EXECUTIVE OFFICE OF THE PRESIDENT

WR Poverty

Office of Management and Budget
Associate Director for Human Resources
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FACSIMILE COVER SHEET

DATE: 7/19

TO: John Angell, John Hilley, Rahm Emanuel, Bruce Reed

Fax Number:

Number of pages (including cover sheet):

FROM: Ken Apfel

REMARKS:

Draft letter to Rep. Gibbons & Sen. Moynihan, with incoming request ~~attachment~~

Please Comment by 11:00 am, Monday 7/22

Thank You.

Congress of the United States
Washington, DC 20515

July 16, 1996

Dear Mr. Lew:

This is the third time in as many months that we have written to ask for the administration's estimate of how many children will be impoverished if the most recent Republican welfare legislation is enacted. Congress is expected to begin consideration of these bills as early as this coming Thursday, July 18. For generations now, it has been the fixed practice of the Bureau of the Budget, and later the Office of Management and Budget, to provide Congress with analyses of major legislation. To our knowledge, and certainly in our own experience, this is the first time ever that no such analysis has been forthcoming, even in response to a specific request.

This silence is especially troubling in light of an article in *The New York Times* of Saturday, July 13, reporting that

> ...Administration officials said the White House had instructed the Department of Health and Human Services not to prepare more detailed estimates of the bill's effects on child poverty.

We can understand how such a decision can be made, but can it not be reversed? The Department of Health and Human Services is fully capable of providing these estimates by Thursday, if so instructed. Can you not, on behalf of the President, issue such an instruction?

Sincerely,

Sam M. Gibbons
Ranking Member, Committee on Ways and Means

Daniel Patrick Moynihan
Ranking Member, Committee on Finance

The Honorable Jacob J. Lew
Office of Management and Budget
Old Executive Office Building
Washington, DC 20503

DRAFT

The Honorable Daniel Patrick Moynihan
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Dear Senator Moynihan:

I am writing in response to your July 16 letter in which you asked for an Administration estimate of how many children would fall below the poverty line if the most recent Republican welfare legislation is enacted.

As you know, the Administration previously estimated that the conference report on H.R. 4 -- the welfare bill that President Clinton vetoed -- would have moved 1.5 million children below the poverty line. We believe that, due to improvements in the House and Senate bills, they would move somewhat fewer children into poverty.

But as we have said -- indeed, as we said in releasing our analysis of H.R. 4 -- there are many uncertainties involved in developing poverty estimates. As you know, these estimates are substantially driven by assumptions about economic growth, the effect of time limits on encouraging work, increased child care funding, changes in the culture of welfare in response to comprehensive reform, and many other factors. Moreover, statistical or quantitative analysis cannot adequately capture the social and individual value of helping families and communities move from dependence to work.

The President remains committed to enacting welfare reform that moves people from welfare to work while protecting children. As a result, we are greatly encouraged by the majority's decision to separate welfare reform from the "poison pill" of earlier legislation -- an end to the federal guarantee to health care coverage under Medicaid for senior citizens, the poor, pregnant women, and people with disabilities. Nevertheless, we still have some real concerns with the pending legislation and, as the President has indicated, we continue to seek improvements.

We recognize that the development of welfare reform legislation has been a difficult process. We sincerely appreciate your leadership in bringing us closer to real reform, and we want to continue working with you on this important goal.

Sincerely,

Jacob J. Lew
Acting Director

IDENTICAL LETTER SENT TO THE HONORABLE SAM M. GIBBONS

WR-Poverty

7/25

Bruce and Rahm --

Urban Institute may have its own poverty analysis out as early as tomorrow. I've alerted McCurry and Haas, but I think we should be prepared.

Could you review the attached and get comments to Amy or me today?

Thanks -

Melissa

(They may be doing just the House bill, & not the Senate bill, which may give us some additional room.)

07/25/96 15:30 202 690 5673 HHS-PUBLIC AFFAI 002

Q: What is your reaction to the analysis released today that shows welfare reform putting one million children into poverty?

A: First, it is not our analysis, and I can't comment on its validity. The important thing to us is getting a welfare reform bill that has bipartisan support, that overhauls the current failed system, and that demands work and personal responsibility. The President remains optimistic that Congress can act in a bipartisan fashion to draft legislation that he can support.

Q: But this analysis was done by the same people who did OMB's analysis last year -- and the numbers are quite similar. How can you possibly support legislation that will make a million children poorer?

A: As we said last year, no computer model can predict with 100 percent accuracy how individuals will respond when the system is fundamentally transformed. We believe that many women on welfare want to work, and will do so if they can find child care for their children. We believe that when society demands that absent parents pay child support, they will do so -- and that they should be forced to if they don't.

Our own position is clear. We've consistently advocated policies to maximize the incentives and opportunities for success, and to reduce the risk to children. That's why we've argued for child care and performance bonuses that create incentives for welfare recipients to move to work. And that's why we've argued against Republican proposals that would simply punish kids -- block granting adoption and foster care, cutting the school lunch program, and reducing benefits for disabled kids, for example. We've made a lot of progress, and we hope that bipartisan progress will continue.

Q: Senator Moynihan is again charging that you've refused to do such a study yourselves because the President is so desperate that he'll sign anything. How do you respond?

A: The President's interest in welfare reform is longstanding, and his views are clear: we've got to dramatically change the system, and try something fundamentally new. The President is very concerned about the millions of children who are growing up on welfare right now, so maintaining the current system is not an option.

Remember, we have been fighting to protect children throughout the Administration and throughout this Congress. It's the Republicans who have proposed block granting adoption and foster care, cutting the school lunch program, and reducing benefits for disabled kids. It's the Republicans who opposed key amendments in the Senate to protect children. And it's the President who has not only opposed those proposals, but has championed a range of programs like Head Start and family leave to make American kids' lives better.

WR-Poverty

TALKING POINTS
URBAN INSTITUTE STUDY
7.26.96

The Urban Institute has released a poverty analysis of the House welfare reform bill, contending that it would move 1.1 million children below the poverty line when fully phased in. By contrast, their estimate was 2.1 million for last year's House bill, 1.5 million for the vetoed bill, and 1.2 million for last year's Senate bill which we supported. The report attributes most of these impacts to cuts in Food Stamps and legal immigrants, rather than AFDC, but it recommends vouchers and a 25% hardship exemption from the time limit.

From our perspective, the report overlooks several crucial points:

- **Child Support:** The analysis does not take into account the increase in child support collections that will result from enactment of the welfare reform bill. This is a glaring omission. If all parents paid the child support they should, we could move more than 800,000 women and children off welfare immediately.

- **Minimum Wage:** The report does not take into account the impact that the pending increase in the minimum wage will have in reducing poverty -- both by raising earnings for working families ($2,000 a year for a full-time worker) and by making work considerably more attractive than welfare. OMB estimates that through the combined impact of the 1993 changes in EITC and Food Stamps and the pending increase in the minimum wage, we will have moved 1 million children out of poverty. This reduction in poverty is taking place immediately -- while the Urban Institute's hypothetical increase in poverty is projected for the year 2002.

- **Senate Improvements:** The study is based on the House bill, before the Senate improvements. The Senate bill has about 10% less in budget cuts than the House bill.

- **Value of Work:** The study assumes that welfare reform will do little to change behavior. We believe that work requirements, time limits, child care and health care -- in combination with a higher minimum wage and the EITC -- will change behavior dramatically. Work will become far more attractive than welfare, and the welfare system will have to focus on putting people in jobs instead of writing them checks. We also believe that work has inherent value. Over the long term, children who grow up in families and communities where there is work will be far better off than children who grow up in families and communities where there is only welfare -- even if the children on welfare look slightly better off in a static poverty analysis.

we-
Poverty

A recent General Accounting Office report based on state surveys found that between 63 and 87 percent of adults have worked since leaving the welfare rolls, results similar to state studies funded by the Department of Health and Human Services. GAO found annual earnings ranging from $9,512 to $15,144 among those who had left welfare. When we factor in other supports for working families, such as EITC, food stamps, and child care, families are better off than they were on welfare.

Q: Has poverty among young children increased under the Clinton/Gore Administration?

A: No. From 1993 to 1998, the poverty rate among children under age six has declined from a high of 26 percent (6.1 million children) to 20.6 percent (4.8 million children). This recent decrease came after a 52 percent increase between 1978 and 1993. There has been a decline in poverty not only among young children, but all children. Overall, there are now 2.2 million fewer children living in poverty than in 1993 (15.7 million in 1993 compared to 13.5 million in 1998) and, under President Clinton, the child poverty rate declined from 22.7 percent to 18.9 percent – the largest five-year drop in nearly 30 years. There have also been historic declines in the African-American and Hispanic child poverty rates, though both remain too high.

Q: Do these new numbers show more children living in extreme poverty?

A: No. We're encouraged to see that the number of children living in extreme poverty (50% of the federal poverty level or $6,400 for a family of three) dropped by nearly 600,000 between 1997 and 1998 (from 6.4 million to 5.8 million). The rate of extreme child poverty also dropped, from 9 percent to 8.1 percent. Since President Clinton and Vice President Gore took office, 1.2 million fewer children are living in extreme poverty – a drop of 18 percent, from 7 million in 1993 to 5.8 million in 1998.

Q: Why are these trends different from those reported by the Children's Defense Fund on August 22 showing an increase in the number of children living in extreme poverty?

A: The new numbers released by the Census Bureau reflect data through 1998 and use the official measure of poverty. The CDF numbers go through 1997 and use an expanded definition of income. Using that expanded definition of income, CDF found that the number of children living in extreme poverty rose by 426,000 between 1996 and 1997, from 2.3 million to 2.7 million. Under the official measure, the number of children living in extreme poverty held steady between 1996 and 1997. The actions the President announced on July 14th to ensure working families' access to food stamps (see below) will help address the loss of

HCFA and the states. States have primary responsibility for operating their programs. Nevertheless, HCFA continues to provide technical assistance and intends to be aggressive in ensuring that states follow all federal rules involved with Medicaid eligibility determinations.

Since the beginning of 1997, HCFA has issued numerous letters designed to inform and educate States of their responsibilities under Medicaid. A new guidebook for states released last month is just the latest of our efforts to work with states to ensure that people moving off cash assistance programs, and working families who may not realize they are eligible for assistance, still get Medicaid benefits. The guidebook also makes clear that states' TANF-Medicaid application must furnish a Medicaid application upon request and may not impose a waiting period. States must also process Medicaid applications without delay. Extensive outreach efforts are also under way in all 50 states to enroll children in health insurance as part of the implementation of the Children's Health Insurance Program (CHIP).

In addition, both USDA and HHS are working aggressively to enforce the law requiring states to provide Medicaid and Food Stamp applications upon request and ensuring they process them without delay, regardless of the state rules governing the TANF application.

Background:

Between 1995 and 1998, the number of people receiving food stamps fell more than 3 times faster than the number of people in poverty. Recently released estimates from the Bureau of the Census show that the number of people in poverty fell from 36.4 million in 1995 to 34.5 million in 1998. Administrative data from the Food and Nutrition Service show that over the same period food stamp participation fell from an average of 26.3 million to 20.0 million. (Food stamp participation has fallen still further since then: in June, the program reached 17.8 million people).

There are a number of factors contributing to the decline in food stamp participation. One is the strength of the nation's economy, which allowed participants to find work, reducing their need for food stamps. Another is the success of welfare reform in moving participants from welfare to work. At the same time, some working families don't realize they are eligible for food stamps and have difficulty obtaining them, leading some participants to leave the program unnecessarily and discouraging others from applying for benefits. Finally, some changes in program rules under welfare reform restricted the participation of immigrants and unemployed childless adults.

DRAFT: HIGHLIGHTS OF MARCH 1999 CPS

- **Number of uninsured Americans increased from 43.4 to 44.3 million in 1998.** The rate of uninsured Americans rose from 16.1 to 16.3 percent, not a statistically significant change. This is about half that of the increase between 1996 and 1997.

  - **Coverage among the poor / non-poor.** It does not appear that the increase in the uninsured occurred among the poor. Declines in Medicaid coverage among the poor where offset in part by large increases in private coverage. Among the non-poor, Medicaid coverage actually rose slightly.

COVERAGE BY POVERTY STATUS

	POOR 1997	POOR 1998	POOR 1998-1997	NONPOOR 1997	NONPOOR 1998	NONPOOR 1998-1997
Uninsured	11.238	11.151	-0.087	32.210	33.130	0.920
Rate	*31.6%*	*32.3%*	*2.2%*	*13.8%*	*14.0%*	*1.4%*
Private	8.264	8.815	0.551	180.269	182.046	1.777
Rate	*23.2%*	*25.6%*	*10.3%*	*77.2%*	*76.7%*	*-0.6%*
ESI	5.521	5.998	0.477	159.571	162.578	3.007
Rate	*15.5%*	*17.4%*	*12.3%*	*68.3%*	*68.5%*	*0.3%*
Medicare	4.637	4.492	-0.145	30.953	31.395	0.442
Rate	*13.0%*	*13.0%*	*0.0%*	*13.3%*	*13.2%*	*-0.8%*
Medicaid	15.386	13.996	-1.390	13.570	13.858	0.288
Rate	*43.3%*	*40.6%*	*-6.2%*	*5.8%*	*5.8%*	*0.0%*
Military	0.541	0.664	0.123	7.986	8.083	0.097
Rate	*1.5%*	*1.9%*	*26.7%*	*3.4%*	*3.4%*	*0.0%*

  - **Increase in uninsured in middle class.** Over the past several years, the rate of uninsured increase the slowest among the poor – the percentage point increase was half that of people with income between $25,000 and $50,000 and nearly half the increase for people with income between

UNINSURED BY INCOME

	1995	1996	1997	1998	1995-1998	1997-1998
< $25,000	18.713	18.47	18.361	17.229	-1.484	-1.132
Rate	*23.9%*	*24.3%*	*25.4%*	*25.2%*	*5.4%*	*-0.8%*
$25-49,999	13.697	13.585	14.527	14.807	1.110	0.280
Rate	*16.2%*	*16.6%*	*18.1%*	*18.8%*	*16.0%*	*3.9%*
$50-74,999	4.974	5.63	5.678	6.703	1.729	1.025
Rate	*9.3%*	*10.0%*	*10.1%*	*11.7%*	*25.8%*	*15.8%*
$75,000+	3.197	4.03	4.882	5.542	2.345	0.660
Rate	*6.7%*	*7.6%*	*8.1%*	*8.3%*	*23.9%*	*2.5%*

Note: Rate changes are percent change in rates (not the subtraction of rates).

  - **Number of uninsured children is stable.** There was a slight but statistically insignificant increase in the number of uninsured children, from 10.743 to 11.073 million, an increase of 330,000. As with adults, this change occurred among the non-poor and, similarly, Medicaid coverage was down for the poor but up for the non-poor. The number of uninsured adolescents (ages 12 to 17) declined while the number and rate of uninsured among younger children rose.

benefits that leads CDF to find a rise in extreme child poverty.

Q: Do these numbers show those at the bottom are worse off as a result of welfare reform?

A: No. The new Census data show record increases in income, a slight decrease in income inequality, and record decreases in the poverty rate. In 1998, every income group experienced a real increase in their income, showing that all parts of the income scale are benefiting from the growing economy. Under Reagan and Bush, average household income for the poorest one-fifth fell 4 percent; under the Clinton/Gore Administration it has increased over 10 percent. [NEC has more detailed analysis]

Background

An analysis by the Center on Budget and Policy Priorities released in late August compared income trends for families headed by single mothers between 1993-1995 and 1995-1997. They found, again using an expanded definition of income, that incomes of single-mother families rose substantially between 1993 and 1995, especially among the bottom 60 percent of these families, but that the story between 1995 and 1997 was mixed. In the later period, while incomes continued to grow for those in the second and third quintiles, the average disposable income of the poorest fifth of single mother families fell. This decline was primarily the result of a drop in receipt of TANF and food stamp benefits. While it will take more time to do a comparable analysis of 1998 data using alternative measures of poverty, the strong positive trend in the official measure is encouraging news. While the number of poor female-headed households with children stayed constant between 1995 and 1997, there were significant improvements in 1998. This means that between 1995 and 1998, the number of poor female-headed families with children dropped by nearly 5 percent (from 3.6 million to 3.5 million). The actions the President announced on July 14th to ensure working families access to food stamps (see details below) will go a long way to address the loss of benefits which the Center finds to be a key factor contributing to the loss of income among the poorest families.

Q: What has this Administration done to help families move out of poverty?

A: President Clinton and Vice President Gore have worked for the last six and a half years to raise incomes, make work pay, help families make a successful transition from welfare to work, and extend opportunity to all. This includes raising the minimum wage, expanding the Earned Income Tax Credit, enacting the Children's Health Insurance Program, and promoting investment in underserved communities. The latest data released by the Census Bureau show we are making tremendous progress.

The President has warned Congress not to renege on the bipartisan commitment to help states and communities finish the job of welfare reform and. He vigorously opposes attempts to cut the welfare block grant and the EITC tax refund for low income workers. The EITC lifted 4.3 million people out of poverty in 1998. To finish the job, we need to reauthorize the Welfare-to-Work program, raise the minimum wage, and increase our investment in childcare, transportation and housing vouchers. (See attachment).

Q: What has the President done to help welfare reform succeed?

A: The President started reforming welfare early in his first term, granting waivers to 43 states to require work and encourage personal responsibility, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for nationwide welfare reform legislation which he signed into law in August 1996. Since 1996, he has: launched The Welfare to Work Partnership, which now includes 12,000 businesses that have hired an estimated 410,000 welfare recipients; issued an executive order to ensure the federal government hired welfare recipients (over 14,000 to date); and supported the launch of the Vice President's Coalition to Sustain Success, an array of national civic, service, and faith-based groups working to help new workers with the transition to self sufficiency. He has also fought for and won additional funds for welfare to work efforts, including a new tax credit to encourage the hiring of long term recipients, funding for Welfare-to-Work transportation ($75 million in FY 1999), and Welfare-to-Work housing vouchers (50,000 enacted to date): And on April 10, the President put in place new welfare rules that make it easier for states to use TANF funds to provide such as child care, transportation, and job retention services for working families.

Q: What is the Administration doing to make sure families get the food stamps and Medicaid for which they are eligible?

A: In July the President took executive action that will go a long way to ensure working families access to food stamps, by: (1) allowing states to make it easier for working families to own a car and still be eligible for food stamps; (2) simplifying food stamp reporting rules to make it easier for families to get food stamps; and (3) launching a nationwide public education campaign and a toll-free hotline to help working families know whether they're eligible for food stamps. Families with earnings up to 130 percent of poverty ($8.50 an hour for a family of three) can be eligible for food stamps to supplement their income and help buy food for their families, but only two of five working families eligible for food stamps actually apply for and receive them.

