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Poverty policy and poverty research over four decades

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The Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison has reached a unique milestone—forty years as a leading university-based research and policy center. As far as university-based multidisciplinary organizations go, this is an eternity.

To note this milestone, IRP gave itself a party. The party was held during the 28th annual research conference of the Association for Public Policy and Management (APPAM) in November 2006. The venue was the Frank Lloyd Wright-designed Monona Terrace Conference Center overlooking Lake Monona at the Institute's home base in Madison.

The reception for this celebration was a walk down memory lane. Dozens of former research affiliates and staff reconnected, including a number of current and past government officials who supported and provided oversight to the Institute's work. Nearly all of the former IRP Directors were able to return; a unique group picture is available on the IRP Web site http://www.irp.wisc.edu/.

Consistent with IRP's mission—to sponsor and disseminate "research on the nature, causes, and cures of poverty"—the heart of this party was intellectual. With the help of APPAM, we arranged two quasi-plenary sessions designed to provide overviews and perspectives on both poverty research and poverty policy over four decades. These were unique sessions, with five papers in each—two longer and three shorter papers. We estimate that at least 400 people attended all or part of these sessions.

The papers presented in these sessions are the subject of this special issue of *Focus.* The reader should realize that not all perspectives or approaches to poverty research or poverty policy could be included within the short time and space constraints we were given. Important topics such as poverty and health, disability policy, and other issues simply could not be included. We invited a wide range of opinions covering qualitative as well as quantitative approaches to poverty research, and both the analysis and implementation of antipoverty policy. Before reading the papers, a little background on the overall organization of the two sessions is in order.

Session I: Poverty Research over Four Decades

We asked the authors of the papers for this session to address the following question: "What do we now know about the 'nature and causes' of poverty that we did not know in 1965; what should be our research focus in the future?"

Over the past four decades, research has addressed a variety of causes of low income, inequality, and poverty. Explanations have ranged widely; they include the "culture of poverty," macroeconomic performance, the labor supply incentives implicit in tax and transfer systems, intergenerational transmission processes, structural labor market changes favoring high-skill workers, racially based housing and labor market discrimination, and failures in the nation's school systems. Poverty researchers have addressed each of these proposed explanations, and others as well. The findings have influenced poverty policy in the United States, and advanced the research tools available for understanding policy and social phenomena.

In some cases, research has supported the conjectures offered. For example, family characteristics and choices are closely related to a variety of child and youth outcomes. In other cases, little support has been found in research findings. Few now adhere to a simple "culture of poverty" explanation. However, no single explanation on which policy could focus has been identified. Rather, the causes of poverty have been found to be complex, multifaceted, and difficult to isolate.

In the process, poverty research has contributed to the development of a variety of social science methods and analytic approaches, including social experimentation techniques, econometric methods for measuring causal impacts (such as accounting for sample selection), methods for evaluating the effectiveness of public policy interventions, and a variety of approaches to qualitative research including participant-observer techniques.

Session II: Poverty Policy over Four Decades

Most antipoverty policy has revolved around the design, implementation, and evaluation of the effectiveness of public initiatives—issues central to all fields of policy and administration. The panelists in this session discussed various perspectives on antipoverty policy and key issues in the organization and management of poverty policy over the past 40 years and looking forward. The questions this session addressed were: How has public antipoverty policy changed over the past four decades? Do we know better today how to combat poverty than in 1965? Finally, what are likely to be future antipoverty policy issues and stances?

Our starting point was a review of the evolution of public transfer programs over the past 40 years. An important point is that these policies have evolved over time for discernable reasons; public reaction against cash handouts, against support given without a quid pro quo, and against support that carries large work and other disincentives. These factors have not only affected the nature and composition of the support provided, but also the level of support. In addition to direct benefit support for the poor, indirect effects of labor market regulations and subsidies are also important, especially the way they affect specific groups, such as African American men.

Given this evolution, our authors have addressed what we have learned about the relative effectiveness of these various approaches to reducing poverty. And, given this improved level of knowledge and our understanding of the likely dynamics of political sentiments, they speculate on how policy might evolve, or how they believe that it should evolve. ■

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Fighting poverty revisited: What did researchers know 40 years ago? What do we know today?

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Introduction

In the mid-1960s, just prior to the establishment of the Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison, the first generation of poverty researchers, primarily economists associated with the President's Council of Economic Advisers, articulated the elimination of income poverty as a national goal. In this paper, I review what they knew then about the economics of poverty compared to what we know today.

The income poverty goal was declared by President Johnson in 1964: "We cannot and need not wait for the gradual growth of the economy to lift this forgotten fifth of our Nation above the poverty line."[1] Robert Lampman, the founder of IRP, emphasized that "Ending income poverty does not require and will not achieve a transformation of society. It is a modest goal. Income poverty is only part of the broader problem of poverty."[2]

The 1964 Economic Report of the President discussed many strategies for reducing poverty, including maintaining high levels of employment, accelerating economic growth, fighting discrimination, improving labor markets, expanding educational opportunities, improving health, and assisting the aged and disabled. President Johnson's 1964 State of the Union speech emphasized structural factors as primary causes of poverty, including, "...our failure to give our fellow citizens a fair chance to develop their own capacities, in a lack of education and training, in a lack of medical care and housing, in a lack of decent communities in which to live...."[3] The prevailing view was that the poor did not work enough because of excessive unemployment or, if they did work, they earned too little due to insufficient skills.[4]

Johnson's economists predicted that income poverty could be eliminated by 1980 because they assumed that the benefits of economic growth would continue to be widely shared as they had in the prior two decades. If macroeconomic policies kept the economy growing, then real wages would continue to increase steadily for workers throughout the wage distribution. The additional resources being devoted to the new antipoverty initiatives would further contribute to poverty reduction, for example, by raising the skills and employment of those who had been left behind by economic growth. Employment and training programs would enhance skills and launch their graduates into an economy with low unemployment and growing wages. Human capital programs, from Head Start for preschool children through Pell Grants for college students, would prevent poor children from becoming the next generation's poor workers. Together, macroeconomic and antipoverty policies would sustain economic performance, raise the productivity of the poor, and remove discriminatory barriers to economic participation.

Income poverty was not eliminated by 1980. Even today, we are far from fulfilling the vision of the War on Poverty planners, even if one maintains the official (inflation-adjusted) poverty line and includes tax credits and noncash transfers in addition to money income.

What went wrong? Were the poverty researchers of the 1960s misinformed? Some critics have blamed the growth of antipoverty programs themselves, and by implication the proposals of the first generation of poverty researchers, for poverty's persistence.[5] President Reagan expressed such a view:

> In 1964, the famous War on Poverty was declared. And a funny thing happened. Poverty, as measured by dependency, stopped shrinking and actually began to grow worse. I guess you could say "Poverty won the War." Poverty won, in part, because instead of helping the poor, government programs ruptured the bonds holding poor families together.[6]

Other critics argued that eliminating income poverty was not as important a goal as changing the personal behaviors of the poor. An American Enterprise Institute task force concluded:

> Money alone will not cure poverty; internalized values are also needed.... (T)he most disturbing element among a fraction of the contemporary poor is an inability to seize opportunity even when it is available and while others around them are seizing it.... Their need is less for job training than for meaning and order in their lives.... An indispens-

able resource in the war against poverty is a sense of personal responsibility.[7]

I reject the views of such critics. My reading of the evidence, reviewed below, is that the income poverty goal was not achieved because the optimistic, but reasonable, economic forecasts of the early poverty researchers were invalidated by unexpected economic changes that began after the first oil price shock in 1973. The primary reason that poverty persists is not because the research of the War on Poverty planners was flawed, but because the economy failed to deliver the benefits of prosperity widely.

In fact, the dramatic decline in poverty among the elderly following the War on Poverty confirms the view of the early poverty researchers that government policies can help the poor. The incomes of the elderly rose because Congress increased Social Security benefits seven times between 1965 and 1973 and then indexed benefits for inflation starting in 1975. Congress also implemented Medicare and Medicaid, providing the elderly with universal health insurance and the Supplemental Security Income Program (SSI), providing them with a guaranteed annual income. The living standards of the elderly thus became more secure than those of the nonelderly because of public policies.

What went wrong? What we know today

The era of steady economic growth and rising real wage rates that raised living standards for most workers in the quarter century after World War II ended in the mid-1970s. Particularly hard hit were workers with no more than a high school degree, whose post-war wage gains were largely based on unionized, high-wage manufacturing jobs. Instead of the steady wage growth that the early poverty researchers expected, the real annual earnings of male high school dropouts were 23 percent lower in 2002 than in 1975 and those of male high school graduates were 13 percent lower. From the early 1970s to the early 1990s, unemployment was higher than expected. The annual unemployment rate for men over the age of 20 was below 5 percent in 23 of the 25 years between 1950 and 1974, but below 5 percent in only 4 of the 20 years between 1975 and 1994. For the past three decades, economic forces have increased financial hardships for many workers and prevented existing antipoverty policies from further reducing poverty.

The evidence on the changing relationship between economic growth and poverty, particularly the stagnation of male earnings, refutes the view that poverty remains high because the government provided too much aid for the poor, and thus encouraged dysfunctional behaviors. Poverty would be somewhat lower today if fewer low-skilled men had withdrawn from the labor market and if marriage rates had not declined so much over the past three decades. However, these effects are small compared to the poverty-increasing effects of a labor market that shifted from a quarter century of rapid economic growth in which a rising tide lifted all boats to a quarter century of slow growth and rising inequality.[8]

The relationship between economic growth and poverty

The economy has grown steadily since the mid-1960s, with only small declines during recessions, according to three measures of overall economic well-being: real per capita gross domestic product (GDP) from the National Income and Product Accounts (NIPA), real per capita personal income from NIPA, and real per capita personal income from the Current Population Survey. The NIPA series show roughly a tripling of both GDP per capita and personal income per capita over the 1959 to 2004 period; the CPS series shows roughly a doubling since 1967 (data not shown). If economic growth were the prime source for poverty reduction, this growth in mean living standards should have produced a steady decline in poverty as the early poverty researchers predicted.

However, the poverty-reducing effects of per capita growth diminished in the early 1970s. Figure 1 shows the trend in poverty among all persons based on three alternative measures of poverty. The official poverty rate, the middle series, was 12.7 percent of all persons in 2004, higher than the 1973 rate of 11.1 percent.[9] Some researchers consider the official line to be too low since it has fallen relative to median family income over the past 40 years. The official threshold for a family of four was 41 percent of median income in 1965, but only 29 percent in 2004.[10] The top line shows that the rate would have been 17.1 percent in 2004 if the official thresholds were increased by 25 percent to partially offset this drop relative to the median.

On the other hand, the poverty measure counts only money income and ignores noncash benefits that raise the living standards of the poor, such as food stamps and the Earned Income Tax Credit, which together can provide about $5,000 of additional purchasing power for workers earning around $12,000 with children. Counting these benefits as income and adjusting the lines by the latest price index of the U.S. Bureau of Labor Statistics, the Consumer Price Index Research Series, as the bottom line indicates, leads to a 2004 poverty rate 4.1 percentage points below the official rate.[11] However, the time series for the alternative measure for the years that data are available, 1979 to 2003, is quite similar to the trend in the official rate, and shows only a half-percentage point decline over the quarter century.

If a new poverty measure was implemented that adopted the newest price index, counted noncash benefits and tax credits as income, and raised the poverty line somewhat, the resulting rate would not differ much from the official rate.[12] Reasonable redefinitions of the official measure

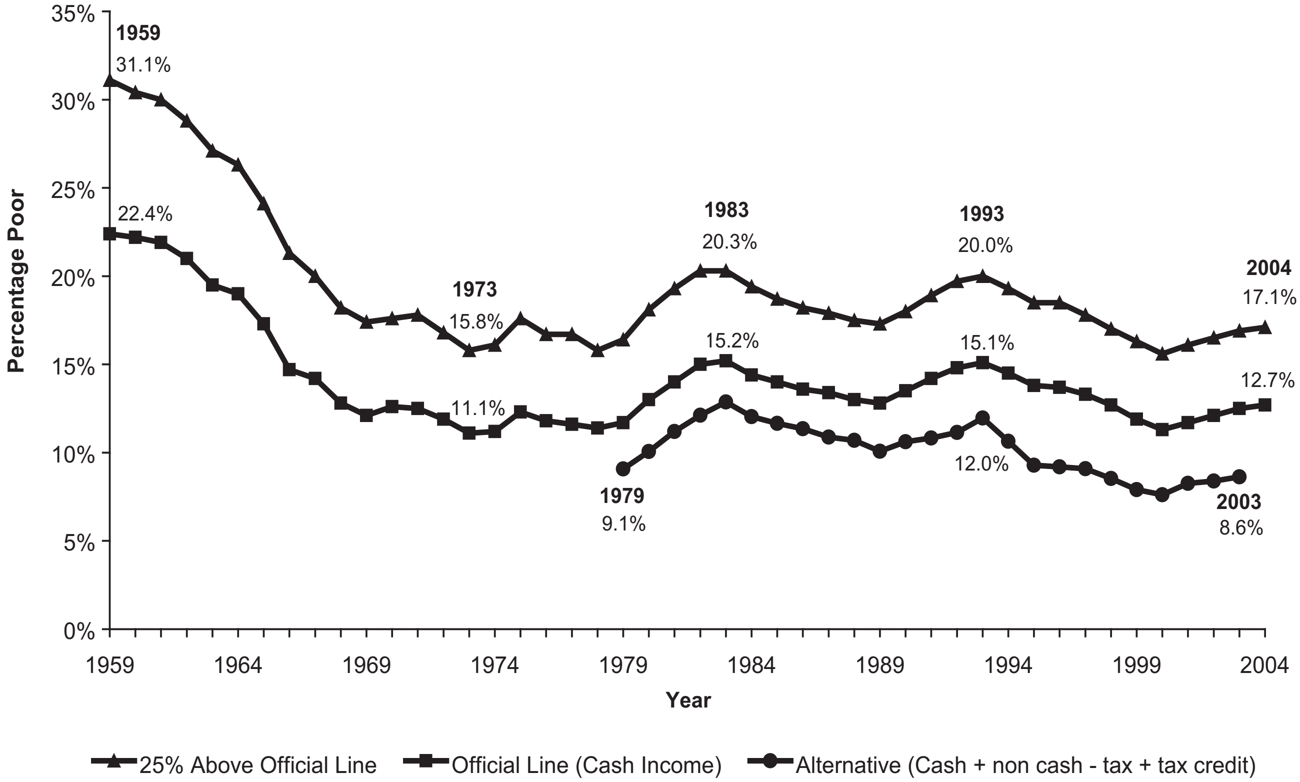

Figure 1. Alternative measures of poverty, 1959–2004.

Note: The official poverty line for a family of four was $19,307 in 2004. The alternative poverty line is adjusted for inflation using the CPI-U-RS and was $16,566 in 2004.

Source: Calculations from March CPS.

would also show that income poverty declined rapidly in the post-War on Poverty decade, but changed relatively little over the last three decades.

Given the substantial growth in per capita living standards and the poverty declines they observed from the late 1940s through the late 1960s, the early poverty researchers predicted the elimination of income poverty by 1980. In the 1970s, James Tobin or Robert Lampman might have reached this conclusion by estimating a regression with the official poverty rate as the dependent variable and the unemployment rate and per capita GDP as explanatory variables.[13] I estimated similar regressions with 30 years of additional data, allowing the antipoverty effects of unemployment and GDP to differ before and after 1973 by interacting each variable with a post-1973 dummy variable. The regression coefficients show that the antipoverty effect of GDP growth was smaller after 1973 than it had been in prior years.

Figure 2 shows the official poverty rate along with two projections based on the estimated regression coefficients. The first projection indicates that the official rate would have fallen to zero by 1984 if there had been no slowdown in the rate of GDP growth after 1973. The second projection indicates that the official rate would have reached zero by 1987 even if GDP growth after 1973 slowed as it did (from 2.9 to 1.9 percent per year), but if there had been no change in the pre-1973 relationship between GDP and poverty.

These simple projections are consistent with formal analyses of the changing effects of economic growth on poverty.[14] They document that the expectations of the War on Poverty planners were based on solid economic analysis of the data available at that time. Poverty remains high primarily because the relationship between economic growth and poverty changed unexpectedly after 1973.

Annual earnings for full-time workers

The relationship between GDP and poverty changed after 1973 because the era of steadily rising real wages for workers across the distribution had ended. Figure 3 shows how the post-1973 labor market changes affected the typical full-time, year-round worker. No researcher in 1973 would have predicted that the men's median earnings would have remained virtually constant for three decades, when their earnings had grown at an an-

Figure 2. Official poverty rate and predicted rates with pre-1973 GDP/poverty relationship.

Note: The predicted lines shows where the poverty rate would be in subsequent years if the relationship between per capita GDP and the poverty rate remained the same as it did from 1959–1973. GDP grew at an average of 2.9 percent per year from 1959–1973 and at an average of 1.9 percent from 1973–2004.

Source: Calculations from March CPS.

nual rate of 2.6 percent or about 40 percent overall during the1960–1973 period.

An early poverty researcher might have estimated a regression with the log of median earnings as the dependent variable and the unemployment rate and a time trend as independent variables. I did the same, but again included a break in the time trend after 1973. The results are striking: the full-time, year-round median male would have earned $89,916 in 2004 if the median had grown at the 1960 to 1973 rate for the entire period. The actual median for male workers in 2004 was $40,798. A parallel regression prediction for the full-time year-round female median is $46,688 in 2004, compared to the actual median of $31,223. If the earnings of full-time year-round workers had grown along these predicted paths, income poverty would likely have been eliminated in the 1980s.

The stagnation of median earnings for men since the early 1970s represents a failure of the economy, not a failure of antipoverty policies. It is well-documented that labor supply has fallen, especially for less-educated men, over the past three decades. Part of this labor supply reduction is due to the negative incentive effects of government transfer programs, but part is due to the declining real wages of less-educated workers.[15] Most economists agree that a number of factors have contributed to falling real-wages of less-educated workers and increased earnings inequality. These include labor-saving technological changes, the globalization of labor and product markets, immigration of less-educated workers, the declining real value of the minimum wage, and declining unionization.[16] This suggests that if wages had continued to grow after 1973, as they did in the prior decades, less-skilled workers would have worked somewhat more and earned much higher wages than they do today.

Declining real earnings of less-educated workers

Men with no more than a high school degree have fared worse than the median full-time worker. Figure 4 shows trends over four decades in the relationships between four income measures and a fixed benchmark for men with a high school degree or less who are between the ages of 25 and 54. The top line shows the percentage of men who did not earn enough on their own to support a family of four at the poverty line.[17] The number of less-educated men below this threshold fell from 24.2 to 16.4

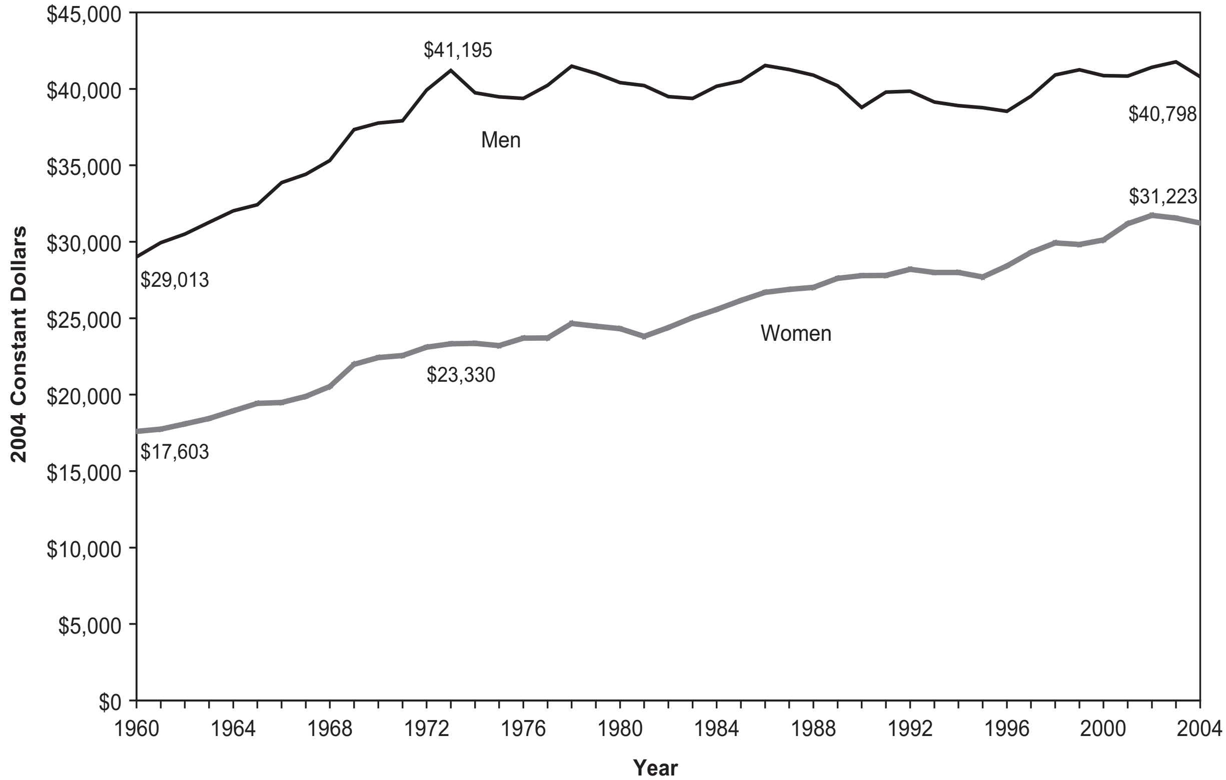

Figure 3. Median earnings, full-time, year-round workers, 1960–2004.

Note: Uses Census Bureau data from 1960 to 2004 on inflation-adjusted (CPI-U-RS) median annual earnings for full-time year-round workers.

Source: U.S. Bureau of the Census.

percent between 1963 and 1973, but increased dramatically to 33.8 percent between 1973 and 2004.

Many men were brought above the $16,566 threshold by the increased earnings of family members, primarily working wives. While the percentage below this poverty line based on individual income increased by 17.4 percentage points between 1973 and 2004, including the earnings of others kept the increase to 11.1 points. When all money-income sources are included, the percentage below the threshold increased by 9.4 points between 1973 and 2004. The lowest line shows that when noncash transfers and tax credits are added and taxes are subtracted, the rate increased 6.3 percentage points between 1979 and 2003.[18] Despite the increased work of wives and increased noncash transfers and tax credits for the working poor, many less-educated workers have not benefited from the prosperity of the last quarter century.

Income transfer policy and income poverty—then and now

President Johnson did not propose to eliminate income poverty by extending cash transfers to the nondisabled, nonelderly poor:

> We are not content to accept the endless growth of relief rolls or welfare rolls. We want to offer the forgotten fifth of our people opportunity and not doles…. Our American answer to poverty is not to make the poor more secure in their poverty but to reach down and to help them lift themselves out of the ruts of poverty and move with the large majority along the high road of hope and prosperity. The days of the dole in this country are numbered.[19]

However, the early poverty researchers did consider the negative income tax (NIT) as the most efficient antipoverty program. The 1969 Report of President Johnson's Commission on Income Maintenance Programs reflected this view:

> We have concluded that more often than not the reason for poverty is not some personal failing, but the accident of being born to the wrong parents, or the lack of opportunity to become nonpoor, or some other circumstance over which individuals have no control…. Our main recommendation is for the creation of a universal income supplement program financed and administered by the Federal Government, making cash payments to all members of the population with income needs.[20]

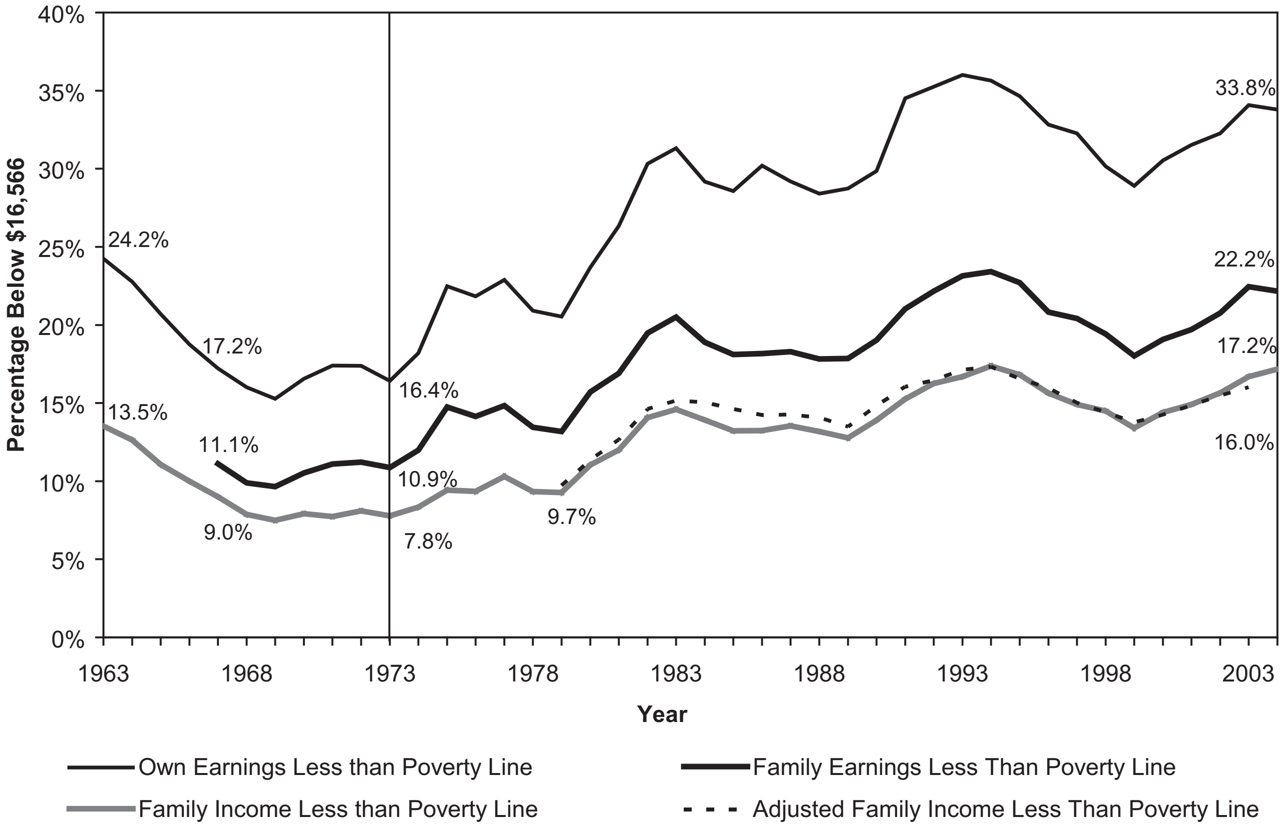

Figure 4. Men, ages 25–54, high school degree or less, with own earnings and family income below an inflation-adjusted poverty line.

Note: For each income concept, a fixed threshold of $16,566 is used. This is the poverty line for a family of four adjusted using the CPI-U-RS instead of the official poverty line.

Source: Calculations from March CPS.

At about this time, the negative income experiments were developed and implemented by poverty researchers, including many faculty and graduate students at the Institute for Research on Poverty. This was the beginning of a tradition that continues today of experimental research on a range of antipoverty, health, education, and welfare reform policies.

In 1969, President Nixon proposed the Family Assistance Plan, an NIT that would have extended cash assistance to two-parent families, established a national minimum welfare benefit, reduced the high marginal tax rate on earnings in the Aid to Families with Dependent Children program, and de-coupled cash assistance and social services. Such NITs sought to reduce poverty and provide work incentives by raising cash benefits for nonworking welfare recipients and by extending assistance to the working poor who had been ineligible for cash welfare.

The rise and fall of the NIT as the economists' preferred antipoverty strategy has a rich history that cannot be reviewed here.[21] However, the NIT movement did contribute to the adoption of the Supplemental Security Income Program (SSI) and the Earned Income Tax Credit (EITC).[22] Although Congress rejected a guaranteed annual income for able-bodied, nonelderly nonworkers in the 1970s, it approved both SSI, an NIT for the elderly blind and disabled, as well as the EITC for low earners with children.

Under an NIT, the benefit is at a maximum for nonearners and then falls as earnings rise. Instead, EITC payments are zero for nonworkers and reach a maximum at about the annual earnings of full-time minimum wage workers. EITC payments rise with earnings for low earners until the maximum benefit is reached. When earnings are about equal to the poverty line for a family of three, the EITC now resembles a low-guarantee, low-tax-rate NIT. As incomes rise to about twice this amount, the EITC is phased out.

As the early poverty researchers proposed, the EITC is available to both one- and two-parent families, provides a benefit that is constant across the nation, and is now indexed for inflation. (A number of states have implemented their own EITC's to supplement the federal one.) The maximum federal EITC for a family with two or

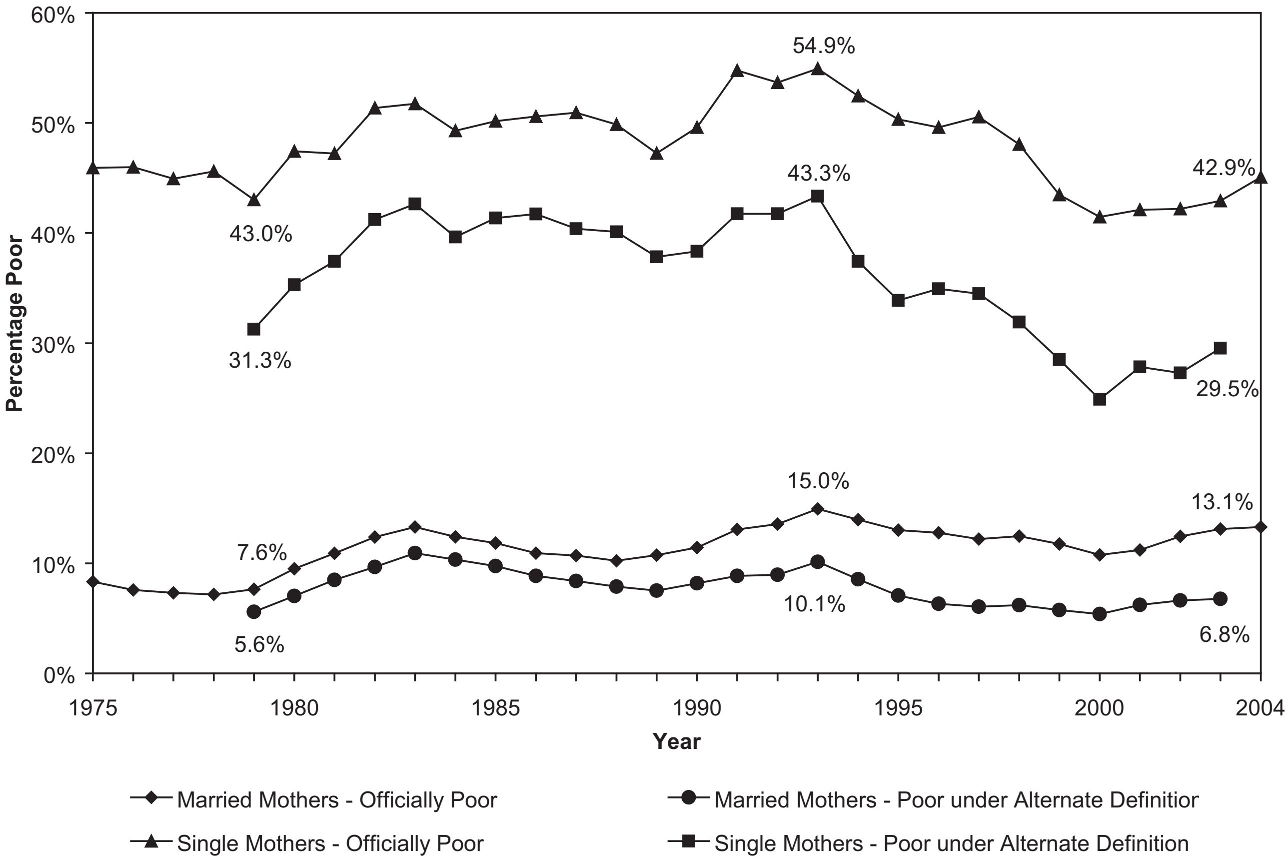

Figure 5. Trends in poverty, women with children and high school degree or less, 1975–2004, by marital status.

Source: Calculations from March CPS. Alternative definition adds the value of the EITC, food stamps, school lunch, and housing vouchers to income, subtracts income and payroll taxes, and uses poverty thresholds adjusted by the CPI-U-RS.

more children (in current dollars) was $400 in 1975, $550 in 1986, $953 in 1991, and $4,400 in 2005.[23]

The NIT experiments were followed by a long period of research and experimentation on programs to raise the work effort, instead of the cash income, of the nonworking poor. Research on state experiments with welfare-to-work programs contributed to the development of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. That legislation transformed the safety net for the nonworking poor.[24] Millions of single mothers left welfare to take jobs after the 1996 reform, and their poverty rate fell. However, in any given month 20 to 30 percent of these mothers are out of work. As Figure 5 shows, for single mothers with a high school degree or less, despite their increased work hours and earnings over the last decade, about 43 percent remain poor by the official definition and about 30 percent according to the alternative definition.

