

Whose Policy is it Anyway?

Interest Groups and the War on Poverty

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Lyndon Johnson launched a central plank of his Great Society programme in 1964 with a grand rhetorical flourish. The programmes he proposed were, he claimed, a dramatic departure from the past and a moral goal made obtainable by the great wealth generated by the engine of growth. 'As citizens of the richest...nation in the history of the world', Johnson declared in his message to Congress, Americans had the duty to declare a 'war on poverty'.¹

The contention here will be that the War on Poverty arose out of a variety of factors. In part, the initiative was the creation of experts in a decade when expertise in general was highly esteemed. In part, the programme was typical of Johnson's political agenda of personal aggrandisement. But the War on Poverty can perhaps be best explained using a combination of public choice, median voter and interest group theory. The changing political coalitions and the battle for power between policy-makers at different levels had much to do with how and why events transpired as they did.

The War on Poverty failed to live up to all of its promises; what was the cause of such shortfall? There are many ways to implement an anti-poverty programme and the ways chosen reveal a lot about political realities and, perhaps, policy-maker intentions. This article will discuss the political and intellectual context of the programme, and will look at who gained and who lost from the War on Poverty.

An Interest Group–Public Choice Model of the Great Society

The issue of poverty in America began to gain prominence in the early 1960's. Kennedy's denunciation of poverty during the 1960 West Virginia primary had evoked a positive popular response and indicated nascent public support for anti-poverty initiatives. The issue began to be taken up by the intellectual community with the publication of Michael Harrington's *The Other America* in 1962 and Dwight D. McDonald's 1963 series of *New Yorker* articles entitled 'Our Invisible Poor'.

The realisation that growth alone would not lift some groups out of poverty also awakened policymakers. A May, 1963 memorandum from Walter Heller, Kennedy's head of the Council of Economic Advisers (CEA), noted that the decline in the number of poor families (those with incomes less than \$3000) had been proceeding more slowly between 1956 and 1960 than between 1945 and 1955. Kennedy ordered an interagency effort to make the case for an anti-poverty programme. The issue was pushed forward when 200,000 marchers converged on Washington, making black

unemployment one of their civil rights grievances. In November of 1963, Kennedy asked to have anti-poverty measures included in the 1964 legislative programme.²

Kennedy's social programmes were neither daring nor very comprehensive. Essentially, the programmes passed under Kennedy were extensions of past policies. The 1962 public welfare amendments to the Social Security Act provided federal matching funds to help the states provide services to welfare recipients. The social welfare lobby, in an extension of previous paternalistic thinking, convinced the legislature that these services would somehow get recipients off the rolls.³

Social welfare payments continued to be tied to need and social programmes in general were intended to pay for themselves or at least be cheap. The programmes also tended to have constituencies other than the poor. Agricultural lobbies, for example, benefited from surplus commodity distribution programmes and from Kennedy's limited extension of the programme in the form of food stamps.⁴

Johnson's War on Poverty was more dramatic in its presentation but in many ways just as conventional. With the significant exception of the provision that individual communities be given authority to decide how federal funds were spent, the rest of the plan—job training, work-study, a call for volunteers, the establishment of the Office of Economic Opportunity—was a rehash of initiatives undertaken by Kennedy and earlier administrations. Poverty-fighting strategies were familiar and included therapeutic intervention in the lives of the poor, social casework, and skills enhancement through education.⁵

The policymakers who sketched out the details of the various planks of the initiative were largely technocrats with a fairly narrow focus. Outside consultants such as Michael Harrington participated early in the programme but were not very influential.⁶ The debate over work-force and housing policy was especially technical and, in the latter case, the narrow focus has been blamed for the ultimate shortcomings of the programme.⁷ Moreover the Keynesian outlook of Walter Heller further limited the scope of the initiatives, in particular keeping New Deal style 'jobs for adults' programmes off the table. The general notion that tax cuts and the resulting prosperity would alleviate most poverty meant that the direct poverty reduction policies that resulted would by definition work at the margins, focusing only on the tough cases of deeply structural unemployment and especially disadvantaged groups.⁸

In part, Johnson wanted to consolidate his support among the general electorate with fast and dramatic action.⁹ He also had a tendency to seek to build policy monuments that would ensure his place in history. His leadership style was personalistic and authoritarian in numerous policy areas including fiscal action and defence.¹⁰ The War on Poverty, and its overarching framework—The Great Society, were leading examples of his desire to be known as a great President.