HCFA has been working hard with states to ensure that people who should be enrolled in Medicaid are, in fact, enrolled. Medicaid is a joint partnership between

WR - Poverty

Editorial Observer/MICHAEL M. WEINSTEIN

Better Ways to Measure Poverty

Poverty remains, at 13 percent of the population, more prevalent today than it was during the 1970's despite substantial economic growth and antipoverty spending over the past 30 years. In New York City, poverty remains stuck at nearly twice the national average and only barely below levels that prevailed during the recession of the early 1990's.

Persistent poverty reflects the fact that economic gains have largely passed those at the bottom and that an influx of poor immigrants has hit some large cities. But the figures also reflect the quirky way the government measures poverty. The Times reported last month that the government is considering revising its definition of poverty in ways that could add millions to the rolls. The new definition, if adopted by government agencies, could change which people, and how many, qualify for welfare.

Administration officials have not yet decided to change the standard so that more people are deemed poverty stricken. But they are reviewing recommendations made in 1995 by a National Academy of Sciences advisory panel. The panel reached widespread agreement on how a family's income should be measured, but it could not agree on how much income people need to rise above poverty.

The current poverty threshold, adopted in the 1960's, was set at three times the cost of a minimally nutritious diet. The threshold has since been increased by the overall rate of inflation, rising to about $17,000 for a family of four in 1998.

Economists have noted serious shortcomings in this measure. It underestimates poverty in high-cost regions like New York because it takes no account of huge outlays families must make for housing. Nor does the standard take account of payroll taxes, out-of-pocket medical costs or day care and other costs of working. On the other hand, the standard exaggerates the amount of poverty by ignoring non-cash benefits provided by the government, like tax credits to low-wage workers, housing assistance, Medicaid benefits and food stamps.

But politicians must decide if the count should rise or fall.

By this misleading standard, Congress could provide poor people in New York City vouchers that would, without charge, allow them to live in Trump Towers and eat daily at the Four Seasons, yet the official poverty rolls would not decline one digit. The panel recommended a more realistic measure of family income that starts with cash income, subtracts taxes and out-of-pocket medical, child-care and some other costs and adds in the value of food stamps, housing assistance and tax credits.

On the issue of where the poverty threshold should be set, the panel recommended a method but not a precise answer. It proposed an elastic threshold that would keep pace with the rising living standards of low-income families rather than, as under the current measure, remaining fixed by the food-buying habits of the 1960's. The proposed threshold would equal the amount that a representative group of low-income families actually spends on food, clothing and housing plus 15 percent or so more to cover other expenditures.

Exactly where the proposed threshold would lie would depend, then, on which low-income families the government chose to base consumption spending for the poor. If, for example, it chose families whose incomes fall below all but the poorest 30 percent of American families, the poverty threshold would rise above the existing standard, adding millions more people to the poverty rolls. But the government could cut the poverty count by setting the threshold in terms of the buying habits of less well-off families, say those whose incomes fall below all but 20 percent of families.

Some panel members, like Prof. Sheldon Danziger of the University of Michigan, and outside experts, like Gary Burtless of the Brookings Institution, propose setting the new threshold at an income level that keeps measured poverty the same under the new and old standards in the year the new standard is adopted. That way, the government can adopt relatively uncontroversial improvements in the standard without getting buried in the controversy of deciding how many people to label poverty stricken. ✓

The important point is that the new standard would yield a smarter way to track changes in poverty over time. Accurately accounting for changes over time soon becomes more important than the number chosen for the amount of poverty in the year the new standard is adopted.

Indeed, tracking changes is all that a poverty standard really does. The number 11 in the statement "poverty hit 11 percent in the early 1970's" is arbitrary. But the fact that poverty rose by about two percentage points over the next 25 years is meaningful — something bad happened.

Said another way, Congress needs a standard that would indicate, were it to double tax credits, housing vouchers and health benefits for the poor, that it did something good.

The New York Times

MONDAY, NOVEMBER 29, 1999

Essay

WILLIAM SAFIRE

Jeremiah Speaks

HARPERS FERRY, W. Va.

In changing around the clothes in my closet to get ready for winter, I made a dismaying discovery: I have 38 shirts.

What kind of person needs 38 shirts? I am not a clothes horse, much less a shirt freak. Even after subtracting the purple polyester corduroy given to me that I would not be caught dead in, that leaves more shirts than a man can wear in a month.

My first reaction is defensive. What's wrong with having a vast assortment of shirts? I make a good living; the good times are rolling. So what if there's no more room on my shelves? That means only that it's time to build more shelving.

What's more, my shirt acquisition program makes me an economy-driving consumer. This adds to the profits of Van Heusen or Brooks Brothers, thereby raising the stock value of America's pension funds and putting rice in the mouths of impoverished Malaysians who sew on the sleeves. Spending can thus be justified as a virtue, even when it buys the unneeded.

Muttering the millennial mantra, "spendthriftiness is next to godliness," I went to the factory-outlet mall in Hagerstown, Md. There, on Thanks-for-your-patronage Weekend, consumer consummation was rife. Hordes of buyers lined up to snatch items reduced from "list prices" that only fools in department stores pay.

Accompanied by my value-savvy family, I experienced the thrill of the bargain hunt. Nine West and Timberland shoes went for a pittance; Ralph Lauren suits from only last season were swept off a clearance rack; Donna Karan cashmere sweaters that hung down to the ankles were offered in all their dark-gray glory for a measly 99 bucks.

Every plastic-carded purchase seemed to be vengeance against the evil forces of "list." To get an early-bird reduction from the sale price — with 50 percent off for the second pair of unneeded whatever — was a buyer's bliss.

And yet, and yet. Standing here in the epicenter of pre-Christmasism, laden with shopping bags of merchandise that proved my worth both as a provider and conspicuous consumer, a nagging thought rooted in the dim past intrudes: is this the way I want to spend my leisure time? What kind of cheap triumph is a cheap sweater? Who needs all this stuff anyway?

Never say "piffle" to an epiphany. Today's rush to buy is not yesterday's addiction to acquisition. We have gone past that lust for possessions that motivated the hoarders of yesteryear. Greed is no longer the game; in our time, shopping has become the primary form of entertainment.

So here we are in the Age of Shoppertainment. What we buy and wear merges with what we see and hear; this great blob of self-absorption and inter-amusement takes up our time and occupies our minds. The moving finger writes the message on the T-shirt: To fill the shopping cart is to fulfill oneself.

The philosophy of the shoppertainers holds that the act of spending and not the object acquired is the source of fun. In the past, the poet worried that "getting and spending, we lay waste our powers," but as the getting gets easier, it's the spending that gives us the kick.

In the age of shoppertainment.

You can shop the world, but I want to get off. Mall mania may be the marketing majority's way of living, but it's no way of life. Doing the outlet center does not stimulate the mind or recreate the body or satisfy the soul.

The modern Jeremiah asks: as you snatch the merchandise off the shelf, are you learning something, or — just as important — are you teaching anything? The money you spend today you might re-make tomorrow, but the time you spend spending can never be bought back.

Worry not, the sensual sybarites of suburbia assure us, the malls and the factory-outlet centers are transitory. Coming generations will turn to the virtual virtues of Internet intellect, and knowledge and art will be the intercourse most desired.

But do you know what our offspring are already doing on that brave new medium? They say they are "engaged in e-commerce," but what they are doing is amusing themselves *shopping*.

This Jeremiah sees that future and it works all too well. Picked up a couple of nice shirts, though. □

The New York Times

MONDAY, NOVEMBER 29, 1999

WR - Poverty

KEY FACTS ON CENSUS INCOME AND POVERTY REPORT

September 30, 1999

TODAY, THE CENSUS BUREAU RELEASED THEIR ANNUAL REPORT ON INCOME AND POVERTY IN AMERICA FOR 1998. HERE ARE SOME OF THE RESULTS:

Strong Broad-Based Income Gains:

- **All Groups Have Seen Their Incomes Rise – From Richest to Poorest.** For the second year in a row, all five quintiles of the income distribution saw their incomes, adjusted for inflation, rise. Since 1993, all five quintiles have seen their incomes rise strongly, after 12 years in which there was little if any improvement for the bottom 60 percent of Americans.

- **Household Income Up 3.5 Percent – Tied For the Largest Gain Since 1978.** Income for the median household rose $1,304, from $37,581 in 1997 to $38,885 in 1998, adjusted for inflation. Real median household income is now at the highest level ever recorded.

- **Typical Family Income Up Over $5,000 Since 1993.** Another measure of income -- family income, which excludes single individuals and counts only related members in any household -- shows a similar trend. In 1998, the median family's income, adjusted for inflation, increased 3.3 percent (or $1,475) -- the fifth consecutive annual rise. Median family income is also at an all-time high. Since President Clinton's Economic Plan passed in 1993, median family income has increased from $41,691 in 1993 to $46,737 in 1998 -- that's a $5,046 increase in income, adjusted for inflation. From 1988 to 1992, median family income *fell* $1,864, adjusted for inflation.

- **Income Growth Up for All Regions of the Country in 1998 for the First Time on Record.** For the first time since data were reported by region (in 1975), all regions of the country saw significant increases in median household income. The incomes of households living in the Midwest rose 4.4 percent in 1998, with a rise of 3.0 percent in the West, 2.8 percent in the Northeast, and 2.6 percent in the South.

- **Income of Typical Hispanic Household Up $3,880 in Past Three Years.** In 1998, the income of the median Hispanic household, adjusted for inflation, increased from $27,043 in 1997 to $28,330 in 1998 -- that's an increase of $1,287 or 4.8 percent. Over the past three years, the income of the typical Hispanic household has risen $3,880 -- or 15.9 percent -- the largest three-year increase in Hispanic income on record.

- **Under President Clinton, The Typical African-American Household's Income Is Up $3,317.** While median income of African-American households was unchanged in 1998, it is up 15.1 percent (or $3,317) since 1993, from $22,034 in 1993 to $25,351 in 1998, adjusted for inflation.

- **After Rising Sharply for 20 Years, Inequality Has Stabilized.** After rising for nearly 20 years, income inequality has not changed significantly over the past five years -- and fell slightly in 1998. In the 1970s and 1980s, income inequality increased, while the economy expanded. In the 1990s, all parts of the income scale are benefiting from a growing economy.

Large Reductions in Poverty:

- **Poverty Rate Fell To 12.7 Percent in 1998 -- Its Lowest Level Since 1979.** In 1998, the poverty rate dropped to 12.7 percent from 13.3 percent the year before -- that's the lowest poverty rate in two decades. Since President Clinton signed his Economic Plan into law, the poverty rate has declined from 15.1 percent in 1993 to 12.7 percent last year -- that's the largest five-year drop in poverty in nearly 30 years (1965-1970). There are now 4.8 million fewer people in poverty than in 1993. (In 1998, the poverty threshold was $16,660 for a family of four.)

- **In 1998, The Largest One-Year Drop in Child Poverty in More than Two Decades.** While the child poverty rate remains too high, in 1998, it declined from 19.9 percent to 18.9 percent -- that's the lowest child poverty rate since 1980 and the largest one-year drop in child poverty since 1976. Under President Clinton, the child poverty rate has declined from 22.7 percent to 18.9 percent -- that's the biggest five-year drop in nearly 30 years (1965-1970).

- **Elderly Poverty Rate As Low As It's Ever Been.** In 1998, the elderly poverty rate remained at 10.5 percent -- as low as it's ever been. In 1959, the elderly poverty rate was 35.2 percent.

- **The Hispanic Poverty Rate Dropped To Its Lowest Level Since 1979.** In 1998, the Hispanic poverty rate dropped from 27.1 percent to 25.6 percent -- that's the lowest level since 1979. While there is still more work to do, since President Clinton took office, Hispanic poverty has dropped from 30.6 percent to 25.6 percent. In the past two years, the poverty rate among Hispanics has dropped from 29.4 percent to 25.6 percent -- that's the largest two-year drop in Hispanic poverty in more than 20 years (1975-1977). The Hispanic child poverty rate fell from 36.8 percent to 34.4 percent -- and is now 6.5 percentage points lower than it was in 1993.

- **The African-American Poverty Rate Down To Its Lowest Level on Record.** While the African-American poverty rate is still far above the poverty rate for whites, it declined from 26.5 percent in 1997 to 26.1 percent in 1998 -- that's its lowest level recorded since data were first collected in 1959. Since 1993, the African-American poverty rate has dropped from 33.1 percent to 26.1 percent -- that's the largest five-year drop in African-American poverty in more than a quarter century (1967-1972).

- **Child Poverty Among African-Americans Down To Lowest Level on Record.** While the African-American child poverty rate is too high, it fell from 37.2 percent to 36.7 percent in 1998 -- its lowest level on record (data collected since 1959). Since 1993, the child poverty rate among African-Americans has dropped from 46.1 percent to 36.7 percent -- that's the biggest five-year drop on record.

- **4.3 Million People Lifted Out of Poverty By EITC -- Double The Number in 1993. In 1993,** President Clinton expanded the Earned Income Tax Credit, providing a tax cut for low-income working families. In 1998, the EITC lifted 4.3 million people out of poverty -- that's <u>double</u> the number of people lifted out of poverty by the EITC in 1993.

WR-Poverty

Poverty and Welfare Reform
Question and Answer
September 30, 1999

Q: How is welfare reform going?

A: In 1992, President Clinton promised to end welfare as we know it, and three years after the enactment of the welfare reform law, welfare reform is working. We've seen revolutionary changes to promote work and responsibility: welfare rolls are down by nearly half to their lowest level in 30 years, nearly four times more of those on welfare are working, and the employment rate of people receiving welfare in the previous year has increased by 70 percent. All fifty states are meeting the law's overall work requirement. Numerous independent studies also confirm that record numbers of people are moving from welfare to work.

Background

Caseloads: The number of welfare recipients is at its lowest level since 1969 (30 years) and the percentage of Americans on welfare is at its lowest level since 1967 (32 years). The welfare rolls have fallen by 48 percent, or 6.8 million, since January 1993, when they stood at 14.1 million. State-by-state numbers show 31 states have had declines of 50 percent or more. A recent report by the Council of Economic Advisers finds that the implementation of welfare reform is the single most important factor contributing to the widespread and continuous caseload declines from 1996 to 1998. CEA estimates that the federal and state program and policy changes implemented as a result of welfare reform account for approximately one-third of the caseload reduction from 1996 to 1998. The strong economy has also played an important role, accounting for approximately ten percent of the decline.

Employment and earnings of current welfare recipients: Nationally, the percentage of welfare recipients who work rose from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education, and training. The earnings of those on welfare have increased about 11 percent between 1997 and 1998 (from $506/month to $553/month).

Employment and earnings of former welfare recipients: Results from a national survey released in August by the Urban Institute found 69 percent of recipients had left welfare for work, and 18 percent had left because they had increased income, no longer needed welfare, or had a change in family situation. The report found that women leaving welfare were working at nearly identical rates, types of jobs, and at salaries as other mothers with incomes up to 200 percent of poverty or $32,000 a year for a family of four. This study found former welfare recipients had a median hourly wage of $6.61, which is actually higher than other low-income mothers whose median hourly wage is $6.06. More than two-thirds of employed former recipients are working 35 hours per week or more, which is slightly higher than other low-income mothers.

WR - Poverty

Poverty Statistics: 1993-1998

	1993	1994	1995	1996	1997	1998	Percent Change '93 to '98	Percent Change '95 to '98	Percent Change '97 to '98
Poverty Rate (Percent)									
Overall	15.1	14.5	13.8	13.7	13.3	12.7	-15.9%	-8.0%	-4.5%
Black	33.1	30.6	29.3	28.4	26.5	26.1	-21.1%	-10.9%	-1.5%
Hispanic	30.6	30.7	30.3	29.4	27.1	25.6	-16.3%	-15.5%	-5.5%
White	12.2	11.7	11.2	11.2	11.0	10.5	-13.9%	-6.2%	-4.5%
Child	22.7	21.8	20.8	20.5	19.9	18.9	-16.7%	-9.1%	-5.0%
Black Child	46.1	43.8	41.9	39.9	37.2	36.7	-20.4%	-12.4%	-1.3%
Extreme Child Poverty	10.1	9.8	8.5	9.0	9.0	8.1	-19.8%	-4.7%	-10.0%
Female Householder*	38.7	38.6	36.5	35.8	35.1	33.1	-14.5%	-9.3%	-5.7%
Extreme Female Hholder* Poverty	19.2	19.0	16.2	17.2	17.1	15.4	-19.8%	-4.9%	-9.9%
Single Mother Family**	46.1	44.0	41.5	41.9	41.0	38.7	-16.1%	-6.7%	-5.6%
Children under 6 in all families	25.6	24.5	23.7	22.7	21.6	20.6	-19.5%	-13.1%	-4.6%
Children under 6 in single mom fam.	63.7	63.7	61.8	58.8	59.1	54.8	-14.0%	-11.3%	-7.3%
Number in Poverty (Thousands)									
Overall	39,265	38,059	36,425	36,529	35,574	34,476	-12.2%	-5.4%	-3.1%
Black	10,877	10,196	9,872	9,694	9,116	9,091	-16.4%	-7.9%	-0.3%
Hispanic	8,126	8,416	8,574	8,697	8,308	8,070	-0.7%	-5.9%	-2.9%
White	26,226	25,379	24,423	24,650	24,396	23,454	-10.6%	-4.0%	-3.9%
Child	15,727	15,289	14,665	14,463	14,113	13,467	-14.4%	-8.2%	-4.6%
Black Child	5,125	4,906	4,761	4,519	4,225	4,151	-19.0%	-12.8%	-1.8%
Extreme Child Poverty	7,017	6,888	5,970	6,330	6,364	5,774	-17.7%	-3.3%	-9.3%
Female Householder*	14,636	14,380	14,205	13,796	13,494	12,907	-11.8%	-9.1%	-4.4%
Extreme Female Hholder* Poverty	7,266	7,075	6,286	6,650	6,583	5,993	-17.5%	-4.7%	-9.0%
Single Mother Family**	4,034	3,816	3,634	3,755	3,614	3,456	-14.3%	-4.9%	-4.4%
Children under 6 in all families	6097	5878	5670	5333	5049	4775	-21.7%	-15.8%	-5.4%
Children under 6 in single mom fam.	3446	3415	3403	2990	2863	2782	-19.3%	-18.2%	-2.8%
Percent of Related Children in Families Receiving Food Stamps (at given ratio of the poverty line)									
Under .5 of Poverty Line									
On Food Stamps (Thousands)	4,959	4,769	3,892	4,055	3,996	3,274	-34.0%	-15.9%	-18.1%
Total (Thousands)	6,534	6,442	5,517	5,854	5,907	5,355	-18.0%	-2.9%	-9.3%
Percent	75.9	74.0	70.5	69.3	67.6	61.1	-19.4%	-13.3%	-9.6%
Under 1.0 of Poverty Line									
On Food Stamps (Thousands)	10,114	9,698	8,983	8,375	7,805	6,858	-32.2%	-23.7%	-12.1%
Total (Thousands)	14,961	14,610	13,999	13,764	13,422	12,845	-14.1%	-8.2%	-4.3%
Percent	67.6	66.4	64.2	60.8	58.2	53.4	-21.0%	-16.8%	-8.2%

Under 1.25 of Poverty Line									
On Food Stamps (Thousands)	11,434	11,144	10,368	9,653	8,913	7,849	-31.4%	-24.3%	-11.9%
Total (Thousands)	18,843	18,467	17,891	17,608	17,144	16,447	-12.7%	-8.1%	-4.1%
Percent	60.7	60.3	58.0	54.8	52.0	47.7	-21.4%	-17.6%	-8.2%

Source: Bureau of the Census

* Poverty rate for people in families with female householder, no spouse present.

