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POVERTY AND INCOME IN 2002:

A Look at the New Census Data and

What They Mean for Children and Families

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[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

## PARTICIPANTS

Moderator: RON HASKINS

Panelists: GARY BURTLESS  
ROBERT GREENSTEIN  
KAY HYMOWITZ  
ROBERT RECTOR

## P R O C E E D I N G S

MR. HASKINS: [In progress] -- poverty numbers came out, there were only two possible answers: Things are getting better, or They're promising. The worst it could get is "promising." But now, of course, I'm at Brookings, so I'm completely objective. I have no partisan desires whatsoever--they're completely gone. In fact, if any of my fellow Republicans out there want to talk about anything partisan, you're going to have to wait till Monday, because it takes me at least two days to get out of this neutral mode.

Well, the poverty numbers have come out--a little late, but they're out. And we thought it would be a good idea to talk about them --especially from the perspective of female-headed families and children, because that's the topic that we're most interested in here. And so we have invited a panel of guests to give you their own thoughts, and then we'll have a chance for you to ask questions near the end of the program.

Let me say, first of all, that I would like to start with just some background information so that we'll all have the same data. There are supposed to be charts out there on the table, if any of you would like to have them. And these are organized just by poverty and income, first, for all people or all households--and one of those is by race; and then for female-headed families, income and poverty for female-headed families; and then one last series from the Census Bureau that I was able to get, thanks to Richard Bavier, who is out here somewhere.

So let me begin by just showing you these charts. Let me say to you that some of the data on these charts is not in reports that--regular money report and the poverty report. You can get them from the Census Bureau website. And the Census

Bureau was very helpful and gave us data that is not in a normal release. So if you want to try to replicate any of these numbers and you can't get it out of the report, if you'll call us we'll give you the exact cite for where you can get the data.

I had planned to show you these charts, but it might be a little cumbersome. Maybe I can move a little bit. Can I do that? I can't? Okay. Well, I'll just start to run. Show the first chart.

This is Children in Poverty and People in Poverty. This, of course, is People, and this is Children. And I think the main thing to note here is that for children in poverty, there's been quite a substantial decline. And then the last two years have leveled off. It went--if you look at the numbers, it went up a little bit, but they're not significant, according to the Census Bureau. So you could say children's poverty has declined substantially. It was lower at one point in the early '70s, but it's very near its historic low and it has been level for the last two years.

Next chart. This shows Median Income for All Households, and then for Hispanic and Black households. And again, the pattern is somewhat similar, except in the reverse. There's been quite a substantial increase during the '90s, and then a decline or leveling off. And you see that pattern for all households and for Black households and for Hispanic households. I believe if you read the detailed tables for this year's report, White households had a slight increase this year, but most other groups declined this year. And most of those--some were significant, some were not.

Next chart. Now, these are for Female-Headed Families, and of course these are the families that were most likely to be affected by welfare reform and the families that those of us in welfare reform have gotten most interested in, so that's why we're focusing on female-headed families. As you can see here, these are the poverty

rates for female-headed families and for all families. They're very similar to the patterns that you saw before--quite a substantial decline for many, many years, and this is in fact the lowest poverty rate for female-headed families in American history; and then very slight increases for the last two years.

In the data series that we used for this, they didn't have significant numbers. I doubt they're significant, but there are very modest increases for the last two years--so more or less flat for the last two years. And for All Families, poverty went up a little bit, and it's also pretty steady. It's not a huge increase.

Next chart. And now, this is Income in Female-Headed Families and Married-Couple Families. And again, the patterns are very similar--very substantial increases during the 1990s and then a leveling off or even decline, except for this year, for female-headed families there actually is a slight increase. And I believe, if you look carefully at the Census Bureau tables, you will see several hints that female-headed families did--relative to other families, did quite well. So that's something we may want to talk about, and maybe some of our panelists will want to make a comment about it.

Now, the last slide I'd like to show you, the group of families that we're of course the most interested in, are families that are of low income. So Richard Bavier helped us, using the Census Bureau data. And what you have is--there are all female-headed families from '93 to 2002, and this is the second quintile and the bottom quintile--that means the bottom fifth of female-headed families, so the very poorest ones--the maximum income there is probably around \$11,500 and below. And then the second quintile is the one just above that, so it's up probably somewhere around \$22,000.

