Chapter 3

Strengthening Human Resources

THE 89TH CONGRESS, in its first session, enacted a body of domestic legislation unparalleled in 3 decades. The content and purpose of the Great Society programs are not purely economic. Yet, their consequences for the economy are so profound that they must be viewed as an integral part of economic policy. Only a few of the new programs are discussed in this chapter; Appendix A contains a more complete list of legislation of economic significance enacted last year.

The common goal of the programs discussed here is to strengthen our human resources: to improve the education, health, and productivity of our working force, and to break down barriers which have prevented some citizens from the full development and use of their abilities and training.

Since these programs were undertaken, the burdens on our national resources have expanded. Even our wealthy Nation cannot realize all its goals at once. The programs begun in 1965 have already invested an additional $1.5 billion in our human resources. The investment will rise further in 1966, but at a slower rate than initially planned. Over time, economic growth and lessened defense demands should again permit resumption of a more rapid investment in human resources. The objectives and the instruments for such investment were importantly expanded in 1965; the foundation has been laid for great progress in the years ahead.

EDUCATION

"Education will not cure all the problems of society, but witho t it no cure for any problem is possible. It is high among my own c ncerns, central to the purposes of this Administration, and at the core of our hopes for a Great Society." With these remarks to the White House Conference on Education last July, President Johnson again affirmed education's high priority.

Even when viewed in the narrow perspective of economic benefit alone, the direct returns to individuals and society from investment in education have been shown by recent studies to be high, and to compare favorably with the returns available from other forms of investment. Although much of the economic return from education accrues to individuals in the form of

higher productivity and earnings, education also enhances the well-being and supports the economic growth of the community that provides it. Recognition of the economic and social benefits of a literate and efficient population and an informed electorate was responsible for the adoption many years ago, and the subsequent extension and improvement, of free, compulsory education by State and local governments.

More recently, the Federal Government's interest and responsibility in the field of education have greatly expanded. In the late 1950's, a keener awareness of the critical role of science and technology in determining the Nation's economic and military strength as well as its esteem in the world prompted the Federal Government to undertake massive new support for scientific and technical education.

In the last two years, Federal support for primary and secondary education has also greatly expanded. Two closely related premises underlie the decision that exclusive reliance on State and local support for primary and secondary education is no longer adequate from the standpoint of the national interest. The first is the recognition that every community suffers from inadequate education in other parts of the country. The second is the recognition that education must be a key element in the attack on poverty to which the Nation is now committed.

The resources devoted to schooling and the resultant quality of education vary widely among areas of the United States. In 1964–65, the mean current expenditure per pupil in average daily attendance in public elementary and secondary schools was $484; it ranged from $273 in Mississippi to $790 in New York. Even the high average expenditure in New York did not provide a satisfactory education for many young people in that State.

States with low personal incomes often spend relatively more on education than their wealthier neighbors. Mississippi, with the lowest absolute expenditure per pupil in average daily attendance, devoted 4.4 percent of personal income to education last year, compared with the national average of 3.8 percent. New Mexico spent 5.8 percent—the highest proportion of any State—yet its per pupil expenditure still fell short of the national average.

When nearly 6.5 million people move across State lines every year and far larger numbers move within States, it is obvious that no community is immune to the effects of substandard education in other localities. Studies have shown that areas that are losing population—particularly their young people—spend less per student on education than those which are growing. The communities gaining population—typically our larger cities—are crowded with migrants who are often inadequately prepared to assume their social responsibilities or to qualify for urban jobs.

Moreover, the Nation has accepted the fundamental objective of eradicating poverty wherever it is found. Whether or not they migrate elsewhere, inadequately educated children of poor parents are handicapped in escaping

the poverty in which they were reared. Education is the most powerful tool we have for raising the productivity and motivation of the children of poor families, and for breaking the cycle of poverty and dependency.

The tax base in communities with many poor families is often too weak to finance good schools. Even communities with more ample resources have frequently not provided schools which would encourage and assist children of the poor to make their own way out of poverty. Federal assistance clearly is required if every school district is to provide an education that is adequate for an economy of growing interdependence and for a society that is determined to eradicate poverty.

BUILDING THE LADDER OF EDUCATIONAL OPPORTUNITY

Programs adopted in 1965 will open new educational opportunities for millions of children and youths. These new programs will aid many disadvantaged children to get off to an equal start with others; assure them school facilities comparable with those of others; and remove some of the financial blocks which might prematurely halt their progress toward higher education. For persons no longer in school, the new measures will provide useful skills and training, or help to update skills outmoded by rapid technological change, thus making them more productive and preparing them for better jobs.

Much of the direct return from these new measures will accrue to the disadvantaged in the form of increased incomes which will help to lift them—and their children—out of poverty. Indirectly, all Americans will benefit through greater economic growth and reduced social tensions.

Project Head Start

Each year close to a million children from poor families begin their formal schooling. Most of these children suffer from extreme cultural and social deprivation. They have lacked the chance to build a vocabulary and to develop the other tools of learning. When they begin school, they are in a world that they do not understand.

In the summer of 1965, project Head Start—under the auspices of the Community Action Program of the Office of Economic Opportunity—was inaugurated to help these youngsters. To encourage widespread community involvement, parents and volunteers also participated in the program, which reached 560,000 preschool children at 13,400 Head Start Centers in 2,500 urban and rural communities. The summer program will be continued, and plans are being developed to extend Head Start on a year-round basis for 100,000 children in 1966.

Last summer, thousands of children had books for their own use for the first time; children whose diets typically consist of starches received fresh fruits and vegetables; many whose world had been confined to crowded slums began to explore their communities and visited zoos or museums.