The PRWORA experience also revealed that a minority of welfare recipients—about 10 percent of the 1996 caseload—have multiple barriers to employment, making it very difficult for them to work steadily even when the national unemployment rate is low.[25] Until PRWORA, researchers, policy analysts, and agency staff did not realize the full extent of issues such as learning disabilities, maternal and child health problems, mental health problems, and domestic violence that make it difficult for many former welfare recipients to work steadily. This experience suggests that the evolution of welfare from a cash-based to a work-based system could be furthered by experimentation with low-wage, transitional public-service jobs of last resort for those who are willing to work but cannot find and keep regular jobs. In the absence of such a public program, many among the poor find themselves without cash welfare and without earnings. Unfortunately, the public provision of jobs for the nonworking poor last received serious attention in the late 1970s, when they were included in the Program for Better Jobs and Income, President Carter's failed welfare reform.[26]

Summary

Before concluding, I note that other issues that concerned poverty researchers in the 1960s and remain relevant today were not discussed here. These include the high poverty rates of racial/ethnic minorities, the unequal educational prospects of poor children, and the problems of high-poverty areas. I also have not considered issues that were not on the research agenda 40 years ago that are prominent today, including, child support, family formation and nonmarital childbearing, the child care problems of working mothers, the labor market effects of immigration, the consequences of increased incarceration, cross-national comparisons of poverty, inequality and antipoverty strategies, and how the poor interpret their economic prospects. Some of these issues are discussed in other articles in this issue.

Income poverty was not eliminated by the 1980s because the economy has not generated increased earnings even for the median full-time year-round male worker since the early 1970s. Economic growth has had a limited impact on poverty because rising earnings inequality has left many workers with lower real earnings. Given current economic conditions, income poverty will not be substantially reduced unless government does more to help low-income workers and those who are willing to work but cannot find jobs. Poverty remains high, not because of a shortage of effective antipoverty policy options, but because the public and policymakers have not made reducing poverty a high priority.

In contrast, several antipoverty policies developed in the U.S. over the past four decades influenced the antipoverty initiative launched in 1999 in the United Kingdom by Prime Minister Blair.[27] Poverty in the U.K., when measured in a manner similar to the way it is measured in the U.S., fell dramatically in just a few years as these policies were implemented. The U.K. chose programs that would promote "work for those who can, security for those who cannot," and increased investments in children to expand opportunity and intergenerational mobility. A Working Families Tax Credit similar to our Earned Income Tax Credit was put into place. Relative to the EITC, the U.K. credits are more generous relative to the average wage and are paid to a greater percentage of families, including childless working adults. A minimum wage that is higher as a percentage of the average wage than is the U.S. minimum wage was also introduced in 1999 and has increased each year since then.

Other U.K. programs have drawn on the U.S. experience. The Sure Start program for early enrichment for disadvantaged children is similar to the Head Start program. The Blair government also increased spending to guarantee slots in preschools and expand access to child care for all children, extended paid maternal leave, introduced paternal leave, and set up tax-free savings accounts at childbirth. Cash welfare benefits for the nonworking poor were also raised, representing a rejection of the recent U.S. experience.[28]

This UK experience demonstrates that if there is a political will to reduce poverty and additional resources are devoted to the task, many public policies can be "taken off the shelf" and put in place to reduce poverty substantially. ■

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[1]Council of Economic Advisers. 1964. *Economic Report of the President.* Washington, DC: USGPO, p.15.

[2]R. Lampman, *Ends and Means of Reducing Income Poverty.* (Chicago: Markham, 1971), p. 167.

[3]L. Johnson, "Annual Message to the Congress on the State of the Union." January 8, 1964. Available at http://www.presidency.ucsb.edu/ws/index.php?pid=26787.

[4]See e.g., S. Danziger, R. Haveman and R. Plotnick, "Antipoverty Policy: Effects on the Poor and the Nonpoor." In S. Danziger and D. Weinberg, eds. *Fighting Poverty: What Works and What Doesn't* (Cambridge, MA: Harvard University Press, 1986): 50–77.

[5]C. Murray, *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984); L. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1985).

[6]R. Reagan, "Radio Address to the Nation on Welfare Reform." February 15, 1986. Available at: http://www.presidency.ucsb.edu/ws/print.php?pid=36875.

[7]M. Novak, *The New Consensus on Family and Welfare: A Community of Self-Reliance* (Milwaukee, WI: Marquette University, 1987).

[8]Danziger and Gottschalk conduct a simulation based on the demographic changes by race/ethnicity/age/family structure that occurred between 1975 and 2002 and the assumption that the economic performance of this period was similar to that of the 1949–1969 period. That is, they assume that family income adjusted for family size doubled between 1975 and 2002 as it did between 1949 and 1969, instead of increasing by 53 percent as it actually did. Further, they assume that income inequality remained at the 1975 level. This simulation of the effect of economic changes captures the expectations of the early poverty researchers that economic growth would continue and that inequality would not increase. This simulation produces a poverty rate in 2002 using that year's demographic structure that is 5.2 points below the actual poverty rate. A related simulation documents that family structure changes account for only a 1.2 percentage point increase in poverty over this quarter century. See S. Danziger and P. Gottschalk, "Diverging Fortunes: Trends in Poverty and Inequality," in R. Farley and J. Haaga, eds. *The American People, Census 2000* (New York: Russell Sage Foundation, 2005).

[9]The official poverty line in 2004 was about $9,000 for a single elderly person, about $15,000 for a single mother with two children, and about $19,000 for a married couple with two children. These poverty lines were established in the late-1960s and are adjusted each year only for inflation.

[10]T. M. Smeeding, "Poor People in Rich Nations: The United States in Comparative Perspective." *Journal of Economic Perspective*, 20, No. 1 (2006): 69–90.

[11]The Consumer Price Index Research Series (CPI-U-RS), the most recent index developed by the U.S. Bureau of Labor Statistics, shows that prices grew less rapidly than did the price index used to update the official poverty line. For example, in 2004, the CPI-U-RS poverty line for a family of four was $16,556, about 15 percent less than the corresponding official line, $19,307.

[12]U.S. Census Bureau, "Alternative Poverty Estimates in the United States: 2003." P60-227. Washington, DC, 2005.

[13]J. Tobin, "It Can Be Done! Conquering Poverty in the U.S. by 1976," *New Republic*. June 3, 1976: 14–18; R. Lampman, *Ends and Means of Reducing Income Poverty.*

[14]See e.g., P. Gottschalk and S. Danziger. "Macroeconomic Conditions, Income Transfers and the Trend in Poverty." In L. Bawden, ed., *The Social Contract Revisited* (Washington, DC: Urban Institute Press, 1984): 185–214.

[15]See e.g., C. Juhn, "Decline of Male Labor Market Participation: The Role of Declining Market Opportunities," *Quarterly Journal of Economics,* 107, No. 1 (1992): 79–122.

[16]See e.g., D. Card and J. DiNardo, "The Impact of Technological Change on Low-Wage Workers: A Review." In R. Blank, S. Danziger and B. Schoeni, eds. *Working and Poor: How Economic and Policy Changes Are Affecting Low-Wage Workers* (New York: Russell Sage Foundation, 2006): 113–140.

[17]This CPI-U-RS poverty line represents a wage rate of about $8.25 per hour for a man working year round full-time (2,000 hours). Some low annual earners have a higher hourly wage rate, but earn less than this threshold because they do not work full-time all year. The rates in the figure are not the same as the official data would show since single men and married men with fewer than two children have a lower poverty line than that for a family of four persons.

[18]If one re-examines the data for Figure 4 only for men who reside with their children (data available on request), one finds that the adjusted family income measure is several percentage points lower than the measure based on family money income. Only men with children benefit much from the EITC and in-kind transfers. When all men are included, as in Figure 4, the taxes paid by these men offset most of the benefits received.

[19]L. Johnson, "Remarks Upon Signing the Economic Opportunity Act." August 20, 1964. Available at http://www.presidency.ucsb.edu/ws/index.php?pid=26452.

[20]President's Commission on Income Maintenance Programs, "Poverty Amid Plenty: The American Paradox." Washington, DC: USGPO, 1969.

[21]R. Moffitt, "The Idea of a Negative Income Tax: Past, Present and Future." *Focus,* 23, No. 2 (2004):1–8.

[22]For more information on the Earned Income Tax Credit, see the article by Karl Scholz beginning on page 52.

[23]In 1975, a single parent working full-time year-round at the minimum wage received an EITC payment that was about 10 percent of her annual earnings; by 1990, the EITC reached 15 percent of her earnings. By 2003, the EITC was 40 percent of the annual earnings of a minimum wage parent of two children. The EITC now increases each year with inflation, whereas the federal minimum wage did not increase between 1997 and 2007.

[24]See e.g., R. Haskins, *Work over Welfare: The Inside Story of the 1996 Welfare Reform Law*. Washington, DC: Brookings Institution, 2006.

[25]See e.g., L. Turner, S. Danziger and K. Seefeldt. "Failing the Transition from Welfare to Work: Women Chronically Disconnected from Work and Cash Welfare." *Social Science Quarterly*, 87, No.2 (2006): 227–249.

[26]S. Danziger, "Welfare Reform Policy from Nixon to Clinton." In D. Featherman and M. Vinovskis, eds. *Social Science and Policy Making* (Ann Arbor, MI: University of Michigan Press, 2001): 137–164.

[27]T. Blair, "Beveridge Revisited: A Welfare State for the 21st Century." In R. Walker, ed. *Ending Child Poverty: Popular Welfare for the 21st Century?* (Bristol, UK: Policy Press, 1999): 7–18.

[28]J. Hills and J. Waldfogel, "A 'Third Way' in Welfare Reform: What Are the Lessons for the US?" *Journal of Policy Analysis and Management,* 23, No. 4 (2004): 765–788.

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What have we learned about poverty and inequality? Evidence from cross-national analysis

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When American poverty research began in earnest 40 years ago, analysts had little reliable information to help explain the relative prevalence of poverty across rich countries. If low-income status was estimated at all in other countries, it was measured using a different yardstick than the one used in the United States. Data sources in many countries were too fragmentary or incomplete to allow accurate measurement of household resources. American scholars and policymakers were uncertain whether poverty was more or less prevalent in the United States compared with other rich countries. They knew even less about the relative effectiveness of American policies in alleviating poverty and narrowing the gap between rich and poor.

Both the micro-census survey data and the conceptual methods for assessing poverty have improved in the past four decades, in the United States and in other countries. The Luxembourg Income Study (LIS) has assembled many countries' micro-census files and converted them into a form that allows incomes at the household level to be meaningfully compared across nations. The Organization of Economic Cooperation and Development (OECD) has published and analyzed cross-nationally comparable data on wage rates, labor earnings, and employment, shedding light on the most important source of income for typical households. One crucial result of this progress has been a vast improvement in our understanding of U.S. poverty and inequality. In 1966, about 12.4 million Americans under age 18, or 17.6 percent, were classified as poor under the official U.S. poverty guidelines. Was this rate distressingly high? Or reassuringly low? With no cross-nationally comparable information on the prevalence of poverty in other countries, the only two benchmarks for comparison were U.S. poverty rates in earlier years and poverty rates among other U.S. subpopulations. The number of poor children fell 23 percent between 1964 and 1966, and poverty among children was considerably lower than it was among Americans 65 and older, who had a 1966 poverty rate of 28.5 percent. Both these comparisons would have suggested that child poverty was a relatively modest problem in the United States. As we now know, however, child poverty in America is exceptionally high in comparison to other rich countries (see Table 1). The availability of internationally comparable micro-census data on household composition, income and its components, and labor market outcomes has helped us understand why child poverty is a serious social problem in the United States. This essay considers what we have learned from cross-national analyses of the sources of poverty, and it describes what these analyses can still teach us about the both the effects of public redistribution policies on the distribution of income and their impact on economic and social behaviors.

Measuring poverty

In order to compare inequality or poverty across countries, it is necessary to develop income concepts that make such comparisons feasible and informative. In many ways, the cross-national analyses improved on measurement concepts that had been developed earlier to measure income and low-income status within a single country. The U.S. Census Bureau publishes distributional statistics based on its concept of "families," unrelated individuals, and households. Except for the poverty tabulations, which make an allowance for the effects of family size on needs, most of the Census Bureau's distributional statistics reflect straightforward tabulations of family or household income, without any adjustment for the number of persons who are supported by a given income. In contrast, the cross-national literature has always used the concept of "size-adjusted" or equivalent income per person when performing distributional tabulations. A standard procedure in this literature is to treat all income received by people who live together in a household as equally available to each member of the household. This total income amount is typically divided by the square root of the number of household members to derive the size-adjusted or equivalent income per person. Although this procedure could be improved, it is an important advance over the Census Bureau's standard procedure.

A second major advance in the cross-national analysis literature was the development of standard income definitions. These definitions are typically more comprehensive than the ones developed for analysis of incomes within individual countries. In the cross-national literature, analysts almost always investigate the distribution of "disposable cash and near-cash income," sometimes referred to as "disposable household income." This is the sum of market income (cash earnings from labor and

Table 1
Inequality and Poverty in Nineteen Rich Countries

	(1)	(2)	(3)	(4)	(5)	(6)
				Percent Poor (Disposable Income below 50% of National Median Income)		
Country	Year	Gini Coefficient	Gini Rank	All Ages	Children	Percent Poor using U.S. Thresholds
United States	2000	0.368	1	17.0%	21.9%	8.7%
United Kingdom	1999	0.345	2	12.4	15.3	12.4
Spain	2000	0.340	3	14.3	16.1	
Greece	2000	0.338	4	14.4	12.9	
Italy	2000	0.333	5	12.7	16.6	
Ireland	2000	0.323	6	16.5	17.2	
Australia	2001	0.317	7	13.0	14.9	
Canada	2000	0.302	8	11.4	14.9	6.9
Switzerland	2000	0.280	9	7.7	8.9	
France	2000	0.278	10	7.3	7.9	
Belgium	2000	0.277	11	8.0	6.7	6.3
Germany	2000	0.264	12	8.3	9.0	7.6
Austria	2000	0.260	13	7.7	7.8	5.2
Luxembourg	2000	0.260	13	6.0	9.1	
Sweden	2000	0.252	15	6.5	4.2	7.5
Norway	2000	0.251	16	6.4	3.4	
Netherlands	1999	0.248	17	7.3	9.8	7.2
Finland	2000	0.247	18	5.4	2.8	6.7
Denmark	1992	0.236	19	7.2	5.0	

Source: Luxembourg Income Study (http://www.lisproject.org/keyfigures.htm, downloaded Oct-2006) and T. M. Smeeding, "Poor People in Rich Nations: The United States in Comparative Perspective," *Journal of Economic Perspectives* 20, no. 1 (Winter 2006): 69–90, Table 2.

capital), means-tested transfers, social insurance payments, and near-cash benefits (such as food stamps and rent subsidies) minus estimated income tax and payroll tax payments. When this concept of household income is divided by the square root of the number of household members, we have an estimate of the equivalent income per person in the household. Personal income inequality can then be calculated by estimating a statistical measure of the size distribution of income across persons. The second column in Table 1 shows recent LIS estimates of the Gini coefficient for 19 rich OECD countries.[1] For each country except Denmark, the inequality estimate covers annual income received in a year between 1999 and 2001.

The LIS definition of spendable household resources is obviously incomplete. It ignores income flows from home ownership and disregards the value to individuals of health insurance that is paid by someone else. The definition misses a large percentage of capital income flows that ultimately benefit household members (for example, investment earnings of a funded pension plan or insurance policy in which a household member has a claim). In addition, it ignores the powerful effects of differences in neighborhood amenities (such as crime-free streets or good public infrastructure) and disparities in educational opportunity. In order to develop a comprehensive understanding of the distribution of well-being in different countries, researchers will need better data and new welfare measures.

The problem of measuring the value of health insurance poses a particularly difficult challenge for accurately measuring individual and household well-being. The U.S. national income accounts show that medical care represents more than 15 percent of personal consumption, a much larger share than in the 1960s or the 1980s. In spite of the steep increase in the share of all consumption devoted to medical care, such spending accounts for about the same percentage of Americans' out-of-pocket spending today as in 1960. The reason is that most Americans are now covered by health insurance, and the cost of insurance is financed largely by employers and the government. Tabulations of the Medical Expenditure Panel Survey show that the difference between the cost of medical care received and the out-of-pocket outlays for medical care (including health insurance premiums) is bigger, both absolutely and relatively, for the poor than it is for the middle class and the well-to-do. That is, the cost of medical care received by the poor is much higher relative to what they pay for that care, compared to those with higher incomes. If this spending were fully reflected in household income statistics, the incomes of low-income households would be increased by a much larger percentage amount than the incomes of the middle class or rich. A comprehensive income definition would therefore show less inequality than under the standard definition if this income element were added to "disposable cash and near-cash income."

Differences in national arrangements for financing health care and education mean that money income is more important in determining overall consumption and individual well-being in some countries than in others. Income differences are likely to produce wider differences in health care in places where families must finance health care out of their own pocket than in places where such costs are financed largely from taxes. As just noted, however, low-income families in the United States often receive free or generously subsidized health care, while many of the affluent pay premiums for their insurance and must make co-payments for the care they receive. As a result, it is hard to be sure whether inequality in disposable income overstates inequality in consumption more in the United States or in countries where public health insurance is provided to everyone for free. Given the growing importance of health care consumption in nearly all the rich countries, it is important to learn about the practical effects of this issue on the distribution of well-being, both in the United States and in other rich countries.

Even bearing in mind the many limitations of "disposable cash and near-cash income," it is obviously a more comprehensive definition of income than the one used to estimate low-income status under the official U.S. poverty guidelines. The income concept used in the official guidelines ignores near-cash sources of income and fails to account for the burden of income or payroll taxes. The U.S. poverty guidelines are based on the idea of an absolute low-income threshold, one that is defined in terms of a fixed consumption bundle. The guidelines offer a measure of U.S. poverty that is widely accepted among news reporters and the public, if not the social science community. The official thresholds were used by Timothy Smeeding in estimating the cross-national poverty rates shown in column 6 of Table 1.[2] International comparisons of poverty are usually based on a relative concept, however. A majority of cross-national studies define the poverty threshold as one-half of national median income (or, more precisely, one-half of median equivalent disposable cash and near-cash income). This is the standard used to estimate poverty in columns 4 and 5 of the table.

Cross-national differences in inequality

Before the 1980s, scholars had little idea of the extent of inequality differences across rich countries. Knowledgeable labor economists probably assumed that the Scandinavian wage bargaining model combined with low unemployment rates generated less earnings inequality in Scandinavia than decentralized wage bargaining and low unionization produced in the United States. National income and public budget statistics showed that some countries redistributed more money through their tax and benefit systems, but it was not obvious whether these systems were particularly effective in redistributing from rich to the poor. Sawyer offered a pioneering analysis of cross-country inequality differences, but his analysis depended on published distributional statistics, and these were not estimated using consistent population samples, income definitions, or survey methods.[3] The first reliable international comparisons of income inequality were produced by the LIS. The inequality and poverty statistics in Table 1 are the most recent ones available covering the years indicated in column 1.

In common with other published tabulations, the ones displayed in Table 1 show the United States holds the top rank in the inequality tables. It has the highest Gini coefficient, the highest overall poverty rate, and the highest child poverty rate. Even though U.S. per capita income is considerably higher than that of other rich countries, the United States also has a higher absolute poverty rate than any country except the United Kingdom. (To perform calculations of absolute poverty rates, Smeeding converted income amounts from every country into U.S. dollars using OECD estimates of purchasing-power-parity exchange rates.) Average income in the United States is between 23 percent and 45 percent higher than average incomes in the other eight countries where it is possible to calculate poverty rates under the U.S. definition. But U.S. income disparities are so large that Americans who have a low rank in the distribution derive meager rewards from living in the richest country.

Explanations for high U.S. poverty

The availability of cross-nationally comparable income and labor market data allows us to evaluate alternative explanations of high U.S. poverty and inequality. One obvious possible explanation is the exceptional size of income payments received by Americans who hold important positions in industry, the professions, entertainment, and sports. It is hard to evaluate this explanation using household survey data, however, because few survey files contain accurate information about the incomes of top income recipients. Indeed, the estimates of the Gini coefficient displayed in Table 1 are calculated by essentially ignoring the actual income reports of people in the top 2 percent and bottom 2 percent of income recipients, because these reports are either top-coded or believed to be inaccurate in many countries.

A related explanation is that wide pay disparities in the United States make its income distribution very unequal. It is certainly true that American labor market regulation and institutions permit wider pay disparities than are observed in countries with a higher minimum wage or more powerful labor unions. Wage tabulations published by the OECD and other organizations show that a larger percentage of working Americans earn wages far below the median wage than is the case in other rich countries. Surprisingly, however, big pay disparities do not directly explain the big disparities in U.S. incomes below the 98th percentile. The percentage of Americans who work at wages below two-thirds of the median wage represents a bigger fraction of all American workers than is the case in, say, France or the United Kingdom. On the other hand, a larger percentage of Americans work. A person with no earnings at all is further from the national median wage than a person who works and earns a wage that is two-thirds or even one-half of the median wage. In many European countries, the phenomenon of nonwork contributes approximately as much to higher inequality as a very unequal wage structure contributes to American inequality.

Tabulations of the LIS income files suggest that market income inequality in the United States is not exceptionally high, at least in the bottom 98 percent of the income distribution. ("Market income" consists of pre-tax income from labor and from a household's property and wealth. It does not include transfers from the government.) In the mid-1990s, for example, market income inequality was approximately the same in the United States as in Sweden and lower than market income inequality in France, Belgium, Germany, and the United Kingdom.[4] The main reason why disposable income is more unequal in the United States than in other rich countries is that the U.S. system of taxes and transfers does less to reduce inequality than do the systems of other countries. In the United States, taxes and transfers reduce the Gini by 23 percent (from 0.48 to 0.37). In the other twelve countries for which we have data, the reduction averages 39 percent. If the U.S. tax and transfer system redistributed as much income as the systems of the other OECD countries, the dispersion of disposable incomes would be about the same in the United States as in France or Canada.

Many people may be surprised to learn that market incomes are no more unequal in the United States than in France or Germany. The main explanation is that, while people who hold jobs are more unequally compensated in the United States than in other industrial countries, not having a job is more common in most other countries. When we include individuals with zero earnings in the distribution, the Gini coefficient for earnings in the United States looks similar to that of other rich countries. Americans who have retired are also more likely than their counterparts in many other rich countries to receive income from employer-sponsored pensions, retirement savings accounts, and labor earnings. Retirees in many other countries are more likely to rely solely on public pensions. Between 1996 and 2002, about 95 percent of Americans lived in households that derived part of their income from market sources. In a number of countries with lower disposable income inequality, the percentage of households without any market income is higher.

The cross-national differences in tax and transfer systems help to account for these facts. Almost all working-age American families have some market income because limited government redistribution makes it hard to live comfortably without any market income at all. Elsewhere in the OECD government redistribution is more generous. Nonemployment can be more attractive, especially in continental Europe. Figure 1 shows the relationship between the labor utilization rate and government transfers in seventeen OECD countries. The labor utilization rate is the average number of hours worked by fifteen- to sixty-four year olds measured as a percentage of U.S. average hours.[5] Transfers are defined as government spending on public pensions and nonhealth transfers to the working-age population. They are measured as a percentage of a nation's gross domestic product. Two countries with the same labor force participation rate, unemployment rate, and average work week would have identical rates of labor utilization. In the late 1990s Japan was the only OECD country with a higher labor utilization rate than the United States. The figure shows a strong negative association between government transfers and labor force utilization. (The correlation is -0.79.) Although this correlation is unlikely to be entirely causal, it seems reasonable to conjecture that generous transfers can reduce the employment and average work hours of a nation's adults.

Since the United States imposes heavier financial penalties on working-age adults who do not work, it has employment rates and working hours that are among the highest in the OECD. This may produce some gain to the United States in the form of higher total output, but low wage rates and intermittent unemployment leave many Americans with net incomes that are low in relation to median U.S. income and the official poverty threshold. America's harsh penalties for nonwork discourage able-bodied adults from remaining jobless. Do they also discourage other behaviors that contribute to low market incomes? Here the evidence is less clear. The United States has above-average rates of out-of-wedlock childbearing, especially among teenagers and women in their early twenties. The economic consequences of out-of-wedlock births are particularly severe in societies that do not provide generous income support to working-age parents. In spite of the financial penalties, child bearing outside of marriage is common in the United States, and this fact is a major reason that child poverty rates are higher in the United States than they are in other rich countries.

Americans' economic well-being is largely determined by their capacity to support themselves with their own earnings. Cross-national comparisons of the pay structure show that wage differentials are importantly determined by differences in education and measurable skill, and the pay differences are bigger in America than elsewhere. Educational pay premiums have increased in the past quarter century, not only in the United States but throughout the industrialized world, boosting the payoff to investments in education and skill. Strikingly, however, gains in educational attainment have been much faster elsewhere in the OECD than in the United States.

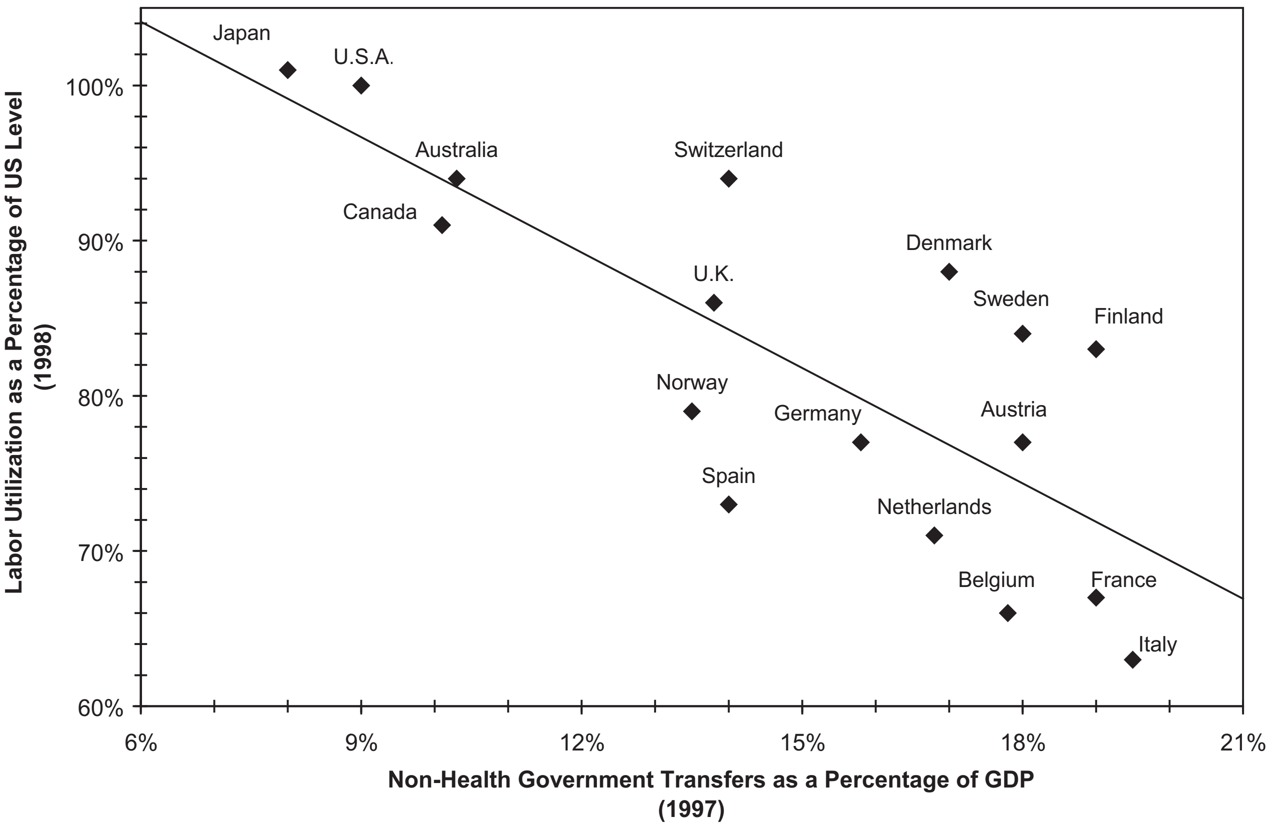

Figure 1. Social spending and utilization of labor in OECD countries, 1997–1998.

Sources: Transfers - Organization for Economic Cooperation and Development, *Society at a Glance: OECD Social Indicators* (Paris: OECD, 2001); Labor Utilization - S. Scarpetta, A. Bassanini, D. Pilat, P. Schreyer, "Economic Growth in the OECD Area: Recent Trends at the Aggregate and Sectoral Level," Economics Department Working Paper 248 (Paris: OECD, 2000).

Americans once led the world in high school and college completion, but young adults in several other countries now have higher college graduation rates than those in the United States. Even countries that lag the United States have experienced much faster gains in post-secondary schooling over the past two decades.[6] The powerful financial incentives for Americans to accumulate extra schooling appear to have relatively weak effects in promoting college completion.

Economic mobility

As we have seen, inequality is exceptionally high in the United States compared with other rich countries. Does rapid income mobility offset the impact of high inequality? The unlovely effects of high inequality may seem more tolerable if children have good opportunities to move up the income ladder. When children are expected to earn very different incomes from their parents, parents may be more willing to accept a lowly position in the income distribution.

There has been a rise in the number and quality of studies that examine the relationship between the earnings of parents and their adult children. Better data sets have become available for analysis, and researchers have learned how to avoid some of the statistical pitfalls that bedeviled early studies.[7] One result of the new evidence is a higher estimate of the correlation between parents' and children's earnings. Cross-national studies of earnings mobility have also improved over time. Researchers have assembled data sets that are similar across countries, and they have applied identical statistical methods to measure each country's intergenerational mobility. This technique can only be applied in a handful of countries which have high-quality data on parents' and children's earnings. The results usually show that earnings mobility is lower in the United States than it is in other rich countries. An international research team recently compared father-son and father-daughter earnings mobility in the United States, the United Kingdom, and four Scandinavian countries.[8] Although they did not find statistically significant differences across countries in father-daughter earnings mobility, they found a statistically significant gap between the United States and Britain and a significant gap between Britain and the four Scandinavian countries in the earnings mobility of fathers and sons. Earnings mobility was lower in the United States than in Britain, and it was lower in Britain than it was in the four Scandinavian countries. Particularly disturbing is the finding that the biggest cross-country gap occurred at the bottom of the earnings distribution. American sons whose fathers earned low wages were unlikely to earn wages that brought them into the middle or the top part of the earnings distribution. In addition, both American and British sons of high-wage fathers were unlikely to earn wages near the bottom of the earnings distribution. Both at the high and low ends of the American earnings distribution, there is an unusually small amount of father-son earnings mobility. This evidence suggests that high inequality in the United States is unlikely to be offset by high mobility.

A problem with this kind of analysis is that it ignores much of the income and earnings mobility experienced by families that move to the United States, especially from countries where incomes are far below those in the United States. Few data sets contain good information on immigrants' incomes both before and after they immigrate. Even if such data were available, researchers would find it difficult to compare immigrants' positions in their home countries with the positions they occupy in United States. College graduates from many poor countries can earn better wages cleaning houses and driving taxis in the United States than they can earn teaching school or managing a business in their countries of origin.

The income gains from international immigration are far from trivial. The United States remains one of the world's richest countries. Most Americans who receive middle-class incomes enjoy a standard of living that compares favorably to the one they would enjoy in other countries, even other rich countries. For Americans who are themselves immigrants or who are the children or grandchildren of immigrants, the gap in U.S. and foreign living standards may seem particularly large. More than one American in five is an immigrant or is the child of an immigrant parent. About one-quarter of young adults are immigrants or the children of immigrants. For the great majority of these Americans, the move to the United States was associated with a leap in family well-being. Except for Australia and Canada, the other OECD countries have less immigration than the United States. Immigration to the United States is dominated by immigration from very poor countries, and immigrants from these countries can experience a tenfold increase in wages upon arrival in the United States.

The fact remains, however, that people born in the United States do not enjoy exceptional opportunities for upward mobility compared with people born in other rich countries. The wages of American fathers and sons are more similar than wages earned by fathers and sons in other countries. This may imply that family background matters more in the United States than it does elsewhere, at least among native-born residents. Especially at the bottom of the income distribution, American institutions are less successful than those in other rich countries in equalizing the opportunities available to children. In sum, the cross-national evidence on income disparities and economic mobility presents a much less encouraging picture of the U.S. poverty problem than the one that was widely accepted when poverty analysis was in its infancy. American inequality is high compared with similar countries, and the prevalence of poverty is strikingly higher than it is abroad. Except for the upward mobility that comes with immigration into the United States, upward mobility across generations is conspicuously less common than it is in other countries where we can accurately measure mobility. The cross-national evidence suggests that American institutions are very successful in generating wealth and high employment rates. They are much less successful in reducing deprivation and improving the life chances of children who are born in disadvantaged circumstances. ■

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[1]The Gini coefficient is a standard statistic for measuring economic inequality. It ranges from 0 (when all people have identical incomes) to 1 (when all income is received by a single individual).

[2]T. M. Smeeding, "Poor People in Rich Nations: The United States in Comparative Perspective," *Journal of Economic Perspectives* 20, no. 1 (Winter 2006): 69–90.

[3]M. Sawyer, "Income Distribution in OECD Countries," *OECD Economic Outlook* (Paris: OECD, 2006).

[4]G. Burtless and C. Jencks, "American Inequality and Its Consequences," in *Agenda for the Nation,* ed H. J. Aaron, J. M. Lindsay, and P. Nivola (Washington, DC: Brookings Institution, 2003).

[5]G. Burtless and C. Jencks, "American Inequality and Its Consequences."

[6]OECD, *Education at a Glance: 2006* (Paris: OECD, 2006).

[7]Some recent estimates and useful citations to older evidence may be found in B. Mazumder, "Fortunate Sons: New Estimates of Intergenerational Mobility in the U.S. Using Social Security Earnings Data," *Review of Economics and Statistics,* May 2005, 87(2), pp 235–255.

