

Pathways

a magazine on poverty, inequality, and social policy

Winter 2008



A New War on Poverty?

Hillary Clinton, Barack Obama, and John Edwards Weigh In
with commentary by Rebecca Blank, Robert Frank, and Charles Murray

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Editors' Note

The United States has an ongoing love affair with magazines about the economy. If supermarket shelves stocked with *BusinessWeek*, the *Economist*, *Forbes*, and *Fortune* are any guide, there is clearly much interest in how the economy is doing and what policies might generate more (or less) output. But strangely enough there are no popular magazines focused on how that output is *distributed*. This is surely a puzzle: If we care about the total output, shouldn't we care also about who is getting all that output? Why not a magazine on who's winning, who's losing, and why?

The obvious answer is that we don't typically regard the distribution of goods as manipulable by policy in the same way that we regard total economic output as manipulable by policy. The task of controlling the economy is of course rather like riding a tiger, but the conceit nonetheless is that we *can* ride it, albeit with the assistance of a massive policy apparatus in the form of a Council of Economic Advisers, the Federal Reserve, the Department of Treasury, and so on. And with that conceit comes all manner of magazines devoted to offering policy advice, to second-guessing the Fed, and to questioning whether the president's economic policy is right.

We don't have the same stock of magazines about how to distribute output because we don't have an equally well-developed policy apparatus that tends to matters of distribution. It is no accident that the Council of Distributive Advisers doesn't exist. If there is little in the way of policy apparatus for addressing matters of distribution, there can't be much of the second-guessing that magazines so love, and the advice industry performance remains undeveloped.

We are pleased to introduce a new magazine, *Pathways*, dedicated to rejuvenating the advice industry on issues of distribution, dedicated to the proposition that there are important policy decisions to be made about the distribution of output, even if we sometimes refuse to see them. As with policy making on total economic output, here too there are paths taken and paths not taken, and our job is to foster—to the extent possible—a rational discourse about those choices.

The magazine will go about this job in a resolutely scientific and empirical way. We will present trend data detailing the spectacular times in which we live, times in which some types of inequality are taking off, others declining, and yet others eerily stable. We will present evidence on which interventions work and which don't. We will present summaries of cutting-edge research that is changing how we understand the sources and consequences of poverty and inequality.

We will also build these regular features around a cover story that considers how poverty and inequality policy should be configured. It is fitting that our inaugural issue broaches one of the most basic questions of our time: How, if at all, might a new war on poverty be fought? In early November, we asked each of the top presidential contenders (at that time) to weigh in on this question, extending offers to participate to Hillary Clinton, John Edwards, Rudy Giuliani, John McCain, Barack Obama, and Mitt Romney. We are pleased that Hillary Clinton, John Edwards, and Barack Obama all chose to participate. The resulting essays, coupled with commentary by the leading scholars of our day, reveal a surprising new willingness to engage on issues of distribution.

One last caveat: If *Forbes* is a "Capitalist Tool," we will by contrast strive to avoid being anyone's tool. Should it be suspected otherwise, one need only read the essay by Charles Murray in this issue, and one need only take note of the heterogeneous politics of our stellar board. We are committed to a truly open debate on issues of distribution that is constrained only by evidence and brute facts.

—David Grusky & Christopher Wimer,
Senior Editors

Poorer by Comparison

Poverty, Work, and Public Policy in Comparative Perspective

By Timothy M. Smeeding

The United States is a famously parochial and “exceptional” country, but nowhere is it more parochial and exceptional than in its treatment of domestic antipoverty policy. By examining cross-nationally comparable measures of income and poverty, we can shed some of that parochialism and come to appreciate how our poverty compares to that of other nations, why we’ve embarked on the path we have, and where we might go in the future. Comparing recent trends in poverty rates across several nations can also help us understand the relative effectiveness of American social policy and, even more importantly, how it might be made more effective.

While every nation has its own idiosyncratic institutions and policies, reflecting its values, culture, institutions, and history, wide differences in success and failure in fighting poverty are evident from the comparisons that follow. All nations value low poverty, high levels of economic self-reliance, and equality of opportunity for young people, but they differ dramatically in the extent to which they realize these goals. In examining these differences, the United States does not always look very supportive of low-income families. Moreover, we could do much better at reaching these goals if we made it a national priority to help those who try to escape poverty through their own work efforts.

What Is Poverty?

While most rich nations share a concern over low incomes, poverty measurement began as an Anglo American social indicator. In fact, “official” measures of poverty exist in only the United States and the United Kingdom. In Northern Europe and Scandinavia, the debate centers instead on the level of income at which minimum benefits for social programs should be set and what level of income constitutes exclusion from everyday society, not on measuring poverty. Because Northern European and Scandinavian nations recognize that their social programs already ensure a low poverty rate under any reasonable set of measurement standards, there is no need to calculate poverty rates.

For purposes of international comparisons, poverty is almost always a relative concept. A majority of cross-national studies define the poverty threshold as one-half of the average family’s income. The official United States poverty line was 28 percent of this level in 2000, though it was 50 percent of this level in 1963 when it was first employed. I define poverty rates in the analyses that follow using this standard relative concept. The measurement utilized here is based on disposable cash income (DPI), which includes all types of money income, minus direct

income and payroll taxes and including all cash transfers, such as food stamps and cash housing allowances, and refundable tax credits such as the Earned Income Tax Credit (EITC).

What Do We Find?

Across twenty-one countries with fully comparable data, the overall poverty rate for all persons using the 50 percent poverty threshold varies from 5 percent in Finland to 20 percent in Mexico. The poverty rate is 17 percent in the United States, the second highest of all nations and the highest of all rich nations. The average rate of poverty is 10 percent across the twenty-one countries we observe here (Figure 1). Higher overall poverty rates are found, as one might expect, in Mexico, but also in Anglo-Saxon nations (United States, Australia, Canada, Ireland, and the United Kingdom), and southern European nations (Greece, Spain, Italy) with a relatively high level of overall inequality. But even so, Australian, Canadian, and British poverty remain below U.S. levels.

The lowest poverty rates are more common in smaller, well-developed, and high-spending welfare states (Sweden, Finland), where they are about 5 or 6 percent. Moderate rates are found in major European countries, where social policies provide more generous support to single mothers and working women (through paid family leave, for example), and where social assistance benefits are high.

On average, the percentage of children under age 18 who are poor is a slightly larger problem than is overall poverty in these nations, but the cross-national patterns are very similar (Figure 2). After Mexico, the U.S. child poverty rate is at 22 percent compared with the 12 percent average over these twenty-one nations. European child poverty rates are lower and Anglo Saxon rates higher among these nations, but the U.S. child poverty rate is more than 4 percentage points higher than in any other rich nation.

Many in America believe that the story of child poverty is one of poor immigrants, given the idea that immigrants are more likely than native citizens both to have low incomes and many children. But two nations with substantially higher fractions of children born to foreigners, Canada and Australia, both have substantially lower child poverty rates than the United States.

Why Are Persons Poor?

But what explains these differences? The short answer is that they result from two main causes: the amount of support we give to the poor (especially the working poor) and the level of wages paid in the United States compared to other nations. Redistributive social expenditures vary greatly across

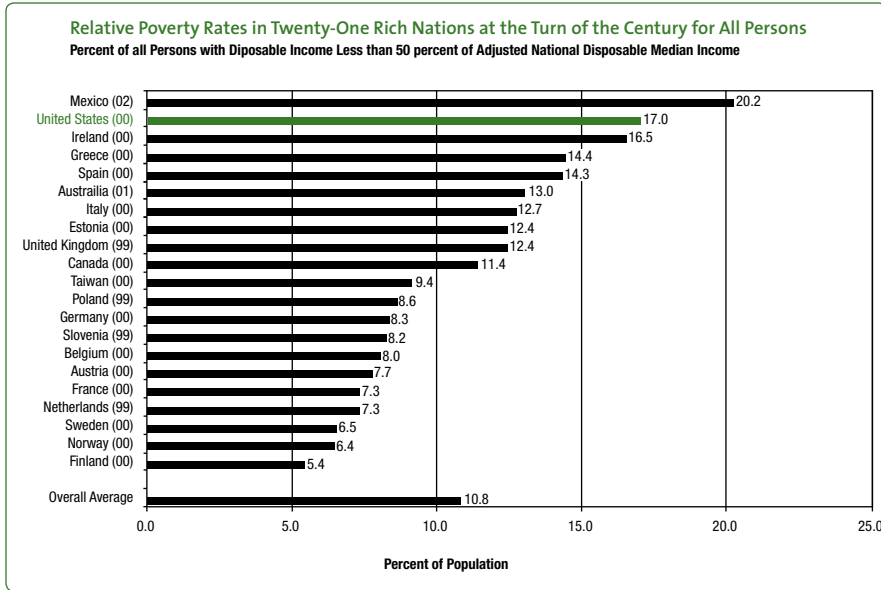


Figure 1

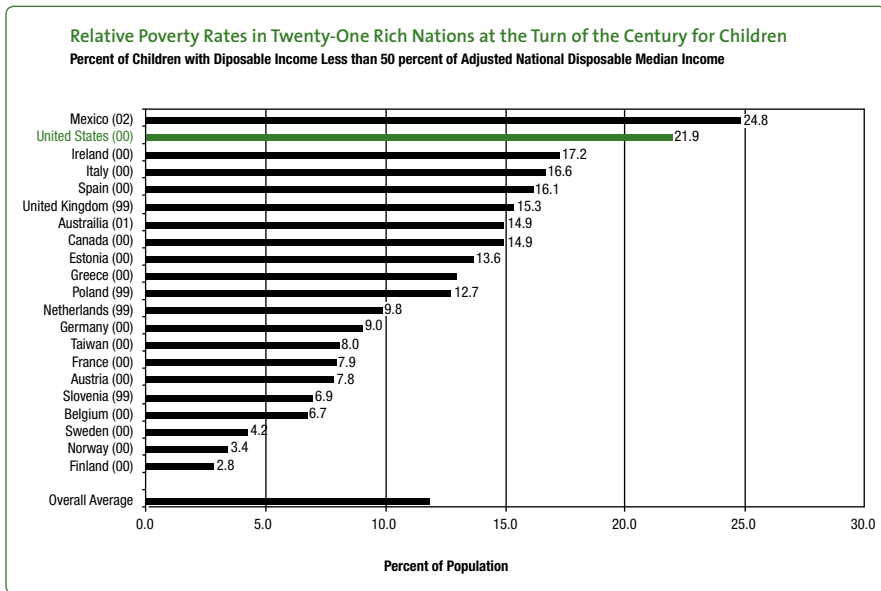


Figure 2

nations. Social expenditures (health, education, cash, and near cash support) as a fraction of total government spending in Organisation for Economic Co-Operation and Development (OECD) nations ranges from 67 percent in Australia to 90 percent in Denmark and Sweden. That is, 67 to 90 percent of all government spending is made up of redistributive cash or in-kind (health, education) benefits. Therefore, social expenditure constitutes most of what most governments actually do. The United States is significantly below all these others in levels of cash spending on the nonelderly and families with children. We spend about 3 percent of national income on benefits for these groups, a level closer to Mexico (which is at 2 percent) than to

any of the richer OECD nations (which are all spending at least 6 percent of national income on family benefits).

The United States also has the highest proportion of workers in poorly paid jobs, and the highest number of annual hours worked by poor families with children. Thus despite the larger work effort in the United States, our poverty rates are higher for two reasons: because our jobs pay low wages and because, even with high levels of low-wage work, U.S. antipoverty policy does less to compensate low-wage workers and lift them out of poverty than do other nations.

Of course, antipoverty and social insurance programs are in most respects unique to each country. There is no one kind of program or set of programs that are conspicuously successful in all countries that use them. Social benefits (such as child allowances or refundable tax credits) and targeted social assistance transfer programs for low-income populations are mixed in different ways in different countries. So, too, are minimum wages, worker preparation and training programs, work-related benefits (such as child care and family leave), and other social benefits.

The United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept or the family situations of those workers. For over a decade, U.S. unemployment has been well below average, and until recently American job growth has been much

faster than the average. A strong economy coupled with a few specific antipoverty devices (like the expanded support for low income workers through the EITC) has produced most of the poverty reduction of recent years. Despite these factors, the United States does not spend enough to make up for lower levels of pay, and we therefore end up with a relatively higher poverty rate than is found in other nations.

When There Is a Will

As Emmanuel Saez shows in this issue, the real incomes of Americans across the income spectrum did rise in the late 1990s, but they fell again after 2000. Most of the gains in

recent years have been captured by Americans much further up the income scale, producing a conspicuously wide gap between the incomes of the nation's rich and poor children, elders, and adults. In recent years, the U.K. and especially the U.S. economies have performed better than many other economies where income disparities are smaller. Employment growth has been relatively faster, joblessness lower, and economic growth higher than in most other rich countries where public policy and social convention have kept income disparities low. But if we compare child poverty in the United States with the United Kingdom, using the exact same poverty standards, we see a large difference in recent trends.

Child poverty in both nations began to fall without the help of policy from the mid- to the late 1990s, owing mainly to the strong wage growth and tight labor markets in both countries. Then, after 2000, the patterns of child poverty trends diverged, falling by about half in the United Kingdom as U.S. child poverty actually rose by several percentage points.

Why so? In 1997, Prime Minister Blair announced his nation would rid itself of high child poverty, and in 1999 he instituted a wide and deep set of policies to reduce child poverty. These included high-quality child care and extensive work supports, programs that combine welfare and work (not forcing low-income mothers to give up benefits and survive on work alone), and a working family tax credit (similar to the U.S. EITC program) to increase the return to going to work. As we entered the twenty-first century, when both economies turned sour, the United Kingdom continued to have policy-driven reductions in child poverty while the U.S. poverty decline stopped and even reversed. The poverty rate for U.K. children fell to 11 percent by 2004–2005, while the official U.S. child poverty rate was 18 percent in 2005, according to U.S. Census estimates.

