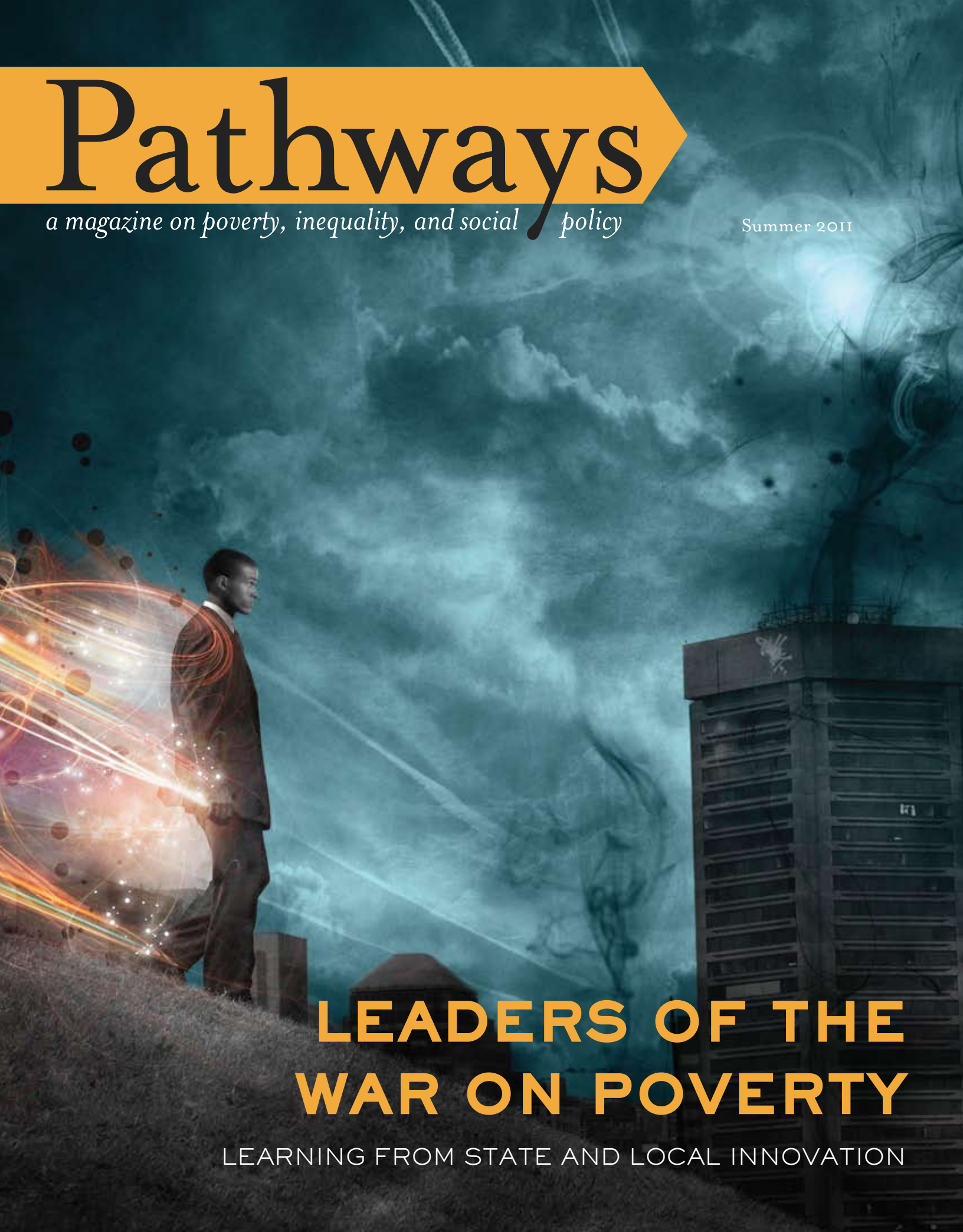


# Pathways

*a magazine on poverty, inequality, and social policy*

Summer 2011



## LEADERS OF THE WAR ON POVERTY

LEARNING FROM STATE AND LOCAL INNOVATION

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## Editors' Note

**Imagine the moment** just before a child is born. At that fateful time, suppose the stork sits the child down and says, "It's your fate to be born into a low-income family. As compensation, however, I'll let you choose the state where your family lives." Which state should the child choose? We dedicate the current issue of *Pathways* to the simple proposition that the child's answer to the stork's question is quite consequential.

Why do states matter so much for poverty? Although states of course have very different economies, what's more striking is their self-consciously different antipoverty policies. For most federal safety net programs, such as food stamps, TANF, or Medicaid, the federal government sets baseline rules and guidelines and doles out the cash, but the implementation of these programs varies considerably by state. Furthermore, most states, counties, and cities have come up with their own antipoverty programs, some of which are very creative.

For those familiar with a more centralized nation-state, a first inclination is often to cry foul. It's not fair, it is typically argued, that our children's fates depend so much on the luck of the draw, on whether the stork lands in California, Texas, Massachusetts, or Georgia. And indeed it's *not* fair by virtually any conceivable understanding of fairness.

There is, nonetheless, a small silver lining. When states and localities are allowed to approach poverty differently, one can learn from the resulting variation in results. We've asked our contributors to exploit this variation by examining some of the most interesting states and cases and weighing in on what can be learned from them. Which states or cities are doing promising work? Which states are failures? And how might the successes be generalized and the failures avoided?

In our first contribution, James M. Quane and William Julius Wilson discuss the Harlem Children's Zone, arguably one of the most celebrated antipoverty interventions of our time. We then asked Kristin Moore and Veronica White to explore how New York Mayor Michael Bloomberg's equally famous brainchild, the Center for Economic Opportunity, has taken on poverty and inequality. The third piece, authored by Timothy M. Smeeding and Joanna Y. Marks, features the ruthlessly pragmatic and science-driven antipoverty interventions coming out of Wisconsin. We then conclude with an essay by Katherine S. Newman and Rourke L. O'Brien that provides us with an object Southern lesson in how not to address poverty.

Throughout these pieces, an important theme is the tradeoff between liberty and fairness that a decentralized poverty regime entails, a tradeoff that's cast in sharp relief because some states decide to run especially anemic poverty-reduction programs. When children grow up in these states, they are permanently harmed in ways that cost them and the country dearly. Indeed, the costs may be so high that it's fair to ask whether states' rights should trump our twofold commitment to (a) treat children fairly and equally and (b) reduce collectively-borne externalities (e.g., reductions in labor force productivity). If the current *Pathways* issue is at all successful, it will open up a conversation not just about high-payoff new programs but also about this intrinsic liberty-fairness tradeoff and how best to resolve it.

—David Grusky & Christopher Wimer, Senior Editors

# Economic Divisions and Political Polarization in Red and Blue America

BY ANDREW GELMAN

Americans are worried about polarization, but we can't always agree on what exactly we're polarized about. You might say that we're polarized about polarization.

On the left are concerns about economic polarization, the widening divide between the haves and the have-nots and the increasingly unequal distribution at the high end, with the richest *one-tenth of 1 percent* of Americans taking 7 percent of the income, which is associated with the declining influence of labor unions and a political tilt toward the rich. From the right come concerns about social polarization, Red America versus Blue America, a clash of values so strong that liberals can no longer talk to conservatives, a country in which ordinary people struggle with a liberal media and a decadent cultural elite ("Hollywood versus America," in the words of movie critic Michael Medved).

How can we make sense of these different claims? The rich and poor have always been with us, and political and cultural issues have always been fiercely disputed (otherwise they wouldn't be "issues" in the first place). And geographic divides in American politics are hardly new; the South is different and always has been, and urban and rural areas have always represented different interests.

But there have been some big changes in recent decades. As noted above, economic inequality has reached levels not seen for over a hundred years, and, based on their votes in Congress, the two major political parties are as far apart as they have ever been. These changes have been the background to major political changes—a general move to the right on economic issues (with an increasing skepticism about government intervention in the economy and sharp declines in top tax rates) and a leftward shift on most social issues (to the frustration of social con-

servatives who have no easy response to public opinion that has shifted so much that half of Americans support gay rights). This article describes some recent research connecting these different forms of polarization.

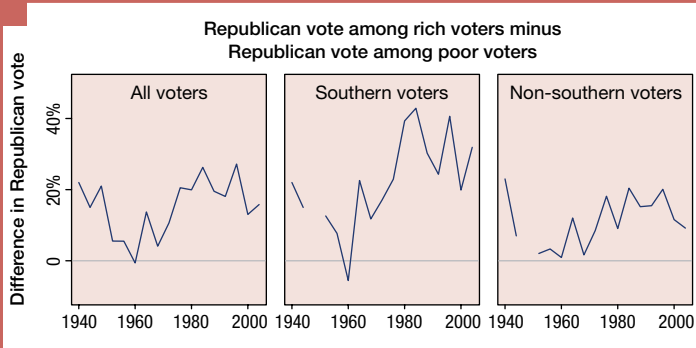
## Rich and Poor Voters

Our study began in the wake of the 2000 election, in reaction to articles by political journalists, such as David Brooks, who noted the irony that in recent elections, the Democrats, the traditional party of the common man, had performed best in the richer, more cosmopolitan states in the Northeast and West Coast (and in fact, in the richer and more cosmopolitan places within these regions, cities such as Manhattan and San Francisco), while the Republicans, who traditionally represented America's elites, had dominated in lower-income areas in the South and Midwest and in unassuming suburbs, rather than in America's glittering centers of power.

What could explain this turnaround? The most direct story—hinted at by Brooks in his articles and books on America's new, cosmopolitan, liberal upper class—is that the parties simply switched, with the new-look Democrats representing hedge-fund billionaires, college professors, and other urban liberals, and Republicans getting the votes of middle-class middle Americans. This story of partisan reversal has received some attention from pundits. For example, TV talk show host Tucker Carlson said, "Okay, but here's the fact that nobody ever, ever mentions — Democrats win rich people. Over \$100,000 in income, you are likely more than not to vote for Democrats. People never point that out. Rich people vote liberal." And Michael Barone, the editor of the *Almanac of American Politics*, wrote that the Democratic Party "does not run very well among the common people."

But Tucker Carlson and Michael Barone were both wrong,

FIGURE 1 Difference in Republican share of the two-party vote, comparing voters in the upper and lower third of income, for presidential elections since 1940. Since the 1970s the parties have returned to the moderate level of economic polarization that obtained in the 1940s.



wrong, wrong. Not just wrong but obviously wrong, from the standpoint of any political scientist who knows opinion polls. Republican candidates consistently do best among upper-income voters and worst at the low end. In the country as a whole and separately among Whites, Blacks, Hispanics, and others, richer Americans are more likely to vote Republican.

But the difference in voting patterns between rich and poor is not large, especially within ethnic groups; rich Whites are only about 10 percent more likely than poor Whites to choose Republican candidates for president. In that sense, the journalists are onto something: Income is only weakly related to political preferences, and there are a fair number of rich Democrats and poor Republicans.

After reading such books as *What's the Matter with Kansas* by Thomas Frank and *The Conscience of a Liberal* by Paul Krugman, you might get the idea that American politics has moved to this point from a golden age of class-based voting with full-throated partisans like Harry Truman rallying the traditional Democratic constituencies. The story is that sometime between the late 1960s and early 1980s, a breakdown of the social fabric led to working-class voters abandoning the Democratic Party, and that Bill Clinton, Barack Obama, and other recent party leaders have been in the unenviable position of trying to woo ordinary Americans away from the Republicans' populist appeal. Neither Frank nor Krugman quite make this argument, but their books have been misread to this effect.

The story of declining class-based voting does not fit the data. Figure 1 shows the difference in voting between rich and poor in presidential elections since 1940, the year of Franklin Roosevelt's election to a third term and the first year for which we have individual-level survey data.

Republican candidates consistently do about 15 to 20 percentage points better among upper-income than lower-income voters, with the only sustained exceptions being in the 1950s to early 1960s, a time during which Republican president Dwight Eisenhower was a moderate whose most notable economic act was to *not* try to dismantle Social Security, and during which John Kennedy was a moderate Democrat who was famous for a

tax cut. Since 1972, income-based voting cleavages have been as large as they have ever been, at least since the dawn of polling. To look at the time series from the other direction, the political differences between upper and lower incomes during the campaigns of legendary partisans FDR and Truman were no greater than they are today.

Most low- and moderate-income voters choose Democrats, but the sizable minority who vote Republican tend to have conservative economic views. Democrats retain the image of the party of the people—in a 2006 CNN poll, 66 percent of respondents agreed that the Democratic Party “looks out for the interest of the average American,” while only 37 percent said this about the Republicans, and these percentages have been fairly stable over the years. Republican candidates are not too proud to make a populist pitch (they are, after all, trying to get a majority of the vote), but on economic policy, their strongest card is voters' distrust of big government. And although the aggregate pattern of income and voting is about the same today as it was 70 years ago, the social and occupational profiles of these groups have changed. Business owners have moved from the center and have become strongly Republican, whereas professionals have shifted in the other direction and are now a reliable Democratic constituency. As *Washington Post* journalist E. J. Dionne has noted, the Democrats' current appeal among well-educated voters is strongest among those with household incomes under \$75,000—“the incomes of teachers, social workers, nurses, and skilled technicians, not of Hollywood stars, bestselling authors, or television producers, let alone corporate executives.”

Misconceptions about income and voting are all over the place in the serious popular press. For example, James Ledbetter in *Slate* claimed that “America's rich now tilt politically left in their opinions.” In the *London Review of Books*, political theorist David Runciman wrote, “It is striking that the people who most dislike the whole idea of healthcare reform—the ones who think it is socialist, godless, a step on the road to a police state—are often the ones it seems designed to help.... Right-wing politics has become a vehicle for channeling this popular anger against intellectual snobs. The result is that many of America's poorest citizens have a deep emotional attachment to a party that serves the interests of its richest.” No, no, and no. An analysis of opinion polls finds, unsurprisingly, but in contradiction to the above claims, that older and high-income voters are the groups that most strongly oppose health care reform.

### The Red State–Blue State Project

How can thoughtful journalists on both sides of the Atlantic make such a basic error that is so directly contradicted by publicly available survey data? The starting point is the electoral map, showing Democratic blue in rich states and Republican red in poor states. And this map is no illusion: In 2004, George W. Bush won the 15 poorest states, starting with nearly 60 percent of the vote in Mississippi, the poorest state. At the other end, John Kerry (and Al Gore before him) won in Connecticut and eight of the ten next richest states.

