

SOUTHERN POVERTY AND REGIONAL ECONOMIC GROWTH

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In this paper I focus on two objectives: to describe some of the main characteristics of poverty in the South and to analyze the broad effects of regional economic growth on the magnitude and composition of southern poverty.¹ During the last decade, there have been many studies of poverty as a national problem; and during the last several decades, there have been innumerable studies of the South as a relatively low income region.² It is also recognized that many of the nation's poor live in the South (25) and that a large proportion of the poor living in the non-south came from the South (14). But relatively little attention has been directed toward an analysis of southern poverty as a structural problem within the South. Perhaps this is because a nation or a region tends to focus on the structural problem of poverty only after a relatively high degree of affluence has been achieved, and that time has come later in the South.

On the other hand, the relationship between general economic growth and the problem of poverty has attracted attention at the national level for more than a decade.³ Galbraith (9) and Harrington (13) took the position that the nature of poverty had changed and that it had become insulated from the positive effects of general economic growth. In 1962, Harrington (13, 38) asserted:

Finally, one might summarize the newness of contemporary poverty by saying: these are the people who are immune to progress. But then the facts are even more cruel. The other Americans are the victims of the very inventions and machines that have provided a higher living standard for the rest of the society. They are upside-down in the economy, and for them greater productivity often means worse jobs; agricultural advance becomes hunger.

Anderson (3, 522) and Aaron (1, 1236) in examining national poverty trends found that some groups of the poor were more affected by economic growth than others. Poverty families headed by males under age 65 seemed to benefit while families headed by females or the aged were relatively unaffected. Farm families headed by nonwhite males (almost all of whom live in the South) were also found to be relatively isolated from the benefits of aggregate income growth between 1953 and 1960 (3, 524). According to Anderson (3, 523), families headed by nonfarm white males under age 65 had by the early 1960's

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reached a stage in which "Aggregate income growth seems likely to reduce poverty in this group more slowly in the future than it has in the past, for only a thin tail of its income distribution now lies below the poverty boundary". In addition, it may well be that Harrington's pessimistic conclusions about the undesirable effects of growth on the working poor are justified on a broader regional basis, at least for particular periods of time.

In analyzing the effects of regional economic growth on southern poverty, it may be useful to enumerate those forces tending to reduce regional poverty and those tending to perpetuate it.⁴

Forces tending to reduce regional poverty: (1) Associated with economic growth is a more equal distribution of investments in human capital. In particular, the public is more able to make education available to a larger spectrum of the population. (2) With urbanization, the political power of lower income groups tends to increase and the pressure builds for more adequate income transfers, such as public assistance, unemployment insurance, and workman's compensation. At the same time, the larger community, as it becomes more affluent, increases the resources devoted to reducing poverty.⁵ (3) Increased job opportunities for the poor usually accompany the economic growth of a community. At first, most of the new jobs go to the best educated workers of the dominant racial group in the community as well as in the surrounding area. Even at an early stage, some of the more undesirable jobs in new plants may go to the poverty group and some secondary employment for poverty workers may be generated. If growth continues and the workers considered most desirable find employment, the more disadvantaged workers may then be drawn into what might be termed the modern, or perhaps more appropriately, the semi-modern sector.⁶ Increases in labor productivity accompany such shifts in the labor force among sectors of the economy. The productivity of labor of given quality also tends to increase due to technological change, the accumulation of capital, and economies of scale.

Factors associated with regional growth which tend to perpetuate poverty: (1) Technological change in the South, particularly in agriculture, has tended to reduce the number of jobs open to blacks and unskilled whites.⁷ (2) Selective out-migration of the best prepared and most able among lower income groups has served to perpetuate the existence of localized concentrations of poverty. (3) Birth rates are comparatively high among low income groups in the South, especially among rural and among rural nonwhites. In the face of limited opportunities, the high birth rates have tended to trap large numbers of the southern poor in poverty and to perpetuate low wages for unskilled labor. (4) Some of the changes in the composition of families, related to economic growth, tend to perpetuate poverty. Among these are the splitting of families into smaller family units and forces which may contribute to the frequency of broken homes.

In this paper a statistical profile of poverty in the South is presented in Part I. An analysis of characteristics of the southern poor was thought to be a necessary first step in assessing the probable impact of economic growth on poverty. In Part II, the relationship of southern poverty to general national and regional economic conditions is quantified using multiple regression analysis. Comparisons and contrasts are made with respect to the other three Census regions, and reasons are suggested for the lack of progress in southern poverty reduction during some periods compared with other periods. This analysis is preparatory for the projection of regional poverty presented in Part III. Summary, conclusions and policy implications are suggested in Part IV.

THE DIMENSIONS OF SOUTHERN POVERTY

In terms of any national effort to substantially reduce poverty, the South must be a major focal point. In 1969 there were 11.2 million poor persons living in the South, 4.8 million of whom were under 18 years of age. The South with approximately 31 percent of the population contained 46 percent of the nation's poor. Or, in other words, the incidence of poverty in the South was approximately double that in the rest of the nation, 18.2 percent compared to 9.5 percent (see Table 1). The South accounted for fifty percent of the nation's family "income deficit" of \$6.4 billion -- the difference between the actual incomes of the poor and the official poverty standard. Not only is the incidence of poverty higher in the South, it is probably more severe as well. In terms of money income, the mean income deficit of southern families in poverty was approximately \$80 greater than the deficit among poor families nationally and the money income per family member was approximately \$50 less than among poverty families outside the South.⁸

The South as it is defined by the Census Bureau includes states having widely differing rates of poverty and per capita incomes. The most recent sample-based estimates of poverty by states pertain to 1959 income data (the 1970 Census estimates are not available as of the summer, 1971). The 1959 incidence of poverty for each of the 17 southern states is given in Table 2, ranked from the poorest to least poor state. The states in the deep South (with the exception of Florida) had the highest incidence of poverty in the South and in the Nation. The South's Appalachian States ranked next, followed by the group of states that is sometimes referred to as the "heterogeneous South" -- Texas, Oklahoma, Florida, the District of Columbia, Maryland and Delaware.⁹ The heterogeneous South might be further categorized as the northern and southern groups, since the level of per capita income is markedly lower and the incidence of poverty higher in the southern group. Of the total number of poor living in the South in 1959, approximately 38 percent lived in the deep South, 32 percent in the Appalachian South, and 30 percent in the heterogeneous South (4 percent in the northern heterogeneous group and 26 percent in the southern heterogeneous group).¹⁰ In addition to the pervasiveness and severity of southern poverty, at least three other characteristics distinguish southern poverty from poverty in the remainder of the U.S. (1) The proportion of the poor who are nonwhite is much larger. (2) The poor are much less concentrated in metropolitan areas. (3) Poverty is to a greater degree a labor market problem.

In 1969, Negroes accounted for 44 percent of the total number of southern poor, compared with 17½ percent in the rest of the U.S. The incidence of poverty among southern Negroes was twice the incidence among Negroes living outside the South and 4 times the national white poverty rate. The South with 54 percent of the nation's Negro population contained 68 percent in its Negro poor.¹¹

The regional concentration of Negroes in poverty, as well as the regional concentration of Negroes in general, declined between 1960 and 1970. During this period, the number of Negroes in poverty declined by 34 percent in the South and by only 6 percent in the rest of the U.S. In both regions, the percentage decline in the number of poor was greater for whites than for Negroes (see Table 3). The incidence of poverty among southern whites was cut in half during this period, while among Negroes it was reduced by not quite 40 percent (note Table 4).