The reason for the big improvement in the United Kingdom is that they had a leader who set a national goal of improving living standards and eradicating child poverty in Britain over the next decade, one who then matched that political rhetoric with large measures of real and continuing fiscal effort to reduce poverty, improve living standards, and support work. In Britain, former Prime Minister Blair spent an *extra* .9 percent of national incomes since 1999 for low-income families with children. Nine-tenths of a percent of U.S. national income is about \$120 billion. This is substantially more than we now spend on the EITC, food stamps, child care support, and other targeted programs combined. The result of this spending in Britain is that child poverty rates in 2000 were 45 percent below their 1999 level, while children's real living standards and the employment levels of their mothers also rose. Meanwhile, children in the United States enjoyed no such gains.

Where to Go From Here?

As long as the United States relies almost exclusively on the job market and low wages to generate incomes for working-age families, economic changes that reduce the earnings of

less-skilled workers will inevitably have a big negative effect on poverty among children and prime-age adults. Welfare reform has pushed many low-income women into the labor market and they have stayed there as welfare rolls continue to fall. Even with the \$25.4 billion spent on Temporary Assistance for Needy Families today, less than \$10 billion is in the form of cash assistance. The rest is now in the form of child care, transportation assistance, training, and other services, which do increase work, but do not address low pay. While the switch from cash to services has undoubtedly helped account for higher earnings among low-income parents, it has not helped move many of them from poverty. In fact, serious gaps with work assistance policies still exist, especially in the child care arena, family leave policy, and health insurance provision.

Labor markets alone cannot reduce poverty because not all of the poor can be expected to “earn” their way out of poverty. Single parents with young children, disabled workers, and the unskilled all face significant challenges earning an adequate income, no matter how much they work. The relationship between antipoverty spending and poverty rates is of course complicated, but the evidence discussed above is very suggestive. U.S. poverty rates, especially among children, are high when compared with those in other industrialized countries. Yet U.S. economic performance has also been good compared with that in most other rich countries. As the British have demonstrated, carefully crafted public policy can certainly reduce poverty if the policy effort is made.

Of course, the high direct and indirect costs of our child poverty are now widely recognized in public debate. The wisdom of expanding programs targeted at children and poor families depends on one's values and subjective views about the economic, political, and moral trade-offs of poverty alleviation. It is hard to argue that the United States cannot afford to do more to help the poor, particularly those that also help themselves via their work efforts. But it has not done so thus far. If the nation is to be successful in reducing poverty, it will need to do a better job of combining work and benefits targeted to low-wage workers in low-income families. There is already hard evidence that such programs produce better outcomes for kids.

If the political history of the United States is any guide, a 5 percent overall relative poverty rate is not a plausible goal. But a gradual reduction in the overall poverty rate from 17 percent overall and 21 percent for children to a level under, say, 12 percent is certainly feasible. This rate would represent a considerable achievement by U.S. standards, but it is worth remembering that this “target” poverty rate is higher than the average poverty levels in the twenty-one nations examined here and would still leave us just below the poverty levels of our Irish, Australian, British, and Canadian counterparts. ■

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Striking It Richer

The Evolution of Top Incomes in the United States

By Emmanuel Saez

The recent dramatic rise in income inequality in the United States is well documented. But we know less about which groups are winners and which are losers, or how this may have changed over time. Is most of the income growth being captured by an extremely small income elite? Or is a broader upper middle class profiting? And are capitalists or salaried managers and professionals the main winners? I explore these questions with a uniquely long-term historical view that allows me to place current developments in deeper context than is typically the case.

Efforts at analyzing long-term trends are often hampered by a lack of good data. In the United States, and most other countries, household income surveys virtually did not exist prior to 1960. The only data source consistently available on a long-run basis is tax data. The U.S. government has published detailed statistics on income reported for tax purposes since 1913, when the modern federal income tax started. These statistics report the number of taxpayers and their total income and tax liability for a large number of income brackets. Combining these data with population census data and aggregate income sources, one can estimate the share of total personal income accruing to various upper-income groups, such as the top 10 percent or top 1 percent.

We define income as the sum of all income components reported on tax returns (wages and salaries, pensions received, profits from businesses, capital income such as dividends, interest, or rents, and realized capital gains) before individual income taxes. We exclude government transfers such as Social Security retirement benefits or unemployment compensation benefits from our income definition. Therefore, our income measure is defined as market income before individual income taxes.

Evidence on U.S. Top Income Shares

Figure 1 presents the income share of the top decile from 1917 to 2005 in the United States. In 2005, the top decile includes all families with market income above \$99,200. The overall pattern of the top decile share over the century is U-shaped. The share of the top decile is around 45 percent from the mid-1920s to 1940. It declines substantially to just above 32.5 percent in four years during World War II and stays fairly stable around 33 percent until the 1970s. Such an abrupt decline, concentrated exactly during the war years, cannot easily be reconciled with slow technological changes and suggests instead that

the shock of the war played a key and lasting role in shaping income concentration in the United States. After decades of stability in the postwar period, the top decile share has increased dramatically over the last twenty-five years and has now regained its pre-war level. Indeed, the top decile share in 2005 is equal to 48.3 percent, a level higher than any other year since 1917, except 1928, which was the peak of the stock market bubble in the “roaring” 1920s.

Figure 2 decomposes the top decile into the top percentile (families with income above \$350,500 in 2005), the next 4 percent (families with income between \$140,100 and \$350,500 in 2005), and the bottom half of the top decile (families with income between \$99,200 and \$140,100 in 2005). Interestingly, most of the fluctuations of the top decile are due to fluctuations within the top percentile. The drop in the next two groups during World War II is far less dramatic, and they recover from the WWII shock relatively quickly. Finally, their shares do not increase much during the recent decades. In contrast, the top percentile has gone through enormous fluctuations along the course of the twentieth century, from about 18 percent before WWI, to a peak above 20 percent in the late 1920s, to only about 9 percent during the 1960s–1970s, and back to almost 22 percent by 2005. Those at the very top of the income distribution therefore play a central role in the evolution of U.S. inequality over the course of the twentieth century.

The implications of these fluctuations at the very top can also be seen when we examine trends in *real* income growth per family between the top 1 percent and the bottom 99 percent in recent years. From 1994 to 2005, for example, average real incomes per family grew at a 1.9 percent annual rate (implying a growth of 23 percent over the eleven-year period). However, if one excludes the top 1 percent, average real income growth is halved to about 1 percent per year (implying a growth of 12 percent over the eleven-year period). Top 1 percent incomes grew at a much faster rate of 6 percent per year (implying a 90 percent growth over the eleven-year period). This implies that top 1 percent incomes captured about half of the overall economic growth over the period 1994–2005.

The 1994–2005 period encompasses, however, a dramatic shift in how the bottom 99 percent of the income distribution fared. I next distinguish between the 1994–2000 expansion of the Clinton administration and the 2002–2005 expansion of the Bush administration. During both expansions, the incomes of the top 1 percent grew extremely quickly, as seen in Figure 2, at an annual rate of over 10 percent. However, while the bottom

99 percent of incomes grew at a solid pace of 2.7 percent per year from 1994–2000, these incomes grew less than 1 percent per year from 2002–2005. Therefore, in the economic expansion of 2002–2005, the top 1 percent captured almost three-quarters of income growth. Those results may help explain the disconnect between the economic experiences of the public and the solid macroeconomic growth posted by the U.S. economy since 2002. Those results may also help explain why the dramatic growth in top incomes during the Clinton administration did not generate much public outcry while there has been an extraordinary level of attention to top incomes in the press and in the public debate over the last two years. Moreover, top income tax rates went up in 1993 during the Clinton administration (and hence a larger share of the gains made by top incomes was redistributed) while top income tax rates went down in 2001 during the Bush administration.

The top percentile share declined during WWI, recovered during the 1920s boom, and declined again during the great depression and WWII. This very specific timing, together with the fact that very high incomes account for a disproportionate share of the total decline in inequality, strongly suggests that the shocks incurred by capital owners during 1914 to 1945 (depression and wars) played a key role. Indeed, from 1913 and up to the 1970s, very top incomes were mostly composed of capital income (mostly dividend income) and to a smaller extent business income, the wage income share being very modest. Therefore, the large decline of top incomes observed during the 1914–1960 period is predominantly a capital income phenomenon.

Interestingly, the income composition pattern at the very top has changed considerably over the century. The share of wage and salary income has increased sharply from the 1920s to the present, and especially since the 1970s. Therefore, a significant fraction of the surge in top incomes since 1970 is due to an explosion of top wages and salaries. Indeed, estimates based purely on wages and salaries show that the share of total wages and salaries earned by the top 1 percent wage income earners has jumped from 5.1 percent in 1970 to 12.0 percent in 2006.

Evidence based on the wealth distribution is consistent with those facts. Estimates of wealth concentration, measured by the share of total wealth accruing to top 1 percent wealth holders, constructed by Wojciech Kopczuk and myself from estate tax returns for the 1916–2000 period in the United States, show a precipitous decline in the first part of the century with only fairly modest increases in recent decades. The evidence suggests that top incomes earners today are not “rentiers” deriving their incomes from past wealth but rather are “working rich,” highly paid employees or new entrepreneurs who have not yet accumulated fortunes comparable to those accumulated during the Gilded Age. Such a pattern might not last for very long. The possible repeal of the federal tax on large estates in coming years would certainly accelerate the path toward the reconstitution of the great wealth concentration that existed in the U.S. economy before the Great Depression.

The labor market has been creating much more inequality

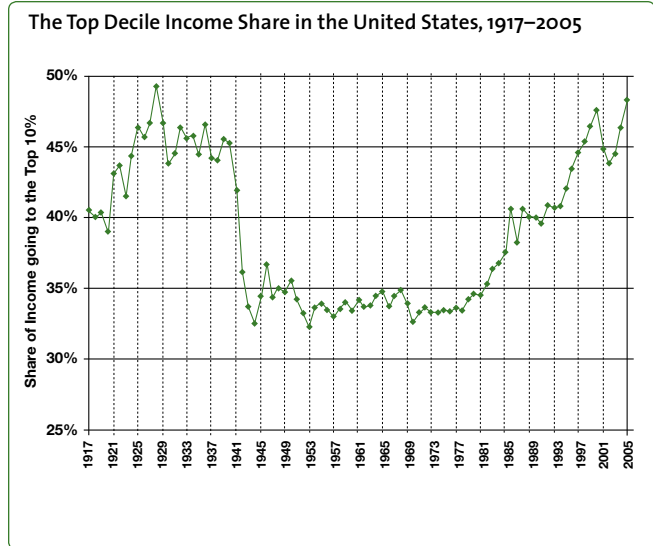


Figure 1

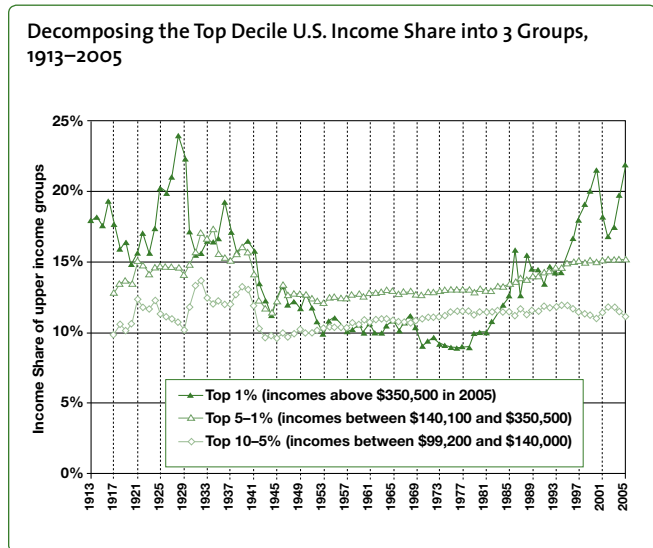



Figure 2

over the last thirty years, with the very top earners capturing a large fraction of macroeconomic productivity gains. A number of factors may help explain this increase in inequality, not only underlying technological changes but also the retreat of institutions developed during the New Deal and World War II—such as progressive tax policies, powerful unions, corporate provision of health and retirement benefits, and changing social norms regarding pay inequality. We need to decide as a society whether this increase in income inequality is efficient and acceptable and, if not, what mix of institutional reforms should be developed to counter it. ■

Emmanuel Saez is Professor of Economics at University of California at Berkeley.



BY JOHN EDWARDS

Building One America

We live in Two Americas, one for the wealthy and powerful and one for everyone else. One that lives by the paycheck calendar; another that never has to look at the calendar before writing a check. One that's afraid it won't be able to leave its children a better life; another whose children are already set for life. One America—middle-class America—long forgotten by Washington. Another America—narrow-interest America—whose every wish is Washington's command.

But we can build One America, a place where everyone has a fair shot at the American Dream—the right to succeed on the strength of your own merits—and the responsibility to help others to do the same. Nobody gets to pull the ladder up behind them once they've gotten to the top, and everybody has a chance to make the climb. It's a simple principle of fairness and opportunity, first and always, even in a complex world.

In the richest country in the history of the world, we have more millionaires and more billionaires than ever, but we also have more Americans living in poverty. Nearly thirty-seven million people are unable to fulfill their basic needs of food and shelter, no matter how many jobs they work. The typical CEO makes more by the end of lunch than an average wage worker makes all year. In fact, the income gap is wider than it has been at any time since before the Depression.