Before the 1980s, rich states did not consistently lean toward either party. The red state–blue state, rich state–poor state pat-

tern is relatively new, and it seems to have led many political observers to take this state-level pattern of income and voting and mistakenly attribute it to individual voters and to smaller localities. For example, David Brooks wrote that “upscale areas everywhere” supported the Democratic ticket in 2000, and he illustrated his point by driving from liberal Montgomery County, Maryland, one of the richest counties in the nation and strongly Democratic, to a lower-income, rural, Republican-voting county in Pennsylvania. Figure 2 shows George W. Bush’s vote share in the counties of Maryland, plotted versus the average income in each county. Brooks’s claim about upscale areas does not completely fit the Maryland counties, but it is perhaps a reasonable summary.

But now consider Texas. Figure 3 plots Bush’s vote share in 2000 against average income, by county. In Texas, the richest counties are solid Republican territory, while voters in the poorest counties strongly vote for Democrats.

Our first goal with this research project was simply to point out the confusion and let people know what is going on with income and voting. But in exploring these misconceptions, we notice that geography keeps sneaking in; there’s the difference between income and voting at the state versus the individual level, and then there are the patterns of voting and county income, which look so much different in Maryland than in Texas. Our key step was to put geography and demography together to study how income and voting relate in different parts of the country.

Richer Americans tend to vote Republican, and poorer Americans tend to vote Democratic, but the relation between income and vote choice varies by state and region of the country, as we illustrate in Figure 4 with the poorest state (Mississippi), a middle-income swing state (Ohio), and the richest state (Connecticut). To keep the graph clean, we show only three states here, but the pattern holds for the country at large: Income predicts Republican voting strongly in most of the poorest states and weakly in most of the richest states.

These systematic geographic differences provide some clue as to the media’s confusion on income and voting. If you live in Texas, say, you might directly observe conservative Republicans from wealthy suburbs. But the states in which national media figures live—New York, California, Maryland, Virginia, New Jersey, and Connecticut—are states where high- and low-income people vote similarly. A journalist who lives in Manhattan is likely to mingle with upper middle class liberals and not realize that, at the national level, richer Americans are more likely to be conservative Republicans.

Compounding the confusion is the political makeup of journalists themselves. In a national survey of journalists conducted by Indiana University researchers in 2003, half the respondents declined to state a political affiliation, but of those who did, Democrats outnumbered Republicans 2 to 1. And among journalists (but not among the population as a whole), there was a positive correlation between income and *Democratic* voting. This pattern could well make this Democratic-leaning group less likely to perceive the larger patterns of income and voting in the population.

FIGURE 2 Income and voting in the counties of Maryland and the city of Baltimore in the 2000 election.

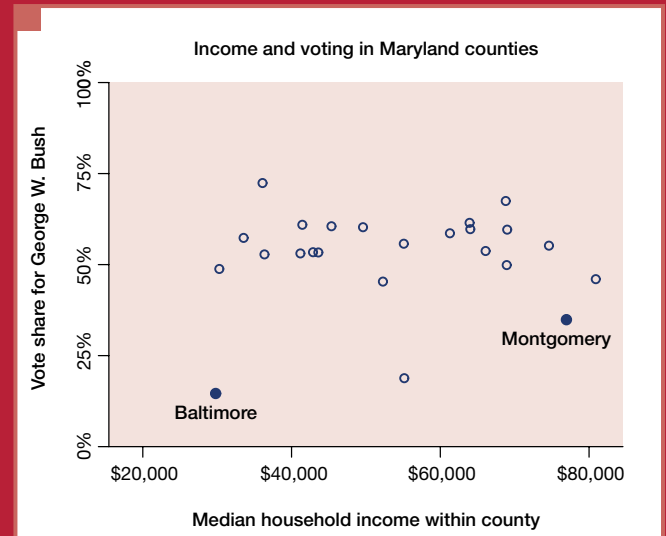
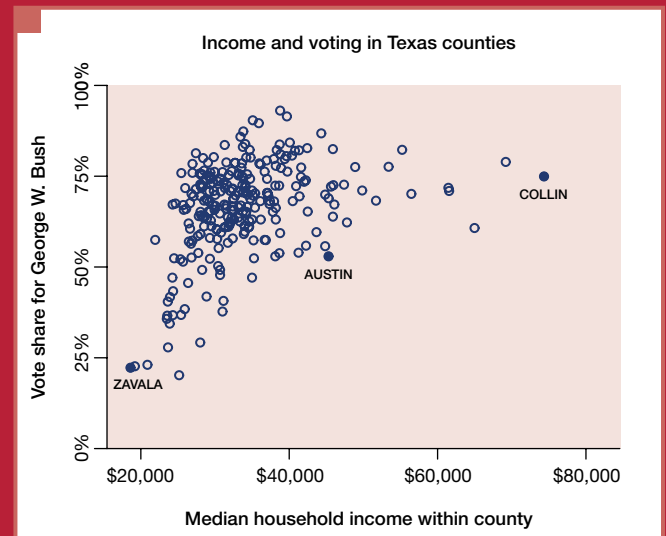
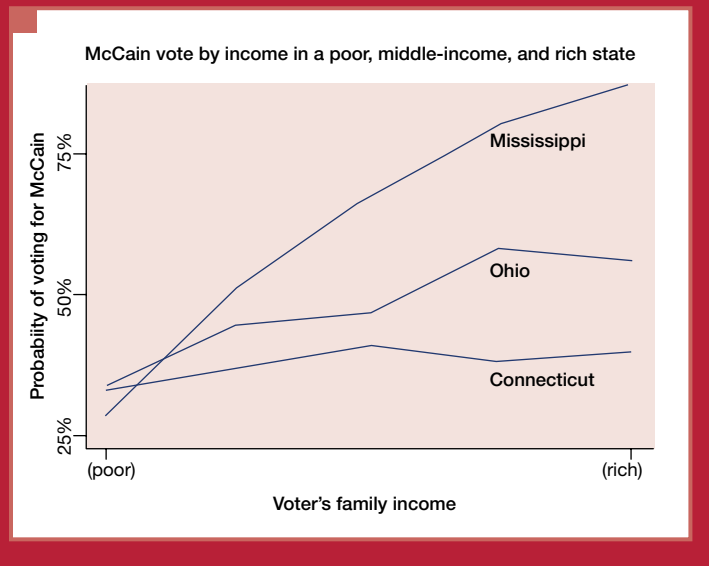


FIGURE 3 Income and voting in the counties of Texas in 2000. Collin, the richest county, is a white suburb of Dallas, and Zavala is a rural Latino county in the southwest of the state. The capital city of Austin fell in between.



A well-off liberal journalist in the Northeast, when trying to understand how the other half lives, could easily be drawn to the false conclusion that low-income people in other parts of the country are conservative Republicans. But, as our analysis of survey data show, this is not the case. There are definitely conservative groups and places—for example, 90 percent of whites in Mississippi voted for John McCain in 2008—but in general, in the poorer states, it is the richer voters who are most likely to vote Republican.

FIGURE 4 Income and voting in a poor (Mississippi), middle-income (Ohio), and rich (Connecticut) state as estimated from pre-election polls adjusted to match the 2008 election outcome.



### The Culture War Is Happening among the Upper Middle Class

Return to Figure 4, which shows income and voting in Mississippi, Ohio, and Connecticut. This time, instead of looking at the states one at a time, compare the three lines at the low and high end of income. You'll see that the big voting differences among these three states arise at the high end of income but not at the low end.

To put it another way, suppose you are told whether someone lives in a rich or a poor state. This information is a strong predictor of how this person votes if he or she is upper middle class to rich. Among voters on the lower part of the income distribution, the political complexion of rich and poor states looks basically the same.

It's not possible to infer all this from Figure 4 alone, which shows only three states. A graph with all 50 states would be a mess; rather than looking like a fan with a vertex at the lower-left corner, the graph would appear more like a pile of pick-up sticks. We are *not* claiming that poor people vote the same in all states. What we have found is that *state income* does not predict voting among the poor. To put it another way, the red state–blue state divide is concentrated in the upper half of the income distribution. As we like to say, it's not the Prius versus the pick-up truck; it's the Prius versus the Hummer.

We have also studied the interaction of income and political culture in another way, through religious attendance. At all income levels, church attenders are more Republican than non-

attenders. But the differences are larger among the upper middle class and rich, which is consistent with our general theme that the political culture war is concentrated among upper-income Americans.

### Putting It All Together

Now let us return to the debates over polarization.

Economic divisions in America are real, and they correlate most strongly to political divisions in the Republican areas in the south and center of the country, not so much in the northeast and far west and so are less noticeable by the national media.

Americans are also divided over social issues, but these disagreements translate into political divisions most strongly among upper-income White voters. For example, among Whites, John McCain did 24 percentage points better among abortion opponents than among supporters of abortion rights. Among Hispanic voters, the difference was only 2 percentage points.

Political scientist Morris Fiorina has argued that polarization is strongest among political activists, and that much of the observed partisan disagreement reflects a deep divide not so much among *voters* as between Democratic and Republican *politicians*. Our research supports Fiorina. On individual issues or clusters of issues, Americans are not much more polarized now than 30 years ago. But issue attitudes are much more closely tied to party identification and self-declared liberal–conservative ideology. As a nation, we have become much more polarized in our views of the major political parties, without there being much of a move to the extremes on the issues themselves. Voters—especially those with higher levels of education and political involvement—have sorted themselves into parties based on political ideology.

In his final speech before leaving Congress, former House Majority Leader Tom DeLay said, “The common lament over the recent rise in political partisanship is often nothing more than a veiled complaint about the recent rise of political conservatism.” He had a point, or at least part of a point. Liberals and conservatives in turn have invoked polarization to explain frustrating trends in economic and social policies that have been enacted seemingly in the face of public opposition.

But much of today's partisan polarization arises not from voters but from their responses to polarized parties. Meanwhile, higher income continues to be associated with voting Republican, just as it has long been. It turns out that this association is stronger in more conservative parts of the country. In the liberal Northeast and West Coast, however, the income-voting association is weaker; journalists who have noticed the latter have mistakenly applied this pattern to the country as a whole.

*Andrew Gelman is Professor of Statistics and Political Science and Director of the Applied Statistics Center at Columbia University.*

We thank David Park, Boris Shor, Joseph Bafumi, and Jeronimo Cortina for collaboration in this research and the National Science Foundation for partial support of this work. Further information, our analyses, data sources, and references appear in the book *Red State, Blue State, Rich State, Poor State* by Andrew Gelman, David Park, Boris Shor, and Jeronimo Cortina, Princeton University Press (second edition, 2009), and on our blog, Statistical Modeling, Causal Inference, and Social Science, <http://www.stat.columbia.edu/~gelman/blog/>.

## The (Un)natural Disaster of Early Poverty

As the Winter 2011 issue of *Pathways* showed, poverty affects children very early in their life-course. If children are subjected to early and chronic stress, it can “get under the skin” and compromise their adaptive biological systems in ways that then make it difficult for them to do well later in life. But exactly *when* do these early lifecourse effects begin to play out? It’s long been argued that the effects of poverty and stress may extend into the womb, but proving causality between conditions in utero and life outcomes has posed a difficult problem for researchers.

A creative new study by Florencia Torche overcomes these difficulties. Her research links maternal stress to a drop in birthweight by exploiting an external, measurable source of stress: a magnitude 7.9 earthquake that hit Chile in 2005. The findings show that exposure to a high-intensity earthquake has a significant negative effect on birthweight, particularly when it occurs in the first trimester of pregnancy. By isolating stress from its common correlates, and by showing that increased intensity of exposure to stress leads to drops in birthweight, Torche’s research provides powerful evidence of causality.

This study thus demonstrates another pathway through which disadvantage is passed between generations. It also suggests a potentially low-cost pathway by which such disadvantage can be reduced. If we can’t do away with poverty itself, we can at least find a way to help low-income mothers reduce chronic stress, thereby reducing the toll that poverty takes on them and their young children.

Florencia Torche. (Forthcoming). “The Effect of Maternal Stress on Birth Outcomes: Exploiting a Natural Experiment.” *Demography*.

## Starting Up Job Growth

Small businesses drive job growth. This claim is trotted out by pundits so often that one might forget it’s an empirical claim rather than a political slogan. Indeed, because it’s an empirical claim, it is useful to test its validity before building all manner of economic policy around it. The testable hypothesis behind the claim is that economies with a larger share of big firms will, all else being equal, be associated with a lower rate of job growth.

Appealing as this idea may be to supporters of small business, new research suggests it’s flat-out wrong. John C. Haltiwanger, Ron S. Jarmin, and Javier Miranda use longitudinal Census data on business dynamics to demonstrate that firm age distorts the relationship between firm size and economic growth. It’s a classic spurious relationship: When one controls for firm age, the negative association between firm size and net growth disappears. The implication is that, if job growth is the goal, what we need is many *young* firms, not many *small* ones.

Though start-ups account for only 3 percent of total employment, they provide almost 20 percent of newly created jobs. Although many start-ups fail and their employees will lose their jobs, the start-ups that survive tend to grow extremely fast and more than compensate for the number of failures. Popular perception is wrong: It’s start-ups—not small businesses—that are the real heroes when it comes to job growth in the United States.

John C. Haltiwanger, Ron S. Jarmin, and Javier Miranda. (2010). “Who Creates Jobs? Small vs. Large vs. Young.” *NBER Working Paper* No. 16300.

## Segregation of a Crisis

Subprime lending and the foreclosure crisis that followed were a catastrophe for low-income Americans. Because mortgages were securitized and readily sold, a new market for high-risk borrowers opened up, a market quickly exploited by predatory lenders. The standard story about how this happened is an impersonal economic one. We’re told that the crisis was a consequence of highly leveraged refinancing, overbuilding, the collapse of home prices, and a poorly regulated mortgage market.

But Jacob S. Rugh and Douglas S. Massey show that, in addition to such economic forces, racial segregation was also an important cause of the crisis. Analyzing a database of foreclosures in 100 U.S. metropolitan areas, they find racial segregation to be a more powerful predictor of foreclosure rates than many market factors cited in previous studies. How does segregation facilitate the sale of subprime loans? It concentrates underserved, less financially sophisticated minority group members in a small number of well-defined neighborhoods and thus makes it easier for brokers to target them when marketing subprime loans. This means that minorities also bore the brunt of the fallout with the waves of foreclosures that followed.

Is there a policy fix? Rugh and Massey argue that there is: The enforcement mechanisms of antidiscrimination policy could be given real “teeth” via systematic and regular audit studies to identify discrimination. For Rugh and Massey, the main conclusion is that, if we really want to reduce the racialized fallout of future financial crises, it’s largely a matter of getting serious about taking on housing discrimination.

Jacob S. Rugh and Douglas S. Massey. “Racial Segregation and the American Foreclosure Crisis.” *American Sociological Review*, 75(5), 629–651.