** Poverty rate for families with female householder with children.

Absolute Change			'98 Number Lowest Since...
'93 to '98	'95 to '98	'97 to '98	
-2.4	-1.1	-0.6	Lowest since 1979
-7.0	-3.2	-0.4	Lowest ever since data recorded
-5.0	-4.7	-1.5	Lowest since 1979
-1.7	-0.7	-0.5	Lowest since 1989
-3.8	-1.9	-1.0	Lowest since 1980
-9.4	-5.2	-0.5	Lowest ever since data recorded
-2.0	-0.4	-0.9	Currently no historical series
-5.6	-3.4	-2.0	before 1993
-3.8	-0.8	-1.7	
-7.4	-2.8	-2.3	
-5.0	-3.1	-1.0	
-8.9	-7.0	-4.3	
-4,789	-1,949	-1,098	
-1,786	-781	-25	
-56	-504	-238	
-2,772	-969	-942	
-2,260	-1,198	-646	
-974	-610	-74	
-1,243	-196	-590	
-1,729	-1,298	-587	
-1,273	-293	-590	
-578	-178	-158	
-1,322	-895	-274	
-664	-621	-81	
-1,685	-618	-722	
-1,179	-162	-552	
-14.8	-9.4	-6.5	
-3,256	-2,125	-947	
-2,116	-1,154	-577	
-14.2	-10.8	-4.8	

-3,585	-2,519	-1,064
-2,396	-1,444	-697
-13.0	-10.2	-4.3

WR-POVERTY

EMBARGOED UNTIL 12:01a.m. (ET), Sunday, August 22, 1999.

[Note: August 22, 1999 is the third anniversary of the federal welfare law.]

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Extreme Child Poverty Rises By More Than 400,000 in One Year, New Analysis Shows

States Must Do Far More to Make Welfare Changes Safe and Effective for All Children, Says Children's Defense Fund

Washington, DC. -- The number of American children living in families with incomes below one-half of the poverty line rose to 2.7 million in 1997, up by 426,000 from the previous year, according to an analysis of government data released today by the Children's Defense Fund (CDF).

Moreover, the increase in children below half of the poverty line – termed "extreme poverty" in the report – was directly linked to the weakening protective role of cash assistance and food stamps, CDF found. One-half of the poverty line in 1997 was equal to $6,401 a year for a three-person family (equivalent to $123 a week) or $8,200 a year for a family of four. The analysis differs from past reports because it takes into account taxes and noncash benefits such as food stamps, not just cash income (which includes sources such as earnings and public assistance).

Most of the increase in children below one-half of the poverty line occurred among single mother families, the group most affected by recent welfare changes, CDF found. The number of extremely poor children in single-mother families jumped by 372,000 – or 26 percent – from 1996 to 1997, according to CDF's analyses of data from the Census Bureau's annual Current Population Survey.

The sudden jump in extreme child poverty is especially startling because it occurred despite an unusually strong economy. Prior to the 1997 increase, the number of children living below half the poverty line had dropped for four straight years, the CDF analysis found.

"More families have been successful in finding work, and some of these are escaping poverty. But more than 400,000 children have been pushed much deeper below the poverty line," said Deborah Weinstein, director of CDF's Family Income division. "For many families, increases in earnings have been outweighed by the loss of aid. Too often, families lose food stamps or other help that by law they should continue to get. These families can plunge through the holes in the safety net into extreme poverty."

"States are not doing enough to help the worst-off families find and keep jobs. Food stamps, child care, training, and other work supports can lead to stable work, instead of deeper poverty," said Weinstein, adding that for some families facing multiple hurdles, still other interventions will be needed.

August 22 will mark the third anniversary of the welfare law signed by President Clinton. "When children fall into extreme poverty, they suffer significant increases in stunted growth, lower academic test scores, and lower earnings years later. States must use the funds available to them now to prevent these lifelong losses for children," said Weinstein. Most states have not spent all the federal welfare funds given to them under the 1996 welfare law.

The study found a direct link between increased extreme child poverty and the dwindling protective role of public assistance and food stamps. In 1996, family income from cash assistance and food stamps kept more than 3.6 million children above half of the poverty line, according to the analysis. By 1997, however, these two programs kept less than 3 million children from extreme poverty – meaning they protected 652,000 fewer children than the year before. Had this protective role merely remained constant, the number of extremely poor children would have *shrunk* by 226,000 in 1997, the report found, due to rising employment and growth in non-welfare income among the poorest families. Instead, the weakening of assistance allowed 426,000 more children to fall below half the poverty line.

CDF specially noted the crucial role of food stamps. "In dollar terms, food stamp income didn't decline as much as cash welfare in 1997 for single mother families. But losing food stamps was often the final loss that tipped the family into extreme poverty," explained CDF analyst Arloc Sherman. "Food stamp losses are the big reason we found increases in extreme child poverty, while the official government numbers – which do not count food stamps – do not." Sherman noted that many families who lose food stamps when leaving the cash assistance rolls probably qualify to keep them, but may not know they remain eligible. In addition, most states require families to take time off from work for frequent trips to the welfare office to document their continuing eligibility for food stamps. These rules may make it impossible for working parents to get the assistance their children need.

To make the new welfare systems safe and effective for all children, CDF recommended that states make sure that food stamps and health coverage reach low-income families, whether or not they receive cash welfare. "Outreach by public and private agencies can help to inform families about their eligibility for food stamps, and eligibility should be restored for all legal immigrant children," said Weinstein. "States need to change food stamp office hours and procedures to make them working parent-friendly." CDF also recommended expanded work supports like child care and transportation; effective job training; and a flexible response to severe barriers to employment, which include domestic violence, chronic illness, illiteracy, or pockets of high unemployment. "Some states have started to offer the supports families need," Weinstein said, "but the jump in extreme child poverty shows that, in too many cases, the states aren't doing nearly enough to help the neediest families."

The mission of the Children's Defense Fund is to *Leave No Child Behind®* and to ensure every child a *Healthy Start*, a *Head Start*, a *Fair Start*, a *Safe Start*, and a *Moral Start* in life and successful passage to adulthood with the help of caring families and communities.

Extreme Child Poverty Rises Sharply in 1997

By Arloc Sherman

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August 22, 1999

Acknowledgments

Many thanks to the W.K. Kellog Foundation and the Ford Foundation for generous support of the Children's Defense Fund's research on the impact of welfare policy changes on children and their families.

About CDF

The mission of the Children's Defense Fund is to *Leave No Child Behind*® and to ensure every child a *Healthy Start*, a *Head Start*, a *Fair Start*, a *Safe Start*, and a *Moral Start* in life and successful passage to adulthood with the help of caring families and communities.

CDF provides a strong, effective voice for all the children of America, who cannot vote, lobby, or speak for themselves. We pay particular attention to the needs of poor and minority children and those with disabilities. CDF educates the nation about the needs of children and encourages preventive investments in children before they get sick or into trouble, drop out of school, or suffer family breakdown.

CDF began in 1973 and is a private, nonprofit organization supported by foundations, corporation grants, and individual contributions. We have never taken government funds.

Extreme Child Poverty Rises Sharply in 1997

Introduction

Much attention has been paid to the dramatic drop in welfare caseloads that followed the signing of the 1996 welfare law on August 22, 1996. Since then, government figures have revealed an increase in employment for the welfare population, which is important good news. For most of the families leaving the rolls, however, earnings have not risen enough to raise their children out of poverty. For many, employment is unstable at best. Often, available jobs are not enough to offset the loss of government help – a loss that, despite state and federal policies to the contrary, often includes food stamps and medical coverage as well as cash assistance.

One result, according to the findings in this report, appears to be a significant rise in 1997 in the number of children experiencing the most extreme form of poverty. Among children in single-mother families – the group most affected by the welfare law – the number of children living below one-half of the poverty line rose by 26 percent from 1996 to 1997. Additional findings indicate that this surge in extreme childhood poverty was due to the weakening protective role of public cash assistance and food stamps.

The new findings strongly suggest that some families are not yet receiving the help they need to make a successful transition from welfare to work. The findings are consistent with other recent studies, which have found deepening poverty among the poorest families with children, as well as joblessness, inadequate wages, and inability to pay for food and shelter among a sizeable minority of former welfare recipients.

This report is based Children's Defense Fund (CDF) analyses of annual Census Bureau survey data. Extreme poverty in this report is defined as family income below one-half of the federal poverty line – that is, below \$6,401 a year (equivalent to just \$533 a month or \$123 a week) for a three-person family or below \$8,200 for a family of four.

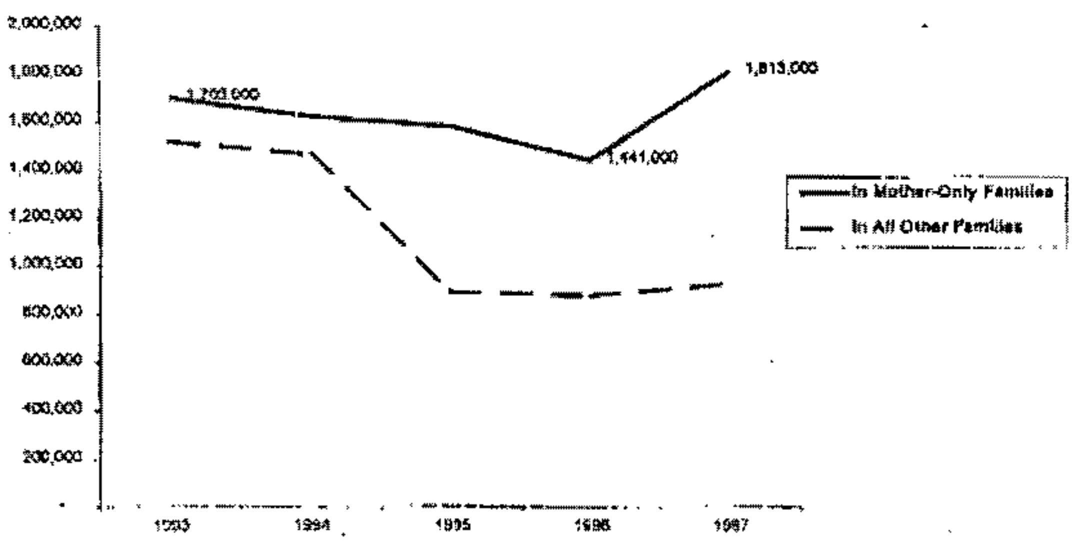
The report uses an inclusive definition of income that accounts for taxes and the value of certain noncash help (such as food stamps) as well as conventional sources of cash income counted in official government figures (such as wages and salaries, self employment earnings, government benefit payments, child support, and dividends). (See the technical appendix for detailed definitions.) Although this expanded income definition is broader than the official definition, it is commonly used by researchers both within and outside of government.

The New Findings: Extreme Child Poverty Grows in 1997

Using this expanded definition of income, CDF found that:

- The number of children living in families with incomes below one-half of the poverty line increased by 426,000 (from 2.3 million up to 2.7 million) between 1996 and 1997.
- Most of this increase occurred in mother-only families, the group most affected by the welfare law. The number of extremely poor children in such families surged by 372,000 children – or 26 percent – in 1997, a statistically significant increase.
- By 1997, 1.8 million children in mother-only families lived below half the poverty line.
- In 1997, 10.8 percent of children in mother-only families lived below one-half of the poverty line, up from 8.6 percent the year before.
- The number of extremely poor children in other families (those headed by males or married couples) grew much less, rising by just 54,000 (6 percent) to reach 927,000 in 1997.

Number of Children Below Half the Poverty Line Using an Expanded Definition of Income, 1993-1997



Source: CDF analysis of March Current Population Survey (March 1994 - March 1998). See Appendix Table 1 for data.

The increase in extreme child poverty revealed by this expanded measure is surprising for at least two reasons. First, it is sudden. Prior to increasing in 1997, this measure had been falling for four straight years. Second, it runs counter to broad economic trends. The increase coincided with an unusually strong, sustained, and widespread economic boom, which resulted in higher incomes, more employment, and declines in the overall rate of poverty for both children and adults.

In contrast to overall poverty, however, extreme child poverty is a more revealing measure for tracking potential negative effects of welfare changes. That is because most children who receive cash assistance are already in poverty but may not be in extreme poverty. Therefore, it is not appropriate to measure declines in their economic well-being by examining in their poverty status; but it is appropriate to track their exposure to extreme poverty.

Reasons for the Increase in Extreme Child Poverty Among Mother-Only Families

The 1997 increase in extreme child poverty has passed unnoticed until now because official tabulations of Census Bureau data for children under one-half of the poverty line do not account for noncash aid and taxes. Analyses using the official definition of income do not show a significant change in extreme child poverty in 1997.[1]

The Weakening Protective Role of Public Assistance and Food Stamps

Why did CDF find a significant rise in extreme poverty when the official figures did not? One major reason is the role of food stamps. Welfare recipients often stop getting food stamps when they leave the welfare rolls – even though many remain legally eligible for food stamp help. Further, most legal immigrants lost food stamp eligibility in the 1996 welfare law. The following table for mother-only families – the group most affected by welfare changes – shows that simply counting food stamps in the measure of income uncovers a substantial increase in extreme child poverty that is not seen under the official income definition.

These figures suggest that additional outreach to re-enroll these families in the food stamp program could help address the increase in extreme child poverty among mother-only families. Restoring aid to legal immigrants would be another positive step.

[1] As previous CDF publications have noted, the official cash income definition showed an increase of 394,000 extremely poor children from 1995 to 1997. This increase was noteworthy for three reasons. First, it occurred at a time of general economic growth and falling overall child poverty. Second, it coincided somewhat with increases in state-initiated welfare changes. Third, CDF analyses showed that it could be explained by the diminishing protective role of cash assistance in keeping family incomes above one-half of the poverty line. (See CDF, *Welfare to What?*, 1998.) On the other hand, the official figures on extreme child poverty showed that most of the increase occurred in 1996 and not in 1997, when states were presumably implementing even greater welfare changes. Moreover, a large minority of the increase occurred among married-couple families, which are less affected by welfare changes than are mother-only families. Therefore, the timing and demographic pattern of the earlier data suggested only an ambiguous relationship between welfare changes and welfare policy changes.

**Children in Mother-Only Families
Below One-Half of the Official Poverty Line,
By Definition of Income, 1996 and 1997**

Income Definition	1996	1997	Change	Percent Change
Cash Income (Official Measure)	4,399,000	4,394,000	-4,000	0%
Cash + Food Stamps	2,576,000	2,864,000	+288,000	+11%
Cash + Food Stamps + School Lunch + Housing + EITC – Taxes (CDF measure)	1,441,000	1,813,000	+372,000	+26%

Note: Table shows children younger than 18 in female-headed families (including "unrelated subfamilies," that is, families not related to the head of the household in which they live) with no spouse present.

Source: CDF analysis of March 1997 and March 1998 Current Population Survey data.

Additional analyses confirm a direct link between the 1997 increase in extreme child poverty and the dwindling protective role of public assistance and food stamps. In 1996, family income from cash assistance and food stamps together kept more than 3.6 million children out of extreme poverty. These were children whose families' incomes from other sources (that is, excluding public assistance and food stamps) were below half the federal poverty line. But counting income from public cash assistance and food stamps put them over that threshold.

By 1997, however, these two government income sources kept fewer than 3 million children from extreme poverty. Thus, *the total number of children protected from extreme poverty by cash aid and food stamps dropped by 652,000 in one year alone*. Had the protective role of these two programs merely remained constant, with 3.6 million children kept from extreme poverty, the number of extremely poor children would have *shrunk* by 226,000 in 1997, due to rising employment and other factors that boosted the non-welfare income among the poorest families. Instead, the weakening of assistance allowed 426,000 children to fall below half of the poverty line. (See Appendix Table 5 for additional details.)

The data indicate that, for these children – whose support from the public safety net has weakened more than their family earning power has improved – extreme childhood poverty was the direct result of declines in government assistance.

Which mattered more, loss of cash assistance or food stamps? Previous analyses of income trends have found that, in dollar terms, means-tested cash assistance fell more than food stamps did for the average mother-only family.[2] Nonetheless, the data shown in this report indicate that, for many families, that loss of food stamps -- while perhaps smaller -- was frequently the final loss that tipped a mother-only family into extreme poverty.

Larger Families Appear to Face Harder Struggle

Not all types of mother-only families experienced equal increases in extreme poverty in 1997. In fact, much of the increase in extreme childhood poverty among such families occurred in families containing more than two children, the findings suggest.

The circumstances of large families are particularly important for children because a disproportionate number of children live in large families. While large families -- with more than two children -- comprise only about one in five mother-only families in America, they account for two out of five of the children living in mother-only families. (The size of these "large" families, however, is generally not excessive: on average they have only 3.5 children.)

Among children in these larger mother-only families, the rate of extreme poverty skyrocketed from 10.8 percent in 1996 to 15.3 percent in 1997. In families containing just one or two children, by contrast, the rate rose more slowly, from 7.1 percent to 7.7 percent. Large families accounted for more than 90 percent of the total increase in 1997 in the number of extremely poor children living in single-mother families. The number of extremely poor children in large single-mother families jumped by 50 percent (to 1.0 million), but rose just 3 percent in single-mother families with one or two children. These findings appear to be consistent with earlier results from state studies, which found that, among former TANF recipients, those with more children suffer lower work rates and greater income losses.

One possible explanation for this pattern might be problems with child care. Larger families who leave welfare in search of work may be experiencing special difficulties in finding and keeping a job due to the high cost of child care for their children. Child care expenditure data make clear why these costs might be prohibitive for a large family. The latest Census Bureau figures (for 1993) indicate that the average working mother with just one preschool child in paid child care paid $66 a week for child care -- equivalent to about $3,300. For a family of three or more children and very low potential earnings, the result may often be that the cost of child care is simply too great.