And as you can see, the pattern here is there was a slight decline last year after quite a substantial increase for the second quintile, a more modest increase for the

bottom quintile beginning roughly in the mid-1990s, and then a decline last year, but an increase in both cases this year. Now again, I don't know if those are statistically significant, but there actually is an increase in the bottom two quintiles, the poorest quintiles, for female-headed families. This is the kind of thing you need to look at very carefully. I don't think anyone here will be able to give a definitive answer about what's going on here, but their income, actually, on average, did increase.

All right, so that's just a broad overview. And now let's find out what our panelists think of these.

I have a note here from Bob Greenstein. He's the gentleman sitting in this chair on my far right. I believe this is the only time Bob Greenstein has ever been on my far right. And as you can see, he's not here, so it makes sense. He's on his way. So we will have Bob Greenstein before long. This is his way to go last and rebut everybody.

So, we have a wonderful panel to talk about these numbers. And as I said, you will get a chance as well.

We're going to begin with Gary Burtless, who's a labor economist. He's the Whitehead Chair in Economics here at Brookings and is widely known as an expert on labor issues in general, but also on poverty, and knows quite a bit about European labor markets and poverty as well and has frequently been invited in the United States and abroad to make presentations about various issues of labor and poverty.

Robert Rector, who's a senior research fellow at the Heritage Foundation, widely known to most people here as a person who is very influential on the Hill, who often works with the Republican members on the Hill on domestic legislation.

And then Bob Greenstein, when he arrives, of course is the founder and the executive director of the Center on Budget and Policy Priorities, a very--perhaps a

little bit left of center, but widely regarded as a very reliable center for information about government statistics like poverty. So we thought it would be real appropriate to invite Bob.

And then finally, we've invited Kay Hymowitz, who's a senior fellow at the Manhattan Institute in New York. We're very glad that Kay could come. We thought it would be good to have someone come who isn't totally immersed in numbers and wears green eyeshades and so forth--someone from the real world out there who thinks about cultural issues and might give a little broader interpretation of what all this might mean.

So we've asked each of the panelists to talk for five minutes, then we'll open it up for questions. We'll begin with Gary Burtless. Go ahead, Gary.

MR. BURTLESS: As you would expect, if you pay any attention to the business section of the nation's newspapers, a recession is not a very helpful climate to see family incomes improve. The Census reports issued today show that median household income fell about 1.1 percent between 2001 and 2002, and the median income of family households in the United States fell about almost 1 percent. The worst statistic and probably in some ways the most surprising statistic was that per capita personal income in the United States fell 1.8 percent last year, compared with the previous year.

Now, not surprisingly, these declines in income produce an increase in the overall poverty rate for the United States. Poverty rose .4 of a percentage point to 12.1 percent, and that rise was about the same in every age group. It was about the same for the young and for the 18-64 year-olds and for the aged. Now, this is certainly bad news. There's no way to put a nice spin on it; it's bad news. But it's hardly unexpected, given what we already know about what's happening in the nation's labor markets.

The good news is that the median incomes and incomes at the bottom have held up much better in the last recession than they did in the previous three. One indicator is the poverty-rate change in the first two years after the peak of an economic expansion. Among children, between 1973 and '75, in that recession, the poverty rate rose 2.7 percentage points. In the first two years after 1979, the child poverty rate rose 3.4 percentage points. And in the most recent recession before this one, the child poverty rate rose 2.2 percentage points.

So far in this recession, according to these statistics, the child poverty rate has only risen one-half of a percentage point. And this number is mirrored if you look at the people of prime age, people 18 years old to 64 years old. It's the same pattern--the rise in the poverty rate has been much more modest in this recession than it was in the previous two.

For older people maybe it's a worse recession, but actually, old-age poverty doesn't change very much in relationship to the business cycle. So something else is probably going on for the aged.

What explains the relatively good performance of the income indicators, especially at the bottom of the American income distribution? First of all, the unemployment rate rose a bit less sharply in this recession than certainly it did in the mid-'70s and the early 1980s. But I think the much more important fact is that wages rose more strongly for those breadwinners who managed to hold on to their jobs. Obviously, one effect of recession is that people spend more weeks out of a job and that lowers their annual labor earnings.

But people who hold on to their jobs had a different experience in the most recent recession than they did previously. In 1973 to '75, male full-time year-



round workers, in that first two years of that recession, male full-time full-year workers saw their median earnings decline 5 percent. Their earnings declined 2.5 percent in the first two years after 1979; they declined 2 percent the first two years after 1989. In the last two years, according to these latest Census numbers, the median male full-time year-round worker saw his real earnings increase 2 percent. For women, the increase was even stronger; it was 3.5 percent. And for women, too, that is a difference from previous recessions.

