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The Effectiveness of Public Assistance Payments (1970–80) in Reducing Poverty Reconsidered:

***The 'Safety Net' Was Still Very Leaky in 1980, But Less So,
and More Working Poor May Have Been Aided***

By GEORGE DELLAPORTAS*

ABSTRACT. The effectiveness of *public assistance* in reducing *poverty* in the U.S.A. is re-examined by estimating the extent of public assistance among all *families* and of families officially defined in poverty. Also studied is the extent of public assistance among families not defined as in poverty. The findings are further analyzed for their changes during the decade 1970–80. It is found that errors of commission (assisting families not in poverty) and of omission (not assisting families in poverty) were quite widespread in 1980, although significantly reduced from their high prevalence in 1970.

I

Introduction

IN 1980 A PAPER by this author was published¹, which indicated that family poverty status and public assistance in the United States do not coincide, as one might have expected. Specifically, it was noted that most of the families in poverty—as defined by the Bureau of Census—did not receive public assistance and most of the families under public assistance were not in poverty. The phenomenon was analyzed and possible explanations were given.

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The data for the above paper were taken from the 1970 U.S. Census of the Population and refer to the status of families during the preceding year 1969. The equivalent data from the 1980 census have recently been issued. This paper seeks to discover the changes that have occurred in poverty and assistance in this country during this last decade.

II

Data

ALL DATA are from the 1980 U.S. Census of the Population, namely the volume on the General Social and Economic Characteristics of the population.² Poverty

Table 1
PUBLIC ASSISTANCE AND POVERTY, 1970-1980

		1970 Census POVERTY			1980 Census POVERTY		
		YES	NO	TOTAL	YES	NO	TOTAL
ASSISTANCE	YES	.023	.030	.053 (b)	.031	.049	.080 (b)
	NO	.084	.863	.947 (b̄)	.065	.856	.920 (b̄)
TOTAL		.107 (a)	.893 (ā)	1.000 (n)	.096 (a)	.904 (ā)	1.000 (n)

status is given for the preceding year of 1979 for families, households, and persons, by ethnic group, geographic environments, urban, rural areas, and inside or outside of Standard Metropolitan Statistical Areas (SMSAs). For the purposes of this paper we will limit the discussion to families only, for Whites or Blacks, and within urban, rural farm and rural nonfarm areas. We will examine these parameters for the U.S. on a whole and for its four major census regions of Northeast, North Central, South and West. Of course, all data will be presented in a comparative way between the two decennial censuses of 1970 and 1980.

III

Methods

THE BUREAU OF THE CENSUS provides the total number of families in the U.S. (n), the number of families "with public assistance income" (b), the number of families below poverty level (a) and the number of families in poverty that are

assisted (ab). In a set arrangement one thus is provided with subsets (a) and (b), their intersection (ab) and the total set (n); the remaining subsets and intersections (\bar{a}) (\bar{b}) ($a\bar{b}$) ($\bar{a}b$) ($\bar{a}\bar{b}$) can easily then be completed. Thus in 1970 there were 51,168,599(n) families in the U.S., of which 5,481,149(a) were in poverty and 1,174,533(ab) of them were assisted; the total number of assisted families was, however, 2,719,074(b). The corresponding numbers, by the 1980 census were 59,190,133(n), 5,670,215(a), 1,840,830(ab), and 4,719,387(b).

IV

Findings

1. National Data

On the basis of the above numbers Table 1 is constructed by computing the missing cells and substituting with proportions of the total set for each census.

The proportion of all families with public assistance income increased from 5.3% to 8.0%, or by 50% and the proportion of poor families with public assistance increased from 2.3% to 3.1%, *i.e.* by 36%. These events accounted for the decline in the ratio of families in poverty by 11%, from 10.7% of all families in 1970 to 9.6% in 1980 (the census figures actually refer to one year earlier, *i.e.* 1969 and 1979 respectively; but we will continue reporting them by the year of the census); incidentally, poverty since increased again (for example for persons, from 11.7% in 1980 to 15.2% in 1982), but this is beyond the scope of this paper.

In addition to the prevalence of poverty and of public assistance in the U.S., these sets also reveal significant inconsistencies. Thus only 21% of families in poverty were assisted in 1970 (.023/.107) while the large majority, 79% were not; the situation improved in 1980 with 32% of the poor families assisted. Inversely, only 43% of those assisted in 1970 were in poverty; the others were not, at least not officially. The seeming discrepancy increased by 1980 when only 39% of those assisted were officially in poverty.