[8]M. Jäntti, B. Bratsberg, K. Røed, O. Raaum, R. Naylor, E. Österbacka, A. Björklund, and T. Eriksson, "American Exceptionalism in a New Light: A Comparison of Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom and the United," *IZA Discussion Papers 1938* (Institute for the Study of Labor, 2006).

Parenting practices, teenage lifestyles, and academic achievement among African American children

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I was asked to comment on why African Americans are where they are in the income distribution, and why poverty is so much higher among African Americans than among whites. A fully adequate response would recount a turbulent history of slavery, white supremacy, prejudice, and discrimination in the United States and a long list of policies past and present. It would critique our national culture and, within it, the roles that race, materialism, and social class continue to play as they interact across multiple spheres of our collective experience. My approach here is much more limited and is based on my own recent work. Specifically, I have been focusing on causes and consequences of achievement gaps, in search of strategies for raising achievement levels for all students while reducing racial disparities. The emphasis in this short article is on racial disparities in home-learning conditions and some aspects of youth culture, including for the nonpoor.

As a backdrop, the evidence is clear that academic achievement gaps are among the causes *and the consequences* of income inequality. Here, I address them only as a cause. Beginning during the 1970s, shifts in technology and intensification of competitive pressures increased the market value of academic skills.[1] Wage inequality between people with different skill levels grew. Over the next two decades, the purchasing power of non-college-educated workers actually fell for young men and was relatively stagnant (at a very low level) for young women. At the same time, real incomes rose for college-educated workers. The consequences for racial disparity became clearer around 1990, when researchers began discovering that reading and math test scores measured during the teen years predicted about half of the hourly wage gap between black and white young adults by the time they reached their middle twenties.[2] This led an increasing number of economists to focus more on child and youth development and on education. I was among them.

Further, there was a political implication. Strategically in the struggle for racial equality, we needed not to resist testing, but instead, to intensify efforts to raise performance. With regard to race in particular, the challenge was broad based—more than an issue of "social class" (at least as "social class" is commonly understood). Comparing black and white twelfth graders across multiple years in the Nation's Report Card, there were test score disparities at every level of parental education, with the largest gaps appearing between black and white children of college-educated parents.[3]

A preponderance of new evidence suggests that racial achievement gaps are largely attributable to life experiences, not immutable facts of nature. There is new evidence that the black-white gap in IQ scores shrunk by about a quarter between 1972 and 2002.[4] Although less precise than is the case for older children, current data from the Birth Cohort of the Early Childhood Longitudinal Study show almost no racial or social-class differences just prior to the first birthday (though by kindergarten, racial and social class differences in skill levels are firmly established).[5] For older children and teenagers, the Long-Term Trend Assessment of the National Assessment of Educational Progress (NAEP) is the only consistent, nationally representative test score series we have for tracking progress. NAEP began tracking scores by racial group in the early 1970s. The reading-score gap between black and white 17-year-olds narrowed by over 60 percentage points between 1971 and 1988. Progress for teenagers stopped around 1990 (for reasons that are still debated), but my point here is that evidence abounds that great progress is possible.

The challenge now is to provide all children with supports, incentives, and experiences that propel them to thrive intellectually. There will always be individual-level differences within racial groups, but over time, the differences between groups should become small to nonexistent. Again, our national experience over the past half century shows that progress in narrowing gaps between groups is possible. This article identifies some issues to address in order for progress to continue and accelerate.

My focus below is on racial differences in lifestyle and not only among the poor. My purpose is to highlight some levers that parents and communities can use in efforts to raise achievement and reduce disparities. Every person, family, organization and society has a lifestyle, including norms and routines of time use, consumption, and interpersonal relations that affect intellectual growth.

Before proceeding, let me emphasize that there are other major pieces to the racial inequality puzzle, aside from lifestyle. For example, new research by George Borjas indicates that competition from immigrants has reduced employment and increased incarceration for blacks in the United States.[6] Further, recent audit studies of racial employment discrimination show that employers prefer whites to Hispanics, and Hispanics to blacks, even when they have the same resumes and employment histories.[7] Research using "implicit-bias" testing shows that people of all races harbor racial biases.[8] I am not dismissing any of these or other important structural features of our economy and national culture. Still, lifestyle matters in determining how effectively we cope with life stresses and respond to opportunities and how successfully we reach our individual and collective potentials.

Most of the data I discuss below come from a school intervention project that I founded in 2001 to address achievement gaps. Surveys of students and teachers inform the work in schools. In 2005, we began including a dozen items on the elementary school survey to measure home-learning conditions. Some of those items are addressed below.

For the purposes of this discussion, I am defining "advantaged" families as those with two parents and at least one computer, and "disadvantaged" families as those with either a single parent or no computer. Of the almost 7,000 first through fifth graders in this sample, 11 percent of whites, 13 percent of Asians, 34 percent of Hispanics, and 41 percent of blacks qualify as disadvantaged.[9] As context, it is worth noting that nationwide, household structure has been changing more rapidly for blacks than for whites. In 1960, 93 percent of white children and 68 percent of black children were in two-parent households. This dropped to 79 percent for whites (14 percentage points lower than 1960) and 33 percent for blacks (35 percentage points lower than 1960!) by the year 2000.[10]

Parenting

Parents have a profound influence on whether a home provides intellectual stimulation, physical and psychological safety, an appropriate degree of structure, and supportive relationships. How homes measure up on these dimensions is often correlated with race and with socioeconomic status. In particular, within racial groups, parents with higher socioeconomic status provide children with more opportunities at home to build academic skills and tend to be better at integrating family, school, and community efforts.[11]

Can parenting practices be influenced? Evaluations have been carried out on a number of parenting interventions, including having parents listen to their children reading school books at home, having seventh graders participate in reading groups that included parents, and teaching parents tutoring skills in reading and mathematics.[12] Although such programs have not been universally successful, some have produced moderately large achievement gains, even in rigorously conducted experimental trials.[13] As long as interventions are carried out with sensitivity and respect for families, improving the design and implementation of parenting interventions should remain among the methods we consider as ways of helping them raise achievement levels and narrow racial gaps.

Resources

Social- and material-resource disparities help to explain why parenting practices and opportunities for effective parenting differ among socioeconomic and racial or ethnic groups. Nonwhites and poor whites, on average, have lower incomes than typical white parents. They have fewer years of schooling and fewer academic skills for any given amount of schooling.[14] They work fewer weeks per year, at lower average wages, and have accumulated less wealth.[15] They are more stigmatized by assumptions of inferiority, and have fewer social networks tying them to people and institutions that control information or have the capacity to provide other forms of assistance.[16]

Resource disparities predict achievement gaps, and policies and programs that increase income for very poor households have been found to boost achievement among young children.[17] Many mechanisms have been suggested (though causation is not always proven) for why income and other socioeconomic resources are such strong predictors of student achievement. For example, parents with more resources may have access to safer neighborhoods with better schools and more studious peers. Teachers may be more likely to welcome input from those parents, and treat them respectfully. Parents with more resources can afford more learning tools and materials in the home, and may be less stressed by survival pressures and thus have more patience in helping their children. They may also have better and more reliable health services. To help address these inequities, policies and programs have included efforts intended to improve school quality in poor areas, increase access to better neighborhoods, improve parent-teacher communication, supplement home-learning resources, help parents to manage stress, and provide access to health care services. All of these things are expected to complement or substitute for parental resources.

Learning-at-home disparities

Other researchers have argued that "learning at home" is associated with gains in achievement.[18] Learning-at-home gaps appear at all levels of parental education and for students at all grade levels, although most attention has focused on low-income and poorly educated parents. For example, in the nationally representative Early Childhood Longitudinal Survey, Kindergarten Cohort, college-graduate African American mothers reported fewer children's books in the home than did college-educated white mothers (Figure 1). The number of books

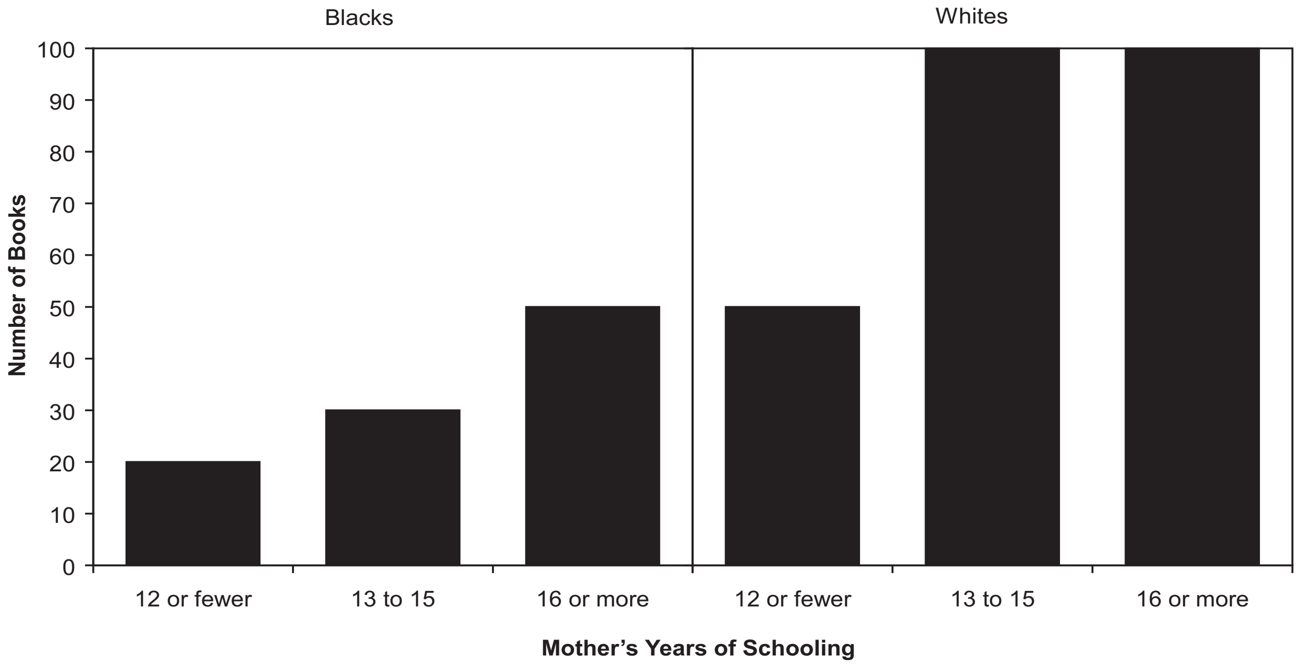

Figure 1. Within-race median parental responses in 1998 to: How many children's books does your [kindergarten] child have in your home now, including library books? By mother's years of schooling.

Source: Author's calculations from the Early Childhood Longitudinal Study.

in the home matters, partly because the parent-child conversation when reading a new book is different from the conversation around a book that they have read many times already. One study found that books in the home predicted a significant share of the achievement gaps between young black and white children with similar socioeconomic backgrounds. When researchers took into account the number of children's books in the house, otherwise unexplained gaps between black and white children's scores were reduced by an amount equivalent to one fifth of the disparity in arithmetic scores and one third of the disparity in reading scores.[19] Certainly, this finding does not imply that buying more books per se will raise achievement. Nonetheless, it reminds us that the variety of reading materials and literary practices likely to be correlated with numbers of books, such as the ways that books are read and discussed, may often be associated with achievement.

The results of our own survey illustrate some interesting differences in learning-at-home environments.[20] Figure 2 suggests that Asians and whites may have the net advantage when it comes to home learning. Asian children were most likely to agree that "I read almost every day at home," and advantaged Asians were the only group more likely to have a computer than a television in their bedrooms. In other results not shown in the figure, Asian children, whether advantaged or disadvantaged, reported that they spent less time watching television (and far less time watching music videos) than did black and Hispanic children. Fewer Asian children reported becoming sleepy at school, and fewer agreed that "sometimes my teacher says I don't pay attention like I should."

Continued progress in raising achievement and closing gaps would likely accelerate if home lifestyle changes were to include things like requiring daily leisure reading, asking children to explain homework answers to parents, and substituting high-yield learning activities for high levels of television watching. Of course, we should not expect that children and youth (of any group) will accept such changes easily.

Youth culture

Our survey for secondary school students is focused on students' school engagement and their teachers' instructional practices. However, we also explore aspects of "youth culture," broadly defined to include self-esteem, the importance of particular music styles, and conditions under which teenagers think their peers perceive them as "acting white."

Humans gravitate toward activities that generate self-esteem. Teenagers' self-esteem is strongly related to their participation in popular youth lifestyles. For example, self-esteem among black teenagers is strongly and positively correlated with the importance of rap or hip-hop music in their lives (Figure 3). In contrast, there is a u-shaped relationship for black teenagers between self-esteem and how important rock music is in their

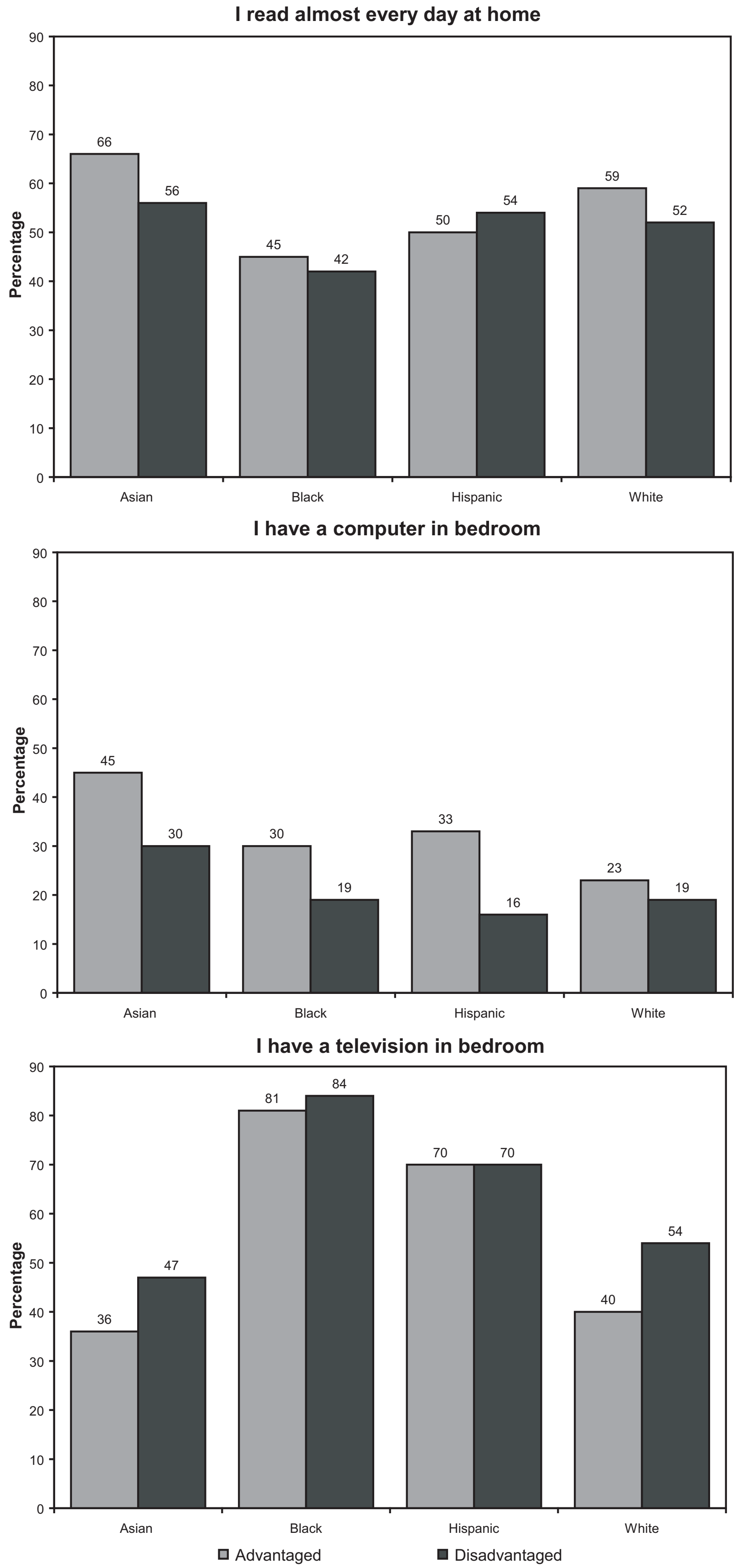

Figure 2. Home-learning opportunities.

Source: Author's calculations using Tripod Project student surveys for 1st to 6th graders from Spring 2005. Answered "yes" rather than "maybe" or "no." "Advantaged" students have at least one computer in the home and are not in single parent families; others are labeled "disadvantaged."

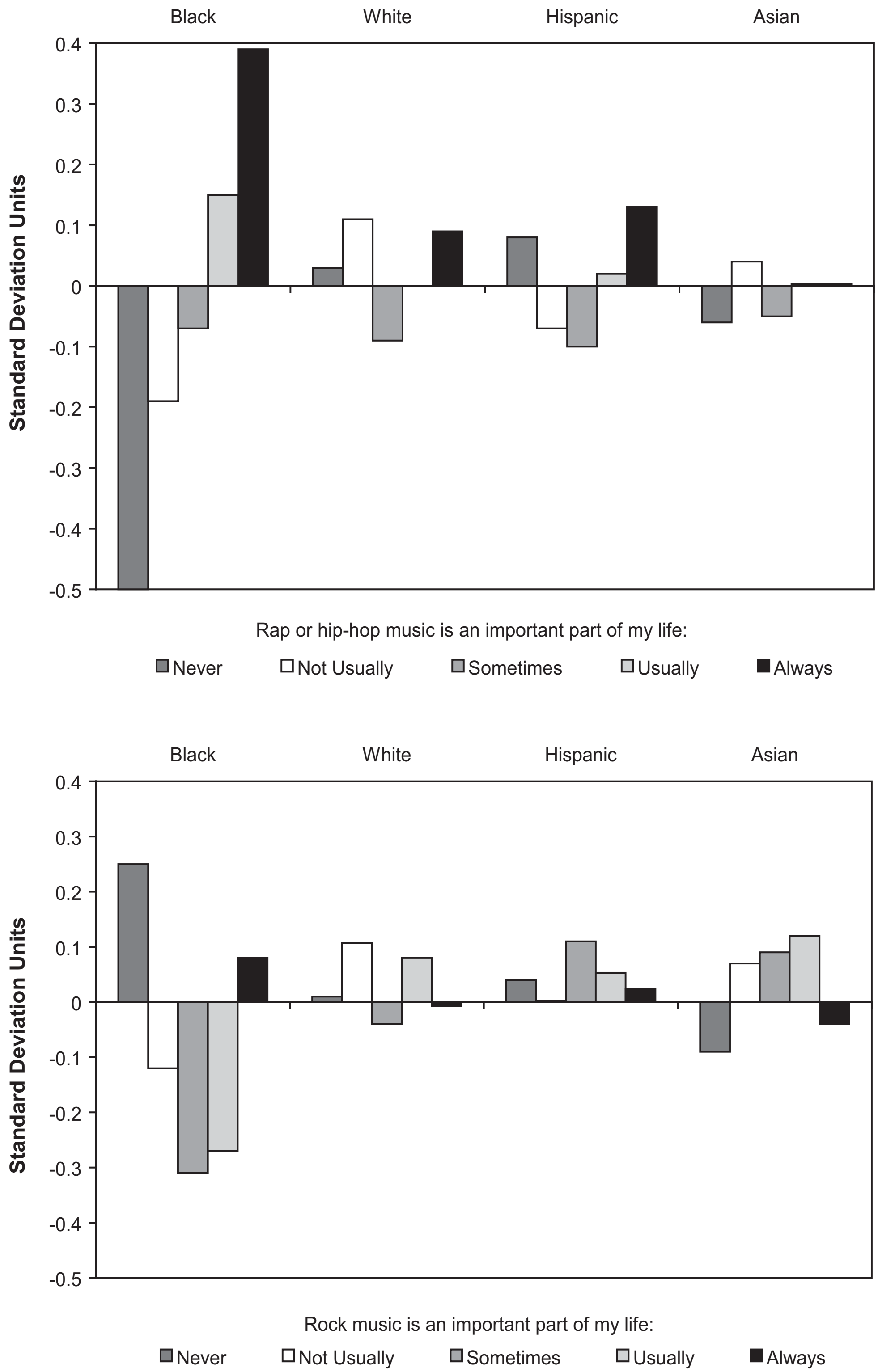

Figure 3. Self-esteem for teenagers, by whether hip-hop/rap or rock music is "an important part of my life."

Source: Author's calculations using Tripod Project student surveys for 6th to 12th graders from spring 2005.

lives: blacks for whom rock music is "never" and "always" important tend to have higher self-esteem than those to whom the same music is "sometimes" important. If rock music is never important, black students fit well socially with other black students. Black teens for whom it is always important probably fit well with whites. Those for whom it is "sometimes" important may be socially stranded, hence their low self-esteem. With more than four thousand black students in the data, these relationships are statistically significant. For the other racial groups, music is less strongly related to self-esteem; for whites, Hispanics and Asians, there are no strong rela-

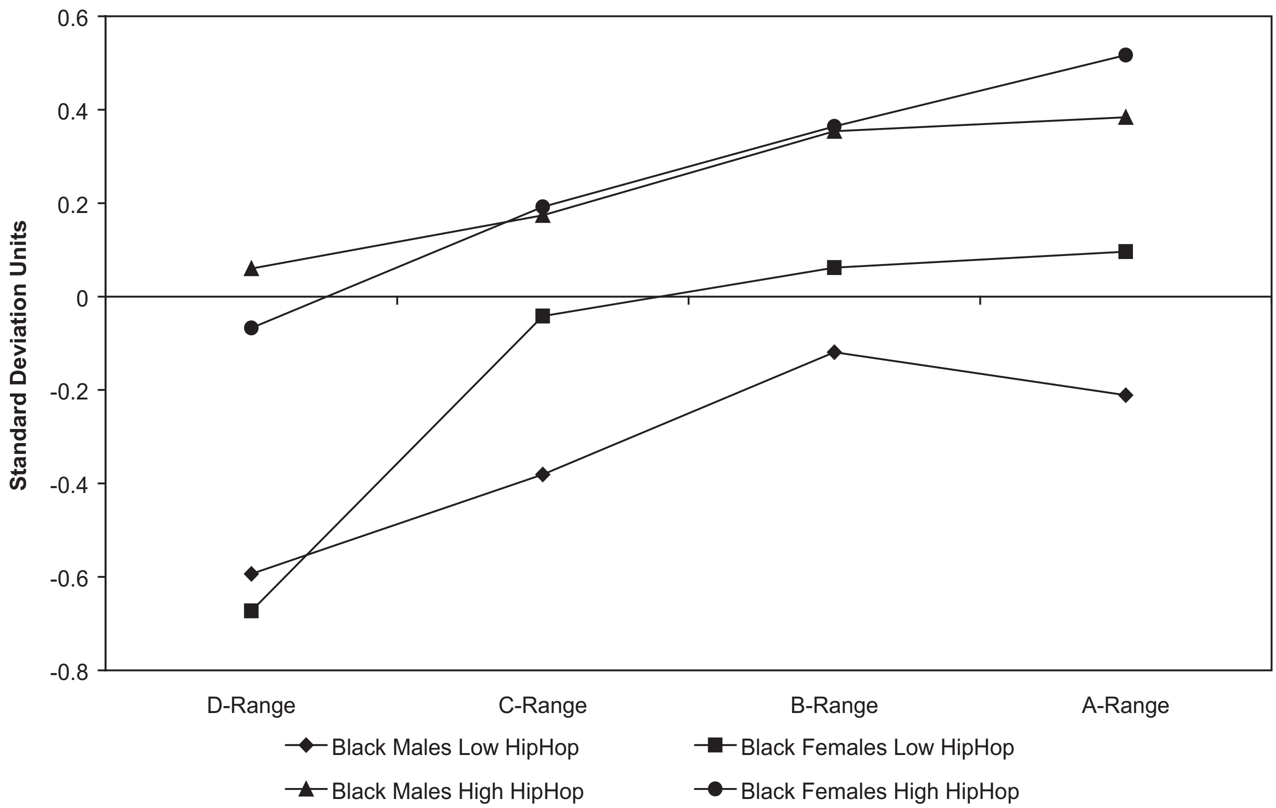

Figure 4. Self-esteem, by GPA and whether hip-hop music is "an important part of my life," for black teenagers.

tionships between self-esteem and the importance of either rock or hip-hop music.[21]

For black students, average self-esteem is usually higher for those with higher grades. Further, black students to whom hip-hop music is important have higher self-esteem at each grade range than those for whom the music is not important (Figure 4). The exception is that average self-esteem is lower for black males who get A-range grades than for those who get B-range grades, if hip-hop music is not important to them. Since there may be other social correlates related to both grades and music preferences, the reasons that self-esteem is lower for males who get A's (than B's), if hip-hop music is not important to them, remain to be explored in more detail.

We were also interested in understanding why some black students get accused of "acting white" and what impact the accusation might have on academic engagement. Black high school students with A-range grades were modestly more likely than those with C-range grades to agree with the statement, "At this school, students like me get accused of acting white." But in general, grade-point average was not an important predictor of the "acting white" accusation, especially once other variables were controlled for (Figure 5).[22] Instead, survey-based predictors of the "acting white" accusation for black youth are related to personal style: for example, whether the student speaks proper English in informal settings with friends, likes leisure reading, is interested in rock music, and has a trusting attitude toward peers who are strangers. Speaking proper English in informal settings and doing leisure reading correlate positively with grades, so youth who get accused of acting white may sometimes think it is because they seem too serious about their school work.

One consequence of the ambiguity is that those who experience (or fear) being accused of "acting white" report in our surveys that they sometimes hold back from doing their best, because of what others might say or think. Holding back is greatest among youth with the highest and the lowest grades. More than 40 percent of black high school males and females in these data who get D-range grades and think they might be accused of acting white agree that they at least sometimes hold back from doing their best because of what others might say or think. Among those who earn A-range grades and think they might be accused of acting white, almost half of black males but only 15 percent of black females report holding back from doing their best because of what others might say or think.[23] These are important patterns to understand. They warrant more attention from researchers, educators, parents, and youth workers.

Progress in narrowing achievement gaps between black and white teenagers stopped at the end of the 1980s. In 1988, black 13- and 17-year-olds in the National Assess-

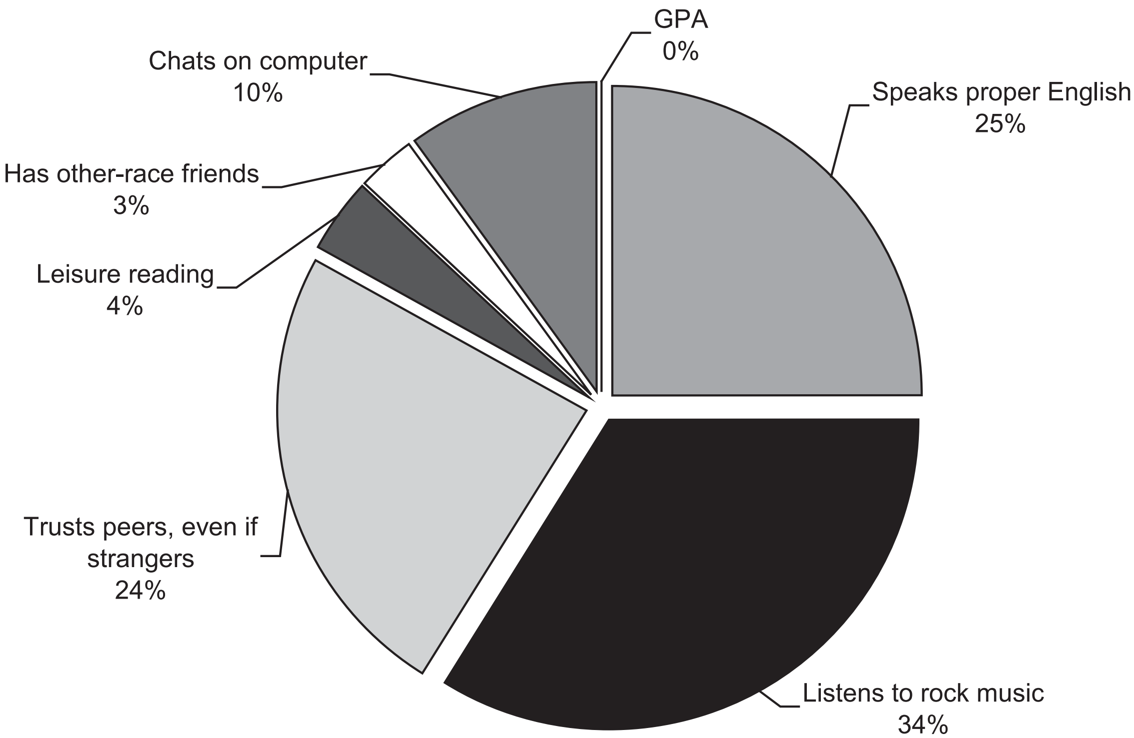

Figure 5. Why black students are considered to be acting white.

Note: Black high school students with A-range GPAs agree somewhat more than black students with C-range grades with the statement that, "At this school, students like me get accused of acting white." The chart shows percentages of the predicted difference attributable to each listed factor.

ment of Educational Progress (NAEP) Long Term Trend Assessment had the highest reading test scores that black youth ever had, but the scores dropped by 1992. In Figure 6, the vertical lines are for cohorts of black children born around the same time, while the trend lines show scores for students of a given age in different calendar years. So, for black children born around 1975, we see that their scores in 1988 at age 13 were higher than scores for all prior cohorts of black 13-year-olds, but in 1992 the same cohort at age 17 scored considerably lower than black 17-year-olds tested four years earlier. Reading gains were meager during the teenage years for black youth who were 13 in 1988. Scores for black teens have been basically flat since the early 1990s. There is no consensus on the reasons. Possible explanations for why progress stopped are the subject of a forthcoming volume from Russell Sage Press, edited by Jane Waldfogel and Katherine Magnuson. In the last chapter of the Waldfogel-Magnuson volume I review the other chapters and suggest some possibilities related to a shift in youth culture.

Conclusions

Some aspects of the material above are unflattering. Further, some readers may cite these findings to rationalize neglectful public policies. For example, my friend and colleague Glenn Loury warns that a focus on ways that we as African Americans contribute to our own problems may diminish the degree to which the rest of society accepts responsibility for addressing more deeply rooted causes. He believes that placing black lifestyles near the center of an explanation for inequality reinforces stigmas and may help solidify what is already an abdication of responsibility by national leaders. With a special emphasis on high rates of incarceration, he writes:[24]

> *"I am suggesting here that tacit association in the American public's imagination of "blackness" with "unworthiness" or with "dangerousness" affects cognitive processes and promotes essentialist causal misattributions. . . .[O]bservers will have difficulty identifying with the plight of a group of people whom they (mistakenly) think are simply 'reaping what they have sown.'"*

In the same paper, he proposes ways that society at large has a hand in producing a range of disparate conditions, including achievement gaps. I agree with Loury that many of the problems we face, especially but not only the plight of the poor and incarcerated, are due to racial stigmas and associated biases in the ways that our society includes or excludes, empowers or discourages, people of different racial and ethnic groups. Of this, there is no doubt.

However, the impact that any particular public discourse will have on societal support for the black poor or for

Figure 6. Reading achievement: Disparities between black and white students.

Note: Chart shows NAEP reading scores for black 9-,13-, and 17-year-olds standardized as a fraction of white 17-year-olds' 1996 scores.

racial equality more generally is quite uncertain. I believe that notification and mobilization of black parents and communities to address parenting practices, youth culture, and other lifestyle issues can foster important progress, even as the struggle continues for a more just policy mix and a less racially biased collective consciousness. Indeed, these various efforts may be mutually reinforcing. There is no necessary contradiction between addressing the lifestyle issues that I have addressed here and larger efforts to enlist the nation-at-large in living out the full implications of the idea that there should be no "them" in the United States.■

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[1]E. Appelbaum, A. D. Bernhardt, and R. J. Murnane, eds., *Low Wage America: How Employers are Reshaping Opportunity in the Workplace* (New York: Russell Sage Press, 2003).

[2]Most studies used the National Longitudinal Study of Youth in which participants took the Armed Forces Qualifications Test (measuring both verbal and math skills) in 1980. See for example, W. R. Johnson and D. Neal, "Basic Skills and the Black-White Earnings Gap," in C. Jencks and M. Phillips, eds., *The Black-White Test Score Gap* (Washington DC: Brookings Institution Press, 1998). Also see R. F. Ferguson, "Shifting Challenges: 50 Years of Economic Change Toward Black-White Earnings Equality," *Daedalus* 124, no. 1 (1995).

[3]See: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), 1990, 1992, 1996 and 2000 Mathematics Assessments. Also see: NAEP, 1992, 1994, 1998, 2002 and 2005 Reading Assessments. Cross tabulations can be generated using the NAEP Data Explorer at http://nces.ed.gov/nationsreportcard/.

[4]See W. T. Dickens and J. R. Flynn, "Black Americans Reduce the Racial IQ Gap: Evidence from Standardization Samples," (available from William T. Dickens at the Brookings Institution, Washington, DC, 2005).

[5]U.S. Department of Education, National Center for Education Statistics, Early Childhood Longitudinal Study, Birth Cohort (ECLS-B), Restricted-Use File (NCES 2004-093), previously unpublished tabulation (January 2005). Also see R. Fryer and S. Levitt, "Testing for Racial differences in the Mental Ability of Young Children." Retrieved June 3, 2007, from http://post.economics.harvard.edu/faculty/fryer/papers/fryer_levittbabiesrevision.pdf

[6]See e.g., G. J. Borjas, J. Grogger and G. H. Hanson, "Immigration and African-American Employment Opportunities: The Response of Wages, Employment, and Incarceration to Labor Supply Shocks," National Bureau of Economic Research (NBER) Working Paper no. 12518, September 2006.