A second factor could be greater loss of benefits when families move from welfare to work. States traditionally varied their AFDC cash assistance payments by family size, providing more help to larger families in response to their greater needs. But employers do not typically pay higher wages for larger families. Therefore, a large family that moves

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[2] Richard Bavier, "An Early Look at the Effects of Welfare Reform," draft manuscript, June 14, 1999. Bavier is an analyst at the Office of Management and Budget.

from welfare to work may be at particular risk of losing more in benefits than it gains in earnings.

The problems of large families suggest that future research should consider the perspective of children – not just families – when assessing family economic well-being. Analyses of income trends should take a child's perspective – by, for example, examining children's rate of poverty or extreme poverty – or run the risk of missing key changes among the disproportionate number of children who live in large families.

Findings of Deeper Poverty Are Bolstered by Earlier Studies

The increases in extreme child poverty for mother-only families are consistent with related (but little noticed) findings from other recent studies. These studies have found:

1. Children fell nearly $2 billion deeper into poverty from 1995 to 1997. One way to see how far children are below the poverty line is to look at the "child poverty gap," which is the amount required to lift the incomes of all families with children up to the federal poverty threshold. According to newly released data in the U.S. Department of Health and Human Services' Second Annual Report to Congress on the TANF Program, it would have taken $27.0 billion to close the "child poverty gap" in 1997. (These HHS figures count noncash benefits and taxes.) Notably, the figures show that the child poverty gap has grown by $1.9 billion in the last two years, from $25.1 billion in 1995. This deepening of the child poverty gap resulted entirely from a steep decline in payments to otherwise-poor families from government programs, the figures show. By 1997, payments from these programs alleviated the child poverty gap by much less – over $4 billion less – than they had in 1995. Although rising earnings and other income sources helped to offset this loss of benefits, they offset little more than half of the deepening poverty gap.

2. One in five former welfare recipients has no job, no disability benefits, and no earnings from a spouse. According to Pamela Loprest of the Urban Institute, 39 percent of former recipients nationwide are not working. Twenty-five percent have neither a job nor a working spouse. Of these, only one in 100 say they have no need or desire to work.

Some of those with no work and no working spouse rely on government disability benefits that may not be intended to support an entire family. Others receive forms of income that may be both meager and unreliable, such as child support. Some lack even these sources of income. Among all former welfare recipients, about 20 percent -- one in five -- are not working, do not have a spouse who is working, and do not receive government disability benefits. About 12 percent furthermore do not receive child support or social security.

3. Even among welfare recipients who find a job, weekly wages are often below half of the poverty line. According to Census Bureau data previously analyzed by the Children's Defense Fund, 28 percent of 1997 welfare recipients who were earning a paycheck by March 1998 were earning wages of less than $125 a week. Wages that low could not lift a three-person family above half of the poverty line, even if the job lasted year round (which the majority of jobs held by former welfare recipients do not).

4. More than one-third of former recipients sometimes run out of food or cannot or pay bills. According to the Urban Institute's Pamela Loprest, more than one in three former recipients nationwide reported that, sometime during the last, year, they ran out of food and didn't have money for more (38 percent) or couldn't pay their rent, mortgage, or utility bills (39 percent). These rates of hardship are significantly higher than among other low-income mothers.

Conclusion

The sudden rise in extreme child poverty is alarming. Although largely ignored until now, it offers evidence that some children are falling through the cracks in the still unfinished floor of welfare reform, and is one indication of how much more remains to be done to fulfill the promise of real reform for America's poorest families. Although states have begun to replace welfare with work, most have taken only baby steps toward the goal of ensuring that all families can obtain stable work and an income that is adequate to successfully raise a child.

Important additional steps for states will include increased investments in making child care affordable and accessible, as well as providing help with transportation; more education and training; wage supplements (including state earned income tax credits) for below-poverty jobs; and special attention to the needs of families experiencing multiple problems such as low skills, domestic violence, or chronic illness in the family.

States have a clear responsibility to reverse the trend of children falling below half the poverty line. As recent research has shown,[3] helping children avoid extreme poverty today is an investment that every state can make towards the future success and learning of these children and their productivity as they grow to enter the workforce.

States must also recognize their responsibility to help families climb above the poverty line itself. In the long run, the payoff for ending child poverty is ample, in both economic and human terms.

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[3] For evidence on the benefits of ending child poverty, especially extreme child poverty, see Arloc Sherman, *Poverty Matters* (Washington, DC: Children's Defense Fund, 1997); and Greg J. Duncan and Jeanne Brooks-Gunn, eds., *Consequences of Growing Up Poor* (New York: Russell Sage, 1997), especially chapter 12.

Technical Notes and Definitions

Poverty (poor). The terms "in poverty," "below the poverty line," and "poor" all refer to families with annual income below the official federal poverty thresholds used by the Census Bureau. These thresholds vary by family composition and are adjusted each year for inflation. In 1997, the thresholds were $12,802 a year (equivalent to $1,067 a month or $246 a week) for an average three-person family, or $16,400 for a family of four.

Extreme poverty. Extreme poverty in this report means family income below one-half of the federal poverty threshold. For a three-person family, one-half of the poverty threshold was $6,401 per year. For a four-person family, it was $8,200 a year.

Income. The expanded definition of income used in this report is broader than the official income definition used by the Census Bureau. Like the official definition, it includes all cash income (such as earnings, child support, dividends, and all government payments such as Social Security, public assistance, unemployment benefits, or SSI). Unlike the official definition, it also includes the value of certain noncash benefits (food stamps, school lunch, and housing assistance), and accounts for estimates of the FICA payroll taxes and federal and state income taxes owed by the families (including the federal earned income tax credit). Because the tax amounts are simulations by the Census Bureau and assume that all eligible families will claim the earned income credit, they are likely to overstate families' income from the tax credit.

It is important to note that work expenses such as child care expenditures are not accounted for in this expanded income definition (nor are child care subsidies). If work expenses were counted, thereby capturing the rising out-of-pocket costs to families who are moving from welfare to work, the increase in extreme child poverty would undoubtably be even greater than is shown here.

The expanded definition also excludes the value of Medicaid and other health insurance, in order to maintain some consistency with the poverty thresholds (which are intended to reflect family needs not counting medical needs).[4]

Public assistance. Public assistance income includes Aid to Families with Dependent Children or AFDC (now called Temporary Assistance to Needy Families or TANF) and a very small amount of state General Assistance, which is typically targeted to childless individuals.

Families. A family is any group of people sharing living quarters and related by birth marriage or adoption. Unlike most official Census Bureau data, this report includes families not related to the head of their household (called "unrelated subfamilies" by the Census Bureau). The inclusion of this small number of additional families does not substantially affect the findings. (See Appendix Table 1 for a comparison of trends with and without unrelated subfamilies.)

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[4] Experts on the definition of poverty note that, whenever the income definition is altered, it may become important to make corresponding changes in the poverty threshold, in order to maintain consistency between the types of family resources counted as income and the types of family needs implicit in the poverty line. For simplicity, the figures shown in this report do not make any changes to the federal poverty thresholds. However, any comprehensive redefinition of poverty should consider such changes.

Mother-Only (Single-Mother) Families. In this report, the terms "mother-only families" and "single-mother families" refer to female-headed families with children (no husband present). In some cases, the actual head of these families is not the mother of the children but another relative such as a grandmother or aunt.

Basic conclusions are not affected by adjustments for household income and undercounted welfare income. Recently, some welfare researchers have criticized Census Bureau data for leaving out non-family household members and also for ignoring a growing tendency for people to underreport their welfare income to Census interviewers. But additional analyses by the Children's Defense Fund suggest that addressing both problems would not alter the finding that extreme child poverty increased significantly in this population from 1996 to 1997.[5]

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[5] To examine the effect of nonrelatives' income and the increased undercounting of public assistance over time, CDF repeated its analysis making four changes: (1) counting the income of all household members regardless of family relationship; (2) adjusting the poverty line to reflect the needs of all household members (by increasing the poverty line by $2,800, in 1997 dollars, for each nonrelative); (3) inflating the amount of public assistance income in each survey household that has public assistance income (in order to counteract a 3 percent average increase in underreporting from 1996 to 1997 in the amount of TANF income reported among families who report at least some TANF income); and finally, (4) inflating by an additional 8 percent the number of children in households lifted out of extreme poverty due to TANF (in order to counteract an 8 percent decline in the estimated likelihood that TANF families will report any TANF income). After making these changes, the estimated number of children in mother-only families in extreme poverty still grew by more than 20 percent – a statistically significant rise.

Appendix Table 1

Trends in Poverty and Extreme Poverty Among Children in Mother-Only Families Using Two Definition of Income, 1990-1997

CHILDREN IN MOTHER-ONLY FAMILIES	1990	1991	1992	1993	1994	1995	1996	1997	Change: 1996 to 1997	Percent Change: '96 to '97
Including unrelated subfamilies										
Number of Children (000s)										
Total	14,553	15,279	15,598	16,656	16,732	17,357	16,946	16,884	-63	0%
Poor (Official Income Definition)	7,843	8,482	8,542	8,995	8,857	8,737	8,354	8,311	-43	-1%
Alternate Definition	6,661	7,182	7,232	7,724	7,223	6,669	6,556	6,450	-106	-2%
Extremely Poor (Official)	4,115	4,441	4,802	4,819	4,725	4,160	4,399	4,394	-4	0%
Alternate Definition	1,463	1,584	1,901	1,703	1,624	1,583	1,441	1,813	+372	+26%
Percentage of Children										
Total	100%	100%	100%	100%	100%	100%	100%	100%	0%	
Poor (Official Income Definition)	53.9	55.5	54.8	54.0	52.9	50.3	49.3	49.2	-0.1	
Alternate Definition	45.8	47.0	46.4	46.4	43.2	38.4	38.7	38.2	-0.5	
Extremely Poor (Official)	28.3	29.1	30.8	28.9	28.2	24.0	26.0	26.0	0.0	
Alternate Definition	10.1	10.4	12.2	10.2	9.7	9.1	8.5	10.7	+2.2	
Excluding unrelated subfamilies										
Number of Children (000s)										
Total	13,793	14,545	14,801	15,844	15,924	16,637	16,213	16,175	-38	0%
Poor (Official Income Definition)	7,363	8,065	8,032	8,503	8,427	8,364	7,990	7,928	-61	-1%
Alternate Definition	6,196	6,794	6,755	7,265	6,840	6,349	6,235	6,118	-117	-2%
Extremely Poor (Official)	3,819	4,198	4,479	4,534	4,477	3,952	4,177	4,179	+2	0%
Alternate Definition	1,205	1,392	1,646	1,471	1,458	1,434	1,294	1,635	+341	+26%
Percentage of Children										
Total	100%	100%	100%	100%	100%	100%	100%	100%	0%	
Poor (Official Income Definition)	53.4	55.5	54.3	53.7	52.9	50.3	49.3	49.0	-0.3	
Alternate Definition	44.9	46.7	45.6	45.9	43.0	38.2	38.5	37.8	-0.7	
Extremely Poor (Official)	27.7	28.9	30.3	28.6	28.1	23.8	25.8	25.8	0.0	
Alternate Definition	8.7	9.6	11.1	9.3	9.2	8.6	8.0	10.1	+2.1	

Definitions:

"In poverty" and "poor" mean in a family with annual income below the appropriate federal poverty threshold ($12,802 for a three-person family in 1997, or $16,4000 for a family of four).

"Extreme poverty" and "extremely poor" mean in a family with annual income below one-half of the poverty threshold.

"Official income definition" means all cash income (e.g., wages, salaries, self-employment, government payments, dividends).

"Alternate income definition" means official income plus food stamps, school lunch, housing assistance, and the earned income tax credit, minus federal and state income tax and payroll tax.

"Unrelated subfamilies" means a family not related to the head of household. (Most family income data published by the Census Bureau excludes unrelated subfamilies.)

Source: Children's Defense Fund analysis of the March Current Population Survey (March 1991-March 1998).

Appendix Table 2

Profile of Children (All Incomes)
By Characteristics of the Family Head, 1993-1997

	1993	1994	1995	1996	1997
In All Families					
Total Number	69,008,000	69,729,000	70,243,000	70,283,000	70,668,000
Percentage Distribution					
Total	100%	100%	100%	100%	100%
1-2 Children	62%	62%	62%	62%	62%
3+ Children	38%	38%	38%	38%	38%
Family Has Child Under 6	53%	53%	52%	51%	51%
No Child Under 6	47%	47%	48%	49%	49%
Did Not Finish High School	20%	19%	20%	19%	18%
High School Graduate	80%	81%	80%	81%	82%
Never Married	8%	8%	9%	10%	10%
Ever Married	92%	92%	91%	90%	90%
White (Non-Hispanic)	67%	67%	66%	65%	65%
Black (Non-Hispanic)	15%	15%	15%	15%	15%
Hispanic	14%	14%	14%	15%	15%
Worked Last Year	84%	84%	85%	85%	85%
Worked 1000+ Hours	76%	76%	77%	77%	76%
In Mother-Only Families					
Total Number	16,656,000	16,732,000	17,357,000	16,946,000	16,884,000
Percentage Distribution					
Total	100%	100%	100%	100%	100%
1-2 Children	61%	60%	59%	62%	60%
3+ Children	39%	40%	41%	38%	40%
Family Has Child Under 6	53%	52%	52%	48%	48%
No Child Under 6	47%	48%	48%	52%	52%
Did Not Finish High School	30%	30%	30%	28%	27%
High School Graduate	70%	70%	70%	72%	73%
Never Married	31%	30%	32%	34%	35%
Ever Married	69%	70%	68%	66%	65%
White (Non-Hispanic)	45%	46%	44%	45%	45%
Black (Non-Hispanic)	37%	36%	36%	35%	35%
Hispanic	16%	16%	17%	16%	17%
Worked Last Year	62%	65%	68%	71%	71%
Worked 1000+ Hours	49%	50%	54%	56%	56%

TABLE READS: "In 1993, 61 percent of all children in mother-only families lived in a family that contained one or two children."

Note: Income includes non-cash benefits and taxes. Families include unrelated subfamilies.
Source: CDF analysis of the March Current Population Survey (March 1994-March 1998).

Appendix Table 3

**Profile of Extremely Poor Children
(Children in Families With Income Below One-Half the Poverty Line,
Using an Expanded Definition of Income)
By Characteristics of the Family Head, 1993-1997**

	1993	1994	1995	1996	1997
In All Families					
Total Number	3,225,000	3,087,000	2,478,000	2,314,000	2,740,000
Percentage Distribution					
Total	100%	100%	100%	100%	100%
1-2 Children	52%	48%	44%	51%	45%
3+ Children	48%	52%	56%	49%	55%
Family Has Child Under 6	65%	63%	70%	67%	65%
No Child Under 6	35%	37%	30%	33%	35%
Did Not Finish High School	42%	41%	46%	39%	44%
High School Graduate	58%	59%	54%	61%	56%
Never Married	26%	24%	34%	34%	31%
Ever Married	74%	76%	66%	66%	69%
White (Non-Hispanic)	47%	47%	41%	45%	43%
Black (Non-Hispanic)	26%	25%	30%	29%	27%
Hispanic	22%	24%	23%	20%	22%
Worked Last Year	48%	45%	41%	40%	40%
Worked 1000+ Hours	27%	26%	19%	17%	17%
In Mother-Only Families					
Total Number	1,703,000	1,624,000	1,583,000	1,441,000	1,813,000
Percentage Distribution					
Total	100%	100%	100%	100%	100%
1-2 Children	55%	47%	47%	52%	43%
3+ Children	45%	53%	53%	48%	57%
Family Has Child Under 6	69%	68%	71%	67%	68%
No Child Under 6	31%	32%	29%	33%	32%
Did Not Finish High School	50%	45%	46%	41%	44%
High School Graduate	50%	55%	54%	59%	56%
Never Married	41%	41%	48%	49%	40%
Ever Married	59%	59%	52%	51%	60%
White (Non-Hispanic)	39%	38%	33%	39%	40%
Black (Non-Hispanic)	37%	39%	43%	38%	35%
Hispanic	23%	21%	21%	20%	19%
Worked Last Year	33%	33%	34%	32%	34%
Worked 1000+ Hours	10%	8%	9%	9%	8%

TABLE READS: "In 1993, 55 percent of extremely poor children in mother-only families lived in a family that contained 1 or 2 children."

Note: Income includes non-cash benefits and taxes. Families include unrelated subfamilies.
Source: CDF analysis of the March Current Population Survey (March 1994-March 1998).

Appendix Table 4

Children Below One-Half the Poverty Line (Using an Expanded Definition of Income) As a Percentage of All Children, By Characteristics of the Family Head, 1993-1997

	1993	1994	1995	1996	1997
In All Families					
Number Extremely Poor	3,225,000	3,087,000	2,478,000	2,314,000	2,740,000
Percent Extremely poor					
Total	4.7%	4.4%	3.5%	3.3%	3.9%
1-2 Children	4.0%	3.4%	2.5%	2.7%	2.9%
3+ Children	5.8%	6.1%	5.1%	4.3%	5.5%
Family Has Child Under 6	5.7%	5.2%	4.7%	4.3%	5.0%
No Child Under 6	3.5%	3.5%	2.2%	2.2%	2.7%
Did Not Finish High School	10.0%	9.3%	8.3%	6.8%	9.2%
High School Graduate	3.4%	3.3%	2.4%	2.5%	2.7%
Never Married	14.2%	12.8%	12.9%	11.5%	12.1%
Ever Married	3.8%	3.7%	2.6%	2.4%	3.0%
White (Non-Hispanic)	3.3%	3.1%	2.2%	2.3%	2.6%
Black (Non-Hispanic)	7.9%	7.3%	6.9%	6.1%	6.9%
Hispanic	7.4%	7.4%	5.6%	4.5%	5.7%
Worked Last Year	2.7%	2.3%	1.7%	1.5%	1.8%
Worked 1000+ Hours	1.6%	1.5%	0.9%	0.7%	0.9%
In Mother-Only Families					
Number Extremely Poor	1,703,000	1,624,000	1,583,000	1,441,000	1,813,000
Percent Extremely Poor					
Total	10.2%	9.7%	9.1%	8.5%	10.7%
1-2 Children	9.2%	7.7%	7.2%	7.1%	7.7%
3+ Children	11.8%	12.7%	11.9%	10.8%	15.3%
Family Has Child Under 6	13.3%	12.6%	12.6%	11.9%	15.3%
No Child Under 6	6.7%	6.5%	5.4%	5.4%	6.6%
Did Not Finish High School	16.8%	14.7%	14.0%	12.6%	17.5%
High School Graduate	7.3%	7.6%	7.0%	7.0%	8.2%
Never Married	13.9%	13.2%	13.7%	12.0%	12.3%
Ever Married	8.6%	8.2%	7.0%	6.7%	9.9%
White (Non-Hispanic)	8.7%	8.1%	7.0%	7.4%	9.5%
Black (Non-Hispanic)	10.2%	10.5%	10.9%	9.0%	10.7%
Hispanic	14.6%	12.7%	11.3%	10.4%	12.0%
Worked Last Year	5.4%	4.9%	4.6%	3.9%	5.1%
Worked 1000+ Hours	2.1%	1.6%	1.5%	1.4%	1.5%

TABLE READS: "In 1993, 9.2 percent of children in mother-only families whose family contained 1 or 2 children had family incomes below one-half of the poverty line."

