Chapter 4

Economic Development and Individual Opportunity

THE unprecedented prosperity of the past seven years has brought great economic progress to most Americans. Poverty has been significantly reduced; educational attainment is rising; the quality of public services has improved; and far more jobs are available to the previously disadvantaged.

But not all Americans have shared in the Nation's prosperity. About one-seventh of the population remains in poverty. And the plight of the poor is ever more sharply contrasted with the comfortable standards of living most Americans enjoy in an era of growing and widening abundance. This contrast has awakened the social conscience of the Nation; at the same time, the Nation's ability to assist the disadvantaged minority has reached new heights. The majority of our people have now achieved incomes which make the elimination of poverty a concrete, realistic, and attainable goal in our generation. For the first time in any society, the United States can afford to eliminate poverty; indeed, it cannot afford to do otherwise.

The reduction of poverty has been a continuing process in our society, fundamentally reflecting the long-term growth of output per worker—which in turn has derived from progress in technology and management, from a labor force ever better educated and more adaptable, and from the provision of more and better capital per worker. Economic growth brings great rewards; but because it comes unevenly it can be a highly disruptive process. Some industries, some occupations, some regions undergo dramatic expansion; others decline relatively or even absolutely. Whole new industries and occupations arise; many older ones are completely transformed or disappear entirely.

Many of the structural changes that lie at the heart of progress do not force individuals to change their occupations or residences. The adjustment comes as sons and daughters take up occupations different from their parents' or move to new areas. But rapid and uneven change often cannot be fully accommodated in this way. Many individuals are uprooted or find their livelihoods threatened. Some cannot make the transition which provides the opportunity for improvement. And even an adjustment occurring between generations often creates hardship when childhood background and training are inadequate or unsuited to the needs of the new order.

Thus the process which has reduced poverty has sometimes created it. It has redistributed both affluence and poverty, and in many cases has concentrated them—geographically, occupationally, and by demographic category. As those able to respond to opportunity have moved out of poverty, those left behind are increasingly the ones whose opportunities were restricted: the immobile, the aged, the disabled, the handicapped, the broken family, the poorly educated, the victim of discrimination.

Significant reduction in the number of poor people has occurred only when the economy is expanding. When economic growth is slow, poverty diminishes slowly—and often actually increases. The years from 1948 through 1953 saw rapid reduction in poverty, as have the years since 1964. By contrast, the number of individuals in poverty declined very slowly during the latter half of the 1950's.

The first part of this chapter focuses primarily on the geographical aspects of the process by which poverty has been both eliminated and redistributed—the transformation of agriculture, the growth of the city, and the redistribution of opportunity and of poverty within the city.

The second part of the chapter largely abstracts from the geographical dimensions of poverty. It deals with programs offering solutions to poverty, wherever the poor may be found.

Programs for the reduction of poverty are—and should be—in part the responsibility of local organizations and units of government. Nevertheless, even though concentrations of poverty are local, the problem is national and must be a national responsibility. Indeed, it is a national problem just because of its concentration. The forces which produce poverty in particular areas are largely beyond the influence of local governments. And the remedies needed to lift citizens from poverty cannot be successfully applied by individual communities acting alone.

THE CHANGING STRUCTURE OF OPPORTUNITIES

The social scientist needs a yardstick to measure progress in reducing economic deprivation. For statistical purposes, households are defined as poor if their income falls below the cost of a certain minimum consumption standard—$2,185 in current prices for a nonfarm couple under 65 years of age, $3,335 for a nonfarm family of four, and so on. A reduction in numbers by this definition is only a rough measure of progress, since social and psychological conditions associated with poverty may persist after incomes rise above the poverty line. Moreover, the income levels used in the definition cannot provide for much more than minimum necessities. Nevertheless, measured changes in the incidence of poverty over time provide a reasonable criterion of achievement, and are employed frequently throughout this chapter.

Between 1959 and 1966, the number of poor declined sharply from 38.9 to 29.7 million, or from 22.1 to 15.4 percent of the population. Substantial progress was recorded for almost every population group, but the

reduction in the number of poor farm households was especially marked. This progress, though encouraging, should not conceal the magnitude of the remaining problems nor the fact that they fall with disproportionate severity on certain groups.

Geographically, poverty is today concentrated in the central cities of our large metropolitan areas and in certain rural districts. While the proportion of poor farm households remains above the national average, the great bulk of rural poverty today is found among the rural nonfarm population. The distribution and extent of poverty have been influenced by the changing structure of employment opportunities and the massive internal migrations encouraged by these changes. One of the most significant of these changes has occurred in farming.

CHANGES IN THE FARM ECONOMY

The most pervasive influence affecting employment in agriculture has been a growth of labor productivity substantially in excess of the growth of markets. Between 1940 and 1966, aggregate production inputs used in farming increased by only 8 percent, while farm output increased by 61 percent. The over-all ratio of output to inputs increased 50 percent, and the ratio of output to labor input increased by a spectacular 347 percent.

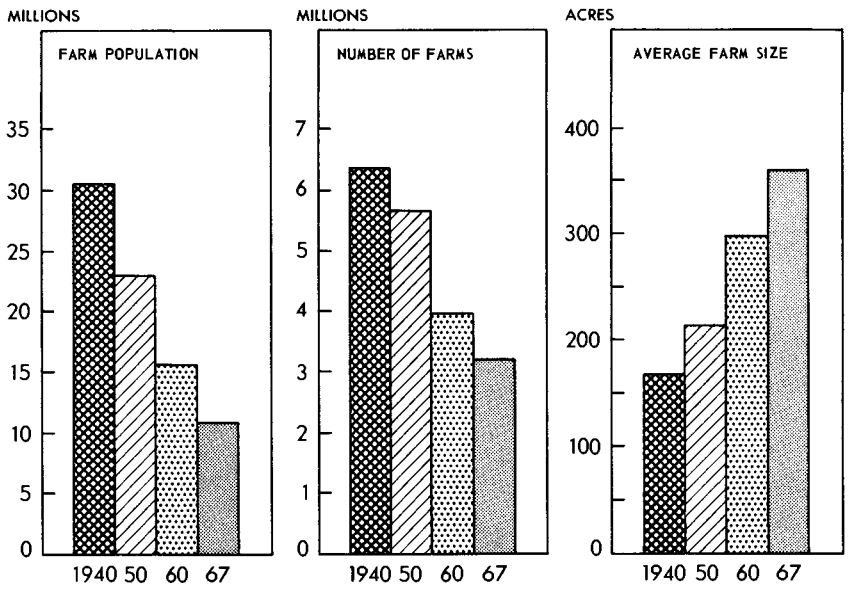
The demand for farm products has consistently increased less rapidly than the growth of incomes. Combined with sharp increases in productivity, this fact has greatly diminished the need for labor resources in farming. Further, the revolutionary increase in labor productivity could be realized only through mechanization. Because many machines could be efficiently utilized only on large farms, the full benefits of mechanization were not available to farms of smaller size. Since 1940, the number of farms has been reduced by almost one-half and the average size of farms has more than doubled (Chart 12). The farm population meanwhile has fallen by almost two-thirds; after remaining virtually unchanged in the preceding 20 years, it declined from 30.5 million in 1940 to 11.6 million in 1966.

As a result of the trends in demand and in productivity, the number of farms with sales valued at $10,000 or more per year has been increasing, while the number of farms with annual sales under $10,000 has declined almost one-third since 1959 (Table 19). There is a movement up the income ladder within farming as some operators of smaller farms acquire additional resources to expand their sales. But operators of the smallest farms have become increasingly dependent on off-farm employment to supplement their incomes. Farm incomes are benefited both by Government price-support operations and by direct payments. These benefits, of course, do little for farmers who have little to sell. Despite the growing prosperity of large farmers, many small farmers and farmworkers cannot earn a decent income in farming.

Industrial expansion offered many farmers and farmworkers an opportunity to raise their incomes by accepting nonfarm employment. Several

Chart 12

Changing Farm Structure



SOURCE: DEPARTMENT OF AGRICULTURE.

studies show that movement out of farming is much more closely related to employment opportunities and income in the nonfarm sectors than to earnings in farming. The experience of the 1960's again confirms this. Rapid economic growth was accompanied by sharp reductions in the farm population.