Population in general is less urbanized in the South than in the rest of the country, and poverty in particular is less urbanized. Approximately half of whites and Negroes lived in metropolitan areas in the South in 1969, but

metropolitan areas contained only 36 percent of the southern poor compared to 63 percent of the poor in the rest of the country (Table 5). This regional difference was more pronounced in the case of nonwhites since metropolitan areas contained 35 percent of the nonwhite poor in the South and 94 percent of the nonwhite poor in the rest of the country. Between 1959 and 1969, there was a trend toward greater metropolitanization of the poor both within the South and in the rest of the U.S. However, in 1969, a smaller proportion of the southern Negro poor lived in metropolitan areas than in 1959.¹²

Although a relatively high proportion of the South's poor live on farms compared with the rest of the nation, poverty in the South is no longer primarily a farm problem. As long ago as 1960, the number of southern rural nonfarm families with 1959 income under \$3,000 was almost double the number of farm families with income under this figure (Tables 6 and 7). In Mississippi and North Carolina -- two states in which agriculture has played an especially prominent role -- the number of rural nonfarm poverty families exceeded by a wide margin the number of poor farm families.

Poverty in the South is more closely associated with the labor market. The incidence of poverty among southern families headed by males is especially high compared with the rest of the nation (Table 8), and the proportion of southern poverty families headed by males is comparatively high (Table 9). This regional difference, however, narrowed substantially between 1959 and 1969, when the number of poverty families headed by females increased slightly in the South, while falling by 10½ percent outside of the South. The number of unrelated individuals in poverty grew by about 8 percent in the South and fell by 6 percent elsewhere. As shown in Table 10, the incidence of poverty among southern families headed by a year-round full-time worker was on the order of 2½ and 3 times greater than in the other three regions; and in the case of Negroes, 4½ to 8 times greater.

POVERTY REDUCTION AND REGIONAL ECONOMIC GROWTH

In this section, the incidence of poverty in the South is related to median family income in the region and to the national unemployment rate. Unless the distribution of income in the South became more unequal, the general growth in the region's median family income between 1953 (the first year for which annual regional data are available) and 1969 would be accompanied by a reduction in the percentage of families living in poverty. In addition, if the share of income going to the lowest quintiles increased, the decline in poverty would be spurred. The national unemployment rate would also be related to the incidence of southern poverty for several reasons: First, unemployment conditions in the South are correlated with the national unemployment rate, and unemployment is a direct contributing factor to poverty. Second, conditions of low unemployment are associated with increased mobility -- both occupational and geographic. The unemployment rate as a proxy for improved employment opportunities is especially significant for the South, which is one of the nation's major pools of relatively under-utilized manpower.

Since time series data on regional poverty were not available in a form that was directly comparable to the commonly accepted definition of poverty, it was necessary to rely on a relatively crude indicator of poverty -- percent of families having incomes below \$3,000 in 1969 prices. Although this standard of money income is substantially below the Social Security definition of poverty (approximately \$3,700 for a family of four), the cost of living is also somewhat lower in the South.¹³ In addition, there are other sources of bias in using this indicator both in cross section and over time. For example, the measure may over state the extent of the decline due to shifting of the popu-

lation from rural areas where the cost of living is relatively low to metropolitan areas where the cost is comparatively higher.¹⁴

In 1969, by the Social Security definition of poverty, 14.8 percent of southern families were poor, while 13.7 percent of southern families had incomes below \$3,000. In 1959, the disparity between these criteria was somewhat greater. Thus, the measure used in this section probably understates the decline in poverty by the Social Security definition. Nevertheless, it seems reasonable to believe that meaningful analysis can be carried out with the crude measures that are available.¹⁵

Multivariate analysis was used to quantify the statistical relationship between the incidence of poverty in the South, median family income, and the national unemployment rate. The functional form used was the double logarithmic transformation.¹⁶ The data were transformed into natural logs, and the results of the regression analysis are found in Table 11. The statistical fits were good, particularly in the equation for the South ($R^2 = 0.99$). The income coefficient for the South may be interpreted as follows: An increase of 10 percent in median family income was accompanied by a decline in the incidence of poverty amounting to approximately 15 percent. This implies that the proportion of the population that is pulled over the poverty line decreases as the incidence of poverty declines. Thus, in 1959, when 27 percent of the South's families were in poverty, a 10 percent gain in median income tended to result in a poverty decline of 4 percentage points. In 1969 when the poverty incidence was 14 percent, a 10 percent increase in median income would be associated with a poverty decline of only 2 percentage points. The coefficient for the unemployment rate was positive and significant at the one percent level, although the elasticity for this variable was not large.

The coefficients for the 4 census regions suggest several interesting contrasts. First, for the same median income, the results suggest that poverty would be greater in the South than in the Northeastern region, which is consistent with the greater inequality in the South. Second, the elasticity of the poverty rate with respect to a change in median income is greatest for the West and least for the Northeast, with the South in between. Third, since the incidence of poverty in the South is approximately double the incidence in the other 3 regions, a 10 percent increase in regional income is associated with a decline of 2.1 percentage points in the South's poverty compared to 1.3 percentage points in the West's poverty. Fourth, the unemployment variable was relatively important in the Northcentral and Northeastern regions in contrast with the South and especially the West -- a result that might be explained by the concentration of the cyclical industry in the Midwest and to a lesser degree in the Northeast.

If the figure of \$5,000 is used as a low income bench mark, or a criterion for designating needy families, the elasticity for a change in median income is somewhat lower than for the poverty bench mark (Table 11, lower half). However, since a larger percentage of families have incomes below \$5,000 and the distribution of income is relatively dense at \$5,000 more families are drawn out of this category than out of the poverty classification by a given percentage gain in median income. An increase of 10 percent in median income, in 1969, would be associated with a decline in the needy rate by approximately 3 percentage points in the South and $2\frac{1}{2}$ percentage points in the other 3 regions. The size of the unemployment coefficient is generally less than in the equations with the poverty rate as the dependent variable, and it becomes insignificant in the Northeastern region. A plausible explanation for the lower unemployment coefficient might be that families with incomes around \$5,000 are relatively less affected by unemployment conditions than those around \$3,000.

Additional perspective on the relationship between the incidence of poverty geographically and the general level of income may be obtained from an analysis of 1959 income data by states (comparable data from the 1970 Census are not yet available). The natural log of the percent poor for each of the 50 states of the U.S. and the District of Columbia was regressed against the natural log of per capita personal income in 1959, and a dummy variable which took on a value of one if located in the Census South and zero otherwise. The following results were obtained:

$$\ln P = 13.671 - 1.408 \ln Y + 0.341 S$$

$$(16.388) \quad (12.944) \quad (7.139)$$

$$R^2 = 0.88 \text{ ("t" values in parenthesis).}$$

The significant coefficient for the regional variable is consistent with the greater inequality of income in the South. The anti-log implies that, for comparable median income, the incidence of poverty in a southern state tends to be on the order of 1.4 percentage points higher. The coefficient for the income variable is reasonably close in size to the income coefficient obtained for regions over time, which suggests that, as a first approximation, a one percent increase in state per capita income has about the same effect on the incidence of poverty in a state as a similar gain in median family income has on the incidence of poverty for a broad region.

As can be inferred from Table 12, the decline in southern poverty did not occur at an even rate during the period 1953-69. Most of the decline occurred between 1954 and 1955 and between 1961 and 1969. If the period is divided into two parts of 8 years each, we find that during 1961-69 the incidence of poverty was cut in half, while median family income increased by 50 percent. During the previous 8 year period, 1953-61, the incidence of poverty declined only 18½ percent (from 33.5 percent to 27.3 percent), and median family income increased by only 19 percent. In the 5 year period between 1956 and 1961, the decline in southern poverty was very slight (from 28.7 percent to 27.3 percent), yet median income increased by 7 percent during this period.

Although the Northeast, Northcentral and Western regions ended this 16 year period having about the same percentage of families below \$3,000 their experience differed widely during the period. In the first half of the period, median family income increased most rapidly and poverty declined most rapidly in the West. Conversely, the Northcentral and Northeastern regions were relatively stagnant during this period. During the latter 8 years, median family income increased more rapidly in the Northcentral region than in any of the other regions except the South. Consistent with the pattern in the growth of median income, the incidence of poverty was almost cut in half between 1961 and 1969 in the South and Northcentral regions, but declined by only about one third in the West and Northeast.