## Stimulus Foregone

**T**he Earned Income Tax Credit (EITC), which has been expanded in recent decades in our collective attempt to “make work pay,” is widely credited with lifting millions of Americans out of poverty. The benefits of EITC are not limited to direct recipients because credits are mainly spent rather than saved and hence go back into the economy. It’s important to ask, then, whether much EITC money is going unclaimed, thereby reducing the size of the EITC stimulus, as well as leaving potential recipients poorer than they should be. Are many qualified families leaving their EITC benefits on the table?

The answer, at least in California, appears to be “yes,” according to new research by the New America Foundation’s Antonio Avalos and Sean Alley. Analyzing tax data from each of California’s counties, the authors find that about one in five eligible Californians fail to claim their EITC, with the unclaimed credit equaling on average \$1,400 per claim. The authors further estimate that such underclaiming costs the state approximately \$1.4 billion in sales and 8,200 new jobs.

While the EITC is often lauded for its antipoverty effects, this research implies that there’s room for better implementation. And doing so will have widespread benefits: Indeed, because the EITC has such large multiplier effects, the underclaiming phenomenon not only means that the poor are being poorly served but also that economic growth has been lowered in the aggregate.

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Antonio Avalos and Sean Alley. 2010. “Left on the Table: Unclaimed Earned Income Tax Credits Cost California’s Economy and Low-Income Residents \$1 Billion Annually.” Washington, D.C.: New America Foundation.

## Out of Sight, Out of Mind?

**T**he takeoff in income inequality in the United States has been so extreme that the current period has increasingly been tagged the “Second Gilded Age.” Although there’s much research on the causes of the takeoff, we know less about its effects on how we live and experience our everyday lives. Does rising income inequality imply, for example, that we are increasingly unlikely to live and interact in income-homogenous neighborhoods? Are the rich increasingly living together in gated communities and the poor living together in blighted suburbs and urban ghettos?

According to new research by Sean F. Reardon and Kendra Bischoff, the rich are indeed increasingly living together. Using data from the 100 largest metropolitan areas in the United States from 1970 to 2000, the authors find a strong, robust relationship between rising income inequality and rising income segregation. This relationship, though, is driven not by the increasing concentration of poverty but rather by the increasing concentration of the most affluent. In addition, this growing concentration is only found in the largest metropolitan areas, where exurbs and distant suburban rings offer the rich the opportunity to remove themselves spatially from the less well-off and still participate in a high-skill economy. For the affluent, then, commanding an ever-larger share of the nation’s income has moved them out of the view of lower-income prying eyes.

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Sean F. Reardon and Kendra Bischoff. (In press). “Income Inequality and Income Segregation.” *American Journal of Sociology*.

## Getting to Work

**T**he American economy shed millions of jobs during the Great Recession, and new jobs are trickling back at an anemic pace. When a fuller and more forceful recovery eventually happens, an important question will be whether the poor, who are disproportionately found in big urban centers, will have access to the new jobs the recovery creates. Will the poor be able to take advantage of such jobs as they become available?

The answer will depend much on where these jobs are found. According to new research by Adie Tomer, Elizabeth Kneebone, Robert Puentes, and Alan Berube at the Brookings Institution, many residents of big urban centers lack easy access to currently available jobs. According to their analysis of the 371 transit providers in the nation’s 100 largest metropolitan areas, fully 70 percent of jobs cannot be reached by the typical metropolitan resident via mass transit in 90 minutes or less. If attention is restricted to jobs that require only low or moderate levels of skill, approximately 75 percent of all jobs are unreachable in 90 minutes.

This spatial mismatch matters because the poor can’t easily afford cars or the high costs of fueling and maintaining them. If we’re going to run a high-poverty economy in which cars are not available to all, there’s good reason to do a better job of making jobs accessible to the carless poor.

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Adie Tomer, Elizabeth Kneebone, Robert Puentes, and Alan Berube. 2011. “Missed Opportunity: Transit and Jobs in Metropolitan America.” Washington, D.C.: The Brookings Institution.

# All Together Now, One By One



## Building Capacity for Urban Education Reform in Promise Neighborhoods

BY JAMES M. QUANE AND WILLIAM JULIUS WILSON



**I**N THE LEAD-UP to the presidential election, then-presidential candidate Senator Barack Obama outlined a comprehensive place-based agenda he would, if elected, pursue to improve the lives of low-income residents in urban neighborhoods across the country. In that speech, delivered in July 2007, Senator Obama proposed to infuse poor neighborhoods with a mix of maternal and early childhood family services, expand employment opportunities, provide incentives for businesses to return to the inner city, and increase affordable housing options for low-income families. The final component in this five-pronged agenda would be an initiative referred to as Promise Neighborhoods, which would be patterned after the Harlem Children's Zone (HCZ).

Since Promise Neighborhoods was first proposed, HCZ has witnessed a considerable uptick in interest among national and overseas service providers, which was undoubtedly fueled by the attention it received during the presidential campaign. Recent evaluative results, though preliminary and not without their detractors, also helped to heighten its visibility, as did TV and journalistic accounts of the inroads the initiative has made in helping to improve the health and academic performance of inner-city children and youth. In the coming years, Promise Neighborhoods will attempt to achieve the same kind of community presence as HCZ. However, it is important to keep in mind that the HCZ has only had a preliminary evaluation, and a rigorous assessment of its durable effects has yet to be conducted. Accordingly, what is about to be tested in the Promise Neighborhoods is not the systematic replication of the HCZ itself but an overarching concept about how to successfully intervene in the lives of low-income families. To maximize Promise Neighborhoods' chances for success, we argue, providers can and should build on the concept of community collaboratives and resource sharing that HCZ invokes. It is also critical that providers formulate local adaptation strategies that are specifically geared toward their communities. We expand on this argument by first outlining the HCZ model, as well as the evidence and controversy surrounding its effectiveness. We then briefly consider previous place-based initiatives and argue that the established evidence from decades of these efforts have important, possibly even premonitory implications, for the success of Promise Neighborhoods. Finally, we stress the need to ensure that a sophisticated theory-based evaluation of Promise Neighborhoods is undertaken, one that begins with the start-up phase and follows the implementation of these initiatives. In this way, we can learn from this endeavor and ensure that future programs can build on its successes and not have to reinvent the wheel, as frequently happens.

### The Harlem Children's Zone

The HCZ was founded by Geoffrey Canada, who, for nearly 11 years, has been steadily building the human and social capital supports for low-income families in a 97-block area of central Harlem, with the aim of improving outcomes for children and youth. Over the years, Canada put together an impressive array of donors with deep pockets to fund and maintain a panoply of services for children in the area from birth to college, as well as for their families. Initially, Canada's approach was to bolster kids' chances of doing well in the neighborhood public schools by addressing their out-of-school needs. Eventually, however, he opened his own public charter schools, called Promise Academies, which select students by lottery and control the quality of education the pupils receive.

For Canada, primary and secondary education improvement is just one of a host of equality of life chances that HCZ addresses among low-income children and youth in central Harlem. For example, figures released by HCZ indicate that its after-school office helped place more than 700 students who attended traditional public high schools in college, and the program supports

these students until they graduate. Its asthma initiative served 1,000 students, and the program has dramatically reduced their missing days in school. For six straight years, 100 percent of pre-kindergarten students in the Harlem Gems program were school ready. Of the parents who attended the HCZ parenting program (The Baby College), 81 percent reported that they read to their children more often than they did in the past. Parental satisfaction of students in HCZ's public charter schools (Promise Academies, serving children and youth from kindergarten through the eleventh grade), as measured by the city of New York, is also extremely high. Finally, attendance rates among students in the HCZ charters are also significantly higher than those for youth in traditional public schools in New York, including the Promise Academies' lottery losers. These rates are remarkable given that HCZ students spend 50 percent more time in school, including extended daytime instruction and extended school year, compared to their counterparts in traditional public schools.

The most rigorous evidence of the HCZ's impact on academic achievement was reported by Harvard economists Will Dobbie and Roland Fryer in a random assignment lottery design study of the performance of students in the HCZ's charter schools on the New York statewide math and English tests. When the tests were given in 2009, the students from the Promise Academies had scores on the cognitive tests that far exceeded those of children in the traditional public schools of New York, so much so that they closed the Black-White achievement gap in mathematics and reduced it by about half in the English proficiency test (English Language Arts). Among students in the two Promise Academy elementary schools who started in kindergarten, the Black-White achievement gap in both mathematics and English Language Arts was eliminated altogether.

These results are in light of recent longitudinal research by sociologists Robert Sampson and Patrick Sharkey and their colleagues, which reveals that living in poor segregated neighborhoods for extended periods of time has an adverse affect on verbal ability, as measured by reading and vocabulary tests given at three different periods. This research also shows that these effects linger even after children leave these neighborhoods, suggesting the intractable consequences of growing up in chronic economically poor segregated neighborhoods. That Promise Academy could overcome some of these barriers in such a brief period is further testament to its impact on elementary students.

However, when the state of New York made its exams more difficult in 2010, scores dropped in the Promise Academies as they did in the city and state of New York overall—although both schools outperform the city in math (with 60 percent passing in one school and 81 percent in the other). The Promise Academy elementary school, in which 62 percent passed in English, outperformed students in the city as a whole and was among the top 10 percent of charter schools in New York.

However, not all of the studies of the HCZ have been favorable. A recent report by researchers at the Brookings Institution questioned whether HCZ's charter schools were performing any better or even as well as other charter schools in the New

York area that did not have the benefit of wrap-around neighborhood investments. The findings, which compared the test results of middle- and high-school students in the older of the two HCZ's charter schools to those of their counterparts in other public charter schools in Manhattan and the Bronx with similar demographics, indicated that HCZ students were only average performers. Moreover, since they found no difference in the test scores between the Promise Academy students who resided outside the Zone and those inside, the authors questioned the role of community investments in improving academic achievement.

This study was promptly criticized by Geoffrey Canada on several grounds. He faulted the study for not acknowledging the incredible gains made by students who entered the Promise Academy middle school with lower scores on average "than all black children in New York City." Moreover, in reaction to the study's claim about the similarity in test scores between Promise Academy students residing inside and out of the Zone, Canada noted that all of the students, no matter where they live, have complete access to several HCZ services, including free medical, dental and mental health services, healthy meals, counseling and social work, test prep, after-school as well as weekend and summer enrichment classes, recreational opportunities, and college tours among others. Canada also raised concerns about whether the study used accurate figures for the proportion of Academy students who receive free or subsidized lunch as well as the way it drew subsamples, which omitted high-performing third and fourth grade Academy students from the analysis.

The authors of the Brookings Institution study only responded to one of these pointed criticisms by reanalyzing the numbers to include the omitted elementary students. The revised analyses still found that compared with other New York public charter schools with similar demographics, HCZ students only scored in the middle percentile. Based on their analyses the Brookings researchers continue to question the appropriateness of investing in community services as part of Obama's Promise Neighborhoods initiative.

However, it is highly debatable whether any of the existing research has adequately considered the full impact of the community services that Canada makes available to families. The Brookings study certainly does not provide sufficient justification for their negative assessment of the merits of Obama's intention to replicate the HCZ approach in neighborhoods around the county. Extant assessments of the effects of the HCZ have been confined to educational outcomes, which are arguably just one of a number of important goals of the program. There are other outcomes ranging from rates of delinquency and gang involvement to teen pregnancy and mental and physical health that the program seeks to address, which have not been considered by studies to date. Consequently, the overall impact of HCZ may not be evident until youth who grow up in the more stable, resource-rich neighborhood remain in school and go on to college. "We'll see the impact five or six years from now," Canada recently told the *Washington Post*, "when they are working adults and no longer going to prison."

### Replicating the Zone

Building on this idea of a continuum of community services integrated with quality schools, President Obama, once elected, got approval from Congress to allocate \$10 million in fiscal year 2010 for competitive grants to support neighborhood nonprofits' planning efforts to establish partnerships with other providers in their respective cities. Last summer, 339 organizations applied for a planning grant, and 21 were recently awarded between \$312,000 and \$500,000. These planning funds are intended to help communities to better position themselves when applying for the full Promise Neighborhoods implementation grants later this year.

**The initial enthusiasm that Promise Neighborhoods generated was seriously diminished by the recent Congressional budget negotiations, which left many wondering if the program would even make it out of the starting gate.**

The initial enthusiasm that Promise Neighborhoods generated was seriously diminished by the recent Congressional budget negotiations, which left many wondering if the program would even make it out of the starting gate. The final budget that Congress announced in April contained \$30 million for Promise Neighborhoods in this fiscal year, which in addition to funding site implementation in several locations around the country is also intended to support another round of planning grants to be announced later this year. This allocation is well shy of the amount the administration originally hoped to secure. In advocating for the program prior to the election, Senator Obama cautioned that it "can't be done on the cheap." He emphasized that millions of dollars would be needed from a consortium of funders, including government, philanthropies, and businesses. Compared to the HCZ, which had nearly \$200 million in assets in 2009 and a fiscal year budget of roughly \$84 million (much of which come from corporate funding), it now seems likely that Promise Neighborhoods will operate on a much smaller scale either with far fewer neighborhoods than was originally intended or with sites having to secure a lot more dollars from other sources or both.

Undoubtedly, a much leaner Promise Neighborhoods initiative will struggle to address many of the broader concerns that HCZ is able to tackle. And, despite claims to the contrary, the Brookings' results do not address whether or how intensive community supports might bolster urban education reform in distressed neighborhoods. In many of these neighborhoods, disproportionately high rates of social problems and disorder, including family breakups, teen childbearing, chronic unemployment, and gang activities, are strongly correlated with concentrated poverty. Years of piecemeal approaches to social problems and an unrealistic appreciation of the interconnections of economic distress and social maladies in the inner city gave rise to inadequate social services and the fragmented infrastructure of providers in these neighborhoods. However, even if sites are successful in making up any shortfall in funding from the federal government, the question remains whether Promise Neighborhoods can achieve the goal of network formation among local institutions and residents in order to improve conditions for school-age children.

educational outlets under the HCZ canopy, Canada maintains strict control of how they function. The more contained and centralized management approach of the HCZ, which governs most of the services families and children in the Zone receive, is seen as one of its hallmarks of success. Such autonomy can mean short delays in implementing decisions, reacting to setback, or simply planning day-to-day activities. Neighborhood-based collaborations can be messier undertakings. If the planning grants are anything to go by, few of the eventual Promise Neighborhoods initiatives will be awarded directly to schools. Since educational outcomes are such a primary objective of the initiative, nonprofits will need to ensure that schools in their network do a good job of educating students.

However, it remains to be seen how much nonprofits can insinuate themselves in the educational activities of schools or whether such arrangements can work in the best interests of students. Few details have emerged from the proposals submitted by planning grantees about how they intend to go about this. Indeed, figures released by the Department of Education suggest that many of these relationships have yet to be formed. Yet these collaborations will be pivotal for the success of Promise Neighborhoods. Organizing a neighborhood around educational improvement can generate considerable civic capacity. In practice, however, as Clarence Stone's review of years of communities' capacity building around urban education reform demonstrates, consensus building among school administrators and other community actors is fraught with instability.