How we respond to this says everything about the character of America. We need to restore the dream that is America. But we also need to do it in a way that all Americans will be proud of. Not just by giving handouts to the poor, or pumping money into a broken government program, but by finding ways to help everyone who works hard and makes smart choices get ahead.

America has fought poverty before. Past efforts like Social Security, Medicaid, welfare reform, and the Earned Income Tax Credit have made a real difference. But poverty is still with us. Any effort to address it must face up to the reasons that past efforts have fallen short, and to the new challenges that have arisen.

First, work doesn't pay enough. A single mom with one child who works full time for the minimum wage is still about \$1,500 below the poverty line. In 2005, while corporate profits were up 13 percent, real wages fell for most workers.

Second, in too many poor communities, marriage is too rare, and male responsibility is not what it should be. Welfare reform has helped reduce poverty rates among single mothers, but too many young men remain cut off from the hopes and routines of ordinary American life.

Third, the debate of poverty policies is stuck in the old days. One side is driven by guilt, and the other by a deep skepticism of what government can accomplish. In reality, both sides should recognize that our whole economic future depends on making upward mobility universal.

That is why I've proposed we set a national goal of eliminating poverty in the next thirty years. It's an ambitious goal, but it's one we'll meet by building the America our founders imagined—an America where if you work hard, take personal responsibility, and do the right thing, you won't live in poverty, you won't just get by, you'll get ahead.

In order to get the country on the path to eliminating poverty, we must build a "Working Society," which builds on the lessons of the past to create solutions for the future. At the heart of the Working Society is the value of work. Work is not only a source of a paycheck, but also a source of dignity and independence and self-respect.

One harsh reality is that some people are in poverty because no one will give them a job, either because they have no prior work history, they lack basic skills such as the ability to read, or, the truth is, they have physical and mental challenges. This is particularly true for young men. Welfare reform asked young mothers to join the workforce and gave them help to get there. But in America today, there are communities where half the young men are out of work.

If we believe that everyone who is capable of working should work, then we need to make sure that they have the opportunity to do so. I believe that we should create one million "stepping stone" jobs over five years. These will be good jobs that will let people work their way out of poverty in the short term, and help them get experience so they can get better jobs in the future.

And while we expect people to work and will help make sure they can, the Working Society would make sure all Americans have something to show for it. The erosion of the minimum wage is a disgrace; we need to raise it to at least \$9.50 an hour by 2012. And we should put the minimum wage on track to grow automatically as wages grow so minimum-wage workers never have to wait on Washington again.

Organized labor has been the greatest antipoverty movement in American history. We need to give America's workers a real right to organize. Unions helped move manufacturing jobs into the foundation of our middle class, and they can do the same for our service economy.

The typical CEO makes more by the end of lunch than an average wage worker makes all year.

It's time for us to put our economy back in line with our values. It's time to end the president's war on work and restore fairness to a tax code that has been driven badly out of whack. In America, when the middle-class makes money from hard work, they shouldn't pay higher taxes than when the rich make money from money. The place to start is unearned income: capital gains and dividends. We should repeal the Bush tax cuts for families earning more than \$200,000 a year and raise the top capital gains rate to 28 percent, while protecting the savings and investments of regular families.

There's a saying, "income is what you use to get by, but assets are what you use to get ahead." It's true, and it's why we can beat poverty by helping every working American build—and protect—their own assets: a savings account they can use to start a small business, to fall back on in hard times, or as a down payment to buy their first home. Yet because our tax code gives the biggest savings breaks to the people at the top, most families today don't have the necessary incentives to save. We should help millions of American families build a better life by providing each of them a dollar-for-dollar match on up to \$500 a year of their savings. I call them Get Ahead Accounts, and they would give millions of families the chance to do just that. We should give even more help to low-income families.



There's a saying, "income is what you use to get by, but assets are what you use to get ahead." It's true, and it's why we can beat poverty by helping every working American build—and protect—their own assets.

In the 1990s, we saw how a new approach to welfare could help millions of families achieve independence. Now it is time for a new approach for another tough issue: housing.

We need to integrate our neighborhoods economically. Many neighborhoods were once segregated by race; now segregation by wealth is common, often with a racial dimension. If we truly believe that we are all equal, then we should live together too.

We could all see the problems of concentrated poverty after Katrina, but the truth is that nearly every major American city has similar neighborhoods that remain unseen. The federal government has built public housing in the worst neighborhoods and overlooked the need for affordable housing in the suburbs. These policies cut willing workers off from entry-level jobs, which are often created in the suburbs, far from public transportation. And they keep low-income children far from good schools.

If conservatives really believed in markets, they'd join us in a more radical and more sensible solution: creating one million more housing vouchers for working families over the next five years. Done right, vouchers can enable people to vote with their feet to demand safe communities with good schools. We can help pay for this by cutting back HUD's role in managing public housing, which it doesn't do very well and often sticks working families in bad neighborhoods.

We can take the opportunity to give more authority to cities and states to tackle housing problems in their own regions. They will be responsible for taking a regional approach—including both cities and suburbs—and creating affordable housing near jobs and good schools.

Finally, work should be at the center of our housing policy just as it is at the center of our other social policies. We should attach a contract to new housing vouchers: if they don't already have jobs, recipients must work toward independence, and in return we will help them earn more and save more.



In the Working Society, we'd get serious about improving our schools. Addressing all the problems in our education system is beyond the scope of this essay, but here are three ideas that are cornerstones of my antipoverty strategy.

First, every child should be prepared to succeed when they show up in the classroom. Sadly, children from poor families, who most need high-quality preschool, are the least likely to get it. I have proposed a national "Great Promise" partnership to give a quality early childhood education to every four-year-old in the country—starting with children in poor neighborhoods with struggling schools.

Second, we need to address the dropout crisis in our nation. We can never overcome poverty until we address it—not by lowering standards, but by making sure everyone can meet them. America is about second chances, so I don't see why we shouldn't have "second-chance schools." These schools would lift up former dropouts, offering them one-on-one attention and a chance to earn a diploma at night or at a local community college.

Third, we need to make college affordable for everyone. If you've ever heard me talk about education, you know about a program I call "College for Everyone," which allows students to go to the first year of college for free if they are willing to stay out of trouble and take a part-time job. College for Everyone works. Two years ago, I helped start a "College for Everyone" program in Greene County, North Carolina. The results have been terrific, helping increase the college-going rate from 54 to 74 percent.



Good public schools and the chance to go to college meant everything in my life. But even to this day, there's something that matters more—family. I don't know where I'd be without parents who taught me right from wrong, and that there are consequences for the choices I make in life.

In a Working Society, we'll make a priority of strengthening families. As a start, we would cut the marriage penalty in the Earned Income Tax Credit that still hits poor workers, because penalizing marriage makes absolutely no sense. We would also expand the EITC for low-income single workers, who are the only Americans living in poverty and paying federal taxes, to draw them into the workforce. And we would create opportunities for young fathers to work and take responsibility for their children, and reward them for doing so.

But after that, there's only so much the government can do. So the real burden of promoting strong families falls to us.

All of us—parents, clergy, teachers, public officials—need to say that it is wrong when young men father children but don't support them. It is wrong when girls and young women bear children they aren't ready to care for. It is wrong when corporate America—through movies, music, and advertising—promotes a culture of reckless behavior to our youth. And it is wrong when all Americans see this happening and do nothing to stop it.

Fighting poverty is a job for government, it is a job for communities, it is a job for all of us. I know that together we can build One America—a place where everyone has a fair shot at the American Dream.



BY HILLARY CLINTON



Pragmatic Solutions for Reducing Poverty and Inequality

One of America's greatest strengths has been the promise of opportunity—that people who are willing to work hard can improve their economic circumstances and create a better life for themselves and their children. Today, that promise is at risk. More than thirty-six million people live in poverty in America. Sixty million more live just above the official poverty line. The United States consistently ranks near or at the bottom of developed countries when measuring the share of its citizens living

in poverty. And despite the widely held view of America as the land of opportunity, intergenerational mobility in the United States is actually lower today than that in almost all other high-income countries. This is particularly troubling for communities of color—in America, only 31 percent of black children from middle-class families earn more than did their parents, compared to 68 percent of white children in the same situation.

The causes of poverty and inequality in the United States are myriad and complex; structural economic forces, politics, and community changes all play a role. But when it comes to tack-

ling poverty, Washington too often responds to complexity with ideology and engages in hand-wringing rather than action. For the past seven years, we've had an administration that has had only one answer for all of our economic challenges—tax cuts for the wealthiest Americans and large corporations. As a result, we've watched wages stagnate, household income drop nearly \$1,000, two million more Americans lose their health insurance, and nearly five million more people fall into poverty.

It is time to move beyond apathy and trickle-down economic promises. It is time to put to rest ideological debates about

whether poverty is a result of personal decisions or government failures. It is time to find common ground around pragmatic solutions to reduce poverty, expand opportunity, and ensure that economic growth is truly shared.

This is the approach I've taken for the past thirty-five years working on behalf of children and families. After graduating from law school in 1973, I went to work for Marian Wright Edelman at the Children's Defense Fund. One of my first jobs was to go door to door in New Bedford, Mass., to figure out why there were discrepancies between the number of school-age children and the number of children enrolled in school. What I discovered was heartbreaking—kids were kept out of school because of their physical disabilities. We submitted our findings to Congress and helped to pass the Education for All Handicapped Children Act, mandating that children with physical, emotional, and learning disabilities be educated in the public school system.

The first set of pragmatic investments we must make must take place early in children's lives—to attack poverty and inequality at their very roots.

The lessons I learned from that experience have stayed with me over the years. In Arkansas, I cofounded the Arkansas Advocates for Children and Families and served as the founding board president of the Arkansas Single Parent Scholarship Program, designed to help single parents gain access to higher education and better jobs. As first lady, I championed the Family Medical Leave Act (FMLA) and helped create the State Children's Health Insurance Plan (SCHIP), the single largest expansion of health insurance in a generation, which today covers six million children. As senator, I have worked to protect SCHIP and to expand access to more low-income children.

When I am president, I will continue to fight for common ground and pragmatic solutions to reduce poverty. Let me offer one example. Throughout the campaign, I have been talking about the crisis of the 1.4 million young men of color in our country who are out of school and out of work. For years, I've listened to politicians have the same conversations about these young men. Some say they're victims of decades of government ignorance and neglect. Others view them simply as a threat, a headache, or a lost cause. I reject these conversations. I believe we need to begin to see these young men for their God-given potential—as future entrepreneurs, community leaders, husbands, fathers, and role models. We need to ask these men to be responsible and also provide them with real opportunities for economic success. That was the theory underlying my Youth

Opportunity Agenda, which I announced this summer.

This is the kind of conversation I want to have with America when I am president. I want to ensure that all Americans have opportunities—from their earliest years to adulthood and into retirement—to fulfill their potentials and realize the promise of America as a place of limitless opportunity. I have already begun to lay out a detailed approach to realizing this goal.

The first set of pragmatic investments we must make must take place early in children's lives—to attack poverty and inequality at their very roots. That's why I have called for new investment into home visitation programs that help first-time parents prepare for and care for their young children. Children who participated in these programs had 56 percent fewer arrests and 81 percent fewer convictions than children who did not participate. I will also close the early achievement gap by investing \$10 billion in quality universal prekindergarten and expanding Head Start and Early Head Start. By age 4, children who live below the poverty line are already eighteen months below what is normal for their age group. Over half of the black-white achievement gap that exists at the end of high school exists before children even start kindergarten.

It is a disgrace that our children are the poorest of any age group in our country. The child poverty rate is 17.4 percent, nearly twice the rate for 18- to 64-year-olds. When child poverty is measured in relation to 50 percent of median income, the United States comes in last among 24 rich countries. This is not only a moral problem but also an economic problem: persistent childhood poverty costs our nation about \$500 billion each year in lost productivity, higher health care expenses, and crime-related costs.

Yet in order to truly expand opportunities for our children, we must give them the resources to succeed throughout primary and secondary schools and inspire them to pursue post-secondary education as well. To that end, I will invest in programs to keep at-risk kids engaged and on track in elementary and middle schools. Over five years, I will double federal support for early intervention mentoring programs, like GEAR UP, to benefit an additional one million middle-school students. I will also invest \$100 million in a new public/private summer internship program. Internships offer access to informal networks that are vital in a job market where about 70 percent of jobs are secured through connections. And I will double the number of education and job-training opportunities over five years to provide support to more than 1.5 million additional youth. Young people who are out of work and out of school need community-based skills training but, today, the federal government serves fewer than 200,000 of them.

These investments targeted to our youth will help create pathways to college, which today is the most important doorway into the middle class. A college graduate earns twice as much as a high school graduate. In 2005, the number of college graduates who were considered "working poor" was 1.7 percent, compared to 14.1 percent of those with less than a high school diploma. But it isn't enough to provide pathways to college if we don't also make college affordable. In the past twenty-five

years, the average cost of tuition and fees has risen faster than personal income, consumer prices, and even health insurance.

That's why I have an agenda to make college more affordable and more accessible to all Americans. At the heart of my plan is a \$3,500 tuition tax credit, which will cover more than 50 percent of the cost of tuition at an average public institution. I will also increase the maximum Pell Grant and I will maintain its value by adjusting it annually to take into account the rising costs of college tuition. I will provide \$500 million to community colleges and \$250 million to four-year colleges to strengthen their programs, rein in tuition and fees, and increase graduation rates.