The distribution of families below the poverty line is important in comparing poverty among regions, or, poverty in a single region over time.¹⁷ The published time series data in sufficient detail for this type of analysis are currently limited to the period 1953-64 and are expressed in 1964 prices (Table 13). In 1953, approximately 13 percent of southern families were in each \$1,000 classification. On the other hand, in the Northeast the distribution of families by income became more dense in each successive \$1,000 income class. By 1964, the ratio of the percent of southern families in the lowest category to the next lowest had changed from one to one-half and thus, moved closer to the relationship prevailing in the Northeast. In addition, the

choice of a particular poverty line has a pronounced effect on the rate of decline in the percent of families below poverty. To illustrate: if \$3,000 is used as the criterion, southern poverty declined by 35 percent between 1953 and 1964; if \$1,000 is the criterion, poverty declined 61 percent.

Little progress was made in reducing poverty in the South during the latter 1950's, and this was particularly the case among the nonwhite population. Between 1954 and 1959, there was virtually no change in the incidence of nonwhite poverty in the South (percent of families with incomes below \$3,000 in 1964 prices). However, there were some gains within the nonwhite poverty group. The proportion of nonwhite families having incomes below \$1,000 declined by 2.2 percentage points, and the proportion of families in the \$1,000-1,999 increased by 3.3 percentage points, which is perhaps indicative of some (limited) welfare gains among the nonwhite poor. During this period the incidence of poverty among white families in the South declined more rapidly, or from $33\frac{1}{2}$ percent to $25\frac{1}{2}$ percent. A further indication that the fruits of economic progress were unequally shared during this period is the fact that the ratio of nonwhite to white family income in the South fell from 49.0 percent in 1953 to 39.8 percent in 1959. The recession in 1958 led to a reduction in nonwhite median family income, but white median family income continued to increase; and in 1959 nonwhite income again fell, at the same time white incomes were moving ahead (30, Table 13). Thus, the low-point in the measure of nonwhite relative incomes came after the trough of the recession. Between 1959 and 1964, this ratio increased to the level prevailing in 1954.

Factors associated with the uneven rate of decline in southern poverty might be explored under three related topics: factors associated with increases in median income, factors associated with a shift in the distribution of income at the bottom, and the role of migration. Although a thorough discussion of these topics is beyond the scope of this paper, several crucial developments will be discussed.

The fact that median income in the South continued to increase by 7 percent between 1956 and 1961 indicates that growth of any magnitude does not insure reductions in southern poverty. Evidently some threshold rate of growth is needed that depends, among other things, on the magnitude of technological displacement in the region. In addition, Colberg (7) argues that between 1955 and 1960 the South imported physical and human capital (high income workers) and exported unskilled workers (low income persons). This process which involved changing the composition of the population in the South may have had more effect on average or median income in the region than on poverty per se.

Perhaps the most significant factors affecting the growth of per capita income and its distribution were increases in employment in the South and structural changes in employment.¹⁸ First, as shown in Table 14, growth in nonagricultural employment was extremely rapid in the latter half of the period, compared with the first half. The percentage growth in nonfarm jobs was 37 percent and 14 percent, respectively. The employment of hired farm workers, after actually increasing by 6 percent between 1953 and 1961, declined by almost 43 percent between 1961 and 1969. In the former period, the pent-up supply of farm labor found it difficult to escape into the nonfarm sector, either within or outside of the region.¹⁹ Thus, the stagnant growth policy nationally, coupled with geographically concentrated technological change and racial discrimination, produced the worst set of circumstances for making any significant progress on the southern poverty front. These conditions resulted in slow growth in median family income and perpetuated the marked poverty and inequality in the South between 1953 and 1961.²⁰

During the period 1953-69, southern poverty declined not only because incomes increased generally, but also because the distribution of income became somewhat more equal. As shown in Table 15, this shift did not occur throughout the period, but occurred primarily after 1961. In 1953, the lowest quintile in the South received only $3\frac{1}{2}$ percent of total personal income. In contrast, the lowest fifth of families received almost double this share in the Northeastern region. By 1969, the share of the lowest quintile had increased to 4.9 percent in the South; but about two-thirds of this shift came about after 1961.

To further confirm that a statistically significant shift in income shares had occurred at the bottom of the distribution, the shares of the lowest quintiles for each of the 4 major regions of the U.S. were regressed against time. The coefficient for the time variable was significantly positive in the South, Northcentral and West, and significantly negative in the Northeast (Table 16).

Earlier studies have called attention to, and analyzed the reasons for, the marked inequality of incomes in the South.²¹ It seems reasonable to believe that the moderate shift toward less inequality in the distribution of southern income was related to the decline in the relative importance of agriculture and to the rapid growth of nonagricultural employment after 1961. In addition to the structural shift that this represented for the South, the pressure exerted by a strong demand for labor probably stimulated skill up-grading and the hiring of secondary earners within the family.²² It seems probable that the 1970 Census may show significant gains in black employment in the South during the 1960's. This development, due to demand pressure in the labor market would be in contrast to the stagnant 1950's, when non-white manufacturing employment in the South actually showed a decline. The deterioration in the low income shares in the Northeast may have resulted, in part, from the continued heavy in-migration of Negroes from the South and from the absence of a strong demand for unskilled labor.

To what extent did the decline in southern poverty merely represent an export of poverty to the rest of the nation? The answer to this question depends heavily on the time reference. Using lifetime migration data, it has been demonstrated that the migration of poorly educated people from the South, especially blacks, has been large in magnitude and that their destinations were concentrated in the large cities. (14). This answer is based on the stock of migration accumulated over many years. If one focuses on migration and the rate of change in southern poverty in recent history, a somewhat different conclusion may emerge since the yearly flow of migrants has been relatively small compared to the large stock of southern poverty. Some rough calculations based on Fein's analysis of education specific migration (8), and assumptions about the incidence of poverty by education and race, suggest that the net outflow of the poor between 1955 and 1960 amounted to only about 1 percent of the husband-wife families having incomes below \$3,000 in 1959.²³ The estimated rates of net out-migration of Negroes were 16.1, 14.4 and 12.2 percent, respectively, for each of the decades between 1940 and 1970.²⁴ In 1959, about half the nonwhite families living in the South had incomes above \$3,000 and the net out-migration was selective of the most highly educated. Thus, the annual movement of the poor from the South probably had only a limited direct effect on southern poverty. However, what might be called the "indirect effect" may have been very significant in the sense that, if it had not taken place, unskilled wages in the South would have been even lower -- depending on the elasticity of labor demand.

SOUTHERN POVERTY, 1980

What will be the incidence and general composition of southern poverty

in 1980, and how will macroeconomic policy at the national level affect poverty in the South? The objective in this section is not to predict what the level of poverty will be in the South, but rather what it may be in the absence of additional policies of a structural nature, such as some version of the Family Assistance Plan, migration assistance, or special emphasis on education and training for low income groups. The objective is also to explore the implication for the poor of alternative rates of growth in the South and of alternative levels of the national unemployment rate.

