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Poverty and public policy: A conference

Under the title "Poverty and Public Policy: What Do We Know? What Should We Do?" the Institute for Research on Poverty and the Office of the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services held their third national conference to evaluate public policy efforts to address poverty and its concomitants.[1] The conference, which took place on May 28–30, 1992, at the University of Wisconsin in Madison, commemorated the twenty-fifth anniversary of the Institute. Organizers of the conference were Sheldon H. Danziger, University of Michigan, an affiliate and former director of IRP; Gary D. Sandefur, University of Wisconsin, also an IRP affiliate; and Daniel H. Weinberg, U.S. Bureau of the Census.

The conference papers were subjected to critical scrutiny by discussants and other policy analysts in attendance. (For a list of authors, discussants, and session chairs, see box, p. 7.) The collected papers are to be published by Harvard University Press. (For the contents of the volume, see box, p. 5.)

The editors' introduction, which contains capsule summaries of the chapters, is reproduced in part below. It is followed by a section from the concluding chapter by the two conference rapporteurs: Robert Haveman, University of Wisconsin and former director of IRP, and Isabel Sawhill, Urban Institute, who has served on the National Advisory Committee of IRP. A box following the article (p. 13) contains a list of poverty policy priorities for President Clinton, compiled by the rapporteurs.

EXCERPTS FROM EDITORS' INTRODUCTION, BY SHELDON H. DANZIGER, GARY D. SANDEFUR, AND DANIEL H. WEINBERG

Almost thirty years ago, President Johnson declared unconditional war on poverty and committed the American people to a campaign against economic deprivation. Poverty did fall in the following decade, but by the mid-1970s progress against it had come to a halt. In 1991, 14.2 percent of Americans were poor. Although this fraction is lower than the 19 percent of our population that was poor when the War on Poverty was declared in 1964, it is above the historic low point (11.1 percent) in 1973 and is the highest since 1983, when 15.2 percent of the population had incomes below the poverty line. Further, the number of poor in 1991, 35.7 million, was almost as high as the 1964 figure, 36.1 million.

Conventional wisdom tends to regard the War on Poverty as a failure because poverty has remained a national problem. This conclusion is, however, somewhat simplistic. As the chapters in this volume demonstrate, poverty is a complex social problem. It has not been eliminated, but this does not mean that the war against it failed. Poverty remains because the economy and society have changed in many ways that were not envisioned in 1964. These changes have generated more poverty at the same time that the public resolve to fight poverty has waned.

This volume tries to establish a new conventional wisdom with regard to poverty and antipoverty policy. The consensus that emerges is that there is no simple answer to the question, Was the War on Poverty a success or a failure? Some programs were very successful, others failed; some were never large enough to make a difference; others were not designed to deal with the unforeseen demographic and economic changes that have occurred over the past two decades. This volume, however, does provide a simple, affirmative answer to the question, Can and should government in the 1990s place greater emphasis on policies to reduce poverty? All of the evidence reviewed by the authors points to the need for a renewed antipoverty policy agenda, even though there is some disagreement about specific programs and policies. The research and policy lessons of the past three decades can be characterized as reflecting realism, rather than either the optimism that characterized the War on Poverty or the pessimism that marked the Reagan administration's attempts to scale back the social safety net. Rejected are the views that government can do almost anything *and* that government can do almost nothing. The authors in this volume, reflecting the new view, propose many changes that, if undertaken, would reduce poverty. They are realistic enough to recognize that these policies would not totally eliminate poverty. And, they recognize that there are other policies that require additional research, experimentation, and demonstration trials before we can resolve the American paradox of "poverty amidst plenty" that motivated the War on Poverty.

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Institute for Research on Poverty
1180 Observatory Drive
3412 Social Science Building
University of Wisconsin
Madison, Wisconsin 53706
(608) 262–6358
Fax: 608–265–3119

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Focus is free of charge, although contributions to the U.W. Foundation–IRP Fund sent to the above address in support of *Focus* are encouraged.

Edited by E. Uhr.

The chapters address four major questions that have formed the core of research on poverty during the past three decades: What is the extent of poverty? How effective are antipoverty programs? How should we reform and expand antipoverty programs and policies? What are the political constraints within which antipoverty policy must be formulated?

What is the extent of poverty?

Sheldon H. Danziger and Daniel H. Weinberg discuss the trend in the level and distribution of family income and a series of alternative measures of poverty. They provide a historical perspective on what has happened to poverty in the United States since its eradication first became a goal of public policy. They examine trends over time in the official poverty rate and in alternative poverty measures adjusted for such deficiencies in the official definition as the failure to account for the receipt of in-kind income and the payment of taxes. They also examine the severity of poverty, both the proportion of people with incomes below half the official poverty line and the poverty gap—the amount by which a poor family's income falls below its poverty line.

Whatever measures they use, they find that prior to 1973, family income grew rapidly, income inequality declined modestly, and poverty declined dramatically—from 19 percent of the population (official rate) in 1964 to a low of 11.1 percent in 1973. The period between 1973 and 1979 is characterized by stagnation in mean income and modest cyclical changes in poverty. Poverty then rose rapidly between 1979 and 1983 because of back-to-back recessions and falling average incomes. It is the post-1983 period that Danziger and Weinberg find anomalous. During this period mean income grew rapidly, but so did inequality. As a result, the poverty rate and the severity of poverty remained above their 1973 levels.

They conclude that economic growth matters, but growth matters less to the trend in poverty now than in the past because of increased income inequality.

Looking at trends among various demographic groups, Danziger and Weinberg report that, in any year, non-Hispanic whites have lower poverty rates than blacks, Hispanics, and other minority groups; prime-age adults have lower poverty rates than children and the elderly; men have lower poverty rates than women; and married-couple families have lower poverty rates than female-headed families. All of these demographic disparities in poverty have persisted over the past fifty years, with one exception. Until 1973 the poverty rate for the elderly was substantially higher than the rate for children, whereas since 1973 it has been lower, and is now substantially lower.

Peter Gottschalk, Sara McLanahan, and Gary Sandefur examine the nature of persistent poverty and welfare use within and across generations. They show that most people who are poor at some point in their lifetime are poor for only a short period of time. Despite the long economic recovery of the 1980s, there has been no increase in recent years either in income mobility or in the likelihood of escaping poverty from one year to the next for individuals. In addition, blacks experience longer spells of poverty on average than do whites. The majority of people who use welfare (in particular, Aid to Families with Dependent Children, AFDC) use it for less than two years in a row. Yet about one-half of first-time users return to welfare later. Blacks are on welfare longer on average than are whites, and are more likely than whites to return to the welfare rolls after an initial experience with welfare.

Gottschalk, McLanahan, and Sandefur also examine the evidence regarding the causal effect of welfare on poverty, a critical issue in recent public policy debates. They conclude that although welfare has small but measurable adverse effects on work effort, marriage, divorce, and childbearing, these are not large enough to lead to an increase in the poverty rate relative to what it would be without welfare. In fact, the poverty rate would be significantly higher without the cash transfers from welfare programs, and a more generous welfare system would reduce poverty.

Research on the intergenerational transmission of poverty suggests that individuals who grow up in poor families are substantially more likely to experience poverty as adults than those who do not grow up in poor families. However, poverty is not a "trap," since over half of the people who grow up in the bottom quintile of the income distribution will not be there as adults. While the evidence also supports the intergenerational correlation of welfare use, it does not yet permit sorting out the extent to which welfare use in one generation *causes* welfare use in the next generation. Finally, Gottschalk, McLanahan, and Sandefur report that growing up in a single-parent family is associated with deleterious life-cycle events such as dropping out of high school and premarital pregnancy, which in turn are associated with poverty and welfare use later as adults.

Indications of intergenerational transmission of poverty and welfare use raise the specter of a permanent underclass, mired in poverty, behaving in ways that further isolate them from the economic and social mainstream. Ronald B. Mincy examines the concept of the underclass, a term used to describe the combination of poverty and social problems such as violence, drug abuse, joblessness, delinquency, promiscuity, and dependence on welfare attributed to some residents of urban slums. He outlines the work of William Julius Wilson, the principal underclass theorist, who constructed a set of hypotheses to explain the emergence of an underclass in certain center-city neighborhoods: changing employment opportunities (reduced demand for low-skilled labor), declines in black marriage rates, and selective outmigration (movement of middle-class blacks from the urban ghettos).

Mincy explores the extent to which the Wilson hypotheses have been substantiated and questioned, and he points to others who place greater stress on the role of race discrimination in marginalizing low-skilled minorities in our society. He concludes that though much controversy remains, and measurement of the underclass is exceedingly inexact, the literature on the underclass has been valuable in reestablishing a broader debate about poverty and its causes.

How effective are antipoverty programs?

Gary Burtless examines historical trends in and economic limits on public spending on the poor. Burtless points out that most programs for the poor are successful in meeting most of their objectives. He suggests that it is easier to examine the intensity of our effort to help the poor than it is to examine our success, since intensity can be measured by looking at expenditures.

Burtless points to three major eras in public spending on the poor. The 1960–1975 period was marked by the initiation and/or expansion of many programs targeted on the poor. It was followed by a period of skepticism about antipoverty programs and retrenchment in social spending. The third and current era began toward the end of the 1980s with program liberalization that involved reform and extension of existing programs, rather than the initiation of new programs as in the 1960s.

Burtless also poses the question of whether spending money on the poor has adverse effects. He questions whether the effects are very large with reference to the experience of other industrialized countries. In many of these, generous redistribution policies have been compatible with much higher growth in real per capita gross domestic product than has occurred in the United States.

He concludes that the choice of redistribution policy rests ultimately on political rather than purely economic considerations. The United States has chosen modest redistribution and high rates of poverty primarily because of political considerations, particularly the view that government—to the greatest extent possible—should minimize its intervention in the market economy.

Yet the government has increased redistributive payments to individuals since 1960. What, exactly, has been the effect on the poor of this spending? Danziger and Weinberg emphasize several points. First they point out that most income transfers are not restricted to the poor. Social insurance, available to the retired, survivors, the disabled, and the unemployed, regardless of their family income, represents about three-quarters of the total of $573 billion spent on transfers in 1990. Only the remaining quarter targets the low-income population. They further point out that since 1960 programs have increasingly provided assistance in forms other than cash—increases in Medicare, Medicaid, housing assistance, and Food Stamps. Within these constraints, in 1990, 37.2 percent of the pretransfer poor (8 percent of all persons) were removed from poverty by cash transfers, and about half of the pretransfer poor were taken out of poverty by cash plus noncash transfers.

Trends in the antipoverty effectiveness of cash transfers over the 1967–1990 period differ markedly for the elderly and for persons living in families with children headed by a nonelderly male or female. The poverty rate for the elderly is now below average and has declined relative to the rates of nonelderly families with children, primarily because of the increasing antipoverty effectiveness of income transfers. Since 1973, when social security benefits were indexed for inflation, cash transfers have continued to remove more than three-quarters of the elderly pretransfer poor from poverty.

Poverty rose primarily for those most affected by adverse economic conditions—families with children—for whom inflation-adjusted spending increases after 1973 have been quite modest. Government spending on these families declined in the 1980s: unemployment insurance and AFDC coverage were restricted, and public employment was eliminated, despite the rising pretransfer poverty generated by recession. For female-headed families with children, for example, cash transfers in 1990 removed only about 10 percent of the pretransfer poor from poverty.

James Tobin examines the relationship between macroeconomic policies (and trends) and poverty. He asserts that the early efforts to reduce poverty during the 1940s, 1950s, and 1960s could rely on favorable macroeconomic trends. The migration and shift of labor from rural agriculture to urban industry were important factors in reducing poverty during the 1940s and 1950s. Economic growth was robust during the 1950s and 1960s; this "rising tide" contributed to reducing the poverty rate through increased employment and made it possible to expand spending on government programs.

Since 1973, macroeconomic performance has been disappointing, and when the economy has grown, poverty has not been very responsive to this growth. This lack of responsiveness is in part due to the failure of economic growth to provide "good" jobs for low-skilled individuals as it did in the past. Tobin argues that public investments in education, infrastructure, housing and inner-city development, improved health care, job programs, and welfare reform are all necessary in order to reduce poverty, and that this investment should take priority over reducing the federal debt. He feels, however, that "the Reagan administration has succeeded all too well and too permanently in its objective of crippling civilian government by giving away tax revenues, creating a political taboo against raising taxes, and generating a deficit and debt to brandish against civilian expenditures."

What have we tried and what should we do?

The papers in the middle section of the book recommend changes in antipoverty policy, based on an assessment of the research and policy experience of the past three decades. Rebecca Blank examines employment policies. She finds that widespread unemployment is not a serious problem for some groups, such as adult white males, but that there are specific groups, for example, blacks in central cities, for whom the availability of jobs is of particular concern. While aggregate employment grew during the 1980s, the inflation-adjusted wages of less-skilled male workers fell. On the other hand, women's wages rose faster than men's during the 1980s and the earnings of less-

POVERTY AND PUBLIC POLICY:

WHAT DO WE KNOW? WHAT SHOULD WE DO?

