



Focus

Volume 14

Number 3

Winter 1992–1993

Poverty and public policy: A conference	1
Poverty policy priorities for President Clinton	13
Income and higher education	14
New books by IRP researchers	20
Announcements	23
Changing the poverty measure: Pitfalls and potential gains	24
Recent Discussion Papers	30

ISSN: 0195–5705

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

FOCUS is a Newsletter put out three times a year by the
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

The Institute is a nonprofit, nonpartisan, university-based research center. As such it takes no stand on public policy issues. Any opinions expressed in its publications are those of the authors and not of the Institute.

The purpose of *Focus* is to provide coverage of poverty-related research, events, and issues, and to acquaint a large audience with the work of the Institute by means of short essays on selected pieces of research. A subscription form with rates for our Discussion Papers and Reprints is on the back inside cover. Nonsubscribers may purchase individual papers from the Institute at \$3.50 for a Discussion Paper and \$2.00 for a Reprint.

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.

Copyright © 1993 by the Regents of the University of Wisconsin System on behalf of the Institute for Research on Poverty. All rights reserved.

of "poverty amidst plenty" that motivated the War on Poverty.

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 con-

clude 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?

Forthcoming, in early 1994, from Harvard University Press

Chapter 1. Editors' Introduction
Sheldon H. Danziger, University of Michigan,
Gary D. Sandefur, University of
Wisconsin–Madison, and Daniel H.
Weinberg, U.S. Bureau of the Census

Part I. What Do We Know?

Chapter 2. Public Spending on the Poor: Historical Trends
and Economic Limits
Gary Burtless, Brookings Institution

Chapter 3. The Historical Record: Trends in Family
Income, Inequality, and Poverty
Sheldon H. Danziger and Daniel H. Weinberg

Chapter 4. The Dynamics and Intergenerational
Transmission of Poverty and Welfare Dependence
Peter Gottschalk, Boston College, Sara
McLanahan, Princeton University, and
Gary D. Sandefur

Chapter 5. The Underclass: Concept, Controversy, and
Evidence
Ronald B. Mincy, Urban Institute

Chapter 6. Poverty in Relation to Macroeconomic Trends,
Cycles, and Policies
James Tobin, Yale University

Part II. What Should We Do?

Chapter 7. The Employment Strategy: Public Policies to
Increase Work and Earnings
Rebecca M. Blank, Northwestern University

Chapter 8. Single-Mother Families, Economic Insecurity,
and Government Policy
Irwin Garfinkel, Columbia University, and Sara
McLanahan

Chapter 9. Updating Urban Policy
Jeffrey Lehman, University of Michigan

Chapter 10. Reform of Health Care for the Nonelderly
Poor

Barbara L. Wolfe, University of
Wisconsin–Madison

Chapter 11. Education and the Well-Being of the Next
Generation
Richard Murnane, Harvard University

Chapter 12. Systemic Educational Reform and Social
Mobility: The School *Choice* Controversy
Charles F. Manski, University of
Wisconsin–Madison

Chapter 13. Poverty and Immigration in Policy
Perspective
Marta Tienda, University of Chicago, and Zai
Liang, University of Chicago

Part III. How Do We Get There from Here?

Chapter 14. Antipoverty Policy, Affirmative Action, and
Racial Attitudes
Lawrence Bobo, University of California, Los
Angeles

Chapter 15. Poverty Politics
Hugh Hecl, George Mason University

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

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 Hecl, 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 ■

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.”

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