

# From Poverty to Opportunity: The Challenge of Building a Great Society

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With increasingly extreme inequality and an economy creating virtually no wage growth for millions of working people, the challenge of reducing poverty and expanding opportunity is more daunting today than it was 50 years ago—even though we are now a wealthier country. That is a challenge for building what President Johnson dreamed about when he spoke of a Great Society in the 1960s.<sup>1</sup>

## Concept vs. Reality

The Great Society was built on two equally important foundations.<sup>2</sup> The first was a strong and growing economy that created prosperity across the income spectrum. The second was the creation of interconnected social programs and community-based initiatives that would provide the necessary boost for people who did not yet have access to the booming economy. Such programs would provide income supports and other basic assistance for people experiencing hard times and would help fill the gaps that come from certain disadvantages. Together, those two foundations would eliminate poverty and expand opportunity for everyone. That was the hope.

At first it looked possible. During the post-World War II period, average wages were growing at roughly the same rate as the overall economy. Although there was still deep poverty, particularly in the rural areas of the South and in the central cities, rising wages generally brought about a rising standard of living.

By 1970, the growing economy and the newly created and expanded programs created by the Great Society were working to keep people out of poverty. Poverty dropped dramatically from 12 percent to 9 percent in Massachusetts alone. Although we don't have data on child poverty in Massachusetts in 1960, we do know that nationally, child poverty dropped between 1960 and 1970 from 27 percent to 15 percent.<sup>3</sup>

In the mid-1970s, however, a notable disruption in the pattern occurred. (See “Growth in Productivity vs. Growth in Wages.”) Productivity continued to grow at about the same pace as it had before, but average wages flattened. More of the fruits of economic growth went to profits rather than wages, and to the incomes of CEOs and others at the highest end of the income spectrum.<sup>4</sup>

Since the economic shifts in the 1970s, there has been little progress in eliminating poverty—especially for children.<sup>5</sup> The economy has grown, but that growth is not leading to poverty reductions. (See “Poverty in Massachusetts.”) Nearly one in four state residents is now poor or near poor (with income under 200

percent of poverty). For children, the number is closer to one in three.<sup>6</sup>

Child poverty in Massachusetts matters both because children deserve an opportunity to thrive and because their well-being today is a predictor of the state's future economic well-being. Poor children have a higher risk for bad health outcomes, dropping out of school, and a lifetime of poverty.<sup>7</sup> The shift was seen both nationwide and closer to home. Massachusetts is one of the wealthiest states in the nation, and overall income has grown substantially over the past several decades.<sup>8</sup> However, the average masks growing inequality. A comparison of different groups' income growth in Massachusetts since 1979 shows that real household incomes declined for people in the lowest bracket and grew only modestly for people with incomes in the middle. But for the state's wealthiest households, incomes grew by about 50 percent, even after a slight dip since 2010.<sup>9</sup> (See “Income Growth and Stagnation.”) In fact, since the mid-1980s, incomes for the wealthiest 1 percent of state households have increased 140 percent.

Low-income women and their families have been hit hard by stagnant wages, particularly working mothers with young children who need to pay for child care. In Massachusetts, close to one out of six working mothers of very young children is in a very low-paying job.<sup>10</sup>

Stagnant wages create particular challenges for families with only one earner. About one-fifth of the Commonwealth's families are headed by a single female, and for them, the median family income in 2013 was only \$37,000. That is well below the Massachusetts median family income of \$84,000 and twice the poverty level for a family of three. For families headed by a single male, the median income in 2013 was approximately \$55,000.<sup>11</sup> Such families find it particularly difficult to earn enough to cover housing, child care, transportation costs, and other basic necessities.

## A Continuing Role for Government Action

Even though the economy is no longer producing widely shared prosperity, the benefits created within the Great Society vision, such as Medicare, Medicaid, an expanded Social Security, food stamps (now Supplemental Nutrition Assistance Program, or SNAP), Head Start, and Pell Grants helped reduce poverty in the 1960s and continue to be successful at combatting poverty today. In fact, as recent calculations suggest, public benefits such as SNAP, other food-assistance programs, the Earned Income Tax Credit,



Social Security, and housing subsidies have cut poverty dramatically. They helped lift more than 900,000 people in Massachusetts out of poverty from 2009 to 2012, including close to 200,000 children.<sup>12</sup>

This publicly funded array of supports, however, has been crumbling. The highest-income 1 percent of taxpayers in Massachusetts—the people who benefitted from most of the income growth over the past few decades—are paying, on average, a smaller share of their incomes in state and local taxes than the other 99 percent. The loss of tax dollars from these top-income households costs Massachusetts more than \$2.2 billion a year, limiting the Commonwealth’s ability to make the investments that help expand opportunity and improve the well-being of low-income families.<sup>13</sup>

Without sufficient resources to pay for them, essential services have seen deep cuts. Massachusetts cut spending on early childhood education, higher education, workforce-development programs, cash-assistance benefits, and support for affordable housing between 2001 and 2015 (adjusted for inflation). Those are just some of the supports that can help low-income working families thrive.