Thus in both censuses both errors of omission (the 79% and 68% of unassisted poor families) and of commission (the 57% and 61% of assisted non-poverty families) have occurred. The situation has improved, however, in that the "omission" has decreased and the "commission", although increased, may in reality represent a more compassionate attitude. In any case, most of the movement in and out of poverty occurs very close to the official line of separation, and those assisted but not in poverty may, in all probability and in their majority, be very close to it. Thus the changes in both "error" cells by 1980 possibly reflects the Carter Administration's sympathetic attitude towards income transfer.

To quote from Nobel Prize Economist James Tobin, "Competitive market

capitalism is very efficient, . . . but at the same time it has the tendency to create a highly unequal distribution of wealth and income that perpetuates itself from one generation to the next."³ Thus, for example, in the U.S. in 1962 the lower fifth of consumer units ranked by size of wealth owned only 0.2% of the wealth⁴ while the lower fifth of families ranked by income shared only 5.1% of

Table 2
POVERTY AND ASSISTANCE, 1970-1980
(By Major Geographic Regions)

<u>1970</u>											
<u>White</u>	<u>ab</u>	<u>ab̄</u>	<u>a</u>	<u>ab̄</u>	<u>ab̄</u>	<u>ā</u>	<u>b</u>	<u>(ab/a)</u>	<u>(ab̄/ā)</u>	<u>(ab/b)</u>	<u>(ab̄/b̄)</u>
N.E.	.013	.051	.064	.028	.908	.936	.041	.20	.80	.31	.68
N.C.	.009	.063	.072	.019	.909	.928	.028	.13	.88	.34	.68
S.	.018	.103	.121	.022	.857	.879	.040	.15	.85	.46	.55
W.	.017	.064	.081	.041	.878	.919	.058	.21	.79	.30	.71
<u>Black</u>											
N.E.	.097	.107	.204	.102	.694	.796	.199	.47	.52	.49	.51
N.C.	.092	.121	.213	.071	.716	.787	.163	.43	.57	.56	.44
S.	.112	.270	.382	.054	.564	.618	.166	.29	.71	.68	.33
W.	.099	.112	.211	.113	.676	.789	.212	.47	.53	.47	.53
<u>1980</u>											
<u>White</u>	<u>ab</u>	<u>ab̄</u>	<u>a</u>	<u>ab̄</u>	<u>ab̄</u>	<u>ā</u>	<u>b</u>	<u>(ab/a)</u>	<u>(ab̄/ā)</u>	<u>(ab/b)</u>	<u>(ab̄/b̄)</u>
N.E.	.020	.042	.062	.044	.894	.938	.064	.33	.68	.32	.69
N.C.	.016	.047	.063	.037	.900	.937	.053	.26	.75	.31	.70
S.	.017	.067	.084	.037	.879	.916	.054	.20	.80	.31	.68
W.	.016	.051	.067	.046	.887	.933	.062	.24	.76	.26	.74
<u>Blacks</u>											
N.E.	.145	.108	.253	.119	.628	.747	.264	.57	.43	.55	.45
N.C.	.144	.102	.246	.120	.634	.754	.264	.59	.41	.55	.45
S.	.119	.167	.286	.096	.618	.714	.215	.41	.58	.55	.45
W.	.102	.101	.203	.128	.669	.797	.230	.50	.50	.44	.56

EXPLANATIONS:

<u>ab</u> :	Families in poverty receiving assistance.
<u>ab̄</u> :	Families in poverty but receiving no assistance.
<u>a</u> :	Families in poverty.
<u>ab̄</u> :	Families not in poverty but receiving assistance.
<u>ab̄</u> :	Families not in poverty and not receiving assistance.
<u>ā</u> :	Families not in poverty.
<u>b</u> :	Families under assistance.

CONDITIONAL PROBABILITIES:

<u>(ab/a)</u> :	Receiving assistance, given poverty.
<u>(ab̄/ā)</u> :	Not receiving assistance, given poverty (error of omission).
<u>(ab/b)</u> :	Being in poverty, given assistance.
<u>(ab̄/b̄)</u> :	Receiving assistance, given no poverty (error of commission).

it.⁵ The corresponding figures for the highest fifth are 76% and 42%. (We were unable to find published data on this maldistribution since then.)

The nation alleviates poverty in consecutive steps: For example in 1976, 25.5% of all American families were below the poverty line, but this dropped to 14.1% post-social security income and to 11.4% post-money transfer.⁶ If the various

forms of in-kind assistance are also taken into consideration, poverty becomes much less prevalent; assuming, of course, that an in-kind payment (for example, a medicaid covered hospital bill) represents real income to the poor who happened also to be sick.

