STATEMENT OF DR. C. E. BISHOP, EXECUTIVE DIRECTOR, AGRICULTURAL POLICY INSTITUTE, NORTH CAROLINA STATE COLLEGE

Dr. BISHOP. That is correct, Mr. Landrum.

Mr. LANDRUM. The statement will be inserted and you are recognized to proceed as convenient to you.

(The statement referred to follows:)

STATEMENT OF DR. C. E. BISHOP, EXECUTIVE DIRECTOR, AGRICULTURAL POLICY INSTITUTE, NORTH CAROLINA STATE COLLEGE

Poverty has become the magic word of the day. With amazing speed the pendulum has swung from affluence to poverty. As America has discovered its poor, it has begun an extensive examination of current policies and programs with reference to their failure to improve the levels of living of a large number of low-income families. Concurrently there have emerged demands for new programs designed specifically to improve the levels of living of low-income families.

The purposes of this paper are to examine the nature of the low-income problem in the United States, to identify some of the forces generating the problem and to indicate changes that must be made if the cycle of poverty is to be broken.

THE POVERTY CONCEPT

Usage of the word "poverty" is very confusing. The term is applied to at least three situations. The policies relevant to solving the problem vary distinctly among the different situations. Therefore, recognition of the type of problem under consideration is essential to effective policy formation.

Economists have long been preoccupied with low income as an indicator of inefficient use of resources. In an efficiency context, the low-income problem is one of adjustment in resource use—incomes from resources are increased by transferring resources to more productive uses—or of resource development. If resource owners are rational, the problem can arise and persist only (1) from lack of information concerning the potential return from resources in alternative uses, or (2) as a result of governmental or other restrictions which prevent profitable resource transfers. Given imperfect knowledge or institutional restrictions on factor mobility, a large number of conditions can result in low incomes in one area relative to another. It should be emphasized, however, that inefficiency in resource use is neither a necessary nor sufficient condition for low incomes. Certainly, inefficiency in resource use may exist among families which are defined above the poverty category. Also, relatively low returns do not necessarily indicate inefficient resource use.

Secondly, some people have low income by choice. They are not motivated by money income. This condition, which is referred to as anomie, results when people choose to employ their resources in certain uses even though their money incomes would be higher if they transferred their resources to other uses. To the extent that there is a low-income problem among these families, it results from differences of opinion with respect to how income components should be valued.

In a market economy, the market is the place where the preferences of resource owners and those of consumers are reconciled. Through their purchases in the market, consumers express preferences for the production of goods and services and indirectly for the use of resources. It is not possible, therefore, for people to choose arbitrarily the use which they will make of their resources and at the same time to specify the income which they will receive. Once the use of resources has been specified, income has been largely determined. Certainly, society has no responsibility to individuals to provide them with minimum income levels if these individuals are not motivated by income-generating uses for their resources.

If there is concern that resources are not being used most productively this can be resolved by using the taxing and subsidizing powers of the Government to provide incentives for changes in resource use. Over the long run, people can be motivated to employ their resources productively through education. Individual preferences are a product of their cultural heritage. Through edu-