[7]On discrimination, see: D. Pager and B. Western, "Race at Work: Realities of Race and Criminal Record in the NYC Job Market," report released as part of the NYC Commission on Human Rights conference: Race at Work—Realities of Race and Criminal Record in the NYC Job Market, held December 9, 2005, at the Schomburg Center for Research in Black Culture. Also see: D. Pager and L. Quillan, "Walking the Talk? What Employers Say Versus What they Do," *American Sociological Review* 70, no. 3 (2005).

[8]A. P. Gregg, B. Seibt, and M. R. Banaji, "Easier Done than Undone: Asymmetry in the Malleability of Implicit Preferences," *Journal of Personality and Social Psychology* 90, no. 1 (2006): 1–20.

[9]The data are from elementary schools across seven states: NJ, OH, MA, CN, MI, IA, and NM.

[10]Decennial Census IPUMS, 1960–2000, as tabulated in D. Neal, "Why Has Black-White Skill Convergence Stopped?" NBER Working Paper no. 11,090, 2005, http://www.nber.org/papers/w11090.

[11]J. Eccles and J. A. Gootman, eds., *Community Programs to Promote Youth Development* (Washington, DC: National Academy Press, 2002).

[12]J. A. McKinney, "The Development and Implementation of a Tutorial Program for Parents to Improve the Reading and Mathematics Achievement of Their Children" (Ed. D. Practicum, Nova University, 1976) ERIC Document Reproduction Service No. ED113703. J. D. Rodick and S. W. Henggeler, "The Short-Term and Long-Term Amelioration of Academic and Motivational Deficiencies among Low-Achieving Inner-City Adolescents," *Child Development* 51 (1980): 1126–1132. J. Tizard, W. N. Schofield and J. Hewison, "Collaboration Between Teachers and Parents in Assisting Children's Reading," *British Journal of Educational Psychology* 52 (1982): 1–15.

[13]See H. Turner, C. Nye, and J. Schwartz, "Assessing the Effects of Parent Involvement Interventions on Elementary School Student Achievement," *Harvard Family Research Project: The Evaluation Exchange,* Vol. X(2004/05). See also J. P. Shonkiff and D. A. Phillips, eds., *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Washington DC: National Academy Press, 2000).

[14]M. Phillips, and colleagues, "Family Background, Parenting Practices, and the Black-White Test Score Gap," in C. Jencks and M. Phillips, eds., *The Black-White Test Score Gap* .

[15]D. Neal, "Why Has Black-White Skill Convergence Stopped?" NBER Working Paper, 2005.

[16]G. C. Loury, "The Anatomy of Racial Inequality," *The W. E. B. Du Bois Lectures* (Cambridge, MA: Harvard University Press, 2002). W. T. Dickens, "Rebuilding Urban Labor Markets: What Community Development can Accomplish," in R. Ferguson and W. Dickens, eds., *Urban Problems and Community Development* (Washington DC: Brookings Press, 1999).

[17]G. J. Duncan and K. A. Magnuson, "Can Family Socioeconomic Resources Account for Racial and Ethnic Test Score Gaps?" *The Future of Children* 15, no. 1 (2005): 35–54.

[18]See e.g. J. L. Epstein "School/Family/Community Partnerships: Caring for the Children We Share," *Phi Delta Kappan*, May 1995, 701–713.

[19]R. Fryer and S. Levitt, "Understanding the Black-White Test Score Gap in the First Two Years of School," *Review of Economics and Statistics*, 86 (2004): 447–464.

[20]Tripod Project data for 1st to 6th graders collected spring 2005 & '06 from 45 elementary schools in NJ, CT, OH, NM, IA, MA, MI and CA. Advantaged: Asian, N=687; Black, N=1,351; Hispanic, N=564; White, N=2,639. Disadvantaged: Asian, N=102; Black=940; Hispanic=281; White=331.

[21]There are 4,138 black, 10,206 white, 1,512 Hispanic, and 1,128 Asian students represented in the charts for hip-hop and rap music.

[22]Figure 5 is based on multiple regressions with school-level fixed effects, using survey responses from 1556 black high school students across 27schools.

[23]I explore these issues in greater detail in a forthcoming paper.

[24]G. C. Loury, "Racial Stigma, Mass Incarceration and American Values," *Tanner Lectures in Human Values*, Stanford University, April 4 & 5, 2007, available at http://www.econ.brown.edu/fac/Glenn_Loury/louryhomepage/.

Hispanics at the age crossroads: Opportunities and risks

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October 17, 2006, is etched in demographic history as the day the U.S. population reached 300 million. Comparisons of the 1967 footprint, when the U.S. population reached 200 million, with the 2006 footprint are instructive as to how the population has changed over the past 40 years. Average life expectancy was just over 70 years then compared with nearly 78 today; about 40 percent of women ages 16 and over were in the labor force in 1967 versus nearly 60 percent in 2006; and 51 percent of adults ages 25 and over achieved high school diplomas in the mid-1960s compared with about 85 percent now.[1]

Hispanics—both immigrants and their offspring—accounted for over one-third of the 100 million persons added to the U.S. population since the mid-1960s.[2] Less than 5 percent of the U.S. population was Hispanic in 1960 versus approximately 14 percent in 2006.[3] In addition, the Hispanic population became more diverse both in its origins and destinations. Less than 20 percent of the Hispanic population was foreign-born in 1967, but by 2006, over 40 percent of Hispanics were born abroad.[4] Of these, approximately 2 in 5 are undocumented.

Today, not only are Hispanics the largest "minority" population, a milestone reached in 2003, but currently 1 of every 2 people added to the U.S. population are Hispanic.[5] These recent Hispanic demographic trends have profound implications for the future of America because they are unfolding amidst a major transformation in the

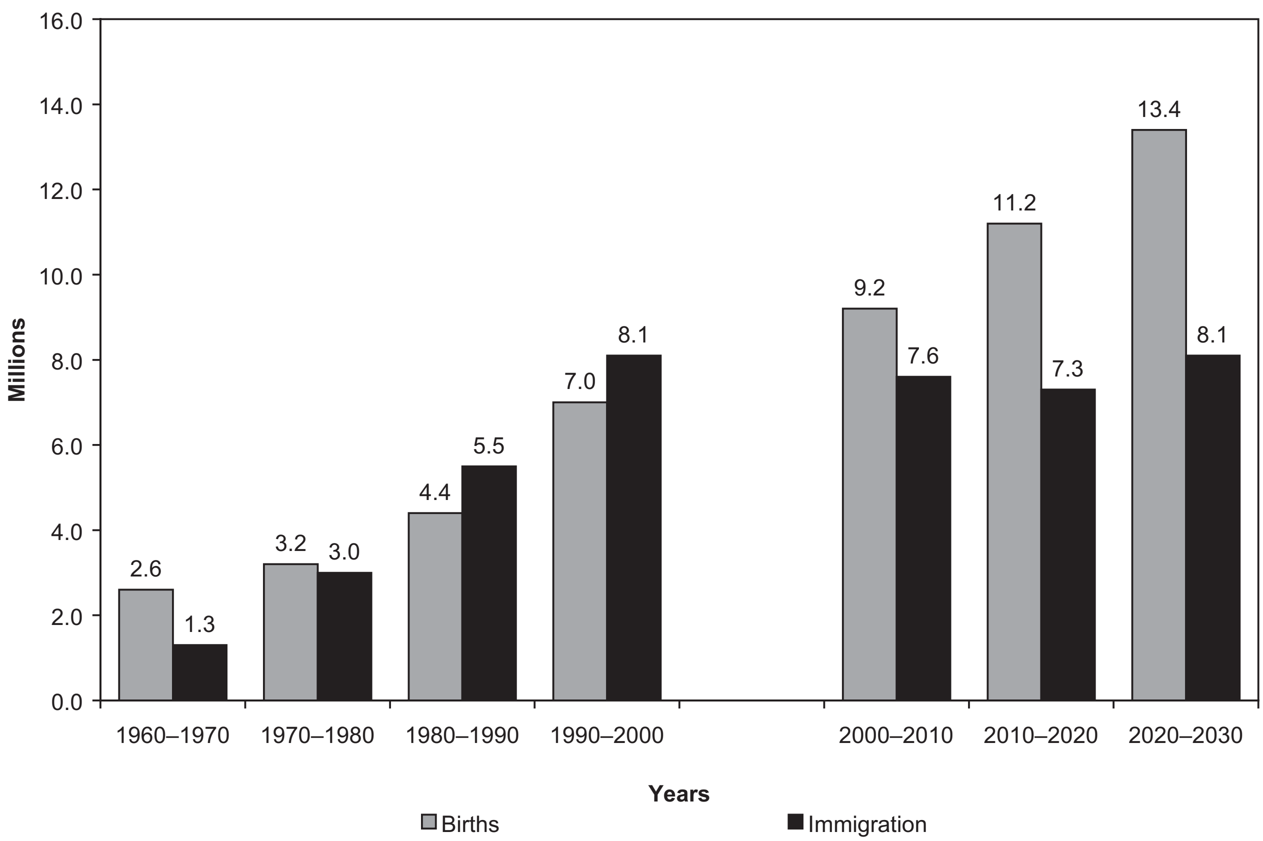

Figure 1. Hispanic births and net immigration by decade: 1960–2030.

Source: M. Tienda and F. Mitchell (eds.), *Multiple Origins, Uncertain Destinies: Hispanics and the American Future* (Washington, DC: National Academies Press, 2006), Chapter 2.

social context of childbearing and child rearing, because Hispanics are forging their national presence at a time of rising inequality, and because Hispanics are a young population amidst an aging white majority.

I discuss each of these trends briefly to provide a glimpse of future opportunities and risks. Specifically, I argue that the youthfulness of the Hispanic population provides an opportunity to attenuate the social and economic consequences of rising old-age dependency ratios, but caution that the demographic dividend will not materialize unless growing educational gaps and poverty rates are improved.

Demographic narrative

In 1967, as the U.S. population reached 200 million, Hispanic demographic growth was spurred by childbearing, not immigration. During the 1960s, births outpaced immigrants by about 2 to 1, but these growth components equalized during the following decade. The last two decades of the twentieth century reversed the relative contribution of these components, as both immigration and births surged. During the 1990s, net immigration added about 8 million to the Hispanic population, compared with 7 million births. The U.S. foreign-born population surged to 31 million by 2000, with over 16 million from Latin America alone.[6] Although immigration will remain an important driver of Hispanic demographic growth for the foreseeable future, already fertility has yet again exceeded immigration. Hispanic births are projected to exceed new immigrants by 17 percent in 2010 and by 40 percent in 2030. This change in the components of growth has set in motion an unprecedented generational transition that will redefine the contours of ethnic stratification during the first quarter of the twenty-first century.

In 1960 over half of all Hispanics were third generation or higher, compared with about one-third now. By 2030, just under 1 in 3 will be third or higher generation. As was the case in 2000, just over 1 in 4 Hispanics in 2030 are expected to be second generation. However, there will be 26 million second-generation Hispanics in 2030 versus 10 million in 2000, and the second-generation Hispanics of 2030 will be older than is now the case. With a median age under 13, the majority of the second generation is now in school; by 2030, the majority of the second generation will be in the labor force. Despite the intense media attention on immigration, and especially the unprecedented number undocumented among the foreign-born, today the children and grandchildren of Latin American immigrants are spurring Hispanic population growth. The generational transition now under way is pivotal for the nation because it coincides with rising labor market insecurity, population aging, and growing educational disparities along racial and ethnic lines.

Are Hispanics unique?

Subsuming 20 different nationalities, Hispanics include the descendants of early Spanish settlers, multiple cohorts of immigrants from Latin America, and a swelling second generation. Hispanics share a common language and have low average educational levels, a large segment of their foreign-born population that is undocumented, and a youthful age structure. None of these attributes are distinguishing by themselves, but collectively they define a profile that differs from that of most immigrant and minority groups today and in the past. This distinctive profile has important implications for the integration prospects not only of recent immigrants, but also of their U.S.-born offspring.

The rise in family disruption and nonmarital childbearing among Hispanics bodes ill for the socioeconomic prospects of future generations. Among Mexican and other Hispanic-origin women, the share of births to unmarried women nearly doubled between 1980 and 2000, rising from 23 percent to 41 percent.[7] Although Cuban women have the lowest levels of nonmarital fertility, births to unmarried Cuban women also rose, nearly tripling during this period. By 2001, nearly 60 percent of all Puerto Rican births were to unmarried mothers, up from less than half in 1980. Whether or not these trends signal a retreat from marriage, the rise of nonmarital fertility indicates that growing numbers of youth have family arrangements that offer less economic and emotional security. Furthermore, children raised in single-parent families are at higher risk of school failure, and daughters are more likely to become single mothers themselves.

In many ways Hispanics appear to be repeating the patterns of prior immigrant groups. Trends in earnings, in household income, and in home ownership indicate that rising numbers of Hispanics are ascending to the middle class. Yet there are troubling signs that economic mobility appears to stagnate after the second generation; moreover, collectively Hispanics show signs of losing economic ground relative to non-Hispanic whites.[8] In part, this is because of the continued influx of a large number of low-skilled immigrants, many of them undocumented, who overwhelm gradual advances made by the native-born. In large measure, though, the limited economic mobility of U.S.-born Hispanics reflects their low stock of human capital.

Although the economic boom in the United States during the late 1990s drove down poverty rates for all demographic groups—by 3 and 4 percentage points for Hispanics and blacks, respectively—Hispanic poverty remained over double that of whites. In 2005, over 1 in 5 Hispanics lived below the official poverty line.[9] Currently about 23 percent of Hispanics are living below the poverty line, compared with about 26 percent of blacks and less than 10 percent of whites.

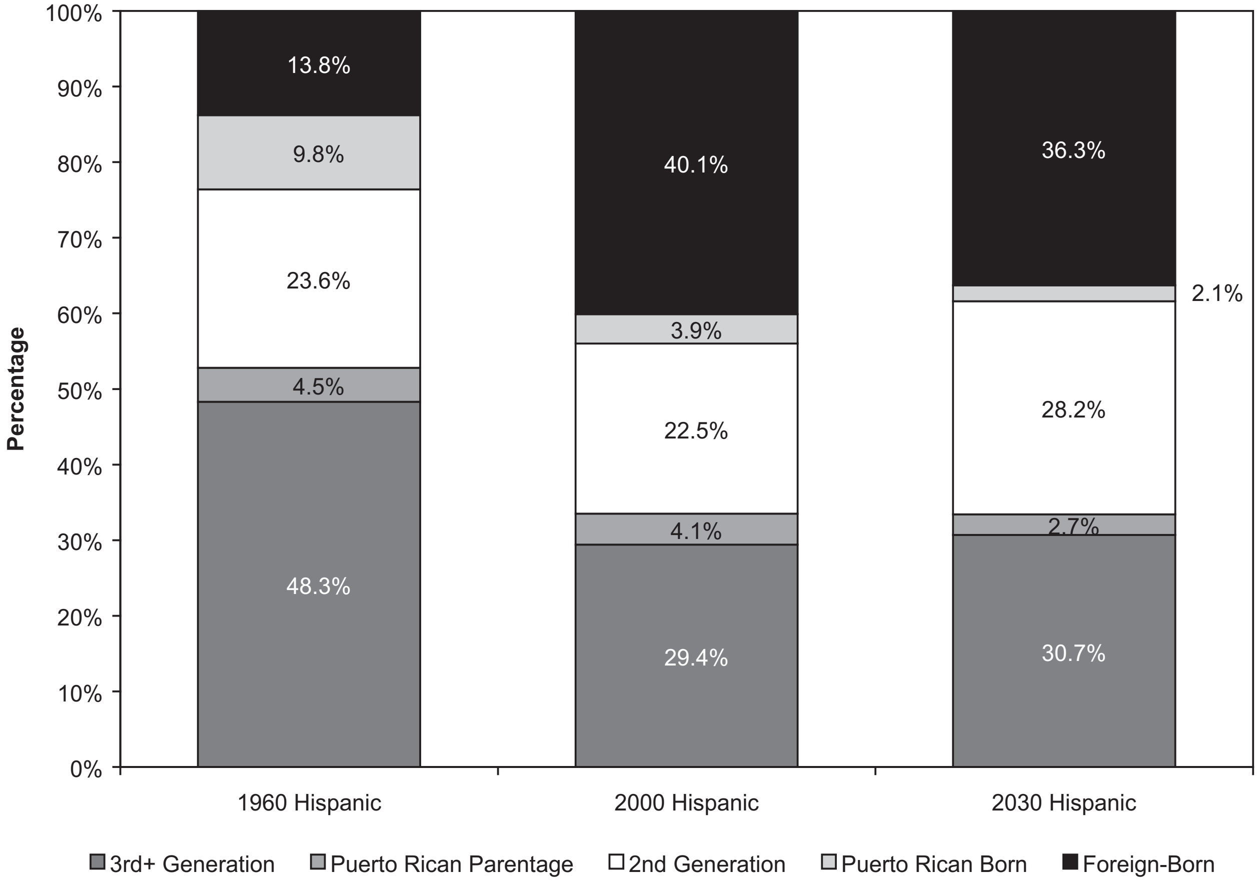

Figure 2. Generational transition of U.S. Hispanics: 1960, 2000, and 2030.

Source: M. Tienda and F. Mitchell (eds.), *Multiple Origins, Uncertain Destinies: Hispanics and the American Future* (Washington, DC: National Academies Press, 2006), Chapter 4.

Poverty is especially pernicious for children because it undermines academic achievement, thwarts normal development, and undermines long-term productive potential. Immigrant children are at high risk of poverty, but so too are the U.S.-born children of unskilled immigrant parents with low earnings capacity. Despite decreases in poverty risks across generations, the rates for second-generation Hispanic youth are now on a par with those of black youth. In 2001 over 1 in 3 second-generation Hispanic youth lived in poor families, as did over 40 percent of foreign-born children. Because immigrant children and the children of immigrants represent the major source of future labor force growth, recent trends in child poverty rates are worrisome.

Reversing these trends will depend heavily on raising the educational levels of Hispanics. Although they have experienced appreciable increases in educational attainment since 1960, Hispanics average lower levels of formal schooling than any other demographic group. Not only are educational shortfalls a major obstacle to closing wage and occupation gaps, but Hispanic students who fail to master English also face lifelong difficulties in achieving meaningful civic engagement. That recent Latin American immigration largely involves low-education workers implies large numbers of second-generation youth reared in homes where both parents lack high school or college training. Because parents with low educational levels are less likely to read to their children, large numbers of Hispanic youth have limited opportunity to acquire preliteracy skills. Already in kindergarten, Hispanics trail their classmates in math and reading skills.[10] Even as Hispanic college enrollment reaches an all-time high, the white-Hispanic college gap continues to grow because white enrollment and graduation rates are rising faster and because Hispanic college students are more likely than whites to enroll in a two-year institution, lowering their likelihood of completing a bachelor's degree.

Coming of age in an aging society

Two additional considerations are germane for understanding the opportunities and risks presented by the burgeoning Hispanic population in the years ahead, namely their unprecedented geographic dispersal and the coincidence of the Hispanic generational transition with U.S. population aging.

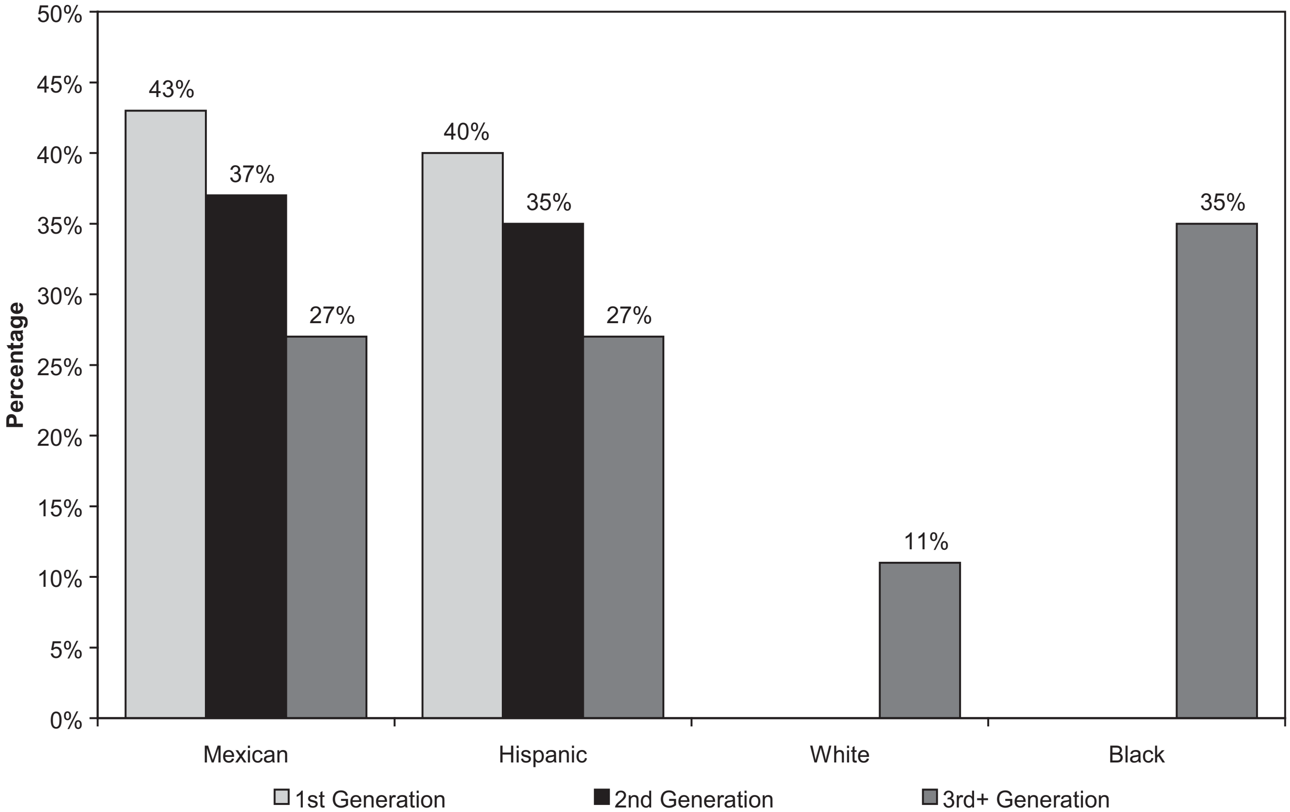

Figure 3. Child poverty by ethnicity and immigrant generation, 1997–2001.

Source: C. Reimers "Economic Well-Being," Chapter 7 in M. Tienda and F. Mitchell (eds.), *Hispanics and the Future of America* (Washington, DC: National Academies Press, 2006.) Adapted from Table A-2.

Given recent demographic trends, we know with reasonable certainty that the Hispanic population share will compose between 20 and 25 percent of U.S. residents by 2030. But the social and political significance of this composition hinges on where Hispanics settle. Historically Hispanics were concentrated in just a few states, and that remains the case today. In 2000, 70 percent of Hispanics resided in five states—New York, New Jersey, Texas, California, and Florida. However, since 1980, and especially during the 1990s, Hispanics have experienced a historically unprecedented dispersal that was largely driven by recent immigrants. For example, North Carolina's Hispanic population grew fivefold during the 1990s, while that of Georgia quadrupled and Nevada's tripled.

One might think that dispersal to new destinations increases the chances of integration because the relative size of new flows is small. Trends are mixed, however. Although there is some evidence that racial segregation levels are declining in areas where new immigrants have begun to settle, Hispanic residential and school segregation levels are on the rise in both the traditional settlement communities and many new southern destinations.[11] Whether the unprecedented Hispanic geographic dispersal energizes economic growth of the new destination states is highly uncertain. Will they change educational investment patterns in ways that strengthen the Hispanic educational pipeline so that college is a realistic possibility for the burgeoning second generation? Or will the youthful Hispanic population be seen as a drain on public education? More than any other trend, educational investments made today will ultimately define the Hispanic imprint on the United States.

Many suburbanites welcome new immigrants as hard-working people, but in a growing number of places where the foreign-born had not settled before, the newcomers have experienced a backlash of rejection, often triggered by the sight of day laborers anxious for a chance to work who often congregate on street corners or informal hiring sites. The broad social and political implications of the immigrant residential dispersal are not yet certain, but the proliferation of local ordinances and vigilante activities to restrict and exclude the foreign-born signals rising class divisions disguised as cultural clashes.

Whether or not immigration is reduced in the near future, the growth of the Hispanic population will continue for the foreseeable future because of the demographic momentum implied by its youthful age structure. In 2000 the median age of Hispanics was 27, compared with 39 for whites. By 2030, when the baby boom generation will be fully retired, the median age of the majority white

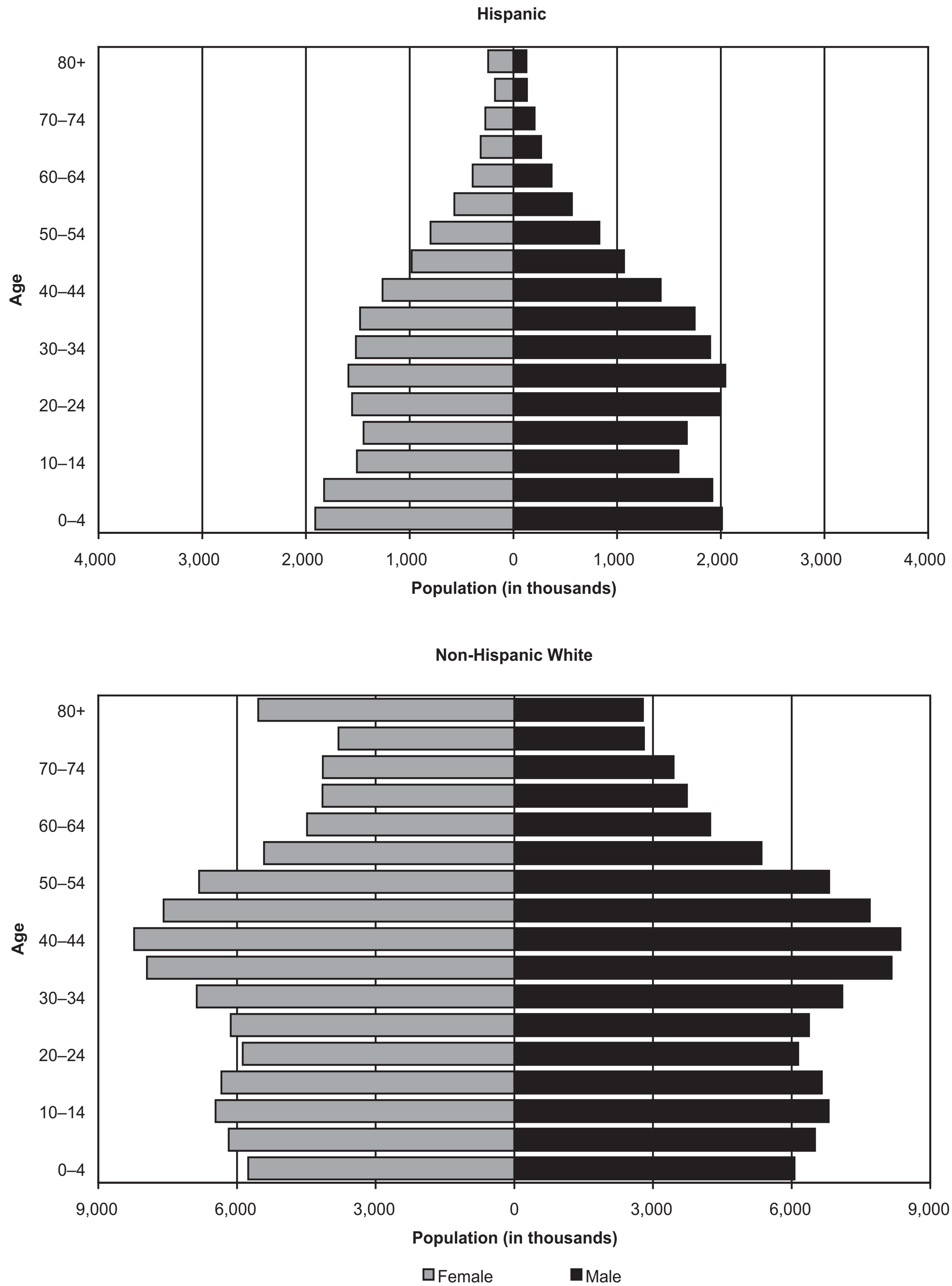

Figure 4. Age pyramids for Hispanic and non-Hispanic white populations: 2000.

Source: M. Tienda and F. Mitchell (eds.), *Multiple Origins, Uncertain Destinies: Hispanics and the American Future* (Washington, DC: National Academies Press, 2006), Chapter 4.

population will approach 43 years, compared with 31 for Hispanics. Hispanics' projected age structure indicates that demand for education will remain strong, especially in states that experienced high immigration for a protracted period, but also including the new Hispanic destination states. By 2030, when most of the baby boomers will have long retired, the lower end of today's Hispanic age bubble will be finishing college. Or will they?

Today, more than ever before, higher education is necessary to harness the demographic dividend afforded by the Hispanic generational transition. Failure to close Hispanic-white educational and poverty gaps will have enduring consequences because the fastest-growing and best-paying jobs now require some postsecondary education. In 1999, nearly 6 out of 10 jobs required college level skills, including many that had not required postsecondary training in the past. In some rapidly growing occupations, such as health services, nearly 3 in 4 jobs require some college education.[12]

Realizing the demographic dividend afforded by the infusion of young Hispanics into an aging white society requires lowering poverty rates, closing achievement gaps, and raising college enrollment and graduation rates. Failure to lower child poverty rates and to narrow educational gaps risks deepening class divisions between Hispanics and whites. Alternatively, the swelling second generation of Hispanics could provide a needed increase in human capital to meet the needs of an aging society and to maintain U.S. competitiveness as China and India become major players in the global economy. With fertility declining throughout the world, including the large immigrant sending nations, the window of opportunity to harness the Hispanic demographic bonus is limited.

The key policy challenge is to capitalize on the generational transition of Hispanics by reducing child poverty and closing educational gaps so that the second and subsequent generations are well prepared to be productive workers. The risk is that the growing ranks of elderly white voters may see educational expenditures and anti-poverty programs as "costs" rather than as "investments" in their own future. Not only will a highly productive workforce generate the social security earnings needed to support the growing number of retirees, but future workers must also be trained to assume the high-skilled jobs in the health services industries that cater to an aging population.

It is too early to tell whether the nation will garner the Hispanic demographic dividend by closing the educational and income gaps between Hispanics and whites as the burgeoning second generation replenishes retiring baby boomers. The evidence to date is mixed, suggesting signs of hope and reasons for concern. What is certain is that the nation ignores the potential Hispanic demographic dividend at its peril.■

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[11]M. Tienda and F. Mitchell (eds.), *Multiple Origins, Uncertain Destinies: Hispanics and the American Future.*

[12]M. Tienda and F. Mitchell (eds.), *Multiple Origins, Uncertain Destinies: Hispanics and the American Future.*

On the legacy of Elliot Liebow and Carol Stack: Context-driven fieldwork and the need for continuous ethnography

Mitchell Duneier

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Over the past four decades, U.S. social scientists who use observational methods have attempted to understand the many consequences of living in poverty through fine-grained descriptions and interpretations of social interaction and ordinary life, most notably in the domestic realm of the family and the public realm of the street corner. On this occasion of IRP's 40th anniversary, it is useful to recall the contribution of two anthropologists writing around the time that the Institute was founded, who eschewed the traditional method of entry into the community through authority figures and community leaders, approaching poor black women and poor black men through participation in their lives. By looking back to Elliot Liebow's *Tally's Corner* and Carol Stack's *All Our Kin*, we may see more clearly some of the strengths and weaknesses of what we are doing today in the qualitative study of poverty.[1] Their books highlight some very important issues concerning the relationship between quantitative and qualitative data, the rise of the ethnographic interview in poverty research, the centrality of political context for understanding the significance of ethnographic work years after it is produced, and the importance of reflexivity in research on the urban poor.

Liebow and Stack published their books during and after the War on Poverty, the passage of the Civil Rights Act of 1964, and the riots of New York City, Rochester, Jersey City, Philadelphia, Elizabeth, Chicago, Philadelphia, and Watts, when social scientists were grappling with the "culture of poverty" thesis developed by Oscar Lewis and by Daniel Patrick Moynihan's *The Negro Family: The Case for National Action*.[2] Though neither of them makes much reference to Lewis or Moynihan, a careful reading of Stack and Liebow against these currents shows a dialogue with them on every page.

Liebow took his readers into the social world of a group of black men in their twenties and thirties to explain why they seemed so different from white middle-class Americans in the priority they placed on holding down a job and in their commitment to their children, wives, lovers, and friends. The central dialogue of the book, often implicit, was with the ideas that poverty is transmitted from generation to generation through culture and that the black family was now *the* effective cause of perpetuating black poverty in the U.S. Though Liebow was trained as an anthropologist, we see in his work the influence of the sociologists Everett Hughes, Howard S. Becker, and Erving Goffman, who had brought the concerns of symbolic interactionism into the air of social science in a very prominent way. The emphasis on roles, "definition of the situation," presentation of self, acting, concealment, and vulnerability of the self in social life and group life are central in this account. Liebow argued that "the desire to be . . . noticed by the world he lives in is shared by each of the men on the street corner. Whether they articulate this desire . . . or not, one can see them position themselves to catch the attention of their fellows in much the same way as plants bend or stretch to catch the sunlight" (p. 60). Like Goffman in *The Presentation of Self*, he looked for ways in which friendship is a relationship between people who remain "unrevealed" to one another as they conceal their failures, but also like the Goffman of *Stigma* and *Asylums*, he shows us people who must deal with the emotional toll that comes when audience segregation cannot be maintained—when one has been fully exposed as a failure and has lost all confidence in oneself:[3]

> Sometimes he sits down and cries at the humiliation of it all. Sometimes he strikes out at her or the children with his fists, perhaps to lay hollow claim to being man of the house in the one way left open to him, or perhaps simply to inflict pain on this woman who bears witness to his failure as a husband and father and therefore as a man. Increasingly he turns to the street corner where a shadow system of values constructed out of public fictions serves to accommodate just such men as he, permitting them to be men once again provided they do not look too closely at one another's credentials (p. 213).