After considering the marginal gains such efforts witnessed in several major urban areas in the 1990s, Stone concluded in a 2001 article that "our research taught us quickly that, whatever might be the case with various forms of social capital, civic capacity is not a generic quality, easily transferable from one issue to another. An ability to address educational improvement is not simply an application of a general community capacity to solve problems, but requires its own particular development." Full-service community schools are able to sidestep some of these pitfalls by making available a wide range of services in-house. For those Promise Neighborhoods who hope to achieve comprehensive coverage through consensus-building and resource-sharing, this road less traveled is a bumpy one.

Other important lessons (and cautionary tales) about community partnerships can be gleaned from decades of place-based services and integration strategies, some even initiated by previous administrations. For example, in 1966, the Model Cities program was introduced during the Johnson administration and supported demonstration programs to address ineffective and fragmented services for the poor in the ghetto. The War on Poverty launched a multitude of these "service strategy" approaches, whereby community-action agencies helped create organizational networks that linked clients with multiple providers. Later iterations by the federal government, such as the Services Integration Targets of Opportunity (SITO) launched in 1972 by the Department of Health Education and Welfare, the Comprehensive Human Services Planning and Delivery System (CHSPD)

## **Years of piecemeal approaches to social problems and an unrealistic appreciation of the interconnected of economic distress and social maladies in the inner city gave rise to inadequate social services and the fragmented infrastructure of providers in these neighborhoods.**

### **Can It Work?**

By modeling Promise Neighborhoods on the HCZ, the administration benefits from the popularity of Canada's program and provides a compelling example of how coordinated efforts might improve the educational performance of low-income children and youth. Likewise, HCZ enjoyed increased visibility because of President Obama's endorsement of the program (although Canada was doing a fine job garnering public and media attention on his own). However, both initiatives now find themselves having to defend the other, which is unfortunate, since Promise Neighborhoods should not be relying solely on HCZ as its prototype. In fact, there are important differences between them, which make the comparison less than ideal. By operating the public charter schools, day care centers, after-school programs, and other edu-

projects, and numerous block grants to states, provided flexibility in the funding and delivery of wrap-around services at the local level. States, localities, and foundations—the Ford, Robert Wood Johnson, Heinz, and Casey, among others—also got in on the act and sponsored service integration projects in urban neighborhoods over the years. More recently, a plethora of comprehensive community initiatives worked to strengthen the social fabric of urban neighborhoods. The approach used by many of these initiatives seems to better reflect the strategy advocated by Promise Neighborhoods.

Rigorous evaluation of most of these initiatives is in short supply. However, several perceptive studies by the GAO and Rand, as well as researchers and organizational theorists of community vitality, have documented the challenges faced by building broad-based coalitions in urban neighborhoods. Space constraints prevent a detailed discussion of all the relevant research here, but it is imperative that realistic appraisals of the efforts of Promise Neighborhoods acknowledge and consider the challenges faced by these earlier efforts. In general, past attempts at coalition-building have had only modest success, but we know a lot more now about some of the major stumbling blocks. For instance, case studies indicate that the adaptation, implementation, and diffusion of innovative policies are not for the faint of heart. Lead entities will need to diligently cultivate and maintain a disparate group of network partners. Much of this work is extraordinarily time-consuming as constituents work to build trusting relationships with one another.

Political wrangling and conflict will pervade every level of negotiations with mayors, school boards, agency directors, community gatekeepers, and other stakeholders. These negotiations often become more contentious in the face of limited resources or the prospect of uncertain funding streams. Effective leaders must have the flexibility and autonomy to meet local challenges while maintaining fidelity to the overall mission of Promise Neighborhoods. Clear goals and written agreements will be essential in maintaining cordial relations among partners. However, a central administrative body with binding authority that can make timely decisions for the entire network is essential to minimize conflict, overcome inefficiency, and maintain collaboration among members of the partnership. Each actor in these coalitions can begin this process by addressing some fundamental question right from the start: How are we set up to respond to initial results if they show that targeted schools in the Promise Neighborhood are not significantly improving test scores? Do members of the consortium have a clear understanding of their respective contribution? How will ineffective or nonconforming partners be sanctioned or dropped by the consortium? How will decisions be made about dwindling funds when (not if) the time comes? How will conflict or disagreements be handled in a timely fashion? No one wants to be a killjoy, but these kinds of impediments need to be recognized and addressed early on.


The administration should also be cognizant of the unfortunate fate of some of its predecessors in initiating community programs. President George H.W. Bush's desire to let disparate

community activities flourish like “one thousand points of light” may have been well intentioned, but their impact was so diluted that we now know very little about whether or how they facilitated improvements in people's lives. A scaled-back version of Promise Neighborhoods can provide a spotlight on effective capacity-building in a few, well-funded, and carefully chronicled demonstrations to address public school improvement through community development. In doing so, however, the administration needs to remain mindful of the original five-pronged approach laid out by President Obama in his July 2007 speech. The success of even the best formulated strategy to mobilize neighborhood coalitions to improve public education cannot succeed without putting in place other key elements of this proposal, primary among them being efforts to boost the economy in these distressed neighborhoods. Schools, nonprofits, and other community actors can help to cultivate a culture of learning advocated by Promise Neighborhoods, but ultimately students' learning will be significantly stimulated if they see real, tangible opportunities for themselves and their academic efforts in the neighborhoods where they live.

Finally, comprehensive documentation of the processes and impact of Promise Neighborhoods needs to be prioritized. It is disheartening to know that after multiple attempts to create community coalitions to effect change, we still know little about why some worked and why many more did not. The same should not be said about Promise Neighborhoods. It is still unclear whether Promise Neighborhoods is intended to be a demonstration program to learn how to do this well in advance of going to scale or whether it is just a one-off attempt to create synergy among disparate groups in a few distressed neighborhoods. A recent bill introduced by Senator Tom Harkin (D-IA) seeks to provide long-term funding for Promise Neighborhoods, which, if approved, would certainly allow time to demonstrate whether or how lessons learned from the program can be exported to other communities. Either way, we have the potential to answer many of the critical questions that the Brookings study and others have not addressed to date. To this end, we need to have in place an evaluation design that is flexible enough to allow researchers to capture important information about how this process unfolds. This design would also feature a systematic theory to explain *how* partners working individually and collectively as part of a larger coalition achieve outcomes, and *why* some coalitions succeed while others do not. If the administration intends for Promise Neighborhoods to be a real strategy in the revitalization of distressed neighborhoods and not just another in a long list of community interventions that faded into obscurity, we need to take seriously the task of chronicling and explaining the process right from the start, warts and all.

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# Innovate, Research, Repeat

## New York City's Center for Economic Opportunity

BY VERONICA WHITE AND KRISTIN MORSE

**O**ver the past four years, the New York City Center for Economic Opportunity (CEO) has become a leader in the fight against poverty; indeed, the federal government is adopting practices and strategies based on some of its experiences. CEO is an interesting case study because it's an incubator of new antipoverty ideas, because it's committed to testing those ideas, and because it's committed to making real headway in reducing poverty in the near term. No other city has an in-house operation of this sort. And as such, it's worthwhile to step back and assess what we've learned about fighting poverty from CEO.

At its core, CEO is about two fundamental principles: innovation and testing. CEO has a special interest in testing new ideas and in expanding, developing, and improving old ones. It's also committed to rigorously examining which of our approaches are working and which aren't, and to using the knowledge gained from both our successes *and* our failures to refine our strategies. In the pages that follow, we offer up some of the lessons learned from CEO's approach, not just from the particulars of our successes and failures, but also from our overall philosophy and institutional commitment to fighting poverty in New York City.

First, a few words on what CEO does: It develops new anti-poverty initiatives out of the New York City Mayor's Office. This small, innovative unit works with other City agencies to develop new initiatives and measure the results of those initiatives. CEO supports programs that build human capital and promote economic stability, such as education, employment, asset development, and health projects. Its interventions are based on new ideas, evolutions of local programs, and established evidence-based models; each is carefully monitored and evaluated.

CEO accomplishes these tasks through an annual "innovation fund" of approximately \$100 million in public and private funding; these resources are allocated among up to 20 City agency partners who deliver services alongside contracted nonprofits and other vendors. CEO revisits its funding decisions each year, based on performance, and allocates resources to projects with the greatest capacity to reduce poverty, fulfill unmet needs, and drive change. No agency, program, or particular population has a claim on the funding. CEO's view is that innovation and results should determine where the money goes.

### What's Working?

Let's start with CEO's success stories. For us to deem a program successful, it must establish real participant impacts, and the partner agencies need to demonstrate their financial commitment and how they intend to integrate the program into their operations. Several CEO programs have attained this threshold and have fully transitioned out of the innovation fund and into ongoing City agency operations. CEO is also replicating its programs in several other cities with the support of a prestigious federal Social Innovation Fund (SIF) grant. The goal of the SIF is to build national evidence for programs with the potential for transformative social change in the form of meaningful impact, the potential for broad applicability, and cost savings through efficiency gains. The following are some of the programs that CEO has developed that demonstrate national policy potential.

**SaveNYC** offers a matched savings account to low-income tax filers, building on the opportunity for savings created by the Earned Income Tax Credit (EITC), the federal refundable tax credit that provides extra income support to low-income workers. The program is one of several strategic pilots developed by the Office for Financial Empowerment, a new unit funded by

CEO located in the City's Department of Consumer Affairs. Program participants receive a 50 percent match up to \$500 if they deposit at least \$200 from their tax refund into a Save Account and maintain the initial deposit for one year.

Capitalizing on lessons learned from behavioral economics, the SaveNYC Account limits choices, encourages individuals to save by facilitating a separate account for savings, and simplifies the process of committing to save, while creating certain obstacles and disincentives for withdrawing funds. The one-time decision to forego a portion of their EITC refund, combined with limited access to the account and a generous match, is designed to promote short-term savings, with the intention of moving individuals on a path toward longer-term savings and greater financial stability. The program was also designed to be easily scalable by building on the infrastructure of existing tax filing mechanisms.

Over three years, the SaveNYC Account program successfully encouraged New Yorkers with low incomes to build savings at tax time. Approximately 2,200 New Yorkers with low incomes chose to participate in the SaveNYC program, fully exhausting private matching dollars available and saving \$1.4 million in total, with an average savings of \$561. Approximately 80 percent of participants saved for the full one-year term, despite incomes averaging approximately \$17,000. Additionally, 70 percent of participants maintained their accounts beyond their program term, and 30 percent participated again in the program the following year.

Based on this evidence, SaveNYC is now available to eligible tax filers at volunteer tax preparation sites in New York City, Tulsa, San Antonio, and Newark, as part of CEO's SIF project. Now named "SaveUSA," the program is undergoing a random assignment evaluation to test the impact of tax-time savings on long-term saving, total asset holdings, and debt.

**Accelerated Study in Associate Programs (ASAP)** is designed to overcome barriers to graduation and to help low-income community college students graduate as quickly as possible. The program requires full-time study and offers academic counseling and a limited number of majors so that students don't waste valuable time and loan resources. Students are supported through peer cohorts, convenient block scheduling, and tutoring, and financial supports pay for books and transportation and make up any difference between financial aid and tuition.

ASAP resulted in 55 percent of students completing their associate's degrees in three years. This is a sharp difference from the nationwide community college graduation rate of approximately 20 percent and the 24 percent graduation rate of a comparison group of similar students. ASAP graduates overwhelmingly credit financial incentives and comprehensive counseling as key to their ability to complete their associate's degrees in record time. Based on these promising results, CUNY raised additional private funds to support additional students, as well



as a five-year random-assignment evaluation of the program to assess whether it is helping low-income community college students complete their degrees and ultimately succeed in the labor force (or four-year colleges) thereafter.

**WorkAdvance** is a sector-focused workforce development model to help unemployed and low-wage working adults increase their employment and earnings. By focusing on a particular industry, each site develops strong employer relationships and an expertise in the career paths within particular sectors and the skills and training requirements required for specific positions. Active follow-up and advancement services encourage participants to return to the program as they seek further opportunities.

WorkAdvance draws upon lessons from two CEO programs (its Sector-Focused Career Centers and Advance at Work) and several recent studies of sectoral training programs. The Transportation Center targets low-income individuals who are interested in higher-wage occupations with career advancement potential within the transportation sector. Examples of such occupations include baggage handlers, mechanics, commercial truck drivers, and customer service representatives. The focus of the transportation center is both to provide new jobs to job-seekers and to provide training and support to help incumbent workers advance. Advance at Work is designed to help low-income workers move out of poverty by providing them with career advancement services, facilitated access to benefits and work supports, training and education, and financial literacy and asset-building activities. A quasi-experimental analysis conducted by Westat showed that both CEO's Transportation Center and Advance at Work participants were more likely to be placed in jobs, earn more, and work more hours per week than those in traditional career centers.

These findings echo a multisite random assignment evaluation of sectoral training programs by Public/Private Ventures, which also showed large impacts of the approach on earnings. Moving forward, MDRC's WorkAdvance evaluation will test whether combining these promising features of prior models will produce larger effects on career advancement and economic security.

Although these are seemingly diverse programs, they share several important features. Most programs have three key pillars: *education, employment, and support services*. We have found these three robust program elements to be the most important

in re-engaging disconnected young adults and in increasing the wages of low-income workers, our target populations. This set of priorities focuses providers and participants on key activities and outcomes.

Each program also provides *realistic pathways* that lead toward long-term economic stability. So, for example, a modest savings program can help low-wage workers open bank accounts and establish savings to help weather a crisis or lead towards more ambitious savings goals such as education or homeownership. Or in the workforce development field, sector centers can either quickly place individuals in sectors with potential for advancement, or—for those ready to invest the time in training—can help them to gain new skills that lead to higher wages.

Many CEO programs embed *incentives* into the structure to sustain participation in activities with long-term benefits. These incentives eliminate barriers that too often get in the way—the need for transportation funds, part-time subsidized jobs for students, or incentive payments that offset out-of-pocket medical expenses. Incentives range from subsidized jobs to a \$40 reward for opening a bank account.