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Sheldon H. Danziger, University of Michigan, Gary D. Sandefur, University of Wisconsin–Madison, and Daniel H. Weinberg, U.S. Bureau of the Census

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Gary Burtless, Brookings Institution

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Chapter 16. The Nature, Causes, and Cures of Poverty: Accomplishments from Three Decades of Poverty Research and Policy
Robert Haveman, University of Wisconsin–Madison, and Isabel Sawhill, Urban Institute

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Copies of the conference papers, revised for the volume, may be obtained for $4.00 each from the IRP Publications Office. Prepayment is required. Send your request with a check, made out to the Institute for Research on Poverty, to IRP, 1180 Observatory Drive, 3412 Social Science Building, Madison, WI 53706. Note: The introductory and concluding chapters, excerpted in this issue of *Focus*, are not available.

skilled women either remained flat or increased. Yet women still earn substantially less than men with the same levels of education. The overall impact of these trends and the rise in the percentage of families with a single female head has been to make it more difficult for low-income families to earn their way out of poverty. She notes that this produces a situation in which "it is now probably harder to implement an 'employment strategy' as a way to reduce poverty than it has been at any time in the recent past."

Blank finds that over the past two decades, changes in welfare policies have tended to concentrate less on improving the earnings potential of welfare recipients and more on increasing their work effort, regardless of whether this increased work effort enhances their economic well-being. She summarizes the changing impact of AFDC program structure on work incentives in three points. First, a steady decline in the purchasing power of AFDC benefits has made AFDC an increasingly less attractive option. Second, legislation, such as the Omnibus Budget Reconciliation Act of 1981, has tightened eligibility, increasing work incentives for those families removed from AFDC by the changes. Many of the former AFDC recipients thus removed are worse off, since they have less time for parenting or other home-based activities and little or no increases in family income. Third, high benefit reduction rates have caused work effort to decline among those who continue to utilize AFDC, since the added work produces little net income gain.

Blank then examines the effects of on-the-job training, job search assistance, and work experience programs on the work effort of the poor. Evaluations have shown that job search assistance leads to modest employment and income gains among female AFDC recipients, and that the social returns from some of these programs are greater than the costs. Yet there is no evidence that these programs moved many families out of poverty, and there is less evidence of effectiveness among men and youth. Blank also assesses the effect of the Earned Income Tax Credit (EITC). She reports simulations that indicate that approximately 10 percent of poor families eligible for the EITC escape poverty through it.

She concludes with a set of interrelated policy recommendations that involve the stimulation of economic growth, educational reform, expansion and experimentation with job training programs and other employment-related services, stronger work incentives for those on AFDC, expansion of the EITC, and spatial targeting to meet the needs of those in rural and inner-city areas with high unemployment rates.

Irwin Garfinkel and Sara McLanahan explore the problems of single-mother families. They point out that over one-half of the current generation of children will live in a family with only a mother before reaching age 18, and that most of these families experience economic and social insecurity that have detrimental effects on the children later in their lives.

Other industrialized countries do much more for single-parent families than does the United States. This observation leads Garfinkel and McLanahan to propose two alternatives to improve the financial situation of single mothers and their children. One is a refundable tax credit of $1,000 per child to replace the child exemption in the federal income tax. This is similar to a child allowance, in widespread use in Europe and Canada. Another possibility is a Child Support Assurance System, through which each child living with a single parent receives either the full amount of child support due from the absent parent or a minimum benefit provided by the government.

Jeffrey S. Lehman examines the special case of the urban poor. He reviews the advantages and disadvantages of the two most commonly proposed plans: enterprise zones and guaranteed public jobs.

Enterprise zones have not yet become part of a federal policy, though 37 states and the District of Columbia have used some aspects of such a program. Lehman points out some of the equity-based reasons to worry about such programs, for which benefits are spatially targeted. The first is that someone just as needy as the person helped by a program, but living in a different part of the city, would not benefit from it. The second is that all residents in a targeted area are not necessarily equally needy. They may have nothing in common but their addresses. The third problem is that such zones can restrict the mobility of those who take advantage of the program.

Experience with limited state-based enterprise zones suggests caution. Not all programs have been successful, and though some benefits have resulted from new businesses locating in a depressed neighborhood, these new businesses have not generated large increases in aggregate employment or economic activity.

According to Lehman, guaranteed public sector jobs would be a more direct approach to increasing employment in a targeted area. Although the most recent public service employment program—the Comprehensive Employment and Training Act of 1973 (CETA)—provided modest long-term earnings increases for white and minority women participants (though not for men), it was highly criticized and eliminated by Reagan. Four criticisms—some of them contradictory—are brought to bear on all public service employment programs: (1) the jobs created are "make-work jobs" that do not provide workers with skills they can transfer to the private sector; (2) the jobs simply replace jobs already being performed; (3) the jobs go to the non-needy, who are the most capable workers and could find jobs in the private sector; (4) the jobs are more expensive than they are "worth."

Conference Authors, Discussants, and Session Chairs

Jane Baird, Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services
Rebecca M. Blank, Northwestern University
Lawrence Bobo, University of California, Los Angeles
George Borjas, University of California, San Diego
Gary Burtless, Brookings Institution
Glen Cain, University of Wisconsin–Madison
Reginald Clark, California State University at Fullerton
Sheldon H. Danziger, University of Michigan
William Diaz, Ford Foundation
Mary Fennell, Pennsylvania State University
Irwin Garfinkel, Columbia University
Peter Gottschalk, Boston College
Judith Gueron, Manpower Demonstration Research Corporation
Robert Hauser, University of Wisconsin–Madison
Robert Haveman, University of Wisconsin–Madison
Hugh Heclo, George Mason University
Robert Hill, Morgan State University
Jennifer Hochschild, Princeton University
Christopher Jencks, Northwestern University
Alfred Kahn, Columbia University
Robert Lampman, University of Wisconsin–Madison
Jeffrey Lehman, University of Michigan
Zai Liang, University of Chicago
Charles F. Manski, University of Wisconsin–Madison
Cora Marrett, University of Wisconsin–Madison and National Science Foundation
Sara McLanahan, Princeton University
Lawrence Mead, New York University
Ronald Mincy, Urban Institute
Richard Murnane, Harvard University
Melvin Oliver, University of California, Los Angeles
June O'Neill, Baruch College
Irving Piliavin, University of Wisconsin–Madison
Robert Plotnick, University of Washington
Alejandro Portes, Johns Hopkins University
William Prosser, Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services
Erol Ricketts, Russell Sage Foundation
Patricia Ruggles, Urban Institute
Gary D. Sandefur, University of Wisconsin–Madison
Isabel Sawhill, Urban Institute
Diana Slaughter-Defoe, Northwestern University
Eugene Smolensky, University of California, Berkeley
Matthew Snipp, University of Wisconsin–Madison
Katherine Swartz, Harvard University
Marta Tienda, University of Chicago
James Tobin, Yale University
Harold Watts, Columbia University
John Weicher, U.S. Department of Housing and Urban Development
Daniel H. Weinberg, U.S. Bureau of the Census
Roger Wilkins, George Mason University
Robert Willis, University of Chicago
Franklin Wilson, University of Wisconsin–Madison
William Julius Wilson, University of Chicago
Barbara L. Wolfe, University of Wisconsin–Madison

Lehman stresses the need for programs that enhance mobility. He argues for a balance between programs that are spatially targeted at areas with very serious problems and programs that do not inhibit the mobility of the urban poor. He advocates increased efforts to end overt racial discrimination by landlords, home sellers, realtors, and lenders and suburban zoning practices that preclude the production of inexpensive housing, and he argues for the expansion of housing vouchers or "allowances." These changes would help low-income households leave the ghetto if they wished to. These "mobility" policies would be accompanied by demonstration projects involving the placement of public service employment and wage subsidy programs in distressed neighborhoods in exchange for commitments from state and local governments to rebuild the infrastructure of these areas.

Barbara Wolfe examines the possibilities for reforming health care for the nonelderly poor. She concludes that reported health problems are greater for the poor than for the nonpoor, leading to a greater need by the poor for medical care. The lack of health insurance, the indirect costs of utilization, the limited hours of service by providers, and the limited number of private providers in low-income areas limit the access of the poor to health care.

A number of public programs are designed to help the poor with their health care needs. Medicaid greatly improved the access of the poor to health care relative to what it was prior to the existence of that program. However, Medicaid has a number of problems, including the fact that a substantial number of the poor are not covered by it. Other programs designed to assist those without means who need medical care, such as Maternal and Child Health Services, Community Health Centers, Migrant Health Centers, and the Indian Health Service, have experienced declining resources over time.

Wolfe reviews the major proposals for reform in the health care system, including requirements that employers provide some minimum level of coverage to their employees and their dependents ("pay or play"), expansion of Medicare and/or Medicaid, modifications in tax incentives, and nationalized health insurance. Wolfe argues that major reform is very difficult for a number of reasons, primarily political ones, and that if major overhaul is not undertaken, steps can and should be taken to patch the current health care system and improve the position of those in poverty. One such step is her proposal for a "healthy kid" program. It would cover all children under the age of nineteen for a specific set of services at community health care centers. Certain types of medical care would be available at no charge, while other types would require income-conditioned co-payments and might be delivered at places other than the community care centers.

Two papers examine educational policy and educational reform. Richard Murnane points out that education can play an important role in reducing poverty. The 1973–1991 period was a tough time for all Americans, but the average wage for those with no more than a high school degree declined considerably more than the average wage for college graduates. In addition, the employment of those with less education is considerably less stable than that of college graduates. These problems are even more serious for blacks than for whites. In addition to improving graduation and continuation rates, Murnane stresses the importance of improving basic or threshold mathematical and reading skills.

Murnane finds two policies to have little merit: educational vouchers and merit pay for teachers. Existing research does not indicate that educational vouchers would improve educational opportunities for poor children. Merit pay plans have been expensive to administer, have not increased effort levels by individual teachers, and have militated against the teamwork that is a critical component of effective schooling. On the other hand, he advocates an expansion of preschool programs for disadvantaged children, changes in the design of compensatory education programs in public schools, experimentation with the integration of vocational with academic training, programs to increase the availability of skilled teachers for urban schools, and monitoring the quality of education provided to poor children.

Charles Manski takes a closer look at school vouchers, also known as school choice. He challenges the view that school choice is a panacea for our educational problems. Manski points out that most of the discussion of school vouchers has been done in the absence of any quantitative analysis of the effects of vouchers on the quality of education for low-income children. He develops a model of local educational markets and then simulates the effects of alternative school choice programs. His simulations suggest that the likely impact of school choice will be a mixture of desirable and undesirable consequences that will vary with the characteristics of the community and the characteristics of the school choice program. But it is clear that school choice is not a panacea. Manski concludes that "a system of uniform vouchers would not, even in the most favorable case, come close to equalizing educational opportunity across income groups."

Marta Tienda and Zai Liang examine recent trends in immigration and provide a historical review of immigration policy. They point out that the volume of immigration during the 1980s was very high by historical standards and was not noticeably affected by the Immigration Reform and Control Act of 1986. Recent legislation will probably lead to even higher levels of immigration during the 1990s.

Currently, different types of immigrants and refugees are eligible for different sets of programs. Most immigrants are not eligible for many of the public assistance programs in which citizens participate. The authors argue for a more simplified and consistent policy for all immigrants, including access to the same benefits and programs that are available to U.S. citizens, the expansion of the small business grant program to include immigrants with demonstrated business experience, tax incentives for immigrants to start businesses in the inner city and hire disadvantaged inner-city workers, and expansion of the Job Training Partnership Act to target unskilled immigrants who enter under family reunification provisions.

What are the political constraints on the formation of antipoverty policy?

Having noted that public opinion will surely make a genuine and consequential input into the policy-making process, Lawrence Bobo reviews studies of public opinion in an effort to determine what levels of support exist for different social policies. He finds no sign whatever of a strong ideological turn to the right, against the welfare state. Rather, he finds a relatively clear and stable hierarchy of support for social programs. At the top of this hierarchy, obtaining the highest levels of popular support, are health care, education, and social security programs. A quite general item concerned with the level of spending on "assistance to the poor" also ranks in the top tier of social programs. At the bottom of the hierarchy are means-tested income transfer programs, i.e., welfare. In the middle are jobs-related and housing programs.

From the late 1980s to the present there has been a significant increase in support for spending on health and medical care programs, fueled by the rising cost of medical care. Public support has also risen for spending on education. Relative to most other industrialized nations, however, public opinion in the United States reflects a weaker commitment to social programs.

Bobo finds that race and racism do play a considerable role in social welfare attitudes, and some programs, such as welfare, are thought to be racial in nature. Programs directed at making up for disadvantages by developing the human capital of blacks are typically highly supported by white Americans, but "policies that involve preferential selection or quotas confront a solid wall of opposition."