Moreover, we know from tabulations at the Economic Policy Institute that the wages of low-education workers have held up pretty well in the last two years. They aren't growing strongly, but they're not growing less strongly than are people who have higher educational attainment. And BLS tabulations show that the unemployment experiences of the least skilled have not been adverse, either. And that accounts, I think, in large measure for why single mothers who have poor educational attainment have done pretty well in the last couple of years.

So how would I boil this set of reports down to a couple of bullets? First of all, median income fell moderately and poverty rose moderately because of a very weak job market, but poverty rose much less than it has in the last three recessions because real wages have continued to rise for folks who hold on to their jobs and market income inequality is not getting worse. And that was the dominant pattern of income change in the United States from the end of the 1970s to the middle of the 1990s.

MR. HASKINS: Thank you, Gary. Robert Rector?

MR. RECTOR: Well, I must say, as someone who's been doing TV sound bites all morning long, it's really a luxury to have five entire minutes to talk about this.

I basically have two main points. My basic points are very similar to those that Gary Burtless just made. It's impossible to talk about good economic news in a recession, but comparatively speaking, this recession looks much milder, particularly for children, than the previous three recessions from the early '70s on forward. The strongest statistic, I would tell you, is very similar to the one that Gary just cited. If you look at those three previous recessions, in the first two years of each of those recessions, the average increase in child poverty was 2.5 percentage points. In this recession, in the first two years into the recession, the aggregate increase in child poverty was a half of 1 percentage point. So the increase in poverty is one-fifth--of child poverty is one-fifth, essentially, the historic norm.

If you look at the aggregate poverty, all poverty, you have less of an increase this time around, but the difference isn't as dramatic, as we have maybe .7 of an increase in percentage points in poverty, which is roughly half or slightly less than half of the normal increase in the same time interval in the preceding three recessions.

So recessions generally produce increases in poverty almost without exception. What we see here is substantially less of an increase in poverty than is the historic norm, and in particular, child poverty is not increasing much at all. In fact, there's no net statistical increase here at all, but I would say there has been some.

And again, that's a pattern that reverses. Historically what you expect in a recession is to see poverty go up and to see child poverty go up the most. That's the normal pattern. What we're actually seeing here is reverse. Child poverty is going up less than the aggregate poverty number.

Why do I think this is? I think there are two basic reasons for this. One is that this is a comparatively shallow recession--it's long and shallow compared to

previous recessions. The second reason is I think that welfare reform has been successful in buffering the children from the effects of recession, that it in fact has created a superior safety net. The essence of welfare reform effected in 1996 was to say that mothers had to either take jobs or prepare for work as a condition of receiving aid. As a result of that, we saw the number of mothers on AFDC and TANF drop by 60 percent, the bulk of those mothers going into the labor force. Now, when a family is on AFDC or TANF, by definition almost certainly they are poor. And so as you have the number of families on TANF going down, many of them in the labor force, they have a better shot about being out of poverty if the mother's in the labor force.

And I think the work requirements in TANF program have encouraged mothers to stay in the labor force during this recession, rather than dropping out onto welfare. During the last recession in the early '90s, the AFDC caseload went up by over a third during the recession. During this recession, we've seen no net increase in the TANF caseload. From a left-wing perspective you might see that as bad, but I think that's actually a good factor and that's one of the major reasons why we're not seeing large increases in child poverty.

If I could just move on to a more substantial long-term condition, looking toward the future, I think we ought to ask the question why are children in poverty in the first place, in good times or in bad economic times? And the reality is that in good times or in bad economic times, there are two reasons that children are in poverty in the U.S.

The first is very low work attainment and employment by their parents. Even in a good economic year, the typical poor family with children has only 800 hours of parental employment during the course of a year. That's 16 hours a week. It should be no surprise that these families are poor. However, if you were to increase that to a

full-time full-year worker, one parent--not two, but one parent working 40 hours throughout the year, the child poverty rate in the United States would be cut by three-quarters. We would virtually eliminate child poverty.

