1991 Green Book

Beginning with the 1990 edition, the *Green Book* became the official title of the yearly publication that serves as a resource document on entitlement programs for the Committee on Ways and Means of the U.S. House of Representatives. It has unofficially been called the *Green Book* for many years, for a number of reasons: It has a green cover; the full title is cumbersome—*Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means*—and also inaccurate, since Appendix O, approximately 100 pages of the current volume, is a "Description of other major federal assistance programs not within the jurisdiction of the Committee on Ways and Means"—such programs as Food Stamps and Medicaid.

The first *Green Book,* which came out March 10, 1981, in response to a request by Dan Rostenkowski, then and now chairman of the Ways and Means Committee, was 158 pages long. The 1991 issue, which came out on May 7 of this year, contains 1641 pages. The programs covered include Social Security, Medicare, trade adjustment assistance, Unemployment Compensation, Aid to Families with Dependent Children, child support enforcement, Supplemental Security Income, the Title XX social services block grant program, child welfare, foster care, and adoption assistance (as well as those in Appendix O to round out the picture). As described in the 1991 Letter of Transmittal, the book "integrates a description of each program within the jurisdiction of the Committee with current data regarding the population served by the program, an analysis of interactions with other major programs, and historical background information."[1]

Assembling the yearly *Green Book* has been the task of Wendell Primus, Chief Economist for the committee, since the first volume was printed. He is assisted by approximately 250 people, including analysts from various federal agencies and the committee staff.[2] The data in the book are therefore not only timely, but have the authority of the federal government behind them. Although most of the material in the book may be available elsewhere, the convenience of having it collected in one place greatly enhances its value. As a result, the *Green Book* has come to be much more than a tool for the committee; it has become as well an important resource for scholars, policy analysts, advocacy groups, and the press. And in recent years it has become a political hot potato.

Any single volume provides a current summary of social programs in the nation—how they work, their costs and benefits, and what they are accomplishing. As data accumulate, the annual volumes present a comprehensive numerical history of how the nation has dealt with its most vulnerable members over time and how membership among the vulnerable has changed. According to Primus, however, the *Green Book* is not constrained to update material that has been included in the past. Anything that is deemed of value to the members of the Committee on Ways and Means will find a place in the book.[3]

For the ordinary reader the book contains the answers to many questions, major and minor, that reveal much about the workings of the society of which we are a part. How do social programs in the United States compare with programs in other developed countries? How many teenagers have abortions each year? What happens to children who leave foster care? How much do doctors earn? What are the causes of death of the elderly? How many families receive child support from absent parents?

Poverty data

Since many of the entitlements are designed to counter poverty as well as provide security and equity to U.S. citizens, a section of the book (Appendix I) explores poverty, income distribution, and antipoverty effectiveness. A series of tables demonstrates the effectiveness of cash and noncash transfers (including the federal income tax and payroll taxes) in removing from poverty: all individuals, those in families with children, those with an unmarried household head, married couples with children, and the aged.[4] The tables cover the years 1979 through 1989, thus measuring the results of transfers over the decade. Table 19, Appendix I, which looks at single-parent families, is reproduced here as Table 1.[5] This table demonstrates that in 1979 approximately 30 percent of individuals in single-parent families with incomes below the poverty line were removed from poverty as a result of means-tested transfers, food and housing benefits, and federal tax policy. By 1989 only 17 percent were removed from poverty by those means. The poverty gap for this group (the amount by which the income of those in poverty fell below the poverty line) increased in the same period from $7,392,000 to $11,861,000 (in 1987 dollars).