The technique used for projecting poverty was based on the regression equation that was fit using time series data. The level of median family income was projected to the year 1979, under alternative assumptions concerning the rate of growth. Between 1953 and 1969, median family income increased at an approximate rate of $3\frac{3}{4}$ percent per year in the South and 3 percent per year in the other three regions of the U.S. Under the assumption that these rates of growth would continue, median family income in the South would increase from \$8,100 in 1969 to \$11,700 in 1979.²⁵ Assuming a national unemployment rate of 4 percent, this implies a reduction in the percent of families below \$3,000 from 13.7 percent in 1969 to 8.3 percent in 1979 -- a decline of almost 40 percent. An annual growth rate of $2\frac{1}{2}$ percent in the South would imply a poverty rate of 9.8 percent, while a growth rate of $4\frac{1}{2}$ percent implies a poverty rate of 7.4 percent (Table 17). Thus, the rate of decline in poverty during the 1970's may be below that experienced during the 1960's because median income may increase more slowly during the 1970's and because the poverty line cut the distribution of income at a more dense point in 1959.²⁶

The above calculations are based on the assumption of a national unemployment rate of 4 percent. An unemployment rate of 3 percent implies about $\frac{1}{4}$ of a percentage point less in the poverty rate. The difference between a growth rate of $4\frac{1}{2}$ percent with 3 percent unemployment and a growth rate of $2\frac{1}{2}$ percent with 6 percent unemployment implies the difference between a southern poverty rate of 7 percent versus 10 percent. This of course is not an upper bound on poverty, since in the latter half of the 1950's a growth rate of $1\frac{1}{2}$ percent per year in the South resulted in practically no reduction in poverty. This could imply that a decade of such slow growth would prevent about 40 percent of the poor from squeezing over the poverty line between 1959 and 1969.²⁷

If median income increases at a rate of 3 percent in the other regions, about 5 percent of families in the Northeast and Northcentral regions and $4\frac{1}{2}$ percent in the West would be below \$3,000 in 1979. Under the assumptions implicit in this model, the differential incidence of poverty between the South and the other regions of the country will continue to narrow. In addition, the demographic composition of poverty in the South will probably continue to move closer to the composition outside of the South, and the proportion of poverty that has been termed "insular" poverty will continue to rise -- most notably, families headed by females, particularly nonwhite females.

The Negro poor may be drawn to southern cities in greater numbers during the 1970's compared with the 1960's. Between 1960 and 1968, the rate of growth in the number of Negroes living in southern cities was far below the rate of growth in Negroes living in cities outside the South. After 1966, it was thought that the riots and the conditions that produced the riots may have slowed the black outmigration. The Current Population Survey tended to lend some support to the belief that migration had slowed.²⁸ However, the most recent estimates of Negro migration, based on the 1970 Census, have given reason to doubt that such a slowing occurred during the latter 1960's (see footnote 24). Nevertheless, the fundamental conditions that have produced

the out-migration in the past are changing. Nonagricultural employment is not only growing relatively rapidly in the South, this sector has become large relative to the declining agricultural sector. Moreover, the decline in the share of income going to the lowest fifth of families in the Northeast may indicate a regional deterioration in the market for unskilled labor. One of the major uncertainties in attempting to project regional poverty stems from the potential effect of changes in existing welfare structures. For example, the introduction of a Family Assistance Program could lead to a reduction in the rate of net out-migration of the southern poor.

CONCLUSIONS AND POLICY IMPLICATIONS

This paper has examined the characteristics of southern poverty and explored a regional dimension of the "backwash thesis" for the period 1953-69. The incidence of poverty in the South is approximately double the incidence in the rest of the country. Southern poverty is, to a greater degree, a problem of low earnings of labor, compared with poverty outside of the South. The Southern poor are no longer predominantly associated with farming, but rather they live in towns and rural nonfarm areas.

Poverty declined very slowly in the South during the first half of the period 1953-69 and rapidly during the latter half. During the 1950's median family income increased at a slow pace and the distribution of personal income remained comparatively unequal. Technological change in agriculture and slow growth in nonagricultural jobs in the South, as well as relatively high unemployment conditions nationally contributed to this lack of progress. During the 1960's poverty declined rapidly among some groups of the population. The major exceptions were poverty families headed by females and unrelated individuals -- two categories of poverty which even increased in absolute numbers in the South between 1959 and 1969. The decline in poverty among families headed by males was associated with unusually rapid growth in nonagricultural employment and per capita income. Accompanying the more rapid economic growth of the South during the 1960's was a slight shift toward a more equal distribution of income within the region. Even so, the lowest one and two fifths of families in the South continue to receive a substantially lower proportion of personal income than in the other three regions of the U.S.

The outlook for the 1970's would seem to be that regional economic growth will probably continue to have a greater effect on poverty in the South than in the other major regions. In the South the incidence of poverty among the working poor is still relatively high in comparison with other regions, and economic growth has a greater potential effect on the groups of the poor having an attachment to the labor market. The poverty standard is in the range of higher density in the distribution of income in the South than in the rest of the U.S., and general increases in the region's income have a comparatively pronounced effect on the percentage of families in poverty.

General regional economic growth may have substantially less effect on southern poverty during the 1970's than it did during the 1960's for the following reasons: (1) The rate of growth in median family income in the South is apt to be somewhat lower. The rapid growth in the 1960's was associated in part with very strong aggregate demand and high levels of defense spending -- conditions that are not apt to be sustained. (2) The shift in the distribution of income within the South may not continue at the same rate. It, too, was associated with strong aggregate demand and with the shift from agricultural to nonagricultural employment. The relative importance of the latter factor will decline as the shift is completed. (3) The composition of poverty in the South is becoming more like the composition of poverty in the rest of the country -- that

is, more heavily weighted with groups which are relatively unaffected by increases in labor productivity or reductions in the national unemployment rate. The official poverty standard now cuts the distribution of family income where its density is not great, even in the South. In the terminology of Locke Anderson (3, 513-15) the South may be said to have passed from phase 2 to phase 3 during the decade, at least with respect to white families. Although economic growth may still have a substantial effect on nonwhite poor families headed by males, this possibility is conditioned on a strong regional demand for labor. The Southern poor will continue to be drawn to metropolitan areas located both in the South and in the rest of the U.S., however, the migration of Negroes to southern cities may accelerate if the rate of employment growth in the South continues to outpace employment growth in the rest of the nation.

One of the strategies for reducing poverty in the South is the promotion of rapid economic growth both within the region and nationally. On the other hand, economic growth is not costless. The costs of growth include its effects on the environment, inflation, and adjustment costs associated with technological change. The analysis of this paper provides some partial information pertinent to the implicit tradeoff between the costs of economic growth and poverty reduction. It suggests that if poverty reduction is an important goal for the region, economic growth can make a major contribution. It also suggests that if growth is the only strategy, poverty is going to be a severe problem in the South for a long time to come, since even under optimistic assumptions the incidence of poverty in the region in 1980 may be at about the same level as it is in the rest of the country in 1970. If there is a substantial change in the existing welfare system, for example, if the Family Assistance Plan pending before Congress is enacted, this would have major implications for the problem of poverty in the South. Alternatively, or, if in addition, major investments are undertaken to raise the earning capabilities of the poor, the reduction in the incidence and severity of poverty in the South could be accelerated. The national and regional patterns of economic growth suggest that it may be efficient to place a relative stress on providing opportunities for the poor in the South where employment growth is comparatively rapid and where a disproportionate number of the poor now live.

TABLE 1. INCIDENCE OF PERSONS IN POVERTY BY RESIDENCE AND
REGION, 1969 (IN PERCENTAGES)

| | ALL RACES | | NEGRO | | WHITES | |
|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|
| | <u>South</u> | <u>Nonsouth</u> | <u>South</u> | <u>Nonsouth</u> | <u>South</u> | <u>Nonsouth</u> |
| Total | 18.3 | 9.5 | 41.0 | 22.2 | 12.7 | 8.3 |
| Metropolitan | 12.8 | 8.4 | 27.6 | 22.3 | 9.1 | 6.8 |
| Central cities | 16.4 | 12.4 | 27.3 | 23.2 | 11.8 | 9.7 |
| Suburban rings | 9.4 | 5.4 | 28.2 | 18.0 | 7.1 | 4.9 |
| Nonmetropolitan | 24.2 | 12.0 | 55.2 | 20.3 | 16.5 | 11.7 |

Source: 24 Million Americans, Table 3. (28)