The second reason is, most obviously, the growth in single parenthood. Close to two-thirds of all poor children are in single-parent homes. And if we could begin to restore the marriage rate, that too would substantially reduce poverty over the long term. If poor single mothers married the biological father of their children, three-quarters of them would be immediately lifted up out of poverty, according to the data in the Fragile Families Survey.

So we have two strong avenues that we can pursue. We'll look at relatively good news here in the short term, and also relatively good news--or good prospects, I think--in the long term, because I do think that we have a real potential to both increase work and marriage in the future and thereby bring child poverty down even further.

MR. HASKINS: Thank you, Robert.

Bob, I've already given you an extremely flowery introduction. I pointed out your IQ was half again as high as anybody else on the panel, so I think you can really rip into these data and let's hear what you have to say.

MR. GREENSTEIN: Well, you could look at a lot of these new data, and the old adage--is the glass half full or half empty--applies to a number of comments one could make. So I'll start doing my "on the one hand, on the other hand."

On the one hand, as two previous speakers noted, if you look at poverty rates generally, child poverty rates in particular, they've gone up but they remain lower

than the levels they were at in the downturns of the early '80s and early '90s. On the other hand, they don't look so favorable when you compare them to the '70s.

For example, the child poverty rate in '02 was 16.7 percent; the child poverty rate in 1975 was 17.1 percent--a very similar level. Yet, in 1975 we had an unemployment rate, I think, up close to 8 percent. And in general the comparisons are positive compared to the '80s and '90s and not as positive compared with the '70s.

Now what accounts for the difference? Well, there's lots of factors, but I want to underscore something Gary said, which doesn't get enough attention and it is really important. It is stunning to look at wage rates for low-wage workers. Look at average wages at the 10th percentile and the 20th percentile of workers, they either were flat or fell for many years through the '80s and '90s. They rose so much in the late '90s, they continued to rise in '01, they continued to rise in '02, remarkably enough--not at the same rapid rate--such that average wages for low-wage workers, average hourly wages for low-wage workers, were significantly higher in 2002 than in the downturns of the early '80s or the '90s. That doesn't have anything to do with welfare reform; it's the private economy. They actually weren't higher than in the '70s. They got back to the '70s levels. And I think this wage issue is a very important factor here.

I would also note that if you look at other factors, they suggest that things will probably continue in an adverse direction for the third year in a row next year. The number of long-term unemployed is up significantly from '02 to '03. Average hourly wages, while they rose in '02, the EPI data indicate they've been falling in '03. The unemployment rate's up a bit in '03. And some state budget cuts are taking effect in '03. So I actually think it's likely--not certain--that we'll have another increase in poverty and drop in median income next year.

I would note, in regard to the issue on work, that today's data show that nearly two-thirds of all poor families with children that were poor in 2002 included a worker; and while the number of hours they worked in '02 isn't yet available from Census, if you look at the data from '01, you find that among those poor families with children that worked, they worked an average of 44 weeks during the year and were employed an average of 41 hours a week during the weeks they worked--more than 40, because a number of these have two earners in the family.

Now, the not-so-good news is when we turn from looking at poverty rates--the percentage of people below the poverty line--to the depth of poverty, how far below the poverty line do people fall. And when you take the best way of measuring the depth of poverty, the measure that counts food stamps and housing subsidies and the Earned Income Credit and school lunches and nets out income and payroll taxes, it would be misleading to say someone was very poor when you weren't counting their food stamps or their EITC. When you use this broad measure, what you find from the new Census data is that the average amount by which people who are poor fell below the poverty line stood at \$2813 in 2002, the largest amount in real terms ever registered in these Census data, that go back to 1979.

So poverty rates went up, but not as much, and are lower than in the last two recessions, but for those who are poor, they are, on average, poorer than at any time in the last 23 years.

A final comment is on the role of the safety net. Now, clearly, the bulk of the increase in poverty and decline in median income that occurred in '02 was due to rising unemployment. But I think policies made the situation worse than it had to be. In particular, we have a stingier set of unemployment benefits for the long-term

unemployed than we had in any of the last three downturns. The number of weeks of benefits that long-term unemployment workers get under the temporary federal unemployment program is significantly shorter than in those downturns, and as a result, in 2002 there were 2.2 million workers who exhausted all their unemployment benefits before finding work--double the number in the comparable period of 2001. We now are seeing a growing number of states faced with budget crunches that instituted cuts in child care, which doesn't bode well for the long term in keeping people in the labor force.