Hugh Heclo argues that we must take into account three basic facts about the politics of antipoverty policy. First, poor people have very little political power to use in influencing policies that affect them. Second, the poverty debate and the racial debate are now inseparable, and one cannot seriously discuss antipoverty policy without paying attention to its racial ramifications. Third, antipoverty efforts are affected by macroeconomic conditions, but the nature of this relationship is not consistent. That is, good times are not a sufficient condition for increased efforts to fight poverty.

Heclo then analyzes why the War on Poverty lost political support, the roots and nature of the "New Paternalism" in welfare reform, and reasons why our politics typically focus on inner-city welfare recipients, even though they are only a small part of the poverty problem. He then discusses the political prospects for a renewed effort to fight poverty more broadly in the United States. The constraints that impede this renewed effort include general public cynicism about the political process and the ability of government to solve social problems, as well as the immense federal budget deficit and, paradoxically, the end of the Cold War.

Two other sets of factors may or may not push in the opposite direction for strengthening antipoverty efforts. First, we might be motivated to pay more attention to poverty because of the competitive need internationally for a fully productive work force. Thus, we may become convinced that our own economic well-being depends on educating, training, and improving the lives of the poor, especially poor youth. But so far, Americans have seemed unmoved by economic reasons to help those left behind. Second, we might be motivated by the desire for greater social stability, as people associate improving living conditions for the poor with reduced crime and other antisocial behavior. But more punitive, short-term responses are at least as likely, and social policies based on fear are rarely constructive. Heclo contends that, ultimately, developing a stronger antipoverty policy will depend on more powerful coalitions fighting for a politics of inclusion and on political leaders capable of eliciting the public's long-term understanding and moral commitment in attacking our social problems. Whether that is possible under modern conditions remains an open question.

The limitations of the conference

The contributors were asked to recommend policy reforms that followed directly from available research and policy experience. Their proposals for policy changes build largely on the success of existing programs or demonstration projects. If these changes were adopted, they would result in an increased antipoverty effort that would permit the United States to remedy some of the weaknesses we have discovered in our thirty years of antipoverty policy to date.

A further limitation was the number of papers that could be commissioned, requiring the editors to make difficult decisions, such as including papers on the underclass and immigration policy, but not on homelessness or the elderly.

To compensate for these constraints, the rapporteurs, Robert Haveman and Isabel Sawhill, were asked to take a wider perspective: to raise issues that might have been overlooked at the conference and to speculate on broader approaches to reduce poverty, approaches that have not yet been subjected to rigorous analysis. These approaches are sketched out below. They should form the basis for a renewed research, demonstration, and experimentation agenda for the 1990s.

Excerpts from Chapter 16, "The Nature, Causes, and Cures of Poverty: Accomplishments from Three Decades of Poverty Research and Policy," by Robert Haveman and Isabel Sawhill

Are there lessons that were missed?

While these papers have taught us a great deal, a variety of important issues and ideas regarding the nation's social problems did not find their way into the discussion. Because they often arise in current debates over poverty policy, they should at least be noted.

While the problem of homelessness is the most visible manifestation of the nation's poverty problem— perhaps its most destructive and embarrassing manifestation—it is not the focus of any of the papers. While the anatomy of the problem is still not clearly understood, and while no consensus on an effective policy approach to it exists, this is perhaps one area where policy cannot wait for more research and evaluation.

Similarly, the volume only glances at the character of the nation's intergenerational imbalance: the way we treat our children relative to our elderly. While the papers recognize that our elderly population has fared rather well, largely due to the Social Security and Medicare programs, and that children's poverty rates are astoundingly high, there is little explicit discussion regarding how this imbalance can be righted. Perhaps the daunting task of informing the nation's older population that some sacrifice is needed in order to support investment in the nation's children discourages scholars as much as it does policymakers.

The papers do not explicitly address the underlying causes of a range of dysfunctional behaviors among the poor, often the poor concentrated in large urban ghettos. This issue clearly separates conservatives from liberals today, and it is an issue on which current data, research, and analysis are mostly silent. For example, why do drug use, violent behavior, and rejection of accepted legal and institutional structures seem to be so prevalent in inner-city communities? Is the increase in the prevalence of low-birth-weight babies in some large American cities due to maternal behavior or to a lack of access to medical and social services? Similarly, why has the prevalence of child inoculations against common diseases declined?

The televised beating of Rodney King in Los Angeles in spring 1992 and its aftermath raised an important policy issue: the standing of the poor and minorities before courts and the police, and the implications of the calls for more stringent social and police control. The papers do not pay more than a passing nod to the terrifyingly high rate of incarceration of young black men and its implications for their future success.

While some of the dimensions of the poverty and social policy situation in the United States were compared to those in other industrialized nations, the apparent differences in the effectiveness of our efforts relative to those abroad were not emphasized. For example, why do Americans not consider social and antipoverty policy in the context of "social solidarity," whereas nearly all other industrialized nations do so?

Finally, some among us cite evidence that the poor are not nearly so destitute as our statistics suggest they are, and point out the contradiction posed by levels of recorded consumption well in excess of reported income. The papers do not confront this contradiction, although it surely is a puzzle awaiting resolution. Others note that while in-kind transfers have grown substantially, our current official poverty measure does not record the gains in well-being that this implies.

Are some policy strategies overlooked?

In spite of the paucity of experimental results and reliable research findings, does not the severity of the problems associated with poverty—especially that grinding poverty seen in our nation's urban ghettos—call for a broader vision of possible policy responses? Even though research has not addressed the possibilities inherent in bold new initiatives, policy-oriented scholars should be required to offer their best judgments as to their efficacy.

Are there not alternative ways of organizing social policy so as to redirect and reorient the $700 billion that we now spend publicly on such measures—reorientations that might have a chance of buying us less poverty and less inequality at lower social cost?

While neither we nor the authors of the conference papers have the answer—the "magic pill"—it seems worthwhile for us to lay out a few of these broader and more far-reaching policy ideas: ideas that claim to be able to buy us gains in equity, efficiency, self-sufficiency, responsibility, and dignity all at the same time. Based on the decades of poverty research that now lie behind us and the numerous findings from interventions that have been tested, policy-oriented scholars should have something important to say about which strategies have potential and which do not, which should be undertaken—at least experimentally—and which should not. At least they should be confronted with the task.

Consider the following:

1. Many have suggested major gains in equity, efficiency, and self-sufficiency from abolishing the welfare system as we know it—AFDC and other means-tested transfers—and substituting for it a quite different set of programs with superior incentives, higher expectations of recipients, and increased adequacy. The *package* of alternative programs—available to all of the poor—might include support for the purchase of child care services, governmentally enforced child support, job training and job-finding services, a guaranteed income floor, and wage subsidies to able-bodied adults—and perhaps long-term public employment, if nothing else works.[2] Again, don't we know enough to make the leap, or at least to try the most appealing of the options in large-scale demonstrations?

2. Programs designed to increase the ability of the poor to better control their own economic futures have been suggested at both ends of the political spectrum. These include home-ownership strategies (e.g., the privatizing of public housing); personal and publicly subsidized asset accounts as a substitute for welfare; targeted or universal youth capital accounts, either means tested or not. Do such approaches create incentives or open opportunities that would warrant major public investments in either new programs, or major experiments?

3. We now confront the daunting task of reducing the size of the nation's largest employer—the military. Would not a far-sweeping policy designed to effectively use the skills and talents of these people be superior to releasing them unsupported to the vagaries of an unfettered labor market in a slow-growing economy? Surely we should be thinking through the merits—and demerits—of a National Urban Corps established to effectively utilize the thousands of soon-to-be released military people. Can they be effectively used in training and organizing nonemployed youths in the nation's inner cities for increasing neighborhood safety, containing drug trafficking, providing job training, or clearing debris? Given the seriousness of both the nation's urban problems and the difficulties likely to be confronted by released military people, wouldn't our past experience

with the G.I. Bill warrant our initiating today a program similar in scope and objectives?

4. Over the years, we have intervened in the nation's labor markets in a number of ways and have studied the results of these interventions. Do we not have sufficient insight into the operation of low-wage labor markets to warrant proceeding with interventions designed to increase both work incentives and job opportunities for low-skilled workers? We refer to proposals involving a sizable wage rate subsidy for low-skilled workers and employer-based marginal employment subsidies, perhaps in combination with a low-level refundable tax credit—financed at least in part by elimination of a variety of existing means-tested cash and in-kind transfer programs.

5. The need for a redirection of policies toward children (and investment) and away from the elderly (and consumption) seems widely accepted. Should we not be seriously studying major reorientations designed to accomplish these objectives—perhaps a scaling back of Social Security over time into a means-tested or income-related program (together with tax subsidies and the dissemination of information on private provision for retirement), coupled with enriched parent-involved schools, fully funded Head Start, and high-quality child care? Shouldn't policy-oriented scholars be studying the problems and possibilities inherent in such changes, with a view to implementing those that seem the most productive and equitable?

Why is it that we tend to be so limited in our vision?

The previous section carries an implicit judgment: Scholars who work on poverty and social policy issues are often reluctant to venture beyond the narrow bounds of their disciplines, to propose policy changes that go beyond those that their research directly addresses, to draw lessons from the three decades of research on poverty for fundamental change in the way we do social policy in this country. Assuming that our judgment is correct, why does the policy analysis community seem so disheartened, so inclined to ply their disciplinary trade rather than to identify, to think through, to hone down bold new policy designs for both scholars and policymakers to assess and debate? Why is it that we—who most clearly perceive that the nation's poor and near poor are increasingly disaffected, unattached to the world of work, burdened with a set of debilitating social pathologies, and separated economically from the rest of us, who most clearly perceive that the nation's major cities are coming apart at the seams—seem so lacking in the thoughtful and analytical creativity that characterized poverty researchers three decades ago? Why are there no fundamental proposals for reducing poverty that seem to excite us and drive us to large-scale research and analysis efforts; why is there no analog to the negative (or credit) income tax proposal of the mid-1960s which could galvanize our research and policy analyses as that proposal drove the policy research community of that era?

Again, we do not have the answer but will offer a few speculations.[3] Perhaps our tendency to think so small is that we have been beaten down in our thinking about policy, the potentials of public intervention, and the vision of a different society by years of domestic policy retrenchment and neglect, a steady drumbeat of antigovernment rhetoric, and massive deficits.

Although not inconsistent with this speculation, another reason may stem from the predominance of economists in the poverty research field. Economists, from their earliest training, have been taught the "margin" as the primary analytical concept. Marginal thinking implies the question: "What is the effect of adding a little bit more of a single input to a production process in which the technology and all of the other inputs are held constant?" Economists have learned this lesson well, and it has been adopted by researchers in other disciplines as well.

The effect on labor supply, on savings, on consumption, on family stability, on fertility, and on criminal behavior of marginal increases in taxes, prices, incomes, and costs are studied prodigiously. A long bibliography of studies that relate the consequences of some background characteristic or some decision or some market change on a variety of behaviors or outcomes suggested by theory, and of interest to peers, can be compiled. Perhaps this natural disciplinary inclination has been abetted by the assembly of computer and econometric technology that has been developed, and the increasingly rich cross-sectional and longitudinal data that have become available. They too may have driven us down the marginal—"does-this-one-thing-affect-that-one-thing?"—road.

But what if the production function is "synergistic" or additive? What if a jolt of job training by itself—or a jolt of day care by itself, or housing, or job creation, or police protection, or health care, or income support by themselves—yield little if any impact on poverty, as many evaluations have found? But, conversely, what if a major dose of a *constellation* of these measures, taken together, could yield major increases in esteem, productivity, responsibility, and income among the poor? What if such a constellation could loosen the grip of those schools and neighborhoods that seem to pull down those who might want to, and otherwise be able to, escape? And what if a major multipronged approach would not only exploit these synergies but, in addition and at the same time, also change the parameters in the production function—change tastes, motivations, and hopes?

Changes of this sort are not out of the question—indeed, in some cases they may be likely. Yet if such synergies and potentials for taste and motivation changes do exist, our methods would fail to discover them. And, as a corollary, the policy suggestions that follow from our studies would fail to reflect them.

Might the powerful socialization effect that the primary social science disciplines impose on their members also play a role? There are clear paths for securing professional success in academic life, and one of the best marked of them is the publication of narrowly focused, technical research that theorizes about or tests particular relationships consistent with the theoretical core of the discipline. Another path—also clearly marked, but with a different sign—is the use of insights and understanding possessed by a discipline to think through new institutional arrangements or policy interventions that might have potentially powerful and beneficial effects on the economy and society, to publish broad policy analyses, to write political economy briefs.