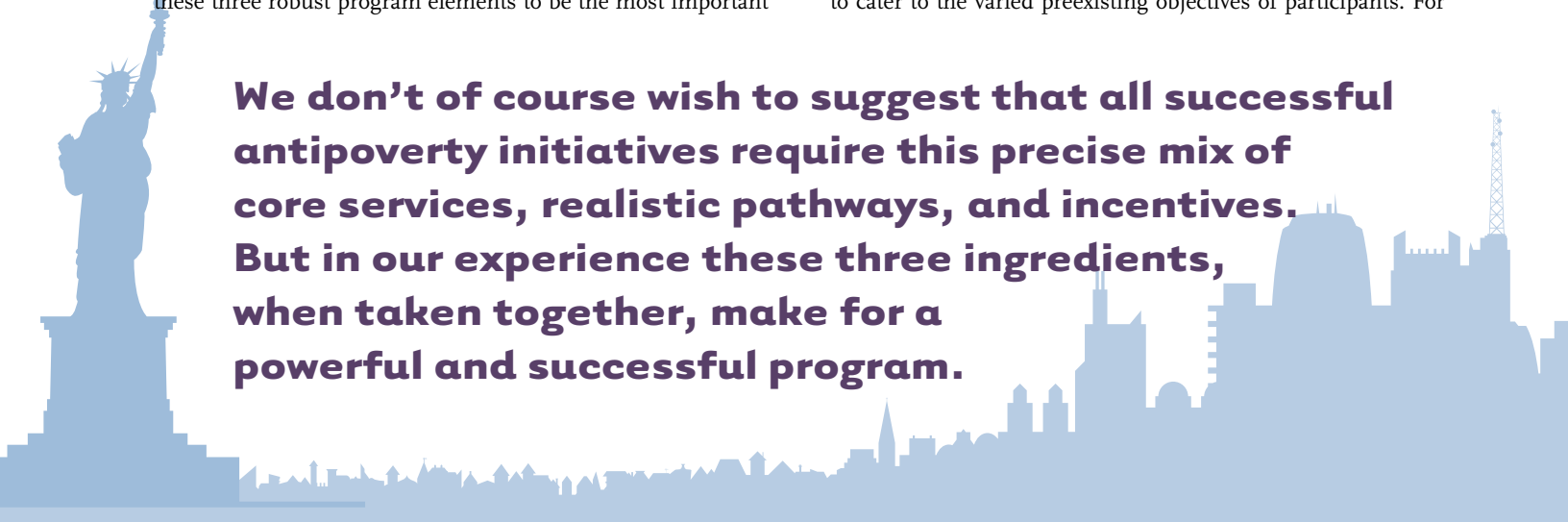
We don't of course wish to suggest that all successful anti-poverty initiatives require this precise mix of core services, realistic pathways, and incentives. But in our experience these three ingredients, when taken together, make for a powerful and successful program.

### What Hasn't Worked?

Early on in the classic novel *Anna Karenina*, Leo Tolstoy writes, "Happy families are all alike; every unhappy family is unhappy in its own way." It's similar when it comes to antipoverty programs: If, as noted above, the successful program tends to combine incentives, simple choices, and realism, the unsuccessful program can, by contrast, be unsuccessful for any number of reasons. The pathways to failure are many and varied, and it is therefore difficult to derive any simple summary of why some of our programs have failed.

We can instead provide some examples. But it should be borne in mind that our observations aren't based on experimental assessments and hence must be understood as tentative.

The first lesson: *A cheap, narrow-gauge program won't typically work for a complex problem*. Although some amount of simplicity is a virtue, it's obviously important to offer enough support to cater to the varied preexisting objectives of participants. For



**We don't of course wish to suggest that all successful antipoverty initiatives require this precise mix of core services, realistic pathways, and incentives. But in our experience these three ingredients, when taken together, make for a powerful and successful program.**

example, we eliminated several GED programs that did not combine GED preparation with college preparation or a subsidized job. Without this more comprehensive mix of services, the programs did not attain the level of results or innovation that we require.

The second lesson: *Implementation matters*. An unsurprising theme across our programs is that quality implementation and oversight are as important as good ideas. Through careful management and attention to performance data, it has sometimes been possible to quickly identify and correct problems. In other cases, agencies had to terminate individual contracts for failing to perform. Take, for example, the Supportive Basic Skills Program, a literacy program for young adults leaving Rikers Island. The provider selected to implement the program was going through several leadership changes and was also poorly implementing an out-of-date curriculum. When these problems were identified, the contract was not renewed.

Out of over 40 projects launched, we've discontinued or completed 12 programs. Several of these were intended from the start as time-limited pilots, such as outreach efforts and the development of an on-line training directory. Others were worthwhile experiments that didn't ultimately earn their keep. One important lesson that we have learned is that, especially in an era of budget cuts, identifying and terminating failing programs allows good programs to receive the funding they need to thrive.

### Stepping Back

CEO itself is a distinctive organization, and some of its success may be attributed to the institution of CEO itself. We thus conclude by considering what makes CEO distinctive.

The first and perhaps most obvious distinction is that CEO had strong leaders. It grew out of the recommendations of a mayoral commission on poverty, the Commission on Economic Opportunity, which was chaired by Geoffrey Canada, President of the Harlem Children's Zone, and Richard Parsons, then-President of Time Warner, and included representatives from government, the private sector, leading nonprofit organizations, and academics. From the start, Mayor Michael Bloomberg asked for bold ideas, cautioning against approaches that entailed little more than some straightforward expansion of conventional safety net programs.

A second, but no less important, distinction is that CEO demonstrates a willingness to search widely for innovative ideas, not

just from academics, not just from policymakers, and not just from the usual array of interest groups. We found that a variety of city agencies often had extraordinary ideas, many of them pilots that fit into broader reform agendas. The Department of Finance, for example, offered to send completed tax forms to households whose earnings appeared to make them eligible for the Earned Income Tax Credit (EITC). In the first year, thousands of households signed and returned the forms, resulting in \$10 million in unclaimed credits from prior tax years. The IRS has since become an advocate for the strategy and is actively promoting it with other states, including a project that recently reached out to 46,000 Californians. We also identified promising programs in other parts of the world, such as Mexico's conditional cash transfer program or the Civic Justice Corps, a re-entry program from Oregon.

Our last point: CEO's deep commitment to program evaluation is founded on the premise that there's no one-size-fits-all evaluation regime. Instead, each CEO-funded program has an individual evaluation strategy that takes into account such variables as the quality of the available administrative data, the timing of expected program outcomes, the availability of appropriate comparison groups, the existing knowledge about a particular intervention, and our level of investment. We use such evaluation methods as simple participant focus groups, analyses of administrative data, and random assignment experiments.

Early on, CEO recognized the need to be strategic about its evaluation resources. While all programs are assessed, not all assessments require the same level of investment. Our approach relies heavily on performance monitoring, existing data, and "good enough" comparisons that enable us to invest in building evidence for our most promising programs and those for which data aren't readily available. We now have three random assignment evaluations underway and several more planned as part of our Social Innovation Fund projects.

CEO, then, is a rare experiment in itself, an experiment in how far evidence-based antipoverty initiatives will take us. Although we've all heard the standard mantras in defense of evidence-based policy, CEO offers perhaps the most tangible example to date of how that mantra can deliver.

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# THE “WISCONSIN IDEA” AND ANTIPOVERTY INNOVATION

BY TIMOTHY M. SMEEDING AND JOANNA Y. MARKS

**IT MIGHT SEEM A STRANGE TIME** to look to Wisconsin to learn about local antipoverty policy, given that there, as in many states, budget cuts in programs assisting the poor have been proposed and cuts to public employee benefits are being considered. Such current developments notwithstanding, Wisconsin has long been in the vanguard among American states in developing social insurance and antipoverty policy. The purpose of this article is to describe some of the policies and practices that Wisconsin has undertaken in recent history to meet the basic needs of low-income families. We also describe how a new poverty measure developed by University of Wisconsin researchers has measured the impact of federal and state policies in reducing poverty and in mitigating the effects of the recession.

Why is Wisconsin so important in understanding local anti-poverty innovation? It's partly a story about a special, century-old cultural commitment, dubbed the “Wisconsin Idea,” that obliges Wisconsin's public universities to inform public policy with research findings. Adlai Stevenson described the Wisconsin Idea in 1952 as “a faith in the application of intelligence and reason to the problems of society. It meant a deep conviction that the role of government was not to stumble along like a drunkard in the dark, but to light its way by the best torches of knowledge and understanding it could find.” The state has long served as a “laboratory for democracy,” in which the simple goal was to build state policy that advanced human welfare. And the University of Wisconsin has long been understood as playing a central role in running this “laboratory.” In a famous University case test-

ing the limits of academic freedom, the following commitment was memorialized on a plaque outside the main administration building: “Whatever may be the limitations which trammel inquiry elsewhere, we believe that the great State University of Wisconsin should ever encourage that continual and fearless sifting and winnowing by which alone the truth can be found.” In Wisconsin, the commitment to evidence-based social policy is particularly central to the mission of the University. In the pages that follow, we first offer a brief history of some of the anti-poverty policies for which Wisconsin has been a national leader. We then turn to two recent innovations that we hope might also be taken up in other locales: creating a more seamless safety net across programs and developing a poverty measurement system to assess program effectiveness.

### A Primer on Innovative Social Policies in Wisconsin

The State of Wisconsin has a special history of helping those in need that goes back to the early twentieth century in social insurance (e.g., unemployment compensation, workers' compensation, and Social Security). This tradition has continued into the early twenty-first century, when the state was at the forefront of welfare reform, and today in its innovative use of administrative data, in conjunction with the Institute for Research on Poverty, to evaluate child support efforts for the Wisconsin Department of Children and Families. This history is also revealed in its recent commitments to "making work pay," to supporting access to child care for low-income workers, and to building a national model for health care reform. We briefly review each of these lines of innovation below.

**A commitment to making work pay:** The state is the birthplace of unemployment insurance and workers' compensation policies that would eventually span the nation, and University faculty joined with Wisconsin officials in playing a major role in shaping the 1935 Social Security Act. More recently, Wisconsin was among the first states to adopt welfare reform, under Governor Tommy Thompson, with a series of welfare reform waivers in the late 1980s and early 1990s culminating in the creation, in 1997, of the Wisconsin Works (W-2) program, Wisconsin's replacement for the Aid to Families with Dependent Children (AFDC) program. The reforms succeeded in moving many mothers with children from welfare to work. These reforms to cash assistance were accompanied by changes in child care, child support, health insurance, and other programs designed to support work by low-income parents. The state also undertook additional measures to make work pay, eventually creating one of the most generous state Earned Income Tax Credit (EITC) programs in the nation, with higher benefits for families with three or more children, making Wisconsin a forerunner of 2009 federal EITC policy. These reforms are now practiced more widely, but it is worth remembering that Wisconsin was at the vanguard of such developments. It's notable in particular that Wisconsin has long had a special commitment to ensuring that families are successfully integrated into the economy rather than simply "moved off the rolls."

**Child care:** At the same time that W-2 was enacted, Wisconsin expanded its existing child care programs into a new subsidy program, Wisconsin Shares, that promoted market work by low-income single parents who would otherwise be unable to work. In addition, the state amended its child support program to allow a 100 percent pass-through of payments from absent parents to custodial parents.

**Health care:** Wisconsin further created a health care plan to provide insurance to low-income families who lost Medicaid when they left welfare to enter the workforce. Initially, then-Governor Thompson sought to institute a low-income family health care plan through a Medicaid waiver, but it was refused. Later, in 1999, Wisconsin combined funds from both the State Child

Health Insurance Program (SCHIP) and Medicaid and created a new "BadgerCare" program. Under Governor James Doyle, the plan was expanded to ensure that parents and their children with incomes less than 185 percent of the poverty line received low-cost access to health care in cases where their employer did not provide such insurance. By 2007, a group of health programs known collectively as BadgerCare Plus further expanded coverage and made linkages to other health-related programs. According to Census figures, by 2008, almost 95 percent of Wisconsin's children had health care coverage, the second highest rate of insured children nationwide, due in large part to the success of BadgerCare in providing affordable family health insurance. With its relatively high eligibility levels, modest premiums, and ability to combine Medicaid and SCHIP, BadgerCare can be viewed as a forerunner for states adopting the new national health care legislation.

It is clear, then, that Wisconsin has a long history of innovation when it comes to poverty policy. So what is Wisconsin doing now? Below, we highlight two big areas that have been integral to improving Wisconsin's antipoverty supports, especially during the current recession: creating a more seamless safety net and developing a poverty measurement system to assess how well it's working.

### The Seamless Safety Net

In late 2008, then-Governor Doyle created a task force to address poverty in Wisconsin. Faced with an oncoming recession, the governor's task force chose not to set poverty reduction goals, as they would likely be impossible to meet in light of the recession and a limited state budget. Instead, the task force's culminating report suggested a large number of initiatives concentrating on practices that are more efficient.

The two main recommendations coming out of this task force were to link eligibility determination across programs and to increase participation in existing federally funded benefit programs, particularly FoodShare (the state's version of the Supplemental Nutrition Assistance Program, or SNAP) and the EITC. These enhancements were intended to provide Wisconsinites struggling with the recession with a more seamless safety net than is found in many other states.

And they seem to be working. Food assistance caseloads have risen rapidly in Wisconsin in response to the recession and to state practices that encourage take-up. Between the first half of 2007 and the first half of 2010, the number of monthly participants in the state's FoodShare program rose from about 383,000 to 721,000 people. This is an 88 percent growth rate over three years, considerably higher than the national growth rate of 51 percent over the same period. Only a handful of states (Arizona, Florida, Idaho, Nevada, and Utah) have seen larger rates of growth in food assistance during the recession. Participation in both federal and state EITC programs is also high, with non-profit tax preparation centers working to increase tax refunds and to counsel beneficiaries on how to allocate these refunds.

Much of the increase in uptake for FoodShare and the EITC is due to the economic effects of the recession. But the higher-than-

average increases in Wisconsin also reflect policy and program design decisions made by the state to encourage participation in FoodShare, which was administered by the same agency as BadgerCare until early this year. The state has devoted much attention to expanding access to health and nutrition programs, including development of ACCESS, an online system that allows people to check eligibility, apply for benefits, and report changes. Other developments to improve access include use of call centers and telephonic signatures. Low-income adults who lose their jobs in the recession and seek assistance for health insurance are able to easily check their eligibility and apply for FoodShare, making the programs more responsive to the needs of the newly unemployed in times of recession. Finally, eligibility for the state low-income home energy assistance program (LIHEAP) is now determined at the same time that FoodShare eligibility is determined, thereby linking heat and utility subsidies to the rest of the program package. Together, these programs and program improvements are helping people in Wisconsin maintain disposable income, thus putting money back into the economy at higher rates than in many other states.

### The Wisconsin Poverty Measure

The Wisconsin Idea has set a standard and an expectation for the collaboration of policymakers and state-supported researchers in tackling tough social problems. It is based on the idea that, as a public institution, the University of Wisconsin's boundaries should be those of the borders of the state.

The Institute for Research on Poverty (IRP), founded in 1966 and supported by the U.S. Office of Economic Opportunity and later the U.S. Department of Health and Human Services, as well as by the State of Wisconsin, brings together national and state work on poverty measurement with the tradition of university researcher–policymaker collaborations in Wisconsin. Researchers at IRP have embraced this tradition to develop a measure of poverty specific to the state of Wisconsin, yet relevant and adaptable to other states and localities and to the nation as a whole.