Liebow's book is an ethnography of failure, an account of the black male loser. He builds a theory that might be seen as an early version of Claude Steele and Joshua Aronson's "stereotype threat"—that when a person's social identity is attached to a negative stereotype, that person will tend to underperform in a manner consistent with the stereotype.[4] Liebow's basic premise is that the street corner men's "social identity"—their membership in the category of poor black men, the category of "their fathers and probably their sons" (p. 54)—has significance when grounded in the situations like work or marriage, where they will be treated as someone with the social identity of the black male loser. It is a short step from Liebow's men on the street corner to the underperformance of Steele's and Aronson's laboratory subjects manifesting distraction and increased body temperature, all of which diminish their performance in the face of stereotype threat.

Tally's Corner came out in 1967, when Carol Stack was in graduate school. She did her research with her young son, Kevin, by her side. Like Liebow, she barely mentions Moynihan, but reading her book side by side with his report, it is clear that her dialogue is with an intellectual atmosphere significantly defined by this work, as well as Liebow's, which focused on the lives of poor black men in such a prominent way. Stack sought, in part, to provide a portrait of the women, sisters, aunts, girlfriends, and other kin connected to the type of men featured in Liebow's study. She described the lives of the children they fathered, the kin who stepped in and cared for these children, and the impact of absent, unemployed fathers on the lives that their lovers and kin created for themselves. She showed that families in the Flats, an African American ghetto community, adapted to their poverty by forming large, resilient, lifelong support networks based on friendship and family. These networks were very powerful, highly structured, and surprisingly complex.

All Our Kin updates and significantly deepens insights about reciprocity and adoption in black family life that one finds in prior generations of scholars. Stack does so through a systematic analysis of the fact that the men and women she studies "know that the minimal funds they receive from low-paying jobs on welfare do not cover their monthly necessities of life: rent, food, and clothing" (p. 57). She introduces a poor black woman named Ruby Banks and the daily life of her matrifocal family in the Flats, showing the solutions they search for in order to survive: "Friendships between lovers and between friends are based upon a precarious balance of trust and profit" (p. 57). Exchanges occur in a process whereby "pervasive distrust is offset by improvisation: an adaptive style of behavior acquired by persons using each situation to control, manipulate, and exploit others. Wherever there are friendships, exploitation possibilities exist" (p.39). She shows how the support system of family and friends, including mutual exchange and exploitation, enables people to cope with poverty.

All Our Kin was hardly a romantic account, not only in highlighting exploitation and deviance in black family life, but also because, like Moynihan, Stack recognized that the black family was in a precarious position. The difference between them was that he saw the black family as a uniform social form that had reached "total breakdown" devoid of males, while Stack shows *how* these families actually work from day to day—how a poor black matrifocal family actually often provided a warm, supportive environment, or prepared a child for life within or beyond the ghetto. And like Liebow, she showed the uncles, brothers, and stepfathers who were actually present. Stack believed no less than Moynihan in the importance of mothers and fathers participating in the upbringing of their children. If AFDC would only allow fathers to be members of households, she wrote, this would be ideal. For Moynihan, by contrast, the rise of single-parent families was the single effective cause of higher rates of welfare dependency. Stack ends *All Our Kin* by arguing that:

Eliot Liebow.
Photo printed with permission from Harriet Liebow.

> Two necessary requirements for ascent from poverty into the middle class are the ability to form a nuclear family pattern, and the ability to obtain an equity. Close examination of the welfare laws and policies relating to public assistance show that these programs systematically tend to reduce the possibility of social mobility. Attempts by those on welfare to formulate nuclear families are efficiently discouraged by welfare policy. In fact, welfare policy encourages the maintenance of non-co-residential cooperative domestic networks. It is impossible for potentially mobile persons to draw all of their kin into the middle class. Likewise, the welfare law conspires against the ability of the poor to

Carol Stack with her son, Kevin, in 1972.
Photo printed with permission from Carol Stack.

> build up an equity. Welfare policy effectively prevents the poor from inheriting even a pitifully small amount of cash, or from acquiring capital investments typical for the middle class, such as home ownership (p. 127).

Family deterioration, a lack of wealth, and welfare policy were mutually reinforcing. In focusing on the role of wealth inequality, Stack was forty years ahead of her time.[5] While faithful to the same fine-grained ethnography that Oscar Lewis used in his studies in Mexico, and later on in his studies in Puerto Rico and Cuba, her data and findings led to different interpretations of the causes of persistent poverty. Unlike Lewis and Moynihan, she did not see family life as the continuing cause of poverty. Like Liebow, she viewed the family in the context of the social, political, and economic conditions of the Northern ghettos.

Stack's book was one of the best early models of mixed-method research because she constantly kept her eye on the importance of using her qualitative data to provide better context for quantitative data. *All Our Kin* was conducted only after a review of the Aid to Families with Dependent Children (AFDC) case files for the county she studied, enabling her to determine the typical patterns before she chose Ruby Banks as her key subject. Yet, she did not begin by assuming that the quantitative data could tell the whole story. She described a phenomenon whereby children end up living with adults who are not their biological parents, showing the ways that close kin cooperate in child care and domestic activities. Stack reveals how the processes that determine where children live are not random, but "the outcome of calculated exchanges of goods and services between kinsmen" (p. 67). She begins by looking at the data from the program on AFDC (Aid to Families with Dependent Children), which shows how common fosterage is and suggests that 20 percent of dependent children were living with a woman other than their mother. She goes on to show that these statistics are "much lower than actual instances" as her research shows "disagreement between the record and the actual residence patterns" (p. 68). "In the process of switching the residence of children, mothers or grantees rarely report these residence changes to the welfare office." Based on her observations and detailed life histories of adults and children, she estimates that at least one-third of kinsmen have been kept by family members other than their mothers once or twice during their childhood.

In and of itself, this would have been interesting, but Stack takes it one step further. If one goes by data alone, the assumption might be that these dispersed children are not actually living with their biological mother. Stack uses ethnography as a tool to uncover the underlying patterns which show with whom the people are actually living. Her field observations demonstrated that of 139 dependent children who are reassigned to a grantee other than their mother, about half of those children's mothers resided in the same home as their children. Many of these mothers were teenagers when their first child was born, and their own mother (the child's grandmother) was the welfare grantee for purposes of receiving benefits from public aid.

Stack creates several dialogues between numbers and patterns on the ground. When she observed that children were cared for or informally fostered by their *father's* mother or sisters (a pattern in contrast to stereotypes of the commitment of fathers and fathers' families to their children), she returned to the county AFDC data once again. She discovered that when mothers were officially asked by the welfare agency who they would want to raise their child in the event of their own death, more than a quarter named the children's father's kin, rather than their own. This observation disrupts the characterization of urban black families as uniformly matrifocal in that "both a child's mother's and father's socially recognized kinsmen are expected to assume parental rights and duties" (p. 73).

Today in the study of poverty, all too often the essential function of qualitative data is to serve or assist quantitative studies by putting a human face on the numbers produced by economists and demographers, or else qualitative data is seen as most useful when it is shown to be typical or representative of larger macro-level trends or populations. While Stack frequently uses quantitative data to place her ethnographic findings in the proper context, she is also sensitive to "the confusion that can arise when statistical data is interpreted out of context" (p. 71). She shows how ethnography has the possibility of unearthing culturally meaningful questions that can inform the ways in which surveys ask questions, and can give meaning when relevant to quantitative findings.

Liebow and Stack shared with Oscar Lewis the fundamental concern that "the structured one shot interview does not give us some of the kinds of information that we sorely need [in low-income family research] . . . Right now . . . there is a crying need to be aware of—and to try to record and interpret—the complexity, change and variability in [low-income] family life and organization" (Lewis, quoted in Liebow, p. 9). Both Liebow and Stack sought to make ghetto domestic life intelligible through observations of residents *in* the context of their kin- and non-kin-based networks. In their work, one gets a sense that talk is cheap, or at least not fully adequate for making valid inferences. By looking at their studies, we see what has been lost as interviews are becoming the dominant form of qualitative evidence in poverty research.

In *Tally's Corner*, Liebow regards talk and action as dissimilar units that can only be understood in comparison to one another. His book is a project in comparative sociological explanation, whereby the major strategy is to compare what his subjects say against the wider context of what he has learned about them. He focuses not merely on what they talk about, but also on what they don't say, which topics don't come up, what kinds of things don't get referred to in a spontaneous way, and what they won't admit. He contrasts what people say they want to do against a more realistic appraisal of what is possible in their lives, given their particular abilities. He assesses subjects' interpretations at a moment in time by looking at how events unfolded later. He is perceptive about the ways that subjects' explanations for their behavior are public presumptions and common narratives which do not bear up in the actual lives of people who use them. He compares what people say in one conversation against what they say in another. He is sensitive to the way that both boasting and modesty can be self-serving. He compares declarations of intent to what subjects actually do later on. And he speaks with both male and female partners, gauging what his male subjects say about their relationships against the views of their wives and lovers.

With the proliferation of ethnographic interviewing today, there is a danger of forgetting how cheap talk can be. Researchers increasingly use interviews to try to discover the reasons that people did things in their lives, to discover motivation. They let their subjects' attributions of cause and effect stand, as they take explanations of why things happened to them at face value. They write as if there is a clear correspondence between confident statements by subjects and reality, rather than understanding how what their subjects tell them are actually public poses, public displays, or public fictions.

These interview studies are usually based on anywhere from a dozen to a couple hundred respondents. Investigators tend to use the data to tell readers the specific or rough percentage of people who characterize their experiences in a particular way. Treating data in such a way would be appropriate if they were generated by a simple random sample from a well-defined population. Yet, respondents in these interview-based studies are almost always chosen through snowball samples.[6]

Nor are scholars who employ these contemporary approaches to qualitative work able to take the time to follow individuals in their networks, groups, and communities. There have, of course, been some real achievements with interviews. Here I think of the work of Kathryn Edin, who asked welfare and working mothers the basic question, How much money do you spend in an average month on different goods and services, and how do you pay your bills? Piecing the story together took considerable shoe leather, including many interviews spread over several months, and eventually her subjects provided budgets that more or less balanced, showing that none lived on AFDC alone, and that none reported all of their income to the welfare department, findings consistent with Stack's earlier observation to that effect. But despite such outstanding exceptions, I believe that the kind of depth we saw in the studies of Liebow and Stack is getting lost in contemporary poverty research. As Edin and Lein wrote in *Making Ends Meet*, it is possible that because they observed mothers' behaviors at a point in time, they found little of the mutual exchange between kin that Stack did. "Had we been able to follow mothers over time, we might have seen some of our mothers move into a position to help others in their network."[7]

When I entered sociology in the early nineties, I found myself looking back to the work of Carol Stack and Elliot Liebow as I sought models of scholars who had been interested in learning about the everyday lives of people living in poverty through the eyes of the people themselves, and understanding the social life in the ghetto by virtue of discovering contextual connections through participant observation. I was looking for work by people who had a sophisticated sense of the significance of their own social position. Liebow introduced the concept of the "chain-linked fence" to indicate the kind of inherent separation between himself and his poor black male subjects. He wrote that "despite the barriers, we were able to look at each other, walk alongside each other, talk, and occasionally touch fingers" (p. 250–251). He also wrote, "I used to play with the idea that maybe I wasn't as much of an outsider as I thought. Other events, and later readings of the field materials, have dissuaded me of this particular touch of vanity" (p. 249). He knew that he would never be "one of them," but also wasn't so far distant that he couldn't understand them. He left open the possibility of a white man entering into a serious dialogue with the lives of poor blacks and producing a book that gave the reader a set of significant interpretations. Stack's book was a precursor to a lot of contemporary developments surrounding reflexivity in sociological and anthropological ethnography. Stack was certainly not in dialogue with any of the kind of methodological thinking that came about in anthropology during the 1990s in the "reflexive turn," with the advent of post-modern thinking, critical race theory, or whiteness studies. But she pulled off a powerful self-reflexivity about her own white privilege and her own place in the lives of the poor black women whom she got to know. She also involved her subjects in defining research topics and specific questions for investigation. There was no illusion that she was one of them. She always understood the difference between herself and her subjects. In this way, *All Our Kin* anticipated changes and transformations that would come about in cultural representation, including the value and possibilities of redistributing ethnographic authority. In a sober way, she anticipated many of the best things that have happened in ethnography over that period.

All urban ethnography is a reflection of the particular moment in which it is written, and it is usually hard for the ethnographer to see the political context in which he or she is working with complete clarity because it is impossible to anticipate the changes. Read together today, these two works say as much about their own times as about the vast changes that have occurred in the lives of the urban black poor since. After welfare reform, in which welfare mothers were forced off public aid into low-paying jobs, the Stack legacy is a new set of questions about how welfare reform would undermine the ability of kin to do for one another those things that had helped them survive all these years. Stack herself would ultimately ask, skeptically, about the grandmothers, sisters, and cousins who had once been able to offer spontaneous child care:

> In the serious attempt to adjust to new values of the marketplace, and to the personal responsibility ethic, mothers come face to face with insurmountable dilemmas of adulthood . . . And kin—grandmothers, sisters, and cousins who were once able to offer spontaneous respite care might still have the family system as their primary impulse but could no longer accommodate 10 hour child care days, when many of them are in the same boat trying to make ends meet.[8]

Nor could Liebow have predicted how much worse the plight of his subjects would become. In recent decades, the jobs that Liebow says these men rejected have been taken by immigrants who, unlike Americans, are not comparing them to the jobs of other Americans, but to jobs back home. While the job prospects of poor black men have worsened and welfare benefits have been slashed, the "war on drugs" has led vast numbers of poor blacks and Hispanics to spend their young adult lives in prison. Whereas Liebow made frequent reference to interactions between his subjects and the criminal justice system, he says very little about any of them spending time in prison, or about the impact of prison on their lives. It is hard to imagine that any street corner today would not be populated by the casualties of all these transformations.

Building on the powerful insights of studies such as *All Our Kin* and *Tally's Corner*, the next generation of ethnographic books about the urban poor must explain everyday life under these conditions. There is a big difference between the context-driven studies of the 1960s and the decontextualized, quotation-driven studies that are becoming increasingly popular today, however insightful they otherwise are. We should be mindful that the most influential first-hand studies have not been produced by interviewing individuals, but by following and showing people in groups and networks, participating in their lives laterally and over time, and then taking into account how local labor markets, policy regimes, and institutionalized racism may affect them. The case for in-depth, context-driven fieldwork may be even more pressing now than in the past because black men are now less accessible to surveys than ever before. Going in and out of jail, they are more weakly attached to households, though they can be tracked down by ethnographers, just as Liebow found the men who were absent from the survey of the census workers who went door to door. The U.S. Census undercount of these men is once again increasing, so ethnographers have even more of an opportunity to fill the gap. There is some irony that many would choose this time to let ethnography mimic survey research based on snowball sampling.

In this look back at the legacy of Elliott Liebow and Carol Stack, we can see how the ethnographer's findings were shaped by the larger structural context, and how their interpretations made visible the social forces of the times. The families Stack studied (and her analysis) depended on the welfare system as it then was, and the men in Liebow's study (and his analysis) depended on the criminal justice system as it then was. Ethnography lights up "structure" and is always in interaction with it. As that structure changes with macro shifts in the politics and the organization of poverty (privatizing it, farming it out to charities, shrinking it, etc.), ethnographers need to be aware of those shifts in order to "see" better what is before them and to speak in a relevant voice. But this also shows why we need to keep at it: we need continuous ethnography because the undergirding reality keeps changing and we need to be there to show how it works.■

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[1]E. Liebow, *Tally's Corner: A Study of Negro Streetcorner Men* (Boston: Little, Brown, 1968); C. Stack, *All Our Kin: Strategies for Survival in a Black Community* (New York: Harper & Row, 1974).

[2]D. P. Moynihan, *The Negro Family: The Case for National Action* (Washington: U.S. Government Printing Office, 1965).

[3]E. Goffman, *The Presentation of Self in Everyday Life* (Garden City, NY: Doubleday, 1959); E. Goffman, *Stigma: Notes on the Management of Spoiled Identity* (Englewood Cliffs, NJ: Prentice-Hall, 1963); E. Goffman, *Asylums: Essays on the Social Situation of Mental Patients and Other Inmates* (Garden City, NY: Doubleday, 1961).

[4]In this series of studies, college sophomores matched by SAT scores were given a difficult section of the Graduate Record Examination. When the students were told that the test evaluated verbal ability, black students scored one standard deviation lower on average than white students, but when the experiment was described as a study of problem-solving techniques, blacks and whites scored the same. C. M. Steele and J. Aronson, "Stereotype Threat and the Intellectual Test Performance of African Americans," *Journal of Personality and Social Psychology* 69, no. 5 (1995).

[5]See M. Oliver and T. Shapiro, *Black Wealth/ White Wealth: A New Perspective on Racial Inequality* (New York: Routledge Press, 1995); D. Conley, *Being Black, Living in the Red: Race, Wealth, and Social Policy in America* (Berkeley, CA: University of California Press, 1999); and L. Keister, *Wealth in America* (New York: Cambridge University Press, 2000).

[6]"Snowball sampling" is a technique for developing a research sample where existing study subjects recruit additional subjects from among their friends and acquaintances.

[7]K. Edin and L. Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997).

[8]C. Stack, "Doing Public Anthropology for Social Justice," *Cecil G. Sheps Lecture in Social Justice,* University of North Carolina, Chapel Hill, March 28, 2003.

Four decades of antipoverty policy: Past developments and future directions

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During the past four decades, the Institute for Research on Poverty (IRP) has made fundamental contributions to the study of antipoverty policy. Researchers associated with IRP have been key participants in many of the important debates of those years.[1] In this brief article, I must necessarily address only certain aspects of this history. My focus will be on means-tested transfer programs for the low-income population and how they have evolved over the last four decades. I review that history, discuss general lessons to be drawn from it, provide some thoughts on the political economy of means-tested transfers from the perspective of an economist, and speculate on future directions.

Historical overview

Over the last four decades, researchers, policymakers, and the media have paid most attention to the cash-transfer program, primarily for single mothers, known as Aid to Families with Dependent Children (AFDC) prior to 1996 and as Temporary Assistance for Needy Families (TANF) thereafter. This attention was never more intense than in the few years following 1996, when welfare reform and TANF reform were virtually synonymous in most discussions. Despite this intense attention, TANF ranks only sixth in the list of major means-tested transfer programs in terms of expenditure, as shown in Table 1. Medicaid is by far the largest expenditure program, followed by Supplemental Security Income (SSI), the Earned Income Tax Credit (EITC), Food Stamps, and Subsidized Housing. Medicaid expenditures include the aged, blind, and disabled, but single mothers and their children are 25 percent of the total, which still leaves it as the largest expenditure program if only that group is included. TANF also ranks sixth in terms of caseload and seventh in terms of expenditure per recipient. The lower relative ranking of the TANF program reflects the marked decline in expenditures in the program since 1990, when they equaled $28,508 (millions of 2004 dollars).

The contraction of the AFDC-TANF program does not reflect long-term changes in antipoverty expenditure, and obscures the secular increase in real expenditure on means-tested transfer programs taken as a whole. Indeed, Figure 1, which shows expenditures since 1968 in the 80 largest programs in the country, indicates that per-capita expenditure on means-tested programs is higher today than ever in its history. The enormous growth in real expenditure that occurred in the late 1960s and early 1970s, chronicled in so many historical accounts of antipoverty policy, was followed by a decade (approximately 1978–1988) of flat expenditure growth, although the stability of expenditures in that period masks a decline in AFDC expenditures combined with expenditure growth in the Food Stamp program, housing, and child care programs.[2] The period of flat growth, however, was followed by an explosion in expenditure that occurred more

Table 1
Annual Expenditures and Caseloads of Nine Large Programs, FY 2004

	Expenditures (millions)	Caseloads[a] (thousands)	Expenditures per Recipient[b]
Medicaid	$300,300	56,100	$5,353
SSI	39,839	7,139	5,581
EITC	34,012[c]	19,163[d]	1,775
Food Stamps	30,993	24,900	1,245
Subsidized Housing[e]	29,844	4,576[f]	6,522
TANF	14,067	4,746	2,964
Child Care	11,854[g]	1,743[h]	6,801
Head Start	8,469	906	9,348
Jobs and Training	7,007	1,175[i]	6,645[i]

Source: K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004*, Table 14 (Washington: Congressional Research Service, 2006).

Note: Federal and state and local spending are combined unless otherwise noted.

[a]Number of individual recipients unless otherwise noted.
[b]Ratio of first column to second column, multiplied by 1,000.
[c]Refundable portion only.
[d]Number of tax units.
[e]Section 8 and public housing (federal only).
[f]Number of dwelling units.
[g]Child care and development block grant (CCDBG) and TANF child care.
[h]CCDBG only.
[i]FY 2002.

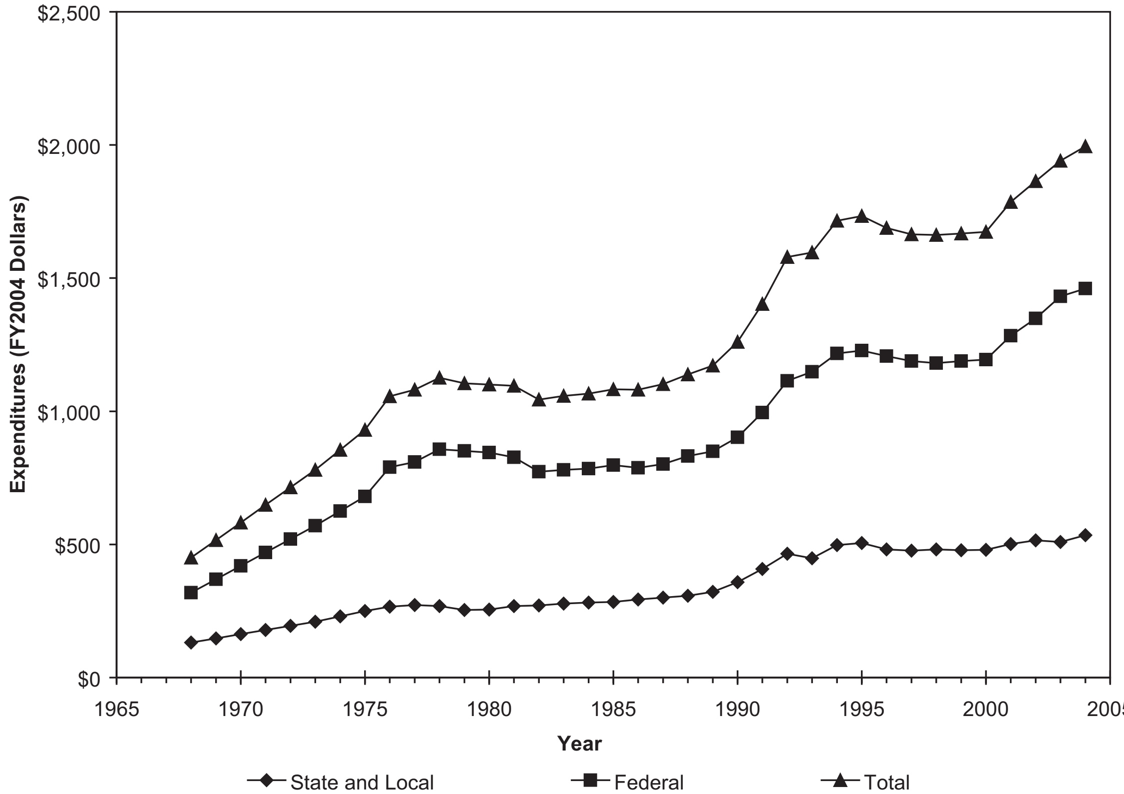

Figure 1. Real per-capita expenditures on means-tested transfers, 1968–2004.

Source: K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004* (Washington: Congressional Research Service, 2006), Tables 3 and 4; U.S. Census Bureau, *Statistical Abstract of the United States: 2006*, Table 2, (Washington: Government Printing Office, 2006).

rapidly—in the space of six years, from 1990 to 1996—than even the growth in the first period. After another period of flat growth, expenditures have risen sharply again since 2001.

Table 2 shows expenditure in the two most recent growth periods, 1990–1996 and 2001–2004. In both periods, Medicaid has been the leader, experiencing a large growth of 89 percent in the first period and 24 percent in the second. Expenditures going to single mothers and their children have stayed at about 25 percent of the whole, so the growth has not been solely the result of increased expenditure on the elderly. As a share of total growth over the periods, Medicaid accounted for 59 percent and 75 percent, respectively. Medicaid was expanded in the late 1980s to cover more families in the low-income population and expenditure growth has also been associated with general increases in health care costs and the decline in private health insurance coverage. There are many other medical programs for the low-income population as well (for example, the State Children's Health Insurance Program, SCHIP, has expenditure just below any of those in Table 1) and expenditure on medical programs as a whole took up 80 cents of every state-and-local dollar and 46 cents of every federal dollar in 2004.[3]

Nevertheless, expenditure growth in nonmedical programs has been significant, particularly from 1990 to 1996. Both the EITC and SSI grew dramatically over that period. The EITC, in existence since 1975, was greatly expanded by federal legislation in 1990 and 1993 to increase support to the working poor. SSI growth in the 1990s was driven by increases in the fraction of the caseload that was disabled and by court decisions expanding eligibility for disabled children. Although SSI is something of a special case, much of the growth in Medicaid and EITC coverage was clearly traceable to policy decisions to expand support for the low-income population.[4]

The growth of expenditures from 2001 to 2004 was smaller than that from 1990 to 1996, although this may be because the period was shorter and growth may continue into the future. Growth in this period was even more dominated by the Medicaid program, although Food Stamp expenditures also grew significantly. Outreach efforts were expanded in the Food Stamp program and there is some evidence that some former TANF recipients returned to the Food Stamp rolls.

The net result of these developments is larger public expenditure on the low-income population, taken as a

Table 2
Real Expenditures in Six Major Programs, FY 1990–FY 2004
(in millions of 2000 dollars)

	AFDC-TANF	FoodStamps	Medicaid	EITC[a]	Housing	SSI
1990	$26,336	$21,971	$90,054	$6,588	$18,007	$21,408
1996	25,310	29,230	170,350	25,750	21,248	34,277
Percent change	-4%-	33%	89%	291%	18%	60%
Share of growth[b]	1%	5%	59%	14%	2%	10%
2001	$13,317	$20,614	$223,362	$28,824	$23,727	$36,319
2004	12,995	28,632	277,424	31,421	27,571	36,804
Percent change	-2%-	39%	24%	9%	16%	1%
Share of growth[b]	1%	11%	75%	4%	5%	1%

Source: V. Burke, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data* (Washington: Congressional Research Service), *FY1990–1992* (1993, Table 12), *FY1996–FY1998* (1999, Table 12), *FY2000–FY2002* (2003, Table 14); K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004*, Tables 3 and 14 (Washington: Congressional Research Service, 2006).

Notes:
[a]Refundable portion only
[b]Share is taken as a percentage of total growth in the 80 largest programs whose per capita growth is shown in Figure 1.

whole, than at any point in the last 40 years. Having said that, it is also clear that there have been major changes in the groups receiving assistance and in the type of assistance received. There has been a shift away from assistance to single mothers to working families as a whole (EITC) and to disabled adults and children (SSI), and there has been a shift away from unconditional cash support (AFDC-TANF) and toward in-kind transfers for health care (Medicaid), food assistance (Food Stamp program), and related programs.

Lessons

First, for whatever reasons, programs that provide in-kind transfers have been more favored than those providing cash support, as have programs which support groups that have a characteristic thought to be deserving. Medicaid, SSI, Food Stamps, housing, and child care programs all fall into this category. Many researchers historically have preferred pure cash transfers, which allow recipients the most flexibility to define their own needs, but policy has clearly moved in a different direction. The primary unrestricted cash program, AFDC-TANF, has, as we have seen, dramatically declined in importance. The EITC, which also provides cash assistance, does so only for a special group—workers—and hence fits the rule as well.

The AFDC program was, however, always characterized as a categorical program because it also provided benefits to a special group—single mothers. However, this is a case of a special group that was once favored having changed to one that is no longer. Single mothers at the time of the inception of the program in 1935 were primarily widows, a group generally thought to be particularly deserving. The caseload shifted in the 1960s and 1970s to one composed disproportionately of divorced mothers, a less sympathetic group. In the 1980s and 1990s, the composition of the caseload shifted once again, this time to unmarried mothers, a group which many voters find particularly unsympathetic.[5] Nevertheless, this cannot be the only explanation for the decline in the popularity of TANF. The program could have been broadened to include married families, for example. In addition, there are many other programs which disproportionately furnish benefits to single mothers but are still favored by policy, such as Medicaid, housing, and child care programs. Therefore it is likely that the open-ended cash transfer nature of AFDC and TANF led to its unfavored status.

The decline of the TANF program has given further impetus to the growth of categorization, defined as a system which provides different benefits to different special purpose groups defined by characteristics, rather than a general program providing benefits simply for being poor. The population of former TANF recipients, and the population of women who are not entering TANF because of the reforms, still have many needs—for child care, for physical and mental health services for themselves and their children, for substance abuse programs, for domestic violence assistance programs, and others from a longer list. Without a central cash program to coordinate these services, they must be provided independently and individually to those who most need them. As these programs grow, they will constitute an ever-increasing categorization of the population into "boxes" of types of families who are eligible for, need, and, one must hope, receive a different set of services or combination of services. As will be noted below, this may lead to some families falling through the cracks and not obtaining services they need.

A second lesson from the last four decades of antipoverty policy is that work is of primary importance to policymakers and voters. The EITC is the most obvious example of this; work requirements and reductions in marginal tax rates in the TANF program are another. The emphasis on work in U.S. means-tested transfer programs has been developing for over 30 years, with gradually increasing work and training requirements in transfer programs. The EITC and TANF developments should be thought of as a culmination of long-term trends rather than as a sharp break from the past.

Nevertheless, the emphasis on work has to be considered secondary to the worthiness principle. The large expansion of the SSI and Medicaid programs, for example, is not tied to work in any meaningful sense of the word. The housing and Food Stamp programs have introduced work requirements but only in a minor way; those programs continue to be received heavily by nonworkers. It would be a mistake to assume that policies for nonworkers cannot find political support; such programs can flourish when they are associated with specific and socially valued needs.

The emphasis on work and increasing categorization operate, to some extent, against each other, because categorical programs tend to lead to high cumulative marginal tax rates on earnings and hence larger disincentives to work. Policymakers have not seemed interested in addressing this problem. However, it is my long-standing view that we need to carefully consider the case that high cumulative marginal rates constitute a serious problem, in light of the fact that lower rates would extend benefits higher up into the income distribution and reduce work incentives for other groups. The issue is not whether the rates should be lower. It is, rather, who should face the high rates—those at the bottom of the income distribution or those a bit higher up. In fact, with the expansion of the EITC, cumulative marginal rates just above the very bottom are not so high. It is not obvious that those rates should be increased in exchange for lowering them at the bottom.

A trend related to the increasing emphasis on work is the declining emphasis on human capital development programs. In TANF, education and training aspects of work activity requirements have been largely eliminated, a major change from the increasing emphasis on such an approach throughout the 1970s and 1980s. Training programs such as the Job Training Partnership Act and the Workforce Investment Act have never been a major part of the U.S. system of means-tested transfers, and Head Start is even smaller. This is a fairly surprising development given the increasing emphasis on work and the conventional view that policymakers and voters think of self-improvement as a desirable route to well-being. It is the more so because training is not dissimilar to education, and education continues to receive strong political and popular support.

We can envisage several different reasons for these conflicting views. Legislators may perceive that human capital programs have a low rate of return, or perhaps legislators think that the rate of return to human capital investment from work per se ("learning by doing") is greater than that from formal education and training programs; the empirical support for this proposition is, however, extremely tenuous. Or perhaps the particular training programs implemented in the past have fallen into disfavor because they have indeed been used as a means to avoid work by the recipient population.

I have noted elsewhere that the long-term categorization and work-emphasis trends in the U.S. system of means-tested transfers represent a decisive rejection of the idea of a negative income tax (NIT) as conceived by Friedman, Lampman, and Tobin.[6] All these writers (Lampman is something of an exception—he believed that some categorization was still desirable) perceived an NIT as replacing other programs and providing work incentives in a single program where cumulative marginal tax rates could be kept to a reasonable level. This idea has indeed been soundly defeated, although one has to credit the NIT with first introducing the idea of financial work incentives in transfer programs, and that idea is now dominant, albeit in other forms.

One of the critiques of categorical systems made by the early NIT advocates was that categorical systems which make benefits available to populations with special characteristics give individuals and families in the population an incentive to change their characteristics to become eligible. Restricting benefits to single mothers is the most obvious example of this effect, but the growth of SSI also gives parents an incentive to classify marginal children as disabled according to SSI rules, for example. Policymakers seem oddly unwilling to address this issue, despite the overwhelming evidence of marriage disincentives in the current system. The empirical evidence that those incentives are acted on is somewhat weaker, although I believe that the evidence supports the view that AFDC had a behavioral effect on family structure which, though not excessively large, was large enough to warrant policy concern.[7] However, current federal policy toward marriage has taken other directions, and is not addressing these major financial issues. The public policy response to categorization incentives is even more odd in light of the EITC growth and the reduction of TANF marginal tax rates, both policies which seem to indicate that policymakers have finally realized that incentives matter (the entire 1996 welfare reform could be similarly viewed). Legislators understand this issue but not the incentives induced by increased categorization.