The Economic Opportunity Bill sent to the Congress was modest in scale. The total budget suggested was \$962.5 million, cut down by the Congress to \$800 million, a relatively small percentage of the federal budget. Fifty-eight percent of the

money was earmarked for human capital, youth opportunity and work experience programmes. Most of the rest, or about 33%, went for urban and rural community action programmes.¹¹

The remarkable thing about social spending in this era is how little actually was directed towards the poor. The EOA programmes grew, but remained relatively small. For total social welfare expenditure, which includes housing, health, and education spending, only about 17% was specifically directed towards low-income groups. In 1968, these programmes still only accounted for 21% of social welfare expenditures. And by 1972, the figure was only 24%.¹²

Of course, overall social welfare expenditure grew rapidly between 1965 and 1972, from 39% to 46% of public outlays at all levels of government. Means-tested programmes grew equally quickly. But in each of those years, the pre-transfer poverty population received slightly less than 40% of total expenditures, and about 60% of this went to the elderly and the disabled poor, where increasing transfers met little opposition. It should be noted, though, that the poor did receive more of Federal social welfare expenditures (roughly 50%) than they did of State and local expenditures (roughly 28–30%).¹³

If the poor received relatively little of the growing social welfare expenditures under Johnson, who did get the money? Therein lies an interesting tale, for many of the programmes that were initiated were strongly influenced by interest groups and those that grew most strongly were those that had the most powerful groups backing them. Those with weak support tended either to wither or to change in ways favourable to certain constituencies.

Health-care spending is an outstanding example. The main programmes, Title 18 of the Social Security Act, which provided Medicare for the aged, and Title 19, which set up Medicaid for the poor, were schemes of public financing of private health-care for certain targeted groups. Wilbur Mills, chairman of the House Ways and Means Committee, had helped put together the programme as a way of preserving hospitalisation benefits favourable to the American Hospital Association while placating the American Medical Association, which opposed mandatory coverage of physician fees by health insurance (the section of Medicare covering physician's services is largely voluntary).¹⁴

Medicare and Medicaid were both essentially cost-plus financing schemes for private health-care. After institution of the programmes, health costs began a long and sustained rise above the rate of inflation.¹⁵ Partly because of this increase, expenditures on the programmes grew rapidly from the programme's inception to \$7.5 billion for Medicare and \$3 billion for Medicaid in 1970.¹⁶

Other health programmes of the War on Poverty did not fare as well over time. The Regional Medical Programs (RMP's) survived but were only modestly successful. These 'regional centres of excellence', which were designed to encourage cooperation between local health-care institutions to fight specific health problems, were supported by the medical education and research community and usually ended

up being led by a hospital prominent in a particular region. This modest institutional support probably accounted for its survival.¹⁷

By contrast, the Neighbourhood Health Centres of the OEO and the modest family planning effort associated with it did not survive the Nixon years. These programmes, directed towards poor inner-city neighbourhoods, never grew that large. The Health Centres, which were supposed to provide the poor with comprehensive health-care, peaked with a budget of \$130 million in 1972 before being phased out.