Project Head Start is also concerned with a child's health. In examinations conducted as part of the program in Boston, volunteer doctors discovered that 71 percent of the children had one or more problems—pediatric, dental, or emotional—which required referral for further diagnosis and treatment. Without the Head Start program, many serious defects would have remained undetected and uncorrected for many years—perhaps to become uncorrectable.

This program will give millions of children a better chance to succeed in school. Unfortunately, however, many of these deprived youngsters will enter schools which—rather than being the best—are among the weakest in the country.

Elementary and Secondary Education

After years of controversy over Federal aid to education, the Elementary and Secondary Education Act of 1965 brought the Federal Government into a creative partnership with States and communities to improve the quality of all schools, and particularly those serving disadvantaged children. The Act authorizes more than $1 billion annually in grants to school districts with heavy concentrations of children from low-income families. Each district is eligible for a Federal payment of up to one-half the average State expenditure per child multiplied by the number of its poor school-age children. These grants will finance special programs to meet the needs of 5 million educationally deprived children from low-income families—10 percent of the 50 million school-age children.

The Act also provides funds for books, maps, and other educational materials which many schools currently lack. More than two-thirds of public elementary schools, serving almost 10 million children, have no library.

Supplementary educational centers will be established throughout the country to bring more of the cultural resources of an area into the educational process. Regional laboratories connected with major universities will seek better ways of teaching, and will seek to promote the transfer of new knowledge to the classroom. Funds are also provided to improve the operations of State educational agencies, thus strengthening their capacity for planning and decision-making.

Higher Education

Although setbacks to the educational progress of the disadvantaged occur most frequently prior to the completion of high school, many talented students from poor families are unable to attend college for financial reasons. The Higher Education Act of 1965 established a broad program to make higher education available to all who may benefit from it. Its most important innovation is a program of educational opportunity grants of up to $1,000 for 115,000 high school graduates from low-income families.

In addition, a guaranteed-loan program and an expanded Work-Study program will aid more than 700,000 students.

The Act will also help institutions of higher education to become more responsive to the current problems. It will encourage them to undertake community service programs, including extension, continuing education, and research programs designed to assist in the solution of community problems. It also sets up a new grant program to upgrade the academic quality of small developing colleges and establishes fellowships to encourage qualified persons to teach at these institutions.

The legislation authorizes the creation of a National Teachers Corps to augment the supply of qualified instructors in poor areas. Although the Congress did not appropriate funds to establish the Teacher Corps in 1965, the Administration continues to give this program high priority.

Most programs of direct financial aid to students have been directed toward the college-bound graduate and have failed to provide for many youths who wish to obtain training in business, trade, and technical schools. This omission will be corrected by the establishment of a vocational student loan insurance program which, when fully funded, will help as many as 100,000 students a year.

Out-of-School Programs

The 1965 legislation also strengthened several programs which provide job training and work experience as well as basic education. These programs are designed to equip workers with the skills and productivity required to raise their potential earnings.

The Neighborhood Youth Corps program encourages persons aged 16–21 to stay in or return to school by providing full-time and part-time work experience and training. It provides counseling and basic literacy training, and it places young men and women in newly created positions to do work that would normally not be done in hospitals, settlement houses, schools, libraries, and other community agencies. Almost 1,500 projects have been approved in communities throughout the Nation for the employment of 350,000 young men and women in 1966.

The Job Corps provides education and work experience in rural conservation centers and in urban training centers where enrollees live, work, and learn. About 300,000 young people have expressed interest in joining this program. It is expected that about 30,000 will be enrolled by June 1966.

The Work Experience Program is designed to demonstrate the benefits of helping heads of families with dependent children to prepare for productive employment by providing them with work experience and job training along with basic literacy instruction. In 1965, the program aided 66,000 participants with 198,000 dependents.

The Adult Basic Education program is aimed at the 7.3 million Americans age 25 and over who have less than 5 years of education. It provides basic education when a lack of schooling stands in the way of

successful training or employment. In fiscal 1965, about 38,000 adults in 15 States were enrolled. By June 1966, the program is expected to reach 229,000 adults in all the States and the territories.

ACTIVE MANPOWER POLICIES

Manpower policies have three principal objectives: to fit the unskilled for better jobs, to augment the supply of scarce skills, and to improve the efficiency of labor markets. These policies not only help individuals to achieve their full capabilities, but also add to the national productive potential. They are a continuation of the educational opportunity programs and should serve to keep the quality of the labor force advancing in pace with the demands created by technological progress.

TRAINING PROGRAMS

The Manpower Development and Training Act (MDTA) programs provide training and basic literacy instruction for unemployed (and some underemployed) persons who have had previous work experience, in order to up-grade their job skills. Between passage of the law in 1962 and the end of 1965, enrollment had reached a cumulative total of 370,000, with 315,000 in institutional training and 55,000 in on-the-job training. About 30 percent have been trained for skilled occupations and another 30 percent for clerical, sales, and service jobs.

Amendments to the MDTA in 1965 have made it possible to extend the scope and to increase the effectiveness of these training projects. The maximum period during which training allowances can be paid has been extended from 72 to 104 weeks, making it possible to train persons for more highly skilled work. Eligibility for training allowances has been broadened; and the previous limitation on the number of youths who can benefit has been liberalized.

It is appropriate that MDTA training programs have been strengthened during a period of rapidly rising employment and increasing demand for labor. Workers who are now being trained can count on finding jobs quickly and benefiting immediately from the training they receive. And the upgrading of skills for thousands of the unemployed will help to provide a more flexible and mobile labor force, thus contributing to the stability of costs and prices in our expanding economy.

IMPROVING THE EFFICIENCY OF THE LABOR MARKET

Expansion of the economy is facilitated when labor markets operate efficiently. The Federal-State Employment Service is the principal agency of our manpower policy designed to help to match people with available jobs.