The *Green Book* attributes the increase in the poverty population that occurred over this period to the following factors: growth in the general population, reduced effective-

Table 1

Antipoverty Effectiveness of Cash and Noncash Transfers (Including Federal Income and Payroll Taxes) for Individuals in All Units with an Unmarried Head and Related Children Less Than 18, 1979–1989

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Number of poor individuals (thousands):											
Cash income before transfers	11,480	12,458	12,915	13,594	13,751	13,774	13,685	14,069	14,259	14,149	14,074
Plus social insurance (other than Social Security)	11,271	12,207	12,689	13,284	13,501	13,513	13,391	13,790	14,040	13,928	13,820
Plus Social Security	10,367	11,201	11,858	12,579	12,611	12,786	12,581	13,143	13,306	13,167	13,040
Plus means-tested cash transfers (official definition)	9,230	10,362	10,987	11,903	12,063	12,132	11,943	12,487	12,661	12,514	12,388
Plus food and housing benefits	6,901	8,363	9,191	10,312	10,531	10,473	10,418	10,879	10,963	10,947	10,636
Less federal taxes	6,925	8,433	9,423	10,611	10,800	10,695	10,670	11,217	10,977	10,923	10,648
Number of individuals removed from poverty due to (thousands):											
Social insurance (other than Social Security)	209	251	226	310	250	261	294	279	219	221	254
Social insurance (including Social Security)	1,113	1,257	1,057	1,015	1,140	988	1,104	926	953	982	1,034
Means-tested cash, food and housing benefits	3,466	2,838	2,667	2,267	2,080	2,313	2,163	2,264	2,343	2,220	2,404
Federal taxes	–24	–70	–232	–299	–269	–222	–252	–338	–14	24	–12
Percent of individuals removed from poverty due to:											
Social insurance (including Social Security)	9.7	10.1	8.2	7.5	8.3	7.2	8.1	6.6	6.7	6.9	7.3
Means-tested cash, food and housing benefits and federal taxes	30.0	22.2	18.9	14.5	13.2	15.2	14.0	13.7	16.3	15.9	17.0
Poverty gap (millions of 1987 dollars):											
Cash income before transfers	24,431	26,996	28,350	30,452	31,519	30,680	30,722	31,942	32,661	32,142	31,018
Plus social insurance (other than Social Security)	23,742	26,050	27,550	29,463	30,358	29,687	29,822	31,216	31,975	31,627	30,349
Plus Social Security	20,952	23,010	24,657	26,597	27,361	27,046	26,790	28,518	29,172	28,632	27,533
Plus means-tested cash transfers (official definition)	12,014	13,785	15,448	17,309	17,976	17,580	17,562	18,815	19,358	19,481	18,844
Plus food and housing benefits	7,446	8,406	9,960	11,073	11,682	11,341	11,181	12,119	12,304	12,401	12,003
Less federal taxes	7,392	8,384	10,008	11,157	11,756	11,440	11,263	12,221	12,175	12,282	11,861
Percentage reduction in poverty gap due to:											
Social insurance (including Social Security)	14.2	14.8	13.0	12.7	13.2	11.8	12.8	10.7	10.7	10.9	11.2
Means-tested cash, food and housing benefits and federal taxes	55.5	54.2	51.7	50.7	49.5	50.9	50.5	51.0	52.0	50.9	50.5
Poverty rate (in percent):											
Cash income before transfers	50.0	51.6	52.1	54.5	53.8	51.5	50.7	51.4	50.9	49.5	48.1
Plus social insurance (other than Social Security)	49.1	50.6	51.2	53.2	52.8	50.5	49.6	50.3	50.1	48.7	47.2
Plus Social Security	45.1	46.4	47.8	50.4	49.3	47.8	46.6	48.0	47.5	46.0	44.6
Plus means-tested cash transfers (official definition)	40.2	43.0	44.3	47.7	47.2	45.3	44.3	45.6	45.2	43.7	42.3
Plus food and housing benefits	30.0	34.7	37.1	41.3	41.2	39.1	38.6	39.7	39.1	38.3	36.4
Less federal taxes	30.1	35.0	38.0	42.5	42.2	40.0	39.6	40.9	39.2	38.2	36.4

Source: *1991 Green Book*, pp. 1167–1168, Data from the Congressional Budget Office and the committee staff. The explanatory note below is taken from p. 1160.