Wisconsin has for some time evaluated the effects of policies and practices on low-income households. The new, state-specific poverty measure allows Wisconsin to build on these efforts by making it possible to evaluate the effect of a broader range of combined antipoverty efforts, including both state and local policies other than federal cash transfer benefits. While the focus is on Wisconsin, the intent is to provide a model that will be useful for other states and localities as well. For instance, legislation has been proposed in Minnesota and Colorado specifying that an analysis of the antipoverty effects of any human service program initiatives or cutbacks must be made available before legislation is passed. While poverty measurement may seem of secondary importance to some, in fact it is critical to the Wisconsin tradition of informing policy decisions with the best available evidence of what works, what doesn't, and why.

How have IRP researchers built the new measure? The starting point is to recognize that the official poverty measure in the United States captures only cash income. While it can demonstrate decreases in poverty due to expansions in cash benefits

(e.g., Social Security or unemployment compensation), it does not capture changes in poverty due to expansions or contractions of tax credits and noncash benefits, or reductions in work-related costs like child care and health care costs that impinge on family-income spending. The official measure misses, for example, the effects of key policy innovations such as the recent expansions of tax credits and increased access to food assistance undertaken in response to the Great Recession.

Our Wisconsin Poverty Measure, unveiled in 2010, takes a broad view of resources, incorporating not only pre-tax cash income, but also the estimated value of other federal and state resources to offset need, such as food assistance, tax credits, energy assistance, and public housing. It also considers work-related costs, including transportation, child care, out-of-pocket medical expenses, and payroll and income taxes, all of which reduce income that could be spent on food, housing, and other basic needs. The new Wisconsin Poverty Measure allows Wisconsin to find out how its programs (e.g., the state EITC, BadgerCare, FoodShare, Shares, and the state Homestead Tax Credit) affect poverty and economic well-being. It also allows Wisconsin to understand how federal programs that address many of these same basic needs fare. The new measure is further innovative in that it allows us to engage in these analyses not only for the state as a whole, but also for various counties and sub-county areas. For instance, we can look not only at the poverty rate for Milwaukee County overall (19 percent in 2008 under our new measure), but we can also observe the great variation across six different parts of Milwaukee County (with a range of poverty rates from 6 percent to 39 percent in the same year).

With this new measure in hand, we can move beyond simply describing Wisconsin's distinctive innovative policies to understanding how well they work. As a first step, in Figure 1, we provide more detail on the often offsetting forces that reduce poverty (such as benefits from tax refunds and FoodShare), as well as those that push poverty up (such as work-related costs and medical out-of-pocket costs). Note that our poverty measure not only shows the effects of safety net assistance programs that provide additional resources, but it also shows how costs of going to work limit income available to spend on basic needs. Our measure demonstrates that strategies to both increase resources and reduce expenses are important for mitigating poverty, ranging from the new federal health insurance law to the expansion of child care subsidies to the American Recovery and Reinvestment Act (ARRA) and other temporary benefits.

Moreover, the Wisconsin Poverty Measure is useful in gauging the antipoverty effects of policies that expand resources or reduce needs for different groups of state residents. For example, the earned income tax credits and noncash benefits are particularly important in reducing child poverty, though high work-related expenses (particularly child care expenses) push poverty back up among families with children. High medical out-of-pocket expenses, on the other hand, are responsible for increased poverty rates experienced by the elderly.

In October 2010, we estimated the effects of ARRA on poverty rates using our new model. At the time, we had data for

2008 only, and so we estimated poverty in 2008 under current law and under an alternate scenario assuming the 2009 American Recovery and Reinvestment Act refundable tax credit, Social Security increase, and SNAP provisions had been in effect that year. We found that the ARRA did reduce poverty, especially among children (see Figure 2).

Had the ARRA tax credit expansions, additional payment to Social Security recipients, and SNAP benefit increases been in effect in 2008, their combined impact would have been to reduce poverty in Wisconsin by 1.4 percentage points overall, a reduction on top of the 2.0 percentage point reduction in poverty due to public benefits before the ARRA. The ARRA provisions would have had an even larger effect among families with children, reducing the poverty rate by 2.6 percentage points for children, representing a 20 percent reduction in child poverty. Our model helps to demonstrate that the ARRA had a substantial effect in terms of reducing poverty and mitigating the effects of the Great Recession on children and families. And our just-released 2011 report (using 2009 data) confirms the substantial antipoverty effects of the ARRA in Wisconsin. For more on the Wisconsin Poverty Measure including recent reports, see <http://www.irk.wisc.edu/research/wipoverty.htm#wisconsin>.

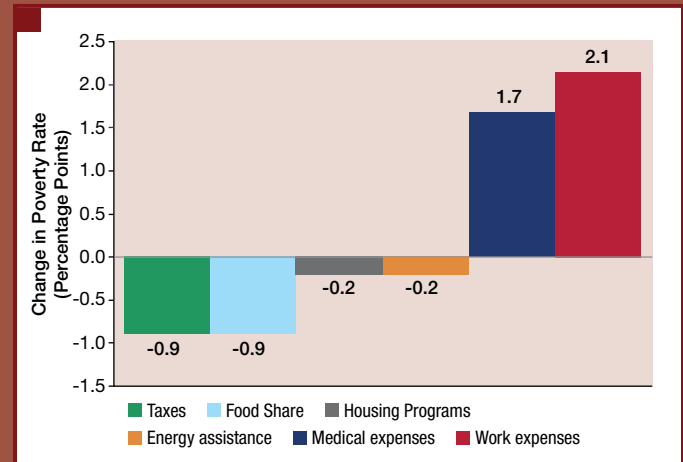
### The Future of the Wisconsin Idea

We began this piece by remembering that Wisconsin's efforts to fight poverty have focused on rigorously assessing "what works" and then implementing what works as effectively and efficiently as possible. In this article, we've not only rehearsed the long tradition of the Wisconsin Idea but have also discussed its recent implementation in the form of the new Wisconsin Poverty Measure, a measure that helps assess the impact of federal and state antipoverty programs.

Can we be optimistic about the future of the Wisconsin Idea? With the state facing budget deficits and pressure to reduce spending, many of the achievements of the Wisconsin tradition now find themselves under threat. As in most states, Wisconsin's proposed budget for the next biennium reduces commitments to many programs, including those for the poor. Wisconsin's proposed budget includes reductions in the state EITC program, which the Wisconsin Poverty Measure shows is reducing poverty for working families, especially those with young children. The 2011-13 Biennial Budget proposal currently under consideration includes changes to reduce outlays for Wisconsin's BadgerCare program and other low-income support programs.

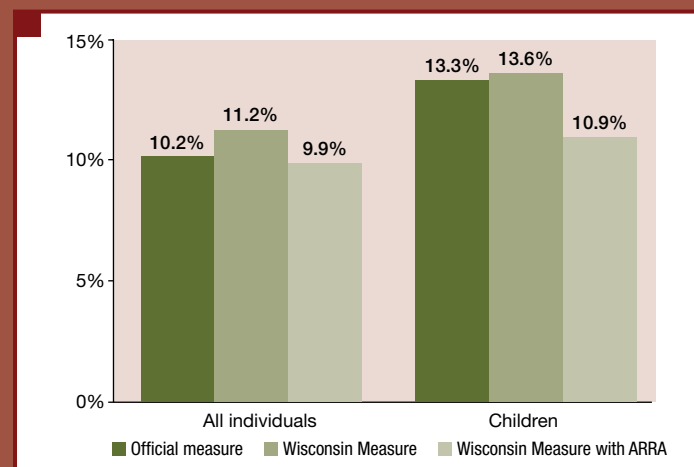
It's of course possible that the Wisconsin Idea could be implemented in reverse. That is, insofar as a decision is indeed made to cut subsidies and have a somewhat a higher poverty rate, the objective should be to do so in a way that generates the most savings at the least damage to families, children, and the labor market. The continuing relevance of the Wisconsin Idea is that it forces us to ask whether a reduction in the state EITC program and other proposed changes in labor market policy have any evidence-based justification. As R. David Myers has noted, the Wisconsin Idea in its original form has public universities examining which policies and programs "benefit the greatest

FIGURE 1 Effect of noncash benefits, medical out-of-pocket expenses, and work-related costs on Wisconsin poverty rates in 2008.



Source: IRP tabulations of 2008 American Community Survey data augmented with state administrative data, Wisconsin Poverty Measure methodology.

FIGURE 2 Poverty rates under the Official and Wisconsin Poverty Measures, and under the Wisconsin Poverty Measure with selected ARRA policies simulated.



Source: IRP tabulations of 2008 American Community Survey data augmented with state administrative data, Wisconsin Poverty Measure methodology, and simulated policies under the American Recovery and Reinvestment Act.

number of people." The reverse formulation, then, should have them assessing which cutbacks harm the fewest number of people and do the least damage to the programs' efficacy. Whatever decisions are taken, we can be sure that they will be closely watched, given Wisconsin's legacy as a leader and innovator in antipoverty policy.

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A conceptual illustration of a hand holding a funnel. The funnel is positioned at the top, with its wide opening facing upwards. Inside the funnel, a large stack of US dollar bills is piled up. From the narrow neck of the funnel, several hundred-dollar bills are shown falling outwards, appearing to be scattered in the air. The hand is positioned at the bottom, with its palm facing upwards, holding the narrow end of the funnel. The background is a dark, textured surface with a pattern of small, light-colored circles, possibly representing a floor or a wall. The overall color palette is dominated by the green and white of the money, with the skin tones of the hand and the dark background providing contrast.

# TAXING THE POOR

*How Some States Make Poverty Worse*

BY KATHERINE S. NEWMAN  
AND ROURKE L. O'BRIEN

**In the fall of 2007, Alabama Arise, a coalition of congregations and organizations based in Montgomery, Alabama, mounted a campaign to persuade the state legislature to cancel the sales tax on food for home consumption, a levy that—between state and local taxation—was adding as much as 12% to consumers' grocery bills. State taxes of this kind hit everyone, rich and poor alike, in the pocketbook. But Alabama citizens at the bottom of the ladder, who live at the very edge of survival to begin with, were finding themselves unable to feed their families at the end of the month. Looking to stretch the dollar or the allotment of food stamps, poor families were going without or switching to cheap food that fills the stomach, but leads to obesity and all the damaging consequences that follow.**

Twenty senators had promised their support. One more was needed to pull the measure over the threshold. Arise was convinced they had a winning strategy. Instead of going after comprehensive reform of income, sales, and property taxes, they proposed a modest plan: eliminating the state portion of the grocery tax, expanding family-friendly income tax deductions, and capping a lopsided deduction that benefited those at high incomes. The requisite three-fifths vote seemed within reach; only one more senator was needed. To the lasting disappointment of the reformers, none of the opponents broke ranks. The measure failed once again, leaving Alabama, one of the poorest states in the country, with the dubious distinction of being one of only two states to exact the full sales tax on food. For the poor and the near-poor, the consequences are dire.

Alabama and Mississippi exact the highest tax levies from the poor, but they are not alone. Most of the Southern states rely on regressive taxation of this kind and have done so for decades. Property taxes are a mirror image in that part of the country; they are very low and have been that way for a long time. Accordingly, compared to states in the Northeast, wealthy people are able to escape tax burdens while the poor are burdened with them, to their detriment in terms of longevity, health, education, and family structure. While these outcomes are familiar to most researchers interested in inequality and poverty, the role that regressive taxation plays in their distribution and magnitude is a little-studied aspect of fiscal sociology. We argue it is time to “bring tax back in.”

Although it is commonplace to point to the states as “laboratories of democracy” and crucibles of policy experimentation, the policy domains that attract attention tend to be limited to education, housing, and welfare policy. Yet in some respects, the most critical instrument that policymakers have at their disposal for alleviating poverty—the tax system—remains in the shadows. Divergent state policies determine how much money is left in the hands of poor families, a fact that is not well understood in antipoverty circles. The argument that we lay out in the following pages is that in the last three decades, states and localities have pursued sharply divergent tax policies that have a direct impact on the resources poor households hold at the end of the day.



FIGURE 1 State and local income tax liability for a family of three at the poverty line, by region, 1982–2008.

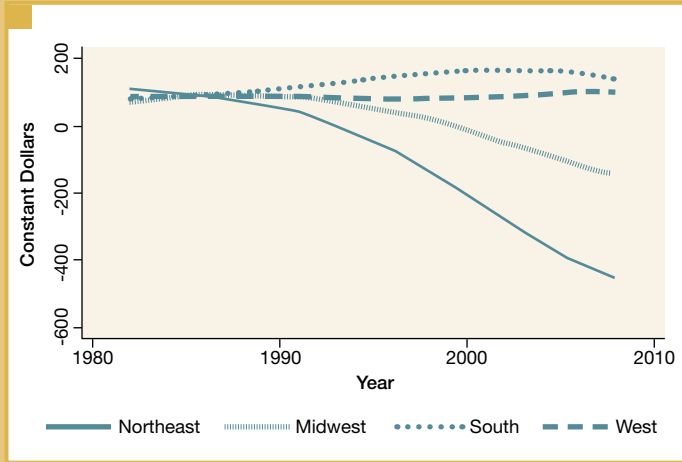


FIGURE 2 State and local sales tax liability for a family of three at the poverty line, by region, 1982–2008.

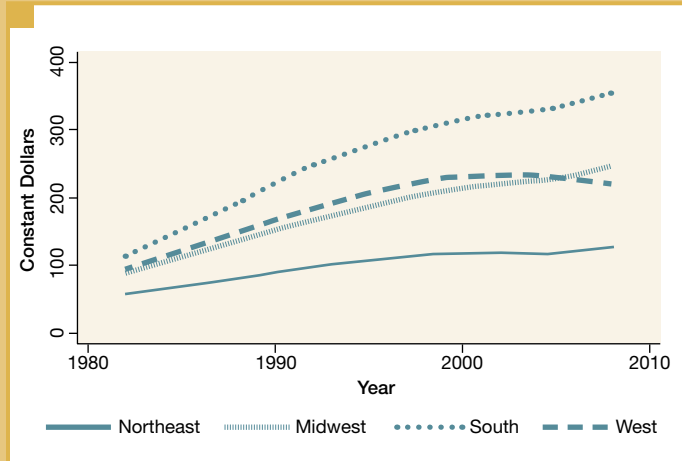
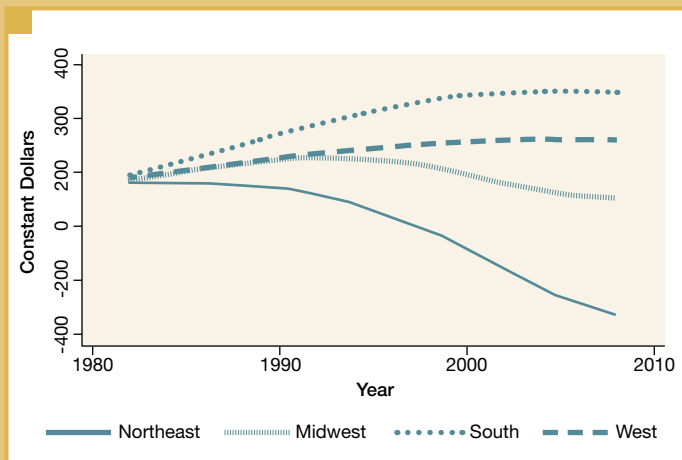


FIGURE 3 Total state and local tax liability for a family of three at the poverty line, by region, 1982–2008.