Another contributor to the lack of a broader perspective may stem from the paltry results that have been found in hundreds of careful evaluations of public interventions designed to increase work and earnings, to reduce drug use, to prevent the birth of "crack babies" that have been completed during the past couple of decades. Many have shown effects that just squeak past a benefit-cost test, and many have found virtually nothing. Perhaps we have become convinced by these findings that nothing has a big impact, that poverty and its associated dysfunctions are just too big and complex and intractable to expect that public interventions can really alter them. Could we be wrong? Might we have missed the possibility that concentrated policies taken in the large might yield large results?

A final speculation has to do with what might be called the "magic bullet" mentality. Why is it that we seem to have adopted a viewpoint that says, in effect: "Our evaluations indicate that intervention x doesn't have much of an effect. Therefore, we'd better not pin our hopes on it; we'll quit our efforts in this direction and look instead for another approach and see if it works." Why isn't a superior viewpoint one that would read something as follows: "We have tried intervention x, and it doesn't seem to have much of an effect. But, by golly, it's not a bad idea. Maybe it might have an impact if we were to modify it in this direction (or expand it in that direction, or supplement it with the following services or mandates, or double or triple the magnitude of its intensity or the size of its incentive, or work to overcome employer resistance)." Note the difference in approach that is implied. While there is no "magic bullet," there may be sensible ideas which haven't had a major impact because they were too small, too isolated from other interventions, too antiseptic in their implementation.[4] ■

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[1] The first such conference was held in 1975. *Progress against Poverty: A Review of the 1964–1974 Decade,* by Robert Plotnick and Felicity Skidmore (New York: Academic Press, 1975), was prepared for the conference. The conference papers were published in *A Decade of Federal Antipoverty Programs: Achievements, Failures, and Lessons,* edited by Robert H. Haveman (New York: Academic Press, 1977). The second was held in 1984 and resulted in the volume *Fighting Poverty: What Works and What Doesn't,* edited by Sheldon H. Danziger and Daniel H. Weinberg (Cambridge: Harvard University Press, 1986).

[2] The "New Hope" program (now being tried in Milwaukee, Wisconsin) is a prototype of such an approach. It is based on the proposition that by simultaneously intervening in several dimensions that constrain many poor families—and providing them with the economic and social arrangements that more affluent families have—we can effectively test the proposition that the poor can, like the rest of us, become self-sufficient and independent.

[3] Some of them, we would note, have been stimulated by a recent talk by Henry Aaron, "Strategy versus Tactics in Designing Social Policy." Speech delivered at Brandeis University, 1992. (Photocopy available from Brookings Institution, Washington, D.C.)

[4] In discussing this speculation, Christopher Jencks (personal communication) put it this way: "In every other society with which I am familiar, the political system assumes that when a program is not working you try to improve it. Only in the U.S., where we doubt that government can ever do anything right, do we assume that if a program stumbles in its first couple of years we ought to terminate it. No wonder we have so few successful programs. It's like deciding that if babies get sick they should be thrown away."

Poverty Policy Priorities for President Clinton

The conference rapporteurs, Robert Haveman and Isabel Sawhill, prepared these suggestions, based on the papers and conference discussion, and in part on their own views.

1. More aggressive use of monetary and fiscal policy in pursuit of an unemployment rate of about 5 percent.

2. An immigrant policy to integrate new arrivals more quickly into our national life.

3. A "healthy kid" program that would cover all children through a system of community health centers, financed by limiting the tax deductibility of employer-paid health insurance.

4. Support for school-based reforms designed to change the way teachers and schools interact and systemic reforms that create incentives to improve performance. Expansion of preschool programs and compensatory education and experimentation with career academies and youth apprenticeships that blend academic and vocational training.

5. A demonstration of a public sector jobs program targeted on disadvantaged family heads or absent fathers and offering a minimum-wage job for a year to find out if there are large numbers of people who cannot find work, even at low wages.

6. Replacement of the child exemption in the personal income tax with a $1000 per child refundable tax credit and implementation of a Child Support Assurance System in which the government would both require all nonresident parents to share a portion of their income with their children and insure a minimum child support benefit in cases where the father's income is inadequate.

7. Expansion of the Earned Income Tax Credit.

8. Expansion of training programs for adults, including but not limited to mothers on welfare.

9. A more comprehensive urban policy including housing subsidies designed to enhance residential mobility and access to jobs and further experimentation with job-creation programs targeted on inner-city areas.

10. More rigorous enforcement of existing antidiscrimination laws in the labor and housing markets.

11. While these recommendations would make a contribution to reducing poverty and improving the lives of the poor, their effects are likely to be modest. Therefore, we recommend that you establish a task force to do some bolder thinking and to plan and fund some new demonstration projects.

Income and higher education

by Charles F. Manski

Charles F. Manski[1] is Wolfowitz Professor of Economics, University of Wisconsin–Madison. He is a former director of IRP.

The broad dimensions of the stratification by income of enrollment in college from 1970 through 1988 can be traced through the Current Population Survey (CPS), whose basic household questionnaire is supplemented each October by a school enrollment survey.[2] This article presents tabulations of these CPS data and also of data from the National Longitudinal Study of the High School Class of 1972 (NLS-72)[3] and the High School and Beyond (HSB)[4] surveys, and interprets the empirical findings.

The distribution of college enrollments by family income

Respondents to the October Current Population Survey report the current school enrollment status of household members aged 3 through 34. For each enrolled person, respondents report whether the school is public or private. For each person enrolled in college, respondents report whether the college is a two-year or four-year institution. These enrollment data are available for each of the years 1970 through 1988, with the exception of 1980.[5]

Although a more refined typology of colleges would be useful, the CPS disaggregation of colleges into public and private, two- and four-year programs reveals the basic facts about enrollment stratification.[6] The CPS is used here to examine the enrollment status of eighteen- and nineteen-year-old dependent high school graduates. The economic status of each such person is characterized by the fifth of the income distribution within which his or her family is located.[7]

The CPS sample sizes are not large enough for reliable interpretation of yearly enrollments but are adequate for interpretation of enrollments during multiple-year periods. The analysis of this paper considers the periods 1970–74, 1975–79, 1981–84, and 1985–88.

Variables and definitions used in constructing the tables

The number of dependent teens aged eighteen and nineteen who were enrolled in college (from which the percentages in Table 1 were calculated) was obtained by applying CPS-provided weights to the raw data for dependent high school graduates aged eighteen and nineteen. The CPS does not directly report a person's dependency status. In the tables, a person is defined to be dependent if he or she is neither the head of a household nor the spouse of the head and if the head of the person's household is at least thirty-nine years old. The tables restrict attention to dependent persons because the household data reported in the CPS refer to the household in which a respondent is located at the time of the interview, although college students living in dormitories are not considered to constitute separate households.[8]

A person is considered to be enrolled in college if he or she was enrolled full time or part time in a two- or four-year college. Youth enrolled in noncollegiate postsecondary schools are classified as not enrolled.

Income quintiles refer to the income distribution of the families of eighteen-year-old and nineteen-year-old dependent high school graduates. Each year's income distribution was estimated from the October CPS income responses as follows.

Respondents to the October CPS are asked to report yearly household income in current-dollar income intervals; the number of intervals and their end points have varied from year to year. To derive a complete income distribution from interval-coded data requires an assumption about how income is distributed within each interval. I assumed that income is distributed uniformly within each interval. (This assumption cannot be maintained in the highest reporting interval, which is open ended. In all cases, however, less than 20 percent of households had income in the highest interval; so no assumption about the distribution of income within the highest interval was required.)[9]

Once the income quintiles were estimated, it was necessary to assign each sampled person to the appropriate fifth. This is straightforward in those cases in which a CPS income-reporting interval lies completely within the span between two quintiles. Some intervals, however, cross quintiles. Given the assumption that income is distributed uniformly within each reporting interval, the correct way to deal with this is to allocate persons fractionally to adjacent fifths.

For example, one of the CPS reporting intervals in 1988 was ($30,000, $34,999). This interval lies partly in the second fifth ($20,561, $32,400) and partly in the third fifth ($32,400, $44,393). Under the assumption that income is distributed uniformly within reporting intervals, the probability that a person with family income in the interval ($30,000, $34,999) has income less than $32,400 is .48. Hence, each person with income in the interval ($30,000, $34,999) was allocated with fractional weight .48 to the second income fifth and with weight .52 to the third fifth.

Based on the assumptions and definitions discussed above, Table 1 shows, for the members of each income fifth, the distribution of enrollments across the four college types. The percentage of persons not enrolled is also given. Table 2 shows, for each college type, the income distribution of enrollments.

Time trends in enrollments

Table 1 indicates that for each income fifth, the fraction of youth enrolled in private colleges increased modestly but steadily from the early 1970s through the late 1980s. In the period 1970–74, 7 percent of youth in the lowest fifth in

Table 1

Distribution of College Enrollment for Dependent 18- and 19-Year-Old High School Graduates, by Family Income, 1970–1988

Income Fifth and Type of College	Percentage Enrolled			
	1970–74	1975–79	1981–84	1985–88
Lowest income fifth				
Attending public 2-year college	14%	16%	14%	16%
Attending public 4-year college	20	19	16	20
Attending private 2-year college	1	2	2	2
Attending private 4-year college	6	6	6	7
Not enrolled	60	57	63	56
Second income fifth				
Attending public 2-year college	15	15	16	19
Attending public 4-year college	23	22	21	26
Attending private 2-year college	1	2	2	2
Attending private 4-year college	8	8	8	9
Not enrolled	53	53	53	45
Middle income fifth				
Attending public 2-year college	16	16	19	20
Attending public 4-year college	26	25	23	29
Attending private 2-year college	1	1	2	2
Attending private 4-year college	9	10	10	12
Not enrolled	48	47	46	38
Fourth income fifth				
Attending public 2-year college	16	15	19	19
Attending public 4-year college	29	32	30	34
Attending private 2-year college	2	1	3	2
Attending private 4-year college	12	13	13	14
Not enrolled	41	39	36	31
Highest income fifth				
Attending public 2-year college	15	13	18	17
Attending public 4-year college	35	35	36	40
Attending private 2-year college	2	1	2	2
Attending private 4-year college	19	20	20	20
Not enrolled	30	31	24	21

Source: Annual October CPS, U.S. Bureau of the Census.

Notes: Each October, 3000 or more eighteen- and nineteen-year-old dependent high school graduates appear in the CPS. Each income fifth contains roughly 20 percent of the observations. (Each need not contain exactly 20 percent of the raw observations, as our fifths are based on the weighted rather than raw samples.) Hence, the yearly samples on which Table 1 is based contain roughly 600 observations. The table aggregates over four- or five-year periods, yielding 2400 or more observations in each income fifth category. These sample sizes imply that the standard errors for the entries in Table 1 are 1.0 percent or less. The columns in this table may not add up to 100 percent, owing to rounding.

income, 10 percent in the middle fifth, and 21 percent in the highest fifth were enrolled in private colleges. In the period 1985–88, the corresponding figures were 9, 14, and 22 percent. For each income fifth, the fraction of youth enrolled in public colleges showed little if any change during the 1970s, but noteworthy changes took place in the 1980s. In the early 1980s, the poor lost and the rich gained. Enrollment by youth in the lowest income fifth dropped sharply (from 35 percent in 1975–79 to 30 percent in 1981–84), enrollment by youth in the three middle fifths remained stable or rose modestly, and enrollment by youth in the highest fifth rose sharply (from 48 percent in 1975–79 to 54 percent in 1981–84).

In the late 1980s, public college enrollments increased strongly for all income groups. Between 1981–84 and 1985–88, enrollments by youth in the lowest fifth rebounded from 30 percent to 36 percent, enrollments in the middle fifth grew from 42 percent to 49 percent, and in the highest fifth grew from 54 percent to 57 percent.

Stratification of enrollments by income

The data in Tables 1 and 2 indicate persistent patterns of stratification of college enrollments by income. In the late 1980s, 45 percent of the youth in the lowest fifth in

Table 2

Distribution of Income for Dependent 18- and 19-Year-Old High School Graduates, by College Type, 1970–1988

Type of College and Income Fifth	Percentage Enrolled			
	1970–74	1975–79	1981–84	1985–88
Attending public 2-year college				
In lowest fifth	19%	21%	17%	17%
In second fifth	19	20	19	20
In middle fifth	21	21	22	22
In fourth fifth	22	20	22	21
In highest fifth	19	17	21	19
Attending public 4-year college				
In lowest fifth	15	14	12	13
In second fifth	17	17	17	17
In middle fifth	20	19	18	19
In fourth fifth	22	24	24	23
In highest fifth	26	26	29	27
Attending private 2-year college				
In lowest fifth	15	24	17	19
In second fifth	19	22	19	18
In middle fifth	19	21	22	21
In fourth fifth	22	19	23	22
In highest fifth	26	14	20	21
Attending private 4-year college				
In lowest fifth	11	11	10	11
In second fifth	15	15	14	14
In middle fifth	17	18	18	19
In fourth fifth	22	22	23	23
In highest fifth	35	34	36	33
Not in college				
In lowest fifth	26	25	28	29
In second fifth	23	23	24	24
In middle fifth	21	21	21	20
In fourth fifth	18	17	16	16
In highest fifth	13	14	11	11

Source: Annual October CPS, U.S. Bureau of the Census.