TABLE 2. INCIDENCE OF POVERTY, 1959 AND CHANGE IN
PER CAPITA INCOME, 1959-69 STATES IN THE SOUTH

| | <u>Incidence of Poverty (percent)</u> | <u>Poverty Rank in U. S.*</u> | <u>Change In Per Capita Income 1959-69 (percent)</u> |
|----------------------|---|---------------------------------------|--|
| Mississippi | 54.5 | 1 | 67.1 |
| Arkansas | 48.3 | 2 | 64.1 |
| S. Carolina | 45.4 | 3 | 75.8 |
| Alabama | 42.5 | 4 | 60.6 |
| N. Carolina | 40.6 | 5 | 72.6 |
| Louisiana | 39.5 | 6 | 53.2 |
| Tennessee | 39.3 | 7 | 66.2 |
| Georgia | 39.0 | 8 | 72.3 |
| Kentucky | 38.3 | 9 | 66.3 |
| W. Virginia | 34.6 | 10 | 51.1 |
| Texas | 31.7 | 11 | 56.0 |
| Virginia | 30.6 | 12 | 69.0 |
| Oklahoma | 29.9 | 14 | 54.7 |
| Florida | 28.4 | 16 | 65.3 |
| District of Columbia | 22.2 | 23 | 48.7 |
| Maryland | 17.4 | 32 | 63.2 |
| Delaware | 16.8 | 35 | 40.9 |

*Rank among 51 states based on incidence of poverty

Source: Col. 1. Unpublished data, Office of Economic Opportunity and Census Bureau. Col. 3 calculated from Survey of Current Business, Aug. 1970; changes in personal income deflated for the change in the U.S. Consumer Price Index.

TABLE 3. PERSONS BELOW POVERTY LEVEL BY RACE AND
REGION, 1959 AND 1969 (IN THOUSANDS)

| | <u>1959</u> | <u>1969</u> | <u>Percent Change</u> |
|----------------------|-------------|-------------|-----------------------|
| <u>South</u> | | | |
| Total | 19,116 | 11,163 | -41.6 |
| White | 11,477 | 6,166 | -46.3 |
| Negro | 7,505 | 4,928 | -34.3 |
| <u>Rest of U. S.</u> | | | |
| Total | 19,650 | 13,125 | -33.2 |
| White | 16,859 | 10,503 | -37.7 |
| Negro | 2,422 | 2,285 | - 5.7 |
| <u>U. S.</u> | | | |
| Total | 38,766 | 24,289 | -37.3 |
| White | 28,336 | 16,671 | -41.2 |
| Negro | 9,927 | 7,215 | -27.3 |

TABLE 3. PERSONS BELOW POVERTY LEVEL BY RACE AND
REGION, 1959 AND 1969 (IN THOUSANDS)
(Continued)

| | <u>1959</u> | <u>1969</u> | <u>Percent Change</u> |
|---|-------------|-------------|-----------------------|
| <u>Negroes as a Per-</u> <u>cent of total poor</u> | | | |
| South | 39.3 | 44.2 | |
| Rest of U.S. | 12.3 | 17.4 | |
| U.S. | 25.6 | 29.7 | |

Source: Absolute numbers are from 24 Million Americans, Table 3.

TABLE 4. INCIDENCE OF POVERTY IN THE SOUTH AND
PROPORTION OF U.S. POVERTY 1959 AND 1969
(IN PERCENTAGES)

| | <u>1959</u> | <u>1969</u> |
|---|-------------|-------------|
| <u>Incidence of Poverty in</u> <u>The South</u> | | |
| All races | 34.8 | 18.3 |
| Negro | 66.3 | 41.0 |
| White | 26.7 | 12.7 |
| <u>Proportion of U.S. Poverty</u> <u>Living in the South</u> | | |
| All races | 49.3 | 46.0 |
| Negro | 75.6 | 68.3 |
| White | 40.5 | 37.0 |

Source: Tables 1 and 3 and 1960 Census of the Population.

TABLE 5. PERCENT OF POOR LIVING IN METROPOLITAN
AREAS BY REGION AND RACE, 1959 AND 1969

| | <u>1959</u> | <u>1969</u> |
|-----------------------|-------------|-------------|
| <u>South</u> | | |
| Total | 32.5 | 36.2 |
| White | 30.0 | 37.1 |
| Negro | 36.6 | 34.7 |
| <u>North and West</u> | | |
| Total | 55.0 | 63.1 |
| White | 49.7 | 56.3 |
| Negro | 93.0 | 93.8 |

Source: 24 Million Americans, Table C

TABLE 6. SOUTHERN FAMILIES WITH INCOMES UNDER \$3,000 BY TYPE OF RESIDENCE, 1959

| | Both <u>Races</u> | <u>Nonwhites</u> |
|---------------|----------------------|------------------|
| Total | 4,470.7 | 1,457.8 |
| Urban | 1,994.2 | 764.1 |
| Rural nonfarm | 1,646.7 | 470.4 |
| Farm | 829.7 | 223.3 |

Source: U.S. Census of the Population: 1960, Table 266.

TABLE 7. POVERTY STATUS OF SELECTED FAMILY SUBGROUPS THE SOUTH, 1959

| <u>Subgroup</u> | <u>Number of Families</u> | <u>No. Poor</u> | <u>Percent of Poor</u> | <u>Percent Poor</u> |
|--------------------|-------------------------------|---------------------|----------------------------|-------------------------|
| <u>Male Head</u> | | | | |
| 65 & Older | | | | |
| White | | | | |
| Farm | 197.0 | 155.1 | 3.5 | 78.7 |
| Nonfarm | 1,061.4 | 561.5 | 12.6 | 52.9 |
| Nonwhite | | | | |
| Farm | 38.0 | 33.1 | 0.7 | 87.1 |
| Nonfarm | 209.7 | 163.8 | 3.7 | 78.1 |
| Under 65 | | | | |
| White | | | | |
| Farm | 897.1 | 410.1 | 9.2 | 45.7 |
| Nonfarm | 8,110.3 | 1,389.2 | 31.1 | 17.1 |
| Nonwhite | | | | |
| Farm | 191.6 | 164.3 | 3.7 | 85.8 |
| Nonfarm | 1,383.2 | 689.2 | 15.4 | 49.8 |
| <u>Female Head</u> | | | | |
| 65 & Older | | | | |
| White | | | | |
| Farm | 26.5 | 17.0 | 0.4 | 64.2 |
| Nonfarm | 204.2 | 108.9 | 2.4 | 53.3 |
| Nonwhite | | | | |
| Farm | 7.4 | 6.5 | 0.1 | 87.8 |
| Nonfarm | 82.5 | 66.5 | 1.5 | 80.6 |
| Under 65 | | | | |
| White | | | | |
| Farm | 36.8 | 24.2 | 0.5 | 65.8 |
| Nonfarm | 656.5 | 346.9 | 7.8 | 52.8 |
| Nonwhite | | | | |
| Farm | 21.5 | 19.4 | 0.4 | 90.2 |
| Nonfarm | 388.8 | 315.0 | 7.0 | 81.0 |
| Total | 13,512.0 | 4,470.7 | 100.0 | 33.1 |

Source: U.S. Census of the Population: 1960 Table 266, p. 1-745.

TABLE 8. PERCENTAGES OF FAMILIES AND UNRELATED INDIVIDUALS IN POVERTY, BY REGION, 1969

| | <u>South</u> | <u>North- east</u> | <u>North- central</u> | <u>West</u> |
|------------------------------|--------------|------------------------|---------------------------|-------------|
| All Families | 14.8 | 6.8 | 7.5 | 8.2 |
| White | 10.8 | 5.6 | 6.6 | 7.5 |
| Negro | 35.7 | 19.9 | 19.7 | 16.3 |
| Families with male head | 11.0 | 4.3 | 5.5 | 5.5 |
| White | 8.7 | 4.0 | 5.3 | 5.3 |
| Negro | 26.1 | 7.3 | 9.4 | 8.5 |
| Families with female head | 43.0 | 24.1 | 27.0 | 31.9 |
| White | 32.6 | 18.9 | 21.7 | 29.9 |
| Negro | 62.0 | 43.2 | 49.0 | 39.4 |
| Male unrelated individuals | 32.1 | 21.0 | 26.4 | 21.2 |
| White | 28.5 | 20.2 | 25.5 | 19.9 |
| Negro | 40.9 | 25.1 | 33.3 | n.a. |
| Female unrelated individuals | 46.7 | 33.3 | 40.1 | 30.9 |
| White | 41.7 | 33.2 | 38.9 | 29.8 |
| Negro | 69.0 | 34.4 | 53.0 | n.a. |

Source: 24 Million Americans, Table 6.