Poverty in the Farm Population

Farm poverty remains a serious problem, especially since most of the farm poor are ineligible for income maintenance programs as presently organized. As recently as 1959, 63 percent of all farm families had less than $5,000 in sales and averaged less than $3,500 of total family income (Table 19). The number of farmers in this sales class has declined sharply since then, and their off-farm earnings have increased. Operators of the smaller farms tend to be older than those of large farms, and have on the average almost 3 years less of formal education. The remaining poverty on farms is concentrated among these operators of small farms. By 1966, however, only 600,000 farm households were in poverty, a sharp drop from 1.8 million in 1959. Much of the reduction in farm poverty has resulted from migration. Some of those who moved have become members of the nonfarm poor, but the bulk of the younger migrants have increased their income potential. It is likely that

TABLE 19.—*Number of farms and farm income, by value-of-sales classes, 1959, 1964, and 1966*

Value-of-sales class and year	Number of farms		Cash receipts plus Government payments; percentage distribution	Farm operator family income		
	Thousands of farms	Percentage distribution		Total income	Realized net farm income	Off-farm income
All farms:						
1959	4,097	100.0	100.0	$4,844	$2,773	$2,071
1964	3,472	100.0	100.0	6,196	3,747	2,449
1966	3,252	100.0	100.0	7,787	5,049	2,738
Sales under $5,000:						
1959	2,576	62.9	13.9	3,493	1,115	2,378
1964	2,030	58.5	9.3	3,860	946	2,914
1966	1,769	54.4	6.7	4,492	1,071	3,421
Sales of $5,000–$9,999:						
1959	693	16.9	15.5	4,705	3,160	1,545
1964	530	15.3	10.7	5,202	3,434	1,768
1966	446	13.7	7.9	5,902	3,989	1,913
Sales of $10,000–$19,999:						
1959	503	12.3	21.5	6,413	5,091	1,322
1964	488	14.0	18.8	7,482	5,984	1,498
1966	510	15.7	17.1	8,463	6,869	1,594
Sales of $20,000 and over:						
1959	325	7.9	49.1	13,420	11,506	1,914
1964	424	12.2	61.2	17,146	14,979	2,167
1966	527	16.2	68.3	19,791	17,539	2,252

Source: Department of Agriculture.

many of the older farmers who left farming remain in poverty. This is reflected in the fact that, between 1959 and 1966, the number of aged poor nonfarm households outside metropolitan areas remained nearly constant.

Hired farmworkers are also very likely to be poor. In 1966 there were 757,000 persons who had hired farmwork as their primary employment. They averaged 212 days of farmwork and an added 13 days of nonfarmwork with total wages from both sources averaging $2,102 for the year. The hired farm work force contains a disproportionate number of nonwhites—27 percent in 1966; this contrasts with 13 percent of nonwhites in both the total farm and the total U.S. population.

The largest concentration of low-income farms and farmworkers is in the South. In 1964, 55 percent of all farms with less than $5,000 in annual sales—but 44 percent of all U.S. farms—were located in the South. Moreover, in that year more than 53 percent of the hired farmworkers lived in the South.

Despite the revolution in agricultural technology and the attendant migration, the transformation of agriculture is not complete. The farm population will continue to decline, creating serious problems for some rural communities. The young, rather than the older farmers, will continue to be the primary migrants. This will leave behind a progressively aging population, especially among the farm poor. As a result, the natural rate of increase of the farm population will continue to fall. In 1950 the natural increase of the farm population totaled 392,000 and net emigration came to 1.5 million. By 1966 the natural increase had been reduced to 90,000 and net emigration to 858,000.

The decline of employment opportunities in farming has been accompanied by a rapid growth of jobs in manufacturing and service industries. Initially concentrated in or near the large northern cities, these jobs attracted millions of migrants from rural areas.

During the economic expansions accompanying World War II and the Korean war, manufacturing employment remained highly concentrated in the heavily metropolitan areas of the industrialized States of the North—Massachusetts, New York, New Jersey, Pennsylvania, Ohio, Michigan, and Illinois. With less than 40 percent of the U.S. population, these seven States provided about 55 percent of manufacturing employment in 1953, about the same share as in 1939 when the national total was approximately half as large.

The pattern of growth in manufacturing employment changed significantly during the late 1950's. Technological advance in transportation, construction of interstate highways, expansion of trucking, construction of long distance pipelines, and the extension of coordinated electric power grids reduced the advantage of potential manufacturing sites in the large metropolitan centers. This trend was accelerated by the rapid growth of industries such as technical instruments, electronics, and small consumer appliances, whose products have high value per unit of weight and volume and thus can be shipped at relatively low transport cost. As a result, the location of industry was increasingly determined by other factors, such as relative wage rates, labor availability, local taxes, climate, and land costs.

These developments shifted the growth in manufacturing employment away from the North. Between 1956 and 1966, U.S. manufacturing employment increased 1,840,000 (11 percent). Meanwhile, in the seven industrialized States mentioned above, manufacturing employment increased only 37,000 (less than one-half of 1 percent). By contrast, during the same period, manufacturing employment grew 465,000 (26 percent) in the West and 1,026,000 (33 percent) in the South.

Nonfarm job opportunities have grown less rapidly in metropolitan areas—especially in the giant ones—than in the rest of the Nation. From 1962 to 1966, private nonfarm employment grew 5 percent a year or more in nonmetropolitan counties, regardless of the size of the largest urban center; in comparison, it rose 4 percent yearly in metropolitan counties. In the same period, total nonagricultural employment increased less than 3 percent in the 13 largest metropolitan areas.

While these figures show a general relative improvement in nonagricultural employment opportunities in the less densely settled areas, many nonmetropolitan areas were stagnant or declining. Between 1959 and 1964, there were 1,315 nonmetropolitan counties in which private nonfarm employment either declined or increased by less than 100 jobs. Large contiguous blocks of counties with declining populations are found in Appalachia, the northern portions of the Lake States, the Great Plains, and the Southwest.

The process of economic growth has been and continues to be very uneven in rural areas and in smaller cities. These are the areas where, because of dependence on one or two industries—frequently resource-based industries such as agriculture, forestry, or mining—the greatest adjustments are needed in response to shifts in the pattern of demand, technological change, or the exhaustion of resources. This uneven growth has been responsible for major shifts in population.

RECENT CHANGES IN POPULATION DISTRIBUTION

In the past ten years, significant changes have occurred in the pattern of migration and in the growth and distribution of population in the United States. These changes have both affected and been affected by the changing pattern of demand and productivity in an expanding economy. They have served both as an engine whereby poverty has been reduced, and as a force contributing to its redistribution.

Migration

The shifts in the geographical distribution of jobs noted above have been paralleled by changes in the pattern of migration. Migration to the North and to the largest metropolitan areas soared during the economic expansion of the 1940's and early 1950's, but has slowed markedly in the last ten years. Since 1960, the 12 largest metropolitan areas (those with more than 1,700,000 population in 1960) have grown only slightly more rapidly than their natural excess of births over deaths. In the North-Central States, the largest metropolitan areas grew 1.8 percent a year during the 1950's, but only 1.0 percent a year so far in the 1960's. They are now experiencing more emigration than immigration. In most regions, the metropolitan areas under 250,000 population are growing considerably more rapidly than the largest ones.

Net domestic migration to metropolitan areas declined from 668,000 a year during the 1950's to 216,000 a year in the first half of the 1960's. As Table 20 indicates, during the latter period domestic migration contributed less to the growth of metropolitan area population than did foreign migration. Metropolitan areas are still growing faster than nonmetropolitan areas, but the difference in growth rates is narrowing. Furthermore, in the 1960's the nonfarm population was growing about as fast outside as inside metropolitan areas.

From 1960 to 1965, only the North-Central region lost more migrants—foreign and domestic combined—than it gained (Chart 13). This was the result of a large net loss of whites through domestic migration, which was offset only sightly by the much reduced net domestic immigration of nonwhites. During the same period the Northeast gained population through migration, although the region experienced a net emigration of domestic whites. The West continued to receive the largest gains from migration, and was the only region to gain more domestic migrants than it lost. The

TABLE 20.—*Components of population change by area, 1950–65*

Period and area	Percentage increase per year in population	Population changes (thousands of persons)			
		Natural increase	Net gains from migration		
			Total	Foreign [1]	Domestic [2]
1950 to 1960: [3]					
Total	1.7	25,337	2,660	2,660	----------
Metropolitan areas [4]	2.4	16,336	8,634	1,955	6,679
Nonmetropolitan areas	.5	9,002	−5,974	705	−6,679
1960 to 1965: [5]					
Total	1.5	12,626	1,846	1,846	----------
Metropolitan areas [4]	1.7	8,589	2,436	1,357	1,079
Nonmetropolitan areas	1.1	4,037	−590	489	−1,079

[1] Distribution of net foreign migration is estimated to be the same as distribution of gross migration from foreign countries during 1962–66.
[2] Estimated migration among 50 States and the District of Columbia.
[3] April 1950 to April 1960.
[4] Metropolitan areas as defined in 1967.
[5] April 1960 to July 1965.

Sources: Department of Commerce and Council of Economic Advisers.

South was the only region in which emigration exceeded immigration among nonwhites. The South's gain through total migration was due to a large inflow of white foreign immigrants, which offset a net outward movement of both domestic whites and nonwhites.