Most jobs are filled by direct hiring "at the gate" and through informal contacts with relatives and friends; many others are filled with the assist-

ance of advertisements, unions, private agencies, college placement officers, and other means. But through its more than 2,000 local offices, the Employment Service maintains an active placement service for all workers desiring assistance.

A major task of the Employment Service has been to provide job counseling and placement service to those in the labor force (including new workers, the handicapped, and nonwhites) who require special assistance to enable them to compete in the job market. The Service also provides a flow of information about changing manpower requirements in local labor markets. This information is useful in planning occupational training under the MDTA; in reorientation of our vocational education programs; and in helping individuals to make rational vocational choices, and guiding them to areas of favorable employment opportunities.

A Special Task Force appointed by the Secretary of Labor has studied the operation of the Employment Service and recommended ways to make it achieve its goals more effectively.

RAISING LABOR PRODUCTIVITY

By 1985, the labor force will total about 110 million workers. On the assumption that present programs will be continued on the scale now projected, about one-tenth of these workers will be more productive because they have benefited from an MDTA or other out-of-school training program. Nearly one-half will be better educated as a result of one or more of the newly enacted programs. And these benefits will be concentrated among those individuals now least likely to climb the ladder of educational opportunity.

America has always invested heavily in education and training, and our economic achievements show that it has paid off handsomely. But the investment was not made sufficiently in all Americans, and perhaps as many as a third enter the work force ill-equipped to assume a fully productive role. The programs that have been begun will extend a more adequate investment in education and training to that third of our people.

HEALTH

America is a healthy nation, and Americans take justifiable pride in the quantity and quality of available medical services. Yet, such significant indicators of U.S. health as life expectancy, infant mortality, and the incidence of heart disease must cause concern when compared with rates prevailing abroad or when our recent progress is measured against that of other nations.

After declining steadily and dramatically throughout the first half of this century, the U.S. death rate has remained close to 9.4 per 1,000 of the population since 1955. By contrast, in a number of other industrial coun-

tries, death rates have fallen sharply during the past decade, and life expectancy at birth exceeds that in the United States by a significant margin—as much as 5 years among males. Infant mortality has declined little since 1955 and remains close to 25 per 1,000 live births, whereas it is substantially lower and falling more rapidly in many other developed countries. Changes since 1940 in selected health indicators are shown in Table 14.

TABLE 14.—*Health indicators, selected years 1940–64*

Indicator	1940	1950	1960	1964
	Years			
Life expectancy [1]				
At birth	63.6	68.1	69.7	70.2
White	64.9	69.0	70.6	71.0
Nonwhite	[2] 53.9	60.7	63.6	64.1
At age 45	26.9	28.5	29.4	29.7
White	27.3	28.9	29.7	30.1
Nonwhite	[2] 22.8	24.8	26.2	26.6
	Deaths per 1,000 live births			
Infant mortality rate				
Total	47.0	29.2	26.0	24.8
White	43.2	26.8	22.9	21.6
Nonwhite	73.8	44.5	43.2	41.1
	Deaths per 10,000 live births			
Maternal mortality rate				
Total	37.6	8.3	3.7	3.3
White	32.0	6.1	2.6	2.2
Nonwhite	77.4	22.2	9.8	9.0
	Deaths per 1,000 population			
Death rates				
All causes	10.8	9.6	9.5	9.4
Diseases of cardiovascular system	4.1	4.9	5.2	5.1
Cancer	1.2	1.4	1.5	1.5
Influenza and pneumonia	.7	.3	.4	.3
Accidents	.7	.6	.5	.5
All other	4.1	2.4	1.9	2.0

[1] Life expectancy figures in first two columns are for 1939–41 and 1949–51, respectively.
[2] Negroes only.

Source: Department of Health, Education, and Welfare.

Between 1910 and 1940, the death rate from influenza and pneumonia was reduced by 55 percent, and since 1940 it has been halved again. Maternal mortality has been cut by nearly 95 percent over the past half century and by 60 percent during the last 15 years. Since 1940, however, death rates from heart disease and cancer have each increased by one-fourth; the U.S. rate for heart disease is among the highest in the world. Mortality rates among males in the productive age bracket of 40 to 54 years are substantially and consistently higher in the United States than in other industrial countries and almost twice the rate in Sweden.

Foodborne diseases are being increasingly recognized as a leading cause of acute sickness in this country and probably account for more illness than all other environmental elements combined. Salmonellosis—the most serious such disease—now is much more widespread than it was 15 years ago because of inadequate controls in new methods of food production and processing. Further, almost one-third of the U.S. population is drinking water which is not assured of meeting minimal standards.

COST OF ILLNESS

The total cost to society of illness and premature death cannot be accurately measured, if for no other reason than our inability to quantify the value of human life or the cost of suffering, pain, and grief. It is impossible to say, on the basis of economic criteria alone, how much should be spent on health care, research, and facilities. Nevertheless, at close to full employment of our resources—particularly of scientific and technical manpower—a decision to spend more for health implies spending less elsewhere. The issue facing the Nation is not whether better health is desirable, but how best to allocate resources within the health area and between health and all other competing uses.

Outlays for health are important in building and maintaining a productive labor force as well as in improving the lives of people and the quality of our society. The productivity of American workers could not have reached its present height if, in the past, there had not been investment in medical knowledge, in disease prevention, and in treatment and rehabilitation. Yet the potential return from further health investment remains large.

The annual expenditure on all health and medical care services in this country increased from $13 billion in 1950 and $27 billion in 1960 to approximately $40 billion last year. Such expenditures now amount to 5.9 percent of the gross national product (GNP). Private spending for personal health care—more than $26 billion last year—accounts for about 6.1 percent of personal consumption expenditures.

