



# Reducing Poverty the Republican Way

BY DOUGLAS HOLTZ-EAKIN

**Poverty is emerging as a pressing policy issue on both sides of the ideological spectrum. Certainly U.S. poverty is too high and, worse yet, has risen of late. Among prime-age adults (18-to-64-year-olds), poverty rates hovered between 9 and 11 percent for much of the period from the 1960s to 2007.<sup>1</sup> With the advent of the Great Recession, poverty peaked at 13.8 percent in 2010 and has fallen only to 13.5 percent in 2014.**

The recent rise in poverty is attributable to poor economic growth policies during the Obama administration, while the sustained high rates of poverty over the past 50 years are striking evidence that we need new approaches to support economic success.

It is time to chart a new course. In this short essay, I outline principles and policies that conservatives and Republicans should use to guide the agenda for the future.

### Principles for Poverty Alleviation

Four principles summarize the approach:

- Solve the right problem. The problem is *not* poverty. The problem is that too many Americans are not self-sufficient.
- All policies should be pro-work. Work is valued—it is a source of pride and self-esteem, as well as the dividing line between the poor and non-poor.
- Taxpayer dollars must be accompanied by accountability for outcomes.
- Federal programs will fail without a social foundation of better parents and stronger marriages.

To elaborate, it is important to not frame the problem as poverty. Poverty is the scarcity of material resources—money—and the temptation will be to “solve” the problem by providing just that: money. The failure of the Great Society programs to lower poverty in a sustained fashion is evidence against such an approach. Instead, the problem is insufficient ability and opportunity to work. A truly self-sufficient individual is the best insurance against poverty.

That is why all policies should be pro-work. It may seem obvious and simple, but the dividing line

between the poor and non-poor is work. In 2014, the poverty rate for those who worked full-time was 3.0 percent, while it stood at 15.9 percent for those who worked less than full-time for a full year and at a striking 33.7 percent for those who worked less than one week during the year.<sup>2</sup> Despite this clear message in the data, too many policy initiatives do not support work.

Consider, for example, the recent proposals to sharply raise the minimum wage to \$15. There is little doubt that such a sharp rise would dampen employment growth, especially in the sectors most reliant on low-skilled, low-wage workers. The only question at issue is just how much employment growth would be dampened. This amounts to a perverse, redistributive policy that takes money away from someone who would get a job (and does not) toward someone who has a job. In part for this reason, it is unsurprising that only 7 percent of the benefits of raising the minimum wage to \$15 would accrue to those in poverty.<sup>3</sup>

Working is crucial and beneficial, but it is not enough to guarantee self-sufficiency. The dividing line between less success and more success in the labor market is education and skills. There needs to be a ruthless and unceasing focus on educational attainment. Usually, this is interpreted as simply spending more. But that will not work unless dollars are matched with accountability for student attainment.

Educational and workplace success are not anchored in schools and businesses alone. Conservatives also have to promote a new “best practice” of childbearing and parenting. Put bluntly, society’s message must be that school comes first, followed by getting a job. Third, if so inclined, comes marriage.

And then, and only then, is it time to have children. The reality is that doing it in any other order is a recipe for poverty.

Conservatives must also be prepared to help by improving access to parenting education. It is essential that the younger and less educated prosper in both the family and work realms. This cannot happen through economic growth and economic opportunity alone. That familiar economics-based approach has not produced stable lifestyles and rising marriage rates. Conservatives need to focus as well on social norms.

### A Policy Agenda

What policies would transform these principles into a concrete path forward? Without pretending to be exhaustive, I present a sampling of potential initiatives below.

#### PRO-GROWTH MACROECONOMIC POLICIES

Certainly, the starting point for improving the opportunity for work is better top-line economic growth.<sup>4</sup> From a growth perspective, America's future is in jeopardy. Over the postwar period from 1947 to 2007, economic growth averaged 3.2 percent, which translated into a doubling of gross domestic product (GDP) per capita roughly every 35 years. The Congressional Budget Office (CBO) now projects that the potential for future growth will be only 2 percent; this implies that it will take 75 years to double the standard of living.

Improving economic growth is the great imperative of this age. If growth happens, the gains in economic opportunity will be widely shared. That is, despite progressive rhetoric to the contrary, faster economic growth will improve the opportunities for the poor, the middle class, and the affluent alike.

It is accordingly the obligation of every policymaker to pursue policies that raise economic growth. Faster growth means greater opportunity for families, a more secure fiscal future, and a safer United States. Policies entailing onerous regulation, high taxes, massive debts, and restrictive energy production can be reversed. A program of entitlement reform, tax reform, regulation reform, immigration reform, energy reform, and other improvements can reverse the growth decline.