Note: Poverty under six different income concepts is measured. "Cash income before transfers" is all cash income prior to any benefits from government programs. This would include all earnings, pension income, income from savings, self-employment income, etc. "Plus social insurance" adds to cash income all benefits from social insurance (except Social Security) programs, such as Workers' Compensation and Unemployment Compensation. "Plus Social Security" adds to cash income and social insurance income benefits from the Social Security programs. "Plus means-tested cash transfers" adds to cash income and social insurance income all means-tested transfer income such as Aid to Families with Dependent Children, Supplemental Security Income, and General Assistance. "Plus food and housing" adds to cash, social insurance and means-tested cash income all means-tested in-kind transfers received for food and housing. This would include food stamps, housing programs and school lunch programs. Benefits are valued using the market value method (the private-market cost of the benefits as estimated by the Census Bureau). "Less federal taxes" subtracts from income federal income taxes and the employee portion of federal payroll taxes.

ness of means-tested welfare programs, changes in demographics (for example, the growth of single-parent families), and the reduced effectiveness of social insurance programs. These summary explanations in the *Green Book* do not, however, give a complete picture of factors influencing the number of the poor. Although some demographic factors and government policies increased the number of poor, other factors had the opposite effect.[6] Tax policy changes since 1986—such as the Tax Reform Act of 1986 and the increases in the Earned Income Tax Credit in the Omnibus Reconciliation Act of 1990—have removed over two million people from poverty.

Unemployment compensation

Typical of the program descriptions in the *Green Book* is that of unemployment compensation (UC), summarized briefly here.[7] The UC program was created by the Social Security Act of 1935. It has two principal purposes: to aid workers temporarily unemployed through no fault of their own, and to counter the effects of recessions. Each state operates its own program, and the U.S. Department of Labor oversees the system. The federal portion of the program is paid for by a 6.2 percent tax on employers for the first $7000 paid annually to covered employers. Covered employers are those who paid wages of at least $1500 during any calendar quarter or who employed at least one worker in at least one day of each of twenty weeks in the current or prior year. (There are, of course, exceptions, such as nonprofit organizations and state-local governments.) The federal government credits up to 5.4 percent for states that follow coverage regulations if they do not have delinquent federal loans for UC, making the minimum net federal unemployment tax rate 0.8 percent. The states are supposed to use this credit to finance their programs and half of the federal-state extended benefits program.

The state tax rates vary, based on their own unemployment experience. Although the standard is 5.4 percent of the first $7000 in wages paid, and states can charge a rate of as high as 10 percent, the national average in 1990 was 2.0 percent of taxable wages, which came to 0.7 percent of total wages.

A portion of the federal revenue is used for administration of the system. The rest, with the state portion, goes into trust funds to cover the unemployment benefits and extended benefits.

Approximately 105 million individuals are covered by UC—approximately 97 percent of all wage and salaried workers or about 88 percent of all employed persons. Yet, in 1990, only 37 percent of unemployed persons were receiving benefits. This is far below the peak of 81 percent in April 1975. Of course not all covered workers are eligible for benefits: UC applies only to those who lose their jobs, automatically excluding persons who voluntarily leave their jobs without good cause and those who are fired for misconduct. States have restricted eligibility in a number of ways since 1980, such as by raising the required minimum earnings in a base year needed to receive the minimum benefit. Furthermore, a claimant may be disqualified, for example, if he or she refuses a job offer or does not demonstrate ability and willingness to seek suitable employment.

Minimum weekly unemployment benefits in 1991 range from $5 in Hawaii to $68 in Alaska. Duration of benefits usually varies with the amount of earnings the claimant had in the base year. Minimum length of time for receiving benefits ranges from five weeks in Oregon to 26 weeks in nine states. In fifty states, 26 weeks is also the maximum.