Thoughts on the political economy of means-tested transfers

The two primary implications of the past four decades of antipoverty policy—increased categorization and increased emphasis on work—presumably arise from a desire by policymakers and voters to redistribute in this form. The source of this desire is a question of interest, without easy answers. The favoring of programs which provide in-kind benefits may be a result of political support coming from the producers of those goods (agriculture, the medical sector, and so on). But the desire for increased categorization is also often traced to a basic paternalistic impulse to impose the public's preferences on the recipient, and to prevent the recipient from spending transfers on goods which the voter does not think worthwhile. There is also an "efficiency" argument for in-kind transfers which posits that different individuals are in more need of different types of goods (or, to state it more formally, different individuals have different marginal utilities for food, medical care, housing, etc.) and that in-kind transfers concentrate benefits on those who need them the most, whereas cash transfers are too diffuse and provide income which recipients spend partially on low-need goods as well as high-need goods. Although this is theoretically a distinct rationale for the desire for in-kind transfers, it is not inconsistent with the paternalistic view; probably the two are not distinguished in the voter's or policymaker's mind. A more serious question about the paternalistic view is why voters believe that low-income individuals would spend goods any differently than the voters themselves. Presumably voters believe that the poor are poor because of their own bad decisions and "bad" preferences, which are different from those of the voters.

The increasing desire to see the poor work also does not have an obvious source. One could ascribe it to the Protestant ethic in the United States or to the tradition of individualism and self-reliance. Why the importance of this factor has grown so much in the last several decades is unclear. One could trace this increasing emphasis to the rising labor force participation rate of middle-class women, especially those with children, so that middle-class voters are no longer willing to pay low-income mothers to stay home with their children. Once again, though, the work requirements in TANF, for example (if taken at face value, i.e., the formal work requirements rather than those actually implemented), are inconsistent with middle-class behavior; a high fraction of married women still do not work at all or work part-time at hours below those stipulated in the TANF legislation for recipients. Those work requirements impose a higher level of work than is exhibited by middle-class mothers. There is also a question of whether voters view work by recipients as a means to a more favorable end or as an end in itself. The idea of reciprocity suggests that it is an end in itself, as does the notion that it improves levels of self-worth. Many policymakers and voters also view work as a way of improving recipients' human capital or the lives of children. Once again, though, many middle-class women stay at home when their children are young and believe in education rather than work as a means of improvement, suggesting a certain inconsistency of preferences. This would support the view that the emphasis on work must partly be traceable to the idea of reciprocity or to some related end-in-itself motivation.

Future directions

When discussing future directions, one must, as always, distinguish between directions that one would like to see as an analyst and actual predictions of what may come to pass. In the former category, I must certainly list the need for a more rational system of categorical programs that both fill in the lacunae and provide better channels for those in need of particular programs or services to receive them. It is my view that the major hole in the current system of transfers is the relative lack of programs and services made available to prime-age males, both married and unmarried. Most transfer programs exclude them, with the exception of the EITC for those with dependents; Food Stamps is also a major exception that provides universal support. But Medicaid, SSI, housing, and child care are not well targeted on this group, and TANF provides little support to low-income married men. Training programs, although important, are too small in scale to make much of a difference. Particularly since one can trace the decline in marriage partly to the decline in the economic fortunes of less-educated, particularly young, men, this would seem to be a group which is largely neglected by the current system.

It is frequently noted that in a categorical system better institutional channels are needed to identify, screen, and refer individuals to different programs. The current system, at least for the TANF population, has made some progress in developing case management systems that provide some of these services. However, most localities do not have one-stop shopping centers, which is one avenue of approach, and even case management services vary widely in their availability and functionality across localities. There continue to be proposals for a more systematic coordination across programs, and rationalization perhaps guided by a federal programmatic structure or even through the tax system, but these seem even further from the present than more modest measures. Many families fall through the cracks in the current system and receive little or no assistance even though it is needed and desirable. This, too, would seem to be a major need in a categorical system.

Other areas of the system should be addressed. It is a truism that health insurance reform is sorely needed, and it is difficult to discuss the reforms in Medicaid in isolation from that problem. But Medicaid still does not provide adequate benefits even to mothers, much less fathers, and provides low-quality services in many instances. TANF work requirements, in my view, need to be refined and rationalized to reconcile the statutory requirements with the requirements as imposed on the ground; the majority of TANF recipients are still not in an activity despite legislation which gives very few formal exemptions. We need a clearer definition of who is required to work and who is not, and a more generous allowance for those who have severe difficulties finding stable employment. At some point, we must develop a new approach to human capital investments for TANF recipients and other members of the low-income population; that would seem to be a necessary ingredient in any long-run strategy to improve the well-being of the poor.

What will actually unfold depends necessarily on political outcomes, to some extent, and on the federal budgetary situation, which is likely to constrain new initiatives for some time. It seems unlikely that any major change will occur in SSI, Food Stamps, or the EITC, and it seems likely that Medicaid will experience further retrenchment for budgetary reasons. Depending on the stance of the administration in Washington, reform activities may once again devolve to the states and to rationalizations of the current system at that level rather than at the federal level. ■

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[1]This article is a revised version of a paper presented at the Meetings of the Association for Policy Analysis and Management, Madison, Wisconsin, November 2–3, 2006, in celebration of the 40th Anniversary of the Institute for Research on Poverty.

[2]D. Blau, "Child Care Subsidy Programs," in *Means-Tested Transfer Programs in the United States*, R. Moffitt, ed. (Chicago: University of Chicago Press, 2003), Table 7.2; J. Scholz and K. Levine, "The Evolution of Income Support Policy in Recent Decades," in S. Danziger and R. Haveman, eds., *Understanding Poverty*, (New York: Russell Sage, 2001), Table 6A.1.

[3]K. Spar, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004* (Washington: Congressional Research Service, 2006).

[4]See R. Moffitt, "Introduction," in R. Moffitt, ed., *Means-Tested Transfer Programs in the United States* (Chicago: University of Chicago Press, 2003), for further discussion.

[5]R. Moffitt, "Explaining Welfare Reform: Public Choice and the Labor Market," *International Tax and Public Finance* 6 (1999): 289–315.

[6]R. Moffitt, "The Negative Income Tax and the Evolution of U.S. Welfare Policy," *Journal of Economic Perspectives* 17 (Summer 2003): 119–40.

[7]R. Moffitt, "The Effect of Welfare on Marriage and Fertility: What Do We Know and What Do We Need to Know?" in R. Moffitt, ed., *Welfare, the Family, and Reproductive Behavior* (Washington: National Academy of Sciences Press, 1998).

Beyond the safety net

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This essay was originally going to be about forty years of real, if uneven, progress against material poverty. But in writing it, I found myself excluding large numbers of African Americans from the general progress that has been made. For them, poverty is deeper, more persistent, and, I fear, more difficult to ameliorate. I want, therefore, to focus on just one aspect of poverty policy: poverty in the African American community, and what can be done about it. Although I will focus on the plight of low-skilled African Americans, all my policy recommendations, except one, apply to all poor Americans.

First, some good news. Between 1968 and 2005, the black poverty rate fell from 35 percent to about 25 percent.[1] And as Table 1 shows, between 1974 (the first year such data are available) and 2004, the percentage of African Americans with any earnings at all grew over 20 percent faster than their increase in numbers; their mean earnings rose 57 percent; and their per capita earnings by 72 percent, to $12,696. At the same time, per capita earnings for whites (not shown) rose from $12,882 to $20,328, about a 58 percent rise.

At the same time, some African Americans are mired at the bottom. Figure 1 portrays just one dimension of their situation; it shows the income of males ages 25 to 34 by race. For present purposes, the most striking thing is the high portion of black men with zero *reported* income: about 18 percent for blacks, compared to about 7 percent for whites and Hispanics. Although some of these men are in school, this figure is a fair measure of how many black men are disconnected from the mainstream economy. Another issue, of course, is the relative absence of African Americans from the right side of this distribution.[2]

In 2005, blacks were more than three times as likely as whites to be in "deep poverty," that is, to have incomes below 50 percent of the poverty line (11.7 percent versus 3.5 percent). Hispanics were about twice as likely as whites to be poor (8.6 percent versus 3.5 percent). These patterns have not changed for at least fifteen years.[3] African Americans also have longer spells in poverty. According to the Survey of Income and Program Participation, from 1996 to 1999, African Americans were about 50 percent more likely than whites to have had spells lasting more than a year, about 80 percent more likely to have had spells lasting more than two years, and about 70 percent more likely to have had spells lasting more than three years. Hispanic spell rates, by contrast, were about a quarter higher than white rates.[4]

What lies behind these numbers? I have always believed that, beyond any structural problems in the economy that may have aggravated black poverty (and poverty in general), the 100-year history of Jim Crow oppression and exploitation (on top of a century and a half of slavery) left African Americans especially vulnerable to the economic *and social* shifts of the second half of the twentieth century. (Daniel Patrick Moynihan called it "the earthquake that shuddered through the American family."[5])

We tend to forget that Jim Crow was a reality for many African Americans as recently as the 1960s and early 1970s. As a civil rights worker in Mississippi in the late 1960s, I saw the conditions that Nicholas Lemann described in his book, *The Promised Land*.[6] Tenant farmers lived in tar paper shacks and in perpetual debt to the

Table 1
Black Earners and Earnings
1974 vs. 2004

	Total Population (000s)	Number of Wage/Salary Earners (000s)	Earners as % of Total Population	Mean Earnings*	Per Capita Earnings*
1974	24,402	9,780	40.4%	$18,262	$7,386
2004	39,229	17,382	44.3%	$428,652	$12,696
Increase	*+61%*	*+76%*	*+10%*	*+57%*	*+72%*

Source: Author's calculations from U.S. Census Bureau, "Annual Population Estimates," http://www.census.gov/popest/estimates.php (accessed July 27, 2006); and U.S. Census Bureau, "Historical Income Tables—People, Table P-43, Workers (Both Sexes Combined) by Median Earnings and Mean Earnings," http://www.census.gov/hhes/www/income/histinc/incpertoc.html (accessed July 27, 2006).

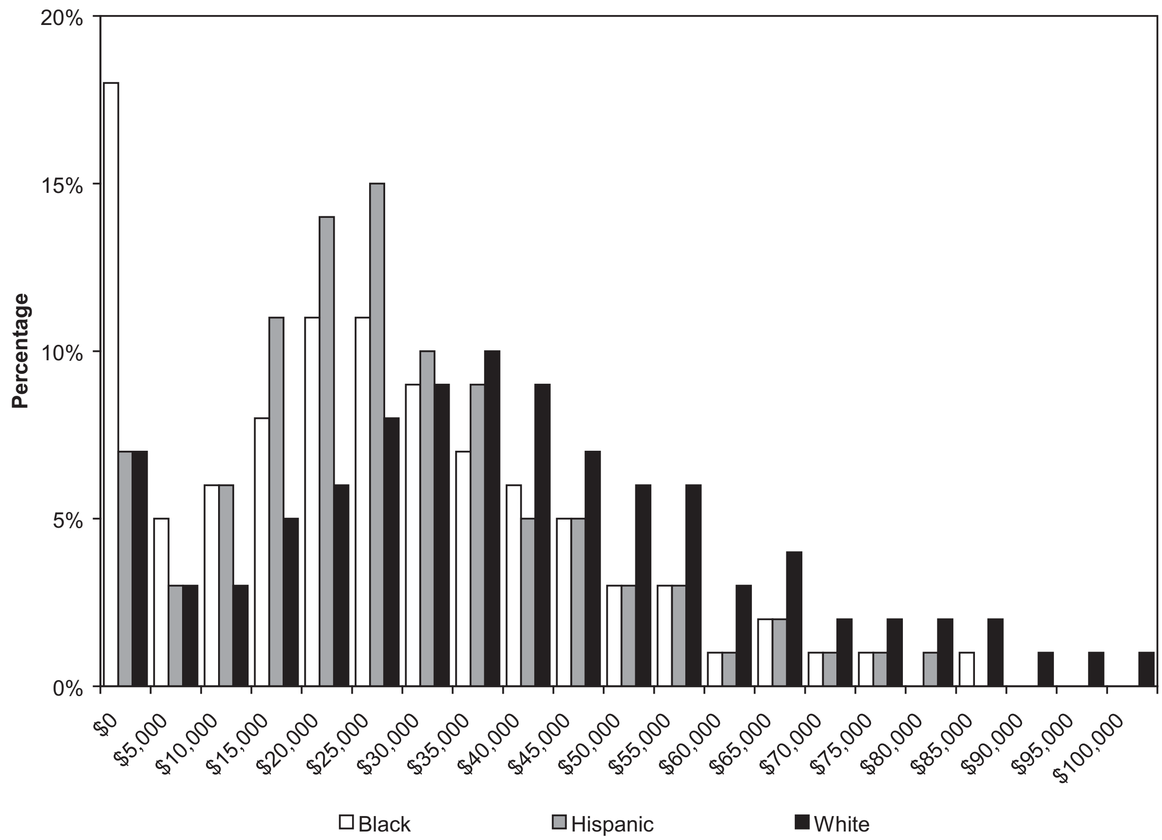

Figure 1. Male earnings distribution, ages 25–34.

Source: Author's calculations based on U.S. Census Bureau, "Detailed Income Tabulations from the CPS, 2006 ASEC (2005 Income)," table PINC-03, August 29, 2006, http://www.http://www.census.gov/hhes/www/income/dinctabs.html (accessed November 1, 2006).

landowner or local grocery store. Entire towns were denied water and sewer service because they were black. Diseased black children were refused admission to county hospitals. Separate schools for "colored" students made a mockery of the claim of "separate but equal." In the black and white schools that I visited for the NAACP Legal Defense Fund, the differences were palpable and shocking. In one white school, an entire gymnasium wall was covered with the musical instruments for the marching band. The "equal" black school had only one beat-up trumpet, and nothing else. Mississippi welfare policy, when I was there, could have been called "move first" instead of "work first." Black mothers signing up for assistance were told that there were jobs (and better welfare benefits) in the North. In Clarksdale, where I was located, the migration flow went to Chicago, so the black mothers were given bus tickets to Chicago.[7]

My main complaint, thus, about the last forty years of poverty policy is that it has not sufficiently appreciated the terrible impact of this experience on so many African Americans, and it has not mounted the kinds of programmatic interventions capable of undoing it.

The explosion of welfare recipiency is just one small example of what happened when an oppressed population was finally given access to welfare benefits. Figure 2 portrays the AFDC/TANF caseload from 1936 to 2003. During the period 1960 to 1970, the national welfare caseload more than tripled at the same time that the unemployment rate was cut in half, from almost 6.7 percent to under 3.5 percent.[8] This sharp rise in the national caseload was the direct result of the liberalization of welfare policies that allowed an ever larger number of *legally eligible* African Americans to receive welfare, first in the North, then in the mid-South, and then in the deep South.[9] It is concrete evidence of pent-up human need, finally addressed with the end of Jim Crow welfare rules.

I am less enthusiastic about income support programs (cash and noncash) than are many others engaged in welfare policy discussions. I worry that incentives and phase-out rates can discourage work, penalize marriage, and encourage unexpected and counterproductive patterns of behavior.[10] Most important, income support is not designed to bring a large proportion of low-skilled African Americans, especially the men, into the labor force. And, an increase in work must be an essential component of any successful poverty reduction strategy.

Many researchers have inventoried the achievement deficits and behaviors that sharply constrict the job prospects of African Americans, especially men.[11] In 2004, for example, black males between ages 25 and 29 were seven

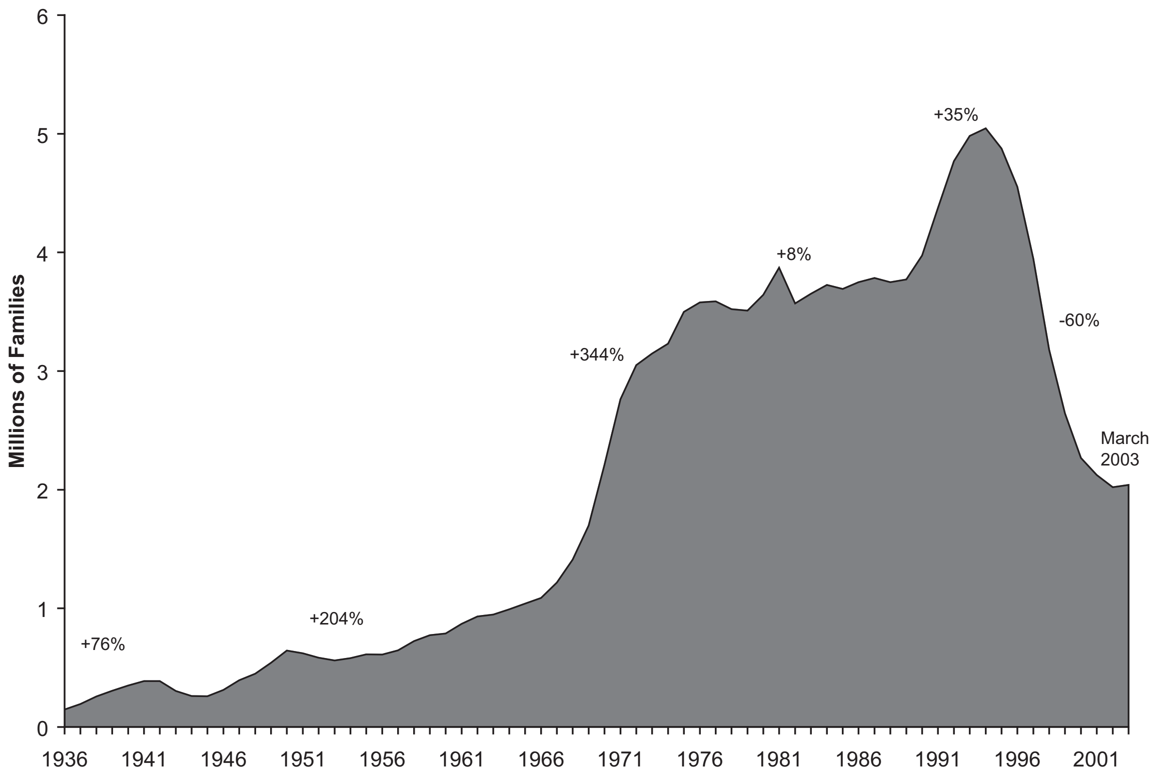

Figure 2. Welfare's growth and decline, 1936–2000.

Source: Author's calculation based on U.S. Department of Health and Human Services, Administration for Children and Families, "Average Monthly Families and Recipients for Calendar Years 1936–2001," May 25, 2002, http://www.http://www.acf.dhhs.gov/news/stats/3697.htm (accessed November 1, 2006); and U.S. Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report to Congress, 2005* (Washington, DC: U.S. Department of Health and Human Services, September 9, 2005), "Table TANF 1, Trends in AFDC/TANF Caseloads: 1962–2003," p. A–9, http://aspe.hhs.gov/hsp/indicators05/index.htm (accessed November 1, 2006).

times more likely than their white counterparts to be in prison, 8.4 percent compared to 1.2 percent.[12] A criminal record makes it even more difficult to be hired. Further reducing the job prospects of low-skilled blacks is the competition they now face from Hispanic immigrants.[13] This is evident in Figure 3, the proportions of blacks and Hispanic workers in some skilled trades—mechanics and repairers, construction trades, and precision production occupations. Although the data for 1984 and 1999 are not completely compatible with the data for 2004, they are close enough to show the trend. During this fifteen-year period, the proportion of workers in these occupations who are Hispanic about doubled, but the proportion of blacks stayed about the same. The number employed in these occupations rose in this period (although at only about half the rate of total employment), but this nevertheless suggests that Hispanic workers took the place of zero-income black men in the job queue.

And that is why analysts on the left and right—most recently Harry Holzer, Peter Edelman, and the late Paul Offner[14]—have also focused their energies on those kinds of programs that might break the cycle of poverty that traps so many African Americans (and especially African American men). The track record for such efforts is disappointing. So, briefly, let me outline what I would try to do differently in three areas:

- Building human capital,
- Reducing unwanted pregnancies, and
- Undoing hidden racial discrimination.

Building human capital

Despite the political rhetoric and the advocacy of interest groups, few policy analysts seem to be strong proponents of remedial job training and education, because of the disappointing results in so many studies.[15] Perhaps job training and education programs have not been given a full and fair test, but it is difficult to see how we could ever mount a large enough and successful enough effort to put a significant dent in the problem. Instead, it is time to acknowledge that we have a serious and deep-seated problem that requires much more intensive and effective responses at various points in the lives of disadvantaged young people.[16]

Recently, there have been claims, for which I believe the evidence is weak, that expanded preschool programs

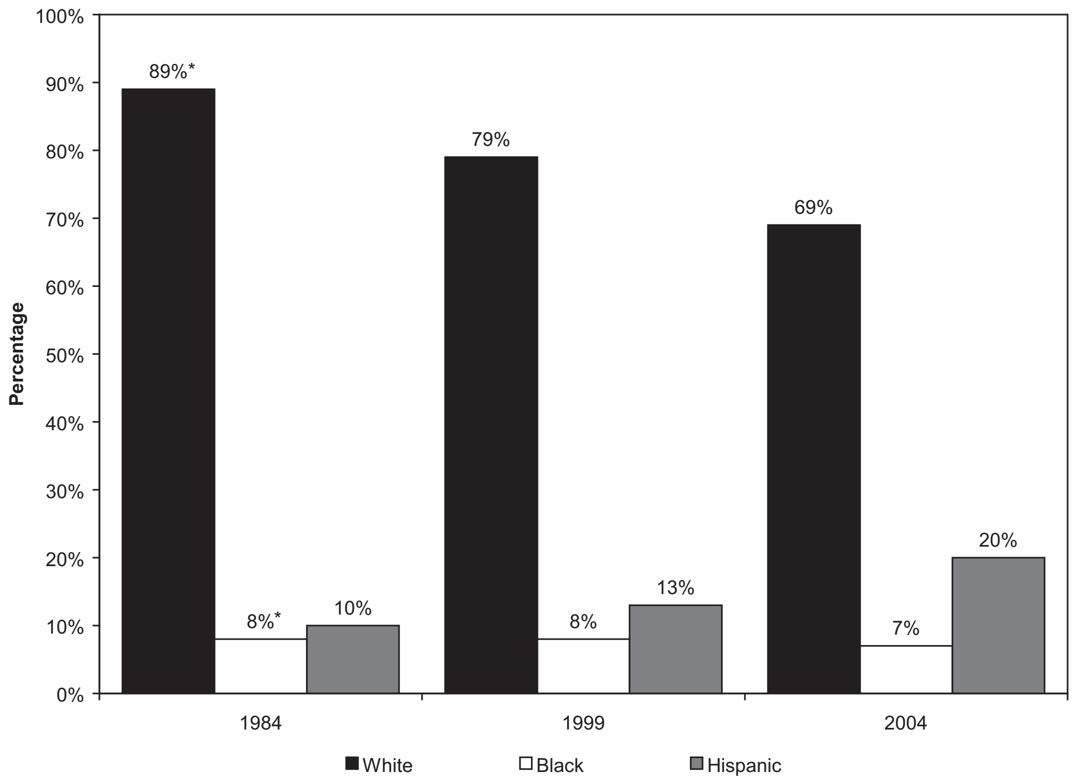

Figure 3. Workers in precision production, craft, and repair occupations.

Notes: The data source used for the 2004 figures differs from that used for 1984 and 1999. Percentages for each year may not sum to 100 percent: in 1984, Hispanics are included in both White and Black categories; in 2004, categories are mutually exclusive but not exhaustive.

Sources: Eva E. Jacobs, ed. *Handbook of U.S. Labor Statistics: Employment, Earnings, Prices, Productivity, and Other Labor Data,* 9th ed. (Lanham, MD: Bernan Press, 2006), table 1–14, p. 69; and U.S. Census Bureau, "Occupation of Longest Job in 2004—People 15 Years Old and Over, by Total Money Earnings in 2004, Work Experience in 2004, Race, Hispanic Origin, and Sex," Income Table PINC-06 from the 2005 Current Population Survey, August 29, 2006, http://pubdb3.census.gov/macro/032005/perinc/new06_000.htm (accessed October 30, 2006). "Precision production, craft, and repair occupations" are shown in the figure for 1984 and 1999. For 2004, when a new occupational coding structure was used, precision production, craft, and repair occupations are approximated by the sum of construction and extraction occupations and installation, maintenance, and repair occupations.

(resembling Head Start) could eradicate the black/white achievement gap, reduce high school drop-out rates, cut teen parenthood rates, raise earnings, and prevent crime.[17] Properly oriented, such programs might be the basis of an effort to improve the child-rearing and other skills of young mothers, but such an effort would take a generation to show real results. Even then it would probably not be enough to counter the other forces that conspire to hold back so many disadvantaged children.

We need a permanent, institutionalized platform from which to provide vastly more effective educational services to disadvantaged youth, starting in their early teen years. We have a name for that platform. It is called "school." It is difficult to see how there can be a real improvement in the life prospects of disadvantaged children without better schools. The Department of Education's rigorous research effort under Grover Whitehurst and Phoebe Cottingham is a good start.[18] But the effort should be much larger, so that it can test many more approaches simultaneously. We need to gain knowledge about what works, and what does not work, at a much faster pace than in the past. Besides academic subjects, I would argue for a sustained and clear-eyed commitment to career and technical education, including for various craft trades. College is not a realistic goal for many disadvantaged young people, but a dignified and well-paying job is. As Table 2 shows, there will be a continuing demand for workers with less than a college education.[19] There is evidence, most recently from MDRC, showing that career-type academies (and some versions of what used to be called "voc ed") can raise school attendance and graduation rates, raise later earnings, and, in some cases, even increase college attendance.[20]

Reducing unwanted pregnancies

Michael Novak was, I think, the first to say that the family was the original Department of Health, Education, and Welfare.[21] Now that there is a separate Department of Education, the line does not work so well—but the underlying point is still as true as ever. I think all of us, even the skeptics, are eager to see the results of various evaluations of family-strengthening activities such as

Table 2
Employment and Job Openings
By Education or Training Category (2000–2010)

	Employment (percent distribution)		Total Job Openings (2000–2010)		
	2000	2010	Number (thousands)	Percent Distribution	Mean Annual Earnings (2000)
Bachelor's or higher degree	20.7%	21.8%	12,130	20.9%	$56,553
Assoc. degree or postsec. vocational	8.1	8.7	5,383	9.3	$35,701
Work-related job training	71.3	69.5	40,419	69.8	$25,993

Source: See R. Lerman, "Improving Links between High Schools and Careers," in *America's Disconnected Youth: Toward a Preventive Strategy*, ed. D. Besharov (Washington, DC: Child Welfare League of America, Inc., 1999), pp. 185–212 ; M. Cohen and D. Besharov, *The Important Role of Career and Technical Education: Implications for Federal Policy*, University of Maryland Welfare Reform Academy, College Park, MD, 2004, http://www.welfareacademy.org/pubs/education/roleofcte.pdf (accessed November 30, 2006); and D. Hecker, "Occupational Employment Projections to 2010," *Monthly Labor Review* (November 2001), pp. 57–82, http://www.bls.gov/opub/mlr/2001/11/art4full.pdf (accessed February 1, 2002).

those supported by the Bush administration. But I would also like us to address more fundamental family-formation issues. In many circumstances, especially for African Americans, the weakened family starts with unwed teen parenthood. There is, once again, an entire literature on this subject.[22] Here I will emphasize one point that is often lost in the rhetoric surrounding the issue and in program planning.

Many of the pregnancies that we bemoan are "unwanted." But my research convinces me that although many disadvantaged women are poor contraceptors and face a host of forces that make it even more difficult to avoid pregnancy, many work hard to maintain control of their own fertility.

To demonstrate my point, consider abortion rates. Table 3 is based on abortion data from the National Survey of Family Growth (NSFG). The survey missed about 50 percent of all abortions,[23] but most researchers think the patterns it reveals are essentially accurate. Table 3 tallies the total number of reported abortions to women based on whether they also reported a teenage pregnancy. Among women interviewed at ages 40–44, 70 percent of all abortions were to women who had been pregnant as teenagers (resulting in a birth, abortion, or miscarriage).

Much could be done to help these women have better control over their own bodies—starting with the provision of more reliable contraceptives. (Condoms and even the pill have high failure rates for low-income women.[24]) The practices of family planning clinics also need examination. Too many seem to provide little or no follow-up to women who have had pregnancy tests (and even abortions). Surely that would be a time to ask about whether the woman needed additional help with birth control.[25]

Table 3
Cumulative Abortions for Women Ages 40–44

		Number of Abortions in Lifetime				Cumulative Abortions	
First Pregnancy Outcomes as Teens	Total Number of Women*	0	1	2	≥3	Total Number of Abortions*	Percent Distribution
		Percent Distribution					
First Pregnancy Occurred in Teen Years	4,078	31.1%	51.9%	77.4%	84.6%	2,895	69.0%
Live teen birth	2,545	27.2	18.4	6.7	33.0	690	16.4
Teen abortion	1,125	—	26.9	70.4	50.1	2,089	49.8
Other outcomes**	409	3.9	6.6	0.4	1.5	116	2.8
First Pregnancy Occurred at Age 20 and Over	6,339	68.9	48.1	22.6	15.4	1301	31.0
Total	10,417					4,196	

Source: Author's calculation based on U.S. Department of Health and Human Services, National Center for Health Statistics, *2002 National Survey of Family Growth (NSFG)* (Washington, DC: National Center for Health Statistics, 2006), with public use data files downloaded from http://www.cdc.gov/nchs/nsfg.htm#Datadocpu (accessed October 16, 2006). We tabulate the cumulative number of lifetime abortions for women in this age group to minimize the age bias of asking younger women about their pregnancy history.

* In thousands
** Including miscarriage, stillbirth, and ectopic pregnancy

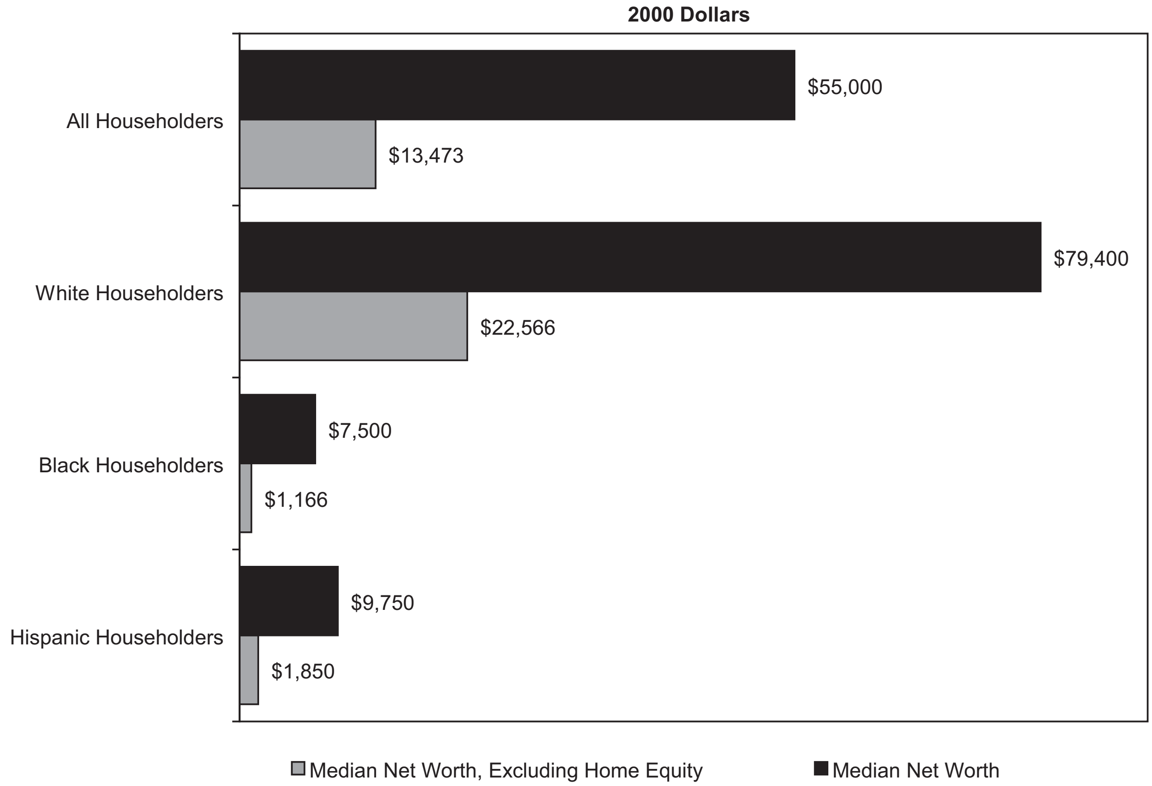

Figure 4. Median household net worth, by race and ethnicity, 2000.

Source: S. Orzechowski and P. Sepielli, "Net Worth and Asset Ownership of Households: 1998 and 2000," *U.S. Census Bureau Current Population Reports* P70-88 (2003), http://www.http://www.sipp.census.gov/sipp/p70s/p70-88.pdf (accessed November 30, 2006).