And finally, I would dissent from Robert Rector's viewpoint: I don't think it is a positive sign that when more families lose their jobs and fall into very deep poverty, that they're not receiving cash assistance. Certainly, we prefer them to work than to receive cash assistance, but according to HHS data, we've gone from a situation where about eight in every 10 families that were poor enough to qualify for cash assistance received it, to only five in 10. When this occurs during periods of high unemployment, when some of these people have neither a paycheck nor cash assistance, that can be a factor in making the depth of poverty greater.

MR. HASKINS: Thank you, Bob.

Kay Hymowitz, thank you for coming.

MS. HYMOWITZ: Thank you.

Well, as Ron put in his very polite way, I'm somewhat numerically challenged. So I won't really be addressing the specific numbers we saw today, for the most part. What I want to talk about is, really, what has always interested me, which is the culture of childhood and, in this case specifically, the culture of poor children.

A lot of us who talk about the behavioral reasons for poverty refer to things like marriage, the importance of having children within marriage. And even those of you who might accept that idea might wonder, well, so, what can we possibly do about it? And what I want to do in the brief time I have is just use teen pregnancy, which is an area I know a little bit about, to give you a kind of object lesson about how we might answer that question.

Most of you probably know that the teen pregnancy rate rose quite dramatically through the '70s and '80s--there was about a 23 percent increase--and something very surprising happened. Though it seemed to be an intractable problem, around '91 we started to see a decline. And in fact, from 1991 through 2002, we've seen something like a 28 percent decline in teen pregnancy.

Now, the news isn't all good when it comes to teen pregnancy, of course. We still have the highest rate of teen pregnancy of anybody in the Western world. We still have a larger number of young women having sex at earlier ages than other Western countries have, and more teenagers who are having more partners. So the news isn't all good, but it's pretty good. And the question is why; how did this happen?

There's a very vigorous debate about why this happened. Some people say that it's because we've started to introduce talk about abstinence, which was a word which really was off the table for a long time. And there's some reason to think that in fact kids were having less--well, I shouldn't say there's "some reason," kids were having sex less, so there definitely was that fact that played a role in it. Then there are those who argue that it was better contraceptive use, and they have some evidence on their side. There was increased use of condoms through that period as well.



But my own view of the matter is that what happened in the '90s was that we got an increasing and more strongly enunciated consensus that teen pregnancy was just a bad idea. That consensus simply wasn't out there in the '80s and earlier, in the '70s. That consensus, I believe, is what drove the change.

Now, the reason that I say that is because I believe--and parents in the room may beg to differ with me, but I believe children are pretty much wired to do what's expected of them. And when a culture feels strongly about something, that they shouldn't be doing something such as having babies when they're 15, they're not going to do it.

Unfortunately, public policy is often driven by the image of the child as this sort of very rational decision maker, an autonomous decision maker. I think that in fact if you look historically, cross-culturally, it's not like that. It's more that the culture has to express its expectations in very strong terms. We did it with teen pregnancy, and the question is whether we can do it also with the case of marriage. Is there a way that we can come to some kind of consensus that young children growing up have to eventually expect to get married before they have children, that if they don't they are much more likely to be in poverty and to have their children grow up poor?

This is a message which I think kids are not getting. They are growing up with the expectation that this is kind of an irrelevant question that has no bearing on their futures or the future of their own children.

And before I see that little sign--you can't see it, but it says "Stop please"-  
-I'm going to stop and await comments.

MR. HASKINS: Thank you very much. All right, now, let's have just a couple of questions here and then, people in the audience, we're going to allow you to pose questions as well.

People in this audience who follow welfare reform--and I think everybody up here on the panel will remember, when welfare was discussed back in 1995 and 1996, one of the major concerns was recessions. And there were lots of strong criticisms of the welfare bill because it took people out from under a world of welfare entitlement and threw them into the risky marketplace. And they would get jobs and that would be fine, as long as there's plenty of jobs, but then when a recession came and the jobs disappeared, then there would be a lot of trouble.

So now we've had the first recession after 1995-96, and it appears--I think there's some consensus here; Bob may disagree a little bit, and you're welcome to do that; that's why we're doing this forum--that the impacts on female-headed families, the employment of female-headed families, the income of female-headed families, and the poverty rates among female-headed families are quite modest, especially compared to previous recessions.

So on the face of it, it looks like the opposite of the concerns from the 1960s. Do you agree with that? And what do you think the implications are of these data, two years after a recession or a year and a half after a recession, for public policy and particularly for welfare? Bob, do you want to start?

