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The War on Poverty



The War on Poverty... What is it?

by Frank E. Mullen

Poverty Programs... A Business Management Approach

by Jean-Paul A. Ruff

Editor's Note:

The War on Poverty, like most wars, has its share of staunch supporters as well as vociferous opponents. Like most wars, (and like most businesses) it requires skillful management for its ultimate success. Most of the current debate about the War on Poverty program stems from disagreements with the way the resources appropriated for the program are being used or managed. Touche, Ross, Bailey & Smart has applied modern management techniques to business, as well as to social action programs (See "Business Management Methods in Social Action Programs" in the June 1965 Quarterly). For this reason, the firm has been engaged by the City of Detroit to help

make the management of its War on Poverty program more effective.

Frank Mullen and Jean-Paul Ruff, from our Detroit Management Services staff, have attempted in the following two articles to give you a clear picture of the War on Poverty program and to describe the management system they are trying to develop for Detroit. We hope you will find in these articles some new insights into management problems involved in a dynamic social action program. They also represent the contribution professional management advisors can make to the solution of these social and community problems.

The War on Poverty...

What is it?

by Frank E. Mullen

Frank Mullen, a member of our Detroit Management Services staff, joined TRB&S in 1965, after his discharge from the U.S. Army where he taught economics and history at the U.S. Naval Academy.

Mr. Mullen holds a B.B.A. degree from the University of Notre Dame and an A.M. in Economic Theory from the University of Pennsylvania, where he has completed his course work for the Ph.D. and is now revising his dissertation.

He is a member of the American Economic History Association and is active with The Greater Detroit Board of Commerce and other groups which are trying to improve Detroit's urban transit system.

The seventh decade of the twentieth century finds the United States looking inward to attack problems previously unsolved. Whether one agrees or not, the United States has decided to focus more of its attention on each individual in the land. To this end, civil rights legislation has been strengthened and implemented. An individual's rights and liberties have been upheld in the courts as never before. And now the government has undertaken an all-out attack on want and deprivation.

WAR ON POVERTY — BASIC STRUCTURE

The War on Poverty, America's attack on want, received legal underpinning from the Economic Opportunity Act of 1964. The Act initially allocated \$962.5 million to this cause. Since 1964, one billion more dollars have been added.

The funds for this war are administered by the Office of Economic Opportunity (OEO) in Washington, and are granted on a 90% federal, 10% local basis to local organizations. These local organizations are in some cases

an arm of the city government, such as the Mayor's Committee for Total Action Against Poverty (TAP) in Detroit. In other cases there are nonprofit corporations as in St. Louis and Atlanta.

The act's basic structure has six titles. The greatest thrust of the war on poverty has been through Title I and Title II.

Title I covers youth programs and gives OEO the "responsibility for administering a program of education, work experience, and vocational training for youths aged 16 through 21." Included under this title are residential training centers providing basic education and job training.

Title II is concerned with urban and rural community action programs. Its specific purpose is to "encourage and support community action programs which mobilize community resources to combat poverty and which are conducted by a local government unit or an organization which is broadly representative of the community." Under this section of the Act, there have been put in operation Community Action Centers offering a comprehensive array of programs, and various school and pre-school programs.

Title III deals with special programs to combat poverty in rural areas. It aims at hard-core rural poverty pockets, particularly in Appalachia and the deep South.

Title IV outlines employment and investment incentives. It authorizes OEO to "participate in or guarantee loans for investments which will employ hard-core unemployed or members of low income families."

Title V considers family unity through jobs. This title stimulates "programs providing constructive work experi-

ence or training for unemployed fathers and other members of needy families with children.”

Title VI treats with Administration and Coordination. This title contains provisions for OEO programs to recruit and train personnel. The purpose is, as far as possible, to have the poor help themselves through employment in OEO programs and organization. This, incidentally, represents a major focus of the Act, namely to have the poor actively enunciate their needs and structure programs to meet these needs.

Dimensions of American Poverty

To understand the significance of the War on Poverty, one must know the dimensions of the problems it attacks. These dimensions are suggested by answers to the following questions:

- Who are the poor?
- How many poor people are there?
- How does poverty today differ from poverty yesterday?

WHO ARE THE POOR?

1. Characteristics of the Poor—The poor are those individuals who belong to a family with an income of less than \$2,500 a year. The economic level of an individual is closely tied to the economic level of the head of his household. The heads of most poverty level households are likely to have one or more of four characteristics. There is a high probability they will be aged, female, rural-farm or non-white.

A 1960 distribution of income of family head shows:

Characteristics of Family Heads	Annual Family Income Below \$2500	Annual Family ¹ Income Below \$5500
Aged	39.6%	72.5%
Female	38.0	73.3
Rural-Farm	34.5	71.0
Nonwhite	28.6	70.9

Family heads with more than one of the characteristics mentioned average even lower levels of family income.

2. Reasons for Poverty—While there are countless reasons for poverty, the major reasons are:

- Poor health
- Member of a minority group
- Victims of rapid technological change
- Victims of the rural-urban shift
- Lower standards of education
- Cultural differences

HOW MANY POOR PEOPLE ARE THERE?