TABLE 9. FAMILIES AND UNRELATED INDIVIDUALS IN POVERTY BY SEX OF FAMILY HEAD AND REGION 1959 AND 1969 (IN THOUSANDS)

| | <u>1959</u> | <u>1969</u> | <u>Percent Change</u> |
|-----------------------|-------------|-------------|-----------------------|
| <u>South</u> | | | |
| Total Families | 4,202 | 2,326 | -44.6 |
| With Male Heads | 3,407 | 1,528 | -55.2 |
| With Female Heads | 797 | 798 | .1 |
| Unrelated Individuals | 1,500 | 1,625 | 8.3 |
| Males | 480 | 455 | -5.2 |
| Females | 1,020 | 1,170 | 14.7 |
| <u>NonSouth</u> | | | |
| Total Families | 4,116 | 2,620 | -46.3 |
| With Male Heads | 2,997 | 1,617 | -46.0 |
| With Female Heads | 1,119 | 1,003 | -10.4 |
| Unrelated Individuals | 3,428 | 3,227 | - 5.9 |
| Males | 1,072 | 925 | -13.7 |
| Females | 2,356 | 2,302 | - 2.3 |

TABLE 9. FAMILIES AND UNRELATED INDIVIDUALS IN POVERTY
BY SEX OF FAMILY HEAD AND REGION 1959 AND 1969
(IN THOUSANDS)
(continued)

| | <u>1959</u> | <u>1969</u> | <u>Percent Change</u> |
|---|-------------|-------------|-----------------------|
| <u>Proportion of poverty</u> <u>families headed by</u> <u>males (percent)</u> | | | |
| South | 81.1 | 65.7 | |
| NonSouth | 72.8 | 61.7 | |

Source: 24 Million Americans, Table F. Percentages computed by author.

TABLE 10. FAMILIES IN POVERTY BY REGION, RACE AND
WORK STATUS (1968 INCOME)

| | (1) Percent of families <u>in poverty</u> | (2) Percent of families head- ed by year- round full- time workers* <u>in poverty</u> | (3) Percent of families in poverty headed <u>by workers</u> |
|--------------|--|---|---|
| South | | | |
| (all races) | 16.0 | 7.3 | 29.1 |
| Negro | 39.3 | 24.3 | 32.4 |
| Northeast | | | |
| (all races) | 7.3 | 2.5 | 23.1 |
| Negro | 119.3 | 5.4 | 15.8 |
| Northcentral | | | |
| (all races) | 7.3 | 3.1 | 29.1 |
| Negro | 19.9 | 4.5 | 12.4 |
| West | | | |
| (all races) | 7.7 | 2.4 | 19.9 |
| Negro | 18.3 | 2.9 | 8.8 |

*Full-time worker implying 35 hours or more per week and year-round work-
er implying 50 weeks or more per year.

Source: Col. (1) and (2) from U.S. Manpower Report of the President, 1970,
p. 127, Col. (3) computed from Ibid.

TABLE 11. POVERTY REGRESSION RESULTS BY REGION,
1953-69

| | <u>Constant</u> | <u>Log Median Family Income</u> | <u>Log Unemploy- ment Rate</u> | <u>R²</u> | <u>DW***</u> |
|--|-----------------|---|------------------------------------|----------------------|--------------|
| <u>Dependent Variable-</u> <u>Log Poverty Rate*</u> | | | | | |
| South | 15.939 | -1.489 (36.261) | 0.086 (2.748) | 0.99 | 1.36 |
| Northeast | 13.903 | -1.315 (26.180) | 0.124 (4.048) | 0.98 | 2.20 |
| Northcentral | 17.079 | -1.645 (20.424) | 0.118 (2.253) | 0.97 | 2.00 |
| West | 17.917 | -1.734 (18.749) | 0.051 (0.856) | 0.96 | 1.39 |
| <u>Dependent Variable-</u> <u>Log Needy Rate**</u> | | | | | |
| South | 13.856 | -1.178 (45.792) | 0.059 (3.032) | 0.99 | 1.31 |
| Northeast | 16.360 | -1.475 (28.821) | -0.001 (0.017) | 0.98 | 1.78 |
| Northcentral | 16.594 | -1.498 (46.360) | 0.045 (2.156) | 0.99 | 1.87 |
| West | 16.443 | -1.474 (22.256) | -0.010 (0.225) | 0.97 | 0.63 |

*Natural log of the percent of families having incomes of less than \$3,000 (1969 prices).

**Natural log of the percent of families having incomes of less than \$5,000 (1969 prices).

"t" values are in parentheses.

***Durbin-Watson Statistic, $d_L = 0.79$, $d_U = 1.58$.

TABLE 12. CHANGE IN MEDIAN FAMILY INCOMES AND PERCENT OF
FAMILIES WITH INCOMES UNDER \$3,000, BY REGIONS, 1953-69

| | Change in Median Family Income | | |
|--|--------------------------------|---------|---------|
| | 1953-61 | 1961-69 | 1953-69 |
| South | 19.1 | 50.0 | 78.6 |
| Northeast | 21.8 | 30.6 | 59.1 |
| Northcentral | 14.0 | 39.6 | 59.2 |
| West | 34.0 | 18.8 | 59.2 |
| Percent of Families With Incomes Under \$3,000 | | | |
| | 1953 | 1961 | 1969 |
| South | 33.5 | 27.3 | 13.7 |
| Northeast | 12.2 | 11.1 | 6.8 |
| Northcentral | 17.1 | 15.1 | 7.8 |
| West | 16.6 | 10.4 | 7.5 |

Source: Calculated from Income in 1969 (29).

TABLE 13. PERCENT DISTRIBUTION FAMILIES WITH INCOMES
BELOW \$3,000 BY REGION, 1953 AND 1964
(IN 1964 DOLLARS)

| | <u>less than</u> <u>\$1,000</u> | <u>\$1,000-</u> <u>1,999</u> | <u>\$2,000-</u> <u>2,999</u> | <u>less than</u> <u>\$3,000</u> |
|----------------------|------------------------------------|---------------------------------|---------------------------------|------------------------------------|
| <u>South</u> | | | | |
| 1953 | 13.5 | 13.0 | 13.4 | 39.5 |
| 1964 | 5.1 | 10.1 | 10.6 | 25.8 |
| <u>Northeast</u> | | | | |
| 1953 | 3.7 | 5.0 | 7.3 | 16.0 |
| 1964 | 1.7 | 3.9 | 6.4 | 12.0 |
| <u>North Central</u> | | | | |
| 1953 | 5.9 | 7.1 | 7.8 | 20.8 |
| 1964 | 2.8 | 5.4 | 7.4 | 15.6 |
| <u>West</u> | | | | |
| 1953 | 5.8 | 6.5 | 8.5 | 20.8 |
| 1964 | 2.7 | 4.2 | 7.0 | 13.9 |

Source: U.S. Bureau of the Census, "Trends in the Income of Families and Persons in the United States, 1947-64," Technical Paper No. 17, Table 12.

TABLE 14. EMPLOYMENT TRENDS IN THE SOUTH 1953-69

| <u>Period</u> | <u>Farm Employment</u> <u>Total</u> | <u>Hired</u> | <u>Nonagricultural</u> <u>Payroll Employment</u> |
|-----------------|--|--------------|---|
| In thousands: | | | |
| 1953 | 3,880 | 886 | 12,545 |
| 1961 | 3,050 | 936 | 14,326 |
| 1969 | 1,907 | 538 | 19,691 |
| Percent change: | | | |
| 1953-61 | -21.4 | 5.6 | 14.2 |
| 1961-69 | -37.5 | -42.5 | 37.4 |

Source: Cols. 1, 2, Agricultural Statistics, U.S. Dept. of Agriculture.
Col. 3, Manpower Report of the President (prepared by), U.S. Dept. of Labor.