2. Analysis by Geographic Component

Perhaps the best explanation of the factors underlying the interactions of poverty and assistance can be given by the variations observed between races (Table 2) and among the major regions of the United States.

a. *Poverty*: Most of the poverty is found in the South (8.4% for Whites and 28.6% for Blacks in 1980), and it exceeds that of the other three regions by 25% to 35% for either race. The ratio (poverty of Blacks/poverty of Whites) is about four times in the North East and North Central, and about three and one half times in the South and West; the reason probably being in the greater poverty of the Whites rather than in the lesser of the Blacks.

Poverty declined in the decade of 1970–80 in all regions for Whites and particularly in the South (by 30%). However for Blacks it declined only in the South (by 25%), remained essentially unchanged in the West, and increased considerably in the North East and North Central (by 24% and 15%).

b. *Assistance While in Poverty*: The nation during 1970–80 combated poverty in many ways, one being direct assistance to even greater proportions of poor families: for Whites, from a minor 13% and 15% proportion in North Central and in South and from a little more generous 20% and 21% in North East and West in 1970 to 26%, 20%, 33% and 24% respectively in 1980 (column ab/a); that is in all the range from doubling this proportion in the North Central region, to a mere 15% increase in the West. Thus although more White families in numbers and proportions, were assisted, regional inequalities in assistance and in poverty still persisted. In fact, in all regions and in both censuses most of the White poor families still remained unassisted (the error of omission, $a\bar{b}/a$, varied between 88% and 79% in 1970 and between 80% and 75% in 1980).

Poor Black families in 1970 were assisted in far greater proportions than poor White families, from almost three and one half times as much in the North Central to twice as much in the South. These proportions increased further in 1980, (although at a lesser pace than for the Whites) to the point that in three of the regions more than half of the poor Black families were assisted. Thus in both censuses and in all regions poor Black families were assisted at greater rates than White ones and the increase in assistance for both races in 1970–80 did not affect the overall 2 to 1 ratio between them. By 1980 the error of omission among poor Black families was the smallest everywhere.

The reasons for this difference are unclear. Perhaps it relates to the fact that poor Black families are mostly located in inner cities where social services are

close-by and available, as opposed to their remoteness and scarcity in rural areas where White poverty prevails. Or it may be due to attitudinal differences between them toward requesting public assistance: poverty among Blacks being a rather permanent phenomenon, it eventually leads to a more permissive attitude toward accepting public assistance.

Table 3
POVERTY AND ASSISTANCE AMONG FAMILIES, 1970-1980
(In Urban, Rural Farm and Rural Non-farm Areas)

<u>1970</u>										
<u>White</u>	<u>ab</u>	<u>ab̄</u>	<u>a</u>	<u>āb</u>	<u>āb̄</u>	<u>ā</u>	<u>b</u>	<u>b̄</u>	<u>(ab̄/a)</u>	<u>(āb̄/ā)</u>
Urban	.012	.057	.069	.027	.904	.931	.039	.961	.83	.69
R. F.	.009	.131	.140	.020	.840	.860	.029	.971	.94	.69
R.N.F.	.020	.105	.125	.024	.851	.875	.044	.956	.84	.55
<u>Black</u>										
Urban	.096	.163	.259	.976	.665	.741	.172	.828	.63	.44
R.F.	.120	.370	.490	.062	.448	.510	.182	.818	.76	.34
R.N.F.	.146	.346	.492	.053	.455	.508	.199	.801	.70	.27
<u>1980</u>										
<u>White</u>										
Urban	.017	.045	.062	.041	.898	.938	.058	.942	.72	.70
R.F.	.006	.115	.121	.027	.852	.879	.033	.968	.95	.82
R.N.F.	.019	.068	.087	.041	.872	.913	.056	.940	.78	.68
<u>Black</u>										
Urban	.127	.129	.256	.107	.637	.744	.234	.766	.49	.46
R.F.	.090	.230	.320	.114	.566	.680	.204	.796	.72	.56
R.N.F.	.132	.188	.320	.115	.565	.680	.247	.753	.59	.47

c. *Poverty Status While Under Assistance*: The nation assists poor families, as well as non-poor ones: Thus in 1970 between 16% (North Central) and 21% (West) of all Black families were assisted, but only between 47% (West) and 68% (South) of them were in poverty (subset b and conditional probabilities ab/b). The corresponding proportions of all White families under assistance in 1970 were by far smaller, between 3% (North Central) and 6% (West). Only between 30% (West) and 46% (South) of them were officially in poverty. Therefore the error of commission, (\bar{ab}/\bar{ab}) was far greater among White poor families in all regions. However it is questionable if this can be altogether an error—it may simply express the fact that the majority of those not-in-poverty assisted White families, were just above the line of poverty.