When benefits are exhausted, extended benefits can be obtained through the federal-state extended benefits program for up to 13 additional weeks if the state qualifies for this program. One qualification is that the state's 13-week average unemployment level for insured workers be at least 6 percent. Few states qualify. Approximately 2.3 million individuals exhausted their benefits in 1990, yet only two states—Alaska and Rhode Island—qualified for extended benefits. Current bills in Congress are designed to reach a larger proportion of covered workers who have exhausted their benefits without finding employment. On November 15, 1991, President Bush signed the Federal Supplemental Compensation Act, which temporarily provides extended benefits for 6, 13, or 20 weeks, depending upon the unemployment rate in a state. This bill leaves 18 states without retroactive benefits for those whose UC has expired.

The rich vs. the poor

Perhaps the most controversial tables in the book are those in Appendix J, "The Distribution of Income and Tax Burdens by Household." The tables in this section compare income for a number of groups in the population, before and after state and federal taxes. Table 2 here (which combines data from Tables 21, 22, and 23 in Appendix J) gives the proportion of income received by income groups, before and after federal taxes, over the period 1977–1988, and the share of taxes they paid. Before taxes, in 1977, the poorest fifth of families (based on income) received 4.9 percent of all pretax income, compared to 46.6 percent going to the top fifth. In 1988 the lowest fifth of families before taxes received 3.7 percent of total pretax income, compared to 51.9 percent for the top fifth. In other words the share of income received by the poorest fifth before taxes dropped by 24 percent—(4.9–3.7)/4.9—while the share going to the top fifth increased by 11 percent—(46.6–51.9)/46.6. After taxes, the share received by the poorest fifth of families dropped by 25 percent over this time span, whereas the share received by the top fifth rose by 13 percent. Thus the share of aftertax income going to the top fifth rose slightly faster than the share of pretax income going to the top fifth.

After taxes the top 1 percent of families received 12.8 percent of total aftertax income in 1988, compared to 7.3 percent in 1977, an increase of 75 percent. The share of taxes paid by the upper 1 percent rose only 17 percent, from 13.6 percent to 15.9 percent of total federal taxes paid.

These numbers, produced by the Congressional Budget Office (CBO), have not gone uncontested. The CBO has defended the data against a number of charges, ranging from a failure to explain their methodology to failure to adjust capital gains for inflation. Critics assert, for example, that the CBO grossly overstates the income of the richest fifth of families by including capital gains as ordinary income in the year in which an asset is sold, failing thereby to adjust for the portion of capital gains that is simply inflation.

While acknowledging problems entailed in measuring the distribution of family income and federal taxes, Robert D. Reischauer, Director of the CBO, justified the numbers, which are based on income data reported to the Internal Revenue Service and data from the Current Population Survey of the Bureau of the Census.[8] He described how the CBO calculations deal with such matters as inflation and summed up, "It is my belief that the data and methods that CBO has used to measure the distribution of family income and federal taxes are not biased in a particular direction nor do they distort the trends of the past several decades. This is not to say that CBO's methodology is perfect or that the data that are currently available to CBO are ideal. We are continually taking steps to refine our analyses as better data become available."[9]

If in fact the rich are getting richer and the poor are getting poorer, why are taxes becoming less progressive? According to the *Green Book* there are two explanations of the shift since 1977. The first is the rise in payroll taxes. Pay-

Table 2

Shares of Income for All Families before and after Federal Taxes and Shares of Federal Taxes Paid

All Families (by Income Group)	Income Share, 1977		Income Share, 1988		Share of Taxes Paid	
	Pretax	Aftertax	Pretax	Aftertax	1977	1988
Lowest quintile	4.9%	5.7%	3.7%	4.3%	2.0%	1.5%
Second quintile	10.6	11.6	9.0	9.8	7.2	6.2
Middle quintile	15.7	16.3	14.5	15.1	13.4	12.5
Fourth quintile	22.5	22.7	21.2	21.4	21.6	20.8
Highest quintile	46.6	44.0	51.9	49.8	55.7	58.9
Overall	100.0	100.0	100.0	100.0	100.0	100.0
Breakdown of top quintile						
81 to 90 percent	15.8	15.6	15.2	14.9	16.7	16.4
91 to 95 percent	10.2	9.9	10.2	9.8	11.3	11.6
96 to 99 percent	11.9	11.3	12.9	12.3	14.1	15.1
Top 1 percent	8.7	7.3	13.5	12.8	13.6	15.9