In 1963, disease and mortality during the year cost society the potential product of 4.6 million man-years of work. Direct public and private expenditures for personal health care associated with illnesses in that year amounted to about $22.5 billion, whereas the indirect costs from output lost totaled almost $24 billion. These figures make no allowance for the much larger losses in that year that were due to deaths occurring in earlier years or the present value of economic losses in future years resulting from current illness or death. Recent estimates of the direct and indirect costs associated with certain specific illnesses in 1963 are summarized in Table 15.

TABLE 15.—*Economic costs of illness, 1963*

[Millions of dollars]

Diagnostic category	Total costs	Direct expenditures [1]	Indirect costs [2]	
			Mortallty [3]	Morbldity
Economic cost of illness: Total	46,303	22,530	2,731	21,042
Mental, psychoneurotic, and personality disorders	7,036	2,402	10	4,624
Diseases of circulatory system	6,413	2,267	1,226	2,920
Diseases of digestive system	5,502	4,158	123	1,220
Diseases of respiratory system	4,887	1,581	139	3,166
Injuries	3,755	1,703	242	1,811
Diseases of nervous system and sense organs	3,242	1,416	300	1,526
Neoplasms	2,614	1,279	484	851
Other	12,855	7,723	207	4,925

[1] Includes only hospital and nursing home care and services of physicians, dentists, nurses, and other health professionals associated with 19 major diagnostic categories; excludes drugs, medical research and facilities construction, training expenditures, and other nonpersonal health services.
[2] Equivalent to the value of lost output.
[3] Losses in 1963 due to deaths throughout that year; no allowance made for present discounted value of future losses.

Source: Department of Health, Education, and Welfare.

PUBLIC POLICY AND LEGISLATIVE ACCOMPLISHMENTS

The rapid growth of demand for medical services is a consequence of a multitude of factors, some of which are strongly influenced by public policy. Rising incomes, better education, urbanization, expanding insurance coverage, the changing age structure of the population, and the increased availability and effectiveness of health services are all raising demand. Supply has not kept pace with the expansion of demand, and at present the supply of most health services falls short of the Nation's needs as determined by reference to medical standards of adequacy. Deliberate public and private action—including new and more efficient forms of organization—are required to increase the supply and accessibility of these services. But to improve the health of our population, it is not enough to graduate more doctors or build more clinics. Programs are also required to translate medical needs into effective demand for health services. At the same time, there must be greater coordination between demand-creating policy measures and those aimed at improving the supply and distribution of medical services and facilities.

Average figures conceal large differences in the incidence of illness and the availability of medical services within the United States. The distribution of doctors, for example, continues to vary widely from region to region and between urban and rural communities. Some differences in the distribution of facilities and the utilization of health services are consistent with an efficient allocation of resources and varying personal consumption patterns. However, existing disparities in both the supply and effective demand seriously affect the relative availability and accessibility of health care throughout the country and among different income groups. Thus, high morbidity and mortality rates resulting from causes that have

been successfully controlled in other groups still exist for nonwhites and the poor. Mortality rates among nonwhite infants more than 1 month old are almost three times as high as those for white infants. Poverty and its attendant circumstances are a major source of increased health hazards and, despite a popular desire to believe otherwise, low income is often a serious barrier to obtaining medical care. The 1960–62 National Health Survey found that the number of physician visits a year for children from families with annual incomes below $2,000 was only 40 percent of the number for children from high-income families.

The Administration's basic health goal, as stated by the President, is "to assure the availability of and accessibility to the best health care for all Americans, regardless of age or geography or economic status." To meet this goal, four types of effort are necessary: (1) expanding medical knowledge through increased basic research in the life sciences; (2) faster dissemination of new information and techniques to health practitioners, health policymakers, and the public; (3) more and better organized health facilities and manpower, including research laboratories and medical schools, general hospitals and nursing homes, highly trained specialists and nursing aides; and (4) improved financing of medical services.

The first session of the 89th Congress passed a dozen major bills in the health field, designed to strengthen and improve health services in all four ways.

Medical Research

Total medical and health-related research expenditures in 1965 amounted to almost $1.9 billion—nearly 9 percent of the Nation's outlay for all research and development. Expenditure on medical research was more than ten times that in 1950, representing an annual increase of almost 18 percent. Federal support rose from 45 percent to 64 percent of the total, but the Government's role in the direct conduct of such research declined slightly—from 22 percent to 17 percent. Public investment in health research is channeled mainly through the National Institutes of Health (NIH) whose budget for research, research facilities, and training has grown from less than $100 million 10 years ago to over $1 billion today. NIH support now accounts for two-fifths of all medical research expenditures in the United States.

Dissemination of Medical Knowledge

Our knowledge of life processes and of new methods of preventing and treating disease has rapidly moved ahead of our ability to apply this knowledge widely to the health needs of the Nation. Shortening the interval between the discovery and general application of medical advances is perhaps the single most important way to improve the productivity of the medical care industry.

Today, one cancer patient in three is being saved, but wider use of existing knowledge and techniques could save half the victims of this disease. More extensive use of new detection and diagnostic procedures and improved means of reaching and treating patients could reduce deaths from cervical cancer by 25 percent by 1970 and by 80 percent a decade from now. Instrumentation now in existence or being perfected could forestall many of the 400,000 strokes which occur each year.

To help close such gaps between knowledge and application, the Congress took a number of important steps in 1965. The Heart Disease, Cancer, and Stroke Amendments authorize support for a network of regional medical complexes. (The three diseases noted in the title of the Amendments account for 70 percent of all deaths in the United States.) The grants will assist hospitals, universities, and other institutions to establish cooperative programs for research, training, and demonstration. Such programs will bring new scientific advances more quickly to America's practicing physicians and their patients.