Such an effort would also involve protecting young girls from early sexual abuse and exploitation. According to Laumann and colleagues, in 1992: "A much larger percentage of black women report not wanting their first experience of vaginal intercourse to happen when it did than did women of other racial and ethnic groups, 41 percent compared to an average of 29 percent."[26]

Undoing hidden racial discrimination

The goal of erasing racial bias and discrimination is, I fear, a very long-term goal, and one that goes far beyond the confines of our discussion. What we should address immediately are those government policies—three of which I describe below—that discriminate against African Americans, I hope inadvertently.

Federal college aid

Put simply, current aid formulas are tilted in favor of the white middle class. The aid formula disregards all family assets when parental income is less than $49,999 and, regardless of family income, ignores the home equity (however great) in the family's principal residence. As Figure 4 dramatically shows, disregarding assets and home equity obscures important wealth differences between whites and blacks. This might not be a problem if there were enough funds and more to go around, but there are not. Hence, the effect of these rules is to decrease the amount of aid available for the truly needy.

Child support

Current child support policies, designed to counter endemic nonsupport by middle-class fathers, create often substantial disincentives for low-income men to be in the formal economy—and criminalize many of them for their resulting anger and intransigence.[27] This hits black men most heavily. Surely we can develop a system that makes more practical distinctions based on earnings potential and the social factors surrounding African American families. A full child support pass-through that would ensure that families receiving TANF benefits also receive all child support paid on their behalf would be an important step.[28]

Child welfare services and foster care placement

I believe we have overreacted to the poor child-rearing practices prevalent in some low-income, black communities, when they are more accurately viewed as the result of social and community factors.[29] By labeling cases of inadequate cognitive and social nurturing "child neglect" and even "child abuse," and by using a quasi-law-enforcement intervention, we have inappropriately disrupted hundreds of thousands of families that would have benefited more from a supportive intervention based, for example, on a nurse home-visitor model.[30]

This essay has been of necessity brief. But I hope that it has helped frame the many complicated issues we face. We have learned a great deal in the last forty years, and made real progress against poverty. I believe that pursuing the ideas described here would move us to further gains.■

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[1]U.S. Census Bureau, "Historical Poverty Tables," Table 2, accessed at http://www.census.gov/hhes/www/poverty/histpov/hstpov2.html on July 27, 2006.

[2]See, for example, D. Besharov, "The Economic Stagnation of the Black Middle Class (Relative to Whites)" testimony before the U.S. Commission on Civil Rights, Washington, DC, July 15, 2005), available at http://www.welfareacademy.org/pubs/poverty/2005.0715.testimony/ and accessed on December 4, 2006; and U.S. Census Bureau, "Percent Distribution of Families, by Selected Characteristics Within Income Quintile and Top 5 Percent in 2005," accessed at http://pubdb3.census.gov/macro/032006/faminc/new06_000.htm.

[3]Author's calculation based on U.S. Census Bureau, "Poverty 2005, Poverty Highlights, Detailed Tables," Table POV01, accessed at http://www.census.gov/hhes/www/poverty/poverty05.html on November 1, 2006.

[4]Author's calculation based on U.S. Census Bureau, Survey of Income and Program Participation, "Table 4. Spells of Poverty for Persons Who Became Poor during the 1996 SIPP Panel, by Selected Characteristics: 1996–1999," accessed at http://www.census.gov/hhes/www/poverty/sipp96/table04.html on November 14, 2006.

[5]See, for example, D. Moynihan, "Defining Deviancy Down," *American Scholar* (1993): 17–30; quoting S. Preston, "Children and the Elderly: Divergent Paths for America's Dependents," *Demography* 21, no. 4 (1984): 451.

[6]N. Lemann, *The Promised Land: The Great Black Migration and How It Changed America* (New York: Knopf, 1991).

[7]See F. Powledge, "The Great Migration," *Transition*, no. 55 (1992): 74–76; S. Tolnay, "Educational Selection in the Migration of Southern Blacks, 1880–1990," *Social Forces* 77, no. 2 (1998): 487–514.

[8]U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey, Unemployment Rate—Civilian Labor Force," accessed at http://data.bls.gov/cgi-bin/surveymost?ln on November 1, 2006.

[9]See generally R. Melnick, *Between the Lines: Interpreting Welfare Rights* (Washington, DC: Brookings Institution Press, 1994).

[10]See, for example, R. Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature* 30, no. 1 (1992): 56.

[11]See generally P. Edelman, H. Holzer, and P. Offner, *Reconnecting Disadvantaged Young Men* (Washington, DC: Urban Institute Press, 2006); R. Mincy, ed., *Black Males Left Behind* (Washington, DC: Urban Institute Press, 2006).

12.The U.S. Department of Justice, "The Nation's Prison Population Continues Its Slow Growth," press release, October 23, 2005, accessed at http://www.ojp.gov/newsroom/2005/BJS06002.htm on October 31, 2006.

[13]See generally G. Borjas, J. Grogger, and G. Hanson, "Immigration and African American Employment Opportunities: The Response of Wages, Employment, and Incarceration to Labor Supply Shocks," Working Paper no. 12518, National Bureau of Economic Research, Cambridge, MA, 2006, accessed at http://www.http://www.nber.org/papers/w12518 on November 30, 2006; G. Borjas, "Native Internal Migration and the Labor Market Impact of Immigration," *Journal of Human Resources* 41 (Spring 2006): 221–258.

[14]Edelman, Holzer, and Offner, *Reconnecting Disadvantaged Young Men*.

[15]See, for example, D. Friedlander and G. Burtless, *Five Years After: The Long-Term Effects of Welfare-to-Work Programs* (New York: Russell Sage Foundation Publications, 1995).

[16]See generally D. Besharov, *America's Disconnected Youth: Toward a Preventive Strategy* (Washington, DC: Child Welfare League of America, Inc., 1999).

[17]See, for example, Fight Crime: Invest in Kids, *Head Start Reduces Crime and Improves Achievement* (Washington, DC: Fight Crime: Invest in Kids, 2006), accessed at http://www.http://www.fightcrime.org/reports/headstartbrief.pdf on November 30, 2006. For a skeptical view see, e.g., D. Besharov, "Head Start's Broken Promise," *AEI On the Issues* (October 2005), accessed at http://www.http://www.aei.org/publication23373 on November 30, 2006.

[18]National Center for Education Research, "Education Research," Institute of Education Sciences, U.S. Department of Education, accessed at http://www.http://www.ed.gov/programs/edresearch/index.html on November 21, 2006.

[19]See R. Lerman, "Improving Links between High Schools and Careers," in *America's Disconnected Youth: Toward a Preventive Strategy*, D. Besharov, ed., (Washington, DC: Child Welfare League of America, Inc., 1999), pp. 185–212; M. Cohen and D. Besharov, *The Important Role of Career and Technical Education: Implications for Federal Policy*, University of Maryland Welfare Reform Academy, College Park, MD, 2004, accessed at http://www.welfareacademy.org/pubs/education/roleofcte.pdf on November 30, 2006; D. Hecker, "Occupational Employment Projections to 2010," *Monthly Labor Review* (November 2001), pp. 57–82, accessed at http://www.bls.gov/opub/mlr/2001/11/art4full.pdf on February 1, 2002.

[20]See generally, J. Kemple and J. Scott-Clayton, *Career Academies: Impacts on Labor Market Outcomes and Educational Attainment* (New York: MDRC, 2004).

[21]See, e.g., M. Novak, "The American Family, an Embattled Institution," in *The Family: America's Hope*, H. Voth, J. Hitchcock, N. Elko, M. Eisenstein, L. Tyrmand, and others, eds. (Rockford, Ill.: Rockford College Institute, 1979), chap. 1.

[22]See, for example, R. Maynard, ed., *Kids Having Kids: Economic Costs and Social Consequences of Teen Pregnancy* (Washington, DC: Urban Institute Press, 1996).

23 Author's calculation based on U.S. Department of Health and Human Services, National Center for Health Statistics, "National Survey of Family Growth, Cycle VI (2002)," accessed at http://www.sscnet.ucla.edu/issr/da/index/techinfo/H15061.HTM on November 27, 2006.

[24]H. Fu, J. Darroch, T. Haas, and N. Ranjit, "Contraceptive Failure Rates: New Estimates from the 1995 National Survey of Family Growth," *Family Planning Perspectives* 31, no. 2 (1999): pp. 56–63.

[25]D. Besharov, F. Stewart, K. Gardiner, and M. Parker, eds., *Family Planning Services for Special Populations* (Menlo Park, CA: Henry J. Kaiser Family Foundation, 1998).

[26]E. Laumann, J. Gagnon, R. Michael, and S. Michaels, *The Social Organization of Sexuality: Sexual Practices in the United States* (Chicago: University of Chicago Press, 1994), 328–329.

[27]Edelman, Holzer, and Offner, *Reconnecting Disadvantaged Young Men*.

[28]See, for example, D. Besharov, "How to Help Welfare Mothers," *New York Times*, November 13, 1996, p. A23.

[29]D. Besharov, "Child Abuse Realities: Over-Reporting and Poverty," *Virginia Journal of Social Policy and the Law* 8, no. 1 (Fall 2000): 165–203.

[30]See, for example, Besharov, "Child Abuse Realities."

Taxation and poverty: 1960–2006

John Karl Scholz

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Today the tax system plays a central role in antipoverty policy. The earned income tax credit (EITC) is the nation's largest cash or near-cash antipoverty program. Working poor families are now able to take advantage of partially refundable child credits. I suspect that every poverty scholar has at least passing familiarity with the EITC and with a large, active research literature that focuses on tax provisions affecting low-income families with children, tax-based employment subsidies, marriage penalties, and other topics related to the tax treatment of the poor.

Taxation played an important role in the early days of the Institute for Research on Poverty (IRP). Robert Lampman, the founding IRP Director, was an influential advocate for a negative income tax (NIT). IRP had a major role in the design and operation of the New Jersey and the Rural Income Maintenance Experiments.[1] Over IRP's 40 years, poverty scholars and many IRP directors have had a consistent interest in the interaction of the tax system and poverty.

In this brief essay I use the TAXSIM program to characterize the evolution of federal and state tax burdens on four hypothetical families.[2] Two have incomes exactly equal to the poverty line: a single parent with two children, and a married couple (single earner) with one child. The third "near poor" family consists of a married couple with two children and an income equal to 1.5 times the poverty line. The fourth family is a married couple with two children and an income 3 times the poverty line.

The NBER's TAXSIM is capable of calculating federal income taxes starting in 1960. Its state tax calculations are available beginning in 1977. I summarize the results from the analysis in five Figures. In Figure 1, I first discuss the evolution of average federal income tax rates for the four representative families from 1960 through 2005. In Figure 2, I plot the *sum* of average effective federal income and payroll tax rates from 1960 through 2005. The figures highlight three distinct periods in the federal tax treatment of low-income families with children, which I discuss below. Following this, using three figures, I briefly discuss the treatment of low-income families by state income taxes between 1977 and 2002.

The early years: 1960–1974

Three features of the federal average effective tax rates are especially notable from 1960 through 1974. First, our two poor families paid positive income taxes in every year, except for 1972, when income tax burdens were $0. The dollar amounts were substantial in some years: in 1963 poor families paid $842, or over 5 percent of income.[3] The income tax treatment of poor families was determined almost fully by the interaction of a standard deduction and personal exemptions, which together fixed the level of income at which a tax-filing unit became taxable. This threshold was below the poverty line for all but one of the years.

Second, there was no differentiation between the tax treatment of a poor family with two adults and one child and a family with one adult and two children. Third, the pattern of average tax rates, particularly by the standards of the last decade, is strikingly compressed. The difference in average effective tax rates between a family with income three times the poverty line (and hence well above the median family income) and a family with income equal to the poverty line never exceeded 11 percentage points.

During this period the maximum income subject to the payroll tax was low; maximum taxable earnings ranged from $29,760 in 1964 to $52,291 in 1974. Consequently, a substantial portion of income earned by families with incomes three times the poverty line was not subject to payroll taxes. As shown in Figure 2, this compressed average total effective tax rates even further. The difference in average effective tax rates between the families with income three times the poverty line and families with income equal to the poverty line ranged from 5.9 to 9.3 percentage points.

The early years of the earned income tax credit: 1975–1990

By 1974, average effective tax rates on the hypothetical poor families exceeded 13 percent. Most of this levy was a consequence of the payroll tax, which had increased to 4.8 percent from 3.0 percent (on *both* employers and employees) between 1960 and 1970. By 1974 it was 5.85 percent (a combined 11.7 percent), a level that helped to focus attention on the rising tax burdens of low-income families. There also continued to be a great deal of intellectual attention paid to the NIT and NIT alternatives in think tanks, universities, and government agencies.

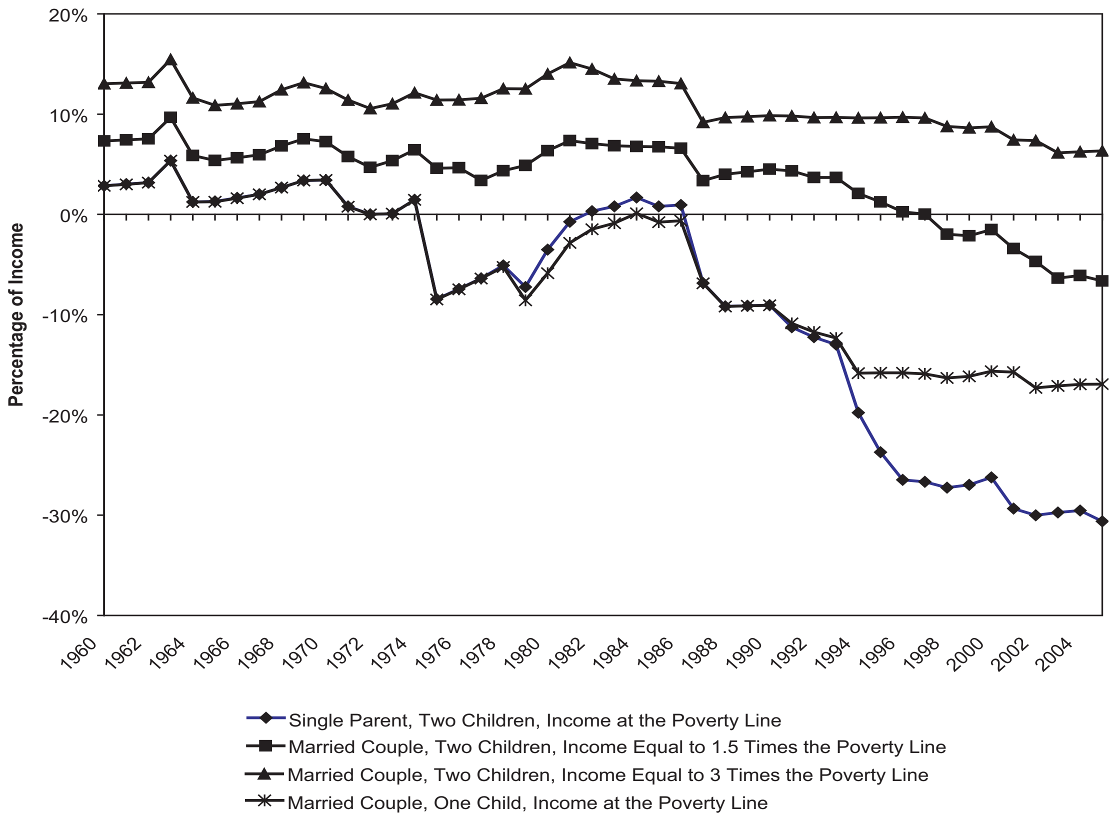

Figure 1. Average federal individual income rates, 1960–2006.

Source: Calculated by the author using the NBER TAXSIM program.

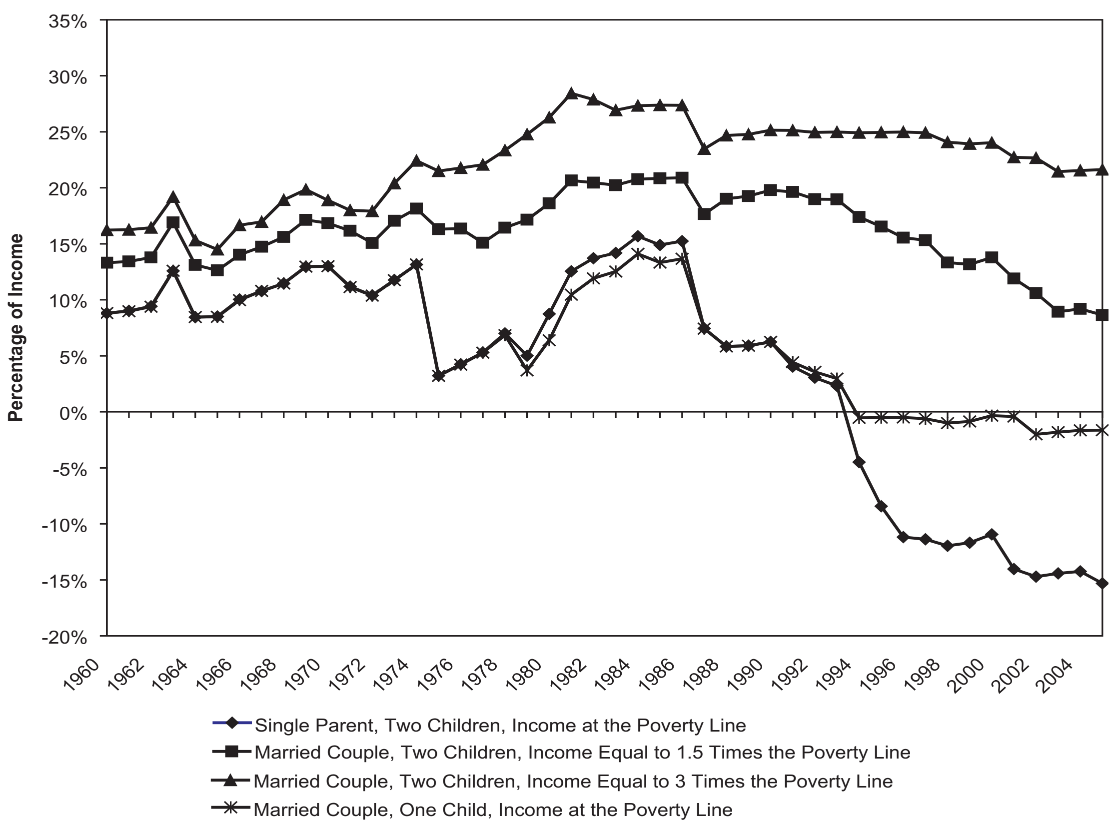

Figure 2. Average total tax rate: Federal income tax plus payroll tax, 1960–2006.

Source: Calculated by the author using the NBER TAXSIM program.

When a recession started in 1974, Congress substantially cut taxes and enacted a temporary EITC, a policy championed by Senate Finance Committee Chairman Russell Long. The maximum available credit was substantial, equaling $1,452, and the credit was to be in place for 18 months.

The EITC was made permanent in 1978. Between 1978 and the Tax Reform Act of 1986 (TRA86), neither the tax credit nor the tax code were indexed for inflation, which caused a substantial erosion of the EITC's real value.

The effect of the EITC on average effective income tax rates, coupled with the failure to index exemptions, the standard deduction, and tax brackets for inflation is clear from Figure 1. Average effective rates for families with incomes at the poverty line fell sharply in 1975 with the implementation of the EITC, only to rise to their 1974 level by 1986. Payroll tax rates continued to increase; they rose from 11.7 percentage points in 1974 to 14.3 percentage points in 1986, making effective average tax rates on poor families with one adult and two children 15.3 percent, close to the highest level of taxation seen over this 45-year period.

If the establishment of the EITC in 1975 was the first landmark piece of legislation affecting taxation of poor families with children, TRA86 was the second. Policymakers made an explicit decision to eliminate federal income taxes on families with incomes below the poverty line. They further increased the EITC to the point where the maximum credit in 1987 equaled the real value of the credit in 1975. TRA86 also indexed for inflation the EITC, exemptions, the standard deduction, and brackets. Consequently, effective tax rates in 1988 (when TRA86 was fully phased in) were similar to their level in 1975, though slightly higher because of payroll taxes.

Tax policy as "making work pay" antipoverty policy: 1991–2005

The TRA86 restored the EITC to its initial value (in real dollars) and indexed the tax system so that inflation alone would no longer push families into higher tax brackets. The tax legislation in 1990 marked the beginning of the third important set of developments in the taxation of poor families, though in some cases the policy changes were not explicitly motivated by antipoverty policy. In 1990 President George H. W. Bush agreed to abandon his "no new taxes" pledge and meet with Democratic leaders of Congress to enact deficit-reduction legislation. The EITC was considered to be a straightforward way to alter the distributional characteristics of the deficit-reduction package; this, in turn, was a critical factor behind the 1990 EITC expansion that was phased in over the next three years.

Another major change to the EITC occurred as part of the 1993 budget bill. President Clinton in his first State of the Union address had made a promise that full-time work at the minimum wage plus the EITC (and any food stamps for which a family was eligible) would be enough to raise the family's income, net of the payroll tax, above the poverty line. To achieve this goal, the EITC was increased, particularly for families with two or more children.

By 1997, the maximum EITC had increased to $4,450; it was now $3,000 higher than its level in 1975. A one-adult, two-child family with a poverty-line income would have paid $2,068 in payroll and income taxes in 1974 and $2,398 in 1986; by 1997 the same family would receive a $1,790 *refundable credit*. Put differently, if the adult was working in a job with poverty-line wages (and filing a tax return), the family would have $4,000 more in disposable income in 1997 than it did in 1986. This, along with the behavioral incentives embodied in the individual income tax, is the sense in which tax policy is now a vital component of antipoverty policy.

The gap in effective tax rates between families with incomes at the poverty line and those with incomes three times the poverty line is now roughly 36 percentage points. As recently as 1986, it was 12.1 percentage points. By using the tax system as a tool for antipoverty policy, government varies substantially the tax treatment of families at different points in the income distribution.

The most recent major development affecting the taxation of poor families with children was the adoption in 2001 of a partially refundable child tax credit. The child credit was made refundable in an amount equal to 10 percent of earnings in excess of $10,000 (indexed for inflation), up to the maximum credit per child; the refundability percentage rose from 10 percent to 15 percent in 2005. The combination of the child credit (for upper-income families) and the partially refundable portion of that credit (for poor and near-poor families) accounts for the most recent reductions in effective tax rates shown in Figures 1 and 2.

State tax changes: 1977–2002

State income tax liabilities were considerably lower than federal tax liabilities for much of the period we can examine (again, making use of the NBER's Internet TAXSIM), but in some states they are still substantial. In other states, they provide large subsidies. Figure 3 is a time-series graph of real state tax liabilities for a one-adult, two-child family with an income equal to the poverty line. The top line shows the state in which liability at that point in time was highest. In 2002, for example, this family would have paid $439 in Alabama.[4] The same family in Minnesota would have received a $2,490 state

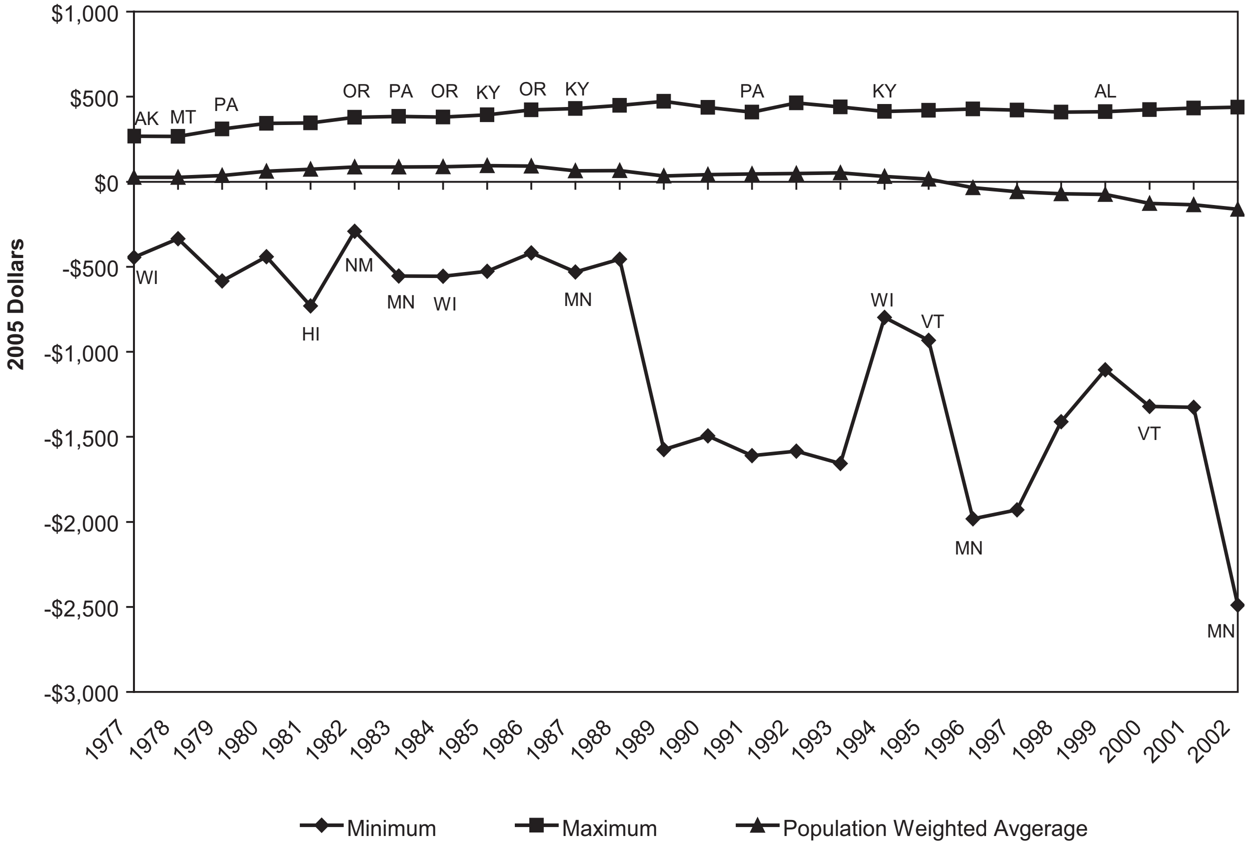

Figure 3. State income tax liability for a family of one adult and two children, with a poverty-line income, 1977–2002.

Source: Calculated by the author using the NBER TAXSIM program.

tax *refund*, shown in the bottom line. The population-weighted average payment is -$162; the negative value reflects, in part, the many large states that have no state individual income tax.

Figures 4 and 5 examine how liabilities changed between 1977 and 2002. Figure 4 shows states that impose positive tax liabilities on our hypothetical one-adult, two-child poor family in 2002, and Figure 5 shows states that impose negative tax liabilities on this family in 2002. As mentioned earlier, Alabama in 2002 imposed the highest taxes on this poor family, although it was not a high-tax state in 1977. Most of the states taxing poor families are in the South or Midwest, though Montana and Oregon also impose substantial taxes. The states that give subsidies to the hypothetical poor family tend to be on the East Coast, in New England, or in the Upper Midwest, though Kansas is included in the large subsidy states.

Mirroring the patterns observed at the federal level, the differential tax treatment of poor families in the high- and the low-tax states sharply diverged over time. In 1977, the average effective tax rate in the 5 highest-tax states was 1.4 percent. In the 5 lowest-tax states, it was -1.5 percent, for a high-to-low difference of 2.9 percentage points. By the same calculations in 2002, the 5 highest-tax states have an average effective tax rate of 2.0 percent and the 5 lowest-tax states have an average of -8.6 percent, for a high-to-low difference of 10.6 percentage points.

To summarize, state income taxes add a considerable amount of variation to the overall tax burdens on poor families. The most interesting recent developments have arisen from state use of refundable credits to sharply reduce tax liabilities of poor families.

The future

There is tremendous uncertainty surrounding any forecast of future tax policy developments. But I suspect a few factors will continue to shape the evolution of tax policy as it affects poor families and individuals. First, the safety net has evolved to sharply emphasize employment as a requirement for public assistance and as the socially approved route to self-sufficiency. Taxation plays a central role in labor markets, since it affects the after-tax return to work. Consequently, I anticipate that employment subsidies, whether through the existing EITC, a unified child and employment credit, or through wage subsidies, will be a fixture of tax policy as it affects low-income households.

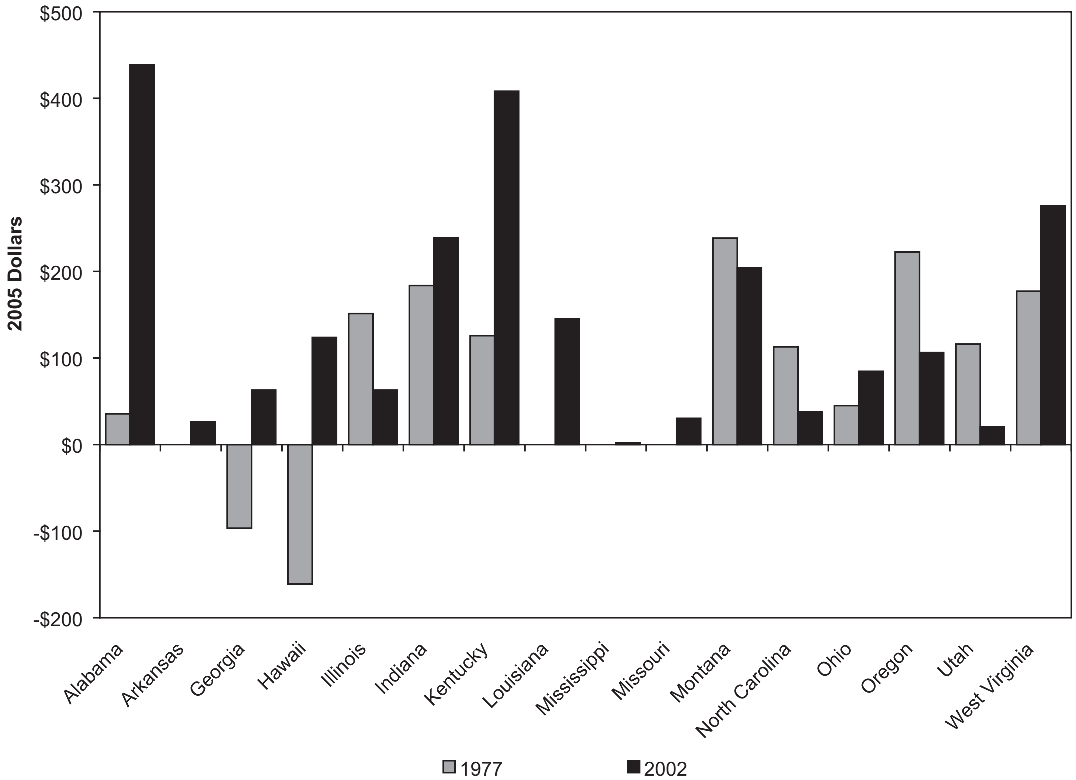

Figure 4. States with a positive tax liability for a family of one adult and two children, with a poverty-line income, 2002.

Source: Calculated by the author using the NBER TAXSIM program.

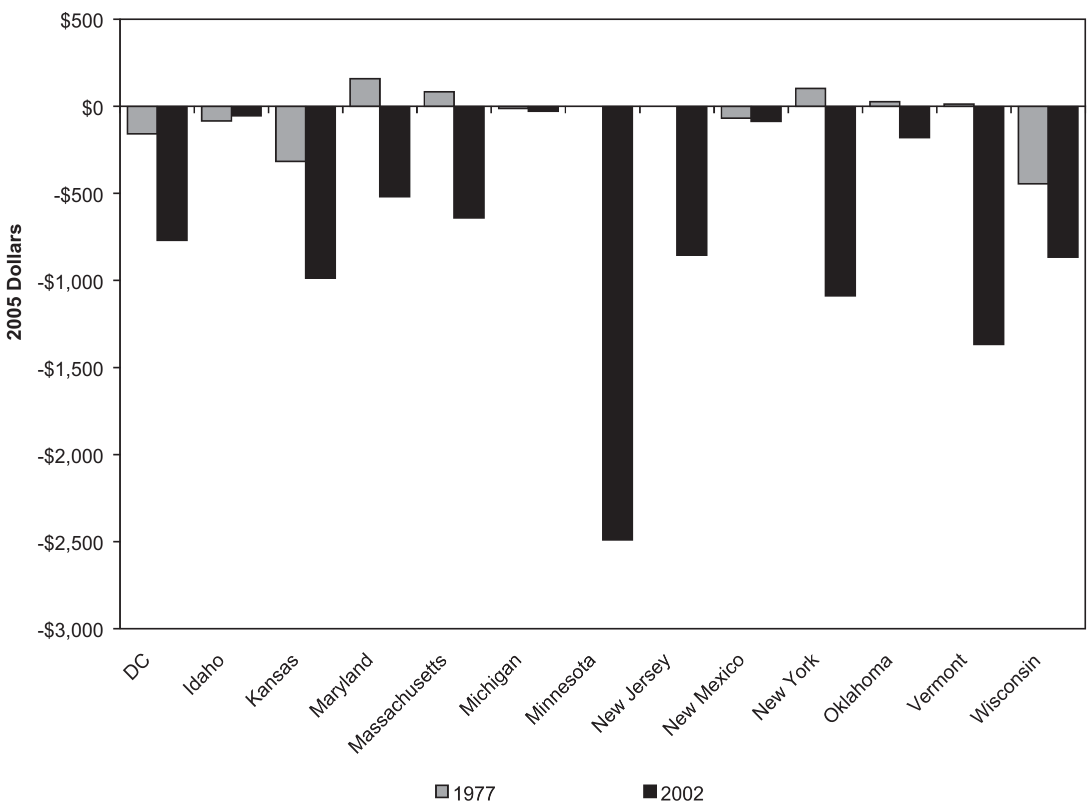

Figure 5. States with a negative tax liability for a family of one adult and two children, with a poverty-line income, 2002.