Source: *1991 Green Book*, pp. 1308 and 1309 (combining portions of Tables 21, 22, and 23). Data from Congressional Budget Office tax simulation model.

roll taxes represent a higher share of income for low- and middle-income families than for the rich, because this tax has a cap. It now consists of 6.2 percent of earnings up to $53,400 for Old Age, Survivors, and Disability Insurance and 1.45 percent up to $125,000 for hospital insurance. (Economists generally agree that the employer's share of the payroll tax—almost identical in size to the tax on the worker—is also effectively paid by the worker.) Since only the top fifth of households pay more in income tax than payroll tax, this group has received an overall tax reduction from the 1986 tax reform while the rest of the taxpaying population—excepting those who receive the EITC—faced a tax increase. (In 1978 the OASDI tax on workers was 6.05 percent on earnings up to $17,700.)[10] The other reason is that the income tax has indeed become much less progressive at the very top of the income scale (the top 1 percent) since 1977.[11] No matter how large a person's income, the tax rate remains at approximately 31 percent.

Significance of Ways and Means programs

Programs under the jurisdiction of the Committee on Ways and Means accounted for 33.1 percent of total federal government outlays (less interest) in 1990 and are estimated to take 40.9 percent in 1995.[12] Actual expenditure in fiscal year 1990 for these programs was $415 billion.[13] It will be of continuing interest to assess what is and what is not being accomplished with this investment. ■

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[1] *1991 Green Book* (Washington, D.C.: U.S. Government Printing Office, 1991), p. iii.

[2] Among those organizations acknowledged in the 1991 volume for their contributions to the project were the Congressional Research Service of the Library of Congress, the Congressional Budget Office, the Office of Research and Statistics of the Social Security Administration, the Office of the Actuary of the Social Security Administration, the Health Care Financing Administration of the Department of Health and Human Services, the Prospective Payment Assessment Commission, the Physician Payment Review Commission, the Department of Labor, the Office of Family Assistance and the Office of Child Support Enforcement of the Department of Health and Human Services, the Census Bureau, the Pension Benefit Guaranty Corporation, the staff of the Railroad Retirement Board, the staff of the Joint Committee on Taxation, the General Accounting Office, the staff of the House Budget Committee, and the Luxembourg Income Study.

[3] Telephone conversation, August 14, 1991.

[4] Tables 17–21, pp. 1163–1172. Unfortunately, in the desperate rush to get the book out, a couple of rows of figures and the title were omitted from Table 20.

[5] An additional advantage of the *Green Book* is that all tables are in the public domain and may therefore be reproduced without the cost and time of obtaining permission.

[6] *1991 Green Book*, p. 1181. An IRP study by Peter Gottschalk and Sheldon Danziger, "Family Structure, Family Size, and Family Income: Accounting for Changes in the Economic Well-Being of Children, 1968–1986" (Discussion Paper no. 934–91, 1990), fleshes out what has happened to poverty among children over the period 1968–1986. They find that the relatively small changes in poverty over the eighteen years observed reflect large, but offsetting, demographic and economic changes. The increase in the number of children in households headed by women increased poverty among children, but at the same time the decline in family size and increased educational attainment of women reduced poverty.

[7] *1991 Green Book*, pp. 465–504.

[8] Letter from Robert D. Reischauer to Representative Dick Armey, Joint Economic Committee, Congress of the United States, June 3, 1991.

[9] Ibid.

[10] *1991 Green Book*, p. 75.

[11] Ibid., p. 1287.

[12] Ibid., p. 1523.

[13] Ibid., p. 1521.

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