The Department of Health, Education and Welfare's (HEW) Maternal and Child Health Programs suffered a similar fate. Even though the effort significantly reduced infant mortality rates in the poor areas where it was implemented, and even though the improvement may have been significant enough to register in national infant mortality statistics, the programmes, after some modest growth, began to be scaled back in 1973.¹⁸

The politics of War on Poverty health-care initiatives seemed to favour the better-organised, better-financed groups. The poor, who were supposed to benefit from the programmes, saw those most targeted to them cut down. The largest health-care programme, Medicare, served the large and well-organised constituency of the elderly. Even Medicaid, which did largely serve the indigent, also gave significant opportunities to health-care providers to enrich themselves by raising fees.

Housing programmes were embedded with similar politics. The 1964 Housing and Urban Development Act pulled together several programmes into the new Department of Housing and Urban Development (HUD).¹⁹ Most of these pre-existing programmes were tax and mortgage subsidies for owner-occupied housing, which benefited the upper half of the income distribution, or federally financed highway construction and urban renewal programmes that stimulated suburban growth and displaced inner-city indigents.²⁰

Additional housing programmes that were part of the Act or that were added in 1965 were targeted to the poor but remained relatively small. One programme provided subsidies to local authorities to lease privately owned units for families to rent as public housing. Only 92,000 units of housing were operated under the plan by 1972 and most of this was concentrated in poor neighbourhoods. The 1965 federal rent supplement programme had the federal government pay the difference between market rents and 25% of the tenant's adjusted income. Much of the housing ended up being in completely rent-supplemented projects and few of the eligible families ended up receiving benefits since the programme was not universally available.²¹

The riots that swept the country after 1965 led to a whirlwind of study of housing problems including the formation of two federal commissions—the National Committee on Urban Problems in 1967 and the President's Committee on Urban Housing. The Housing and Urban Development Act of 1968 set a housing

production target of 26 million additional new and rehabilitated units to be built between 1968 and 1978, including six million units available to low-income and moderate-income households.²²

However, this initiative did not benefit the poorest. Section 236 of the Act provided subsidies to lenders so that interest on privately-owned, low-income rental projects could be reduced to 1% in the hope that landlords would pass on the interest savings to tenants in the form of lower rents. The direct subsidy was to the landlord, not the household! Section 235 was a programme for homeowners that provided interest subsidies, reduced mortgage costs and 'low down' payments. Homeowners were not likely to be among the poorest in the society. The 1971 household median income of participants in the Section 236 programmes was \$5000 and of those in the Section 235 programmes, only 5% had incomes less than \$4000.²³

Some of the most prominent Great Society programmes involved education and work-force and employment programmes. Education expenditures for the poor were modest. The Elementary and Secondary Education Act of 1965 was meant 'to provide financial assistance to local educational agencies serving areas with concentrations of children from low-income families'. The amount appropriated in the first year was less than \$1 billion and in later years this increased to \$1.5 billion. The initial expenditure amounted to about 4% of total annual school expenditure at all levels of government and equalled, perhaps, a supplement of about \$150 per pupil.²⁴

Head Start was a programme with a similar constituency. Designed to narrow the education gap between disadvantaged and median income youth, the highly decentralised programme took many different forms depending on the locality. The programme ended up being cut back from \$652 million in 1968–69 to \$369 million in 1971–72.²⁵

Most education spending also did not accrue to the poor. The programmes of the Higher Education Facilities Act of 1963 provided federal grants and loans for college construction.²⁶ Between 1965 and 1972, never more than 19% of total federal education expenditures went to the pre-transfer poor.²⁷

There were a variety of work-force and employment programmes, including the Job Corps which provided training and activities for male school dropouts; the Neighbourhood Youth Corps (NYC) which provided jobs and schooling for a similar population; and the Work Experience Program, which was designed for those on welfare. The Work Incentive Program (WIN) and the Manpower Development and Training Act of 1962 (MDTA) were two significant, non OEO-funded employment programmes.²⁸ These programmes did mainly serve impoverished groups but they remained highly controversial and relatively small. From less than 1% of total social welfare expenditures on the state and local level in 1965, these programmes only grew to account for 2% by 1972.²⁹ However it should be noted that by that point a

new, and ideologically different, Federal administration was in power and that certainly accounts for some of the limitations.