#### A PRO-WORK SOCIAL SAFETY NET

Faster growth will not alone address the need to make more Americans self-sufficient. The United States needs a widespread reform of the social safety net to reward work. In doing so, there are two models that stand out. The Earned Income Tax Credit (EITC) has been perhaps the most successful anti-poverty effort. Unfortunately, to date it has focused on families with children, especially single mothers. One possibility is to expand the EITC for childless families<sup>5</sup> or noncustodial parents. Alternatively, it might be useful to rethink entirely the package of wage supplements<sup>6</sup> for low-income Americans who choose to work, a rethinking that might well entail consolidation, transparency, and simplification.

The second model is the welfare reform of the 1990s that connected receipt of Temporary Assistance for Needy Families (TANF) with work requirements. The reform was highly suc-

cessful and could be replicated across the range of low-income assistance programs.

#### IMPROVING EDUCATION AND SKILLS

Ultimately, broader self-sufficiency is fundamentally linked to better educational outcomes across the life cycle. On this simple observation, there appears to be bipartisan agreement. But progressives seemingly have only one "solution": spend more taxpayer dollars on programs ranging from universal pre-kindergarten (pre-K) to free college to tax credits for workplace training.

Instead, the federal government should employ a more flexible strategy, one that provides information regarding best practices to states and encourages them to expand existing pre-K programs. Rather than create entire new programs, it should reform and improve Head Start programs to impose accountability for outcomes, enhance parental engagement to support their children's best interests, and permit money to "travel with children" away from failing providers.

Similarly, in K-12 education, a starting point would be to reform the Title I program to move to performance-based funding and portability of funding. Progressives fear this is a recipe for the growth of charter schools and voucher-like programs, but what should matter is that federal dollars should come paired with accountability for outcomes and the ability of parents to exit failing schools.

There is room for reform of colleges and universities as well, especially in the programs that help to finance post-high school studies. To begin, the existing Pell Grant program should be more tightly targeted to those who need it; indeed, the targeting should be tight enough that those who receive Pell Grants should not also be borrowing to finance their education. In addition, Pell Grant recipients and schools should be held accountable for outcomes, with continued support requiring recipients to pass their classes and stay on track for a timely graduation.

The student loan programs should once again be supported by private capital. There is no reason to believe that the Department of Education is a high-quality lender. It is not. Borrowers should have data available to choose among schools and should have support from loan counseling programs.

Finally, training should be structured to make sure that workers seeking new skills or credentials from proven programs, such as coding "boot camps," have access to education funding.

#### A SOCIAL FOUNDATION FOR SELF-SUFFICIENCY

The foregoing is the easy part. The hard part is improving the social foundation so that these policies make a difference. For students to succeed in school, they have to arrive at school with a better chance of success. That means better parenting. Conservatives need to embrace the reality that high-quality parenting produces a learning advantage for children.<sup>7</sup> Policy should focus on ensuring that low-income parents can receive information on how their parenting can affect their children's physical, emotional, and intellectual capabilities<sup>8</sup> and growth. It means being willing to commit taxpayer dollars to evidence-backed programs

that assist the parenting of low-income parents.

It also means putting off having children until parents are genuinely prepared to be parents. Responsibly delaying child-birth means avoiding unplanned pregnancies. The evidence here points to education regarding birth control options as central to success.<sup>9</sup> Some conservatives will be uncomfortable with positions other than “abstinence-only” education, but abstinence-only education is not supported by the facts<sup>10</sup> and could undermine otherwise successful strategies.

The good news for conservatives is that the data also suggest that successful parenting and child outcomes are most reliably achieved when there are two parents in a committed marriage.<sup>11</sup> While there is no obvious program or policy to reverse the decline in marriage in the United States, conservative leaders should be unequivocal in emphasizing the importance of marriage for responsible childbirth, effective parenting, and self-sufficiency.

## Conclusion

Conservatives and Republicans have much to offer in the debate over prolonged, elevated rates of poverty in the United States.

Their contribution can move past mere (correct) critiques of the failure of the 50-year War on Poverty and the empty progressive strategy of pouring more taxpayer dollars into the same failed programs. Instead, they can offer a proactive agenda, an agenda that starts by solving the right problem—making more Americans self-sufficient. The resulting policies will be pro-work, will enhance skills through reforms that ensure that taxpayer dollars are portable and are always conditioned on accountability for outcomes, and will rest on the social foundation of better parents and stronger marriages.

How do the Republican candidates conform to this set of principles? To date, not very well. Their campaign websites are either silent on many of these issues or lacking in specific policy proposals. Some of the current and former candidates—Cruz, Kasich, and Bush—support expanding the EITC, but others do not. And certainly, there has been no discussion of the social foundation needed for self-sufficiency. ☆

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## Notes

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