Source: Calculated by the author using the NBER TAXSIM program.

Second, budget deficits and EITC noncompliance will place pressure on employment subsidies implemented through the tax code. The source of the budget pressure is clear: the federal government is currently running large budget deficits. The growth rate of health-related entitlements and the impending retirement of the baby boom generation will put additional pressure on budgets.

Although a large literature finds consistent, positive employment effects from the EITC, a significant fraction of its payments appear to go to taxpayers who are not eligible for the credit.[5] The most recent study of EITC noncompliance (for tax year 1999) found that of the $31.3 billion claimed in EITC payments, between $8.5 and $9.9 billion, or 27.0–31.7 percent of the total, exceeded the amount for which taxpayers were eligible. Of these errors, the most common problem was that EITC-qualifying children failed to live for at least six months with the taxpayer claiming the child. Tax returns do not collect information on the *location* of children during the year. Absent additional information, therefore, the IRS has little ability to scrutinize EITC qualifying-child claims before the EITC is paid out. The combination of budget pressure and noncompliance may limit the EITC's role in antipoverty policy in the future.

Finally, the employment problems of low-skilled, childless individuals are severe. Poor labor market prospects (and outcomes) contribute, I believe, to crime and its associated incarceration costs and to unstable families, so that large fractions of poor children are being raised in single-parent households. Yet very few tax or spending incentives are targeted toward childless individuals. I think the logic and evidence are compelling that increasing the after-tax return to work for low-skilled, childless individuals will increase employment. With increased employment we would expect to see reductions in crime and incarceration, and more numerous and more stable marriages. Hence, I expect new developments in tax policy to focus, at least to some extent, on low-wage, childless individuals. ■

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[1]Lampman's role in developing the negative income tax is beautifully described by Robert Moffitt in his 2004 Lampman Memorial Lecture. See the adaptation for *Focus*: R. A. Moffitt, "The Idea of a Negative Income Tax: Past, Present, and Future," *Focus* 23, no. 2 (Summer 2004): 1–3.

[2]This is the Internet tax simulation program developed by Daniel Feenberg and colleagues at the National Bureau of Economic Research. See D. R. Feenberg and E. Coutts, "An Introduction to the TAXSIM Model," *Journal of Policy Analysis and Management* 12, no. 1 (Winter 1993): 189–94, and http://www.nber.org/taxsim/ for information on the model. We assume all families were renters and paid 25 percent of their income toward rent.

[3]All dollar amounts referred to in the paper are in 2005 dollars, unless noted otherwise.

[4]In Figure 3, unlabeled points, if labeled, would have the label of the previously listed state. So, for example, Pennsylvania has the maximum state tax liability of $309 in 1979 (in 2005 dollars). Pennsylvania has the maximum levy in 1980 (of $344). This does not change until 1982, when Oregon has the highest state tax liability ($378).

[5]See e.g. V. J. Hotz and J. K. Scholz, "The Earned Income Tax Credit," in *Means-Tested Transfer Programs in the United States*, R. Moffitt, ed., The University of Chicago Press and NBER, 2003, 141–197.

The institutional architecture of antipoverty policy in the United States: Looking back, looking ahead

Marcia K. Meyers

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One of the most significant developments for antipoverty policy over the last 40 years has been retrenchment in cash assistance programs for the poorest alongside growth of policies that are *not* for the poor. As a result, the U.S. has developed a "trifurcated" system of fairly generous universal-categorical programs for those with strong labor market histories, largely invisible indirect-private assistance through tax and employment-based benefits for those who can command good wages and accumulate private assets, and means-tested welfare programs for those with the worst employment prospects, lowest wages and fewest assets. This institutional architecture has done little to offset rising income inequality or to eliminate poverty among working-age adults and their children. In the short term, it consigns the poorest to temporary welfare programs that are too limited in coverage and too stingy in benefits to lift households—even those with some earnings—out of poverty. In the longer term, because benefits and eligibility for welfare programs decline sharply with earnings, the trifurcation of assistance leaves those who manage to get a little ahead—and a little beyond the income and asset threshold for welfare assistance—with little or no assistance and no bridge to sustainable forms of assistance that benefit more advantaged individuals. The trifurcation of assistance has also been disastrous for antipoverty policy because it has focused public and political attention on targeted-welfare programs while obscuring the size and regressive distribution of indirect-private benefits, such as employment-based and federal tax-advantaged health insurance. Looking ahead, one of the crucial challenges for antipoverty policy will be the design of policies that provide a bridge from welfare-based benefits to legitimate and sustainable assistance for lower- and middle-income households.

The trifurcated system

The institutional architecture of social welfare and health policy is important for antipoverty policy for several reasons. The details of policy design—from the financing of assistance through social insurance, general tax revenues, or tax expenditures to the delivery of assistance through categorical entitlements, means-tested aid, or subsidized employment benefits—determine the generosity and inclusiveness of the assistance. Policies can be designed to reduce existing social and market stratification or they can exacerbate it by providing tiered assistance that replicates market status.[1] As Charles Lindbloom famously observed, policy designs are shaped by politics but, once adopted, policy also shapes politics by mobilizing some interests and marginalizing others.[2]

The architecture of U.S. social and health policy is often described as 'bifurcated' between employment-based social insurance programs for those with strong labor market attachments and means-tested social welfare programs for those outside the labor market. A more complete description of the U.S. should include a third system of indirect benefits through the tax system and publicly-subsidized and regulated private assistance, particularly employer-provided health insurance.

Indirect and subsidized private benefits are a particularly important component of the U.S. social policy system because, in comparison to other rich welfare states, these benefits make up an exceptionally large share of all assistance.[3] The historical lateness of the U.S. social insurance system, which was not adopted (with exceptions such as Civil War and Mothers' pensions) until the "big bang" of New Deal policymaking in the 1930s, fostered the development of a particularly robust system of private alternatives to public social insurance. As Jacob Hacker argues, these private alternatives are intimately linked to the early and subsequent development of public social and health policies. Widespread private benefit programs rarely arise in the absence of government intervention and support and, once instituted, inhibit the development of public alternatives.[4] Although employment-based benefits, particularly health insurance, are arguably "private," they are also "public" in many respects because they serve a parallel function to public programs, are subsidized by government through substantial tax deductions for both employer and employee costs, and are heavily regulated to achieve risk pooling and some measure of redistribution.

In addition to its heavy subsidization of employment-based benefits, the United States has developed an extensive system of other specialized tax exclusions, deductions, and credits designed to advance social and health goals—from encouraging private retirement savings to promoting private homeownership and subsidizing private child care costs. The forgone government revenues, or tax expenditures, that result from these tax benefits represents a major government investment. They constitute what Christopher Howard terms a "hidden welfare state" that has substantial but largely unobserved distributional consequences.[5]

Measuring the social benefit package

Unfortunately, it is difficult to measure the total size of the trifurcated U.S. system and the distribution of benefits, particularly the "hidden" benefits of employment-based and tax benefits, because administrative data and national household surveys fail to capture much of this assistance.[6] To obtain an estimate of the value and distribution of assistance across households I make use of data from the New York Social Indicator Survey, a household-level telephone survey of a random sample of New York City households conducted by researchers at Columbia University.[7] This survey has unusually detailed questions about receipt of both cash and in-kind assistance from multiple sources. I combine data from surveys conducted in 1999 and 2001 with administrative data to estimate the value of a "social benefit package" for each household. This estimate includes the reported value of direct cash assistance (e.g., through Social Security or public assistance benefits); the value of in-kind benefits such as Food Stamps and child care subsidies, imputed using government cost methods; and the value of specialized tax credits reported by survey respondents, imputed using survey data and the TAXSIM program.[8] I adjust the benefit package for family size by dividing the total by the square root of the number of adults and children in the family.[9]

As illustrated in Figure 1, the total social benefit package for New York City households is composed about equally of the three forms of assistance. Just over one-third is provided through universal-categorical programs (or categorical entitlements). The programs included in this measure are the traditional social insurance programs provided through Old Age, Survivor's and Disability Insurance for retired workers, the surviving dependents of workers, and fully disabled workers; Unemployment Insurance for covered workers; Medicare health insurance for those over age sixty-five and some disabled adults; and public pre-kindergarten programs.[10]

Approximately another one-third of assistance is provided through targeted-welfare programs that provide cash or in-kind assistance. The targeted-welfare programs in this measure include public assistance through Temporary Assistance to Needy Families (TANF); food assistance through Food Stamps and the Women, Infants and Children (WIC) program; Supplemental Security Income for disabled adults and children; health insurance through the Medicaid and state Child Health Insurance Programs (CHIP); child care subsidies for welfare recipients and the working poor; and housing assistance through public housing and Section 8 housing vouchers.

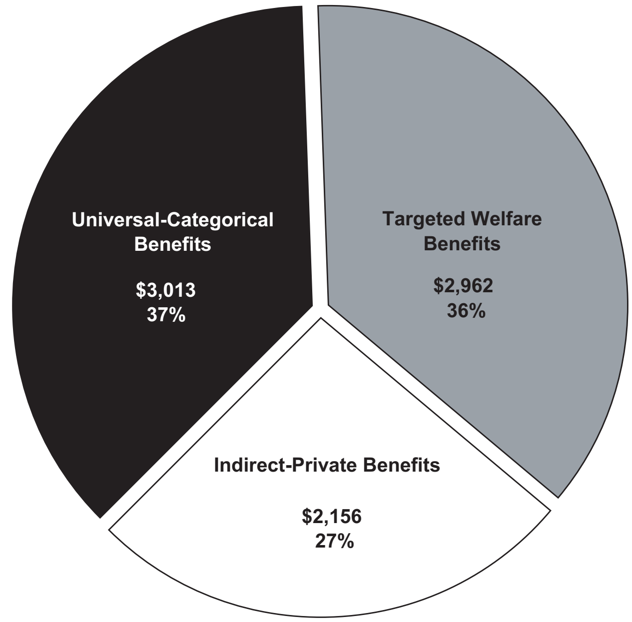

Figure 1. Average social benefit package adjusted for family size, New York City households, 1999–2001.

Source: New York City Social Indicators Survey, Waves II and III.

The final share of the benefit package, accounting for just under one-third of all assistance, is provided through indirect-private mechanisms. These benefits include specialized tax deductions and credits for individual tax payers, including the home mortgage interest deduction, the child tax credit, deductions for health insurance and medical expenses, and the Federal and New York State child care and Earned Income Tax Credits. This measure also includes tax savings to employers for employment-based health insurance. Finally, it includes the value of employer-provided health insurance, treated here as a publicly subsidized and regulated form of private assistance.

Different systems, different benefits

The three tiers of U.S. policy are institutionally separate, overseen by different parts of government, and delivered through different systems. They also differ fundamentally in the legitimacy, inclusiveness, and sustainability of the assistance they provide.

The assistance I term universal-categorical is not truly universal because these programs are categorically restricted, for example by age and disability status, and most are also limited to those with labor market ties. Although not universal, these programs are an entitlement for those who meet eligibility requirements. They are broadly inclusive in coverage, financed largely through payroll taxes, and are taken up by nearly all who are eligible. Some, such as Unemployment Insurance, provide temporary assistance while others, such as Medicare for the elderly, are designed to provide sustained, uninterrupted assistance for as long as needed.

Targeted-welfare programs are most commonly associated with antipoverty policy. They are narrowly targeted on households with the lowest incomes. Many require applicants to meet additional eligibility tests, such as hours of work, and require frequent and complex application and re-application procedures. Most are also limited by capped authorizations that provide funding for only a portion of those who are eligible. Among those who are eligible, take-up of benefits is generally low due to the difficulty, uncertainty, and stigma of participation. They are designed for target efficiency, that is, to direct benefits to the most needy, and most have high "effective tax rates" because benefits decline with increased market income. Most importantly, as the critics of public assistance have emphasized, these programs were always intended to provide only temporary assistance. They are explicitly designed to end assistance as quickly as possible through a combination of time-limited benefits, benefit schedules that reduce benefits as earnings rise, and the imposition of eligibility tests or "hassle factors" that discourage receipt.

Indirect-private benefits differ from public forms of assistance in important ways. Specialized tax benefits are an entitlement, in that they can be used by any tax filer who can document the claim or covered expenditure, but they are not broadly inclusive because those with lower incomes and tax liabilities do not benefit from itemized deductions or from nonrefundable tax credits. Federal and state Earned Income Tax Credits are the obvious exception, with refundable benefits for those low earners who can claim them. Outside of the earned income credits, most tax benefits are regressive, having a higher value for those with higher tax liabilities. Employment-based benefits are even less inclusive in their coverage. These benefits are obviously restricted to those who are able to individually or collectively negotiate for coverage from their employers. Not surprisingly, the distribution of benefits is regressive, with the most advantaged workers, who are able to negotiate the most favorable compensation packages, most likely to receive benefits.

Although indirect-private benefits are neither inclusive nor progressive, they do have the advantage of being easy to take up for those who are eligible, and participation rates in employer-based benefit programs and use of targeted tax benefits is high. These benefits have little stigma; indeed, they are generally perceived as legitimate rights rather than assistance. They are also sustainable over time. They have no time limits, repeated application requirements, or onerous behavioral requirements. And unlike targeted-welfare programs, the value of assistance is likely to increase over time along with earned income.

Stratified and unequal benefits

The trifurcation of the U.S. system is consequential for antipoverty policy because the distribution of assistance is highly stratified by market income. Figure 2 compares the value of each component of the social benefit package estimated for New York City households by market income quintiles.

Households at all points in the income distribution receive assistance through each of the three mechanisms, but the distribution is highly stratified by income. Those in the lowest income quintile receive more than one-half of their assistance through targeted-welfare programs and most of the rest through universal-categorical programs. Those in the upper quintiles receive a very different package of assistance: households with market income in the highest quintile receive two-thirds of their assistance through the indirect-private mechanisms of targeted tax benefits and publicly subsidized employment-based benefits. Households in the middle of the income distribution receive assistance from all three mechanisms in more equal proportions. But because targeted-welfare benefits decline steeply with income, and indirect-private benefits are sharply regressive, the overall distribution of assistance is decidedly "U" shaped. Although households in the lowest market income quintile receive the largest total benefit package (adjusted for family size), the value of the benefit package is smallest for the middle quintiles. The "U" shape, and upward tilt of indirect-private benefits, would be even more pronounced if we were able to capture more specialized tax benefits available to more affluent households.

Looking ahead

The United States has policies that provide generous, socially legitimate and sustainable social welfare and health assistance for many through social insurance programs, tax benefits, and tax-advantaged and subsidized private benefits. Unfortunately, this assistance is generally not available to the poor. Instead, means-tested welfare assistance provided to the poorest households is, as many have observed, "poor assistance"—meager, difficult to access, and socially stigmatizing.

Most problematically, from an institutional perspective, assistance for the poor is designed to be temporary but has no linkage to the sustainable assistance that is available to the more advantaged. TANF provides some cash assistance for those with no earnings but no bridge to Unemployment Insurance or coverage for those who do not have sufficient earnings to qualify for UI. Medicaid and CHIP provide health insurance to the poorest families, but as their earnings rise they become disqualified based on incomes before they are likely to obtain em-

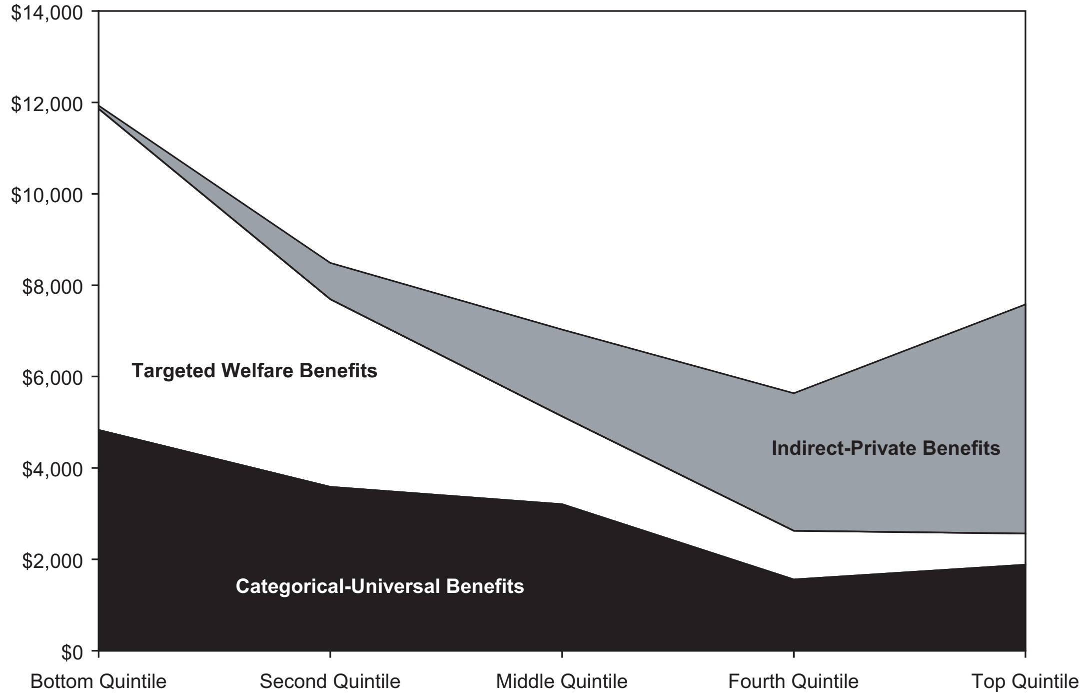

Figure 2. Average social benefit package adjusted for family size by market income, New York City households 1999–2001.

Source: New York City Social Indicators Survey, Waves II and III.

ployment that provides comparable employer-provided benefits. The Child Care Development block grant funds subsidies for the poorest families but parents' earnings typically disqualify them from assistance long before they have sufficient earnings and tax liabilities to benefit from nonrefundable child care tax credits. Low-income housing assistance provides residential security that allows some families to achieve a level of economic independence and security, but these subsidies rarely last long enough for them to secure the wages and accumulate the savings that would allow them to purchase homes and benefit from the home mortgage interest deduction.

The U.S. has policies that provide generous, socially legitimate and sustainable social welfare and health assistance for some. Unfortunately, it is not for the poor.

Looking ahead to the next 40 years of antipoverty policy, one of the most crucial challenges will be to design policies that reduce the stratification of the trifurcated U.S. system and close the gap between temporary assistance for the poor and middle earners and sustainable assistance for the affluent. We now know that economic growth, even robust growth, will not assure economic security for all or close the gap between the most- and least-advantaged. For the foreseeable future, a sizable share of U.S. workers and their dependents will not earn enough to achieve stable economic security. Given these realities, efforts to craft effective and legitimate antipoverty policy will continue to flounder as long as we provide assistance to the poorest that is stingy, temporary, and institutionally separate from legitimate and sustained assistance for the nonpoor. Our challenge is to design antipoverty policy that is not about "poverty" but about economic security and not for "the poor" but for all who contribute to the phenomenal economic growth and prosperity of the U.S. ■

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[1]G. Esping-Anderson, *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990).

[2]C. M. Lindbloom, *Politics and Markets: The World's Political-Economic Systems* (New York: Basic Books, 1977).

[3]W. Adema and M. Ladaique, "Net Social Expenditure – 2005 Edition," *OECD Social, Employment and Migration Working Papers #29* (Paris: OECD, 2005); I. Garfinkel, L. Rainwater and T. Smeeding, "A Re-examination of Welfare States and Inequality in Rich Nations," *Journal of Policy Analysis and Management*, 25(4) (2006): 898–919.

[4]J. Hacker, *The Divided Welfare State* (Cambridge, U.K.: The Cambridge University Press, 2002).

[5]C. Howard, *The Hidden Welfare State* (Princeton, NJ: Princeton University Press, 1997).

[6]Although public expenditures for various cash and in-kind benefits are available, it is not possible to impute the value of this assistance at the household level because assistance is not provided to all who are technically eligible, and nationally representative household surveys do not collect information about receipt of many forms of cash and in-kind assistance. It is even more difficult to estimate the distribution of tax benefits because data are scarce about total government

expenditures for many specific benefits and household-level surveys do not ask about the use of specific exemptions, deductions, and credits.

[7]For more information about the New York Social Indicator Survey see http://www.columbia.edu/cu/ssw/projects/surcent/data.html. Although this survey does not provide nationally representative data, it does provide detailed information on the receipt of many forms of assistance that are not captured in other surveys.

[8]TAXSIM is the National Bureau of Economic Research's program for calculating liabilities under U.S. Federal and State income tax laws from individual data.

[9]*Family* is defined for this purpose as the survey respondent, his or her spouse or cohabiting partner, and resident children under age 18 who are related to either adult by birth, marriage, adoption, or guardianship.

[10]Public school benefits could also be included in this accounting but are not here in order to highlight the structure of social welfare and health benefits. Public pre-kindergarten programs are included because they function for many families as a form of subsidized child care, which is considered a social welfare benefit.

Meeting children's needs when parents work

Jane Waldfogel

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Introduction

With the dramatic increase in maternal employment (see Figure 1), family life in the U.S. has changed significantly. Forty years ago, two thirds of American children had a stay-at-home parent. Today, the reverse is true: only one third have a stay-at-home parent, as 46 percent live with two working parents and 20 percent live with a single working parent.[1]

As family life has changed, so have public expectations of families. Forty years ago, President Richard Nixon said: "A welfare mother with pre-school children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of pre-school children must accept work."[2] Indeed, in Nixon's time, women on welfare were only required to work if they had children age 16 or older. In 1979, work requirements were extended to women with children age 6 or older, and, in 1988, to women with children age 3 or older. In 1996, with the passage of the Personal Responsibility and Work Opportunity Act, work requirements were extended to all mothers, regardless of the age of the child. States do have the option to exempt mothers with children under the age of 1, but a substantial number of states (20 as of 2006) either have no exemption or an exemption lasting only 3 to 4 months.

As expectations for low-income families have changed, the availability of work supports for low-income families has increased. Most notably, there have been sharp increases in the Earned Income Tax Credit and in funding for child care subsidies. Yet, in most other respects, policies have not kept pace with the changes in working families. Schools, the major institution providing care for children while their parents work, have for the most

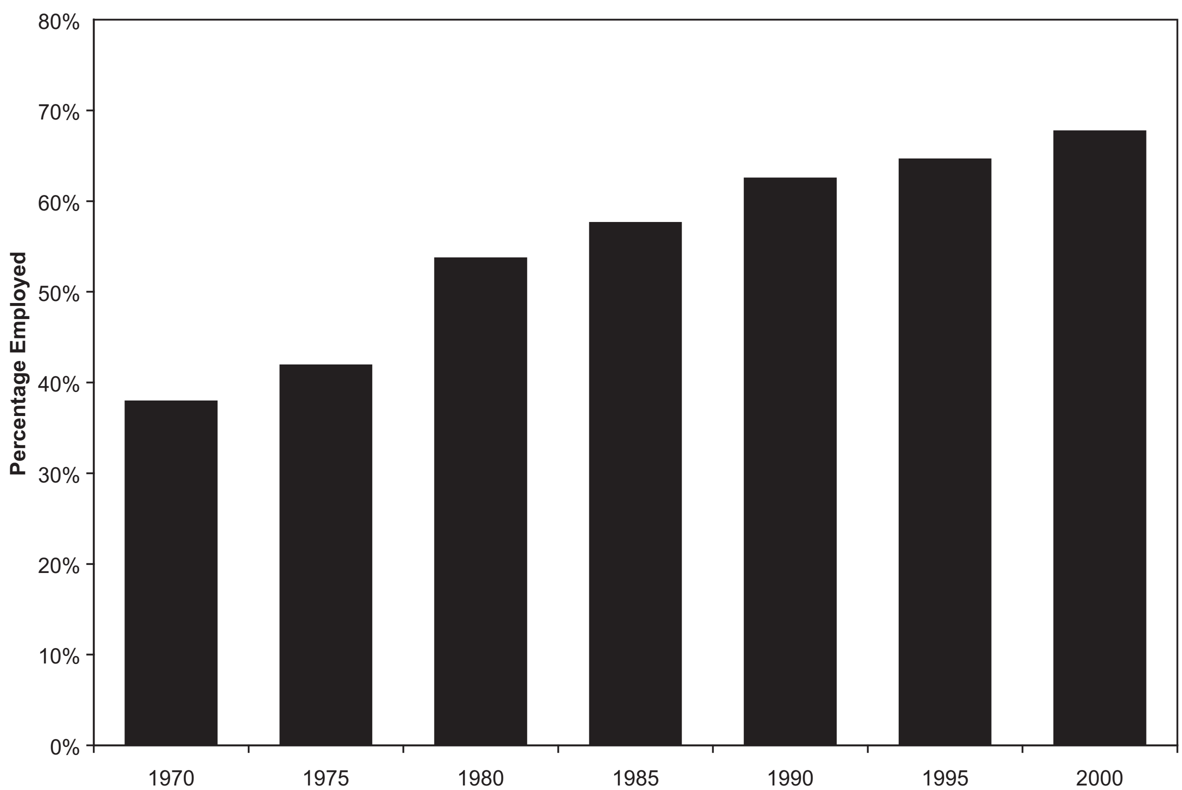

Figure 1. Growth in maternal employment since 1970.

Source: J. Waldfogel, *What Children Need* (Cambridge & London: Harvard University Press, 2006).

part not changed to adapt to the increase in parental employment. Schools in the US are open about 30 hours per week, 180 days per year, notably less than schools in many other advanced industrialized countries. As a result, US schools cover only one third of the hours a parent working full-time will be at work or commuting between the birth of a child and the child's 18th birthday.

Employer policies have also not adapted very much to address the growth in working families. Despite anecdotal reports about the growth in work-family policies, employers still provide little and uneven access to benefits such as paid time off, help with child care, flexible work hours, and basic benefits such as family health insurance. Low-income and part-time workers receive the fewest benefits.[3] Table 1 shows that access to paid sick leave is far from universal and is least common among low-paid and part-time workers. Similarly, only a small minority of workers receives any help with child care; typically that help involves the provision of information and referral services (rather than subsidies or on-site child care), and again that help is skewed to the best-off workers. To a large extent, working parents, and particularly those who are low-income, are left to fend for themselves.

Table 1
Access to Paid Sick Leave and Employer-Provided Child Care Assistance

Type of Occupation/ Work Hours	Percent with Any Paid Sick Leave	Percent with Any Child Care Assistance
Service occupation	36%	9%
Blue-collar	46	8
White-collar	74	19
Part-time workers	23	8
Full-time workers	69	16

Source: H. Holzer and D. Nightingale, eds. "Work-Family Policies" in *Workforce Policies for a Changing Economy* (Washington, DC: Urban Institute Press, 2007).

Child care assistance includes programs such as information and referral services, on-site child care, and help paying for child care.

What do children need and how we can meet those needs when parents work? I first review what we know from research about the effects of parental employment and non-parental child care on child outcomes. Then, I suggest policy changes to better meet the needs of low-income children whose parents are working. Americans have strong values about work and family issues, and these values should inform our policymaking. Three values are particularly relevant in this context: respecting choice, promoting quality, and supporting employment. We must also keep in mind two key principles for allocating limited public resources—efficiency and equity. Whatever policies we enact in this area should promote child well-being and should also be informed by these core values and principles.

Parental employment, child care, and child outcomes

How parental work and nonparental care affect child outcomes depends on contextual factors including the age of the child, other characteristics of the child, family factors (such as race, ethnicity, income, wealth, socio-economic status), and factors related to employment (such as its timing, quality, and intensity). Any effects of parental work will likely operate through influencing family environments, in particular income, parenting, and home environment, and child care and after-school care. I summarize the research separately by the age of the child, but do not discuss variation by other factors in detail. There has been a large amount of research on the links between parental employment, child care, and child outcomes and this research has been quite variable in quality. In my review, I place the most weight on studies with the strongest causal design. This means that I emphasize evidence from random assignment (experimental) studies or, where those do not exist, quasi-experimental studies, or other studies using rigorous empirical methods to establish causality.

The first year of life

Paid parental leave is associated with better maternal and child health, lower maternal depression, lower infant mortality, fewer low birth-weight babies, and more breast-feeding, preventive health care, and immunization.[4] Unpaid leave does not have the same protective effects.[5] Less is known about fathers' leave-taking, but it appears that when fathers take leave, they are more involved in infant care such as changing diapers and feeding the baby.[6]

It is also well-documented that maternal employment in the first year, particularly if full-time, is associated with poorer cognitive development and behavior problems, for some children.[7] The effects of maternal employment vary by type and quality of child care, the quality of parental care, and family income. In particular, the quality of parental care and child care—sensitivity and responsiveness to the child—is crucial.

Children age one and two

For children in this age group as well, evidence suggests that quality of care matters. Research generally finds no adverse effects of maternal employment on cognitive development for children in this age group, but there may be higher levels of behavior problems if children are in poor quality child care more than part-time.

The research also shows that high-quality child care produces cognitive gains, with no adverse effects on behavior.[8] Children in group child care do have more illnesses but these are typically minor, and nonparental child care may be protective in terms of reducing physical discipline in the home.[9]

Children age three to five

Of ten welfare-to-work experiments that encouraged or required mothers of preschoolers to work, seven found no effect on child cognitive outcomes, while three found positive effects. Observational studies typically find no effects of maternal employment at this age on cognitive outcomes, but again find some adverse behavioral effects if children are in poor quality child care more than part-time.[10] In terms of health effects, maternal employment may lead to increased risk of child obesity, but child care for children this age is associated with reduced physical discipline and domestic violence.

Again, the quality of nonparental care matters. High-quality preschool programs produce substantial cognitive gains, particularly for disadvantaged children, and reduce later problems such as crime.[11] More typical school- or center-based care programs also produce cognitive gains.[12] Prekindergarten programs have particularly beneficial effects on school readiness and school achievement.[13] Finally, a recent random assignment study finds that Head Start has positive effects on cognitive performance and reduces behavior problems.[14]

School-age children and teens

The large literature on this age group generally finds few associations between parental employment and child outcomes.[15] The research also suggests that, where effects of parental work are found, these depend on the age and other attributes of child, as well as timing, quality, and intensity of work. The same welfare-to-work programs that had positive effects on young children had no effects on children age 6 to 9, and adverse effects on older children.[16] The research also indicates that the effects of parental employment, when present, operate through income, parenting, and child care arrangements. One study found that adolescents whose mothers moved from welfare to work reported improved mental health; these families made substantial income gains, without reducing time together.[17] In contrast, another study found that adolescents whose mothers were assigned to welfare-to-work reforms did less well in school; effects were strongest in families where the adolescents had younger siblings and presumably were asked to take on more responsibility for them.

With regard to child care, "self-care"—children spending time without adult supervision—becomes more common as children age, and occurs about a year earlier if mothers work. There are two types of self-care: self-care alone at home, which is not necessarily problematic; and self-care with peers, which is linked with poorer outcomes for children.[18] Access to out-of-school programs at or near school is limited. Only one in four school-age children of working parents attend a program at school as their primary form of after-school care, and the quality of these programs is highly variable.[19]

Implications for policy

Looking across these age groups, seven key steps would help better meet the needs of children when parents work:

1. Give parents more flexibility, through expanding family and medical leave rights and introducing a right to request part-time and flexible hours.

2. Break the link between employment and essential family benefits, especially health insurance.

3. Allow parents the option to stay home in the first year of their child's life, by providing a year of paid parental leave and at-home infant child care programs for low-income parents.[20]

4. Improve the quality of care for infants and toddlers.

5. Improve the quality of care for preschoolers.

6. Increase access to high-quality out-of-school programs for school-age children and youth.

7. Experiment with a longer school day or school year.

A crucial question is whether we have the political will to make these kinds of changes. I think we do. Polls indicate that most Americans support improving child care.[21] Over 80 percent agree there is a serious shortage of affordable and good-quality child care, and a majority support quality-improvement initiatives such as tightening regulations and expanding Head Start. There is widespread support for publicly funded universal preschool, which is popular with state governors and legislators as well as business leaders. There is also widespread support for publicly funded after-school programs.

Learning from the UK

As part of its commitment to end child poverty, the UK has emphasized employment and making work pay (through measures such as a new minimum wage and working families tax credit), but the UK antipoverty strategy also includes increased investments in children and families, especially those with young children. The list of child-focused investments is impressive and includes:

- paid maternity leave extended from 6 to 9 months, and eventually 12 months; paid paternity leave to be extended as well;
- parents of children under age 6 given right to request part-time or flexible hours;

- universal part-time preschool for 3- and 4-year-olds;
- greatly expanded child care subsidies;
- increased child cash allowances, especially for families with young children;
- move toward extended school days to provide out-of-school care for school-age children and youth;
- expanded early childhood programs in low-income communities, and the establishment of Children's Centers to coordinate services for families with children in every community; and
- more (increases in welfare benefits, maternity grants, baby bonds, 10 year child care strategy, increased spending on education, etc.)

Conclusions

The bottom-line message is clear: we can, and should, do a much better job of meeting children's needs when parents work. We know what children need, and we know how they are affected by parental employment and nonparental care. It is also clear that most Americans care deeply about children and are willing to spend money on them, but they want that money well spent. There is now solid evidence to help us direct resources wisely to benefit children and our country.

It is time to move on from debating about working mothers. Most children now have working parents, who are looking for more help from government in meeting their children's needs. And we now know better than ever before what investments make sense. If we truly care about increasing the life chances of the next generation, the time to invest is now.■

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[20]At-home infant child care is a program that provides a subsidy for eligible low-income parents to provide care for a child under the age of one, using the same funds that would otherwise be used to subsidize care by a child care provider. Minnesota and Montana currently have such programs.

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