Our purpose here is to spotlight taxation’s unrecognized impacts on the nation’s poor. We argue that much of the action in these impacts lies at the state and local level, rather than at the federal level where most social science research on taxation has focused. In particular, we examine the role of regressive taxation and argue that overreliance on sales taxes has had a punishing impact on the poor in many states. Particular regions of the country have, for historical reasons, moved in that direction over time. Although the origins of the divergence lie in the distant past, this is not a historical artifact; the regional divergence in tax regimes has actually grown over the last 25 years. Hence, it makes a big difference for a poor household to be located in the South—and increasingly the West—as opposed to the Northeast, even after controlling for the cost of living, the racial composition of the states, poverty levels, or state expenditures. As such, these states offer a poignant lesson in “what not to do” when it comes to alleviating poverty through the tax system.

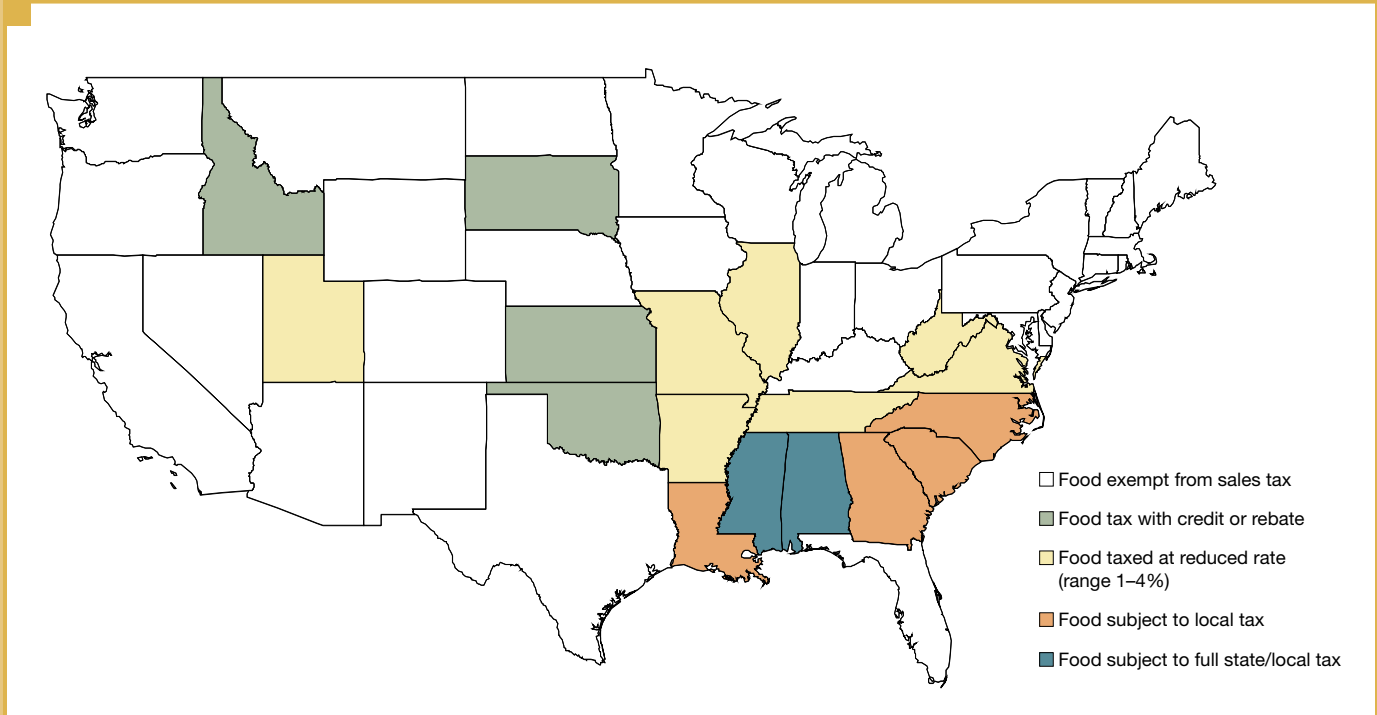
### Diverging Destinies

Southern states have long favored the use of sales tax for funding the public sector, in sharp contrast to most northern states, which rely more heavily on progressive property and income taxes. Indeed, this story begins at the end of Radical Reconstruction when the Deep South first shifted to sales tax and then began to impose supermajority rules and constitutional limits on spending to limit the use of any other kind of taxation. Because of these divergent trajectories, the states entered the modern era with markedly different tax regimes.

Estimating the tax burden on the poor is a complicated endeavor (a process we discuss at length in *Taxing the Poor*). Briefly, using data drawn from state income tax returns, administrative data on sales tax rates, and information on patterns of household consumption, we estimated the income and sales tax burden for a hypothetical family of three for every state. We then repeated this exercise using data for every year from 1982 to 2008. This provides us with a picture for the taxes paid by the “Jones family” both across states and over time.

Figure 1 displays the average state income tax paid by our hypothetical family in each region from 1982 to 2008. Here we see that over the past 25 years, many Southern and Western states increased income taxes on the poor while most Northeastern and Midwestern states significantly reduced the tax burden on those below the poverty line. By 2008, most poor families in the Northeast actually had a *negative* state income tax liability, that is, they actually received a rebate in the form of a State Earned Income Tax Credit (EITC) or other refundable credit. Figure 2 shows the trend in the sales tax; here we see that the Northeastern and Midwestern states are relatively flat, whereas the West and particularly the South have increased the sales tax burden on the poor. Summarizing across all these data (Figure 3) unearths a remarkable trend: Since 1982, the total state and local tax liability (income and sales) for a family of three at the poverty line has increased in the Southern and, to a lesser extent, Western states while the burden has declined in the Midwestern and, most dramatically, in the Northeastern states.

FIGURE 4 Figure 4. Tax treatment of food for home consumption, 2008.



### Taxation and Poverty-Related Outcomes

But does this increasing regional divergence and—in the South and West—increasing tax burden on the poor help us to understand regional variation in the poverty-related outcomes we care about?

The poor in the Southern region are at a greater disadvantage than their counterparts in other parts of the country *because* the state and local tax burdens they face make them even poorer. A particularly pernicious driver of these differences lies in the sales taxes the poor must pay (alongside the non-poor), especially the food taxes that many Southern states and localities assess. That tax policy is making a bad situation considerably worse. Our statistical models show that across time, states that increase taxes on the poor do considerably worse on aggregate measures of health (mortality) and crime (aggregate property and violent crime rates) as well as social indicators (high school completion and out-of-wedlock births).

Why should taxation make such a difference? Well, money matters. When the poor lose more of their income to taxation, it weakens their already vulnerable position, which has repercussions for aggregate measures of crime, health, family formation, and educational attainment. But we were also interested in exploring if there were any knock-on consequences to the type of tax used to extract revenue from the poor. As we noted above, many Southern states are unique in that they tax food for home consumption (Figure 4). We know there is a connection between the price of food and obesity; when faced with a limited bud-

get, low-income families typically opt for cheaper, high-calorie, low-quality foodstuffs over relatively more expensive, healthful, fresh products. By increasing the cost of each item, a sales tax may therefore lead some low-income families to consume less nutritious food in an effort to stretch their budget. Sales taxes on food, therefore, may be one explanation for the fact that obesity rates are higher in the South than in the rest of the country. We conducted another series of statistical analyses to test this proposition and found that indeed, high sales taxes on food is related to higher rates of obesity in the population of Southern states.

### What Is to Be Done?

At the federal level, the poor have fared relatively well over the last 25 years. The advent of the Federal EITC has had a salutary impact on the nation's low-income households, dropping their federal tax burden by nearly 200 percent. To the extent that social scientists focus on taxation, this is the story we know, and it is both positive and universal (for working poor families). The real action in terms of divergence is to be found in the states. There we see profound differences that hit Southern and increasingly Western pocketbooks much harder.

The reliance on regressive taxation—undergirded by supermajority rules and limits on taxation and spending—has hammered the poor both by taking money from the pockets that can least afford it and by stripping states of the revenue they need to run first-class institutions that could potentially equalize or at least take a stab at improving the public services that support

better life chances for the poor. This strategy is self-defeating; it is costing these states more every year in lives lost prematurely, young people descending into poverty in greater numbers than they should, and crime, which takes a toll on everyone. It will take a monumental effort to change course and place the South on a trajectory that is dependent on the federal government and better able to support the infrastructure and human capital requirements of its citizens. The cost of doing otherwise is simply too high for the people of the Southern states, and it may become so in the West as well.

What, then, are the alternatives? We offer two ways of thinking about policy directions. One emphasizes redressing some of the most regressive aspects of existing sales tax, without contemplating its elimination. The other takes into account the challenge of reversing course at the state level and hence focuses instead on reducing the influence of states altogether on the fundamental social policies which every American should be entitled to, regardless of their residential location.

Most states make use of sales taxes, but not all of them are as punishing to the poor as the Southern states. Some achieve a more equitable solution by exempting basic necessities like food for home consumption. We should mount a national campaign to follow suit in the Southern states and any other region of the country where basic foodstuffs are taxed and continue with an initiative designed to eliminate sales taxes on medicine and clothing.

Another means to redress regressivity is to follow the lead of states that rebate sales tax on a means-tested basis—tilting heavily toward low-income families—or refund money through earned income credits. At a minimum, one could use the annual consumer expenditure survey to calculate the amount the Jones family would need to pay for a healthy diet and rebate at least that much to households that are currently paying into the system.

The Federal EITC is by far the most effective way to put resources in the hands of working poor families. Some recent deficit-reduction proposals have proposed to eliminate this federal tax provision on the grounds of “shared pain.” We should recognize, first and foremost, what a catastrophe any such move would represent. It would instantly plunge poor families deeper into deprivation by removing one of the most important and effective redistributive mechanisms we have.

Assuming this is not genuinely on the table, we note that it is the refundability of the Federal EITC that makes it so important. It actually puts much-needed dollars in the hands of low-income families. Twenty-four states have recognized the wisdom of the approach and have enacted statutes of their own, but they are not all created equal. Some are more generous than others in that they send families checks because the liability falls below zero. Encouraging (and even rewarding) the other 26 states to enact their own refundable EITCs would also be a boon, particularly in the Southern states. Spreading childcare tax credits and making them refundable as well would have similar positive consequences.

Still, making tax systems more progressive will not solve the central problem facing the South and increasingly the Western states, which, following California’s Proposition 13, are becom-

ing ever more reliant on regressive taxation. In the South, the situation is more egregious because there is too much need and too few resources. A more progressive taxation scheme may be able to generate slightly more revenue—and will ensure that the poor are able to hold on to more of their earnings—but it will not be enough to fund social programs and education on par with the rest of the country without significant federal intervention.

As long as major social policies remain in the hands of the states, we are likely to see interregional inequality persist. This is only partly because the states that are least generous are also the most conservative. The current system requires the poorest states to provide for the poorest citizens by generating revenue for programs like Temporary Assistance for Needy Families (TANF) and Medicaid from the weakest tax base. What are the prospects for shifting some of the power to set eligibility and benefit levels federally?

America’s federal structure has resulted in 50 distinct welfare states—each with the responsibility of providing for its poorest citizens. Wealthier states, blessed with either a deep tax base or fewer needy citizens, or both, can afford to provide much more than those states burdened with the double whammy of poor citizens and, consequently, a shallow tax base. American social policy in the twenty-first century is largely a federal story, with Washington playing an increasingly central—and equalizing—role in the financing of education, welfare, and health care. But, as students of welfare reform can attest, states continue to play a central role.

We think that needs to change. Specifically, we believe that the major safety net programs, particularly TANF and Medicaid, should be regulated and financed at the federal level, just like food stamps, Supplemental Security Income (SSI), Medicare, and Social Security. We can follow the advice of the National Research Council’s recommendations, included in a report on changing the way we calculate the national poverty line, and adjust payments to take into account regional differences in the cost of living. But the basic principle, that all American families are entitled to safety nets of equivalent value, should be made real by taking states out of the equation. The long history of Social Security and the GI Bill, to name two major social policies that have had durable effects on mobility and economic stability for millions of American families, tells us why this is so important. It took decades to redress the racial inequalities that emerged in the administration of these critical programs because they were left in the hands of the states (a requirement Southern senators insisted on if they were not to torpedo the central provisions of the New Deal). Leaving these decisions in the hands of states and localities introduces inequalities that punish the poor if they happen to live in states that are unwilling or less able to address their needs.

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SPOTLIGHT ON...

## Family Independence Initiative

BY ESRA BURAK

There's a formula of sorts that underlies conventional interventions focused on helping low-income families in crisis. The first step is to stabilize the family; the second step is to provide a plan of action formulated by caseworkers and other professional advice-givers; and the third step is to provide access to programs or resources that allow low-income families to follow this advice. It's therefore a top-down formula in which families are treated as recipients of a professional plan of action.

We recently had a chance to speak with Maurice Lim Miller, the founder of Family Independence Initiative (FII), which takes a radically different approach. The charge of FII is in itself quite conventional, namely, to assist low-income working families (as defined by earning less than 50 percent of local median income). The members of these families may work as landscapers, cleaners, cashiers, fast food workers, and any number of other low-wage jobs.

Although FII's charge may be conventional, the way in which it takes up this charge is not. The FII philosophy is that rather than telling poor families what to do, it's better to provide a context in which they can discover for themselves what's important to them and how they can best achieve those goals. The FII credo is that "like middle and upper class families, most low-income families are capable of taking tangible steps towards establishing control and choice in their lives. What these families lack is

Photo: Sack race at a summer picnic organized by FII families



sufficient capital and access to opportunities and information.” The FII approach is thus defined not so much by what it does for low-income families as by what it doesn’t.

Staff members at FII are not allowed to advise families precisely because FII’s philosophy is to let families take the initiative and devise their own plans. What types of goals do FII families typically settle upon? The common ones are improving their children’s grades, graduating from high school or college, starting a small business, saving up to become a homeowner, improving their family’s health, or broadening their social networks.