Finally there are relief and public assistance expenditures and the ill-fated Community Assistance Program. Relief programmes are, by nature, directed towards the poor and, indeed, the poor benefited from programmes such as AFDC, Food Stamps and Medicaid.

However, the politics of relief programmes are not so straightforward. The method of relief often provided gains to non-poor groups in helping indigents. Medicaid is one such example where private care providers were perhaps overcompensated for helping the poor. Food stamps and surplus commodity distribution were similarly designed to reduce the government's food stocks and to aid farm-price supports. Partly because of this and partly because of the wide constituency food stamps have developed, the food stamps system has been one pro-poor programme that has flourished.³⁰ Those programmes without such support did not do as well.

The particulars of the War on Poverty were certainly paternalistic. What were its deeper motivations? Was, for example, the Great Society intended mainly as a way of quieting unrest and disciplining poor blacks as authors such as Piven and Cloward maintain?³¹ The evidence seems to suggest otherwise. Despite the civil rights disturbances, there was relatively little civil unrest in the cities at the time of the programme's launching and policy deliberations seemed little affected by such a prospect. The first major civil disorder of the 1960's took place in Los Angeles in August of 1965, well after the passage of the Economic Opportunity Act.³²

Moreover, civil unrest and mobilisation of the poor did not necessarily lead to increased welfare spending. While the Great Society was born in the absence of rioting, the surge in unrest from 1965 to 1968 was part of the reason that restrictions were imposed on AFDC in 1967 and 1968. Also, the explosion of the rolls made AFDC cost more than politicians were willing to pay.³³

It is also definitely the case that there was a significant component of the War on Poverty that focused on providing expanded opportunities to the poor rather than guaranteed outcomes. Indeed the first director of the Office of Economic Opportunity (OEO), Sargent Shriver, said 'opportunity is our middle name' and 'we don't give handouts'.³⁴ In this sense, poverty outcomes cannot be seen as a complete measure of programme success since not all who are given expanded opportunities will necessarily succeed. However, it is perhaps even more difficult to measure increases in opportunity.

The Community Action Program (CAP) illustrates many of these crosscurrents. The basic thrust of the CAP was to provide the disempowered a channel to challenge the overall political system, but a channel that was enshrined within the existing political system. Using an interest group framework, the failure of the programme is perhaps not surprising since the programme pitted relatively weak groups against strong and entrenched ones. But the really interesting fact is

that CAP did not actually die in many respects, but was transformed by the very interests that opposed it.

Certainly the incumbent Democrats had a motive for bypassing hostile local governments and agencies. However, the idea did have some intellectual precedent. Indeed, the contradictory notion that the system can be overthrown by use of the system is enshrined in the Declaration of Independence. And the idea that a change in the channels of power can lead to a change in the distribution of power itself is an idea going back to the 19th century.³⁵ Thus, while there is no doubt some self-interest behind CAP, the idea has deep and respected roots in American political thought.

Moreover, CAP is best seen as a step in the continuing shift in power from the state and local level to the federal government. In this case, the parties compromised: the national administration bought off the local elites by scrapping the new channels of power and giving more resources in return for allowing the implementation of various national programmes.