TABLE 15. INCOME SHARES OF LOWEST QUINTILES OF FAMILIES BY REGION, 1953, 1961, AND 1969

| | <u>1953</u> | <u>1961</u> | <u>1969</u> |
|---|-------------|-------------|-------------|
| Percent of income to lowest quintile | | | |
| South | 3.5 | 3.8 | 4.9 |
| Northeast | 6.8 | 6.0 | 6.4 |
| Northcentral | 5.2 | 5.3 | 6.1 |
| West | 5.3 | 5.7 | 5.8 |
| Percent of income to lowest two quintiles | | | |
| South | 14.0 | 13.7 | 16.4 |
| Northeast | 20.3 | 18.5 | 19.3 |
| Northcentral | 18.2 | 17.7 | 19.0 |
| West | 18.0 | 18.4 | 18.0 |

Source: Income in 1969

TABLE 16. REGRESSION OF INCOME SHARES ON TIME, 1953-69

| <u>Region</u> | <u>Lowest Fifth</u> | | <u>Lowest Two-Fifths</u> | |
|---------------|---------------------|----------------------|--------------------------|----------------------|
| | <u>Coefficient</u> | <u>R²</u> | <u>Coefficient</u> | <u>R²</u> |
| South | .094 (10.772) | 0.88 | 0.016 (6.235) | 0.70 |
| Northeast | -0.021 (2.410) | 0.23 | -0.071 (4.068) | 0.49 |
| Northcentral | 0.057 (7.133) | 0.76 | 0.073 (4.368) | 0.53 |
| West | 0.038 (2.468) | 0.24 | 0.010 (0.356) | * |

*Corrected R² less than zero.

"t" values in parentheses.

TABLE 17. POVERTY, LOW INCOME AND MEDIAN FAMILY INCOMES BY REGION, 1959, 1969, and 1979 PROJECTED

| | <u>1959</u> | <u>1969</u> | <u>1979**</u> |
|-------------------------------|-------------|-------------|---------------|
| Poverty rates: | | | |
| Percent of families | | | |
| <u>Incomes under \$3,000*</u> | | | |
| South | 26.6 | 13.7 | 8.3 |
| Northeast | 11.2 | 6.8 | 4.8 |
| Northcentral | 15.1 | 7.8 | 4.9 |
| West | 11.0 | 7.5 | 4.5 |
| Low income: | | | |
| Percent of families | | | |
| <u>Income under \$5,000*</u> | | | |

TABLE 17. POVERTY, LOW INCOME AND MEDIAN FAMILY INCOMES
BY REGION, 1959, 1969, and 1979 PROJECTED
(continued)

| | <u>1959</u> | <u>1969</u> | <u>1979**</u> |
|--------------|-------------|-------------|---------------|
| South | 45.8 | 27.0 | 18.2 |
| Northeast | 25.0 | 15.9 | 10.3 |
| Northcentral | 29.9 | 17.4 | 11.3 |
| West | 24.1 | 17.0 | 11.2 |

Median income *

| | | | |
|--------------|---------|----------|----------|
| South | \$5,475 | \$ 8,105 | \$11,710 |
| Northeast | 7,431 | 10,018 | 13,460 |
| Northcentral | 6,957 | 10,020 | 13,470 |
| West | 7,751 | 10,037 | 13,490 |

POVERTY RATES IN THE SOUTH, 1979 BASED ON ALTERNATIVE
RATES OF GROWTH IN MEDIAN FAMILY INCOME

| <u>Assumed Growth Rate</u> | <u>Median Family Income*</u> | <u>Poverty Rate</u> |
|----------------------------|------------------------------|---------------------|
| 2 1/2 | \$10,380 | 9.8 |
| 3 3/4 | 11,710 | 8.3 |
| 4 1/2 | 12,590 | 7.4 |

*1969 prices.

**Assumes growth in median family income of 3 3/4 percent annually for the South and 3 percent annually for the other regions. Assumed unemployment rate: 4.0 percent.

FOOTNOTES

¹By "regional economic growth" I will mean increases in summary measures of personal money income in constant prices per capita or per family. Where possible, I will use as a definition of poverty the one used by U.S. Government Agencies. By the "South" I will usually mean the Census definition of the South -- a choice often dictated by the availability of data.

²Notable examples of rather recent studies of the South as a relatively low income region include James G. Maddox, et. al. (20), J.C. McKenney and E.T. Thompson (eds.) (21), M.L. Greenhut and W.T. Whitman (eds.) (11), and William H. Nicholls (24).

³Lampman (18) and the Council of Economic Advisers (32) described the relation between national economic growth and poverty reduction.

⁴In this and the following two paragraphs, I borrow heavily from the ideas of Kuznets (16) and Lampman (18, 14-23).

⁵Schultz (16, 511-12) writes that the income elasticity of the demand for welfare services for the poor is positive but substantially less than one.

⁶It is clear that the location of some types of industry has a greater short-run impact on local poverty than other types. For example, the location of an automobile assembly plant or steel mill would have a greater short run effect than a research laboratory. Concerning the long-run there may be some question since the location of plants is, to some degree, interdependent.

⁷The general role of U.S. agricultural policy in contribution to this displacement has been recognized for at least 30 years. Gunnar Myrdal (23, 251-78) called attention to this in the early 1940's, as did the President's National Advisory Commission on Rural Poverty in its relatively recent report (34, 143-44).

⁸Based on (28, Tables 3, 21 and 25); see Appendix A. Although the point is often made that "It costs less to live in the South," this is countered by the dearth of publically provided goods and services for the southern poor. The matter of nonmonetary incomes and differences in the cost of living raise complicated issues that are outside the scope of this paper. See Watts (35) for discussions of the definition and measurement of poverty.

⁹Kain and Persky (14, 289) used the following classification of southern states:

| <u>Appalachian</u> | <u>Deep South</u> | <u>Heterogeneous South</u> |
|--------------------|-------------------|----------------------------|
| N. C. | S. C. | D. C. |
| Ky. | Ga. | Fla. |
| Tenn. | Ala. | Dela. |
| Va. | Ark. | Texas |
| W. Va. | La. | Okla. |
| | Miss. | Md. |

¹⁰Based on an unpublished estimate by the Office of Economic Opportunity of the number of poor in 1969 by states, there appears to have been marked stability in the location of the poor in the South with respect to this classification of states. The Appalachian South accounted for approximately one percentage point more and the northern heterogeneous group for approximately one percentage point less than was the case ten years earlier.

¹¹Although recent data are unavailable for other minority groups, the 1960 Census of the Population indicates the following pertaining to the South:

| | Number Families (000) | Percent under \$3,000 |
|----------------------------------|--------------------------|--------------------------|
| Indians | 23.4 | 63 |
| Negroes | 2290.1 | 63 |
| Spanish-American (Texas only) | 270.4 | 52 |

¹²The 1970 Census of the Population will probably show a major trend toward the urbanization of the Negro poor in the South. This apparent paradox is not real, since the shift from rural farm to rural nonfarm status may be viewed as an important step toward urbanization and since the technical definition of urban includes town of approximately 2,500 to 50,000 which are not metropolitan.

¹³The U.S. Department of Labor estimates the cost of a "lower living standard" to be 12 percent below the national urban standard in the non-metropolitan urban areas of the South. The simple average of the cost of living for the 10 southern cities cited is $5\frac{1}{2}$ percent below the national urban figure (31, 33).

¹⁴There may also be regional differences in the importance of income-in-kind and under-reported income. Private forms of income in kind may be relatively more important in the South and publically provided forms less important than in the rest of the country. It is especially difficult to speculate on possible regional differences in the under-reporting of income among the poor. Perhaps illegal forms of income would be more significant in the rest of the country, since illegal economic activity may be associated with degree of urbanization.