Once a goal or plan is settled upon, FII encourages and supports it with matching funds, fellowships, and small amounts of money (typically just \$25–\$30 for each activity undertaken). In their monthly meetings with an FII liaison, families are asked to report the plans they are making to improve their situations, and families make more money for each new activity they undertake while making progress. According to both the families and external evaluators, the main reason FII is successful is not principally the monetary rewards; rather, it’s the intrinsic motivation fueled by a commitment to independent decision-making and a belief in each family’s ability and responsibility.

The FII formula is distinctive also for drawing explicitly on social network principles. Families typically apply to FII in groups of five or six, and these groups are then jointly responsible for the success of all, rather like a credit circle or a microlending program. In this way, FII strengthens the participants’ peer networks, giving them a new group they can turn to for support, suggestions, and help.

This approach has attracted much attention of late. Most notably, Miller was recently invited by President Obama to join the White House Council for Community Solutions, a council comprising 25 members who, in President Obama’s words, have



Above: FII honors its Community Fellows at its annual ceremony  
Left: New friends at a mixer organized by FII families

each “dedicated their lives and careers to civic engagement and social innovation.” According to Miller, the main virtue of this recognition is that it refocuses attention on a group that’s too often an “invisible population,” toiling away without much public understanding and without much support from social services.

Is FII just a flavor-of-the-day intervention? The plain facts of its results suggest otherwise. In a recent analysis of 86 households (comprising 344 individuals) in Oakland, San Francisco, and Hawaii, it was shown that average income among participants increased by 23 percent, savings increased by 240 percent, home ownership increased by 15 percent, and the number of new businesses increased by 19 percent (within the first two years of joining). In addition, 2010 data from a sample of FII families in San Francisco show that despite the economic recession, 8 of the 32 families dropped their Section 8 and CalWORKS subsidies, and only two new families began using food stamps. The benefits of FII have also been shown to be long-lasting. When FII recently sampled families who were enrolled in the first FII program in 2001 in Oakland, these families, who are no longer formally part of FII, were still making impressive progress. It appears that FII induces a planful orientation that delivers over the long haul.

The FII approach also reveals, Miller says, just how hard the working poor are working. As Miller states, “There’s a heavy stereotype that people who are poor don’t work hard, don’t take initiative, and really just want to be on welfare.” Miller’s goal is “to prove that we have 30 million households that work very hard and that if we recognize the initiative they take and the talent that they have, they can become even more productive and less prone to crises.”

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# Race to the Bottom

BY DIANE RAVITCH

Momentous changes are occurring in American education, and they are occurring at a rapid pace, with far too little deliberation about the value and the likely consequences of these changes. As usual, these changes will disproportionately hurt our nation's poorest children, ill-equipping them to compete or succeed in the 21st century economy.

These changes are being driven by the federal Department of Education's quiet but firm assumption of control of the nation's public schools. This is not an overnight development. Secretary of Education Arne Duncan is building on the precedent established by President George W. Bush's No Child Left Behind (NCLB) program, which established a strong federal presence in every public school district. NCLB not only required the states to create a testing and accountability regime for every public school in the nation, but it prescribed the sanctions that would be applied to schools that did not make adequate yearly progress. Acting without regard to research or evidence, NCLB dictated that every student in every school would be proficient by 2014, a goal that has never been attained by any state or nation in the history of humankind. As that date draws nearer, more and more schools will be stigmatized as failing because of their inability to reach a goal that was unrealistic from the start. And as they fail, they will suffer harsh penalties; they will be compelled to close, to fire the principal, to fire all or part of the staff, to be taken over by the state or a private management organization, or to "restructure" in some other fashion. And given that these schools are more likely to have disproportionate numbers of poor children, it is precisely the schools that serve our poorest children that will bear the brunt of our misguided policies. It is precisely in the

poorest communities that school closings and staff firings will be concentrated.

NCLB has been a costly disaster. None of its prescribed remedies has been successful as a template for turning around a low-performing school. No school was ever improved by closing it. Few schools see results if they are handed over to the state or private management, and thus far, restructuring has demonstrated little or no success. Indeed, according to a study by the Center on Education Policy in Washington, D.C., more than 3,500 public schools were in the planning or implementation phase of restructuring in 2007–2008. Yet “none of the five federal restructuring options were associated with a greater likelihood of a school making AYP [adequate yearly progress] overall or in reading or math alone.” Low-performing schools can improve—and there are many examples of such improvement—but there is no model that Washington can prescribe or dictate to make it happen. When low-performing schools improve, it is almost always the work of an inspiring principal and a dedicated staff, whose efforts are enhanced by professional development, a strengthened curriculum, a culture of collaboration, greater access to resources, better supervision, reduced class size, extra instructional time, and other common sense changes.

NCLB’s legacy is this: state accountability systems that produce inflated results; widespread cheating to meet the annual targets; a curriculum with less time for history, science, and the arts; teaching to the test; and meager academic gains on the National Assessment of Educational Progress. The gains in student achievement were actually larger before the passage of NCLB, and the racial achievement gap narrowed most significantly in the 1970s and 1980s. NCLB mandates that by 2014 all students are to have met proficiency, which is a utopian goal. No state or district is likely to meet it, even though each state defined proficiency on state tests for itself. Secretary Duncan predicted early in 2011 that more than 80% of the nation’s schools would be declared “failing” by NCLB standards within a year. If the law is not changed by 2014, nearly all public schools will be “failures,” because one group (usually students with disabilities) have not reached proficiency. This too is the legacy of NCLB: a widespread public perception that the public schools have “failed” because they are unable to meet the law’s demand for 100 percent proficiency. This perception of failure erodes public confidence in public education and sets the stage for privatization.

Instead of admitting that NCLB has been an expensive and demoralizing failure, President Obama and Secretary Duncan have accepted its fundamental premise that students must be tested annually and that schools and teachers must be subject to harsh punishment if they are unable to raise test scores. Their Race to the Top program will make student test scores even more consequential than they were under NCLB.

Race to the Top received funding of \$4.3 billion from the economic stimulus plan enacted by Congress in 2009. Secretary Duncan used this money to launch a competition among the states at a time when every state was facing fiscal meltdown. To

become eligible, the states had to enact changes that most were unlikely to make without the lure of the federal cash. Hoping to win a share of the billions, some states lifted their caps on charter schools; some passed laws to evaluate teachers in relation to their students’ test scores; others agreed to “turn around” low-performing schools by adopting the punitive measures favored by the Obama administration; many embraced newly created national standards in mathematics and English language arts.

Secretary Duncan recognized early on that NCLB is a toxic brand and will drop the name in the administration’s proposal for reauthorization of the Elementary and Secondary Education Act. But much will remain familiar. Like the Bush administration, the Obama administration will continue to emphasize test-based accountability, merit pay, and choice. All of these are traditional elements of the Republican approach to school reform. Now, they have become the bipartisan consensus.

The mainstream media have applauded the Obama administration’s bold plans to remake American education but have been strangely incurious about the evidence supporting it. In fact, there is little to no evidence for any part of this agenda. It is a risky venture, not only because it involves the expenditure of billions of dollars (leveraging billions more that will be spent by the states), but because it sets the nation’s schools on a course that is unlikely to lead to meaningful improvement in the quality of education. This strategy may ultimately lead to even greater public dissatisfaction with public education and accelerate the movement toward privatization.

The Obama education reform program is indeed muscular. It is brash and confident in claiming to know precisely what is needed to reform American schools and raise student achievement, especially for poor and struggling students. It represents a remarkable expansion of the federal role into what has traditionally been the province of state and local decision-making. If there were incontrovertible proof that the nation’s schools would improve dramatically by taking the required steps, then there might be good reason for the federal government to take such assertive action. But incontrovertible proof does not exist for the federal government’s agenda. Neither President Obama nor Secretary Duncan can point to any district that has applied their reforms and seen dramatic improvement. What we have seen instead is a rash of cheating scandals, most recently in Atlanta, where teachers and principals allegedly changed students’ answers on standardized tests, either to win bonuses or avoid dire consequences. Only months earlier, a similar cheating scandal was revealed in Washington, D.C., where more than half the schools were under investigation because of a high rate of erasures. Where there have been dramatic changes in test scores, heightened scrutiny is called for.

Consider charter schools, which are now receiving royal treatment by the media. In 2010, three commercial films featured charters as the miracle cure for education, a beacon of hope especially for disadvantaged and minority students. There are currently more than 5,000 charter schools in the nation. Some are excellent, some are terrible, and most are somewhere

in the middle. On the whole, charter schools do not produce higher test scores than regular public schools. The CREDO national study, conducted by Stanford economist Margaret Raymond, compared nearly half the nation's charter schools to similar traditional public schools and concluded that only 17 percent of the charters got higher math scores than the public schools. The remaining 83 percent of charters were either no different or worse than neighboring public schools.

When viewed through the scores on the National Assessment of Educational Progress (NAEP), the federal testing program that is considered the gold standard, charter schools achieve no miracles. Having been compared to regular public schools by NAEP in 2003, 2005, 2007, and 2009, charters have never outperformed regular public schools, not in reading or mathematics. Whether one looks at the performance of Black students, Hispanic students, low-income students, or urban students, the two sectors produce similar results. To put it plainly: Charter schools are not a panacea for solving the academic problems of poor and disadvantaged children. Nonetheless, the Obama administration is betting on charters as one of its key levers to reform American education.

Another reform that is supposed to lead to dramatic improvement is evaluating teachers by their students' test scores. In hopes of winning federal dollars, several states have passed laws to base as much as 50 percent of teachers' evaluation on test scores. The results of tying teacher evaluation, compensation, and tenure to student test scores are predictable: There will be more teaching to the test; more time devoted to test preparation rather than instruction; and a consequent narrowing of the curriculum. The current generation of multiple-choice, standardized tests are designed to measure a band of skills, not teacher quality. Test publishers have always warned that the tests should be used only for the purpose for which they were created. A test of fifth-grade reading skills tests fifth-grade reading skills, not teacher quality.

Researchers have found that teacher effects, when measured this way, vary from year to year because scores are influenced by many factors other than teacher quality. Students are not randomly assigned to teachers. A teacher will get great results one year because she had a "good" class, but poor results the next

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year because the class had a few disruptive students. Test scores will also be affected by extraneous events, such as whether students got a good night's sleep, had a quarrel with a friend, or were distracted. These vagaries and "measurement errors" are likely to be even greater when applied to teachers working with students in our most difficult schools—after all, research has well documented that these students come to school carrying the baggage of poverty-related problems that generate such measurement errors. Mathematician John Ewing warned recently in an article titled "Mathematical Intimidation" that value-added measures are not appropriate to determine teacher quality and that data are being misused to intimidate the unwary. Ewing was especially scornful of the way teachers in Los Angeles were brow-beaten by journalists from the Los Angeles Times, wielding ratings declaring them to be "ineffective," despite the ratings of their principals and other evidence of their quality.

Furthermore, the more that policymakers attach high stakes—rewards and punishments—to test scores, the more they should expect to see cheating, gaming the system, inflated scores, and other efforts to

hit the target. In recent years, even state education departments have gamed the system by lowering the passing mark on state tests, thus lifting their results without improving education.

Once this regime is well established, we can expect to see more attention to basic skills and less time for history, science, the arts, geography, civics, foreign languages, and even physical education. And as test preparation intensifies, we can expect to see students who master test-taking skills without necessarily becoming better at reading and mathematics. After nine years of NCLB, remediation rates in college have not declined. Some districts and states are producing higher test scores but no better education because students are learning to pass the state tests but are not learning to comprehend complex material that requires background knowledge, nor have they mastered the mathematics required for entry-level courses in college. As the economy continues to favor the college educated and the set of "21st-century skills" taught therein, our poorest and most disadvantaged children will continue to be dealt a losing hand.

Another hallmark of federal policy in this administration is punitive action against low-performing schools. When the



President and the Secretary saluted education officials in Rhode Island for threatening to close the only high school in the state's poorest urban center, they sent a message that was heard across the nation: Schools that have low scores should be shut down or turned into charters or privatized; their staffs should be fired. (Central Falls High School in Rhode Island was not closed, but large numbers of teachers quit and the school continues to be troubled by dissension and mistrust between teachers and administrators.) The problem with these approaches is that there is no evidence that any of them will consistently produce better education for the students in those schools. Closing a school is no guarantee that whatever replaces it will be better. Most of the schools that are identified as low-performing are sure to be schools that enroll large numbers of poor students, students who speak limited English, students who are homeless or transient. By its words and actions, the administration seems to assume that a school gets low scores because it has a bad principal or bad teachers.

But the staff may be heroic in the face of daily challenges; they may be operating with fewer resources than schools in affluent neighborhoods. Absent individual evaluations, it seems unfair to conclude that the staff is failing.

No nation with a high-performing school system is following the policies advocated first by the Bush administration and now by the Obama administration. High-performing nations make sure that students have access to a rich and balanced curriculum, not just a steady diet of test preparation and testing. High-performing nations do not test every student every year, nor do they rely so heavily on standardized, multiple-choice tests. High-performing nations place their bets on a strong and well-prepared education profession. They prize highly educated teachers and treat them with respect. They insist on having principals who are experienced educators. And at the same time, our own policymakers seem to be promoting the de-professionalization of education, as more districts hire noneducators as superintendents and create programs to train newcomers and inexperienced teachers to become principals. This approach is not a good bet for the future.

If we are serious about improving our schools, we must select well-educated teachers, give them the support and men-

**No nation with a high-performing school system is following the policies advocated first by the Bush administration and now by the Obama administration. High-performing nations make sure that students have access to a rich and balanced curriculum, not just a steady diet of test preparation and testing.**

tors they need to succeed, and make sure that they are evaluated by principals who are themselves master teachers. We must insist that all students receive a curriculum that inspires a love of learning, one that includes the arts, history, science, civics, and other important and engaging studies. We must use tests for information and diagnosis; we must use them as part of an improvement strategy, not as a means to hand out money or pink slips. We must stop blaming educators for the social ills that get in the way of learning.

The work of school improvement involves small victories and occasional defeats. We must forego the search for silver bullets and dramatic transformations. Such strategies produce spectacular gains and equally spectacular losses in the financial markets. But these are risks we cannot take with our children, our schools, and our communities. Above all, we must treasure public education as one of the prime elements

of our democracy. We must not privatize it or give it away or outsource it. Nor should we set unrealistic goals that demoralize and punish those who do the daily work of schooling.

In this important work, the federal government certainly has an important role to play. Since 1965, the federal government has been responsible for supporting equitable funding for districts with many poor students, ensuring the rights of students with disabilities, defending the civil rights of students, making college financially accessible to greater numbers of students, and supplying accurate information and research about an American education. It does not have all the answers. We must take care not to invest our hopes in unproven, untried strategies.

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