Note: Income includes non-cash benefits and taxes. Families include unrelated subfamilies.
Source: CDF analysis of the March Current Population Survey (March 1994-March 1998).

Appendix Table 5

PUBLIC ASSISTANCE AND FOOD STAMPS PROTECT A DECLINING NUMBER OF CHILDREN FROM EXTREME POVERTY

Children Falling Below One-Half of the Poverty Line By Definition of Income, 1995-1997

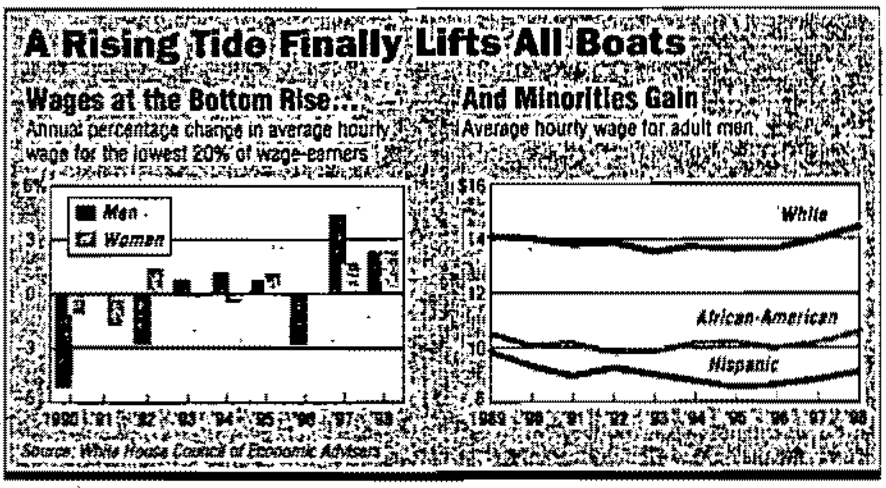
	1995	1996	1997	Change: '96 to '97
In All Families				
Number of children with family income below one-half of poverty line, based on:				
1. All income (expanded definition)	2,478,000	2,314,000	2,740,000	+ 426,000
2. Income excluding public assistance	4,720,000	4,199,000	4,330,000	+ 131,000
3. Income excluding public assistance and food stamps	6,543,000	5,952,000	5,726,000	- 226,000
Number protected from extreme poverty:				
By public assistance (line 2 minus line 1)	2,242,000	1,885,000	1,590,000	- 295,000
By public assistance and food stamps (line 3 minus line 1)	4,065,000	3,638,000	2,986,000	- 652,000
In Mother-Only Families				
Number of children with family income below one-half of poverty line, based on:				
1. All income (expanded definition)	1,583,000	1,441,000	1,813,000	+ 372,000
2. Income excluding public assistance	3,381,000	2,987,000	3,167,000	+ 180,000
3. Income excluding public assistance and food stamps	4,876,000	4,424,000	4,272,000	- 152,000
Number protected from extreme poverty:				
By public assistance (line 2 minus line 1)	1,798,000	1,546,000	1,354,000	- 192,000
By public assistance and food stamps (line 3 minus line 1)	3,293,000	2,983,000	2,459,000	- 524,000

Note: Income includes non-cash benefits and taxes. Families include unrelated subfamilies.
Source: CDF analysis of the March Current Population Survey (March 1996-March 1998).

WR - Poverty

Low-Wage Workers Make Strong Gains

Tight Labor Market in 1998 Helped the Bottom 20% Undo Decade's Pay Drop



By JACOB M. SCHLESINGER
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Low-wage workers and minorities enjoyed healthy pay gains last year, further making up for the losses those groups have suffered in the past decade.

Thanks to a tight labor market, hourly wages for adults in the bottom 20% of the pay scale rose 2.4%, after inflation, to $7.77, according to the White House Council of Economic Advisers. That was the second consecutive annual gain, and put pay for that group at the highest level since the peak of the last expansion in 1989. For the lowest-paid women, wages also rose 2.4% over 1997, and were the highest since 1979.

Biggest Gains for Black Women

For all adult African-American men, meanwhile, wages rose by 4% last year, outpacing the 3.1% gain for whites. The gap between the two groups remains substantial—blacks earned $10.57 an hour, compared with $14.41 for whites—but the difference narrowed slightly. African-American women saw even faster gains, with wages rising 5.2% to $9.35; wages for white women rose 3.7% to $10.59. Wages for Hispanic men rose 3.1% to $9.11. Wages for Hispanic women rose 4.9% to $7.99.

The data appear to suggest that one of the big clouds hanging over the 1990s boom—the relatively meager benefits flowing to traditionally disadvantaged groups—appears to be dissipating. "Groups whose economic status has not improved in the past decades are now experiencing real progress," boasted the annual Economic Report of the President, which was released yesterday.

While it's not surprising that the White House would trumpet such a trend, the assertion has been supported by private economists. The liberal Economic Policy Institute—which has played a major role spotlighting the plight of low-income workers and minorities through the 1990s—released a separate report earlier this week that reached many of the same conclusions.

"New data for 1998 reveal continued good news for the American work force," the report from the Washington think tank began. "Wage growth has been particularly strong at the bottom of the wage scale," the EPI said.

Yet despite the latest gains, many workers are still paid less, adjusted for inflation, than they were a decade ago. And it remains unclear whether the latest gains will last or how broadly they will continue to flow. According to White House calculations, wages for adult male workers at the bottom 10% of the pay scale actually fell 1.6% to $5.99 in 1998 after rising in 1997.

Lowest Unemployment Since '69

The biggest reason for the latest broad-based wage gains is the ever-tightening labor market. The unemployment rate last year was 4.5%, the lowest rate since 1969, while the jobless rate for minorities and for lower-educated workers has plunged sharply. A big factor behind the rising income inequality in the past two decades has been the rising pay premium employers have placed on workers with more education. But with labor shortages, even high-school dropouts have found jobs more easily, and have been able to demand higher pay.

"If you run a strong economy long enough, it really does get down to the bottom, and it gets to the bottom with a vengeance," said Rebecca Blank, a member of the White House economic council. "We've really seen that in the last year."

Recent policies have also contributed to those gains. Most important, the Federal Reserve has refrained from raising interest rates, even as unemployment has fallen below levels traditionally considered inflationary. "Working families have clearly benefited" from the central bank's new flexibility, the EPI said, "with no evidence at all of inflationary pressure."

Both the EPI and the Council of Economic Advisers also gave credit to recent boosts in the minimum wage, and both are pushing for more increases this year. Republicans have rejected that assertion.

Another factor that economists said has held wages down in the past decade has been a surge in immigration. The White House report suggested that immigrants are no longer dragging the wage scale down. Since 1995, wages for Mexican-born and Central American-born immigrants have risen—6.8% for men and 3.8% for women.

THE WALL STREET JOURNAL
FRIDAY, FEBRUARY 5, 1999

WR-Poverty

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Management and Budget
Associate Director for Human Resources
260 Old Executive Office Building
Washington, DC 20503
Fax #: 395-5730 **Phone #:** 395-4844

FACSIMILE COVER SHEET

DATE: 6-25

TO: Bruce Reed

Fax Number:

Number of pages (including cover sheet): 4

FROM: Ken Apfel

REMARKS: Comments to Melinda & Ken tonight!

Bruce

Call Ken and Melinda — they're waiting to hear from you

The Honorable Daniel Patrick Moynihan
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

We have received your request for an analysis of the effects on the population in poverty of the Administration's comprehensive welfare reform proposal and the new welfare reform bill introduced in Congress by Senator Roth as S. 1795 and by Representative Archer as H.R. 3507. We value your leadership on welfare reform in the Senate over the years and appreciate your interest in the effects of these proposals currently before the Congress. While the Administration has not conducted a formal analysis of these proposals similar to the comprehensive agency studies on which the reports released last November and December were based, the Roth/Archer bill is similar in many respects to the Congressional welfare proposal analyzed previously by the Administration.

As you know, there are many uncertainties involved in developing poverty estimates. Several factors that are difficult to accurately project or quantify affect the estimates: economic growth and unemployment, State funding for welfare benefits, the effect of time limits on employment, marriage and birth rates, projections about what would happen under current law, and changes in the "culture of the welfare office" in response to comprehensive welfare reform. As we indicated in the original report, changes in any number of these factors could dramatically influence the estimated impacts.

Furthermore, no model can begin to capture the value of work or the burden of welfare dependency. This Administration has fought to enable Americans who work full-time to lift themselves and their families out of poverty. But money is not the only issue here. Children growing up in homes and communities where there is work will be far better off over the long run than children growing up in homes and communities where there is only welfare, even though their circumstances look about the same in a poverty analysis.

The Administration believes the path off welfare and out of poverty is through work and parental responsibility. The Administration's bill takes dramatic steps to require and support work among welfare recipients. Child care funding is increased significantly, and assistance is guaranteed to those who are working or leaving welfare due to work. The new work program requires all those on assistance to sign personal responsibility agreements and begin working within two years on assistance. The Congressional Budget Office estimates that over 1.8 million recipients would have to be involved in work activities by 2002, and that more than double the number under current law would have to participate in subsidized work or training programs.

As you recall, our analysis of the conference report on H.R. 4 estimated that 1.5 million children would be moved below poverty as a result of that bill. Based on our earlier analysis, it appears that the change in the number of people below poverty as a result of the Roth/Archer bill would be somewhat less than would result from H.R. 4. The Roth/Archer bill is based on the conference report on H.R. 4, but contains some significant improvements, including additional funding for child care, performance bonuses, and contingency funds; no annual spending cap on Food Stamps; elimination of the two-tiered benefit structure in the SSI childhood disability program; and no block granting of child protection entitlement programs. The Administration is pleased with these changes, which help move people from welfare to work and may in fact increase the likelihood of poor families finding jobs at above-poverty wage levels, and help to mitigate increases in the number of people in poverty during recessions.

The Roth/Archer bill, however, makes few improvements in the deep budget cuts in Food Stamps and benefits to legal immigrants (particularly SSI) that are unrelated to work-based welfare reforms and that account for most of the estimated increases in poverty under the conference report on H.R. 4. The immigrant provisions are particularly harsh -- requiring a permanent SSI and Food Stamp ban for virtually all legal immigrants; denying exemptions for immigrants who become disabled after entering the country, for families with children, or for individuals who have been working for a few years and lose their job; and unfairly shifting costs to States with high numbers of immigrants. The bill also makes deep cuts in the Food Stamp Program, which take the form of a reduction in benefits to families with high shelter costs and a four month time limit for childless adults who are not provided with work slots. The Roth/Archer bill also would permit States to replace the Food Stamp program with a block grant, potentially jeopardizing the nutrition and health of millions of children, working families, and the elderly.

The Administration also has concerns about several other provisions in the Roth/Archer bill. First, the bill allows States -- through its transferability and maintenance of effort provisions -- to reduce substantially their own spending on programs serving low income families. Another serious issue is that States are not provided with adequate resources to move recipients into work. A recent CBO analysis estimates that H.R. 3507 would fall $8.7 billion short over six years in terms of the federal resources States would need to meet the bill's work requirements. We are also concerned that the bill restricts State flexibility by not allowing States to use block grant funds to provide vouchers for children in families who are subject to the time limit. In addition, the Republican bill fails to provide adequate protection for States int eh event of economic downturns. The contingency fund is set at too low a level and does not allow for expansions during poor economic conditions. Finally, the bill lacks a strong requirement that States set forth and commit themselves to objective criteria for the delivery of benefits and fair and equitable treatment.

You also requested information on the poverty effects of the Medicaid proposals in the Roth/Archer bill. As you know, there is no generally agreed upon way to factor health coverage into income for the purpose of measuring poverty. For example, if the insurance value of Medicare were counted as income, virtually no elderly person could ever be counted as poor under the current poverty thresholds -- no matter how little income they had. That is why last year's report included only the distributive effect of the Medicaid changes. The distributional analysis included the effect of Medicaid changes on various income groups even though Medicaid could not be counted as income for beneficiaries. The poverty estimates did not factor in Medicaid coverage because the poverty analysis only took into account benefits that could be counted as income. Similarly, while the current Medicaid proposals would reduce low income families' access to health care, it would not change any of the generally accepted poverty measures.

The Roth/Archer bill would increase the number of people in poverty significantly more than the Administration's proposal. The Administration's bill represents the principles of reform we hope can be supported in both the Senate and House this year. It rewards work, demands responsibility, protects children, and achieves savings that can be applied toward eliminating the deficit and balancing the Federal budget by the year 2002. The benefit program changes in the Administration's bill are similar in many respects to S. 1117, the Senate Democratic welfare plan, which received unanimous Democratic backing in the Senate in 1995. The AFDC replacement programs in the two bills are roughly the same, while savings proposed by the Administration in areas outside AFDC are slightly larger than the original Senate Democratic plan. The Administration's reductions in Food Stamps, SSI, and benefits to legal immigrants are much less severe than the savings proposed in the Roth/Archer bill, lessening the poverty impact.

By focusing on work, and providing the supports welfare recipients need to work, the Administration is serious about promoting self-sufficiency and ending dependency among those who rely on Government assistance. This emphasis on work builds on the central principles of the Family Support Act, landmark legislation which would not have been possible without your guidance and vision in 1988. We believe that requiring and promoting work offers great potential for lifting families out of poverty, but this impact is very difficult to estimate in a poverty analysis.

Welfare reform is at the top of the Nation's agenda. The Administration wants to pass a bill that promotes work, demands responsibility, and protects children. We appreciate your leadership in reforming welfare and reducing poverty and hope we can work together to improve the lives of families in poverty.

Sincerely,

Alice M. Rivlin
Director

OFFICE OF MANAGEMENT AND BUDGET

Legislative Reference Division
Labor-Welfare-Personnel Branch

Telecopier Transmittal Sheet

URGENT

URGENT

wr-Poverty

FROM: Melinda Haskins 395-3923

DATE: 6/14/96 **TIME:** 11:00 AM

Pages sent (including transmittal sheet):

COMMENTS: Please review this letter from Director Rivlin to Senator Moynihan on poverty analyses of welfare/medicaid reform. Comments are due NO LATER THAN 12:30 PM TODAY

TO: Susan Wallace - HHS

cc: Janice Reed
Ken Apfel
Barry White
Keith Fontenot

This is [illegible]

URGENT

PLEASE CALL THE PERSON(S) NAMED ABOVE FOR IMMEDIATE PICK-UP.

DRAFT

The Honorable Daniel Patrick Moynihan
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

We have received your request for an analysis of the effects on the population in poverty of the Administration's comprehensive welfare reform proposal and the new welfare reform bill introduced in Congress by Senator Roth as S. 1795 and by Representative Archer as H.R. 3507. We value your leadership on welfare reform in the Senate over the years and appreciate your interest in the effects of these proposals currently before the Congress. While the Administration has not conducted a formal review of these proposals similar to the comprehensive agency studies on which the reports released last November and December were based, the Roth/Archer bill is similar in many respects to the Congressional welfare proposal analyzed previously by the Administration.

As you know, there are many uncertainties involved in developing poverty estimates. Several factors that are difficult to accurately project or quantify affect the estimates: economic growth and unemployment, marriage and birth rates, projections about what would happen under current law, changes in the "culture of the welfare office" in response to comprehensive welfare reform, State funding for welfare benefits, and the effect of time limits on employment. As we indicated in the original report, changes in any number of these factors could dramatically influence the estimated impacts.

Furthermore, no model can begin to capture the moral value of work or the crushing burden of welfare dependency. This Administration has fought to enable Americans who work full-time to lift themselves and their families out of poverty. But money is not the only issue here. Children growing up in homes and communities where there is work will be far better off over the long run than children growing up in homes and communities where there is only welfare, even though their circumstances look about the same in a poverty analysis.

The Administration believes the path off of welfare and out of poverty is through work. The Administration's bill takes dramatic steps to require and support work among welfare recipients. Child care funding is increased significantly, and assistance is guaranteed to those who are working or leaving welfare due to work. The new work program requires all those on assistance to sign personal responsibility agreements and begin working within two years on assistance. The Congressional Budget Office estimates that over 1.8 million recipients would have to be involved in work activities by 2002, and that more than double the number under current law would have to participate in subsidized work or training programs.

DRAFT

Based on our earlier analysis, it appears that the estimated increase in the number of people in poverty as a result of the Roth/Archer bill would be somewhat less than the conference report on H.R. 4. The Roth/Archer bill is based on the conference report on H.R. 4, but contains some significant improvements, including additional funding for child care, performance bonuses, and contingency funds; no annual spending cap on Food Stamps; elimination of the two-tiered benefit structure in the SSI childhood disability program; and no block granting of child protection entitlement programs. The Administration is pleased with these changes, which will help move more people from welfare to work and may in fact increase the likelihood of poor families finding jobs at above-poverty wage levels, and help to mitigate increases in the number of people in poverty during recessions. However, the Roth/Archer bill makes few improvements in the deep budget cuts in SSI, Food Stamps, and benefits to legal immigrants which account for ~~most~~ much of the increase~~s~~ in poverty estimated to result from the conference report on H.R. 4.

You also requested information on the poverty effects of the Medicaid proposals in the Roth/Archer bill. As you know, there is no generally agreed upon way to factor health coverage into income for the purpose of measuring poverty. For example, if the insurance value of Medicare were counted as income, virtually no elderly person could ever be counted as poor under the current poverty thresholds -- no matter how little income they had. That is why last year's report included only the distributive effect of the Medicaid changes. The distributional analysis included the effect of Medicaid changes on various income groups even though Medicaid could not be counted as income for beneficiaries. The poverty analysis did not factor in Medicaid coverage because poverty analysis only took into account benefits that could be counted as income. Similarly, while the current Medicaid proposals would reduce low income families' access to health care, it would not change any of the generally accepted poverty measures.

The Roth/Archer bill would increase the number of people in poverty significantly more than the Administration's proposal. The Administration's bill represents the principles of reform we hope can be supported in both the Senate and House this year. It rewards work, demands responsibility, and protects children while achieving a reasonable level of savings that can be applied toward eliminating the deficit and balancing the Federal budget by the year 2002. The benefit program changes in the Administration's bill are similar in many respects to S. 1117, the Senate Democratic welfare plan, which received unanimous Democratic backing in the Senate in 1995. The AFDC replacement programs in the two bills are roughly the same, while savings proposed by the Administration in areas outside AFDC are slightly larger than the original Senate Democratic plan. The Administration's reductions in Food Stamps, SSI, and benefits to legal immigrants are much less severe than the savings proposed in the Roth/Archer bill further thereby lessening the poverty impact.