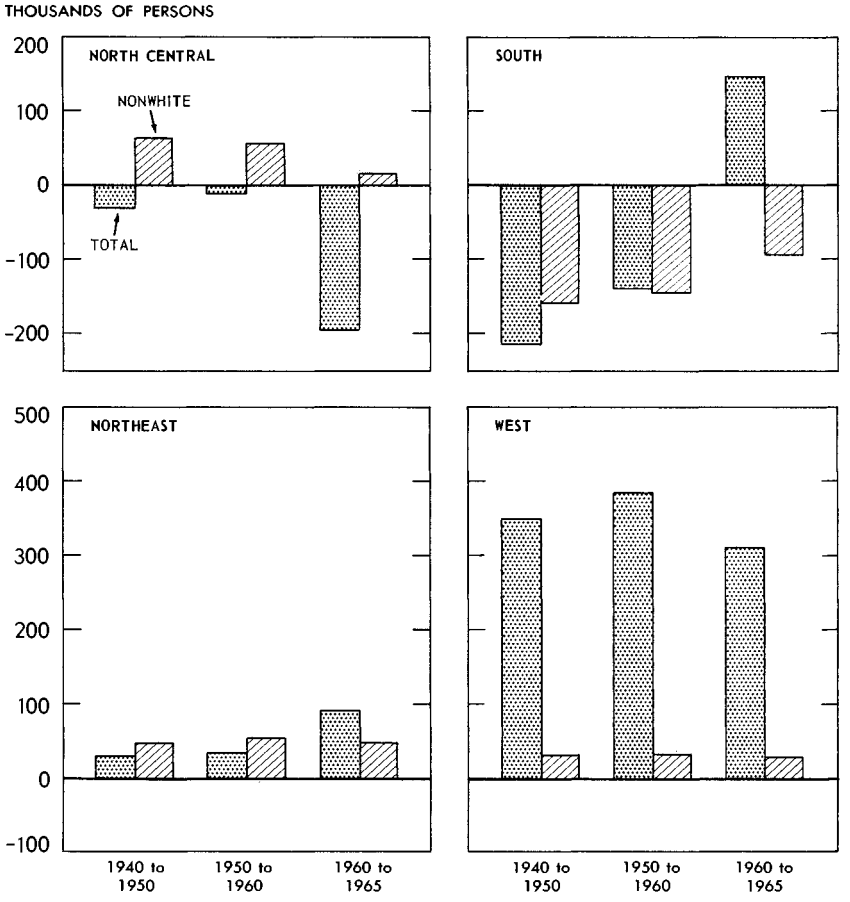
The growth of the nonwhite population in metropolitan areas averaged 3.9 percent a year in the 1950's, but it slowed to 3.1 percent a year in the 1960's. Nonetheless, this latter rate was about twice as fast as the rate of increase of the white population, partly because the nonwhite rate of natural increase was double that of the white. In the 1960's, 32 percent of the increase in nonwhite population in these areas was attributable to migration, compared with 43 percent in the 1950's. Not since the 1940's has migration accounted for more than half of the growth of nonwhite population in metropolitan areas.

Racial Distribution Within Metropolitan Areas

Like the European immigrants of earlier times, the Negroes from the South came to the cities looking for better jobs, housing, and schools for their children. To a greater degree than their immigrant predecessors, Negroes met severe discrimination in housing. Because most of them were poor, the housing they could afford was usually in the older sections of the metropolitan area and usually in the central city. And because of discrimination, this area became a segregated ghetto. The only way in which the segregated but rapidly growing Negro community could obtain additional housing was through encroachment on the white neighborhoods at the borders of the ghetto. Racial tensions increased as the process continued. The more affluent whites moved to the suburbs, where Negroes were largely excluded.

Chart 13

Average Annual Net Migration by Regions



NOTE.–DATA FOR PERIOD 1960 TO 1965 NOT STRICTLY COMPARABLE WITH OTHER DATA.
SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS.

Thus, within metropolitan areas, the nonwhite population has become increasingly concentrated in the central cities while the white, middle- and upper-income population has become increasingly suburban. Since 1960, the white population in central cities has declined, while the nonwhite population has grown by 3.6 percent a year. Meanwhile, the growth rate of suburban populations has been 6½ times the rate for central cities, and that growth has been overwhelmingly among the white population. Less than one suburbanite in 20 is nonwhite, and the white suburban population is growing more than twice as fast as the nonwhite. Between 1960 and 1966, there was an exodus of more than 3.5 million whites from central cities. Over the

same period, net migration added 1 million to the nonwhite population of central cities, and natural increase added another 1.5 million. As a result of these shifts, not only particular city areas or neighborhoods, but entire cities and counties, are becoming increasingly segregated by race.

Economic Aspects of the Transformation

Businesses, as well as the white middle class, have found suburban locations increasingly attractive. Cheaper land permits manufacturing firms to construct one- or two-storied buildings, which are usually more efficient. The suburbs also provide some escape from central city traffic congestion. Following the shift of population and manufacturing, other industries—construction, retail trade, and other services—have also grown rapidly in the suburbs. Employment gains in central cities have been largely limited to clerical, managerial, and professional positions.

The decline of the central city as a place of employment relative to the suburbs has been most typical of large northern metropolitan regions. New York City is a case in point. Between 1956 and 1966, manufacturing employment declined 15 percent in the city but increased 35 percent in the New York State suburbs. In the city, only financial institutions, State and local government, and miscellaneous service industries experienced substantial gains in employment.

Redistribution of job opportunities in metropolitan areas has increased the distance between the residence of the less-skilled, lower-income individual, often a Negro, and the potential jobs available to him. Metropolitan transit systems characteristically do not provide adequate service between central city poverty areas and the sites of suburban employment.

Changes in the Distribution of Poverty

Many migrants to the cities in recent decades were poor when they arrived. Yet, as a proportion of all households in metropolitan areas, poor households declined from 19.6 percent in 1959 to 14.9 percent in 1966. This seven-year decline in the incidence of poverty in metropolitan areas was comparable to the reduction from 29.1 percent to 23.6 percent in the incidence of poor households in other nonfarm areas. Thus, metropolitan areas continue to have less than a proportionate share of the poor; they contain 69 percent of the total nonfarm population but only 56 percent of the nonfarm poor. Within metropolitan areas, poverty is much more common in central cities than in suburbs. In 1966, the suburban population outnumbered that in central cities by 15 percent, yet there were 9.5 million poor living in central cities and 5.8 million in suburbs. About two-thirds of the metropolitan poor are white. While the white poor were distributed about equally between suburbs and central cities, about four times as many nonwhite poor lived in central cities as in suburbs.

IMPLICATIONS FOR PUBLIC POLICY

In recent years public interest and concern have increasingly been focused on the magnitudes and consequences of migration, on the increasing size and agonizing problems of cities, and on the continuing decline of many rural communities. In particular, many have suddenly become aware of the fact that the concentrations of poor families—and particularly of poor Negro families—in the blighted areas of major cities include large numbers who are migrants, or the children of migrants, from rural areas. In the light of these problems, questions are often raised whether the separate decisions of millions of individuals and business firms, responding to the pull of economic opportunities or the push from their absence, tend to produce an "optimum" distribution of population and economic activity: as between rural and urban areas; as among urban areas of differing size; and as among the various portions of an urban complex.

POPULATION DISTRIBUTION AND PUBLIC POLICY

These are surely important questions for our society, and they need to be studied and discussed. However, there does not appear to be available at the present time an adequate amount of information to answer them, or even a satisfactory analytical framework within which their answers can be approached in a tolerably scientific fashion. One may express his own tastes as to an appropriate population distribution; but since they are only tastes, they should not be imposed on others.

Presumably there are few who suggest that governments should undertake to "plan" the distribution of population and economic activity, and to use compulsion to influence that distribution. But it is properly pointed out that government policies of many kinds do in fact influence the attractiveness—economic and otherwise—of various locations, and that these policies could perhaps be used to influence locational decisions in a manner which would move us closer to an "optimum" distribution—assuming we knew what that was.

Many Federal activities have significant impacts on the choices of consumers and businessmen as to where they will locate their homes and places of business. Among these are the location of Federal installations; the provision of Federal funds for sewers, water supply, recreation facilities, and housing; the pattern of Federal support for highways and other transportation facilities (including intra-urban facilities); urban renewal programs; and many others.

In most cases, the Federal Government does not deliberately seek to influence the pattern of locational decisions. But there are nevertheless important impacts. Indeed, it is hard to conceive how Federal affairs might be conducted in a way that was "neutral" with respect to locational decisions. Since Government action is bound to influence location, the locational implications of alternative policies should surely be—and to some extent are—

considered in developing and administering Federal programs. A complete system of priorities, based on a concept of optimum geographical distribution of population is seldom required in order to recognize that the locational implications of one set of policies may be superior to those of another. This is quite a different matter, however, from developing policy measures specifically designed to alter existing locational patterns.

CLARIFYING SOME ISSUES

Despite the absence of a complete framework or analytical system for dealing with locational problems, it seems possible to clarify some of the issues frequently raised with respect to existing or proposed public policies that affect location, or that are aimed at the problems of particular local areas.

(1) In light of the preceding sections, it is clear that any meaningful discussion of the problems created by migration must take into account the fact that migration is an essential part of the process by which economic growth occurs and individual incomes expand. Migration does not simply redistribute poverty; it also serves to reduce poverty. By far the greatest part of migration is in response to income opportunities. The population tends to move from areas where incomes are lower to ones where incomes are higher. This shift of the population raises incomes for most migrants and probably, on balance, has a favorable effect on the incomes and job opportunities of those who do not migrate.

(2) Many problems which appear to be the problems of particular cities or rural districts are not, in fact, local problems in any meaningful sense. They represent the local outcroppings of more basic national problems—reflecting such factors as: an unequal distribution among individuals of educational opportunities and health services; the impact of technological change as it affects persons with particular skills or the lack of skills; the incidence of family instability; and a variety of social tensions associated with modern living conditions and current individual and social values. Many of these problems—such as those of education, health, training, income maintenance, and individual disability—have been properly identified, and are being dealt with, as national problems.