Medical Facilities and Manpower

A country's health standards change as income grows, knowledge accumulates, and concepts of adequacy evolve. Our current requirements for medical facilities and manpower reflect not only changes in the size and composition of the population and shifting patterns of disease and disability, but also a growing consensus that access to high-quality services is a right of all citizens.

Since passage of the Hill-Burton legislation in 1946, more than $7.7 billion, including a Federal share of $2.4 billion, has been invested through this program to provide additional hospital and nursing-home capacity of more than 340,000 beds. New general-hospital capacity is now being made available nationally at the rate of about 30,000 beds a year. Nevertheless, it is estimated that about one-third of the general-hospital capacity in the country is obsolete; a majority of the obsolete facilities are in metropolitan areas where two-thirds of the Nation's population live. Facilities containing 260,000 beds are in need of immediate modernization or replacement and those containing another 130,000 beds will require modernization before 1975. In dollar terms, current modernization needs of general hospitals have been estimated at more than $6 billion, compared with new general-hospital requirements of less than $1 billion. New financing techniques must be found to facilitate the modernization of hospitals, particularly in the large urban areas where deficiencies are now largest and where existing Federal programs have their smallest impact.

There are also large and rising needs for medical manpower. Part of this need is being met through organizational changes that raise the productivity of doctors, dentists, and nurses. For example, the development of group practice arrangements, the use of more elaborate (and more expensive) hospital and office equipment, reductions in travel time, and the

employment of paramedical personnel to perform routine or less complicated procedures have made it possible for doctors to render more and better service to larger numbers of patients than ever before.

The ratio of physicians to the population of the United States has been approximately constant since before World War II. The proportion actually engaged in clinical practice—as opposed to teaching and research—has declined markedly, however. Despite measures to economize on the use of physicians' time, a substantial decline in their availability would impose strains on the cost and quality of medical services. To maintain the existing ratio of doctors to population, it would be necessary for admissions to medical schools to increase approximately 50 percent during the next decade. The Health Professions Educational Assistance Act of 1963 authorized a program of grants and loans in support of medical schools and students. In 1965, for the first time, Congress established a scholarship program for needy students in the health field, and added a four-year grant program for the improvement of teaching programs in the health professions.

Too frequently, today, the administration and organization of public health services are badly fragmented. Measures to stimulate better coordination of Federal, State, and local efforts in planning for and providing these services and the gradual replacement of prevailing categorical programs with comprehensive community health services would be desirable.

Financing Medical Care

Private health insurance has made a major contribution to the better financing of health costs. The proportion of Americans with some form of private health insurance has risen from 9 percent in 1940 to 80 percent today. But gross benefits from such insurance covered only 25 percent of total expenditures for personal health needs in 1965. Furthermore, those most in need of assistance in meeting medical payments are frequently unable to buy insurance. Only about one-third of persons in families with annual incomes under $2,000, and about one-half of all elderly persons, were covered by any type of private hospital insurance in 1963. Yet these groups spend a particularly large fraction of their low incomes for health. In 1961, average medical expenses amounted to 10 percent for families with annual incomes between $1,000 and $2,000, compared with 4 percent for families with incomes between $10,000 and $15,000.

Among the most important actions of the 89th Congress was the provision of health insurance for the aged under Social Security. Medicare will protect families against the economic risk of major medical expenses in old age. Benefits for 17 million Social Security beneficiaries, plus benefits from general revenues for almost 2 million additional elderly persons not covered by Social Security, will amount to about $3.5 billion in 1967 and will cover at least 40 percent of the total medical costs of the aged. The basic program consists of hospital insurance, extended care, and home health

services for the aged, financed through a separate trust fund supported by employee and employer payroll taxes. A voluntary, supplementary program covers physicians' fees and other services and is financed through monthly premiums (currently $3) by individuals over 65, which are matched equally by a general revenue contribution.

The legislation also greatly improved the quality and expanded the coverage of State medical assistance programs. The Kerr-Mills program for the aged was expanded to cover a total of about 8 million needy persons, including, for the first time, the blind, the disabled, and dependent children.

The 1965 Child Health amendments will make more health services available to expectant mothers, infants, and children, including crippled and retarded children. The progressive extension of crippled children's and child health services to youngsters throughout each State is required by 1975. Previously, these programs were aimed primarily at rural areas, but in the future they will provide equal assistance for low-income families in urban centers. Family planning services will also be strengthened.

EQUALITY OF OPPORTUNITY

Not all groups of Americans share equally in their country's prosperity. In 1964, the average income of nonwhite families was only 56 percent of the average income of white families. This and similar figures provide telling indicators of the task that the Nation still faces in assuring equality of opportunity and achievement for all its citizens (Table 16). They also indicate an incredible waste of our human resources.

Three important and distinct types of discrimination help to explain the difference between white and nonwhite incomes.

Discrimination results in lower wages for Negroes (who comprise 90 percent of the nonwhite group) even when they are doing the same kind of work as whites. Available data show that Negroes receive less income in every industry, in every occupation, and at every level of education.

Discrimination also excludes many Negroes from higher-paying jobs that would fully utilize their talents or training. Negroes are frequently forced to hold jobs that whites with the same experience and training would not ordinarily hold; and Negroes suffer from higher unemployment rates within all skill categories.

Finally, part of the income difference is explained by past discrimination which has lowered the potential productivity of Negroes by providing less investment in human resources for them than for their white contemporaries. This type of discrimination is manifested by lower expenditures for schools and health facilities in Negro neighborhoods.

Low family incomes are a product of these factors; but low incomes would tend to perpetuate these factors even if discrimination were eliminated. Low incomes for poor whites also result in lesser educational achievement,

poorer health, fewer skills, and consequently higher unemployment. To promote real equality, Negroes must break through the barrier of discrimination; but this will not be sufficient. They must also break out of the cycle of poverty.