MR. GREENSTEIN: Well, I'm going to partially disagree with that.

MR. HASKINS: Okay.

MR. GREENSTEIN: First off, to reiterate a point I made earlier, we really should not be looking solely at poverty rates. We should be looking at poverty

gaps as well as poverty rates. And we do have a higher per-person poverty gap now than we've had at any point going back to '79, counting food stamps and EITC and all of those things. So that is a source of concern.

I think that the welfare--the changes--the combination of the changes in the welfare system--I also have a lot of problems, Ron, when people divorce the changes in the welfare system from a lot of other related things that occurred at the same time--the changes in the welfare system and the big increases in wage rates at the bottom and the increase in the EITC and the huge increase in child care funding and the changes in the Medicaid eligibility so that your kids don't lose Medicaid when you go to work--all of those in combination have led to a big increase, as we all know, in the proportion of single female parents who go to work, which is certainly a positive thing.

However, we have also had an increase, apparently, in a very poor group that falls through the cracks and doesn't get much of anything, that is reflected in part in this increase in the per-person poverty gap.

But the larger point that I want to make--and here, in fact, Ron, I think I see one--not all--one criticism that a number of us had of the welfare law at the time, in '96, starting to be borne out, is that up until now there has been a cushioning effect by the fact that the big reductions in the welfare rolls related to the reductions in poverty and increases in wage rates and the work requirements in the late '90s, and the slowness of a number of states to gear up child care and things like that led to these big sums of unspent money.

One of the big concerns a lot of us had was, you get into a recession, need would go up, and the TANF block grant would remain fixed. Well, states have been able, at least in the first part of the downturn, to draw on these unspent funds. But the

unspent funds, increasingly, are gone. The HHS data show that states are spending this year at a rate of--I forget the exact figure--between \$20 and \$21 billion on TANF, yet the basic block grant, what, \$16.9 billion, something like that. And under all the bills on the Hill, we're going to fall back down to that. We do already see, I think, the majority of states cutting child care or other work-related services that have helped result in the success of more people going to work.

So I think it would be a big mistake to say that the fixed block grant financing structure and long-term freezes over time at \$16.9 billion in the funding rate turn out not to be a problem. When the next recession comes, there won't be any unspent funds from prior years to draw on.

So I think the picture is a complex one, not a simple one.

MR. HASKINS: Okay, let me say that the caveat that you introduced to my question is that the implication of the question is correct, that the strategy of having employment as the main safety net, as opposed to guaranteed benefits, could work even in a recession but only so long as states and the federal government keep up the work supports like the earned income tax credit and so forth, and then you also have an additional help, which was the increased wage rate.

Robert, do you agree with that? What's your position on it?

MR. RECTOR: I would strongly disagree with you, Ron, because I think you dramatically understated what the opponents of welfare reform said. What the opponents of welfare reform said clearly in 1995 and 1996 was that without any equivocation whatsoever we were going to have millions of additional children in poverty in good economic times--not in a recession, but in good economic times. The TRIM model and all that that was used was not predicated on a recession. You're just

going to have kids hitting this time limit, they're going to go into poverty in the millions. We didn't even discuss the catastrophe which everyone anticipated would occur in the event of a recession.

And what we saw, instead of an increase of millions of children in poverty during the late '90s, we saw an unprecedented drop in child poverty during that period. For the 25 years prior to welfare reform--from 1970 to 1995--for example, if you look at black child poverty, it remained--there was no net change whatsoever for a quarter of a century. It remained in the low 40th percentile and did not change for a quarter of a century.

Similarly, if you look at poverty of single mothers with children. It's the same level, no net change, for a quarter of a century. Along welfare reform comes, and in both cases the two populations most affected by reform, you see unprecedented and steady declines in child poverty for the next six years, black child poverty dropping from the mid-40s down to the low-30 percentile. In 2001, black child poverty hits the lowest point U.S. history. This year, in the second year of a recession, it's at the second-lowest point in U.S. history still.

So you have completely the opposite of what was predicted. And now we're going through a recession and we're seeing these very modest increases in poverty compared to previous years. I think that's a very--I think that's--it surprises me, as a proponent of reform, that reform has in fact done this well. It's out-performed at least my expectations, and certainly it vastly out-performs any statement of the vast numbers of people that opposed this.