(3) The most difficult and potentially explosive problems of life in urban centers are those associated with racial antipathies and prejudices. The economic and social problems of our large cities would be very different were it not for the housing segregation which confines Negroes—and occasionally other national-origin or ethnic groups—to particular neighborhoods. Especially serious frictions are created as the frontiers of segregation are disturbed by population expansion. But racial discrimination is a national not a local phenomenon. Likewise, patterns of discrimination in employment and business emerge as problems for localities; but, like housing segregation, they are in fact the result of national problems of interracial attitudes.

(4) One striking factor impairing the abilities of some communities to avoid or solve problems arises from artificial and obsolete political boundaries. Such jurisdictional divisions fracture the social and economic unity of many of our communities, both urban and rural. For example, the central cities of urban areas necessarily provide many benefits to outlying areas, while being unable to assess a reasonable share of the costs of these services to residents outside the central city. The financial ability of an urban complex as a whole to solve many of its own problems may not be in question. But if inappropriate political boundaries allocate the costs unevenly, the financing of essential public services may appear an almost insoluble problem.

(5) The relation between the per capita cost of providing public services and the population size and density of a locality is one element in the evaluation of the costs and benefits of alternative population distributions. For some public services, the highest per capita cost occurs in communities which are of minimum or of maximum density. There are some services for which the per capita cost may rise steadily throughout most of the range of progression from fairly low to highest density. These include such services as abatement or control of noise, pollution, or crime; and provision of adequate outdoor recreational facilities. As the size of a community increases, the per capita cost of such services may—at least beyond some point—increase steeply. And, of course, there are some services or amenities—such as museums and libraries—for which the average cost declines almost continuously and without limit as the size of the community increases.

Some research has been done on the cost and efficiency of public services in communities of various sizes and densities. Much more research is needed in order to provide effective guidance for community planning.

(6) Substantial research efforts are also needed to appraise the costs and benefits associated with alternative locational distributions of private production and consumption—the economies and diseconomies of scale, of agglomeration and association, and of the geographical integration of various production processes, and so on. Although economists understand the nature of many of these forces, they have not progressed very far in developing the techniques of measurement.

(7) The costs and benefits—both public and private—of alternative population distributions are not natural constants. Technological and engineering changes arising from the physical, biological, or social sciences can and will alter them over time. Developments in transportation, pollution control, and construction can modify the nature of the problems of our cities. Indeed, technological expertise can and should be consciously marshalled for such purposes.

Despite the many unsettled questions on the implications of alternative population distributions, social policy does not need to stand still while awaiting answers. There are many kinds of problems—both in cities and rural areas—which can be solved, even though we lack an over-all scientific framework that spells out costs and benefits for all locational issues. Many

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of the problems which appear in particular places are, as indicated, national problems for which national solutions are being pursued. National policy can direct itself toward helping cities and rural areas meet their particular problems—of housing, pollution, transportation, health, welfare, education, crime, social disorganization—wherever these problems may appear. A selected group of these problems—centering around the broader problem of poverty—is discussed in the subsequent sections of this Chapter.

Much as we may be able to contribute to solving community problems through these means, segregation and discrimination are fundamental obstacles which must be overcome if we are to make real headway in solving our urban crisis. Local political boundaries are another obstacle which must be surmounted. Neither of these problems can be solved by Federal action alone; indeed, the basic solution of each must be found at the local level. But the Federal Government can and has contributed to solving the former problem through national civil rights legislation. And it can and has contributed to the solution of the latter through support and encouragement for planning on a metropolitan or areawide basis which corresponds more closely to the economic and social reality of our communities.

THE DEMOGRAPHY OF POVERTY

The decline of poverty and the role of shifting employment patterns in the decline have been documented. The geographic aspects of the remaining poverty have also been examined. But poverty must be viewed not only in terms of geography, but in terms of demography. The incidence of poverty by family type, and the policy issues relevant to each type, are the concern of this section.

Poverty is not evenly distributed throughout the population. The aged, nonwhites, and members of households headed by a woman constitute larger fractions of the poor than of the general population (Table 21). Moreover, the rate of progress in reducing poverty has varied widely among these and other groups. Between 1959 and 1966, the number of poor nonfarm households headed by a man declined 20 percent, while the poor nonfarm households headed by women increased by 2 percent. As a result, households headed by a woman constitute a growing proportion—now nearly half—of all poor households.

The most impressive reductions in poverty have occurred among households headed by a working-age male. The number of such households declined by one-third between 1959 and 1966 as a direct result of the increasing availability of good jobs at high wages. While the number of nonfarm households in this group declined 27 percent, there was a drop of two-thirds in the number of farm households. Among the nonfarm group the decline was as rapid for nonwhites as for whites.

High employment is essential to further reduction of poverty among households with an actual or potential wage earner. Yet many poor men of

TABLE 21.—*Number of poor households and incidence of poverty, 1959 and 1966*

Characteristics of head of household	Number of poor households (millions) [1]		Incidence of poverty (percent) [2]	
	1959	1966	1959	1966
Nonfarm	11.6	10.3	22.5	17.6
White	9.0	7.9	19.6	15.3
Male head	5.0	3.9	13.4	9.4
Under 65 years	3.3	2.4	10.2	6.8
Aged (65 years and over)	1.7	1.5	34.0	24.7
Female head	4.0	4.0	45.2	37.7
Under 65 years	2.2	2.0	37.8	30.5
Aged (65 years and over)	1.8	2.0	59.3	48.9
Nonwhite	2.6	2.4	48.9	37.5
Male head	1.4	1.2	39.7	26.9
Under 65 years	1.2	.9	36.7	23.3
Aged (65 years and over)	.2	.3	64.4	51.4
Female head	1.1	1.2	69.4	60.8
Under 65 years	.9	.9	68.1	58.8
Aged (65 years and over)	.2	.2	76.3	69.9
Farm	1.8	.6	40.9	20.8
White	1.3	.5	34.7	16.9
Nonwhite	.4	.2	85.0	69.7

[1] Households are defined here as the total of families and unrelated individuals.
[2] Poor households as a percent 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.

working age must first receive training or other special assistance to enable them to raise their earnings. For those who cannot work, or who—despite training and other services—still cannot earn enough to emerge from poverty by their own efforts, adequate income maintenance programs are needed.

POVERTY AMONG THE AGED

Social insurance is the first line of protection for households in which the breadwinner retires, is disabled, experiences involuntary unemployment, or dies leaving dependent survivors. Over 23 million beneficiaries are now receiving Old Age, Survivors, Disability, and Health Insurance (OASDHI) payments at an annual rate of more than $27 billion. For the retired aged, these payments are overwhelmingly the largest single source of income.

The incidence of poverty among aged nonfarm households fell from 46 percent in 1959 to 37 percent in 1966. One reason for the improvement is that more recent retirees had higher lifetime earnings and therefore were entitled to larger social security benefits. In addition, a rapidly growing proportion of the aged receive retirement benefits under private pension

plans. Pension recipients and their wives now constitute 18 percent of the total population, of age 65 or over, up from 7 percent in 1955.

Increases in social security benefits also deserve much of the credit for the reduction in the incidence of poverty among the aged. The 1967 Social Security Amendments expanded benefits 13 percent and raised to $55 the monthly minimum benefit. Together these amendments will reduce the number of the aged poor by 800,000. The 1967 amendments increase income protection for all covered employees—not merely for those of retirement age. Increased survivor and disability benefits provided for in the 1967 legislation will reduce poverty among those under age 65 by 200,000.

Social security benefits have had several important side effects. The average retirement age has fallen, and a growing number of aged are now able to maintain their own households. Between 1960 and 1967, as the proportion of aged persons receiving social security benefits rose from 64 percent to 82 percent, labor force participation rates for males 65 and over fell from 33 percent to 27 percent. Since 1962, when benefits were made available to males of age 62–64, the participation rate for this group has declined even more rapidly than that for males 65 and over.

Further benefit liberalization—particularly higher minimum and widow's benefits—could sharply reduce poverty among the aged. Had Congress increased the minimum benefit to $70, as requested by the Administration, while increasing other benefits by 13 percent, an additional 500,000 aged persons would have been freed from poverty. The additional cost of the $70 minimum benefit would have amounted to less than 10 percent of the increase in benefits that was provided—yet it would have increased by about 50 percent the number of individuals lifted out of poverty.

FAMILIES HEADED BY WOMEN

The public assistance program—in particular, Aid to Families with Dependent Children (AFDC)—is the chief source of help for poor families with dependent children and headed by women. A majority of such families is now covered either by AFDC or OASDHI. Benefit levels under AFDC are established by the States, and are typically too low to lift families out of poverty.

Nearly all AFDC recipients either are children or are women whose family responsibilities preclude work outside the home unless child care is provided. Moreover, until amended in 1967, the law required that AFDC benefits be reduced by $1 for each dollar of income earned by adult members of the household. This "100 percent tax rate" was sufficient to discourage all but the most determined from seeking jobs, since earnings could not add to income so long as any assistance was received. Under 1967 legislation, a welfare recipient can earn up to $30 a month without any loss in benefits. Beyond this level, for every $3 of earned income, welfare benefits are reduced by $2. Although this is still a tax rate of 66⅔ percent, these changes may encourage some welfare recipients to seek gainful employment. The 1967

legislation also provides for day-care facilities and access to training for AFDC beneficiaries. Both measures are designed to make employment easier for poor mothers.