TABLE 16.—*Selected measures of discrimination and inequality of opportunity, 1965*

Selected measure	White	Nonwhite
Income [1]		
Median income of families	$6,858	$3,839
Percent of households in poverty [2]	17.1	43.1
Percent of families with incomes of $10,000 or more	24.1	8.3
Education		
Median years of school completed, males 25 years of age and over	12.0	9.0
Percent completed high school, persons 20–24 years of age	76.3	50.2
Male	75.6	51.3
Female	77.0	49.4
Percent college graduates, persons 25 years of age and over	9.9	5.5
Labor force participation rate (percent of noninstitutional population) [3]		
Male	78.6	76.0
Female	37.0	46.1
Employment (percent of total civilian employment) [3]		
White-collar occupations	47.5	19.5
Craftsmen-foremen occupations	13.5	6.7
Unemployment rate (percent of civilian labor force) [3]		
Adult males	2.9	6.0
Adult females	4.0	7.4
Teenagers	12.2	25.3

[1] Data relate to 1964.
[2] Households are defined here as the total of families and unrelated individuals.
[3] Relates to persons 14 years of age and over.

Sources: Department of Commerce, Department of Health, Education, and Welfare, and Department of Labor.

PROSPERITY: A CONDITION FOR NEGRO PROGRESS

A combination of social and economic change is necessary to correct the disparities between Negroes and whites. But prosperity is also an essential requirement because it creates and opens up jobs for the disadvantaged. This has been effectively demonstrated by postwar experience.

During the period of slow economic growth in the middle and late 1950's, the absolute gap between Negro and white incomes and employment widened. In 1952, the median income of nonwhite families was 57 percent of the median income of white families, and the unemployment rate for nonwhites was 4.6 percent, compared with a rate of 2.4 percent for whites. By 1958, the median income of nonwhite families had fallen to 51 percent of that of white families, and the unemployment rate of nonwhites had risen to 12.6 percent, compared with 6.0 percent for whites.

In 1964, a high-growth year, the median income of white families increased 4.7 percent over 1963, and that of nonwhites, 10.8 percent; the income gap narrowed in both percentage and absolute terms as income of

nonwhites rose by $374 and that of whites by $310. As a result, the median income of nonwhites rose from 53 percent of the median income of whites in 1963 to 56 percent in 1964. The gains in median incomes were representative of increases throughout the income scale. In 1964, the proportion of nonwhite families with incomes of more than $10,000 rose from 5.7 percent to 8.3 percent, but it was still far below the figure of 24.1 percent for white families. The proportion with less than $3,000 dropped from 43.1 percent to 37.3 percent. Final data for 1965 will not be available for several months, but preliminary indications suggest that incomes of Negroes again rose substantially.

The progress of the last two years confirms a crucial lesson. A prosperous economy and the labor demand that it generates are potent forces for eliminating discrimination and income differentials even though they cannot create equality. Improved Negro purchasing power will not fully overcome the effects of discrimination, but it will have a beneficial influence.

CIVIL RIGHTS LAWS AND ECONOMIC DISCRIMINATION

The 1964 Civil Rights Act contains several important provisions that alter those conditions which make discrimination possible. Its Title VII directly outlaws discrimination in hiring, firing, conditions of work, apprenticeship, or training. The Equal Employment Opportunity Commission was established to carry out these provisions. The Commission began operation in July 1965 and in its first 100 days processed more than 1,300 complaints. Hiring attitudes will not change abruptly, but the Civil Rights Act makes an important, direct attack on this basic barrier to full equality.

Negroes are also at a disadvantage in the housing market. Many Negroes live in substandard housing because their incomes are low; but others are forced to do so by direct discrimination. While 57 percent of nonwhite households with annual incomes of less than $4,000 live in substandard housing, only 27 percent of whites at these same income levels live in such housing. Among households with more than $4,000 a year, 6 percent of the white families live in substandard housing, compared with 20 percent for nonwhite families. Discrimination in housing forces Negroes to pay higher rents and in many places to attend inferior schools. The President has announced that he will ask for legislation to prevent discrimination in private sales or rental of housing.

To help Negroes achieve equality of educational opportunity, the Civil Rights Act authorizes the Attorney General to file suit for the desegregation of public schools and colleges upon receipt of written complaints from parents unable to bring their own actions. After 10 years of slow progress following the Supreme Court decision outlawing segregated schools, the pace of integration has now accelerated; but segregated housing continues to retard this process. In addition to eliminating segregation, the Government is trying to improve the quality of Negro education by its new programs

for primary and secondary education, Project Head Start, and other antipoverty programs. Also, Title VI of the Civil Rights Act assures that access to schools, hospitals, and other federally aided facilities will not be denied to anyone on the basis of his race.

ECONOMIC COST OF DISCRIMINATION

Although economic losses are not the major reason for eliminating discrimination, they serve to emphasize its economic cost to all Americans. When there is a surplus of labor of all types and skills, eliminating discrimination results mainly in a redistribution of income. The economic cost of discrimination becomes most evident when there is near full employment of the white labor force.

If economic and social policies could be specifically designed to lower Negro unemployment to the current unemployment level of whites, the resulting gain in GNP would be $5 billion. Part of this gain would be in wages of the new Negro employees, and part would accrue as other forms of income. A further gain would result if all Negroes were able to obtain jobs which would better utilize their abilities and training.

National output can be further expanded by improving the average level of productivity of each individual. Education and training are two of the most important means to this end. If the average productivity of the Negro and white labor force were equalized at the white level, total production would expand by $22 billion. If both unemployment rates and productivity levels were equalized, the total output of the economy would rise by about $27 billion—4 percent of GNP. This is a measure of the annual economic loss as a result of discrimination. Of course, to achieve this increase in output, some resources would have to be devoted to investment in the human capital of America's Negro citizens. But this would be an investment yielding important economic as well as social returns for the entire Nation.