Education beyond high school is vital, but alone it isn't enough. Education without good-paying jobs is fruitless. In 2005, nearly six out of every ten of the working poor who held a job worked full time. In 2006, the poverty threshold for a family of four was \$20,444, but in many communities around the country, the amount of income needed by a family to get by is often twice that figure or more. Last year, 30.5 percent of Americans had incomes below twice the poverty line.

As president, I will tie increases in congressional salaries to increases in the minimum wage—so Congress can't get a raise without giving the American people one as well. And I will expand the Earned Income Tax Credit, which is one of our nation's most effective tools to encourage work and reduce poverty. I also believe that we need to support our labor unions so that our workers can organize and bargain collectively for a better way of life.

We also need to ensure that our economy continues to produce good, high-paying jobs here in the United States. That's why I have a plan to help create at least five million "green collar" jobs through investments in clean energy and energy efficiency. I plan to create a new twenty-first century manufacturing agenda focused on new energy and new jobs. This manufacturing industry will not look like the one we had fifty or a hundred years ago, but the impact will be very similar: Millions of Americans who are willing to work hard will have a pathway to economic stability.

Job security is only part of alleviating poverty. We must also address the broader issue of financial security. As I mentioned earlier, there are sixty million families today that are barely above the poverty line. For them, just one unexpected expense is all it takes to fall into poverty. For too many Americans, that unexpected expense is health care. Half of all personal bankruptcies in the United States are caused by illness or medical bills, and most of those who go bankrupt because of medical problems actually have health insurance.

That is why, when I am president, ensuring quality, affordable health care to all Americans will be my top domestic priority. Under my American Health Choices Plan, working families will get refundable tax credits to help pay for their premiums, insurance companies won't be able to deny coverage based on preexisting conditions, and people will not lose coverage if they switch or lose their job. The refundable tax credit will be designed to prevent premiums from exceeding a certain percentage of family

income, which means that health insurance will never again impose a crushing financial burden on American families.

I will also ensure that all Americans have access to affordable housing. In many areas around the country, housing costs have far outgrown inflation—and the gap between wages and housing costs is widening, pushing affordable housing beyond the reach of many working families. Each year, more than three million people—including 1.3 million children—experience homelessness and even more are at risk. That's why I have proposed an agenda to put home ownership and affordable housing in reach for low- and middle-income Americans. An important piece of that plan is a \$1 billion fund to provide federal support to housing trust funds established by state, county, and municipal governments. My agenda also includes plans to crack down on unscrupulous brokers, curb mortgage lending abuses, and help homeowners avoid foreclosures.

Just as important as making a good, living wage throughout one's lifetime is saving for the future. The problem of poverty isn't just about income, it's about wealth. The typical African American household has less than 10 cents in wealth for every dollar held by white families. Nearly 10 percent of American families are unbanked—meaning they have no connection at all to a mainstream financial institution. Wealth can mean the difference between getting by and getting ahead, yet too many families have no opportunity today to build a nest egg.

When I am president, I will offer a new American Retirement Account to every American to help them save and build wealth for their future. Under my plan, American families—especially poor, working, or middle-class families who currently have the hardest time saving—will receive generous tax cuts. I will provide a dollar-for-dollar matching refundable tax credit for the first \$1,000 saved by a family making up to \$60,000, and a 50 percent match for the first \$1,000 saved by those making between \$60,000 and \$100,000.

It is a disgrace that our children are the poorest of any age group in our country.

The next president will inherit a number of big challenges—a war to end, alliances to repair, and an economy to mend. Chief among those challenges, in my view, must be to restore the promise that America is a country of economic opportunity. Too many American families are living in poverty today and have little chance of advancing upward. And too many working Americans are working harder and harder but feel like they're just staying in place or even falling behind. These people are looking for a president who will restore the promise that America is a country where anyone who works hard will have a chance to get ahead and build a better life. I believe I have the strength and experience to take on these challenges. ☆

A black and white photograph of Barack Obama speaking at a podium. He is shown from the side, wearing a dark short-sleeved shirt, with his right arm extended forward. In the background, an American flag is visible, and a blurred crowd of people is seated in front of him.

BY BARACK OBAMA

Tackling Poverty and Inequality in America

It's been four decades since Bobby Kennedy crouched in a shack along the Mississippi Delta and looked into the wide, listless eyes of a hungry child. Again and again, he tried to talk to this child, but each time his efforts met only a blank stare of desperation. When Kennedy turned to the reporters traveling with him, he asked with tears in his eyes a single question about poverty in America:

“How can a country like this allow it?”

Forty years later, we're still asking that question. It echoes on the streets of Compton and Detroit and throughout the mining towns of West Virginia. It lingers with every image we've seen of the Ninth Ward and the rural Gulf Coast, where poverty thrived long before Katrina came ashore.

No matter how many times it's asked or what the circumstances are, the most American answer I can think of is:

"We can't."

In this country—of all countries—no child's destiny should be determined before he takes his first step. No little girl's future should be confined to the neighborhood in which she was born. Our government cannot guarantee success and happiness in life, but what we can do as a nation is ensure that every American who wants to work is prepared to work, able to find a job, and able to stay out of poverty. What we can do is make our neighborhoods whole again. What we can do is retire the phrase "working poor" in our time.

The challenge is greater than it has been in generations, but that's all the more reason for this generation to act. One in every eight Americans now lives in poverty, a rate that has nearly doubled since 1980. That's an income of about \$20,000 a year for a family of four. One in three Americans is now classified as low income.

Poverty is not an issue I just discovered for the purposes of a campaign, it is the cause that led me to a life of public service almost twenty-five years ago. I was just two years out of college when I moved to the South Side of Chicago to become a community organizer. I was hired by a group of churches trying to deal with steel plant closures that had devastated the surrounding neighborhoods. Everywhere you looked, businesses were boarded up, schools were crumbling, and teenagers were standing aimlessly on street corners, without jobs and without hope.

What you learn when you spend time in these neighborhoods trying to solve these problems is that there are no easy solutions and no perfect arguments. And for the last four decades, both ends of the political spectrum have been talking past one another, insisting on doing the same things with the same results year after year. But hope is not found in any single ideology.

Hope is found in what works. One of the best examples of what works is New York City's Harlem Children's Zone, an all-encompassing, all-hands-on-deck antipoverty effort that is literally saving a generation of children in a neighborhood where they were never supposed to have a chance. The philosophy behind the project is simple—if poverty is a disease that infects an entire community in the form of unemployment, violence, failing schools, and broken homes, then we can't just treat those symptoms in isolation. We have to heal the entire community.

And it's working. Parents in Harlem are reading more to their children. Kids are staying in school, passing statewide tests at higher rates than other children in New York City, and heading off to college.

There's no reason this program should end at those blocks in Harlem. It's time to change the odds for neighborhoods all

across America. That's why when I'm president, I'll replicate the Harlem Children's Zone and create Promise Neighborhoods in twenty cities across the country. My Promise Neighborhoods will engage children and their parents in an achievement program with tangible goals, including a college education, strong physical and mental health outcomes, and retention of meaningful employment and parenting schools for parents. The program sites will be selected by the federal government after review of applications from cities and their existing non-profit organizations and school districts. Cities and private entities will be required to pay 50 percent of the program costs to ensure that they have a stake in the success of the effort. I will work to expand high-quality early childhood education opportunities, as well as federal college grants and loans so that more low-income children have access to education.

Poverty is not an issue I just discovered for the purposes of a campaign, it is the cause that led me to a life of public service almost twenty-five years ago.

My plan to combat entrenched poverty will also provide low-income families the support they need to raise their children. I'll pass my Responsible Fatherhood and Healthy Families legislation to provide more financial support to fathers who make the responsible choice to pay child support, crack down on the fathers who don't, and help stop the cycle of domestic violence that is destroying poor families. I'll expand the highly successful Nurse-Family Partnership program, which offers home visits by trained registered nurses to low-income expectant mothers, to cover all 570,000 first-time low-income mothers each year. This program has produced more than \$28,000 in net savings for every participating family.

In addition to tackling the effects of entrenched poverty on families and children, I will work to provide unemployed Americans with the resources, training, and economic support they need to find work and make that work pay.

I will invest \$1 billion over five years in innovative transitional jobs and career pathways programs that have been highly successful at placing the unemployed into temporary jobs, training them for permanent jobs, and then helping them move up the career ladder. This investment will be coupled with other measures to encourage the private sector, as well as state and local governments, to increase their support for these effective employment programs.

To ensure that low-income individuals can reach their jobs in a safe and reliable manner, I will work to double funding for the

federal Jobs Access and Reverse Commute (JARC) program that helps low-income individuals get to their jobs and child care services. I will also work to ensure that additional federal public transportation dollars flow to the highest-need communities and that urban planning initiatives take this aspect of transportation and antipoverty policy into account.

— if poverty is a disease that infects an entire community in the form of unemployment, violence, failing schools, and broken homes, then we can't just treat those symptoms in isolation. We have to heal the entire community.

To make work pay, I will triple the Earned Income Tax Credit (EITC) for full-time workers who make minimum wage, increase the EITC benefits for low-income families with three or more children, and expand EITC eligibility and benefits for childless workers. The EITC is one of the most successful antipoverty programs in history and lifts nearly five million Americans out of poverty every year. I led efforts to create the state version of this program as a state senator in Illinois, and I'll champion this program as president. My EITC proposal will ensure 5.8 million more Americans become eligible, and 6.2 million current EITC filers get larger benefits. When I'm president, I will make the minimum wage a living wage by indexing it to inflation so even more families have the economic stability they need.

To combat the health care crisis in America that disproportionately affects poor families and poor children, I will sign into law by the end of my first term in office a universal health care plan that mandates coverage of all American children and provides every American with an affordable, high-quality, portable health care option. My plan will save a typical American family up to \$2,500 every year on premiums, modernize the U.S. health care system to contain spiraling health care costs and

improve the quality of patient care, and promote prevention and strengthen public health.

Another important aspect of my antipoverty agenda is to help more Americans become successful entrepreneurs and small business owners. I will invest \$250 million per year to create a national network of public-private business incubators. These business incubators facilitate the critical work of entrepreneurs in creating start-up companies. They offer help designing business plans, providing space, identifying and addressing problems, and offering advice on a wide range of business practices. These incubators will engage the expertise and resources of local institutions, higher education, and successful private sector businesses to help ensure that small businesses have both a strong plan and the resources for long-term success. I will also ensure that more Small Business Administration (SBA) funds go to minority businesses, and that the SBA is doing its part to ensure that more venture capital funding flows to untapped communities. And I will take steps to close the digital divide and increase Internet access for cities in order to connect urban and rural America to the rest of America.

The final part of my plan will ensure that more Americans have access to safe, affordable housing. As president, I'll create an Affordable Housing Trust Fund that will add as many as 112,000 new affordable units in mixed income neighborhoods. In addition, I will roll back the Bush administration's repeated cuts to the Community Development Block Grant (CDBG) program, which provides much needed housing assistance to our inner cities. I'll work to protect homeowners from mortgage fraud and subprime lending by passing my STOP FRAUD legislation to enact the first federal definition of mortgage fraud, strengthen penalties on fraudulent lenders, and mandate mortgage companies to provide accurate and comprehensive information about mortgage options, so that consumers know the true cost of the mortgage. I will also create a fund to help families refinance their mortgages and provide comprehensive supports, including credit counseling and tax assistance for innocent homeowners facing foreclosures.

What this agenda attempts to do is not easy, and it will not happen overnight. Changing the odds will require humility in what we can accomplish and patience with our progress. But most importantly, it will require the sustained commitment of the president of the United States to focus on what works.

There is an easy answer to the moral question of whether we can continue to tolerate poverty in America: We can't. The political question of what to do about it has always been more difficult. But now that we know what works, this country has an obligation to act. ☆

How to Wage the Next War on Poverty

ADVISING AND GRADING THE CANDIDATES

BY REBECCA BLANK

Over thirty-six million Americans live below the official U.S. poverty line. That means less than \$16,000 in income for a family of three or \$10,300 for a single individual. Imagine the ingenuity required to feed, clothe, and house your family at that income level, and the worry that you will never quite make ends meet. One-third of all poor Americans are children, and many of them are poor year after year. Childhood poverty typically means poor health care, high-crime neighborhoods, and lower-quality schools. Too often, it means absent fathers.

During the 1990s, more Americans were able to escape poverty. In fact, poverty among single mothers fell to its lowest rate ever. One reason was strong economic growth, but explicit policy efforts to support low wage work were also important, including expansions in the Earned Income Tax Credit (which provides a subsidy to low-income working families), a higher minimum wage, expanded child care subsidies, and welfare-to-work programs. This recent history tells us that good policy (and a strong economy) can reduce poverty.

More recently, state and local leaders have taken leadership in fighting poverty. The states of Connecticut and Vermont have announced goals for poverty reduction. The mayors of New York City and Los Angeles have initiated major antipoverty efforts. Presidential campaigns provide the chance to debate future national policy. What do the presidential candidates propose for a national antipoverty strategy in the years ahead?

To answer that question, I've looked at the statements three candidates submitted to the Stanford Center for the Study of Poverty and Inequality. I also read the Issues statements on all candidates' websites, as well as other websites that provide comparative information on candidates' poverty-related policy proposals.

I'll focus on policies that are specifically designed to address the problems of the most disadvantaged Americans. For instance, most of the poor don't pay much in taxes and aren't going to gain from tax cut proposals. In fact, if those proposals lead to reduced social spending in the future, they may lose. For the sake of space, I'm also going to ignore the health care proposals of the candidates, although it's important to provide health care to low income families. Finally, this article doesn't begin to mention all the candidates' proposals. I'll discuss the key policy issues that I think are most important.