Different definitions give different answers to this question. Four different definitions, however, agree that 34 million Americans, or approximately 20%, live in poverty! The following is a 1963 breakdown of the number of poor Americans under different definitions of poverty:

PERSONS LIVING IN POVERTY (million)⁸

	Definition				Total U.S. Pop.
	A	B	C	D	
Total U.S.	33.4	34.0	34.5	34.6	187.2
Farm	4.9	6.4	5.1	3.2	12.6
Nonfarm	28.5	27.6	29.3	31.4	174.6
Members of Family					
Units	28.5	30.0	29.6	29.7	176.0
Farm	4.7	5.0	4.9	3.1	12.2
Nonfarm	23.8	25.0	24.6	26.6	163.8
Unrelated	4.9	4.0	4.9	4.9	11.2
Farm	.2	1.4	.2	.1	.4
Nonfarm	4.7	2.6	4.7	4.8	10.8
Children Under 18	10.8	15.7	14.1	15.0	68.8
Farm	1.8	2.4	2.1	1.5	4.8
Nonfarm	9.0	13.3	12.0	3.5	64.0

Definitions of Poverty:

A—Under \$3,000 income per family; \$1,500 unrelated

B—Below tax payment requirements

C—\$1,500 Income for first, plus \$500 per person to \$4500

D—Social Security Administration index—centered around \$3,100 income for four.

From the figures above, one sees that approximately 34 million of the nation's 187.2 million, or about 18.2%, are living in poverty. On the farms, nearly half of the 12½ million people are below the poverty level. Nearly half of the 11.2 million unrelated individuals are living in poverty, while nearly 30 million of 176 million in family units, or 17%, are living in poverty. Although not on this chart, 5.4 million of 11.8 million persons in families with female heads, or 45%, are below the poverty level.⁹ Perhaps most alarming for the future is the statistic which shows that 10 to 15 million of the 68.8 million children under 18 years of age, or 14½ to 22%, presently live in poverty.

POVERTY TODAY AND YESTERDAY

Being poor in the United States today differs greatly



Authors Jean-Paul Ruff and Frank Mullen, TRB&S in Detroit, are shown with Philip Rutledge, director of the Mayor's Committee for Total Action Against Poverty in Detroit, and John Musial, assistant director of the Mayor's Committee, as they discuss Detroit's anti-poverty effort with Henry E. Bodman, TRB&S Management Services partner.

from being poor during earlier periods. The reasons for the difference can be broken down into two types—economic and sociological.

Economic Changes

Unquestionably, nearly all present day economic differences stem from technology and its changing nature. Much is said about “the explosion of knowledge,” and the “increasing thrust of change,” but little has been said about the relation of these changes to poverty.

The protracted period of economic expansion, which the United States presently enjoys, has developed not a shortage of jobs but rather a supply of unfilled jobs. At present, automation does not seem to have destroyed jobs; rather it has restructured the pattern of jobs.

Because of technological change, and its restructuring of the economy, a major part of the American Dream, that portion synonymous with Horatio Alger, is fading. The American Dream consisted of unlimited aspirations for everyone. Today, however, not everyone has unlimited aspirations. Hard work alone no longer guarantees success. To aspire to success one needs education and training. In many cases, the poor are unable to gain the education and training the modern economy demands.

Sociological Changes

There are sociological reasons why poverty today differs from earlier poverty in the United States. In the past, the poor have nearly always been America's most recent arrivals. The Irish, the Italians, and the eastern Euro-

peans all took their turns as "the poor". They arrived with great aspirations. They were freed from the social and economic fetters of their previous homes.

The poor in the United States are far different today. In most cases, they are not new arrivals filled with eager aspiration. And they are met by a much more rigid society than were previous immigrants. They meet new, and more structured forms of discrimination.

The poor today find an American Dream tarnished by technical change. The effect on aspirations is significant. What can the completely untrained 23 year old from rural Appalachia or a big city ghetto aspire to? President? Wealth? Many think not. Not without the tools of education and training . . . at least!

Unlike yesterday's poor, today's poor do not have the momentum of freedom from previous economic and social restraints. Today's poor are almost all people for whom today has no difference from yesterday and for whom tomorrow will be no different from today. The great need, the great challenge is to make tomorrow seem and actually become better for these people.

HOW POVERTY BREEDS POVERTY

For the reason mentioned above, "Poverty breeds poverty." A poor individual or family has a high probability of staying poor. Low incomes carry with them the high risk of illness; limitations on mobility, limited access to education, information and training. Lack of motivation, hope, and incentive are more subtle but not less powerful barriers than lack of financial means . . . A recent sample study of AFDC (Aid for Dependent Children) found that more than 40% of the parents were themselves raised in homes where public assistance had been received . . . Of the families identified as poor in—(a)—study, 64% had fathers who had also gone no farther than eighth grade in school . . . fewer than 1 in 2 children of poor families

had graduated from high school, compared to almost 2 out of 3 for all families."¹⁰

Poverty in the United States has truly become a "vicious circle" for the first time. The War on Poverty has as its objective the destruction of this circle.

SUMMARY

We have heard much about the War on Poverty program in the past two years, both pro and con. The statistics summarized in this article underscore that there is a poverty problem in our country today and that it affects almost 20% of our total population. The problem has many ramifications and implications, as this article points out. Appropriately, there are also many facets to its solution through the War on Poverty program. One project in which Touche, Ross, Bailey & Smart is currently engaged, in Detroit, is described in the following article.

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