Note: The sample size for each school type is proportional to the enrollment in the type; hence the standard errors for the entries in Table 2 vary as well, roughly as follows: public 2-year colleges (2.3 percent or less); public 4-year colleges (1.8 percent or less); private 2-year colleges (7.0 percent or less); private 4-year colleges (2.9 percent or less).

income, 62 percent of those in the middle fifth, and 79 percent in the highest fifth were enrolled in some college (Table 1). Figure 1 shows that not only do more members of the top fifth attend college, but also that the gap in attendance between the poorest and richest widened between the late 1970s and the late 1980s. Of youth not enrolled in college in the late 1980s, 29 percent were from the lowest fifth in income, 20 percent were from the middle fifth, and 11 percent were from the highest fifth (Table 2).

Interestingly, the distribution of enrollments in two-year institutions is close to equal across income groups. In the late 1980s, 16 percent of the youth in the lowest fifth in income, 20 percent of those in the middle fifth, and 17 percent in the highest fifth were enrolled in two-year public colleges. In every income fifth, 2 percent of the youth were enrolled in two-year private colleges (Table 1).

The inequality in enrollments occurs only in the four-year institutions. In the late 1980s, 20 percent of the youth in the lowest fifth in income, 29 percent of those in the middle fifth, and 40 percent in the highest fifth were enrolled in four-year public colleges. At the same time, 7 percent of the youth in the lowest income fifth, 12 percent of those in the middle fifth, and 20 percent in the highest fifth were enrolled in four-year private colleges (Table 1).

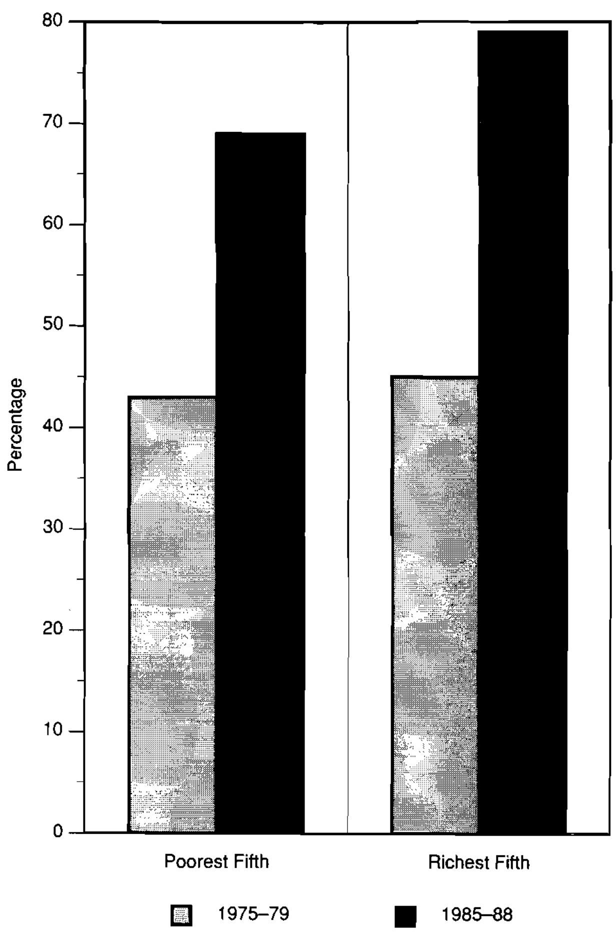

Figure 1. Percentage of Poorest Fifth and Richest Fifth of 18- and 19-Year-Old High School Graduates Who Attended College in 1975–79 and 1985–88.

Source: Table 1.

The data indicate that, while enrollments are stratified in both public and private four-year colleges, they are more stratified in the private four-year colleges. In the late 1980s, the chance that a high school graduate from the highest fifth in income would enroll in a public four-year college was double that of a youth from the lowest income fifth (40 percent to 20 percent), but the chance that a high school graduate from the highest income fifth would enroll in a private four-year college was triple that of a youth from the lowest income fifth (20 percent to 7 percent) (Table 1). Viewed another way, public four-year colleges drew 27 percent of their enrollment from the highest fifth in income and 13 percent from the lowest fifth, while private four-year colleges drew 33 percent of their enrollment from the highest fifth and 11 percent from the lowest fifth (Table 2).

Family income and graduation from college

Roughly half of all youth who enroll in college do not persist to a bachelor's degree. It is therefore important to ask whether the income stratification patterns found among eighteen- and nineteen-year-old enrollees are indicative of stratification among college graduates. The CPS cannot be used to answer this question but the National Longitudinal Study of the High School Class of 1972 and the High School and Beyond surveys can, at least for the high school classes of 1972 and 1980.

Respondents to NLS-72 were first interviewed in the spring of 1972, when they were high school seniors, and were followed through October 1979.[10] Thus, the NLS-72 data can be used to learn the stratification by income of bachelor's degree recipiency seven years after high school graduation. Respondents to HSB were first interviewed in the spring of 1980, when they were high school seniors, and were followed through early 1986. Thus, the HSB data can be used to learn the stratification of degree recipiency five-and-a-half years after high school graduation.[11] Table 3 shows the NLS-72 and HSB enrollment and graduation distributions. (Although the NLS-72, HSB, and CPS sampling frames and variable definitions differ in significant respects, the data sources show enrollment patterns that are broadly similar and match well in most details.)[12]

Table 3 provides data on the stratification by income of bachelor's degree recipiency. Because the NLS-72 and HSB patterns are so similar, only the more recent HSB data will be discussed here. By early 1986, only 12 percent of the 1980 high school seniors with family income in the lowest fifth had received a bachelor's degree; of these, 9 percent were from public four-year colleges and 3 percent were from private colleges. In the middle fifth, 24 percent

Table 3

Distribution of Bachelor's Degrees for High School Classes of 1972 and 1980, by Family Income

Income Fifth and Type of Degree	Class 1972	Class 1980
Lowest fifth in income		
Public college	8%	9%
Private college	3	3
No degree	89	89
Second fifth in income		
Public college	12	10
Private college	5	4
No degree	83	86
Middle fifth in income		
Public college	15	16
Private college	6	8
No degree	79	76
Fourth fifth in income		
Public college	20	19
Private college	8	11
No degree	72	71
Highest fifth in income		
Public college	24	22
Private college	13	17
No degree	62	61

Sources: For class of 1972, NLS-72 data for October 1979. For class of 1980, HSB data for February 1986.

Note: The columns may not add up to 100 percent, owing to rounding.

had degrees, 16 percent from public colleges and 8 percent from private ones. In the highest fifth, 39 percent had degrees, 22 percent from public colleges and 17 percent from private ones. Thus, compared with a youth in the lowest fifth in income, a youth in the highest fifth had two-and-a-half times the chance of receiving a bachelor's degree from a public college (22 percent to 9 percent) and almost six times the chance of receiving a degree from a private college (17 percent to 3 percent). Figure 2 compares college enrollment rates in the period 1975–84 with college graduation rates of the high school class of 1980. It can be seen that the recipiency of a bachelor's degree is more stratified by income than is college enrollment.

Conclusions

American colleges remain substantially stratified by income. The consequences of income stratification are known only in part. Ample empirical evidence relates college graduation to later labor market outcomes. In fact, recent studies indicate that the income return to attending college increased during the 1980s.[13] This evidence, combined with that presented here, indicates a continuing problem of intergenerational immobility: youth from low-income families tend not to graduate from college, and then have low incomes themselves.

There is little empirical evidence relating the type of college one attends to labor market outcomes. In particular, we do not know whether, controlling for ability, students who graduate from private colleges earn higher incomes

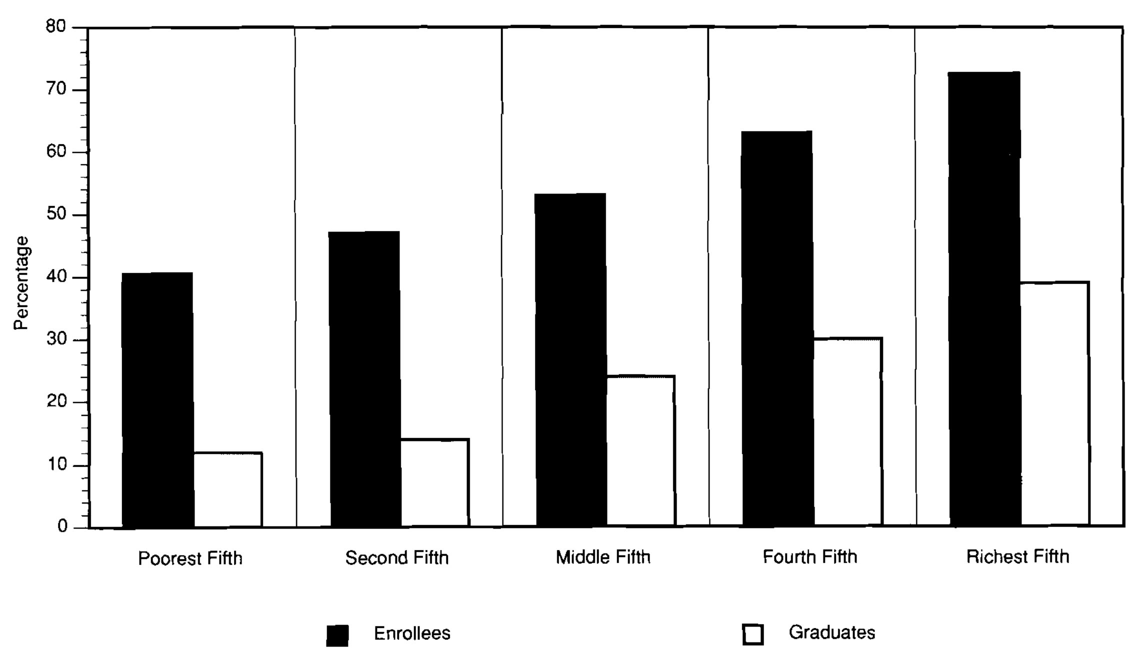

Figure 2. College Enrollment vs. Graduation, by Income Fifth.

Source: Average college enrollment rates, 1975–84, are from Table 1. Graduation rates for the HSB class of 1980 are from Table 3.

than those who graduate from public colleges. In the absence of this information, we cannot say whether the more pronounced income stratification of private college enrollments should be a matter of public concern. ■

[1] The author wishes to thank the Democratic Study Center for partial support of this work and Scott Lilly for helpful comments. This article is drawn from a DSC report, "Parental Income and College Opportunity," August 26, 1992.

[2] The annual October Current Population Survey is carried out by the U.S. Bureau of the Census. The School Enrollment Supplement to the October CPS provides data on school enrollment for households in the survey. The schooling data and household background data for these persons have been combined into a single unified file by Robert M. Hauser and Taissa Hauser ("Uniform October CPS Person-Household File, 1968–1988," Department of Sociology, University of Wisconsin–Madison, 1991). I am grateful to Robert Hauser for making this material available to me.

[3] The National Longitudinal Study of the High School Class of 1972 is a longitudinal survey of individuals who were twelfth graders in 1972. It is conducted by the National Center for Education Statistics (NCES). For details on the NLS-72 design, see J. Riccobono, L. Henderson, G. Burkheimer, C. Place, and J. Levinsohn, *National Longitudinal Study: Data File Users' Manual* (Washington, D.C.: NCES, U.S. Department of Education, 1981).

[4] The High School and Beyond survey began with tenth and twelfth graders in 1980. Like NLS-72, this survey is conducted by the NCES. For details on the HSB design, see P. Sebring, B. Campbell, M. Glusberg, B. Spencer, M. Singleton, and M. Turner, *High School and Beyond 1980 Senior Cohort Third Follow-up (1986) Data File Users' Manual* (Chicago: National Opinion Research Center, University of Chicago, 1987).

[5] Prior to 1970, respondents were not asked to distinguish two-year from four-year colleges. In 1980, the Bureau of the Census did not release data on whether schools were publicly or privately controlled.

[6] The various college types differ substantially in their costs of enrollment. In fall 1986, the "adjusted net cost" of attendance per student was $7124 in private four-year institutions, $3498 in public four-year institutions, and $2049 in public two-year institutions. Adjusted net cost was defined as cost (tuitions, fees, room and board, books and supplies, and transportation costs) minus grants minus 40 percent of loans (Congressional Budget Office, *Student Aid and the Cost of Post Secondary Education* [Washington, D.C.: CBO, 1991]).

[7] Because the CPS reporting unit is the household, the available income data do not necessarily describe the economic status of the family in which a person grew up. On the other hand, the CPS data do permit one to determine with little ambiguity those persons who are dependent members of their family's households. I restrict attention to eighteen- and nineteen-year-olds because the great majority of these persons are still dependents.