The majority of my discussion focuses on the positions of senators Clinton, Edwards, and Obama. Not coincidentally, these are the three candidates who submitted poverty plans to the Center and they are the candidates with extensive antipov-erty initiatives. The other Democratic candidates have much less to say about policies aimed at poor Americans, and you have to search to find it on their websites. The Republicans give far less attention to policies to aid the poor, though Senator John McCain has stated support for a number of antipov-erty efforts. Other Republicans have one or two statements somewhere in the Issues portion of their websites that refer to the most disad-vantaged Americans, but focus little on poverty.

The highest grade for ambition and visibility on poverty issues has to go to John Edwards. He has repeatedly stated the goal of ending poverty in thirty years and reducing it by one-third over the next decade. He draws on evidence from the Center on Poverty, Work and Opportunity that he founded at the University of North Carolina. But Obama runs a close second. He hasn't set any timetables or goals, but the detailed and lengthy set of proposals that he has made in the campaign clearly shows how much he cares about this issue. And while Clinton doesn't highlight poverty as a specific topic on her web-site, she too has an impressive set of proposals aimed at helping disadvantaged Americans contained both in her article here and in her other policy statements.

While I don't plan to say much about the minor candidates, I can't avoid noting that libertarian Ron Paul has the clearest position. He would eliminate all antipov-erty efforts at the federal level and abolish the Department of Health and Human Services. Communities can take care of their own; the rest of us have no national responsibility toward poor families who happen to be American but who don't live on our doorstep. Although this is not *anti-poverty* policy, one at least knows exactly where he stands on the issue.

In the remainder of this article, I briefly evaluate the candi-dates' policy proposals in three major areas: helping disadvan-taged communities, helping low-wage or unemployed workers, and helping families and children. In each area, I'll highlight the positions of candidates and discuss whether their propos-als make sense, based on the best evidence on what works and what doesn't work.

Helping Disadvantaged Communities

Obama's policy proposals clearly reveal his background as an organizer in poor communities. He proposes a White House Office of Urban Policy to help target and coordinate urban programs. He wants to establish twenty Promise Neighbor-hoods, replicating the efforts of the Harlem Children's Zone, where community activists are trying to combine school reform and neighborhood change to improve the fortunes of Harlem's children. His proposals are specific and recognize the serious problems in poor urban areas. Will they work? Our evidence about the effectiveness of focused urban initiatives is sketchy. For instance, the Harlem Children's Zone is a promising effort, but there is no real evaluation of its effects. Trying a variety of

initiatives is a good idea, however, particularly if local communi-ties are able to define policies that seem best suited for them, and if those policies are then rigorously evaluated to assess their effectiveness. An Obama presidency would bring presiden-tial attention and focus to urban poverty. This, in turn, would encourage nonprofit and business leaders to do more in these communities.

Some of the candidates not featured in this issue have proposals for tax credit schemes designed to bring business and jobs into poor communities. Both McCain and Bill Richardson support this idea. Unfortunately, there's very little evidence that tax credits for job creation in poor neighborhoods accomplish much. They tend to subsidize jobs and businesses that would have moved into the neighborhood anyway. Researchers have found few differences when comparing neighborhoods that received special tax treatments (such as the Enterprise Zone efforts of the past) with comparable areas that didn't. None of the top Democratic candidates advocate for this idea in their antipov-erty platforms.

Housing policies are closely related to neighborhood change. Edwards wants to provide one million new rent subsidy vouchers for low-income families. Obama wants to build more affordable mixed-use housing. Clinton has pledged more funds for low-income housing, but isn't specific as to what strategies she would pursue. Here there's a clear choice between the two candidates with specific proposals, and Edwards gets the higher grade for a better proposal. Compared to vouchers, building new low-income housing is a less efficient and usually more expensive way to help low-income families find affordable housing. Because vouchers can be used in any neighborhood and give families choice about where they live, they should be favored in our national housing policy.

Helping Low-Wage and Unemployed Workers

Almost all the Democratic candidates support minimum wage laws; some support higher minimum wages or call for index-ing the minimum wage to inflation. Clinton has the most eye-catching proposal, suggesting that the minimum wage be indexed to increases in congressional salaries. Minimum wages provide an important statement about the value of work. Someone working full-time, year-round should earn a mini-mally adequate living. Yet, as critics note, higher minimum wages reduce the number of low-wage jobs that employers offer. Furthermore, it's not a very well targeted policy since many minimum wage workers are teens or second earn-ers in middle-income families. But at the current very low levels of the minimum wage, there's almost no evidence of significant disemployment effects from modest increases. Maintaining and indexing the minimum wage makes sense.

The most important program supporting work among low-wage workers in low-income families is the Earned Income Tax Credit (EITC). The EITC supplements low wages, and many working poor and near-poor families count on this subsidy to make their budget balance. Obama and Edwards both have detailed plans for extending EITC benefits. Larger families

would receive higher subsidies, as would workers without children (who currently receive only a small subsidy). Clinton says the EITC is important, but doesn't suggest changes. The proposals by Obama and Edwards for EITC expansions are supported by many policy analysts, who agree that this is one of the best antipoverty policies we have.

Almost all of the Democratic candidates indicate that they are in favor of strengthening union right-to-organize laws and the enforcement of workplace safety. Clinton gets particular kudos for explicitly mentioning the need to enforce antidiscrimination laws. There's plenty of evidence that racial and ethnic and sexual discrimination hasn't disappeared from America's workplaces, especially in low-wage jobs.

Child care subsidies are a key part of welfare and work policies. Over the past decade, as welfare reform efforts pushed more single mothers into the labor force, child care subsidies also increased substantially. But mothers who went to work consistently said their biggest problem was finding affordable and high-quality child care. Both Clinton and Obama propose increasing child care subsidies for low-income families, as do some of the candidates not featured in this issue, such as McCain and Chris Dodd. That's smart policy.

Welfare-to-work policies are the antipoverty program mentioned by most Republican candidates—they're all for them. Former state governors, like Mitt Romney and Mike Huckabee, praise state control over these programs. Rudy Giuliani points to New York City's record of moving women off welfare during his time as mayor. All of these candidates say it's important to keep strong work requirements in state welfare programs. The Republicans claim the welfare-to-work efforts of the 1990s succeeded. They're right. But this success wasn't just because of work mandates for welfare recipients. They also worked because of expanded child care subsidies, because the EITC subsidized low-wage jobs, and because the economy boomed in the 1990s. I wish that the Republican candidates would recognize these other policies were as important as welfare-to-work programs in the unprecedented increase in work among low-income single mothers.

Obama, Edwards, and Clinton all have specific proposals designed to target employment and training assistance to specific disadvantaged populations. Obama is most ambitious here, proposing to help disadvantaged youth move into service opportunities that will prepare them for future work and to help less-skilled young people navigate through the labor market. His Transitional Jobs program proposes short-term public sector jobs for those who have difficulty finding private sector employment.

Clinton proposes a program to mentor disadvantaged young people and help them complete school and enter work. She speaks eloquently about the need to tap the skills and resources of teens in poor neighborhoods, treating them as targets of opportunity rather than potential problems. Edwards proposes a Second Chance program for high school dropouts who want to return to school and has his own proposal for short-term public sector jobs, called Stepping Stone



Jobs, for those who need help entering the labor market.

It's been quite a while since major presidential candidates have talked publicly about the need for job placement and training programs for disadvantaged youth. All three of these candidates deserve a good grade for their efforts. We don't have enough recent experience with such programs to know exactly how best to design them, however. We should try a variety of different models, and then carry out careful research to determine which model works best.

Another target group is ex-offenders who are leaving prison and reentering communities and jobs. We've vastly increased imprisonment over the past two decades (primarily as a strategy to reduce drug trafficking). This means that large numbers of men, especially men of color, will be emerging from jail every year for many years to come. Both Clinton and Obama talk about the importance of making sure that these men find jobs. This is an important issue, particularly for poor communities. Evidence suggests that employers avoid hiring people with criminal records, especially black men. If these men serve their time, but can't find jobs when they return, it will increase crime, homelessness, and social disconnection in poor neighborhoods for many years to come.

Helping Low-Income Families and Children

I've already mentioned child care subsidies, which are important both for working mothers of young children, as well as for the children themselves. The evidence shows that poor children who are placed in high-quality day care and preschool settings are better prepared to enter school.

Clinton, Edwards, and Obama all want to expand preschool programs. Clinton calls for universal prekindergarten (pre-K), available to all four-year-olds. The evidence on the value of high-quality preschool is unambiguous for low-income children, and making sure that all four-year-olds from lower-income families have access to good preschool programs should be high on everyone's list. Clinton and Obama also call for expansions in

the Head Start program. I'm a bit more ambivalent about this. There are many ways to provide good preschool programs, and the evidence isn't clear that Head Start is noticeably better than other programs.

Most low-income families have no economic cushion. Even small savings, put away regularly when work is steady, can help prevent dire economic consequences during times when work is limited. Edwards proposes savings incentives, with the government matching up to \$500 in savings every year among low-income households. This is an idea worth exploring. Clinton also talks about matched savings, but primarily as a way to subsidize personal retirement accounts. While she'd allow emergency withdrawals, this plan would serve a very different purpose than Edwards', which is better designed to promote savings that can be used when needed by low-income households.

A Final Evaluation

Clinton, Edwards, and Obama each propose multiple policies, many of which are worth considering, but it is hard to tell how they would prioritize their current list of proposals. Presidents face limited resources and hard choices once they actually enter the White House and have to decide where to place their political chips.

How should the candidate who wins in November prioritize his or her antipoverty efforts? Here's my priority list:

First, expand the EITC subsidy, particularly for individuals not living with children. This can be particularly important in helping encourage more low-skilled men to get jobs, including ex-offenders. Many of these men are the fathers of poor children, even if they don't live with them; if their lives are more economically stable they will be better able to help raise their children and this will help stabilize the communities in which they live.

Second, launch a guaranteed pre-K program for all four-year-olds from low-income families. These preschool programs can either be offered by public school districts or by private preschool providers—both models will work and localities can figure out which is most attractive in their community. All of the evidence we have suggests that helping children learn how to learn is very important, and our public investment will be more than repaid over time.

Third, increase child care subsidies to low-income families. My own preference is to expand the Child Care Tax Credit for the poorest families. The new president should set a priority on policies that ensure decent child care for working low-wage parents. The expansion of pre-K programs can be part of this initiative.

Fourth, be a spokesperson for the problems of poor areas, both urban and rural. Put together a package of increased housing

vouchers, and targeted training, mentoring, or education programs in these areas. But the details need to be locally driven, so this is a policy area where federal funds and encouragement need to be matched and creatively utilized by localities and states.

Fifth, let's make sure that all children are ready to live and work in an interconnected world. Broadband Internet services should be considered a necessary public good for all citizens. The Internet is the same as telephone wires or electricity or paved roads in an earlier era. These were provided to the poorest areas through concerted government efforts. None of our citizens should be without this connection. A national effort to provide every family with low-cost Internet access will repay itself many times over. Only Obama talks about this issue. All the candidates should!

Finally, in areas where we don't have good knowledge of which specific program design is best, utilize demonstration projects rather than new programs. Encourage multiple models of jail-to-work programs, of youth second-chance programs, of urban revitalization efforts or of mentoring programs. And—most importantly!—*evaluate* these different programs seriously. Make sure we learn which programs work and which don't. Social policy evaluation is one of the least well appreciated tools of long-term policy design.

How do the candidates stack up on their antipoverty proposals? If you're a Republican, there's really only one candidate who expresses consistent concern with these issues. That's John McCain. For the other Republicans, poor Americans appear to be out of sight, out of mind, and off the agenda.

Among the Democrats, the three front-runners are also the three most attractive candidates on antipoverty policies. Obama, Edwards, and Clinton all have multifaceted and serious anti-poverty plans. Anyone concerned with poverty issues could happily vote for any of them. Edwards has made poverty a centerpiece issue for his campaign from the beginning; Clinton has the best early childhood proposals; Obama is the most thoughtful on jobs for disadvantaged youth and urban change and (for my money) the most creative in putting new policy ideas on the table, such as low-cost Internet service in poor neighborhoods. But all of them understand that the measure of this country is not just the size of its GDP or the wealth of its richest citizens. America must also be measured by how we assist those who are our poorest citizens, making sure that they have the opportunity to find a job, to support their families, to educate their children, and to catch onto the American dream. ☆

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Poverty and Marriage, INCOME INEQUALITY AND BRAINS

BY CHARLES MURRAY

It may be said with only a little exaggeration that policy analysts are happy describing the causes of problems while ignoring their solution, and politicians are happy proposing solutions to problems while ignoring their causes. At least, such is the case with poverty and income inequality. I fit the bill for the policy analyst, lacking any politically feasible solutions. But the articles of the three presidential candidates fit the bill too, written as if we have a set of solutions ready to go, awaiting only a chance, whether they be Hillary Clinton's home visitation program that produces 56 percent fewer arrests among participants than nonparticipants, Barack Obama's Harlem Children's Zone that is "literally saving a generation of children in a neighborhood where they were never supposed to have a chance," or John Edwards's million government-created "stepping stone jobs" that will get unemployed young men into work.

Variants of all such remedies have been tried repeatedly since 1964. They typically were greeted with early and well-publicized claims of success. When the technical evaluations were published (and seldom publicized), it turned out that the early successes were temporary or that they never really existed. It was this monotonous pattern that led Peter Rossi, the nation's leading scholar in the evaluation of social programs, to formulate Rossi's Iron Law of Program Evaluation: "The expected value of any net impact assessment of any large scale social program is zero."