By focusing on work, and providing the supports welfare recipients need to work, the Administration is serious about promoting self-sufficiency and ending dependency among those who rely on Government assistance. This emphasis on work builds on the central principles of the Family Support Act, landmark legislation which would not have been possible without your guidance and vision in 1988. We believe ~~this approach~~ that requiring and promoting work offers great potential for lifting families out of poverty, but this impact is very hard to estimate in a poverty analysis.

DRAFT

Welfare reform is at the top of the Nation's agenda. The Administration wants to pass a bill that promotes work, demands responsibility, and protects children. We appreciate your leadership in reforming welfare and reducing poverty and hope we can work together to improve the lives of families in poverty.

Sincerely,

Alice M. Rivlin
Director

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 4697

FILE NO: 2456

6/11/96

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): 5

TO: Legislative Liaison Officer - See Distribution below:

FROM: Janet FORSGREN Janet Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melinda HASKINS 395-3923 Legislative Assistant's Line: 395-3923
C=US, A=TELEMAIL, P=GOV+EOP, O=OMB, OU1=LRD, S=HASKINS, G=MELINDA, I=D
haskins_m@a1.eop.gov

SUBJECT: Office of Management and Budget Proposed Report on Poverty Analysis of Welfare Reform Proposals

DEADLINE: 10:00 AM Wednesday, June 12,1996

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: Attached is a draft letter from Director Rivlin to Senator Moynihan regarding the Senator's request for an analysis of the effects on poverty of the Administration's and the Republican Leadership's welfare reform proposals (H. 3507 and S. 1795). Note that Secretary Shalala is scheduled to testify about welfare reform before the Senate Finance Committee on Thursday, June 13th.

THIS DEADLINE IS FIRM.

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RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

LRM NO: 4697

FILE NO: 2456

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet.
If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.
You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Melinda HASKINS 395-3923
Office of Management and Budget
Fax Number: 395-6148
Branch-Wide Line (to reach legislative assistant): 395-3923

FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

SUBJECT: Office of Management and Budget Proposed Report on Poverty Analysis of Welfare Reform Proposals

The following is the response of our agency to your request for views on the above-captioned subject:

_______ Concur

_______ No Objection

_______ No Comment

_______ See proposed edits on pages __________

_______ Other: ______________________________

_______ FAX RETURN of ____ pages, attached to this response sheet

WR-Poverty

The Honorable Daniel Patrick Moynihan
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

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Based on our earlier analysis, it appears that the estimated increase in the number of people in poverty as a result of the Roth/Archer bill would be somewhat ~~slightly, but not dramatically~~, less than the conference report on H.R. 4. The Roth/Archer bill is based on the conference report on H.R. 4, but contains some significant improvements, including additional funding for child care, performance bonuses, and contingency funds; no annual spending cap on Food Stamps; elimination of the two-tiered benefit structure in the SSI childhood disability program; and no block granting of child protection entitlement programs. The Administration is pleased with these changes, which may in fact increase the likelihood of poor families finding jobs at above-poverty wage levels, and help to mitigate increases in the number of people in poverty during recessions. However, the Roth/Archer bill makes few improvements in the deep budget cuts in SSI, Food Stamps, and benefits to legal immigrants which account for most of the increases in poverty estimated to result from the conference report on H.R. 4.

The Roth/Archer bill would have a far greater impact on poverty than the Administration's proposal. The Administration's bill represents the principles of reform we hope can be supported in both the Senate and House this year. It rewards work, demands responsibility, and protects children while achieving a reasonable level of savings that can be applied toward eliminating the deficit and balancing the Federal budget by the year 2002. The benefit program changes in the Administration's bill are similar in many respects to S. 1117, the Senate Democratic welfare plan, which received unanimous Democratic backing in the Senate in 1995. The AFDC replacement programs in the two bills are roughly the same, while savings proposed by the Administration in areas outside AFDC are slightly larger than the original Senate Democratic plan. The Administration's reductions in Food Stamps, SSI, and benefits to legal immigrants, however, are far less severe than the savings proposed in the Roth/Archer bill.

There are a number of uncertainties involved in developing poverty estimates. Several factors that are difficult to accurately project or quantify affect the estimates: economic growth and unemployment, marriage and birth rates, projections about what would happen under current law, changes in the "culture of the welfare office" in response to comprehensive welfare reform, State funding for welfare benefits, and the effect of time limits on employment. As we indicated in the original report, changes in any number of these factors could dramatically influence the estimated impacts. Furthermore, ~~these~~ no model can begin to capture the inherent moral value of work or the crushing burden of welfare dependency. But money is not the only issue here: ~~A child growing up in~~ children [illegible] home where there is work will be far better off over the long run than children [illegible] where there is only welfare. This Admin has made it possible for Americans who work full-time to lift themselves and their children out of poverty.

The Administration believes the path off of welfare and out of poverty is through work. The Administration's bill takes dramatic steps to require and support work among welfare recipients. Child care funding is increased significantly, and assistance is guaranteed to those who are working or leaving welfare due to work. The new work program requires all those on assistance to sign personal responsibility agreements and begin working within two years on assistance. The Congressional Budget Office estimates that over 1.8 million recipients would have to be involved in work activities by 2002, and that more than double the number under current law would have to participate in subsidized work or training programs. By focusing on work, and providing the supports welfare recipients need to work, the Administration is serious about promoting self-sufficiency and ending dependency among those who rely on Government assistance. We believe that this approach offers great potential for lifting families out of poverty, but this impact is very hard to estimate in a poverty analysis.

Welfare reform is at the top of the Nation's agenda. The Administration wants to pass a bill that promotes work, demands responsibility, and protects children.

Sincerely,

Alice M. Rivlin
Director

Daniel Patrick Moynihan
New York

United States Senate
Washington, D.C.

June 5, 1996

Dear Director Rivlin:

I write to request that you provide an assessment of the impact on children of the Work First and Personal Responsibility Act of 1996, which I introduced today at the request of the Administration. Please provide estimates of the bill's effects on the movement of children, families, and all individuals in and out of poverty. In particular, it would be helpful to have an assessment of the impact of the legislation on the following: child poverty, overall poverty, the poverty gap for families with children, and the overall poverty gap.

Timely completion of this study will be essential for Members to understand the potential effects of this legislation.

Sincerely,

The Honorable Alice M. Rivlin
Office of Management and Budget
Washington, DC 20503

Enclosure

49940

THE WHITE HOUSE
OFFICE OF DOMESTIC POLICY

CAROL H. RASCO
Assistant to the President for Domestic Policy

To: ______________________ ______________________

Draft response for POTUS
and forward to CHR by: ______________________

Draft response for CHR by: ______________________

Please reply directly to the writer
(copy to CHR) by: ______________________

Please advise by: ______________________

Let's discuss: ______________________

For your information: ______________________

Reply using form code: ______________________

File: ______________________

Send copy to (original to CHR): Bruce

Schedule ? : ☐ Accept ☐ Pending ☐ Regret

Designee to attend: ______________________

Remarks: ______________________

Let's talk

United States Senate

WASHINGTON, DC 20510

MAR 5 1996

Poverty
WR-

March 4, 1996

Dear Mr. President:

As you may know, the Finance Committee has been holding hearings on the National Governors' Association welfare and Medicaid proposals. Secretary Shalala appeared before the Finance Committee last Wednesday and stated with regard to welfare:

> ... as the President said in January, we should take advantage of bipartisan consensus on time limits.

May we ask you to reconsider? If a five-year time limit is enacted this year, it would take effect in 2001. At that point, income support would end for some 3,552,000 children. By 2005, this number would have increased to 4,896,000. More than two-thirds of these children will be black or Hispanic (49.3 percent black, 19.2 percent Hispanic). The impact on urban areas ought surely to concern us as well. In Illinois, for example, 244,000 children will have been dropped by the year 2005. In New York City, we estimate 254,000. To drop 2,414,000 black and Hispanic dependent children from our Federal life support system would surely be the most brutal act of social policy since Reconstruction.

We cannot avoid the judgment that this disparate impact on minorities -- which Secretary Shalala did not dispute -- would likely give rise to a civil rights cause of action.

May we speak to you on this matter?

Respectfully,

Carol Moseley-Braun

Daniel Patrick Moynihan

The President
The White House
Washington, DC 20500

A Poor Measurement

By Nicholas Eberstadt

Although it was not even calculated until the 1960s, the "poverty rate" is now one of America's most familiar—and politically significant—statistical indicators. We hear about it almost everywhere: in news reports and television spots; in congressional debate and speeches by our candidates running for office; sometimes even in conversations with co-workers or friends.

The poverty rate is now perhaps the main statistical tool that our government uses to measure economic well-being for our population as a whole. It is unquestionably the main statistical tool by which our government charts its social welfare policies, and against which it measures their success.

Fundamentally Flawed

But it's a bad statistical tool. It is a fundamentally flawed indicator because it can only offer a misleading indication of financial well-being (to say nothing of material well-being). For more than a generation, American policy makers have been setting course by a false compass.

This tool has an interesting history. The "poverty rate" that we use today was devised more than 30 years ago, at the start of the Johnson administration's "War On Poverty," by a researcher in the Social Security Administration. She was told to come up with an index of poverty in America, and to do it on the double—the War On Poverty was waiting. Assigned the administrative equivalent of an overnight term paper, this researcher and her team understandably did a quick and dirty job: They grabbed for data that happened to be readily available at the time and cobbled it together to make their index. They couldn't have known at the time that their quick and dirty index would guide social and economic policy in the U.S. for decades to come.

What is the "poverty rate"? Simply put, it is an estimate of the proportion of the population whose reported annual income falls below a stipulated "poverty threshold," which is officially established and varies by household type and size.

Over the years, critics have complained that the poverty rate fails to account for differences in living costs in different parts of the country; that it may be using inappropriate deflators when adjusting for changes in living costs over the years; that it does not report fully actual household earnings; that it does not take a proper measure of the value of means-tested benefits and other forms of assistance utilized by low-income households; and that it does not include the value of the imputed rent that America's tens of millions of homeowners obtain from their houses. In some degree, all of those criticisms are valid, and the Census Bureau, which is responsible for computing the official poverty rate, has attempted to respond to them.

The poverty researchers couldn't have known at the time that their quick and dirty index would guide social and economic policy in the U.S. for decades to come.

But in a broader sense, all of those criticisms miss a fundamental point: Material deprivation and material poverty are conditions defined not by income levels but by consumption levels. They relate directly to a household's purchasing power—to its ability to obtain goods and services. The so-called poverty rate, however, doesn't even look at consumption levels. It focuses instead on reported income levels.

This is a mismatch—often a complete mismatch—the extent of which becomes clear when one looks at the one government study that actually examines household spending patterns: the Labor Department's annual Consumer Expenditure Survey.

In any given year, according to that survey, households at the bottom end of the American income spectrum report spending much more money than they report earning. In 1994, the latest year available, the bottom fifth of the "consumer units" in the survey reported an average pretax income of under $6,800 but average total expenditures of more than $14,000. For every dollar they reported taking in, they said they were spending $2.08.

The reasons for this discrepancy are not a mystery, and they are not grounds for a major Internal Revenue Service investigation. The simple fact is that household incomes can, and often do, vary considerably from year to year. People have good years and bad years, and when people have bad years, they tend to try to prevent their levels of consumption from plunging. To maintain or stabilize their consumption levels, they can do many things: draw down their savings, sell assets, take out loans, get help from friends and family. All of these activities can permit households to spend more than they are taking in, entirely apart from any government benefits they may obtain. Under such circumstances, income can hardly help but be an unreliable indicator of actual consumption levels for the less well-off segments of our population.

According to the official computations, the poverty rate for the U.S. population as a whole was slightly higher in 1993 than it had been in 1966, near the start of the War On Poverty. According to those same official estimates, the overall poverty rate in America has been gradually rising since the early 1970s. By any reasonable interpretation, these would be ominous and troubling soundings.

Yet other facts tell us that the level of expenditures for every stratum of our society has increased substantially over the past generation. Those advances, moreover, have been quite steady. When poverty estimates are based on consumption rather than income, one observes progressive and dramatic reductions over the postwar period.

Calculations by Daniel T. Slesnick, an economist at the University of Texas, are instructive in this regard. Mr. Slesnick devised a poverty measure that compares estimated or actually reported household expenditure levels with the official "poverty thresholds," adjusted over time for inflation. One set of his results shows a "poverty rate" for America that begins at 31% of the population in 1949, falls to 13% by 1965, and then keeps on dropping more or less continuously, until it hits 2% in 1989, the last year for these computations (see box). Note, incidentally, that Mr. Slesnick's calculations do not account for, or attempt to value, noncash government benefits received by households. His figures thus completely exclude the impact of such instruments of social welfare policy as Medicaid, public housing, Head Start, and community social services. Insofar as more than half of the government's means-tested expenditures are for noncash public benefits, Mr. Slesnick's measure may thus still underestimate consumption levels for the lower portion of the income scale.

One may of course challenge particular assumptions used in producing these alternative figures on the incidence of material poverty in modern America. There can be little doubt, however, that attention to consumption rather than income is more appropriate in approaching the problem of material poverty—and that such an approach creates a distinctly different picture of the problem in America today.

Distorting Progress

Many distressing trends in modern America cannot be dismissed as statistical artifacts. The dramatic rise in illegitimacy over the past generation is real. The explosion of criminality since the early 1960s also is real. The spread of dependence—the increasing proclivity to seek, and accept, means-tested government benefits—is all too real.

As long as we rely upon official the official "poverty rate," however, both public and government will have a distorted impression of the country's actual progress against material deprivation—and will, further, be misled about the relationship between "basic economic conditions" and these other signs of social decay.

Mr. Eberstadt is a researcher with the American Enterprise Institute and Harvard University.

THE WALL STREET JOURNAL
MONDAY, APRIL 22, 1996

WR-Porter
cc: Andrew Vane

THE WALL STREET JOURNAL
MONDAY, APRIL 22, 1996

How (Not) to Peddle New Ideas

Sitting across from me is something all the intellectual property laws, all the common law rights and all the most experienced attorneys in the U.S. can't do anything about: a competitor's bicycle saddle. Not that I mind competition, but this one looks suspiciously like my own patented saddle. It has the same cover, the same steel rails, the same plastic base, the same shape, the same hallmark cut-out in the front that makes it ever so comfortable for women, and it was made by the same foreign manufacturer that makes my saddle.

Manager's Journal

By Georgena Terry

The foam padding on the inside is slightly different from mine, but feels the same to the touch. The tag accompanying it even asserts that it was designed by a woman—I guess they mean me. In stores where it's sold, it's referred to as a "Terry" saddle.

My company designs and distributes products for female cyclists. In 1991, I designed and ultimately patented this women's bicycle saddle, which successfully addresses the conflict between the hard nose of most bicycle saddles and the female rider's tender anatomy. I found a foreign manufacturer to make my saddle and watched sales grow by leaps and bounds as we made models for casual and serious riders and (yes!) even men.

At a 1994 trade show, I was more than a little surprised to find my saddle, with my name on it, at a competitor's booth. My manufacturer told me this was a mistake—she didn't mean to send saddles with my name on them; they should have been unmarked. Apparently she saw nothing wrong with selling this design to others. Further investigation revealed that she'd shipped 4,000 such saddles to another distributor on the assumption that I would bless this project. On learning of my dismay, she assured me that, with my OK, she planned to keep faithful records of all saddles sold and to pay me a royalty. I gave no OK, but she continued to sell saddles and never paid any royalties.

Soon the saddle began to appear everywhere, wreaking havoc in domestic and foreign markets alike. From New Zealand to Britain, we were putting out fires right and left. And throughout the chaos, my manufacturer steadfastly asserted that each "event" was a mistake that would never happen again. But the problem still persists; just this month, the heavily discounted saddle was offered in a national mail-order catalog. My legal eagles sympathize, but they tell me there's not much I can do. And the little I can do will take years and more than a few bucks.

Our front line in this battle should be the 2,000 independent bicycle dealers who sell our products. But when presented with a knock-off saddle that's "just like a Terry, only cheaper," they embraced it with open arms. Like Coke, Kleenex and Frigidaire, Terry became the name for an entire class of products, no matter who makes them—in my case, a woman's saddle with a certain look and function. From a bottom-line analysis, who can blame them? They can buy these saddles for less than a "real" Terry and sell them for a higher margin.

Sounds fine until you remember the saddle is a Terry. Dealers called us by the dozens: "Hey, did you know so-and-so is distributing your saddle? They even call it a Terry," or "Did you know so-and-so is using your saddle on their bicycles?" Even after we told them the product was being sold without our permission, not one of them said, "I won't carry this saddle because I know it's yours and I don't feel right about selling it. This isn't how I like to earn my money."

Forced to fight back, I've responded by finding a new manufacturer and then introducing new designs. It'll take me a little time, but I'll gradually get back the market share I lost to these interlopers. I firmly believe that she who laughs last laughs best.

But try as I might, I can't let this rest. It goes beyond patent protection, the Supreme Court's doctrine of equivalents for patents or trademark issues. It reaches to the core of the morality of business, the caretaking of products, and holding the higher ground.

Listen up, all of you retailers who moan and groan because products have turned into commodities and your customers are beating you up for lower prices: Creative competition, the kind that propels a concept ever upward, is about ideas that exist on a higher scale, ideas that visit at unexpected moments, making us burn with enthusiasm and boundless energy. It's not about knock-offs and sinister back-room moves.

A successful product is the outcome of someone's genius and vision. Like a work of art, it's presented to the market with great pride and expectation—and more than a little trepidation. These are the products that distinguish your store from the store down the street. Once in your hands, you have a responsibility to make sure their value (and yours) is not debased. If you're lucky enough to come across such a product, respect it and nurture it. Don't let it become a commodity. And don't ever assume you'll lose customers because you took the higher ground.

Ms. Terry is founder and CEO of Terry Precision Bicycles for Women, Inc., in Macedon, N.Y.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 26, 1996

① WR-Moynihan
② WR-Poverty

The Honorable Daniel Patrick Moynihan
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

I am writing in response to your request for an analysis of how the Administration's comprehensive welfare reform proposal and the new welfare reform bill introduced by Senator Roth as S. 1795 and by Representative Archer as H.R. 3507 would affect the population in poverty. While the Administration has not conducted comprehensive agency studies similar to those on which the reports released last November and December were based, the Roth/Archer bill is similar in many respects to the Congressional welfare proposal that the Administration analyzed previously.