Although the new AFDC rules eliminated some egregious shortcomings in the welfare program, many recipients cannot participate in training or seek regular employment. Family responsibilities make employment impractical or unsuitable for many women. Heavy reliance must still be placed on income maintenance to ameliorate poverty within this group.

HOUSEHOLDS WITH A MALE EARNER

In 1966, there were 10½ million persons in poor households headed by working-age males who were either working regularly at full-time jobs or actively seeking work.

About 1.5 million male heads of households were poor in 1966 despite full-time employment—40 hours a week for 50 weeks or more (Table 22). Rising real wages will continue to reduce poverty among families with a fully employed male earner. The higher level and broader coverage of the minimum wage will also contribute. The continued industrialization of the South will give many workers an opportunity to take better-paying jobs. Others will improve their economic position by migrating. Continued efforts to eliminate discrimination in promotion will help many, particularly Negroes, who are poor even when fully employed.

Another 1.5 million heads of poor families worked part time or part of the year in 1966. There were 700,000 poor male household heads of working age who did not work at all, but 400,000 of these were disabled. Many who are poor because of unemployment or low wages could, given training and opportunity, earn enough to escape poverty.

Training the Disadvantaged

Many of the workers who are earning less than an adequate income are unskilled, poorly educated, or, as a result of irregular employment and discrimination, have poor work habits. But most of these workers could improve their earning capacity if they were given remedial attention.

In the last four years, manpower programs tailored to the needs of the economically disadvantaged have been greatly expanded. During the fiscal year 1968, close to a million persons, most of whom are disadvantaged, will be served by the Manpower Development and Training Act, the Job Corps, and similar programs. A great number of people who need skill training or work experience have not yet been reached. But the increase in the number of individuals served does point to the enormous progress made in a relatively short time. Many of the unemployed, although they originally lacked a marketable skill, responded to regular Manpower Development and Training Act (MDTA) programs, and have obtained employment.

But there is also a substantial hard core of unemployed workers who need more than a routine training program. For these workers, conventional train-

TABLE 22.—*The poor and their work experience, 1965–66*

[Millions]

Age and work experience of head of household	1965		1966	
	Male head	Female head	Male head	Female head
Total poor households [1]	5.8	5.4	5.6	5.4
Aged (65 years and over)	1.7	2.4	1.9	2.4
Under 65 years	4.1	3.0	3.7	3.0
Did not work	.7	1.5	.7	1.4
Ill or disabled	.4	.2	.4	.3
Other reasons	.3	1.3	.3	1.1
Worked at part-time jobs	.5	.5	.6	.6
Worked at full-time jobs	2.8	1.0	2.4	1.0
Employed 39 weeks or less	.7	.5	.6	.5
Employed 40–49 weeks	.4	.1	.3	.2
Employed 50 weeks or more	1.7	.4	1.5	.4

[1] Households are defined here as the total of families and unrelated individuals.

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.

ing programs designed for educated workers with substantial regular work experience are entirely inadequate. Training must be supplemented with counseling, health services, work experience, and basic education. Followup counseling may be necessary to encourage the work habits and self-discipline required in steady employment. There is growing evidence that on-the-job training for many disadvantaged workers will prove more successful than institutional training, but unfortunately employers do not ordinarily make positions in these programs available to the disadvantaged.

For severely disadvantaged workers, the cost of training, placement, and supplementary services may run as high as $5,000 per trainee. The cost per worker ultimately employed is still higher, since many candidates do not complete training or stay on the job after placement. But for those workers who are successfully trained, the gain from steadier work at higher wages is great. In addition, the children of these workers find more security and better preparation for a productive life of their own. The economic benefits for society as well as for individuals are large.

The business community has hired and trained the poor in the past, but only on a limited basis. Business and government are coming to realize that business must play a vastly expanded role in making the hard-core disadvantaged employable. Government training programs alone cannot do the job—certainly not as rapidly as it must be done.

The President has announced a new program—Job Opportunities in the Business Sector (JOBS)—to bring the flexibility and imagination of the private sector into full partnership with Government on the broadest scale

possible in order to solve the employment problems of the most deprived segments of the population. Through this program, private industry will train and hire 100,000 of the disadvantaged during the next 18 months at a Federal cost of $350 million.

Another recent innovation, the Labor Department's Concentrated Employment Program (CEP), has focused the efforts of Federal, State, and local agencies and cooperating private emplyers on the task of employing disadvantaged workers in poverty areas both urban and rural. Continued expansion of CEP, together with the new JOBS program, should permit a continued reduction in the number of families whose poverty derives from unemployment.

INCOME MAINTENANCE

Despite the prospective benefits from training programs and further economic growth, there will still be a need for income maintenance or income supplements for poor families headed by men of working age. In 1966, more than one-fourth of all the poor and 4½ million poor children lived in families headed by a man employed throughout the year. An additional 2½ million poor persons, including 1⅓ million children, were in families headed by men who were normally full-time workers but who suffered some unemployment.

Concern about the welfare and education of the young has prompted a number of proposals for providing additional financial support for poor families with children. Children's allowances are a device used in a great many countries, including Canada, to provide a flat payment to each child, regardless of family income. But flat allowances are a costly means of attacking poverty since most benefits do not go to the poor. Another form of income supplement—the children's minimum income allowance—would provide a grant to all poor households with children, with the amount of the grant diminishing as income rises. Nearly all of these expenditures would go to the poor. Moreover, as incomes rose, the cost of such a program would automatically diminish.

For those who suffer from chronic unemployment, a combination of income maintenance and an opportunity for work and training would appear to be needed if their poverty is to be eliminated. Many of the chronically unemployed will be able to lift themselves from poverty if aided by job training and placement. But even after job programs become fully effective, some may still need income support. And there will always be a residual group who will not be able to fill regular jobs but who can do some useful work.

The present program of Aid to Families with Dependent Children-Unemployed Parent (AFDC–UP) provides a start in meeting these needs. As amended in 1967, the program permits States to make federally aided payments to families with an unemployed father. At the end of 1967, only 21

States had elected to do so. Even among these States, benefits are often inadequate and eligibility is severely limited. Only about 60,000 families are currently benefiting from the AFDC–UP program. Under the 1967 amendments, unemployed beneficiaries are to be assigned to training programs when there is a reasonable prospect that they can be employed. Those lacking such prospects are to be assigned jobs with local public agencies.

Eliminating poverty for those who cannot work is mainly a matter of money. Eliminating poverty for those who can, given training and opportunity, earn a decent living, is a matter of money, organization, the design of effective programs, and cooperation between industry and Government.

Especially difficult problems are involved in any program designed to eliminate poverty for those who can do some useful work but whose earning capacity is limited by their abilities or by family responsibilities. An income maintenance program for any family in this in-between situation should provide some guaranteed minimum level of support. But it should also provide an incentive to work by permitting beneficiaries to retain a substantial fraction of any earnings.

Any income maintenance system runs into a dilemma in meeting these requirements. For work incentives to be highly effective, benefits probably cannot be reduced by more than about 50 cents for every dollar earned. If, in addition, the guaranteed minimum support is high enough to free most beneficiaries from poverty, payments would have to be made to some people above the poverty line. For example, if the guaranteed minimum were $3,000, but the support benefit was reduced 50 cents for every dollar of earnings, then a man earning $4,000 would still receive $1,000 of his support payment. The person who was satisfied with $3,000 would then be under no pressure to seek or accept employment. Yet if the guaranteed minimum support were lower, many beneficiaries who are willing to work but whose earning power is low or nonexistent would remain poor.

One possible solution would be to provide a relatively adequate base level of income support, but require that every recipient whose family responsibilities permitted it must accept training for private employment. If he was not capable of training, he would be required to accept work on public service projects. The recent amendments to the Social Security Act moved in that direction, requiring training for AFDC recipients (although benefit levels remain low). Such an approach does deal with the problem of the person uninterested in earning income. But it creates a variety of other problems. First, the States must make decisions concerning the personal life of the recipients—such as whether a mother should care for her children herself or place them in day care and go to work. Second, a difficult administrative problem arises. An overly generous program could generate a large volume of poorly supervised public employment of high cost but little value, but an excessively stringent, low-cost program could recreate the 19th century government workhouse.

These conflicts among objectives will not be easily resolved. But our present welfare system leaves so much to be desired that substantial progress can be made before these issues become critical. At present, the welfare system in most States is inadequate on two counts—a low support base and relatively weak work incentives. Benefit levels and incentive provisions could both be substantially improved before we would have to face the choice between generous support for the lazy and the difficulties inherent in a compulsory work program. Federal-State sharing formulas could be redesigned to reduce the wide disparities in benefits paid by different States. AFDC recipients could be offered more incentive to work and more training opportunities without compulsion. AFDC–UP could be extended to all States and eligibility restrictions could be made less severe. These and related issues will undoubtedly be considered in greater depth by the new Presidential Commission on Income Maintenance.

A more humane and generous welfare system, continued improvement in the social security system, expanded training programs for the disadvantaged, and a growing high-employment economy will all contribute to a continuing reduction in poverty. In addition, efforts to reduce poverty and to improve economic opportunity must deal with the particular problems caused by inadequacies in housing, education, and health care. These topics constitute the balance of the chapter.