The cycle of optimistic promises and zero results will repeat itself, because once again the politicians are ignoring causes

that don't fit the way they want the world to be. In the case of poverty, they ignore the causal role of the failure to marry. In the case of increasing income inequality, they ignore the causal role of the rising market value of brains.

Poverty and Marriage

The first-order effect of the failure to marry is to create poverty among lone women with children. In 2005, 91 percent of married couples with children under the age of 18 had enough family income to put them above the poverty line even without counting government transfers, compared to only 56 percent of single mothers. A young woman with children

and no husband is an inherently vulnerable economic unit.

The second-order effects arise from the consequences to the next generation when large numbers of children within a neighborhood are raised without fathers. I focus the discussion on African Americans because historically they quit marrying first and have been the subject of the most research.

As black nonmarital births rose from 22 percent of live births in 1960 to 55 percent in 1980, most policy scholars still held that the

black extended family compensated for the lack of fathers and that single mothers can raise children just as well as the old-fashioned two-parent family if they are given a decent level of economic support. By the end of the 1980s, when black nonmarital births had reached 67 percent of live births, both positions had become empirically untenable. The extended-family argument had overlooked a brutal reality:

If there is no marriage in generation I, grandfathers and uncles become scarce in generation II and are gone by generation III. The fathers-aren't-that-important argument ran up against the results of the research that was supposed to confirm it. Study after study found that children raised by unmarried women did worse than children raised by the biological father and mother, even after controlling for income, education, and other socioeconomic background variables. They did not do worse on a few selected outcomes, but on everything from educational achievement and emotional development in childhood to employment and criminal activity in adulthood. The accumulated technical literature was so large and one-sided that by the mid-1990s the consensus among scholars that the failure to marry was damaging to children had crossed ideological boundaries.

Exactly why the damage is so great is not as settled as the fact that damage occurs. I will offer some explanations that are consistent with the literature but that still have speculative elements.

One explanation is painful to state publicly: In the aggregate, unmarried women tend to make bad mothers. It sounds harsh, but the evidence, derived from systematic data collection on parenting behaviors for large, nationally representative samples, needs to be faced: The chances that a child born to an unmarried woman will grow up severely deprived of stimulation, warmth, consistent discipline, and an organized environment are multiples of the chances facing a child born to a married couple, even after controlling for income. Why? The empirical realities that unmarried mothers are disproportionately immature, ignorant, and with low cognitive ability probably play roles.

A second explanation involves the functions that fathers serve for daughters who are coping with sexual maturation. Daughters of never-married women are more likely to have sex in early adolescence, with all its negative consequences, than girls who have grown up with the biological father in the home. Fathers can delay sex through two routes. One is a father's authority—it may be hard to restrain adolescent sexual momentum in the heat of the moment, but “My daddy would kill me”

has been known to do the job. The other route may be the father's role as first boyfriend. In early adolescence, girls without fathers have a hole in their emotional lives that they tend to fill with the males who are available—i.e., boyfriends who demand sex.

A third explanation involves the functions that fathers serve for sons. Little boys instinctively pick an older male to idolize, and, given a chance, the person he will choose first is his father. A father who behaves responsibly

toward the mother and gets up and goes to work every day is teaching his son about how a grown-up male is supposed to behave, even if he never says a word about what he is doing. Boys who do not have fathers tend not to learn those lessons. Boys who live in neighborhoods where they do not even have friends with fathers have an even stronger tendency not to learn those lessons.

Lacking fathers, boys will find role models somewhere. For African-American boys in inner-cities, there is a ready substitute in the form of adolescent males who have the most money, the most bling, the most women, and the most attitude—the role models who tell little boys that drugs are cool, crime is cool, living off women is cool, low-paying jobs are demeaning, and that a man is supposed to retaliate immediately and violently whenever he is disrespected. They are not lessons that make for good employees.

Ignore the figures on unemployment and imprisonment among young black males, bad as they are, and consider just this: About a quarter of young black males who are not in prison and not in school are also not in the labor force. Lest it be thought that this number reflects discouraged workers who have given up, the percentage of black males ages 16–24 who are not in school but not in the labor force has risen during the hottest economies. It stood at 21 percent as of 1992, when the national unemployment rate was a high 7.5 percent. In 2000, the year that had the lowest national unemployment rate in three decades, after seven consecutive years of plentiful jobs for low-skill workers, it had risen to 26 percent. Young black



male dropout from the labor force is not a jobs problem. It is a socialization problem.

The aggregate effects of the inherent financial vulnerability of the single-mother household, bad parenting by unmarried mothers, and the lack of fathers mean that the failure to marry plays an important role in producing each year's black poverty statistics. Just how large a role is a matter of debate, but a few basics are undeniable. As long as half of black families with children under 18 are headed by a lone female, and as long as a quarter of young black males who are out of prison and out of school are not even looking for work, the poverty numbers for blacks are not going to come down much no matter how good the economy is and no matter what new social programs the politicians try.

Meanwhile, the poverty-inducing effects of nonmarital births are growing for Latino and Anglo populations. Nonmarital births now account for half of all Latino births and a quarter of all Anglo births. Both figures have risen steadily and show no signs of slowing down.

Income Inequality and Brains

Consider the classic geek. He is 22 years old with a new bachelor's degree *summa cum laude* in mathematics, his fingers dance across a computer keyboard like Vladimir Horowitz's danced across a piano keyboard, but socially he is a klutz. He will never be a success at any career that requires people skills. How is he going to make a living? If the year is 1908, he can become a teacher of mathematics or an accountant who will never rise to management. He will make a modest income all his life. If the year is 2008, employers from microchip companies to quant funds are aggressively recruiting him with offers of big starting salaries, signing bonuses, and stock options. He is likely to be a millionaire before he reaches thirty. Or as Bill Gates once said to a reporter, Microsoft's real competitor is not Apple or IBM, but Goldman Sachs. "I mean the competition for talent," he continued. "It's all about IQ. Our only competition for IQ is the top investment banks."

The story of the mathematics geek is emblematic of much of the story behind increasing income inequality. Over the course of the 20th century, the job market changed in three respects, all of which lead to higher incomes for people lucky enough to be born with high cognitive ability.

First, the proportion of jobs that are screened for high cognitive ability doubled from 1900 to 1950, and then doubled again from 1950 to 2000. By "screened for high cognitive ability," I mean occupations such as engineer, physician, or attorney with advanced educational requirements that can be met only by people with high cognitive ability. For many of these occupations, the proportion of jobs they represented far more than quadrupled over the century. Engineering jobs in 2000 accounted for 12 times the proportion they had in 1900. College and university teaching jobs accounted for 30 times the 1900 proportion. In computer science, the two million jobs that existed in 2000 had no counterpart at all in 1900.

Second, the link between cognitive ability and managerial

jobs not formally screened for cognitive ability also increased. In part, this reflected credentialing—many entry-level managerial jobs that were routinely filled by people with high school educations in 1900 were restricted to people with college degrees by 2000. But the cognitive demands of managerial jobs also increased over the course of the century, as the size of organizations and the complexity of managing their operation increased in tandem.

Third, the dollar value of these jobs in the marketplace, already higher than the value of skilled and unskilled labor, increased disproportionately. For the first half of the century, for example, the average engineer made a little more than twice the income of the average manufacturing employee, and the ratio remained roughly constant. Then, beginning in the 1950s, their incomes began to diverge sharply. By the 1960s, the average engineer made three times the income of the average manufacturing employee. The same thing happened throughout the economy.

The most obvious factor leading to this situation is technology. If a robot can replace a worker with a strong back, pay for strong backs must stay below the break-even point for buying robots instead. Meanwhile, the economic incentives to invent better and cheaper robots generates high-paying jobs for people with the cognitive ability to design robots.

The scale of modern enterprises also makes cognitive ability more valuable. The average revenue of a *Fortune* 500 company increased by 5.5 times from 1960 to 2000 in constant dollars. This increase in scale changes the value of the marginal contribution that a talented employee can make. How much money will a company pay someone who can create an advertising campaign that increases its annual revenue by half a percentage point? If a half a percentage point represents \$63 million (the average for the *Fortune* 500 in 2000), that person is worth a lot more money than he was in 1960, when it represented \$11 million in comparable dollars. Similarly, the scale of the stakes in lawsuits, corporate mergers, and favorable rulings from regulatory agencies have multiplied, and so has the value of people who can increase the odds of getting the right outcome.

Other dynamics are at work too, but they are variations on a common theme: American society is increasingly complex and has ever more money in play. Wealth will gravitate toward those who are best at dealing with complexity. Dealing with complexity is what high cognitive ability is good for.

Controlling rising income inequality in the face of these dynamics is impossible with anything short of 90 percent marginal tax rates, and perhaps not even then. Consider the excoriated CEOs with compensation packages worth tens of millions of dollars even though their companies are losing money. Such CEOs exist, and better rules for corporate governance could probably reduce their incidence. But the trend that underlies these notorious cases, the rapidly increasing ratio of the pay of the senior executive to the pay of the average worker, is not irrational. Exceptionally able managers are correlated with exceptional corporate performance—that's an empirical relationship that Warren Buffet has relied upon to choose stocks

and thereby make his own fortune, and it is the reason that Microsoft's most important competitor is Goldman Sachs. As long as that underlying relationship exists—and there is no way to get rid of it—corporations are going to bid up the price of the most able executives. The richer corporations become, the higher the bidding will go.

Don't look to more and better education as a way of damping rising income inequality. More education of the right kind is useful for almost everyone as a way of raising personal earning potential. But raising skills is not the same thing as reducing income inequality. Another aspect of today's economy is what Robert Frank and Philip Cook have called the "winner take all" phenomenon. To illustrate, suppose the problem were unequal income for cellists, and we were to borrow from John Edwards's "College for Everyone" idea and undertake a "Cellos for Everyone" initiative. It would surely increase the number of proficient cellists. But as long as we can go to iTunes and download any recording of Beethoven's cello sonatas we prefer, we will still download the ones played by Yo Yo Ma and a handful of others at the top of the cellist hierarchy. A Cellos for Everyone initiative may affect who is at the very top, but it will not reduce income inequality among cellists. Similarly, a College for Everyone initiative will not reduce income inequality in the labor force

as a whole. There are many reasons it won't, but the relevant one here is that the most radical increases in income inequality are not driven by differences in education among people at the center of the cognitive bell curve. They are driven by the rising economic value of people at the far right-hand tail.



I should not pick on John Edwards. College for Everyone would be no more ineffectual than the solutions for poverty and rising income inequality that other presidential candidates have proposed. They all depend on assumptions about the nature of the problems that ignore reality. Perhaps the public understands that, which would help explain why those problems barely register on the list of political issues that will decide their votes. An old joke from the Soviet Union had as its punch line, "We pretend to work and they pretend to pay us." We in the United States appear to have reached a similar modus vivendi when it comes to poverty and income inequality. The politicians pretend to have answers and we pretend to listen to them. ☆

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The Pragmatic Case for Reducing Income INEQUALITY

BY ROBERT H. FRANK

When Hillary Clinton, John Edwards, Barack Obama, and other advocates of a stronger social safety net ground their arguments in moral terms, their case is solid. But moral arguments alone are often insufficient to persuade affluent voters to accept higher taxes. Here I will argue for an expanded social safety net on purely pragmatic grounds. As I will explain, a more effective safety net would benefit not only the low-income citizens who receive services from it directly, but also the more affluent citizens whose higher tax payments would be necessary to support it. The reason is that income inequality has prevented us from adopting efficient solutions to many problems that affect rich and poor alike.

A case in point is the regulations on auto emissions we adopt to promote cleaner air. Because these regulations increase car prices, legislators in most jurisdictions exempt older vehicles to avoid imposing unacceptable costs on the mostly low-income motorists who drive them. Yet the cost to society of this exemption far outweighs its benefit for the poor.

For example, although fewer than 10 percent of the vehicles in Los Angeles are more than 15 years old, these cars account for more than half the smog. Exempting old cars thus necessitates much stricter regulations for new ones. But the cheapest ways of reducing emissions from new cars have long since been adopted. Meeting air quality targets by further tightening new-car standards is several times as costly as meeting those targets by eliminating the exemption for older vehicles.

By raising taxes on high-income motorists, the government could pay for vouchers that would enable low-income motorists

to scrap their older vehicles in favor of cleaner used cars of more recent vintage. The required taxes would be much smaller than the resulting savings from not having to adopt such costly standards for new vehicles. Both rich and poor motorists would win.

If everyone could be made better off by the policy change just described, why hasn't it been implemented? In recent decades, potent anti-government rhetoric has made it difficult even to discuss such proposals, let alone adopt them. This rhetoric rests on two claims that anti-government conservatives hold to be self-evident. One is that government spending is always and everywhere wasteful, the other that it is morally illegitimate for the state to transfer resources from rich to poor.

A proposal to levy higher taxes on the affluent to pay for a vehicle buyout program for the poor runs up against both claims. If I were running for office and made such a proposal, conservatives would pounce. They might say, "Frank thinks the

bureaucrats in Washington know how to spend your money more wisely than you do!" Or, "You worked hard for your money. You can make charitable contributions if you want to, but the government has no right to take your money by force and give it to the poor!" With voter opinion increasingly shaped largely by 15-second sound bites, these have proved extremely difficult slogans to run against.

Yet the claims on which these slogans rest are shaky at best. Government is often wasteful, yes, but so are actors in other sectors. For example, the privately organized health insurance system in the United States delivers worse outcomes at substantially higher cost than the government-managed single-payer systems in virtually every other industrial country. But proposals to adopt a single-payer system would require higher taxes and increased benefits for low-income citizens, steps that reliably unleash the full power of anti-government rhetoric. ("Socialized medicine!!") So for now, we remain saddled with a system that everyone agrees is dysfunctional.