¹⁵These indicators of poverty in the South compare as follows:

| | <u>1959</u> | <u>1969</u> | <u>Percent Change</u> |
|---|-------------|-------------|---------------------------|
| (1) Families with Incomes under \$3,000 in 1969 prices | 26.6% | 13.7% | -48.5% |
| (2) Social Security Definition | 31.1 | 14.8 | -52.4 |
| (3) First criteria as a percent of the second | 85.5 | 92.6 | |

¹⁶The double log formulation is $P_t = A Y_t^B U_t^C E_t$ and, when transformed into natural logs, becomes $\ln P = \ln A + B \ln Y_t + C \ln U_t + \ln E_t$, where P_t is the percentage of families in poverty in year t , Y_t is median family income, U_t is the national unemployment rate and E_t is an error term. Muth (22, 8), and Aaron (1, 1232-3) have argued that the double log transformation is a relatively satisfactory formulation of this relationship. Nevertheless, several alternative formulations were tried in this study with respect to the South. When the data were not transformed, the coefficient for the unemployment variable had the wrong sign. When the income variable was transformed into natural logs and percent in poverty and unemployment were not the R^2 was very slightly higher but the Durbin-Watson Statistic was less satisfactory. As pointed out by the researchers cited above, over a limited

range the choice of functional form doesn't make much difference. However, for projections purposes, the natural form will tend to over-predict the extent of poverty decline as will the form $P_t = A B^{Y_t} C^{U_t} E_t$.

¹⁷A measure of poverty that focuses some attention on the distribution of families below the poverty line is the income gap or income deficit. This measure involves weighting the number of families below poverty by the dollar difference between their income and the poverty line. This concept could be modified by weighting the percent of families with varying incomes below poverty by the short-fall. Crude calculations suggest that this modified income gap declined somewhat more rapidly for the South than did the simpler measure of poverty -- percent of families below \$3,000. The declines between 1953 and 1964 were 44 percent and 35 percent, respectively, for the two measures.

¹⁸For an analysis of long-term southern economic growth in income and employment, see Maddox (20), Chapter 4, Spengler (27), and Garrett (10). For a recent analysis of regional trends in personal income, see Bretzfelder (6).

¹⁹The rate of black net out-migration from the South slowed substantially during the period 1955-60, compared to the period 1950-55 (12).

²⁰Behind these statistical facts is a profound human drama that is bound up with racial discrimination and far-reaching technological change in agricultural. The interested reader is referred to Myrdal (23) for general background reading, to Batchelder (4) for an analysis of the relative earnings of Negro men, and to Persky and Kain (15) for an analysis of who got the jobs and who found it necessary to migrate.

²¹See, for example, Kuznets (17) and Al-Samarrie and Miller (2).

²²In a recent article Andrew Brimmer (5), attributes the national trend toward greater equality in the latter part of the 1960's to these two developments. Though adequate data are not readily available to document this for the South, it seems probable that these factors were operating regionally.

²³Details of this calculation may be obtained from the author upon request.

²⁴In absolute numbers the rates were 1.6, 1.5, and 1.4 million per decade. U.S. Department of Commerce, News, Table 5, released March 3, 1971.

²⁵The National Planning Association has projected the following rates of growth in per capita personal income between 1968 and 1980.

| | |
|-----------------|------|
| Southeast | 3.7% |
| New England | 3.2 |
| Middle Atlantic | 3.1 |
| Great Lakes | 3.1 |
| Plains | 3.4 |
| Southwest | 3.4 |
| Mountains | 3.3 |
| Far West | 2.7 |
| U.S. | 3.2 |

Center for Economic Projections, State Economic and Demographic Projections to 1975 and 1985, Report No. 70-R-1, Washington, D.C.

²⁶In 1959 about one third of the families in the South were poor. Among nonwhite families headed by males, one half had incomes below \$3,000 (Table 7).

²⁷The term "escaping poverty" would be a misnomer since families slightly above the poverty line are not that better off.

²⁸Bureau of Census, Current Population Reports, Series P-23, No. 26, p. 2, and the statement of Conrad Taeuber, Bureau of the Census, before the House Committee on Banking and Currency on June 3, 1969.

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APPENDIX A

TABLE 1. MEAN INCOME DEFICIT* OF FAMILIES IN POVERTY
BY REGION AND RACE OF HEAD

| | <u>All Races</u> | <u>Negro</u> | <u>White</u> |
|---------------|------------------|--------------|--------------|
| South | \$1,362 | \$1,600 | \$1,216 |
| Northeast | 1,156 | 1,168 | 1,142 |
| North Central | 1,182 | 1,453 | 1,123 |
| West | 1,327 | NA | 1,336 |
| United States | 1,283 | 1,503 | 1,200 |

*The mean difference between the poverty family's income and the poverty line.

Source: 24 Million Americans, Table 25.

TABLE 2. INCOME PER FAMILY MEMBER FAMILIES
IN POVERTY SOUTH AND NONSOUTH, 1969

| | <u>South</u> | <u>Nonsouth</u> | <u>Difference</u> |
|-----------|--------------|-----------------|-------------------|
| All races | \$524 | \$570 | \$51 |
| Negro | 479 | 567 | 88 |
| White | 563 | 575 | 12 |

Source: Computed from 24 Million Americans, Tables 3 and 21.

APPENDIX B

TABLE 1. 1966 OCCUPATION OF LONGEST JOB OF EARNERS IN POVERTY, 14 YEARS AND OLDER, SOUTHEAST REGION*

| | NONWHITES | | WHITES | |
|------------------|-----------|---------|--------|---------|
| | Males | Females | Males | Females |
| | (000) | (000) | (000) | (000) |
| Total Earners | 510 | 457 | 444 | 216 |
| Professional | | | | |
| Managerial, etc. | 8 | 3 | 73 | 13 |
| Clerical & Sales | 11 | 14 | 29 | 56 |
| Craftsmen | 40 | 2 | 73 | 3 |
| Operatives | 114 | 51 | 81 | 56 |
| Farmers | 38 | 2 | 49 | -- |
| Farm laborers | 97 | 74 | 36 | 4 |
| Services: H.H. | 4 | 170 | -- | 13 |
| other | 48 | 98 | 23 | 48 |
| Laborers | 125 | 7 | 49 | 6 |
| Not available | 24 | 36 | 33 | 16 |

*Alabama, Florida, Mississippi, Georgia, South Carolina, and Tennessee

Source: Office of Economic Opportunity, Preliminary Profile of the Poor in 1966.

TABLE 2. WORK EXPERIENCE OF PERSONS 14 YEARS AND OLDER IN POVERTY, SOUTHEAST REGION*

| | Males | Females |
|---------------------|-------|---------|
| Total (000) | 1,636 | 2,259 |
| Percent | | |
| Full time 40 Wks. + | 30.4 | 11.2 |
| Full time 1-39 Wks. | 12.8 | 12.6 |
| Part time 40 Wks. + | 10.1 | 7.5 |
| Part time 1-39 Wks. | 14.8 | 10.9 |
| Did not work | 31.3 | 57.7 |
| Did not work (000) | 512 | 1,304 |
| Percent: | | |
| Ill | 40.8 | 18.2 |
| Keeping house | 0.8 | 57.8 |
| In school | 26.2 | 17.2 |
| Can't find work | 2.0 | 2.5 |
| Other | 30.5 | 4.4 |

*Alabama, Florida, Mississippi, Georgia, South Carolina, and Tennessee

Source: Office of Economic Opportunity, Preliminary Profile of the Poor in 1966.

TABLE 3. INCOME PER FAMILY MEMBER FAMILIES IN POVERTY SOUTH AND NONSOUTH, 1969

| | South | Nonsouth | Difference |
|-----------|-------|----------|------------|
| All races | \$524 | \$570 | \$51 |
| Negro | 479 | 567 | 88 |
| White | 563 | 575 | 12 |

Source: Computed from 24 Million Americans, Tables 3 and 21.