CAP was quite unpopular when first enacted. Big city politicians felt the programme to be an invasion of their prerogatives. Chicago mayor Richard Daley said that letting poor people run anti-poverty programmes would be 'like telling the fellow who cleans up to be the city editor of a newspaper'. In June of 1965, Democrats John Shelley, Mayor of San Francisco, and Sam Yorty, Mayor of Los Angeles, offered a resolution to the U.S. Conference of Mayors accusing the OEO of 'fostering class struggle'. Social workers meanwhile resisted the notion that the poor could take care of themselves. 'You can't go to a street corner with a pad and a pencil and tell the poor to write an antipoverty program. They wouldn't know how', said one member of New York City's anti-poverty board.³⁶

Congress began to suspect that CAP had helped foment the wave of riots in 1965, although the evidence for this has turned out to be slight.³⁷ By the Summer of 1966, the OEO bill emerged from the House Ways and Means Committee with specific amounts earmarked for less controversial national programmes rather than leaving budgetary decisions to local CAP agencies. In the same year, an alternative approach to community revitalisation was provided in the Model Cities programme that stressed physical environment and gave control to City Hall. In 1967, Congresswoman Edith Green, responding to local mayors' complaints, successfully passed an amendment enabling local governments to sponsor CAP agencies.³⁸

While local control passed from weak constituencies (the poor and community activists) to stronger constituencies (local politicians and professional social workers) the federal government continued to give money to localities with increasing requirements attached but with incentives softening the blow. Before 1964, federal grants to states and localities were heavily concentrated in highways, public assistance and traditional local public services. The War on Poverty, by contrast, vastly expanded the number of grant areas and objectives. CAP can be seen as a failed attempt to bludgeon the localities into implementation of federal goals; the

lowering or elimination of matching funds the recipient was required to contribute was a more successful bribe to local governments, which accomplished the desired result with different means.³⁹

Conclusion and Postscript

The War on Poverty and its successors can be accounted for by public choice and interest group models. The politically powerful interest groups that one might expect to benefit, did benefit in the end; the weaker groups did not, in general, do as well. Robert Haveman has estimated that the poor benefited overall from the Great Society and related social welfare expenditures. However, the non-poor benefited from these expenditures enough so that the cost to them was less than the growth of personal income in 1980.⁴⁰

Haveman's results are interesting in that they may help explain how the War on Poverty got off the ground in the first place. The programmes provided benefits to all in the form of things like a 'safety net', which acted as a hedge against uncertainty. At the same time, the initiatives that were targeted to the poor, when subtracted from benefits, were cheap enough not to generate general opposition. Once implemented, many groups did quite well under the growing welfare state and became advocates for specific initiatives.

On a final note, there is still some debate about whether the War on Poverty was actually 'won' or not. Traditional measures of poverty based on income suggest that the answer is 'no'. Poverty levels did fall during the War on Poverty to a minimum of 11.1% in 1973. However they then rebounded after that when new, and less poverty reduction oriented, policies took hold. However, taking household consumption into account, there were more substantial reductions in poverty and these were sustained after the programme was ended.⁴¹ This is a larger debate. This paper has sought to demonstrate nonetheless that many non-poor groups benefited from the programme and had a hand in re-shaping it to accomplish such a shift.



ENDNOTES

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- ¹² Plotnick and Skidmore, p. 10.
- ¹³ Plotnick and Skidmore, pp. 73–74. For more specifics on the programmes that are encompassed under the term "Social Welfare Expenditures" (SWE) see Plotnick and Skidmore's definition that largely follows standard budgetary and programmatic classifications of the time.
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- ¹⁵ Klarman, pp. 110–12.
- ¹⁶ Plotnick and Skidmore, p. 19.
- ¹⁷ Klarman, pp. 115–16.
- ¹⁸ Plotnick and Skidmore, pp. 18–19.
- ¹⁹ Plotnick and Skidmore, p. 14.
- ²⁰ Downs, Anthony, "The successes and failures of federal housing policy", in Ginzberg and Solow, pp. 130–1.
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- ²³ Plotnick and Skidmore, pp. 14–15.
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- ²⁶ Plotnick and Skidmore, p. 22.
- ²⁷ Plotnick and Skidmore, pp. 53–57.
- ²⁸ Plotnick and Skidmore, p. 19–21.
- ²⁹ Calculated from Plotnick and Skidmore, pp. 52–53, and pp. 56–57.
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