	52	50	41
Husband-wife families.....	335	70	73	53	45	42
Female head.....	123	76	79	63	75	50

! Include "husband-wife" families, "female head" families, and "other male head" families. Husband-wife families are those in which both spouses are present. Female head families are those with no male spouse present. Other male head families are those with no female spouse present; this family type is excluded from the detail of table but is included in the totals for color and age.

NOTE.—Data relate to families and exclude unrelated individuals. Poor families are defined as all families with total money income of less than \$3,000 in 1959. Since the data in this table relate to income in 1959 prices, they are not strictly comparable with data in other poverty tables in this Report, which are based on income in 1962 prices. Incidence of poverty is measured by the percent that poor families with a given combination of characteristics are of all families with the same combination of characteristics.

Sources: Department of Commerce and Council of Economic Advisers

TABLE 15.—Earnings of elementary school graduates, by color and occupation, 1959

Occupation	Average earnings of elementary school graduates		Earnings of nonwhites as percent of earnings of whites
	White	Nonwhite	
Craftsmen, foremen, and kindred workers <sup>1</sup> .....	\$3,300	\$3,600	72
Machinists.....	5,500	4,300	79
Painters and construction and maintenance workers.....	4,200	3,100	73
Plumbers and pipefitters.....	5,600	4,000	71
Operatives and kindred workers.....	4,800	3,600	75
Truck and tractor drivers.....	4,300	3,300	68
Other operatives and kindred workers.....	4,800	3,800	80
Service workers (including private household workers) <sup>1</sup> .....	3,900	2,900	75
Farm laborers and foremen.....	2,400	1,900	62

<sup>1</sup> Over-all average for group includes some occupations not shown separately.

NOTE.—Elementary school graduates are persons who completed 8 grades of school but not more.

Sources: Department of Commerce and Council of Economic Advisers.

TABLE 16.—Distribution of spending units with income under \$3,000, by age of head and amount of liquid assets, 1962

Amount of liquid assets	Percent of spending units with income of less than \$3,000, by age of head				
	Under 35 years	35 to 44 years	45 to 64 years	65 years and over	100.0
Total.....	100.0	100.0	100.0	100.0	100.0
None.....	68.5	70.6	57.5	38.7	
\$1-\$999.....	25.8	19.6	22.3	9.6	
\$1,000-\$999.....	2.8	1.7	5.7	7.5	
\$1,000-\$4,999.....	2.9	7.0	9.2	25.5	
\$5,000-\$9,999.....	( <sup>1</sup> )	1.1	3.1	10.6	
\$10,000 and over.....	( <sup>1</sup> )	( <sup>1</sup> )	2.2	7.1	
Percent of total units in age group with income under \$3,000.....	21.3	12.9	23.9	68.7	

<sup>1</sup> Less than 0.05 percent.

Source: 1962 Survey of Consumer Finances, Survey Research Center, University of Michigan.

## Chapter 3

# The Promise and Problems of Technological Change

ONE LESSON of man's history is unmistakable: the crucial element in the rise in our material well-being has been the progressive utilization of our ever-growing store of knowledge of the world in which we live. From the wheel to the electronic computer, new discoveries have been put to work for man's benefit—benefit that has taken the form of shorter hours of work, the elimination of backbreaking toil, a continuing stream of new goods and services, and a total output per capita that has risen 5-fold in the United States since the Civil War.

While technological change is as old as man, its character and pace, and therefore its impact, have changed in recent centuries. The modern economic history of the industrial nations constitutes a decisive break with all of prior history. For thousands of years, a man followed the path of his father and grandfather before him, doing the same things in essentially the same way. Major technological changes came infrequently, and their adoption was spread over many centuries. The whole structure of modern society, however, is geared to innovations—those who initiate or adapt to change are rewarded, those who do not or cannot are penalized. The businessman who refuses to adopt new technology will not merely see his profits stand still; they will surely dwindle and turn into losses as his more adventuresome competitor adopts newer and more efficient production techniques.

Moreover, in a modern society, technological change is self-reinforcing and almost self-generating. Major new breakthroughs in technology soon pave the way for a multitude of other changes. The production of cheap electricity for example, not only replaced gaslights, but made possible the assembly line, modern communications, and the computer.

Even if we wished to, we could not eliminate pervasive and continuous technological and economic change without remaking—on a much inferior basis—the whole fabric of our social and economic institutions. And we would not wish to. Its benefits are essential for continued economic growth, higher standards of living, and the elimination of poverty. Our objective should be to foster and encourage it.

But recognition of the many benefits of technological change must not obscure the human toll often exacted in this process of job transition—the un-