[8] The U.S. Census Bureau, in its Series P-20 Current Population Reports, presents October CPS figures for the number of eighteen- and nineteen-year-old persons who are high school graduates and who are enrolled in college. The figures used here range from 80 to 90 percent as large as those given in Series P-20. One reason for the reduction in size is my restriction of attention to dependent youth. A second reason is that I use data only on those persons for whom actual income and other survey responses are available. The Census Bureau practice of allocating respondents with missing responses to response categories is not followed here.

[9] The estimated income quintiles for each year were, in current dollar terms:

	Income Quintile				
Year		20%	40%	60%	80%
1970	$0	$6,808	$9,684	$12,774	$18,036
1971	0	6,875	9,955	13,311	19,644
1972	0	7,260	10,907	14,092	21,033
1973	0	8,342	12,183	15,750	22,576
1974	0	8,821	12,937	16,868	23,208
1975	0	9,683	13,743	18,136	23,910
1976	0	9,800	14,636	19,648	27,162
1977	0	10,835	15,883	21,094	32,456
1978	0	11,491	17,368	22,972	36,439
1979	0	12,458	19,479	25,229	40,519
1980	0	13,307	20,306	28,300	42,345
1981	0	13,916	21,875	31,889	45,013
1982	0	14,183	23,474	32,000	44,199
1983	0	14,210	23,834	33,080	46,283
1984	0	15,813	25,714	35,060	48,939
1985	0	16,861	26,789	36,734	50,364
1986	0	17,151	28,563	39,606	56,603
1987	0	17,500	30,242	41,294	60,911
1988	0	20,561	32,400	44,393	63,387

[10] A subsample of respondents were later interviewed in 1986. These data are not used here.

[11] The HSB survey also interviewed youth who were high school sophomores in spring 1980 and followed them into 1986. But this time span is not sufficiently long for these persons to complete a four-year college program; hence data from the sophomore cohort are not reported here.

[12] In each of the NLS-72 and HSB surveys, a sample of high schools was drawn and a sample of students were interviewed in each high school. The enrollment, degree, and family income data are student self-reports. For the sake of comparability with the CPS data, the same income quintiles are used. The NLS-72 and HSB data do show some different enrollment patterns in high school from those in the CPS.

[13] See, for example, K. Murphy and F. Welch, "Wage Premiums for College Graduates: Recent Growth and Possible Explanations," *Educational Researcher*, 18, 4 (1989), 17–26.

New books by IRP researchers

ASSURING CHILD SUPPORT: AN EXTENSION OF SOCIAL SECURITY

by Irwin Garfinkel

and

CHILD SUPPORT ASSURANCE: DESIGN ISSUES, EXPECTED IMPACTS, AND POLITICAL BARRIERS AS SEEN FROM WISCONSIN

edited by Irwin Garfinkel, Sara S. McLanahan, and Philip K. Robins

In *Assuring Child Support: An Extension of Social Security*, IRP affiliate Irwin Garfinkel of Columbia University criticizes the U.S. child support system and describes a different plan that would work much as do our social insurance programs. Garfinkel, along with another IRP affiliate, Marygold Melli, first proposed the plan, called the Child Support Assurance System (CSAS), in 1982. *Assuring Child Support* traces the genesis and development of the CSAS and discusses its costs and benefits.

Garfinkel explains how the private child support system, which operates through the courts, has not been able to easily establish nor effectively enforce the obligations of many nonresident parents. He also relates how the *public* child support system—namely, the Aid to Families with Dependent Children program, the Food Stamp program, and Medicaid—promotes welfare dependency while failing to eliminate poverty.

Garfinkel recommends that the current private system be replaced by the CSAS. The CSAS assures that every resident parent (usually the mother) will receive an adequate amount of support every month, regardless of any additional money she earns through employment. Any nonresident parent who lives apart from his children will be required to share his income with those children. A percentage of his income will be withheld from his paychecks for child support (the "percentage-of-income standard"); this percentage will be established by law and will depend on the number of children to whom he owes support. If the amount withheld from his paycheck falls short of a guaranteed minimum benefit (the "assured benefit"), the government will make up the difference.

Garfinkel points out that the federal government has already passed legislation mandating income withholding and requiring judges to first consult preset guidelines (such as the percentage-of-income standard) when determining the amounts of awards (if a judge decides not to use guidelines, he must explain his decision in writing). Thus, the government has moved toward adopting the CSAS. But until the government adopts the assured benefit, Garfinkel implies, it will not demonstrate that it is serious about increasing the economic security and self-reliance of single-parent families.

Using microsimulation models, Garfinkel estimates that, in the long run, the CSAS is capable of costing very little and perhaps even saving the government—and hence taxpayers—money. In essence, this is because the amount the government would pay in assured benefits under the CSAS will not be much more and perhaps even less than the savings in AFDC which will result from strengthened child support enforcement.

As the subtitle of the book suggests, Garfinkel asks that the CSAS be thought of as an addition to the U.S. social security system: it would be funded in much the same way as social security is funded, except that only those who are legally liable for child support will be subjected to a "tax" on their wages; as do all social insurance programs, it would benefit low-income families more than others; and it would reduce poverty and welfare dependency.

"To promote self-reliance and, at the same time, reduce the economic insecurity of families headed by single mothers," Garfinkel writes in his conclusion, "the nation should rely more heavily on a universal program, a new child support assurance system that provides benefits to these families whatever their incomes and, thereby, reduces reliance on welfare programs, which aid only the poor. In general, a more universal approach is the way to simultaneously reduce insecurity and dependence" (p. 149). The CSAS represents such an approach.

In many ways, *Assuring Child Support* is a distillation of the research findings in the fourteen chapters contained in *Child Support Assurance: Design Issues, Expected Impacts, and Political Barriers as Seen from Wisconsin*, edited by Garfinkel, Sara S. McLanahan of Princeton University, and Philip K. Robins of the University of Miami (Fla.). In Part One, the editors introduce the CSAS and explain how it arose out of research at the Institute for Research on Poverty on child support in general; they also summarize the findings reported in the chapters that follow. Thomas Corbett (University of Wisconsin) then traces the path the CSAS took from the academic drawing board to its partial implementation in Wisconsin.

The chapters in Part Two examine the present child support system. Garfinkel and Donald T. Oellerich (Boston University) estimate the ability of nonresident fathers to pay support. Judith A. Seltzer (University of Wisconsin) and Garfinkel examine divorce settlements, and Seltzer discusses arrangements concerning custody and visitation after divorce. Finally, McLanahan, Patricia R. Brown (University of Wisconsin), and Renee A. Monson (University of Wisconsin) review paternity establishment in AFDC cases in Wisconsin.

The essays in Part Three on the costs and benefits of the CSAS round out the volume. Daniel R. Meyer (University of Wisconsin), Garfinkel, Oellerich, and Robins answer the question "Who should be eligible for an assured child support benefit?" and simulate several effects of the CSAS. Ann Nichols-Casebolt (Arizona State University) describes the impact of the CSAS on poverty among both resident-parent and non-resident-parent families, and Garfinkel and Melli explore the use of normative standards (such as the percentage-of-income standard) and advise states on how to develop their own child support guidelines. Garfinkel and Marieka M. Klawitter (University of Washington) estimate the effects of income withholding on child support collections and AFDC participation and costs, as do Nancy Maritato and Robins on the labor supply of custodial parents. Kwi-Ryung Yun (University of Wisconsin) explores the relationship between child support and remarriage among single mothers, and Corbett, Garfinkel, and Nora Cate Schaeffer (University of Wisconsin) survey public opinion about the three main features of the CSAS (the percentage-of-income standard, income withholding, and the assured benefit).

Together with *Assuring Child Support*, the essays in *Child Support Assurance* make the case that our present child support system needs reform and that the CSAS is the solution. Under the current system, many nonresident fathers are paying less than they are required or able to pay; divorce settlements are failing to compensate most women for the loss in family income they suffer after divorce; and paternity is not being established for many children born to unmarried mothers. Under the CSAS, more money would be collected in child support; fewer single women would be impoverished; and the rate of paternity establishment should increase because of the incentive provided by the assured benefit (a resident parent cannot receive the assured benefit until paternity is established). The government, however, has stopped short of legislating, let alone implementing, the full CSAS, assured benefit and all. As Thomas Corbett explains in Chapter 2 of *Child Support Assurance*, perhaps a close, continuous, working relationship between university researchers and policymakers is needed in order to make the CSAS a reality. "A re-creation of the 'Wisconsin Idea'—whether in Wisconsin or elsewhere—could be a necessary and fundamental step toward moving beyond the paralysis currently dominating social policy" (p. 49).

Assuring Child Support: An Extension of Social Security (New York: Russell Sage Foundation, 1992) may be purchased at bookstores for $24.95 or ordered from Russell Sage by mail. Send check for $24.95 plus $3.00 for shipping and handling to Publications Department, Russell Sage Foundation, 112 East 64th Street, New York, NY 10021. It may also be ordered over the phone by credit card (800–666–2211).

Child Support Assurance: Design Issues, Expected Impacts, and Political Barriers as Seen from Wisconsin (Washington, D.C.: Urban Institute Press, 1992) costs $60 in cloth ($27.50 in paperback) and is distributed by University Press of America, 4720-A Boston Way, Lanham, MD 20706 (800–462–6420).

UNEVEN TIDES: RISING INEQUALITY IN AMERICA

edited by Sheldon H. Danziger and Peter Gottschalk

Economic inequality has been on the rise in America for the past two decades. This trend has escalated inequality in individual earnings and family income, has widened the gulf between rich and poor, and has led to the much-publicized decline of the middle class. *Uneven Tides* brings together a distinguished group of economists to confront the crucial questions about this unprecedented rise in inequality.

Reviewing the best current evidence, the essays in *Uneven Tides* show that rising inequality is a complex phenomenon, the result of a web of circumstances inherent in the nation's current industrial, social, and political situation. Once attributed to the rising supply of inexperienced workers—as baby boomers, new immigrants, and women entered the labor market—the growing inequality in individual earnings is revealed in *Uneven Tides* to be the direct result of the economy's increasing demand for skilled workers. The authors explore many of the possible causes of this trend, including the employment shift from manufacturing to the service sector, the heightened importance of technology in the workplace, the decline of unionization, and the intensified efforts to compete in a global marketplace.

With the rise of inequality now much in the headlines, it is clear that our nation's ability to reverse these shifting currents requires deeper understanding of their causes and consequences. *Uneven Tides* is the first book to get beyond the news stories to a clear analysis of the changing fortunes of America's families.

Contributors: Maria Cancian, Sheldon Danziger, Richard B. Freeman, Peter Gottschalk, Edward Gramlich, Michael Horrigan, Lynn A. Karoly, Richard Kasten, Ronald Mincy, Kevin Murphy, Frank Sammartino, Finis Welch.

Uneven Tides: Rising Inequality in America (New York: Russell Sage Foundation, 1993) costs $29.95. It can be purchased from Russell Sage by mail. Send check for $29.95 plus $3.00 for shipping and handling to Publications Department, Russell Sage Foundation, 112 East 64th Street, New York, NY 10021. Or call 800–666–2211.

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IRP Researchers Receive Kendrick Prize

Affiliates Barbara Wolfe and Robert Moffitt received the 1991 John W. Kendrick Prize for the outstanding contribution to the *Review of Income and Wealth.* Their article, which appeared in the December 1991 issue, was titled "A New Index to Value In-Kind Benefits."

Announcements

Fifth Luxembourg Income Study Summer Workshop

The *Luxembourg Income Study* has made comparable several large microdata sets which contain comprehensive measures of income and economic well-being for a set of modern industrialized welfare states. The LIS databank currently covers eighteen countries including Australia, Belgium, Canada, France, Germany, Israel, Italy, Ireland, the Netherlands, Sweden, the United Kingdom, the United States, and several Eastern European nations including Poland and Hungary. Data are available for at least two periods for most of these nations.

The *LIS Summer Workshop* is a two-week pre- and postdoctoral workshop designed to introduce young scholars in the social sciences (economics, sociology, other) to comparative research in income distribution and social policy using the LIS database. The 1992 workshop attracted 35 attendees from 14 countries. The fifth workshop will be held July 18–30, 1993, in Luxembourg. The cost will be 38,000 Belgian Francs (about $1200), which includes tuition, local travel, and full room and board. International transportation is not included. Students are expected to be subsidized by home countries, national and international research foundations, universities, and other sources, including at least two special scholarships for Eastern European or Russian/CIS scholars sponsored by the Ford Foundation.

The language of instruction will be English. The course of study will include a mix of lectures and assistance and direction using the LIS database to explore a research issue chosen by the participant. Faculty are expected to include Frank Cowell (UK), Peter Gottschalk (US), Richard Hauser (Germany), Stephen Jenkins (UK), Shelly Phipps (Canada), and the entire LIS staff. Several topics to be analyzed in 1993 include the effects of income security programs in Eastern Europe, cross-national trends in income inequality, and the economics of gender.