HOUSING

Most Americans are aware of poverty primarily because they have seen the houses on the other side of the tracks. One view of a real slum convinces most people that "something ought to be done." Partially because of government efforts to do something about poor housing, progressively fewer people live in dilapidated housing or occupy homes with substandard plumbing. Yet urban slums remain, and many rural families still have pitifully inadequate housing.

CHANGES IN HOUSING QUALITY

Housing statistics are only indicators of progress and of the dimensions of remaining problems. They cannot adequately describe the pleasures of better homes or the miseries of densely packed, dirty, and dreary neighborhoods. Most American families now live in adequate housing (Table 23). But 2 million American families live in dilapidated housing—dwelling units with structural defects which endanger the health and safety of the inhabitants. In addition, close to 4 million families live in units that lack basic plumbing facilities, bringing the total of substandard occupied units to 5.8 million.

Substantial progress in housing has been made since 1950. The data collected in the 1950 and 1960 censuses suggest a reduction in the number of

TABLE 23.—*Occupied housing units, by quality, 1960 and 1966*

[Thousands]

Quality by area [1]	1960 [2]	1966
Standard units	44,418	52,138
Substandard units	8,469	5,754
Metropolitan areas	3,231	2,470
Nonmetropolitan areas	5,238	3,284
Dilapidated	2,353	1,995
Metropolitan areas	1,052	[3]
Nonmetropolitan areas	1,301	[3]
Nondilapidated, lacking plumbing	6,116	3,759
Metropolitan areas	2,179	[3]
Nonmetropolitan areas	3,937	[3]

[1] Based on 1960 definitions of quality and metropolitan areas.
[2] Because of changes in methodology, data for 1960 in this table are not strictly comparable with 1950 and 1960 census data mentioned in the text.
[3] Not available.

Sources: Department of Commerce and Department of Housing and Urban Development.

occupied substandard units from 15.3 to 9.0 million units. Further improvement since 1960 is indicated by the data in Table 23.

Although a disproportionately large share of poor housing is located in nonmetropolitan areas, the improvement in the quality of occupied housing in such areas has been much more dramatic than in metropolitan areas. Part of this relative improvement reflects the migration to urban areas of poor farm families, many of which abandoned substandard units. It also reflects the increased availability of sewer and water facilities in rural areas.

Housing Deterioration

Improvement in the housing stock depends on rates of new construction, demolition, and other losses and deterioration of existing units. Since 1950 new construction has considerably exceeded the increase in the number of households. The difference has been largely offset by demolitions and other losses, which totaled 290,000 a year in the 1950's and 360,000 a year in the 1960's. Best available estimates indicate that more than half of these losses were of substandard units.

Despite these developments, the number of occupied dilapidated units apparently declined by less than 100,000 a year in the 1950's, and by only about 60,000 a year in the 1960's. Moreover, virtually all of this decline occurred outside metropolitan areas. Detailed data for the 1960's are not available for most areas, but surveys of New York City and some areas in Los Angeles indicate an actual increase in the number of occupied dilapidated units in those cities. The results suggest that, in large cities, much of the improvement in housing quality from new building in excess of the rate of household formation is offset by the deterioration of existing housing.

Houses deteriorate with the passage of time, but there is no natural life for a house. With sufficient expenditure on maintenance, most houses can be kept in sound condition for a long period of time. The rapid deterioration of housing in metropolitan areas has many causes, but poverty and racial segregation surely play major roles. When housing is occupied by families with adequate incomes, expenditures on maintenance to prevent deterioration are generally considered worthwhile by the owners. But people near the poverty line can pay little rent, and landlords are unlikely to find it profitable to undertake more than minimal maintenance. When segregation limits—even temporarily—the area occupied by a growing minority population, owners can increase their profits by breaking up apartments for denser occupancy, thereby hastening deterioration. Although owners may differ in their views on the most profitable maintenance policy, those who fail to provide adequate maintenance for their buildings blight the neighborhood and bring down the value of neighboring properties. When a neighborhood becomes sufficiently blighted, all owners find it profitable to mine their properties—making occupancy as dense as possible and minimizing maintenance expenditure to obtain the largest possible short-term cash flow.

THE NEED FOR FURTHER FEDERAL ASSISTANCE

In spite of these difficulties, the amount of substandard housing has been reduced. But the pace of further progress is clearly limited by the rate at which poverty and segregation can be reduced. As incomes generally rise, housing standards improve up the line: those with lowest incomes move into housing vacated by others whose incomes have risen enough to permit a move into even better housing. Most of the houses occupied today were originally built for persons in higher income classes than those who now occupy them. The process of turning over houses to the less affluent by families who move on to better—often new—housing will no doubt continue to be an important source of improvement in housing conditions.

But these market processes will work too slowly to provide, by themselves, a sufficiently large and prompt improvement in the quality of housing for all Americans. During the coming 10 years, the children of the post-World War II baby boom will enter the years of peak household formation. New housing construction for the private market in the next 10 years must total approximately 20 million units to meet the needs of these new households and to replace losses and demolitions of standard units. To produce that many units, new housing construction must average one-third higher than the current rate.

Yet even a boom of these proportions in private construction will accomplish little reduction in the number of occupied dilapidated units. Progress will be particularly slow in areas where widespread blight reduces the incentive to build new housing. For a time at least, it will be necessary to augment the rent-paying capacity of low- and moderate-income families and the

supply of housing available to them if we are to make substantial progress in improving the quality of housing.

The recently inaugurated rent supplement program is designed for this purpose. Nearly 40,000 new or rehabilitated housing units are already available, under construction, or committed under the program of rent supplements to low-income families. Private nonprofit or limited profit corporations offering decent housing to low-income families are paid the difference between the "fair market rent" of a new or rehabilitated housing unit and the rent paid by the tenant family—25 percent of the family's income.

Programs designed to improve the rent-paying capacity of low- and moderate-income families are very important, but they cannot be expected to produce a rapid increase in the supply of decent housing. The principal initial effect of a sharp increase in the demand for rental housing will be to increase rents. It will produce only a gradual response in construction of low-income housing. The response will be particularly sluggish in the near future because of the prospects of a strong middle- and upper-income private housing market.

For this reason the Government must take measures to increase directly the supply of low-income housing. Subsidized rental units have been provided for many years through the public housing program. The new "turnkey" public housing program turns over to private developers the planning, site acquisition, and construction functions in creating new public housing. Local public housing authorities, after approving the public housing plan and site, promise to purchase the completed building when it is ready for occupancy. The approach shortens the period from planning to completion by as much as 3 years, and will double the output of public housing over the next 2 years. The turnkey approach has recently been expanded to allow privately constructed public housing to be delivered to private management corporations. This program utilizes the talent in private business, and removes barriers to extended public housing that arise from the shortage of management personnel in the local public authority.

The below-market interest rate (BMIR) program also draws nonprofit corporations into providing housing for low- and moderate-income families by subsidizing interest payments through Federal purchase of mortgages bearing a very low interest rate.

The Administration has recognized the scale of effort required to put decent shelter within the reach of every American family within the next decade. As the first of ten annual steps toward a national goal of 6,000,000 federally assisted housing starts between fiscal years 1969 and 1978, the President has announced a program to start construction or rehabilitation of 300,000 housing units for low- and lower-middle income families in the fiscal year beginning in July 1968. This program will build upon successful demonstration of new approaches to public housing construction, location, and management. With greater emphasis on the role of private enterprise, the program will also require expansion of rent-supplement and interest-

subsidy techniques to reduce the monthly rental and mortgage costs of decent housing for low- and middle-income families.

A substantial increase in the scale of Federal housing programs on top of the inevitable boom in private construction would place considerable strain upon the resources of the construction industry. A successful program to eliminate substandard housing must include sweeping measures to hold down the cost of construction and to increase the supply of manpower to the industry.

EDUCATION

The United States was among the first countries in the world to commit itself to free and compulsory elementary and secondary education. The public school "movement" derived much of its strength from the desire for equality of opportunity and the traditional American hostility to distinctions based on birth. We have always cherished the image of the poor but talented youth whose education opens the door to wealth, power, and prestige. Unfortunately, the evidence indicates that we have not lived up to this high ideal.

EDUCATION AND ECONOMIC OPPORTUNITY

The connection between education and economic achievement is well documented. High school graduates have much higher labor force participation rates and much lower unemployment rates than do high school dropouts. In October 1965, 73.5 percent of white high school graduates of June 1965 who were not enrolled in college were employed members of the labor force. This compares to 49.3 percent for white nongraduates who dropped out during the 1964–65 school year.

The correlation between education and earnings is partly attributable to the association of education with other income-producing factors: ability, parental income, and family social status and connections. Nonetheless, formal education does increase earning potential. Studies indicate that reasoning ability, mechanical ability, and verbal and arithmetical skills augment earnings. These abilities are influenced by the quantity and quality of education.

An educational degree confers upon its holder an advantage in the labor market that goes beyond the skills represented by the degree. Employers sometimes use diplomas as screening devices for job applicants even where the skills learned in school are not important for job performance. This is because it is widely accepted that satisfactory completion of school programs indicates diligence and responsibility.