REDUCTION OF POVERTY

Investment in human resources is a means to an end, not an end in itself. It is a means to rising living standards, to greater opportunity for individual achievement, and to the abolition of poverty. Thus, the pursuit of an effective program of human resource development and the pursuit of successful antipoverty measures are closely related processes.

Five years of prosperity and continued economic expansion have contributed significantly to reducing the number of people who live in poverty. Between 1959 and 1964, the number of persons defined as poor decreased from 38.9 million to 34.1 mililon (Table 17). As a result both of further economic growth and of the new antipoverty programs, the data for 1965 will undoubtedly show a further drop in the number of poor.

A fully employed economy is—and will continue to be—a powerful weapon in the war against poverty. However, full employment alone is not suf-

TABLE 17.—*Number of poor persons and incidence of poverty, 1959–64*

Year	Total persons [1]	Poor persons	
		Number [1]	Incidence of poverty (percent) [2]
	Millions of persons		
1959	176.5	38.9	22.1
1960	179.5	40.1	22.3
1961	181.4	38.1	21.1
1962	184.4	37.0	20.1
1963	187.2	35.3	18.9
1964	189.7	34.1	18.0

[1] Data relate to March of following year. Excludes inmates of institutions and a small number of children under 14 years of age who live with families to whom they are not related. (There were about 200,000 such children in March 1965.) Includes members of the armed forces in the United States living off post or with their families on post.

[2] Incidence of poverty is measured by the percent that poor persons are of the total.

NOTE.—Poverty is defined by the Social Security Administration poverty-income standard; it takes into account family size, composition, and place of residence. Poverty-income lines are adjusted to take account of price changes during the period.

Sources: Department of Commerce and Department of Health, Education, and Welfare.

ficient. The purpose of the Economic Opportunity Act of 1964 is to promote investment in the health, education, training, and work experience of the poor which will enable them to contribute more effectively, and thereby to earn incomes more comparable to those in the rest of society.

Many public and private programs exist to help to eradicate poverty and to aid the needy. The Office of Economic Opportunity (OEO) was established by the 1964 Act to coordinate these efforts, and to develop new approaches to combat the multiple causes of poverty. Several of the Administration's antipoverty programs are discussed in the section on education. In addition, OEO's Community Action Programs—discussed in the Council's 1965 Report—are mobilizing local and Federal resources to aid the poor. This year, important new data on the incidence of poverty are presented which illustrate the progress of the past 5 years.

CHANGES IN POVERTY: 1959–64

In order to assess progress and to evaluate alternative approaches effectively, it is necessary to have a clear-cut quantitative definition of poverty. Last year, the Social Security Administration developed the present definition, which takes account of differing family size and composition and differences between living conditions in urban areas and on farms. This new poverty-income definition is based on a minimum, nutritionally sound food plan designed by the Department of Agriculture for "temporary or emergency use when funds are low." The food costs in this subsistence plan are used to determine the minimum total income requirements for different-sized families. Budget levels for farm families are reduced by 30 percent to allow for lower cash expenditures required where home-grown food is available and to recognize the lower cost of farm housing. Computed in

this way, the 1964 poverty-income line for nonfarm individuals was $1,540; for farm individuals, $1,080. Four-person nonfarm families were defined as poor if their money income was below $3,130; for farm families of this size, the poverty-income line was $2,190. Income standards for past years were adjusted to take account of price changes during the 1959–64 period. Although no statistical definition of poverty is available which fully recognizes such factors as regional differences in the cost of living and which allows for differences in asset-holdings of families, there can be little dispute that almost all people with incomes at or below these minima are indeed poor.

The new figures on the number of poor show clearly the relationship between over-all economic conditions and the incidence of poverty. In 1959, poor persons represented 22.1 percent of the total noninstitutional population. By 1964, the number had dropped by 4.8 million, to 18.0 percent of the population. For the 1959–64 period as a whole, the incidence of poverty declined by 0.6 of a percentage point a year. From 1959 to 1962, a period which included a recession, the number of poor declined by an average of 633,000 persons a year. During the subsequent two years of expansion, the average decrease was 1,450,000 a year.

TABLE 18.—*Number of poor households and incidence of poverty, by race, 1959 and 1964*

Item	All poor households		White		Nonwhite	
	1959	1964	1959	1964	1959	1964
	Millions					
Number						
Total households[1]	13.4	11.9	10.3	9.1	3.0	2.8
Unrelated individuals	5.1	5.1	4.1	4.2	.9	.9
Under 65 years of age	2.6	2.3	1.9	1.8	.7	.5
65 years of age and over	2.5	2.8	2.2.	2.4	.2	.4
Families of 2 or more	8.3	6.8	6.2	4.9	2.1	1.9
With no children under 18 years of age	3.0	2.3	2.4	1.9	.5	.3
With children under 18 years of age	5.3	4.5	3.7	3.0	1.6	1.5
	Percent					
Incidence of poverty[2]						
Total households[1]	24.0	19.8	20.7	17.1	52.2	43.1
Unrelated individuals	47.4	42.0	45.4	40.2	59.3	53.0
Under 65 years of age	36.8	31.2	32.9	28.5	54.8	44.0
65 years of age and over	68.1	59.3	67.2	57.2	78.5	79.3
Families of 2 or more	18.4	14.2	15.1	11.5	49.6	39.1
With no children under 18 years of age	16.4	11.7	14.6	10.8	37.8	22.5
With children under 18 years of age	19.7	16.0	15.5	12.0	55.3	47.7

[1] Households are defined here as the total of families and unrelated individuals.
[2] Incidence of poverty is measured by the percent that poor households are of the total number of households in the category.