I'll also just say a couple of points. When you make a comparison and you say the poverty rate of children is not that much lower today than it was in the

1970s, that is--a major factor there is in the growth of single parenthood, okay? If you look at single-parent poverty, or single-mother poverty, it is substantially and dramatically lower today than it was in the early 1970s. The problem is we just have a lot more single parents than we did back 25 years ago.

I think that expansion of the earned income tax credit was a key component of reform. I agree with Bob on that.

And I think that the expansion of daycare funding was also very important. But we have to acknowledge that the amount of daycare spending has gone up by \$20 billion a year. Close to two-thirds, or over two-thirds of that daycare spending did not come as a new authorization from Congress, but came from TANF savings, which were deliberately rechanneled into daycare, which was what we expected; that's what we intended the reform to do. And if the reform keeps steam, you will see continuing TANF savings that can flow into the daycare market.

The problem that I see today and prior to reform is that over half the TANF caseload, as we speak today--close to 60 percent of the TANF caseload--is still sitting idle on the rolls and doing absolutely nothing. That is completely counterproductive. It's not in the interests of the moms, the kids, or of society. Food stamps is completely unreformed. Public housing is completely unreformed.

And what we need to do is generate some work-related reforms in all of those programs, which will generate savings which can be used for things such as expanding the earned income tax credit or make more daycare funding. But we have to continue with the basic idea of the reform.

MR. HASKINS: Gary, do you have anything to say about this?

MR. BURTLESS: Well, I think that there were two parts of the surprise in this current recession, two explanations for the surprise, with regard to welfare spending. The first is, as Bob emphasized, much more money was saved by states in their basic programs for the population covered by TANF than anybody anticipated. And because of the way the block grants worked, that meant that the unspent funds, unspent federal funds, were available for spending in a later recession. The expansion lasted longer than almost any, probably any peacetime expansion in the history of the United States, so that meant that the good times lasted longer. And the good times were far, far better for the population that was helped by TANF. And that left states with much more money at their disposal.

But I would also say that there is a second part of the surprise. I anticipated, in the mid-1990s, that when a recession struck, probably the population most liable to be in public assistance programs was also one that, if they moved into employment, would be unusually affected by an up-tick in the unemployment rate. They would be the first ones out the door looking for a job. And for whatever reason, that has not happened. I don't think it's just the discipline of welfare reform that has kept single mothers and other people at risk of going onto TANF in jobs. I think it's also that the character of the recession has been less harsh, relatively speaking, on the low-wage part of the job market than we have seen for the last 25 or 30 years.

MR. HASKINS: Let me ask a second question. Bob implied this. I'd like to have fairly short answers to this because I'd like to have plenty of time for the audience to ask questions. And that is, if you look at the Census Bureau data, as Bob has already suggested, at half the level of poverty, which the Census Bureau calls "deep poverty," it is an unfortunate picture. Now, this is especially perplexing because in

previous years, that measure at half the poverty level really plummeted so that, like regular poverty and poverty among female-headed families, it was far and away the lowest it had ever been. And then it started inching back up, and then it went up quite substantially last year. And now, apparently, it's up again.

So if you just take those numbers at face value, it would appear that, on average, low-income female-headed families and their children are helped. They're better off financially and they may be more resistant to recessions than we thought. And with the EITC and Medicaid and all the things Bob mentioned, we have a good national strategy for helping these families. They're closer to the rest of America's cultural values because they're working and earning their own way, and so forth and so on.

But one of the costs of that appears to be, measured by either this half-the-poverty-level measure or by the poverty gap that Wendell Primus and Bob prefer, that there is a problem down there at the bottom, and that there could be a fairly substantial number of female heads who are really in bad shape down there. Is that true? And what should we do about it?

MR. GREENSTEIN: Well, I think it is true. The number of people below half the poverty line went up 600,000 in '02; in the new data it hit 14.1 million. That's a pretty big number.

I would also note, you know, when Robert says "black poverty hit the lowest level in a quarter-century; it had to be welfare reform," following up on Gary, the unemployment rate in the late '90s hit the lowest level in a quarter-century; wages, hourly wages for low-wage workers hit their highest level in a quarter-century. There were multiple factors involved.



So one asks oneself the question, and this also relates to the very-poor group, what happens if, at a future point, the unemployment rate goes back up to 7 or 8 percent, like in prior recessions? What happens if we have a period like we had in the '80s and '90s where wages stagnate at the bottom? Part of this relates to what happens to productivity growth, which is totally unrelated to things like welfare reform.