In 1980 the situation improved significantly, in that higher proportions of *all* White and of *all* Black families were assisted in all regions. Still, differences between the races persisted. Higher proportions of *all* Black families were as-

sisted again in all regions and the error of commission (assistance while not in poverty— \bar{ab}/\bar{a}), was again higher among White assisted families.

It is interesting that both the proportions of assisted families (b) and of assisted while in poverty (ab/b) show little variance among regions (if we control for race). This indicates that the guidelines for assistance are essentially the same across the nation.

3. Analysis by Urban, Rural Farm and Rural Non-Farm Components

Table 3 shows this analysis again in a comparative way between 1970 and 1980. In 1970 the poverty ratio (a) among White families was 6.9% in urban areas, 12.5% in rural non-farm and 14.0% in rural farm. That is, among White families poverty was by far most prominent in the rural farming areas. A similar situation prevailed with Black poor families but the poverty ratios here were awesome: 25.9% in the urban area, 49.2% in the rural non-farm and 49.0% in rural farm. That is, one-fourth of all Black families in urban areas and about one-half in rural were in poverty.

Ten years later life improved for both Whites and Blacks. The poverty ratio declined everywhere and particularly in rural areas and among Blacks, where the ratios were almost halved. Obviously the anti-poverty programs of the Nixon, Ford and Carter administrations have had some effect.

The proportion of all families who were under public assistance (b) in 1970 was minor among the Whites (between 3–4% in all areas), and considerably higher among Blacks (five times as much, between 17–20% in all areas). These proportions increased modestly ten years later.

More important is the extent to which the poor are left unassisted by race and area. That is the extent of the error of omission ($a\bar{b}/a$). Examining the appropriate columns we note that in 1970 an appalling 83% to 94% of the White poor families were left without public assistance. The highest figure refers to the rural farm areas, and it means that 19 out of 20 poor White families there were not assisted. Concerning Black poor families, again in their majority everywhere were unassisted; but the error here was significantly smaller, between 63% (urban area) to 76% (rural farm).

Again the situation improved significantly by the 1980 census: the rates of omission dropped everywhere with one notable exemption: White poor families in rural farm areas. The appalling omission ratio of 94% in 1970 slightly increased to 95%. It seems that public assistance very rarely reaches the poor rural-farm White families.

Concerning the error of commission (\bar{ab}/\bar{a}), it was higher among White families in all areas during 1970 and it increased considerably during 1980 for both races and in all areas. Thus a curious situation arises with both errors of omission and of commission ($a\bar{b}/a$, \bar{ab}/\bar{a}) being higher among White families in both

censuses; and although the first one declined during the decade, the second increased. Yet, the excess of both errors among White families remained unaffected.

It is difficult to explain these differences. A logical possibility is that the poverty rates among White families, being much smaller than among Black families, can easily be overlooked. Equally, the rate of assistance among *all* White families, being also much smaller than among all Black ones, can easily lead to bias with regards to poverty: that is, a few more not-in-poverty assisted White families (ab) will result in a large error of commission if the denominator (all assisted White families—b) is as small as it is.

V

Conclusions

MAJOR CHANGES HAVE OCCURRED in the decade 1970–80 in the prevalence of poverty in the U.S. The rates declined everywhere, by region, by urban, rural and rural-non-farm and for both races. The decline, in addition to the effects of changing economic conditions, was mostly due to the increased public assistance to all categories. This also caused a decline in the error of omission and the error of commission, both of which had been so widespread in 1970.

In spite of these improvements both errors persisted in 1980 and the nation needs to further analyze them for their underlying causes. Essentially a distinction is needed between that portion of the error that is justified because of proximity to poverty line and that portion that is due to outright abuse.

Notes

1. George Dellaportas, "The Effectiveness of Public Assistance Payments in Reducing Poverty," *American Journal of Economics and Sociology*, Vol. 39, No. 2 (April, 1980), pp. 113–21.
2. U.S. Bureau of the Census, *Census of the Population 1980*. General Social and Economic Characteristics; Summary Final Report PC 80-1-C1 (Washington, D.C.: Government Printing Office, 1983), Tables 97, 192.
3. Quoted from an interview with Jane Bryant Quinn, Economics Columnist for the *Chicago Tribune*.
4. U.S. Office of Management and Budget, *Social Indicators* (Washington, D.C.: Government Printing Office, 1973), Table 5/15, p. 182. Data based on a study by the Federal Reserve System: *Survey of Financial Characteristics of Consumers, 1962*.
5. *Ibid.*, Table 5/10, (by computation), p. 179, #1.
6. U.S. Department of Commerce, Office of Federal Statistical Policy and Studies, Bureau of Census, *Social Indicators* (Washington, D.C.: Government Printing Office, 1976), Table 9/21, p. 469.