Additional information, including application forms, is available from Timothy Smeeding, LIS Project Director (Professor of Economics & Public Administration, 400 Maxwell Hall, Syracuse University, NY 13244, USA); Lee Rainwater, LIS Research Director (Sociology, Harvard University, Cambridge, MA, 02138, USA); or Caroline de Tombeur (LIS at CEPS/INSTEAD, B.P. #65, L-7201 Walferdange, Luxembourg). Applications are due by May 1, 1993.

Foundation for Child Development research grants

The Foundation for Child Development is sponsoring a program of neighborhood research grants. Up to seven grants at levels of $25,000 to $50,000 will be awarded. The grants will support the development and piloting of new measures that could be used in future evaluations of community-change initiatives designed to benefit families and children. Two areas of measurement will be given priority: (1) assessing the prevalence of family risk factors associated with poor child development outcomes in a neighborhood population, and (2) measuring dimensions of neighborhood social ecology. Scholars with a Ph.D. in a variety of disciplines are invited to apply.

Applications will be accepted through March 30, 1993.

For further information and application materials please contact the Foundation for Child Development, Neighborhood Research Program, 345 East 46th Street, New York, NY 10017.

New urban underclass database

The Social Science Research Council announces the availability of the Urban Underclass Database, compiled by John D. Kasarda of the University of North Carolina at Chapel Hill. It is a panel study with data over a 30-year period and contains a wide range of measures on poverty, employment, health, crime, and related indicators in the nation's 100 largest cities.

The database was sponsored by the SSRC Committee for Research on the Urban Underclass with funding from the Rockefeller Foundation. The Committee sponsors a program of scholarly research intended to promote a fuller understanding of the causes and consequences of persistent and concentrated urban poverty.

Interested researchers, students, and policymakers should contact Andrea Bohlig, Technical Research Specialist, Kenan Institute of Private Enterprise, Kenan Center CB # 3440, University of North Carolina at Chapel Hill, Chapel Hill, NC 27599–3440. Or phone (919) 962–8201.

Changing the poverty measure: Pitfalls and potential gains

by Robert Haveman

Robert Haveman is John Bascom Professor of Economics and Public Affairs and an affiliate of both the Robert M. La Follette Institute of Public Affairs and the Institute for Research on Poverty at the University of Wisconsin–Madison. He is a former director of IRP. A different version of this article appears in the *Brookings Review,* 11:1 (Winter 1993), 24–27.

It is now nearly thirty years since Mollie Orshansky's first statistical measurement of poverty in the United States, and twenty-five years since her definition was officially adopted by the federal government. The Orshansky measure has stuck, in spite of numerous attacks on it and both unofficial and official attempts to change it.

In 1992 yet another attempt was begun to revise the measure, with a view to either replacing it or supplementing it with other indicators of destitution in the nation. With the support of the Bush administration, a panel was selected by the National Academy of Sciences to review the official measure.[1] The mandate of the panel is to examine most of the issues underlying the setting of poverty thresholds, including determining standards of need, measuring economic resources, and deciding upon appropriate equivalence scales, accounting periods, and geographic differences in the cost of living.

Periodic assessments of the government's statistical measures are essential if we are to maintain an accurate picture of the economic and social developments of the society, and this new effort comes at an appropriate time. Attacks on the official measure have reached a high level of intensity, with some basis (see section on problems with the measure, below). Moreover, Patricia Ruggles recently completed a comprehensive research study of our measure of the prevalence and composition of poverty in the United States and its strengths and weaknesses: *Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy.*[2]

The official definition of poverty

To determine if a household fits the official definition of poverty, its cash income for the year is compared to an income cutoff or "poverty line" for a family of that size and structure. This income cutoff was originally constructed to be three times the cost of an adequate minimal food diet, as determined by the U.S. Department of Agriculture in 1955. It is updated yearly by the Consumer Price Index (CPI). Thus the poverty line reflects the assumption that a typical family spends a third of its income for food. A household with an income below the cutoff is classified as "poor"; a household with an income at or above the poverty line is classified as "not poor." In separating the population into these two categories, this tabulation yields a social indicator: the number of the nation's families in poverty in a year and the demographic composition of these families. Viewed over time, this picture records both the nation's "progress against poverty" and the changing race, age, and family structure mix of its poor.

Problems with the measure

The poverty definition therefore requires two sets of numbers: estimated cutoffs (poverty lines) based on family size and characteristics, below which households cannot maintain an "acceptable social minimum level of living," and annual incomes of every household in a statistical sample constructed for the Current Population Survey (CPS) of the Census Bureau. Both of these numbers have been challenged.

The poverty cutoffs

The poverty cutoffs are tenuous. They have no reliable scientific basis. There is no consensus on what is to be counted in determining how well off people are who live in widely varying family types, regions, and neighborhoods.

The current poverty line reflects both preferences and consumption options relevant to a quite different era. Objects considered luxuries in 1955 may be seen as necessities today. Furthermore, research suggests that food costs do not now account for a third of annual income on average—if they ever did—but more like a fifth, in part because of the disproportionate rise in the cost of housing over the past two decades. Thus the minimum standard is thought by many to be too low.

At the same time, recent research findings have cast doubt on the implicit differences in the income necessary for equivalent living standards among families of different sizes. A variety of "equivalence scales" have been published, but each rests on a particular set of assumptions and procedures; again, there is no consensus on which measure is the superior one.

Furthermore, the CPI used to adjust the poverty cutoffs for inflation over time is thought to be inconsistent with the income measure.

The poverty lines also fail to take into account the view of many that poverty is a relative concept and should be measured in relation to the average income in the society—higher in a richer society than in a poorer one—and should rise over time as median income increases.

All the drawbacks of this calculation and suggestions for altering it are covered in detail by Ruggles.[3] The focus of the rest of this article is on the other set of numbers in the measure: annual income.

The income measure

The income measure is also flawed. Income that is reported to the interviewer is taken at face value, and probably fails to include income that is earned "off the books" or illegally. All income in the form of barter and material gifts is missed. Although cash public transfers such as welfare benefits are included as "income," the total amounts captured in the CPS are a fraction of the total paid out. More important, in-kind government benefits, such as food stamps, housing and medical care benefits, and nutrition subsidies are not included at all.[4] Tax payments are not subtracted. Income from rent, dividends, and interest is counted, but capital gains income and fringe benefits are not. Holdings of financial wealth, consumer durables, and housing assets are not even considered. As a result, the base number in the poverty assessment—annual cash income—neglects a whole variety of things that may contribute to a family's well-being.

Even if the income number were accurate, it would not necessarily be an adequate measure of the well-being or economic position of a family, especially over the long term. Annual cash income is notoriously transitory, fluctuating substantially from year to year. The largest of these fluctuations are often recorded by families that, by any standard, are rather well-to-do. Self-employed business people for example can have a bad year that results in zero (or even negative) income. It may be misleading to include such a family among the poor, irrespective of normal level of income or life style.

A number of researchers have attempted to develop measures of living levels that can substitute for this current money income measure. Susan Mayer and Christopher Jencks, for example, look to the ownership of consumer durables and expenditures on other items of real consumption as indicators of economic well-being.[5] Other researchers—those who rely on income figures to estimate poverty rates—often use a calculated value of average family income, taken from three or four years of observations, to avoid the instability of the annual income measure.[6] While a multiyear measure is more likely to reveal the family's "permanent" economic position than is current cash income, several observations of annual income are necessary, a luxury that the Census Bureau cannot provide.[7]

The annual cash income measure fails to accurately reflect the permanent capabilities and earning power of families in other ways as well. This problem appears in several guises, but three sources of the divergence between annual income and permanent capabilities should make the problem clear: (1) differences among otherwise identical families in tastes for income and work; (2) differences in the disincentives to work faced by the otherwise identical families; and (3) differences in the cash benefits such families actually receive. Let us consider them in turn.

1. *Different tastes among families for work.* The first problem is that the annual income measure reflects family and individual differences in the relative aversion for market work, or, conversely, the relative preference for cash income—as the case may be. Economists refer to this as a difference in tastes for income versus leisure. Two families, both with low education and few skills, may be alike in every way except that one is determined to secure as much income as it can, whereas the other is not. In the first family, both adults hold full-time jobs and a teenager in high school works part time. Because of the hours of work they put in, the members of the household escape poverty. In the other family, only the father works. As a result, the income of the second family may fall below the poverty line. The first family is not so classified. Is it legitimate to ask, therefore, "Should the official poverty measure tend to count as poor those who prefer leisure to work and to exclude from poverty those more willing to work?"

2. *Disincentives to work.* Because welfare benefits vary from state to state, families in high-benefit states may have the incentive to forgo work to draw the benefits, even though this results in an income below the poverty line. Families in low-benefit states do not have this option and face more rigorous incentives to work wherever and whenever they can. Such disparity raises the question: "Should the poverty measure tend to count as poor those families who face and respond to high work disincentives (caused by, say, relatively generous benefits), and exclude those whose available benefits are low, but who put in long hours of work to raise themselves above the poverty line?"

3. *Counting public benefits.* Another problem concerns the direct effects of benefits on family income. If welfare benefits plus some interest and dividends are enough to lift some people out of poverty, does it make sense for the poverty measure to not count as poor those families who partake of the generous benefits, at the same time counting as poor those whose only difference from the first family is that they live in a state with less generous benefits? In other words, should the generosity of benefits determine who is and is not poor, and the number of the poor?

Because of the problems discussed above, the official poverty measure may exclude from the poverty category some with few skills and capabilities while including others with substantial capabilities and earning power, who, for one reason or another, earn little or report low cash income in a given year. It follows that the nation's poverty statistics may be providing us with a picture of a population that in many ways fails to conform with accepted notions of what it means to be down and out, poor, or with few means of "making it" in our economic system.

An alternative to annual income: Earnings capacity

Putting aside questions concerning the defects of the poverty lines, it may be possible to devise a measure that is superior to annual cash income as an indicator of economic position or family well-being over the long term or on a permanent basis.[8] One such measure would attempt to answer the question, "Does a family have the skills and capabilities to earn its way out of poverty were it fully to use them?" Such a question would get at the permanent characteristics of families: their education, their age and experience, and their occupation, and tie an assessment of whether or not they were poor to these attributes. It would come closer to the concept of "full income" so often discussed in economics: a concept that reflects the potential real consumption of the household, including available nonwork time.

It is feasible to make reliable estimates of the capability of each working-age family in the CPS to earn income, should the adults in the family work full time for the entire year. Such estimates of "family earnings capacity" have been made for 1973 to 1988, and for intermediate years. These estimates rely on the CPS, the same data source used by the Census Bureau in making its official poverty estimate. If the family's earnings capacity exceeds its poverty line, the family is able to work its way out of poverty—at least in theory. If family earnings capacity is less than the poverty line, the family is said to be "earnings capacity poor."[9]

The concept of family earnings capacity has several important advantages. Because it reflects the family's "permanent characteristics," it does not have the transitory character of annual cash income. Moreover, it is purged of the effects of labor-leisure tastes, work disincentives, and the receipt of public cash benefits, which make cash income a questionable measure of permanent economic position. It rests more solidly on economic principles, is close to the ideal "full income" concept suggested by Becker and Sen,[10] and reflects a more comprehensive set of considerations than one year of cash income.

The measure of family earnings capacity is obtained from the application of standard statistical techniques to data available from the CPS. First, the capability of each of the adults in the family to earn income if working at capacity is estimated. Then, these estimates are adjusted to reflect the reality that illness, disability, unemployment, and child care responsibilities may keep all working-age adults from either working or working at capacity. The resulting number is an estimate of the family's earnings capacity.[11]

The earnings capacity of the family, so measured, is then compared to the poverty line for the family. If family earnings capability exceeds the line, the family is presumed to be able to work its way out of poverty; families who lack the capability to earn enough to escape poverty are labeled "earnings capacity poor."

Trends in earnings capacity poverty and official poverty

Estimates of earnings capacity poverty have been made for both 1973 and 1988 for the population living in families headed by nonaged individuals. This rate was 5.8 percent in 1973, which means that in that year 10.5 million Americans lived in families which could not earn enough to escape poverty, even if the adults in the family worked full time for the entire year. By 1988, the number of poor so defined had increased substantially, to 14.5 million people (6.9 percent)—an increase of 20 percent. The official poverty rate for the two years was higher than the earnings capacity rate: 10.2 percent in 1973 and 11.9 percent in 1988, but rose more slowly over this period. In assessing the nation's efforts to reduce poverty over this period, then, a somewhat different picture emerges from the two measures. In both cases, poverty rates rose over time, but the deterioration was slightly more rapid using the earnings capacity measure than using the cash income measure.