As you know, there are many uncertainties involved in developing poverty estimates. It is difficult to accurately project or quantify several factors that affect the estimates: economic growth and unemployment; State funding for welfare benefits; the effect of time limits on employment; marriage and birth rates; projections about what would happen under current law; and changes in the "culture of the welfare office" in response to comprehensive welfare reform. As we indicated in the original report, changes in any number of these factors could dramatically influence the estimated impacts.

Furthermore, cash income alone does not fully reflect the value of work in ending the cycle of poverty. Indeed, no model can begin to capture the moral value of work or the crushing burden of welfare dependency. This Administration has fought to enable Americans who work full time to lift themselves and their families out of poverty. Children growing up in homes and communities where there is work will be far better off over the long run than children growing up in homes and communities where there is only welfare -- even though a family on welfare might look better off in a poverty analysis.

As you recall, the Administration's analysis of the conference report on H.R. 4 estimated that it would move 1.5 million children below the poverty line. Based on that analysis, it appears that improvements in the Roth/Archer bill would mean that somewhat fewer children would fall below the poverty line. But many of the factors that would move children below the poverty line remain the same in both bills.

The Administration is pleased with the improvements, which will help move people from welfare to work and may in fact increase the likelihood of poor families finding jobs that lift them out of poverty, and help to mitigate increases in the number of people in poverty during recessions. These improvements include:

- additional funding for child care, performance bonuses, and contingency funds;
- no annual spending cap on Food Stamps;
- elimination of the two-tiered benefit structure in the SSI childhood disability program; and
- no block granting of child protection entitlement programs.

In two critical areas, however, the Roth/Archer bill leaves provisions unrelated to work-based welfare reforms largely unchanged. These provisions account for a large share of the estimated increases in poverty under the conference report on H.R. 4:

- With regard to virtually all legal immigrants, the bill bans SSI and Food Stamp benefits permanently. It also denies exemptions for immigrants who become disabled after entering the country, for families with children, or for individuals who have been working for a few years and lose their job.
- With regard to the Food Stamp program, the bill deeply cuts benefits for families with high shelter costs; imposes a four-month time limit for childless adults who are not provided with work slots; and creates an optional Food Stamp block grant, which would undermine the national nutritional safety net.

In addition, the Administration has other concerns about the Roth/Archer bill, including transferability and maintenance of effort provisions; the restriction against States using block grant funds to provide vouchers for children in families who are subject to the time limit; failure to adequately protect States in the event of economic downturns; and no strong requirement that States set forth objective criteria for fair and equitable treatment of recipients. We understand the Finance Committee may address some of these concerns this week, and we are pleased that the Committee is considering changes to improve this important piece of legislation.

Moreover, we understand the Republican leadership currently plans to link welfare reform to an unacceptable Medicaid block grant that will end the guarantee of health coverage for poor children, the elderly, and the disabled. The President has repeatedly said he will veto any legislation that would end the Federal guarantee of health care coverage under Medicaid. There is no excuse for holding welfare reform hostage to a bad Medicaid plan. Block granting Medicaid is the single greatest obstacle to enacting bipartisan welfare reform this year, and the Republican leadership should abandon the idea.

You requested information on how the Medicaid proposals of Roth/Archer would affect poverty. As you know, there is no generally agreed-upon way to factor health coverage into income in order to measure poverty. For example, if the insurance value of Medicare were counted as income, virtually no elderly person could ever be counted as poor under current poverty thresholds -- no matter how little cash income they had. That is why last year's report included only the distributive effect of the Medicaid changes.

In last year's study, the distributional analysis included the effect of Medicaid changes on various income groups even though Medicaid could not be counted as income for beneficiaries. But the poverty estimates -- which are based on income -- did not factor in Medicaid coverage; they only took account of benefits that could be counted as income. Similarly, while the current Medicaid proposals would cut the access of low income families to health care, they would not change any of the generally accepted poverty measures.

By contrast, the Administration's bill represents the principles of reform that we hope the Senate and House will support this year. It rewards work, demands responsibility, protects children, and achieves savings that can be used to help eliminate the Federal deficit and balance the budget by the year 2002. The benefit program changes in the Administration's bill are similar in many respects to S. 1117 -- the Senate Democratic welfare plan -- which Senate Democrats backed in 1995. The AFDC replacement programs in the two bills are roughly the same, while Administration-proposed savings in areas outside AFDC are only slightly larger than the original Senate Democratic plan. Thus, the Roth/Archer bill would increase the number of children in poverty significantly more than the Administration's proposal.

The Administration believes the path off welfare and out of poverty is through work and parental responsibility. The Administration's bill takes dramatic steps to require and support work among welfare recipients. It increases child care funding significantly, and guarantees assistance to those who are working or leaving welfare due to work. The new work program requires all those on assistance to sign personal responsibility agreements and begin working within two years on assistance. The Congressional Budget Office estimates that the bill will require over 1.8 million recipients to be involved in work activities by 2002, and double the number who will participate in subsidized work or training programs under current law.

By focusing on work, and providing the supports welfare recipients need to work, the Administration is serious about promoting self-sufficiency and ending dependency among those who rely on government assistance. This emphasis on work builds on the central principles of the Family Support Act -- important legislation which would not have been possible without your guidance and vision in 1988. We believe that requiring and promoting work offers great potential for lifting families out of poverty, but this impact is very difficult to estimate in a poverty analysis.

Welfare reform is atop the Nation's agenda. The Administration wants to pass a bill that promotes work, demands responsibility, and protects children. We appreciate your leadership in reforming welfare and hope we can work together to improve the lives of families in poverty.

Sincerely,

Jacob J. Lew
Acting Director

WR-Poverty

Andrea Kane 09/24/98 10:28:48 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Cathy R. Mays/OPD/EOP, Laura Emmett/WHO/EOP

cc:

Subject: Welfare info for Poverty Briefing

Orszag called and asked for a Q&A -- here's what I sent him. Let me know if it's not OK. This will replace one that CEA had done which was about what you'd expect.

---------------------- Forwarded by Andrea Kane/OPD/EOP on 09/24/98 10:26 AM ---------------------------

Andrea Kane 09/24/98 10:10:18 AM

Record Type: Record

To: Jonathan Orszag/OPD/EOP, Cynthia A. Rice/OPD/EOP

cc:

Subject: Welfare info for Poverty Briefing

How about something like this?

Q: What do these new numbers tell us about the impact of welfare reform?

A: While it is still early to see the full effects of welfare reform, the evidence so far is very encouraging. Clearly there is no increase in poverty; in fact, poverty has decreased. In fact, the Census data show continued strong trends in the movement from welfare to work: the percentage of people on welfare in one year who were working in the following year continues to increase, even while welfare caseloads continue to decline dramatically.

Background (we'd like hold the numbers for use at a future date).

The percentage of people who were on welfare in one year and working the following year increased by nearly 60 percent (from 21.5% in 3/93 to 33.8% in 3/98). This data is included in the CPS files, but is not part of the information Census released publicly today. The 3/98 reflects people who said they were receiving welfare during 1997 and were working in March 1998.

On August 4, the President announced that this percentage had increased nearly 30% between 1996 and 1997 (using the March 96 and March 97 CPS). The latest data shows this postive trend continuing.

Caseloads have declined 41% since the President took office, and 32% since he signed the welfare reform law.

WR - Poverty

- **Poverty Rate Fell To 13.7 Percent in 1996 -- Down from 15.1 Percent in 1993.** In 1996, the poverty rate declined to 13.7 percent from 13.8 percent the year before. Since President Clinton signed his Economic Plan into law, the poverty rate has declined from 15.1 percent in 1993 to 13.7 percent last year -- that's the biggest three-year drop in the poverty rate in a decade.

- **The African-American Poverty Rate Dropped To Its Lowest Level In History.** In 1996, the African-American poverty rate declined from 29.3 percent to 28.4 percent -- that's its lowest level recorded since data were first collected in 1959. Since 1993, the African-American poverty rate has dropped from 33.1 percent to 28.4 percent -- that's the largest three-year drop in African-American poverty in nearly 30 years (1967-1970).

- **Under President Clinton, Largest Three-Year Drop in Child Poverty Since 1960s.** In 1996, the child poverty rate declined from 20.8 percent to 20.5 percent. Since President Clinton signed his Economic Plan into law, the child poverty rate has declined from 22.7 percent to 20.5 percent -- that's the biggest three-year drop in nearly 30 years (1966-1969).

WR-Parity

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Management and Budget
Program Associate Director for Human Resources
260 Old Executive Office Building
Washington, DC 20503

Fax #: 395-5730 **Phone #: 395-4844**

FACSIMILE COVER SHEET

DATE: 05/24/96

TO: John Angell
Rahm Emanuel
Bruce Reed
Larry Haas
Jack Lew
John Hilley

Number of pages (including cover sheet): 2

FROM: Ken Apfel

REMARKS:

I bet Moynihan starts public pressure on this next week.

Congress of the United States
Washington, DC 20515

May 24, 1996

TO John Angel
- Rahm Emanuel
- Bruce Reed
- Jerry Hass
- Jack Lew
- John Hilley

I bet Moynihan starts public pressure on this next week
- Ken

The Honorable Alice M. Rivlin
Office of Management and Budget
Washington, DC 20503

Dear Director Rivlin:

We write to request that you provide us with an assessment of the impact on children of S. 1795, the Personal Responsibility and Work Opportunity Act of 1996, the welfare legislation introduced in the Senate on May 22. (An identical bill, H.R. 3507, was introduced in the House of Representatives.) Please provide estimates of the bill's effects on the movement of children, families, and all individuals in and out of poverty. In particular, it would be helpful to have an assessment of the impact of the legislation on the following: child poverty, overall poverty, the poverty gap for families with children, and the overall poverty gap.

The legislation also contains the Medicaid Restructuring Act of 1996. We would ask that you provide us with estimates not only of the poverty effects of the bill as a whole, but also of the welfare and Medicaid provisions individually.

Given that action on these bills may occur in the near future, we request that this analysis be completed as quickly as possible. Your evaluation will be critical in enabling Members to understand the effects of the enormous changes being proposed.

Sincerely,

Sam M. Gibbons
Ranking Member
Committee on Ways and Means

Daniel Patrick Moynihan
Ranking Member
Committee on Finance

WR-Poverty

The modern-day paradox of poverty

By Nicholas Eberstadt

In her classic study of welfare and welfare policies in Victorian England, Gertrude Himmelfarb reminded us of "the mischievous ambiguity of the word 'poor.'" "Poverty" does not refer to a single condition; instead, it can be used to describe a varied range — with starkly different causes, consequences, and defining characteristics.

It is well to consider this "mischievous ambiguity" as we reflect upon the travails of modern "anti-poverty" policies. America's long-standing attention to the national "poverty problem," and its continuing official efforts to redress it, may at first suggest that we have been grappling for decades with a well-defined, but intractable, social affliction. But this is not the case. Over the past several decades, the nature of "poverty" in the United States has been utterly and completely transformed. Indeed, that transformation has been so radical that earlier generations of anti-poverty crusaders might find our modern variant of "poverty" unrecognizable — or even unimaginable.

A simple "thought experiment" makes the point. Suppose we were transported back to the Great Depression, and managed to buttonhole some of the men or women then in Washington busily formulating President Roosevelt's New Deal. Suppose further that we were allowed to tell them a few things about America 60 years hence — about a world he or she may not live to see, but is striving to influence through Depression-era reforms.

We could offer a glimpse of the future by revealing these six key facts about the American future:

First: The United States would enjoy a tremendous economic ascent in the decades ahead. Between 1935 and 1993, by the estimates of the Commerce Department's Bureau of Economic Analysis, America's gross domestic product (GDP) grew by about 650 percent in real terms — after adjustments for inflation. Over those same years, estimated per capita GDP rose by over 270 percent — nearly quadrupling, in other words. Even measured against the boom year of 1929, America's 1993 GDP would be over six times as large, and per capita GDP nearly three times as great. The economy's long-term performance would significantly exceed the expectations of the best economists of our New Dealer's time. Joseph Schumpeter, for example, proposed that the long-term growth rate of the American economy might be as high as 2 percent a year, and its per capita growth rate as great as 1.4 percent a year, between 1928 and 1978 — and these projections were intended to startle his audience for their optimism. In the event, the American economy grew at an average estimated pace of nearly 3 percent a year between 1929 and 1993; per capita output, at 1.7 percent per annum.

Second: Future generations would never again face anything like the unemployment crisis of the 1930s. In 1992 — a relatively unfavorable "recession" year — the civilian unemployment rate would be only a third of its 1934 level; for the non-farm labor force, the unemployment rate in 1992 would be less than one fourth the 1934 level. By the 1990s, moreover, even long spells of joblessness would not typically raise the prospect of losing one's house, one's car or the opportunity to send one's children to college.

Third: The mechanization of agriculture between the 1930s and the 1990s would, for all intents and purposes, bring a virtual end in America to the age-old burdens of field labor. In 1930, over 21 percent of America's workers toiled in the agricultural sector; by 1993, less than 1 percent of the U.S. workforce labored as farmhands. A New Dealer would deem this great shift auspicious for at least two reasons: 1) because earlier Americans knew farm labor as poorly paying, physically demanding work, and 2) because agricultural mechanization would permit a great movement of the people from the countryside into America's cities (the traditional centers of opportunity and learning).

Fourth: Tremendous increases in life expectancy — a veritable explosion in health — together with changes in U.S. fertility patterns would very nearly bring an end to the tragedy of orphanhood in America. In 1920, by the estimate of researchers in the Social Security Administration, something like 8.5 percent of America's children under the age of 18 had lost their fathers; another 2 percent had lost both parents. By 1965, the estimated share of paternal orphans among the nation's children had fallen by two-thirds, and only 0.1 percent — a tenth of 1 percent — were full orphans. The numbers are lower still, we can be fairly sure, for the 1990s.

Fifth: Court decisions and legislative initiatives would put an end to legalized segregation and legalized discrimination on the basis of race. By the early 1990s, in fact, this grave stain on the fabric of American society had been removed for more than a generation; equality of opportunity — irrespective of race, creed, or color — was at last the law of the land.

Finally: We would have to mention the vast increases in government expenditures for persons in financial need between the Depression and the early 1990s. By the early 1990s, state, local and federal governments would be spending over a quarter of a trillion dollars a year explicitly and expressly on persons in financial need. In 1992, a recession year, the total of cash and non-cash public benefits for persons with low incomes reached $290 billion. That total works out to over $5,600 for every man, woman and child in the lowest fifth of the nation's income ladder — over $22,000 for a hypothetical family of four. Between the Depression and the 1990s, of course, the dollar lost a great deal of its value to inflation: $22,000 from 1992 were roughly equivalent in purchasing power to 2,300 1929 dollars. But in 1929, a family spending $2,300 a year was considered quite well-off. In that boom year, in fact, only about a fourth of all American families managed to consume at that level.

These six revelations about their future would indeed inform our New Dealers about profound social and economic changes in store for America. But would they prepare our reformers for what awaited them in the early 1990s?

Hardly. Just consider what else we would have to tell them to give them an accurate impression of the country's true social and economic situation:

First, we would surely have to mention the failure, for a full generation, to achieve any appreciable reduction in the official index of poverty in America. In 1993, in fact, the officially measured poverty rate for the population as a whole was slightly higher than it had been in 1966, 27 years earlier. Most troubling of all, the official poverty rate for children in the early 1990s was reported to be nearly 1 1/2 times as high as in the late 1960s, and distinctly higher than it had been in the mid-1960s, when the "War On Poverty" commenced.

Second: The progressive rise in the proportion of American children living in fatherless homes. In 1993, only 74 percent of America's families with children had both a mother and a father in the home — a lower proportion than in 1946, despite the disruption imposed, and the casualties inflicted, by the World War II. By 1993 nearly a quarter of the nation's children under 18 years of age were living in a female-headed household; over 40 percent of the country's children were in families that did not include their biological father.

Third: That over a million persons, at any given time, were incarcerated in correctional facilities in America in the early 1990s — a figure that speaks to the huge increase in criminality since the Great Depression. In 1992, 1.3 million prisoners were being held at any given moment in local U.S. jails and state or federal prisons. Over four times as many persons were serving time in prison in 1992 as in the early 1960s. In 1992 nearly 12 million arrests were processed for criminal offenses — three times as many as thirty years before. In 1990, roughly 1 adult American in 40 was under "correctional supervision": in jail, in prison, on probation, or on parole. For men over 18 years of age, that ratio was 1 in 24; for black adults, 1 in 13; for black males over 18, roughly 1 in 7.

Fourth, and by no means least: That a higher fraction of Americans were on "relief" — or what we now call "means-tested public assistance" — in the early 1990s than had been in the depths of the Great Depression. The U.S. Census Bureau publishes an annual report on poverty in America; its estimates are instructive. For the nation as a whole in 1992, 24 percent of the population in households that received some form of means-tested assistance. Among African-Americans, the proportion of the population in households receiving some form of means-tested assistance was nearly 53 percent; over 28 percent were obtaining means-tested cash assistance. By contrast, in January 1935, according to the National Resources Planning Board, an estimated 26 percent of the country's black Americans were on relief. Lest one presume that the pattern is particular to American blacks, we can look at the trends for the white population. That same Depression-era report estimated that 16 percent of American whites were on relief in January 1935; by 1992, according to the Census Bureau, nearly 20 percent of the country's whites were seeking and obtaining some kind of means-tested assistance. In 1992 over 30 percent of America's white children under six years of age resided in a household receiving at least one type of means-tested assistance.

Now, what would New Deal reformers make of these facts? How would they reconcile what we had told them about the future with these unpleasant, but unavoidable, realities? We may guess that, from the perspective of a New Deal reformer, there would be something very, very wrong with the picture of modern America.

Despite tremendous material advances, revolutionary improvements in knowledge and technology, and a vast augmentation of national wealth, the country's domestic social problems have by no means been eliminated. Paradoxically, in the early 1990s such problems as crime, dependency and family breakdown were far more acute than they had been during the Great Depression — when general income levels, and general levels of schooling, were so much lower. For a reformer or an idealist from an earlier time, our contemporary social problems would be especially troubling because they would be so completely unexpected.

Ours is now a nation whose social and economic problems are no longer familiar, nor in any real sense traditional. Modern America is a country inhabited by large numbers of prosperous paupers and affluent savages. As mass phenomena, these are quite new. The patterns of mass behavior attendant upon these syndromes constitute major problems for our society today. It is precisely these patterns, in fact, that account for much of what would surprise or dismay earlier eyes on surveying our contemporary landscape.

America's new "poverty," moreover, is highly resistant to the instruments that have been traditionally employed to alleviate it. The new poverty does not exist for lack of money, or education attainment — quantities government can provide. There is a great need underlying the new poverty in America — but it may be for something that our government cannot provide. Until we face these facts, little progress can be expected in our ongoing national struggle against "poverty."