The claim that taxpayers have a moral right to spend their pre-tax incomes as they see fit also has considerable rhetorical force. But it, too, collapses under scrutiny. If government couldn't compel tax payments under penalty of law, there could be no government. With no government, we would have no army. In short order, we would be invaded by some other government's army and then be compelled to pay taxes to that government.

All countries have governments with the power to compel tax payments. Under our constitution, citizens have the right to spend their *post-tax* incomes as they see fit, provided they do not violate the law. But our elected representatives are empowered to vote on what services the government should provide and how taxes should be collected to pay for them. It is ridiculous to insist that the government has no right to tax and transfer.

The real question isn't whether the government knows how to spend our money more wisely than we do. Rather, it's how we as a society want to apportion our scarce resources between public and private spending. As our current practices in the health care and emissions regulation domains demonstrate clearly, the insistence that government cannot tax and transfer often prevents us from achieving outcomes that would be better for every citizen.

Similar examples abound in other domains. In the realm of antipoverty policy, for instance, most economists agree that raising the earned-income tax credit would be the most efficient way of increasing the living standard of the working poor. Barack Obama, John Edwards, and Hillary Clinton propose to expand this program aggressively. The program employs general tax revenues to support income subsidies to those whose earnings fall below a given threshold. Its compelling advantage is that, unlike a higher minimum wage, it does not discourage hiring. But proposals to increase the earned-income tax credit would require higher taxes on the affluent.

Because the most efficient antipoverty policy is deemed politically unfeasible, many economists supported the 2007 legislation that raised the minimum wage for the first time in a decade. But this was less than a complete victory for the working poor. For unlike an increase in the earned-income tax credit,

an increase in the minimum wage not only limits job creation for the least-skilled workers, it also raises the prices of goods they produce. Overall, it would have been cheaper to raise the earned-income tax credit.

Anti-government rhetoric has also prevented the adoption of energy policies that would produce better outcomes for all. For example, economists of all political stripes have argued that a stiff tax on gasoline would relieve traffic congestion, reduce greenhouse gases, accelerate the development of energy-saving technologies, and reduce dependence on foreign oil. But it would also impose significant economic hardship on low-income families, making it necessary to increase transfer payments to those families. Both the tax on gasoline and the transfers to low-income families, however, are prime targets for anti-government rhetoric. ("Social engineering!!") So gasoline taxes continue to be far lower in the United States than in other industrial countries.

Whatever else it may have accomplished, potent anti-government rhetoric of recent decades has sharply lowered the income tax rates on the nation's wealthiest families. It is an iron law of politics that when an interest group wins favorable treatment from the government, it will fight bitterly to protect its gains. Accordingly, the prospect of making the tax system more progressive to pay for an expanded social safety net may seem naive.

Yet a careful reading of the evidence suggests that even the wealthy have been made worse off, on balance, by recent tax cuts. The private benefits of these cuts have been much smaller, and their indirect costs much larger, than many recipients appear to have anticipated.

On the benefit side, tax cuts have led the wealthy to spend more money, in the seemingly plausible expectation that doing so would make them happier. As social scientists increasingly recognize, however, well-being depends less on how much people consume in absolute terms than on the social context in which consumption occurs. As the economist Richard Layard has written, "In a poor country, a man proves to his wife that he loves her by giving her a rose, but in a rich country, he must give a dozen roses." The rich are spending more, but the effect has often been just to raise the bar that defines adequate.

On the cost side of the ledger, the federal budget deficits created by the recent tax cuts have had serious consequences, even for the wealthy. For example, they have led to cuts in federal financing for basic scientific research that threaten the very basis of our long-term economic prosperity.

Large deficits also threaten our public health. Thus, despite the increasing threat from micro-organisms like *E. coli* 0157, the government inspects beef processing plants at only a quarter the rate it did in the early 1980s. Poor people have died from eating contaminated beef, but so have rich people.

Citing revenue shortfalls, the nation postpones maintenance of its highways and bridges, even though doing so means having to spend two to five times as much on repairs in the long run. Poor people died when the I-35 bridge over the Mississippi collapsed in Minneapolis in August, but so did rich people.

Deficits have also compromised the nation's security. In 2004, for example, the Bush administration reduced financing for the Energy Department's program to secure loosely guarded

nuclear stockpiles in the former Soviet Union by 8 percent. And despite the rational fear that terrorists may try to detonate a nuclear bomb in an American city, most cargo containers are not inspected before they enter our nation's ports.

To their credit, the leading Democratic presidential aspirants have proposed allowing Mr. Bush's tax cuts for top earners to expire as scheduled. That step alone, however, won't be nearly enough to put our fiscal house in order. But is it reasonable to expect more sweeping changes, in light of the obvious political risks of proposing painful tax increases in an election year?

Actually, a surprisingly simple remedy is at hand. By replacing federal income taxes with a steeply progressive consumption tax, we could erase the federal deficit, stimulate additional savings, pay for valuable public services, and reduce overseas borrowing—all without requiring difficult sacrifices from taxpayers.

Under such a tax, people would report not only their income but also their annual savings, as many already do under 401(k) plans and other retirement accounts. A family's annual consumption is simply the difference between its income and its annual savings. That amount, minus a standard deduction—say, \$30,000 for a family of four—would be the family's taxable consumption. Rates would start low—say, 10 percent. A family that earned \$50,000 and saved \$5,000 would thus have taxable consumption of \$15,000. It would pay only \$1,500 in tax, about half what it pays under the current tax system.

As taxable consumption rises, the tax rate on additional consumption would also rise. With a progressive income tax, marginal tax rates cannot rise beyond a certain threshold without threatening incentives to save and invest. Under a progressive consumption tax, however, higher marginal tax rates actually strengthen those incentives.

Consider a family that spends \$10 million a year and is deciding whether to throw a \$2 million coming-of-age party for its daughter. If the top marginal tax rate on consumption were 100 percent, the party would cost \$4 million. The additional tax payment would reduce the federal deficit by \$2 million. Alternatively, the family could scale back, throwing only a \$1 million party. Then it would pay \$1 million in additional tax and could deposit \$2 million in savings. The federal deficit would fall by \$1 million, and the additional savings would stimulate investment, promoting growth. Either way, the nation would come out ahead with no real sacrifice required of wealthy families, because when all spend less on parties, the result is merely to redefine what must be spent to mark a special occasion.

Without displacing any urgent private purchases, a progressive consumption tax would generate sufficient new revenue to fund Barack Obama's proposal to replicate the Harlem Children's Zone, creating Promise Neighborhoods in twenty cities across the country; to fund Hilary Clinton's proposal to create American Retirement Accounts for every citizen; and to fund John Edwards' proposal to create 1 million "stepping stone" jobs over the next five years.

A progressive consumption tax would also reduce the growing financial pressures confronting most families. Top earners, having received not only the greatest income gains over the last

three decades but also substantial tax cuts, have been building larger houses simply because they have more money. Those houses have shifted the frame of reference for people with slightly lower incomes, leading them to build larger as well. The resulting expenditure cascade has affected families at all income levels.

The median new house in the United States, for example, now has over 2,300 square feet, over 40 percent more than in 1979, even though real median family earnings have risen little since then. The problem is not that middle-income families are trying to "keep up with the Gateses." Rather, these families feel pressure to spend beyond what they can comfortably afford because more expensive neighborhoods tend to have better schools. A family that spends less than its peers on housing must thus send its children to lower-quality schools.

Some people worry that tax incentives for reduced consumption might throw the economy into recession. But total spending, not just consumption, determines output and employment. If a progressive consumption tax were phased in gradually, its main effect would be to shift spending from consumption to investment, causing productivity and incomes to rise faster.

Should a recession occur, a temporary cut in consumption taxes would provide a much more powerful stimulus than the traditional temporary cut in income taxes. People would benefit from a temporary consumption tax cut only if they spent more right away. In contrast, consumers who fear that they might lose their jobs in a recession are often reluctant to spend temporary income-tax rebates.

Failure to address the current fiscal crisis is not an attractive option. With baby boomers retiring and most voters now favoring universal health coverage, budget shortfalls will grow sharply. Annual borrowing from abroad, now more than \$800 billion, will also increase, causing further declines in the slumping dollar. And the personal savings rate, which has been negative for the last two years, will fall still farther, causing future reductions in economic growth.

The progressive consumption tax is perhaps the only instrument that can reverse these trends at acceptable political cost. It has been endorsed by a long list of distinguished economists of varying political orientations. It was proposed in the Senate in 1995 by Sam Nunn, the Georgia Democrat then serving his final term, and Pete Domenici, Republican of New Mexico, who called it the Unlimited Savings Allowance tax. In short, this tax is not a radical idea.

Although the Bush tax cuts for the nation's wealthiest families threaten American economic prosperity, they have done little for their ostensible beneficiaries. Even purely in terms of self-interest, they would have fared much better if the same money had been spent to repair our aging bridges. And they would fare better still if we replaced the federal income tax with a progressive consumption tax and used some of the resulting revenue to fund the safety net programs proposed by Clinton, Edwards, and Obama in this issue. ☆

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The Trouble with (Some) Boys



Boys are in crisis. Or are they? It's all the fashion to worry about their lagging classroom performance, with a *Newsweek* cover story in 2006 proclaiming "The Boy Crisis," and U.S. Department of Education Secretary Margaret Spellings saying such a crisis "has profound implications for the economy, society, families and democracy."

In new research on Baltimore school children, Doris R. Entwisle, Karl L. Alexander, and Linda S. Olson find no evidence of boys "in crisis" when they start school: Boys and girls enter school performing at about the same rate in reading. A gap favoring girls does, however, open up over the elementary years, but only among disadvantaged youth who receive meal subsidies. Disadvantaged boys fare poorly for two reasons: They are especially likely to have behavior problems; and their parents expect them to perform less well at school. This research suggests, then, that the so-called boy crisis is really a *poor* boy crisis.

Entwisle, Doris R., Karl L. Alexander, and Linda S. Olson. 2007. "Early Schooling: The Handicap of Being Poor and Male." *Sociology of Education*, 80(2), 114–138.

The Debtors' Quagmire

It is well known that Americans are racking up debt. This has left widening swaths of the population at risk of personal financial collapse and downward mobility. Indeed, personal bankruptcy filing increased from 288,000 per year to 1.5 million per year between 1980 and 2004, and decreased thereafter only when bankruptcy reform made the law less debtor-friendly.

Bankruptcy law reform reduced the number of bankruptcies, but did it also work to reduce the amount of debt? In a recent article, Michelle J. White argues that reform made lending less risky for creditors, since they knew that borrowers were less likely to declare bankruptcy and avoid repayment. As a result, incentives to offer more and higher levels of credit to families increased, and credit card debt spiked higher in 2006 than in any year before the reform.

It follows that lenders have been a main beneficiary of bankruptcy reform. While reform may have made borrowers less likely to declare bankruptcy, it's done little to stem the underlying forces driving massive debt accumulation in the first place.

White, Michelle J. 2007. "Bankruptcy Reform and Credit Cards." *Journal of Economic Perspectives*, 21(4), 175–199.



Moving on Up

Segregation is entrenched. And segregation matters. These are the two truths around which our understanding of racial inequality has long been built: We know that residential racial segregation is woven deeply into the fabric of American life, and we know that such segregation is an important source of racial inequality.

But now there are signs that persistent segregation may be breaking down. Using newly marshaled long-term data, Jeffrey M. Timberlake and John Iceland find that America's major racial and ethnic groups are increasingly living together in the same residential neighborhoods. Although black Americans continue to be the most racially segre-

gated group, the declines in segregation have also been most rapid for this group. Additionally, when members of racial and ethnic minority groups secure more income, they are increasingly able to use these gains to move into higher status neighborhoods.

Obviously, racial residential segregation remains extreme, so extreme that Douglas Massey once referred to it as a system of "American apartheid." But there are now at least some signs that this system may be weakening.

Timberlake, Jeffrey M., and John Iceland. 2007. "Change in Racial and Ethnic Residential Inequality in American Cities, 1970–2000." *City & Community* 6(4), 335–365.

Escaping Poverty

Can Housing Vouchers Help?

BY STEFANIE DELUCA

AND JAMES E. ROSENBAUM

This election season, the Democratic presidential candidates have renewed our focus on poverty and social inequality in America, giving visibility to an issue that has been ignored by the Left in recent years. John Edwards and Barack Obama frequently cite the over thirty-six million families

who live below the poverty threshold, which Edwards calls a “national shame.” While all the Democratic candidates speak to the issues of disadvantaged families, they do so differently. Obama and Hillary Clinton focus on community development, the minimum wage, health care, and enforcing work responsibility standards. Edwards takes a bolder stance and emphasizes the reduction of racial and economic segregation as a solution to end poverty. Specifically, he wants to do away with public housing projects and replace them with one million housing vouchers to give poor families a choice about where to live. In May, Edwards said, “If we truly believe that we are all equal, then we should live together, too.” It makes sense that helping poor minority families leave dangerous neighborhoods would bring about immediate improvements in their lives. Urban sociologists have long described the horrors of public housing, drug-related violence, and the high levels of racial isolation and segregation common in many American cities. Dozens of studies have also shown that growing up in poor neighborhoods predicts a range of diminished social and economic outcomes for families and children.