NOTE.—Poverty is defined by the Social Security Administration poverty-income standard; it takes into account family size, composition, and place of residence. Poverty-income lines are adjusted to take account of price changes during the period.
Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce and Department of Health, Education, and Welfare.

TABLE 19.—*Incidence of poverty and distribution of poor households, 1964*

Type of household [1]	Incidence of poverty (percent) [2]	Percentage distribution of poor households
All households	19.8	100.0
Farm households	30.0	9.1
Nonfarm households:		
Head 65 years of age and over	38.0	34.7
Head under 65 years of age:		
White:		
Male head	8.1	23.7
Female head	31.3	16.0
Nonwhite:		
Male head	28.2	8.9
Female head	60.2	7.6

[1] Households are defined here as the total of families and unrelated individuals.
[2] Incidence of poverty is measured by the percent that poor households are of the total number of households in the category.

NOTE.—Poverty is defined by the Social Security Administration poverty-income standard; it takes into account family size, composition, and place of residence.

Sources: Department of Commerce, Department of Health, Education, and Welfare, and Council of Economic Advisers.

A similar improvement can be seen in the number of poor households (including unrelated individuals as one-person households). Their number fell from 13.4 million in 1959 to 11.9 million in 1964. This represented a drop in the incidence of family poverty from 24.0 percent to 19.8 percent (Table 18).

The encouraging record of progress is marred, however, by the figures for particular groups. The total number of poor, unrelated individuals over 65 years of age increased by 300,000 during the 1959–64 period. This increase is explained by the fact that the total number of unrelated individuals over 65 years of age increased by 1 million during this period. The incidence of poverty among such individuals actually declined, however.

The number of large families with 5 or more children living in poverty also showed no decline, remaining constant at about 1.1 million. The total number of poor children in such families, however, decreased slightly during the 5-year period.

Progress in alleviating poverty has also been slow among families headed by females (including women living alone). In 1959, there were 5.4 million such poor households; in 1964, 5.5 million.

The total number of poor, nonwhite households declined by 200,000 between 1959 and 1964. The largest declines were among childless, nonwhite families and single persons under 65. However, in 1964 almost 48 percent of all nonwhite families with children were still living in poverty.

Although the incidence of poverty is far higher among nonwhites, the aged, and white families headed by females than for the population generally; however, families headed by white males below age 65 accounted for nearly one-fourth of all poor households in 1964 (Table 19).

Encouraging progress has been made during the last 5 years, but the dimensions of poverty in America are still disturbing. Expanded investment in human resources and the eradication of racial discrimination are vital parts of the total antipoverty program. However, for the aged and for families headed by females, continued improvement of income-maintenance programs remains the major route out of poverty, since most of them are not—and cannot be—active members of the labor force.

INCOME MAINTENANCE

Over the last 30 years, the United States has developed a set of public income maintenance programs for many families who need assistance in order to maintain adequate standards of living. In fiscal year 1965, an estimated $20 billion of the $40 billion total spent on these public transfer payment programs went to persons who were, or would otherwise have been below the poverty-income line; these payments helped to raise some 3 million households out of poverty, but about 12 million units still received insufficient income to meet the minimal living levels now used to define poverty. People who remained poor received about $10 billion of all public transfer payments. To eliminate completely the poverty-income gap—the amount by which total money income falls short of meeting the poverty-income standard—would require that almost $12 billion be added to the income of the poor.

In 1964, of the 34.1 million persons who failed to meet the Social Security Administration poverty-income standard, 14.8 million (43 percent) were children under 18 years of age, 5.4 million (16 percent) were 65 years old or over, and 13.9 million (41 percent) were neither aged nor children under 18. Public assistance payments (including those under State-local general assistance programs) went to only 7.3 million of these people, just over one-fifth of the noninstitutionalized needy. (Some aid was also provided to 500,000 additional persons in institutions and to almost 270,000 aged persons who received help only in meeting their medical bills.)

About 26 million poor persons were not receiving aid under public assistance programs in June 1965: 11.5 million poor children, their 7 million parents, and about 3.5 million aged. The remainder of the unaided poor were adults aged 18–64 without dependent children.

Eight million poor persons were aided by other Federal income maintenance programs, including an estimated 6.7 million of the 19.8 million beneficiaries under Social Security (OASDI). The remainder received payments under such programs as unemployment insurance, veterans' pensions and compensation, Railroad Retirement, and workmen's compensation. The highest proportion of needy persons aided by income-maintenance programs is found among those aged 65 or over and those under 18. While there are a large number of programs that help the poor in the 18–64 age range, large gaps in coverage exist under present arrangements. About half of the poor now receive no public transfer income.

In addition to the large gaps in coverage under existing public assistance programs, the benefits paid to the eligible poor are often extremely low. Most persons now receiving assistance do not receive enough to enable them to live at even a minimum subsistence level. For example, the average annual total income of aged public assistance recipients is $970 a person; of blind recipients, $1,110 a person; of disabled recipients, $910 a person; and for families with dependent children, $1,680 a family (four persons). For a mother and three children, this amounts to only $1.15 a day for each person, to cover the costs of food, shelter, clothing, and all the other necessities of life.

Increasing concern about these problems is producing a variety of new income-maintenance proposals. One approach would make public assistance coverage more comprehensive and assure all recipients more adequate benefit levels. Another approach is the institution of uniformly determined payments to families based only on the amount by which their incomes fall short of minimum subsistence levels. Such a system could be integrated with the existing income tax system. This plan is now receiving intensive study by many scholars. It could be administered on a universal basis for all the poor and would be the most direct approach to reducing poverty. In future years, these and other proposals deserve further exploration.