In view of the importance of education for earning capacity, the existing wide variations in educational attainment by race, social class, and place of residence are disturbing. About 48 percent of all college students come from families in the highest socioeconomic quartile, while less than 7 percent come from families in the lowest quartile. In 1960, high school completion rates for

males were lower for nonwhites than for whites and lower for rural than for urban residents (Table 24). Among whites outside the South, completion rates in rural areas were not far below those in urban areas. However, rural students who were nonwhite or lived in the South were much less likely to complete high school than were other groups.

This situation has improved substantially since 1960. The high school completion rate for all nonwhite males aged 20–24 rose from 39.0 percent in 1960 to 52.6 percent in 1966; for white males, it rose from 65.0 percent in 1960 to 78.1 percent in 1966. Rural and urban figures are not available subsequent to 1960; but metropolitan and nonmetropolitan figures reveal a substantial advance in all categories, with nonwhites in nonmetropolitan areas registering the greatest progress.

Nonwhites have less financial incentive than whites to complete their education. First, the lower average incomes of nonwhite families places greater pressure on the children to find a job, and not to make the sacrifice of immediate earnings required to continue their education. Second, the income gains to be expected from completing their education are smaller for nonwhites. In 1966, among white males over 25, those with one or more years of college earned 28 percent more than high school graduates. Among nonwhite males over 25, those who had attended college earned only 14 percent more than high school graduates. These figures probably reflect a combination of deficiencies in the quality of education available to nonwhites, and more severe discrimination against more highly educated nonwhites.

Despite the smaller payoff from additional education, young Negro men have made substantial gains since 1960 in completing college. Between 1960 and 1965, the percentage of Negro males 25–34 years old who had completed four years of college rose from 3.9 to 7.4. But this remains much below the white male college completion rate, which, during the same period, rose from 15.7 to 17.9 percent for the same age group.

TABLE 24.—*Percentage of males 20–24 years old who completed high school, 1960*

[Percent]

Race and region	Place of residence			
	Urbanized areas [1]	Other urban areas	Rural nonfarm	Rural farm
White males:				
Total	68.0	68.4	58.4	57.1
South	67.0	64.3	53.0	45.4
All other	68.3	70.5	62.5	64.7
Nonwhite males:				
Total	44.9	39.8	31.4	16.1
South	39.6	35.2	26.4	14.6
All other	48.2	52.6	45.7	33.4

[1] Central cities and urban fringe areas of standard metropolitan statistical areas.

Source: Department of Commerce.

The academic performances of nonwhite, of rural, and of poor youngsters are below the national average. A study conducted by the Office of Education, *Equality of Educational Opportunity* (frequently referred to as the Coleman Report), revealed that Negro students in the 12th grade are, on the average, more than 3 years behind whites in verbal facility. But this disparity is not merely a Negro problem. According to unpublished data from the Coleman study, rural students—both white and nonwhite—scored lower than their urban counterparts on verbal facility tests. Another study of high school graduates found that of students in the lowest socioeconomic quartile, only 8 percent scored in the highest academic quartile, while of students in the highest socioeconomic quartile, 44 percent scored in the highest academic quartile.

The poor academic performance of low-income and minority-group children has many causes. Family attitudes toward education are very important. Some educators believe that the years before the child enters school are the most important for his intellectual development. By the time children enter school, there are wide discrepancies in the aptitude scores of children from different social classes.

Another influence on educational performance is the general attitude of school companions. If students with culturally deprived preschool years are concentrated in certain schools, they will tend to reinforce each other's inadequacies.

With large variations in the stimulation provided by parents and companions, equal instruction for all students would inevitably result in lower educational attainment for culturally deprived children. If equal—or even nearly equal—educational achievement is society's goal, then disadvantaged youngsters must receive instruction *superior* in quality to that received by middle-class children.

In fact, nonwhite, rural, and poor children, on the average, receive no better—and, in many cases, much worse—instruction than white, urban, and middle-class children. In the South, Negro students are still largely taught by Negro teachers, many of whom in turn had received inferior education. In many poor communities educational expenditure per pupil, though perhaps high in relation to community income, is low in comparison with other areas. Expenditure per pupil tends to be lower in central cities than in the suburbs; moreover, schools in low-income neighborhoods of central cities spend less per pupil than schools in middle- and upper-income neighborhoods. In part, this is because ghetto schools frequently have difficulty retaining their staff and consequently typically have a higher proportion of inexperienced teachers than other schools within the central city.

It is extremely important to attract—and to retain—competent people into the teaching of deprived children. The Coleman Report indicates that characteristics of teachers are the most important school-related determinants of the academic performance of children. Yet the salaries of teachers are low in comparison with those in other jobs for male college graduates. In

1959, the average annual earnings of all white male college graduates aged 35 to 44 exceeded by 59 percent the earnings of white male secondary school teachers of the same age and with equivalent education. The low relative salaries of teachers helps to explain why a disproportionately small fraction of students entering teaching at the elementary and secondary school levels score above the average for all college students on intelligence tests.

The most important goal of educational policy for the disadvantaged is the improvement of the academic performance of culturally deprived youngsters. This requires the strengthened teaching of basic skills to children in preschool, elementary, and secondary education. Another goal is the removal of the financial barriers that discourage poor but talented high school graduates from going to college. A third goal is more effective preparation for employment of those students not planning to go on to college.

EDUCATION PROGRAMS

In 1965, the Federal Government initiated a massive program of compensatory education for disadvantaged children. This program, Title I of the Elementary and Secondary Education Act, provides $1.2 billion in the current fiscal year to school districts for programs for deprived children. The funds are distributed in proportion to the number of children from low-income families in each district. In fiscal year 1967, 9 million children were served at a cost per child of $117.

Another major program serving disadvantaged children is Head Start, a large-scale, experimental preschool project. Nearly 2 million children have benefited from the program to date. Evaluation has shown that they have registered educational, as well as social and health gains; however, the extent to which the educational gains are permanent is, as yet, unknown. The Office of Economic Opportunity and the Office of Education are initiating a new "follow-through" program to determine the best way to conserve the gains of Head Start.

The success of these and other educational programs for disadvantaged children calls for the discovery of effective techniques in compensatory education. There remain many important unanswered questions: What curricula are most effective; which teacher characteristics are most important; how should new types of equipment, such as educational television, computerized teaching aids, and language laboratories be employed? Several Federal programs encourage experimentation in and evaluation of new teaching methods.

The Government has also increased substantially its programs of financial aid for college study to students from low-income families. During 1966–67, the Educational Opportunity Grants, the National Defense Education Act loans, and the College Work-Study programs, provided nearly 700,000 separate loans and grants, averaging $620, to college students, most of whom were from poor families. This year the Administration is proposing

consolidation of these programs to enable colleges to administer the programs together and to tailor aid more closely to the needs of the particular student. The Guaranteed Loan program of 1965 began slowly, in part because of tight money markets, but expanded rapidly during 1966–67. Private loans averaging $837 were extended to approximately 430,000 students. The Administration is planning to expand the program further by amendments permitting lenders to charge a flat service fee for each loan.

The Upward Bound program in the Office of Economic Opportunity has provided summer school training and financial aid for high school students from poor families; the program is designed to encourage students with substantial potential but low achievement to finish high school and go on to college. In addition, the Administration is proposing a new program of tutorial and guidance services for low-income college students.

High schools need to revise their curricula in order better to serve the occupational needs of students not planning to go to college. Schools could do much more to make their vocational training and job information services more relevant to contemporary occupational opportunities. For example, though the percentage of vocational education expenditures devoted to agriculture has declined in recent years, only a small proportion of those receiving vocational training in agriculture enter farming. Courses related to future occupations could be designed so as to capture the interest of non-academically inclined youngsters. One promising approach is to permit high school students to receive credit for part-time jobs directly related to school courses. The Administration is proposing to further these objectives in a new, consolidated Vocational Education Act stressing State manpower planning, innovative schoolwork programs, and counseling and occupational information for all junior high school students.

Efforts to provide adequate supplies of trained educational manpower underlie all the programs in preschool, elementary, secondary, and vocational education. Summer institutes for teacher training and retraining, student loan forgiveness for those entering teaching, and fellowships for experienced teachers to return to the university for further training have been financed by the Government in recent years. Under the Education Professions Development Act, passed by Congress in 1967, measures are being taken to attract qualified people into teaching, to train teachers' aides, and to strengthen teacher education.

HEALTH

There are striking discrepancies in the health status of Americans of different races, regions, and income classes. The death rate of nonwhites is 45 percent higher than that of whites of the same age; life expectancy at birth is 7 years shorter. For the white population alone, infant mortality is 10 percent higher in nonmetropolitan than in metropolitan counties And poor adults suffer considerably more activity-limiting chronic illness, work loss, and days of restricted activity than other adults of the same age.

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These health discrepancies are due to various deficiencies in our system of medical care. For children, the number of physician visits per year varies sharply with family income (Table 25). And on the occasions when poor children do see doctors, it is usually for treatment of an obvious ailment, and rarely to receive a routine medical examination. Medical experts are firmly convinced that children who do not receive regular checkups and prompt treatment of ailments run substantially higher risks of being permanently handicapped.

Adults who are poor are more likely to have serious health problems than other adults. Ill health is linked with poverty in part because illness leads directly to decreased earnings. But low earnings—through the inadequate nutrition and shelter that accompany them—also cause ill health. Thus, poor health is both a cause and result of poverty; the two constitute a self-perpetuating cycle.