In July, Edwards spoke of poor families “cut off from opportunity—far from good jobs and schools, far from many examples of success, far from the bright light of America.” Essentially, the logic is that if poor and minority families had access to the same schools, communities, and labor markets as middle-class families, they could start the path to middle-class success. Unfortunately, it’s not so easy for these families to obtain access to such opportunity-rich communities. When black families move, they usually move between poor neighborhoods, not out of them. This is due in part to housing discrimination and lending practices that channel black families into undesirable neighborhoods. So Edwards has a point: It will take government intervention to help poor minority families find better places to live. However, while his bold deconcentration stance has appeal, we must consider whether a voucher mobility strategy is enough on its own to alleviate the problems of the urban poor, or whether it’s one

essential part of a larger set of interventions. Will helping poor families escape the ghetto break the cycle of poverty?

In some ways this thought experiment has already been tested—poor families have relocated to different neighborhoods through a number of unique housing voucher programs. The first major residential mobility program, the Gautreaux program, came as a result of a 1976 Supreme Court ruling in a housing desegregation lawsuit filed on behalf of public housing residents against the Chicago Housing Authority (CHA) and the U.S. Department of Housing and Urban Development (HUD). Between 1976 and 1998, the court remedy provided vouchers for over 7,000 families in the Chicago metro area to move to nonsegregated communities. About half moved to mostly white, middle- and upper-income suburbs, and half moved to nonpublic housing city neighborhoods. However, unlike the Section 8 program, families did not choose the new housing units—they were offered specific apartments in new neighborhoods by housing counselors (who were working with landlords) on a first-come, first-served basis, similar to a random draw lottery. Suburbs with a population that was more than 30 percent black were excluded by the consent decree.

Early results from the Gautreaux program showed that low-income black children moving to middle-class white suburbs had better educational and employment outcomes than their counterparts relocating to other city areas—they were more likely to complete high school, attend college, and attend four-year colleges. Suburban youth who didn't attend college were more likely to get jobs with better pay and benefits. Mothers who moved to the suburbs also benefited from higher levels of employment postmove. This early research was powerful, showing how neighborhoods could be policy levers. These findings suggest that the life chances of low-income families depend not just on *who* they are but *where* they live. In recent work, we have examined the long-term outcomes for the Gautreaux families to see if the earlier results held up years later. We found that the program was very successful in helping former public housing families relocate to safer, more integrated neighborhoods and stay there. These families came from very poor neighborhoods originally, with census-tract poverty rates averaging 40 to 60 percent, or three to five times the national poverty rate. After their move, families moving to suburbs were living in neighborhoods that were 5 percent poor. As of the late 1990s, fifteen to twenty years later, mothers continued to live in neighborhoods with lower poverty rates.

The Gautreaux program also achieved striking success in moving low-income black families into more racially integrated neighborhoods. For example, 83 percent of their neighbors in their origin communities were black. The program placed its families moving to suburbs in communities that reduced this

percentage to less than 10 percent black. While the later moves of Gautreaux suburb families were to neighborhoods that contained considerably more blacks (33 percent on average), these levels were less than half of what they had been in the origin neighborhoods, and more than half of the families were still in mostly white neighborhoods. Families who moved to the most integrated neighborhoods were also more likely to live in similar areas fifteen years later. The children of Gautreaux families who had relocated to less segregated neighborhoods were also more likely to reside in such neighborhoods when they became adults.

Early research on Gautreaux had also shown large relationships between placement neighborhoods and gains in adult employment. For example, 26 percent of families moving to neighborhoods with the highest proportions of educated residents received welfare in 1989 (about six years after relocation for most families) compared to 39 percent of families who moved to neighborhoods with the lowest proportion of educated individuals. But did these improvements also last? The short answer is yes. Using state and federal data on employment and welfare

receipt up to twenty years later, we found that women placed in more affluent, less-segregated neighborhoods spent less time on welfare and more time employed than women placed in areas with mostly black residents, more crime, and higher unemployment rates. Over fifteen years later, women placed in areas with higher economic resources and less segregation earned between \$2,400 and \$2,900 more per year than women placed in any other kind of neighborhood.

While the results from the Gautreaux program had a profound effect on social scientists and policy makers, it wasn't a perfect experiment. All families moved somewhere, so there was no way to compare them to similar kinds of families who did not relocate to better neighborhoods. As a result, the Moving to Opportunity (MTO) program was designed as a rigorous social experiment, in part to test the promise of the Gautreaux program. Beginning in 1994, MTO allowed public housing residents in five cities (New York, Boston, Baltimore, Chicago, and Los Angeles) to apply for a chance to receive a housing voucher. Families were assigned at random to one of three groups. An experimental group received a Section 8 voucher that would allow them to rent an apartment in the private market, but they could only use this voucher in census tracts with 1990 poverty rates of less than 10 percent (unlike Gautreaux, there were no racial restrictions on the destination neighborhoods). This group also received housing counseling to assist them in relocating. Another group received a Section 8 voucher with no geographical restrictions. Finally, the control group received no new housing assistance but could continue to live in public housing or apply for other housing assistance.

Early results from the Gautreaux program showed that low-income black children moving to middle-class white suburbs had better educational and employment outcomes than their counterparts relocating to other city areas.

Like Gautreaux, families with MTO vouchers relocated to neighborhoods with much lower poverty rates than their public housing neighborhoods. These new neighborhoods were 11 percent poor on average, compared to their original communities, which were usually 40 percent poor or more. At the time of the four- to seven-year follow-up study, MTO families who had moved with low-poverty vouchers were still in neighborhoods that were significantly less poor than the control group but more disadvantaged than their first MTO community. MTO set no race-based limits on placement neighborhoods, and MTO families moving in conjunction with the program both began and ended up in neighborhoods with high minority concentrations.

When families first signed up for MTO, over three-quarters reported that the most important reason for wanting to move was to get away from inner-city gangs, drugs, and violence. Four to seven years later, movers reported higher levels of neighborhood and housing quality than those families who did not move with the program. Fewer experimental movers were victimized and they felt safer at night—in part because they reported greater success getting police to respond to calls in their neighborhood and they saw less drug-related loitering outside. These improvements in safety may have also led to the significant reduction in psychological distress observed among experimental mothers who relocated.

Teenage girls who moved with MTO also benefited from the relief of escaping high-poverty neighborhoods. Not only did they report significantly lower levels of depression and anxiety, they were also less likely to use drugs, drink, and smoke. Unfortunately, the young men who relocated to low-poverty areas were actually *more* likely to engage in risky behavior and more likely to be arrested for property crimes. Interviews suggest that girls and boys socialize in different ways—boys were more likely to hang out with their friends on the corner or on a neighborhood basketball court, and girls were more likely to visit friends inside their homes or to go downtown to a mall. Boys may have been at higher risk of delinquency because these routines do fit in as well in low-poverty neighborhoods, which may explain why they did not benefit as much as girls from peers in their new neighborhoods.

In terms of what many policy makers were hoping for—increases in economic self-sufficiency for parents and better schooling outcomes for children—the MTO results were not as encouraging. MTO mothers were no more likely to be employed, earned no more, and received welfare no less often than mothers assigned to the control group. However, it should be stressed that MTO occurred in an unusual historical era, a period in which welfare reform and a very strong labor market combined to generate an amazing 100 percent gain in employment in the control group. That the MTO movers failed

to demonstrate better employment outcomes may not generalize to different times. In terms of educational outcomes, early MTO research had shown that moving to less poor neighborhoods helped children attend better schools and increased test scores and school engagement (especially in Baltimore). However, four to seven years after program moves, virtually no educational benefits were found for these youth. This may be partially because almost 70 percent of the MTO children were attending schools in the same district they attended when they signed up for the program. Some children did attend higher-performing schools in the suburbs as a result of their move—but average differences were small. For example, while 88 percent of Gautreaux suburban movers attended schools with above-average achievement on national exams, less than 10 percent of MTO experimental group children attended such schools. While it seems surprising that more movers didn't send their children to better schools, few families had experience with better educational environments, and families lacked the information that middle-class parents use to make choices about their children's education.

Overall, the Gautreaux and MTO programs both succeeded admirably in enabling families to achieve their stated goal of escaping violent, gang-ridden neighborhoods and finding better quality housing; these escapes were permanent for many families in the case of Gautreaux. The significance of the improved safety and mental health should not be ignored. In fact, the reductions in MTO mother's psychological distress are comparable to what is achieved through current antidepressant drug treatments. However, in terms of long-

term gains in economic self-sufficiency, residential location and children's academic achievement, findings from the two programs are mixed. How do we reconcile these differences?

Despite some similarities, the Gautreaux program differed from MTO in important ways. First, MTO's criterion for a placement neighborhood was based on the poverty rate, while Gautreaux moved families to mostly white suburban neighborhoods (which were more affluent than MTO destinations). As a result, MTO families did not move as far away from their original neighborhoods as Gautreaux's families did.

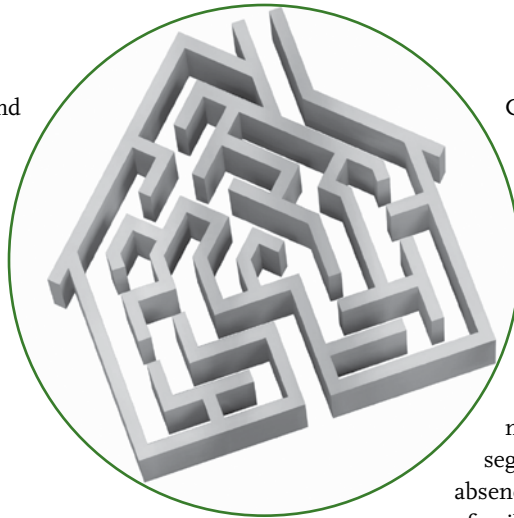
Second, the way participants secured housing units differed between the two programs, which may have led to differences in long-term neighborhood residence. In Gautreaux, real estate staff worked with landlords to locate units for participants and helped identify housing that participants could not find on their own; this may have facilitated permanent relocations through overcoming landlord discrimination. In contrast, although they received housing counseling, MTO experimental families found units on their own. While only 10 percent of Gautreaux suburban families moved less than ten miles, 84 percent of the MTO treatment group did so. Such

In terms of what many policy makers were hoping for—increases in economic self-sufficiency for parents and better schooling outcomes for children—the MTO results were not as encouraging.

short-distance moves may have reduced changes in employment opportunities and school quality, and may have reduced the possibility of changes in social outcomes through new networks or by permitting interaction with prior neighbors and family. Therefore, the mix of housing counselor assistance and placement in high-resource communities seemed to yield the greatest long-term benefits for families, and indicates the policy significance of both components for mobility programs.

A third important difference is methodological. In Gautreaux, we can only compare families that moved to a variety of *different* neighborhoods. Therefore, Gautreaux can inform us about what happens when families move from uniformly poor and highly segregated neighborhoods into communities not chosen by the families themselves, neighborhoods that show wide variations in degree of racial integration, poverty, and safety. MTO, on the other hand, tracks the fortunes of a randomly assigned control group of families who expressed interest in the program but, owing to the luck of the draw, were not offered access to it. Thus, MTO compares the effects of both being offered a low-poverty voucher and moving to lower-poverty neighborhoods with not being offered assistance at all. This design is better for inferring causal effects of reductions in neighborhood poverty, but might tell us less about the effects of moving to neighborhoods that vary by race and class and (it turns out) include more affluent neighbors and high-achieving schools.

In the future, we will have the opportunity to better understand the implications of mobility programs. Researchers are planning a ten-year follow up to the MTO evaluation, to see whether some of the early improvements experienced by families have more substantial long-term benefits. In Baltimore, families are currently moving as part of the ongoing Thompson program—a desegregation remedy very similar to the one ordered in Gautreaux. Stefanie DeLuca is following over 1,000 families who have moved to low-poverty, nonsegregated neighborhoods around the Baltimore metropolitan area. Housing counselors are working with families to prepare them for moves and are also organizing monthly bus trips to outlying counties so that families can explore new neighborhoods and meet landlords. Unlike other mobility programs, Thompson involves multipartner efforts to help directly connect these families to resources in their new communities. For example, one local foundation provides cars with low financing to families moving to the suburbs and another foundation has been supporting ways to connect families to better health care, employment training, and high-quality schools after their move.



How do these current results from Gautreaux and MTO inform antipoverty policy? First, the initial gains in neighborhood quality that many of the Gautreaux families achieved with vouchers and housing assistance persisted for at least one to two decades. This is extremely encouraging and suggests that it is possible for low-income black families to make permanent escapes from neighborhoods with concentrated racial segregation, crime, and poverty. In the absence of such a program, it is rare to see poor families maintaining long-term residence in nonpoor, nonsegregated communities.

Second, housing mobility vouchers *by themselves* do not guarantee moves to better neighborhoods or large gains in economic and social success for families and children. Therefore, housing mobility may be a necessary but insufficient lever for improving the lives of poor families. For parents to acquire better jobs and transition off welfare, we may need to couple housing mobility with additional services and supports. Recent research showed that many experimental work support programs run in the 1990s boosted work, family income, and children's achievement. Some of these programs supplied poor parents with earnings supplements and child care assistance that helped them balance employment and family needs. To help promote children's educational and behavioral achievement, mobility counselors should be trained to inform parents about the benefits of schooling opportunities in their new communities, since low-income parents are not always aware of these choices. When transfers do occur, counselors can make sure that receiving schools have information about the child, so that little instruction time is lost. Last, postmove assistance to help tenants and landlords work out problems might ensure that families remain in opportunity-rich communities, and might encourage landlords to participate in the program.

This nation has a strong commitment to improving education and employment outcomes of its citizens; providing opportunities to live in safe communities where families can prosper should also be part of that commitment. Evidence from housing voucher programs suggests that well-designed residential mobility programs can be important instruments for helping families improve the quality of their lives. ■

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