Nicholas Eberstadt is a researcher with the American Enterprise Institute and Harvard University. This article is adapted from an essay in the current issue of Society magazine.

The Washington Times

MONDAY, FEBRUARY 26, 1996

The Washington Times
MONDAY, FEBRUARY 26, 1996

Election-year tango

Dancing with Dole. I last talked to Bob Dole at a book party for a colleague. Arianna Huffington, a political columnist, think tank maven, compassion pursuer, and seeker of a suitable candidate for president had been saying bad things about the senator.

Mr. Dole and Mrs. Huffington were both very cordial to each other, with deferential smiles and practiced small talk. The senator hugged a little Huffington for a photo-op. It was one of those moments, so common in Washington, when the cocktail circuit is as important as Capitol Hill. Reporters scribbled on their notebook, cameras clicked, videocams rolled. News of the exchange appeared the next day in the newspapers, a battlefield bulletin from the red hot social scene in Washington.

Suzanne Fields

Bob Dole is a professional socializer, without notable panache. He greets reporters, politicians, flatterers and other hangers-on and wannabes like a man who has done this kind of thing for half a century, which he has. He exchanges a few pleasantries and subtly moves with the person to whom he's talking, handing her over to an aide in a gesture that is so polished it feels almost like a tango.

Most career politicians learn this dance routine early so they'll not get stuck in a conversation made up of unequal parts of whiskey and wine-dark political platitudes. Or worse, a conversation fueled only by sparkling water. A look-alike actor could easily fill in for the real man or woman.

Thus was it ever. Some politicians seem more spontaneous than others, but nearly all develop a canned delivery, sounding as though they've said the same thing thousands of times before. Most of them have. Even those who are new to the battlefield begin to sound as though they're replaying a tape when they get in front of a microphone. Lamar Alexander and Steve Forbes have both been compared (unfavorably) to Robo-Man. The public wants more than this. Enter Pat Buchanan. Whatever Pat Buchanan is, he isn't canned.

The key to Alan Keyes. The engaging orator in this year's race is Alan Keyes. He speaks in the robust cadences of a prophet and preaches morality as from a pulpit: "We will rebuild our families or we will perish." But he's running for rabbi or priest, or evangelist, not president. Wrong office. Good man, but wrong man.

On Bob "The Sizzler" Dornan. Rep. Bob Dornan conservative Republican from Orange County, Calif., was rumored to have dropped out of the race after the New Hampshire primary because he got zero percentage of the vote. But noooooo. His reputation as the most amusing entertainer among the candidates is alive and well. The eight-term congressman with fighter-pilot prose still thinks he's in an open cockpit, silk scarf snapping in the wind at his throat, swooping out of the dawn patrol on the Red Baron. But haven't we had enough rhetorical heroics?

Crossing fire with fire. One of the reasons that Pat Buchanan is still standing tall is that he invigorates his audiences with the skill of a co-host of a food fight like Crossfire. His words snap, slap, sparkle and pop.

He's a street brawler, a verbal pugilist. It's not clear why, but his followers enjoy being called "peasants with pitchforks." (Maybe the dancer, the brawler, and the flannel man should settle it with pitchforks.) He knows how to persuade, more through passion than principles.

But it's astonishing to me that his church-going supporters were not outraged by his defense of Larry Pratt, the co-chairman of his campaign ("temporarily" withdrawn), who spoke at rallies of racists and anti-Semites. At one of these rallies, a speaker sharing the platform with Mr. Pratt set a common theme: "Your enemies are pumping all the Talmudic filth that they can vomit and defecate into your living room that they can [sic]." Surely religious conservatives who cheer Pat don't condone Mr. Pratt's acquiescence in such bigotry, or Pat's defense of him. Why don't they say that loud and clear?

Funny Man. Bob Dole can be faulted for lacking a visionary message, but he remains the candidate with the most conservative temperament, the most resistant to the temptation to run helter skelter after whatever is new.

He should show a little more of his trenchant wit. One line and it's off with your head. Why have we become so intolerant of wit? He delivered his most famous (unkindest?) cut of all at a Gridiron dinner a decade ago, asking the audience to picture Presidents Ford, Carter and Nixon as "See No Evil, Hear No Evil, and Evil." And Mr. Nixon was his friend.

Just think what he might do to Pat Buchanan if he tried.

Suzanne Fields, a columnist for The Washington Times, is nationally syndicated. Her column appears here Monday and Thursday.

Prohibition, alive in Virginia

By Deroy Murdock

It's beginning to look a lot like happy hour at the Virginia Supreme Court.

In a case that reveals the regulatory web that entangles alcohol distribution in the Commonwealth, the high court is considering the matter of Brown-Forman Corporation vs. Sims Wholesale Company.

In 1989, Brown-Forman — a Louisville-based wine and spirits concern — tried to consolidate the number of wholesalers that distribute its wines in Virginia. Thanks to the 1985 Virginia Wine Franchise Act, Brown-Forman could not simply dismiss its wholesalers according to its business needs. Instead, it had to show "good cause" to Virginia's Department of Alcoholic Beverage Control (ABC). Brown-Forman's desires for lower costs and higher efficiency were insufficient to leap this hurdle; the firm had to prove that wholesalers were "deficient." Several panels within the ABC required Brown-Forman to maintain a mandatory network of distributors, each of which enjoyed a monopoly within its own geographic region. Brown-Forman's appeal is now before the Virginia Supreme Court.

Virginia's franchise law has meant nothing but trouble for companies like Brown-Forman. Rather than deliver on their own, "we must go through a local distributor," says Steve Griffin, vice president and manager for the Southern Division of Brown-Forman Wine Brands. "We don't have any real say as to what happens with our brands. We hope to be in a position of cooperation with the distributor. But that's up to him. If he doesn't wish to cooperate or push the brand, there's very little we can do about it other than complain to the ABC or go to court."

Mr. Griffin notes that his firm has many positive arrangements with distributors but "when you have a bad relationship, it can be a really bad relationship." He recalls when Brown-Forman bought the rights to an existing wine brand. When it tried to appoint a wholesaler, as required by state law, it discovered that the brand's previous owner already had done so. "The distributor had the franchise rights, but he had no product on hand, and he refused to buy any." Brown-Forman spent two months trying to get the antagonistic wholesaler to relinquish the franchise that he apparently had embraced as an entitlement.

The travails of Brown-Forman and its competitors can be traced to the elaborate and arcane laws that govern alcohol sales in Virginia. While wine and beer are distributed to private stores under nearly identical franchise laws, hard liquor falls flat into the lap of the state. "We're the only act in town," says Curtis Coleburn, Judicial Policy and Legislative Director of the Virginia ABC. "When it comes to spirits, he adds, we have the monopoly."

The Virginia ABC maintains 243 state liquor stores that control all sales of distilled alcohol. Some 830 public employees operate these outlets on a department budget of $240 million for 1996. These state stores also engage in a "Virginia First" policy that would make Pat Buchanan grin: in the early 1980s, the state legislature changed the law so that ABC stores only could sell wines produced with a majority of their grapes grown in Virginia.

Stiff limits on the importation of alcohol lift this 80-proof trade wall even higher. It is against state law to bring more than one gallon of wine, beer or spirits into Virginia. Despite the fact that "you could reasonably say that the prices in Washington, D.C. are lower than in Virginia," as Mr. Coleburn states, anyone who bought a case of beer in Georgetown and drove it to a barbeque in Fairfax would be a lawbreaker.

All of this limits consumer choice. "In Arlington County, with a population of 200,000, there are only four ABC stores I am aware of," says writer and policy analyst Richard Sincere. "In a four-block radius of my office in downtown Washington, D.C., there are six or eight liquor stores." Mr. Sincere also sees far more variety in District stores than in Virginia's. Washington retailers "sell more than liquor." "They have cheese, wine glasses, potato chips and newspapers. The Virginia ABC stores have all the personality of a DMV office. They're plain cinderblock structures with plain walls. There are no advertising posters, no color. They remind me of my trip to the Soviet Union in 1987. There were stores there that just were called 'Milk' or 'Bread.' In Virginia, they say 'ABC Store' in big block letters. This is the last vestige of socialism in Virginia."

With endorsements that ring that loudly, Gov. George Allen and the state legislature ought to go beyond the narrow, complex issue before Virginia's Supreme Court. The Elliott Ness-era moonshine still that is Virginia's alcohol policy should be streamlined for the 21st Century. Wine and spirits manufacturers should be free to hire and fire distributors as swiftly as law firms can pick and choose among FedEx, UPS and Airborne. State liquor stores should be privatized, perhaps with their public-sector employees given the first crack at buying the means of alcohol distribution at a fair market price. Virginia's alcohol consumers should be free to shop in Washington and surrounding states to satisfy their wallets and taste buds. And if they drink what they buy on the drive home, they should be arrested and stripped of their drivers' licenses.

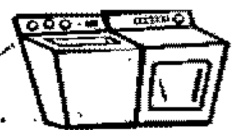
Isn't this a policy to which Virginians can lift their glasses?

New York writer Deroy Murdock is an adjunct fellow with the Fairfax-based Atlas Economic Research Foundation.

How Poor are the Poor?

BY

BRUCE BARTLETT



Along with its annual poverty report, the U.S. Bureau of the Census recently released a study measuring the availability of various consumer appliances to different groups of Americans. These data show that even persons officially described as poor in this country now have extraordinary access to conveniences, labor saving devices, and even luxury goods. For example, 93 percent of poor families have a color television, 72 percent have their own washing machine, 60 percent have microwaves and VCRs.

To put these numbers in perspective, it is worth looking at comparable rates in other industrialized countries (see Table One). Comparative figures show that ownership of dishwashers, for instance, is higher among Americans living in poverty than it is among the *general* population in the Netherlands, Italy, or the U.K. Ownership of clothes dryers among *all* Swedes is about the same as among the American poor. Typical residents of every country in Europe have less access to microwaves than the U.S. poor do. And the U.K. is the only country in Europe where general ownership of VCRs exceeds that of the American poor.

Data on consumer expenditures collected by the U.S. Bureau of Labor Statistics confirm that America's "poor" have a comparatively high level of material well-being. In fact, economic consumption by households in the lowest 20 percent of the U.S. income distribution is more than double their reported income, as Table Two illustrates. How can that be? There are a variety of simple explanations: some people have unreported income, some are living off reserves while their income is just temporarily low, some are supported by family members. Insofar as consumption is a truer measure of living standards than income, the main point is that many low-income Americans are far better off than their reported income suggests.

Two other factors obscure the true condition of America's poor. One is non-cash in-

TABLE ONE

PERCENT OF HOUSEHOLDS OWNING SELECTED APPLIANCES

	VCR	Microwave	Dishwasher	Dryer
U.S. Poor	60	60	20	50
All residents:				
Belgium	42	21	26	39
Denmark	39	14	26	22
France	35	25	33	12
Germany	42	36	34	17
Italy	25	6	18	10
Netherlands	50	22	11	27
Spain	40	9	11	5
Sweden	48	37	31	18
Switzerland	41	15	32	27
U.K.	65	48	11	32

Source: Eurobarometer, 1991, U.S. Bureau of the Census, 1992

Blue-Ribbon Commission

Recently, a commission of economists headed by Stanford University's Michael Boskin met to study the way government agencies measure inflation via the so-called Consumer Price Index, or CPI. One reason that subject is important to more than just statisticians is because the CPI is used to adjust the nation's income and poverty numbers. If inflation is being mismeasured every year, then income and poverty will be too. Over a period of years, our understanding of how our quality of life is progressing can be badly skewed.

In addition to Boskin, former chairman of the president's Council of Economic Advisers and an adjunct scholar at the American Enterprise Institute, the blue ribbon commission included eminent scholars like Dale Jorgenson, an expert on measuring economic growth and former winner of the John Bates Clark award for best American economist under age 40, and Zvi Griliches of Harvard, former president of the American Economic Association and an authority on the measurement of quality changes in goods and services. The group issued their report in September.

For purposes of understanding U.S. in-

Bureau of Justice Statistics do show that in the 75 largest counties in the U.S., rates of felony prosecution and conviction are slightly lower for blacks than whites. In a few jurisdictions where clear statistics are available, the patterns are dramatic. Nationwide, the felony acquittal rate for defendants of all races is only 17 percent, but in the Bronx, where more than eight out of ten jurors are black or Hispanic, 48 percent of all black felony defendants are acquitted. In Washington, D.C., where more than 95 percent of defendants and 70 percent of jurors are black, 29 percent of all felony trials ended in acquittal in 1994. In Wayne County, which includes mostly black Detroit, 30 percent of felony defendants are acquitted.

On the day of the O.J. Simpson acquittal, a veteran New York law enforcement official estimated off-handedly to criminologist John DiIulio that "there's 100,000 O.J.s. We've reached the point where the system is rigged to let murderers, and not just rich ones, escape justice."

What are the ultimate effects of this racialized judgment in U.S. courtrooms? Obviously there is tremendous personal hurt in cases where justice is not done, and the number of such cases is rising. There is also more disrespect for the law, and a lot more crime and society-wide damage done by perpetrators who should be locked up instead of roaming the streets.

Former U.S. attorney Joseph DiGenova argues that advocates of jury nullification on racial grounds are "pushing anarchy." The refusal to convict by black juries is "rampant" and getting worse, he warns, and this is feeding the inner-city crime cycle. DiGenova also notes that "we fought like hell to get blacks into the system as cops and prosecutors and judges, and now these guys are being fiercely ostracized and pressured, and told in their own community that a black person shouldn't work in such a position. Well who *is* supposed to respond to black criminals? Or are we just supposed to pretend there aren't any black criminals?"

John DiIulio adds that big city prosecutors today view cases where there is a white victim and a black defendant as "no win situations." Recognizing that it will be difficult to get a conviction, prosecutors pull their punches: avoiding the death penalty like the plague even where it is clearly merited (like the Simpson case), avoiding multiple counts and other moves that might give the appearance of piling on, largely letting defense attorneys pick the juries, and trying desperately to plea bargain everything to avoid going to a jury in the first place. The result, DiIulio says, is that "blacks are being substantially and systematically under-prosecuted today, not only in cases of black-on-white crime, but also in cases of black-on-black."

Baltimore prosecutor Hisim advises that it is dangerous for jurors to attempt to "fix the system by being revolutionary." Recognizing that "black jurors seem to be striking back at society," Hisim suggests that they should be educated about the consequences of racially-based nullification, since ninety percent of crime is committed by people living in a juror's own community. The irony is that by letting clearly guilty individuals go, jurors are only "infecting their own neighborhoods with criminals."

come. Food and housing are two of the largest expenditure items (after taxes) in any family budget, yet a poor person may live in government housing and receive food stamps without a dime of these benefits being counted as income. The second factor is that a large percentage of those with low money incomes are elderly (37 percent of persons whose income puts them in the bottom fifth of households are over 65, according to the Census Bureau). Many of these older people have substantial assets and low expenses to go with their low incomes. Elderly persons in the bottom fifth had a median net worth of $30,400 in the latest year. Fully 41 percent of Americans in the bottom fifth owned their own home, and three-quarters of that group held it free and clear, with no mortgage payments to make.

In short, while many Americans who appear to be poor are under real strain, many others are not.

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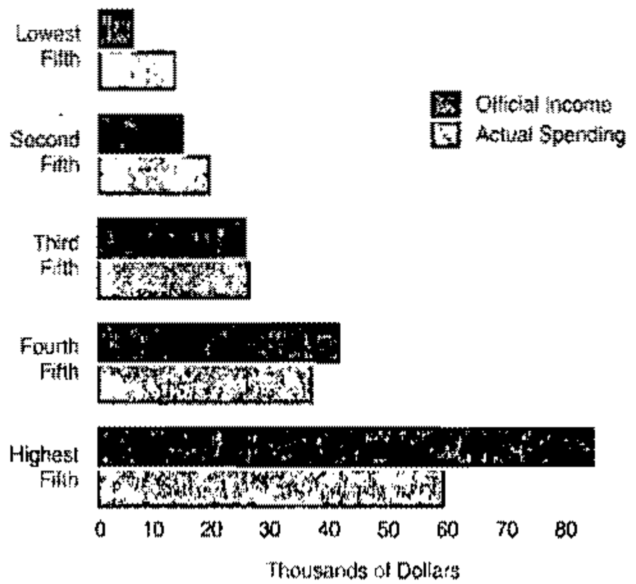
TABLE TWO

Official Income versus Actual Spending

U. S Households by Fifths, 1993



Source: U.S. Bureau of Labor Statistics

Suggests Poverty in America is Over-Estimated

come trends and poverty, the most important finding of the Boskin Commission was that the CPI has overstated the rise in the cost of living in recent years by about 1.5 percent a year. That may not sound like much to a layman, but it's a very big deal. Economics writer Jonathan Marshall illustrates why:

> Say your boss gave you a 3 percent raise last year, but prices rose 2 1/2 percent, according to the government. That left you thinking you came away with only half a percent more purchasing power after inflation.... Now say the government got its figures wrong and prices really climbed only 1.5 percent. In that case your buying power actually rose 1.5 percent—three times as much as you originally thought. Over a decade, that difference would compound into sizable sums.

If the Boskin commission economists are right, median weekly earnings for full-time male workers didn't *fall* 12 percent from 1979 to 1994, as the gloomy official numbers suggest—they actually *rose* 14 percent. And women's earnings over the same period didn't rise 7 percent as published, but actually zoomed upward 35 percent.

The number of Americans in poverty under these revised figures is enormously different than officially advertised. If the CPI has been overstated by 1.5 percent a year since 1967, there are 15 million poor this year instead of 38 million.

Marshall comments:

> These revisions to the wage and poverty picture may seem fancifully rosy, but they fit with other facts about improvements in people's material well-being. From 1970 to 1990, Americans' life expectancy rose to 75 years from 71 years. The share of households without a telephone fell to 5 percent from 13 percent. The share of households with color TVs soared to 96 percent from 34 percent. The number of households with cable TV jumped to 55 million from 4 million.

The Boskin Commission spelled out a variety of reasons why the CPI seems to be overstating the cost of living. These include:

Overlooking consumer substitutions of cheaper goods for more pricey ones, like the shift from beef to chicken.

Missing improvements in quality and efficiency in new goods which mean that consumers are getting much more for the same dollar spent—as when they get a bigger refrigerator that runs on less energy for the same amount an inferior fridge cost a decade earlier.

Failing to take account of the mass switchover of consumers from shopping at department stores and regular groceries to discount outlets instead, where they get the same goods for less than official retail prices.

Leaving out new products and services that improve human welfare.

"Just momentous" is how Harvard economist Jorgenson summarized the commission's findings to Marshall. "This," he notes, "could revolutionize the whole standard-of-living story."

—The Editors