The ill health of the poor adult is not solely the result of inadequate medical care. In fact, the indigent sick person in most States can go to a free public clinic for medical attention, and many poor persons receive free or low-cost care in physicians' offices. As a result, the number of physician visits per year is not much lower for poor adults than for other adults.

Nonetheless, full equality in the number of visits to physicians would be insufficient to make poor adults as healthy as the rest of the population. Moreover, the quality of care available to the indigent may be lower than that available to middle class, paying patients. Although standards differ enormously from State to State, clinics serving the poor are often inadequately staffed and equipped, with the usual consequences—long waits, hurried and fragmented medical attention, and the absence of medical records and continuity of care.

The available statistics on health care and health status by race suggest that medical care for nonwhites is substandard. Nonwhites suffer considerably higher mortality rates than whites from medically curable illnesses, such as tuberculosis, influenza, and pneumonia. Infant and maternal mor-

TABLE 25.—*Routine medical checkups and number of physician visits for children, by selected age groups, 1963–64*

Family income	Percent of children receiving a routine medical checkup during the past year		Physician visits per year by children	
	Under 6 years	6 to 16 years	Under 5 years	5 to 14 years
Under $2,000	21.2	12.0	3.1	1.2
$2,000–$3,999	34.3	18.4	4.6	2.0
$4,000–$6,999	44.9	28.0	5.6	2.7
$7,000–$9,999	54.7	36.8	6.4	3.0
$10,000 and over	64.4	49.7	7.5	4.3

Note.—Data are based on household interviews during the period July 1963 to June 1964.

Source: Department of Health, Education, and Welfare.

tality rates, which are profoundly affected by medical care, are, respectively, 87 percent and 300 percent higher for nonwhites than for whites.

Rural residents obtain fewer medical services than metropolitan residents, regardless of race. The ratio of doctors to population is substantially lower in isolated rural counties than in counties located in or near metropolitan areas. The reluctance of doctors to practice in rural areas is understandable. Because the population is dispersed, doctors have less opportunity to specialize and to employ advanced medical techniques. They enjoy fewer cultural attractions and they may earn less. The result is that many rural communities have too few doctors.

MEASURES TO IMPROVE HEALTH CARE

Considerable improvement in the health care of medically deprived groups has been achieved by governmental finance of medical services for those too poor to pay for them. Major increases in public funds for this purpose were approved by the Congress in 1965 under two far-reaching pieces of legislation. The first, Medicare, provides for the aged a hospital insurance plan requiring no premium, and offers an optional insurance plan, covering doctors' fees and other services, in which the premium (currently $3 a month, but rising to $4 in April 1968) is matched by the Federal Government. About 93 percent of the aged are enrolled in this optional plan. Federal outlays for benefits under Medicare in fiscal year 1968, estimated at $4.8 billion, will cover about half the medical care costs of the aged.

The second program, Medicaid, provides matching funds for State medical services for the poor and medically indigent. Unlike previous Federal aid through public assistance, Medicaid stipulates minimum standards of benefits for State plans which receive Federal support. Federal funds under the previous medical assistance legislation are scheduled to terminate in 1970.

The 1965 Medicaid legislation left it to the States to set upper limits to the incomes of persons eligible for payments. But rapidly rising Federal outlays caused the Congress, in 1967, to limit Federal reimbursement to payments made to families with incomes below a ceiling. By 1970, the ceiling in each State will be one-third above the highest amount ordinarily paid to a family of the same size under the State program for AFDC.

The 1965 legislation required State plans to provide inpatient and outpatient hospital services, physicians' services, laboratory and X-ray services, and skilled nursing home services for qualifying adults. Amendments passed in 1967 continue this requirement for persons receiving cash assistance, but for the medically indigent, the States can elect to provide any 7 of 14 specified services.

Forty-three States and jurisdictions are expected to have Medicaid plans by July 1968, and 48 by the end of 1969. Total medical assistance expenditures by Federal, State, and local governments for fiscal year 1968 are estimated to be $3.6 billion, of which $1.8 billion is from the Federal Government.

Present health care programs probably provide less than the optimum amount of health care to the young. In fiscal year 1968, less than 10 percent of the $7.2 billion in health care outlays of the Department of Health, Education, and Welfare were directed toward children and youth under 19. Health care confers direct economic benefits through the prevention and cure of ailments which interfere with earning capacity. These benefits are especially large for children because they have their whole working lives ahead of them. Inasmuch as the enhancement of earning capacity implies greater participation in other aspects of life, the noneconomic benefits of health care expenditures may also be larger for children than for persons in other age groups.

In recent years the Federal Government programs in the area of maternal and child health have been expanding rapidly. Mothers and children in low-income families receive a variety of services under the Maternity and Infant Care, School and Preschool, Crippled Children, Maternal and Child Health Services programs, and under the health programs of Head Start and of Title I of the Elementary and Secondary Education Act. These services include free physical examinations, diagnostic services, and advice on preventive care. The 1967 amendments to Medicaid require States participating in the Crippled Children's program to make greater efforts toward early diagnosis and treatment of handicapping illnesses in young children. Treatment of illness is now provided under several of the programs, but eventually these expenses should be taken care of by Medicaid. In another area, the unusual barriers to adequate health care for migratory farmworkers are being attacked through the migrant health program. Finally, the Neighborhood Health Centers operated by the Office of Economic Opportunity provide readily accessible, comprehensive, and continuous health care and other social services to low-income families. Legislation will be proposed to provide, over the next 5 years, comprehensive medical services to needy mothers and their infants from the prenatal period through the child's first year.

These Government programs on behalf of groups now medically deprived will increase the demand for the services of physicians and other types of medical manpower. If the care received by the rest of the population is not to be reduced, the supply of these services must be increased. To augment the number of physicians the Federal Government has been giving large financial support, under the Health Professions Education Act of 1963, to medical schools undertaking expansion of their enrollment. Funds for 10 new medical schools have been provided under this program. The annual number of medical school graduates is expected to rise from 7,900 in 1965 to around 10,000 in 1973.

Increasing the supply of physicians is of highest priority for the longer run; but to achieve greater efficiency in the short run, emphasis must be placed on improvement in the utilization of physicians' services. There appear to be significant efficiency gains from group practice, from the use of more auxiliary personnel, and from use of more and better equipment,

including automated laboratories and other computer-based innovations. The trend toward group practice is being encouraged by legislation passed in 1966 which provides Government mortgage insurance for group practice facilities. The training of increased numbers of auxiliary personnel under the Allied Health Professions Personnel Training Act of 1966, the Vocational Education Act, and the Manpower Development and Training Act will also permit greater efficiency in the use of physicians and of other high-level medical manpower.

THE COMPREHENSIVE APPROACH TO COMMUNITY REDEVELOPMENT

The preceding pages have touched on some of the more pressing economic and social problems facing American communities. They have stressed that many of these problems are not merely local problems, but rather national problems which appear in concentrated form in certain communities. In particular, all are aware that there are large districts, usually within the central cities of major metropolitan areas, in which the incidence of a number of these problems is particularly high. Some rural districts show similar concentrations.

Over the years, the Federal Government has developed programs designed to share with State and local governments the costs of attacking the problems of the disadvantaged. Typically, each program was designed to deal with a specific problem. There has been growing recognition, however, that ill health, inadequate education, absence of motivation, lack of marketable skills, dilapidated housing, inadequate community and social services, and crime can interact with one another. By feeding on one another, these problems create blighted districts and areas. The more recent approach has therefore been to undertake a coordinated and simultaneous attack on all the problems in a particular locality. The Model Cities program is the newest and most promising illustration of this approach.

The goal of the Model Cities program is to transform a number of the Nation's most blighted urban areas into redeveloped communities which will demonstrate the potentalities of the coordinated approach. Last fall, 63 cities were selected to participate in the first round of Model Cities planning grants. Each city is using its grant to map out a comprehensive program to deal with poor living conditions, unemployment, and inadequate access to social services in its most blighted area. The plans must include workable mechanisms to marshal all the resources of Federal, State, and local governments, voluntary agencies, local business firms, and residents of the area. These coordinated plans will include a wide variety of Federal aids—manpower training, urban renewal, federally assisted housing, education, health, and poverty programs. These programs will continue to be available individually on a national basis. But when they are integrated, and supplemented by local resources, in an approved comprehen-

sive program for physical and social redevelopment, the Federal Government will make available supplemental grants for costs not covered by other Federal programs. The President has requested that the Congress appropriate for fiscal year 1969 the full $1 billion which is presently authorized for the Model Cities program.

Somewhat similar efforts have been undertaken to support the coordinated redevelopment of nonurban communities through the Rural Community Development Service of the Department of Agriculture and the Economic Development Administration of the Department of Commerce. Both assist smaller communities to plan comprehensive approaches to the solution of community problems in low-income areas.

This Chapter has extensively reviewed the status of the American poor and the obstacles which must yet be surmounted in our efforts to combat economic deprivation. Poverty in the United States has been declining at an appreciable rate. With continued over-all prosperity and with well-designed comprehensive programs to broaden the opportunities of all our citizens, poverty can be reduced even more effectively in the future—to the point where it will survive only as an unpleasant memory.