Table 1 presents the levels and trends in earnings capacity poverty from 1973 to 1988 among various demographic groups. This table reveals a surprising result. While official poverty rates for those considered economically vulnerable—blacks, Hispanics, female heads of households, and especially black and Hispanic female heads of households—rose or fell only slightly over the period 1973–88, poverty as measured by earnings capacity *declined* substantially: by 13 percent for blacks, 27 percent for Hispanics, 19 percent for female heads with children, and 39 percent for black and Hispanic female heads of house-

Table 1

Trends in Earnings Capacity and Official Poverty, by Characteristics of Family Head and Family Type, 1973–1988

	Earnings Capacity Poverty		% Change in Earnings Capacity Poverty, 1973–88	% Change in Official Poverty, 1973–88
	1973	1988		
All	5.8%	6.9%	20	17
Race of head				
White	3.0	4.4	47	12
Black	20.9	18.5	-13	-5
Hispanic	15.1	11.9	-27	13
Other	5.4	5.9	9	38
Sex of head				
Male	2.3	3.2	39	12
Female	27.9	22.2	-26	-9
Education of head (years)				
0–11	12.2	17.1	40	53
12	3.8	7.3	92	60
13–15	1.6	3.6	125	20
16+	.4	.6	50	9
Family type				
Intact[a]	2.1	2.5	20	6
Female head[b] with children	38.8	32.7	-19	0
White	28.0	28.9	3	6
Black	50.5	36.4	-39	-9
Hispanic	53.0	38.0	-39	2
Other	32.0	24.5	-31	1
Male head[b] with children	10.2	13.6	33	49
Single female[c]	10.2	9.7	-5	-25
Single male[c]	6.2	7.8	26	-6

Source: Calculations by authors based on data from March 1974 and March 1989 Current Population Survey.

Note: The estimates are incidence rates for individuals in poor "family units" with family heads age 18–64.

[a]Male is referred to as head in intact families.

[b]Heads are single parents.

[c]Single persons with no dependents other than themselves.

holds with children. At the same time, the incidence of earnings capacity poverty registered large *increases* for those we think of as less vulnerable groups: white individuals, members of intact families, and those with more than 12 years of school. These changes were much larger than the increases in their official poverty rates and moved in the opposite direction to the change in earnings capacity poverty for the more vulnerable groups.

In sum, since the early 1970s, those groups that are generally viewed as economically secure—whites, intact families, and those with higher education levels—have experienced rapidly increasing rates of earnings capacity poverty. It is discouraging to find such substantial increases in the proportion of individuals in stable marriages and with high school degrees who are unable to escape poverty through their own efforts. Conversely, the reduction in the earnings capacity poverty rates of the nation's most vulnerable groups has been large, conveying a more favorable impression of changes in their relative status than is seen in the official poverty statistics.

The large decline in earnings capacity poverty rates for these vulnerable groups (relative to increases or smaller reductions in official poverty rates), while a hopeful sign, also raises disturbing questions. Why has the marked increase in the capability of these groups to earn their way out of poverty not been reflected in their official poverty rates? Why has the nation not been able to realize this increase in productive capabilities? One possible explanation is that the American economy failed to generate sufficient opportunities for these groups to make full use of their earnings capabilities. An alternative explanation is that they chose not to utilize their earnings capacities at higher rates than they, in fact, did. If the first explanation is the valid one, economic growth—especially economic growth not driven by demands concentrated on the more highly skilled and educated of the nation's working-age citizens—could yield substantial improvements in economic position for these more-vulnerable groups.

Trends in earnings capacity poverty, therefore, provide a somewhat different picture from trends in official poverty and raise different questions.

The point of this exercise, however, is not to advocate one specific measure, but rather to illustrate that there may be one or more new approaches that could yield informative results, enhancing our ability to forestall as well as alleviate poverty.

Controversy over changing the poverty measure

The work of the NAS panel in revising the poverty measure will be controversial. The official measure has become woven into the structure of both policy discussions and fiscal actions. Movements in the poverty measure are part of any observer's scorecard regarding the performance of political administrations and the health of the economy. Perhaps the primary negative assessment of the Reagan/Bush era is its legacy of increased poverty. Moreover, numerous pieces of legislation have incorporated the official definition of poverty into formulae for the allocation of federal funds and eligibility standards for the receipt of public benefits. Important interests—states, localities, social service organizations, and benefit recipients—stand to gain or lose from any change in the definition of poverty.

The official poverty statistic is also a symbol with far-reaching ideological and political implications. Conservatives find their interests best served by a low poverty rate, one which can muffle claims of social distress and counter calls for increased public intervention. And with Republican administrations controlling the White House for twenty of the past twenty-four years, they also have interest in a measure that shows reductions in poverty over time—or one that at least does not rise so fast. With the official U.S. poverty rate currently at 14.2 percent, over 2 percentage points higher than its level in 1979, those seeking a smaller public sector are not strong supporters of the current measure.

Conversely, liberals cite high and rising poverty as the primary manifestation of the nation's social problems, and as undermining efforts to reduce such public problems as crime, substance abuse, teen nonmarital parenthood, infant mortality, and declining student achievement. And the domination of the poverty population by people of color has fueled the view that increased poverty and deteriorating race relations are not unrelated. Growth in the poverty rate over the last decade has supported calls for increased social spending and strengthened the hand of those who advocate affirmative action.

The work of the panel will be controversial for another reason as well: the official measure is an arbitrary construct based upon a large number of implicit and explicit social judgments regarding both economic needs and well-being. What is an "acceptable social minimum level of living"? What is to be counted in determining how well off are people who live in widely varying family types, regions, and neighborhoods? As mentioned earlier, these judgments do not have a reliable scientific basis. And nobody, save perhaps the Congress, has a legitimate basis for making these social judgments and building them into this social indicator. While the scholars and analysts who form the NAS panel will be able to bring the results of research to bear on some of these issues, they have neither the authority nor any special ability to make the numerous social judgments that are also required. It is ultimately a political decision.

The opportunity for improvement

This discussion, then, conveys an important lesson: One's assessment of who is poor, of which groups have the highest poverty rates, and of the nation's progress against poverty differs substantially depending on the measure of economic position that one uses.

Reliance on the easy-to-collect current cash income measure gives a somewhat different view of the trend in poverty than does a longer-term measure of family capabilities and economic position. Measuring earnings capacity rather than current income also offers a rather different picture of the level and trend in poverty rates for various subgroups in the population.

A corollary of this lesson is that the task of developing a reliable indicator—or alternatively, a series of indicators—of family economic well-being is a daunting one. The National Academy panel will confront head-on the key measurement issues—the measurement of family economic position, evaluation of the variation in resources necessary to allow families of different sizes and structures to live at equivalent levels of well-being, and the incorporation of regional differences in price levels and consumption needs into poverty measures. The resolution of these matters will have an enormous effect on our picture of the level, incidence, and trend in poverty. These decisions will play a crucial role in determining the nation's collective view of how bad things are, on whom policies should be targeted, and whether or not things are moving in the right direction.

But there is another lesson as well. Defining poverty is not just a matter of measuring things in the right way; it also requires fundamental social judgments, many with moral implications. Should poverty be measured absolutely, or assessed relative to how the rest of us are doing? What is the minimum socially acceptable level of living—or the minimum socially acceptable capability of earning a living? How should certain of a family's assets—say its children—be treated in measuring its well-being; are they a consumption good providing value? Or should they enter the calculation of the poverty line as they do now, as indicators of the family's need for income? Should quality-of-life factors—environment, schools, crime rates, encounters with drug dealers, the homeless, or those begging—be considered in measuring economic position, or should they not? When should the difficulty of developing a reliable measure override the importance of the factor being measured in deciding on a poverty definition, and a procedure for measuring it?

The National Academy panel faces numerous Faustian decisions; and no matter what choices are made, the decisions will be criticized by many, applauded by few. But the panel also has the mandate, and hence a great opportunity, to change an important element of how we as a nation view ourselves. The definition of poverty—or perhaps the family of definitions—that is officially adopted is probably the most normative of all of its statistical indicators of national performance. Like the unemployment rate, the poverty measure embodies a national goal. The panel has the chance to heavily influence the country's impression of the importance of that goal and the strategies that it adopts in achieving its objective. ■

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[1] The panel was established by the Committee on National Statistics of the NAS in response to two congressional directives. Its formal title is "Panel on Poverty and Family Assistance: Concepts, Information Needs, and Measurement Methods." The panel chair is Robert Michael, University of Chicago. Members are Anthony B. Atkinson, University of London; David M. Betson, University of Notre Dame; Rebecca M. Blank, Northwestern University; Lawrence Bobo, University of California, Los Angeles; Jeanne Brooks-Gunn, Columbia University; John F. Cogan, Hoover Institution; Sheldon H. Danziger, University of Michigan; Angus S. Deaton, Princeton University; David T. Ellwood, Harvard University; Judith M. Gueron, Manpower Demonstration Research Corporation; Robert M. Hauser, University of Wisconsin–Madison; and Franklin D. Wilson, University of Wisconsin–Madison. Betson, Danziger, and Wilson are affiliates of IRP; Hauser is its current director. Blank, Bobo, Ellwood, and Gueron have been associated with IRP projects.

[2] Washington, D.C.: Urban Institute Press, 1990. The study provides a thoughtful analysis of the full range of issues that the committee will confront.

[3] *Drawing the Line.* See also her article "Measuring Poverty," *Focus* 14:2 (Spring 1992).

[4] The most vociferous recent attacks on the official measure have focused on its failure to include the value of in-kind public benefits in the income measure. See for example Robert Rector, Kate O'Beirne, and Michael McLaughlin, "How 'Poor' Are America's Poor?" Heritage Foundation *Backgrounder*, no. 791, September 21, 1990. Other critics have been vocal about the failure to subtract taxes. If both these corrections were made in the income measure, they would tend to offset each other.

[5] Susan E. Mayer and Christopher Jencks, "Recent Trends in Economic Inequality in the United States: Income vs. Expenditures vs. Material Well-Being," in *Poverty and Prosperity in the USA in the Late Twentieth Century,* ed. Dimitri Papadimitriou and Edward Wolff (New York: Macmillan, 1993).

[6] See, for example, G. J. Duncan, *Years of Poverty, Years of Plenty* (Ann Arbor: Institute for Social Research, University of Michigan, 1984).

[7] By relying on an expanded and continued longitudinal data source, such as the Survey of Income and Program Participation, some of the problems of transitory income flows could be overcome.

[8] Gary Becker and Amartya Sen have been strong advocates of a permanent, or full income, concept to measure the economic well-being or status of a family. See Becker, "A Theory of the Allocation of Time,"*Economic Journal,* 75 (1965), 493–517; Sen, "Issues in the Measurement of Poverty," *Scandinavian Journal of Economics,* 81 (February 1979), 285–307; and "Poverty: An Ordinal Approach to Measurement," *Econometrica,* 44 (March 1976), 219–231. See also Anthony Atkinson, "On the Measurement of Poverty," *Econometrica,* 55 (April 1987), 749–764. And see Ruggles, *Drawing the Line,* for a discussion of the merits of such an indicator.

[9] The concept of earnings capacity and its use in measuring poverty was first developed in Irwin Garfinkel and Robert Haveman, *Earnings Capacity, Poverty, and Inequality* (New York: Academic Press, 1977). The estimates reported below are from Haveman and Larry Buron, "Escaping Poverty through Work: The Problem of Low Earnings Capacity in the United States, 1973–1988," *Review of Income and Wealth,* forthcoming. Available from IRP are several papers by Haveman and Buron on the concept: "Who Are the Truly Poor? Patterns of Official and Net Earnings Capacity Poverty, 1973–1988," IRP Discussion Paper no. 956–91, 1991; "Destitution in the United States," IRP Discussion Paper no. 963–92, 1992; and "Inequality in Male Earnings Capacity, 1973–88: The Effects of Changes in 'Opportunity' and 'Choice,'" IRP Discussion Paper no. 983–92, 1992.

[10] See note 8, above.

[11] The actual procedures followed are these: First the earnings of all full-time, year-round workers in the CPS are related statistically to a variety of their characteristics, such as race, gender, education, age, health status, region, urban-rural location, and marital and family status. Then, using these estimated relationships, the amount that could be earned by each adult if he/she worked full time, year round, is calculated. This individual earnings capacity is then adjusted downward for the time that the individual either sought work but couldn't find it or couldn't work because of health problems (reflecting the judgment that these constraints on the use of earnings capacity should be reflected in the estimates). As a third step, the individuals are collected into their families, and their individual earnings capacities are summed. The resulting value for each family is then adjusted downward to reflect the costs of the child care that would have to be purchased if all of the adults were to work to their adjusted full capacity. This adjustment reflects the number and ages of the children and an estimate of the per-hour costs of child care. The result is an estimate of family earnings capacity. For a more detailed description, see Haveman and Buron, "Escaping Poverty through Work."

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