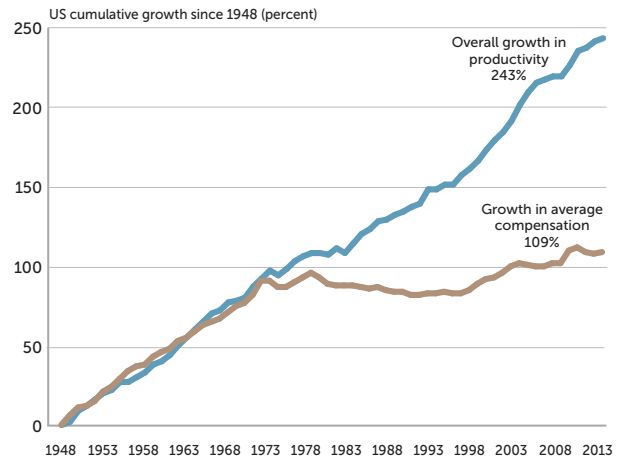
The Commonwealth could reverse such cuts and change the trends. We could expand access to affordable, high-quality early education and child care that would provide the best possible start for each child and also make it easier for low-wage parents to go to work. We could provide workforce training and make higher education more affordable to help improve the education and skills of more of our residents. With these and similar investments, we could help build a strong and vibrant Commonwealth and expand opportunity for everyone in Massachusetts.

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#### Endnotes

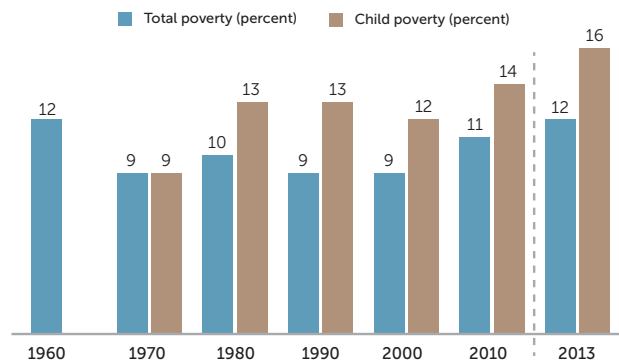
- <sup>1</sup> See [http://massbudget.org/report\\_window.php?loc=From%20Poverty%20to%20Opportunity.html](http://massbudget.org/report_window.php?loc=From%20Poverty%20to%20Opportunity.html).
- <sup>2</sup> From President Johnson’s speech at the University of Michigan on May 22, 1964.
- <sup>3</sup> US Bureau of the Census, “Table 3: Poverty Status of People, by Age, Race, and Hispanic Origin: 1959–2013.”
- <sup>4</sup> Lawrence Mishel, “The Wedges between Productivity and Median Compensation Growth” (report, Economic Policy Institute, Washington, DC, April 2012).
- <sup>5</sup> Data for 1970, 1980, and 1990 come from the US Bureau of the Census, Decennial Census. Data for 2010 and 2013 are from the US Bureau of the Census, American Community Survey, Table S1701, at American FactFinder.
- <sup>6</sup> US Bureau of the Census, American Community Survey, Table C17024, at American FactFinder.
- <sup>7</sup> See, for example, [http://developingchild.harvard.edu/key\\_concepts/toxic\\_stress\\_response](http://developingchild.harvard.edu/key_concepts/toxic_stress_response).
- <sup>8</sup> Estelle Sommeiller and Mark Price, “The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011” (report, Economic Policy Institute, Washington, DC, 2015). See also Massachusetts Budget and Policy Center, “State of Working Massachusetts.”
- <sup>9</sup> Economic Policy Institute analysis of US Bureau of the Census Current Population Survey data.
- <sup>10</sup> Helen Blank, Karen Schulman, and Lauren Frohlich, “Nearly One in Five Working Mothers of Very Young Children Work in Low-Wage Jobs” (report, National Women’s Law Center, Washington, DC, April 2014).
- <sup>11</sup> Family income data are from the US Bureau of the Census, American Community Survey, Table S0201, at American FactFinder. Poverty threshold data are from US Bureau of the Census.
- <sup>12</sup> See <http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought>.
- <sup>13</sup> Kurt Wise, “Examining Tax Fairness” (report, Massachusetts Budget and Policy Center, Boston, 2015).

## Growth in Productivity vs. Growth in Wages



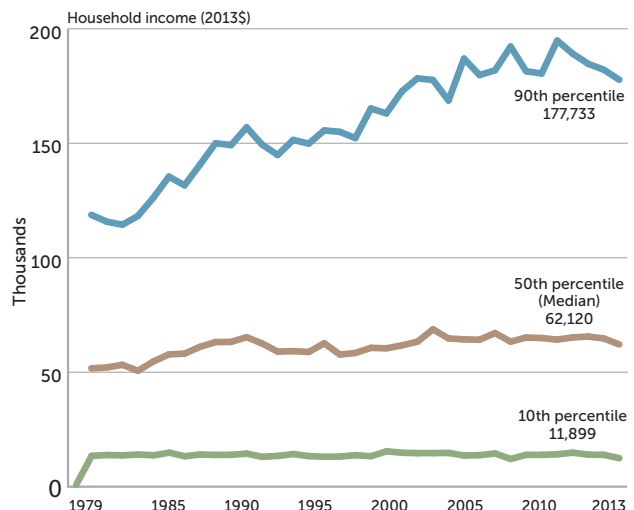
Source: Economic Policy Institute analysis of Total Economy Productivity data from Bureau of Labor Statistics Labor Productivity and Costs program and the Bureau of Economic Analysis. Productivity data adjusted by multiplying it by the ratio of net domestic product to gross domestic product to yield net productivity.

## Poverty in Massachusetts



Source: 1960 data from Current Population Survey, 1970–2000 data from Decennial Census; 2010–2013 data from American Community Survey, US Bureau of the Census.

## Income Growth and Stagnation



Source: Economic Policy Institute analysis of Current Population Survey Annual Social and Economic Supplement. Adjusted for inflation by CPI-U-RS.