So there are a number of areas of significant concern there, and let me add one. This question of--which I really don't want to get into a long debate on--does the welfare law increase or reduce poverty and how far off are everybody? For the record, it wasn't millions; it was 1 million children in poverty, was the estimate. That was an estimate based on a bill that was never implemented. That estimate assumed that all these immigrant cuts that were subsequently ameliorated or reversed took effect. The food stamp cuts that were subsequently reversed took effect. That 275,000 SSI kids were thrown off SSI, and it turned out to be less than 100,000 because of how the Clinton administration implemented it.

So let's be clear that what Belle and others did that run on, and Wendell, was not the same thing that was actually implemented. But here's my concern, now. My concern is that if the welfare block grant stays at, what is it, \$16.5 billion for 20 years, if it follows the social services block grant funding path long-term, and states continue to freeze cash benefits at nominal levels but don't cut them at nominal levels, then over time you have to start to undo more of the job readiness, child care and other services. We already see, contrary to what Robert said, states pulling money out of child care in some cases--part state budget crisis, part running out of unspent TANF funds.

So one of the first things that I would note on your list of what to do is--we are beyond the debate over whether to go to TANF. It is here; it will be here. But,

my God, we've got to fund it adequately. You don't freeze it in nominal terms for another five years and lose 700,000 child care slots. You know, there are other things that need to be done as well. But just to put one on the table, it seems to me to be problematic to praise welfare reform as having been helpful here and then suggest that, in real inflation-adjusted terms, we should cut the funding levels year after year.

MR. HASKINS: Let me thank you for that plug, because, as all of you will undoubtedly be glad to hear, we are going to have a session here at Brookings on October 15th on block grants, and we will have a chance to examine the very kinds of problems with block that you've just mentioned.

Would anybody like to respond to what Greenstein has said? Let me guess. Robert would like to respond.

MR. RECTOR: First of all, the numbers I see in the report show no net increase in children in deep poverty over the last year. But that's a fine point. The bigger issue is were there a number of mothers who, when challenged by welfare reform, lost TANF, didn't go into the labor market, and are kind of sitting there at the very bottom? And I would agree, yes, there almost certainly are. I would also say, however, that when you get down--now we're down at a very, very tiny portion of the sample, where I think the data is just not very good. We don't really know very much about this kind of family. We don't know very much about where they're getting income from. As you all know, there are all these families on the CPS that have zero income. And that's been a great mystery to me ever since my graduate school days exactly who they are. And I don't think the data are very accurate.

But on the more fundamental point, the point would be were there families that were challenged by the work requirements in TANF, that failed to meet

those, and thereby dropped off of welfare and didn't get into the labor market? Yes. Clearly, that has happened to some extent. We don't know to what extent. What should we do about that?

Well, I, for one, looking toward the long-term future, would favor aggressive programs to try to go out and reengage those parents--not in a permissive way, of here, we've got a new check for you, but in some way to aggressively engage them to try to get them into the labor market. But before we do that, we have to complete the reform on the parts of welfare where we have highly employable people. Over half of the families on food stamps, for example, are headed by able-bodied young adults, two-thirds of whom have no employment whatsoever during the period that they're receiving food stamps.

One of the things that we've clearly learned by welfare reform is that if you challenge families in that type of condition, you can generate an increase in employment, a reduction in poverty, and generate a lot of savings that enable you to do things like go out and create aggressive, case manager-intensive programs to find these individual troubled families. But you have to clear up a lot of the unnecessary dependence which currently exists.

And just to conclude, the simple metaphor that I would say for this process is to look what happened in Wisconsin during the '90s. Wisconsin is the only state that really put in a universal work requirement. The TANF/AFDC caseload dropped by 90 percent. But that generated sufficient surplus for them to actually raise their monthly AFDC benefits, create a large state earned income tax credit, and do a much more intensive management on an individual-case basis. Because you have fewer people--the people who didn't really need to be on welfare were now off--it enabled you

to much more diligently deal with those people who truly needed your aid, needed your monitoring to make sure that they behaved productively and didn't fall through the cracks.

MR. HASKINS: Audience? This young lady.

QUESTION: Barbara Gault with the Institute for Women's Policy Research.

MR. HASKINS: Let me caution the audience. We should strive for brief questions, okay? Go ahead.

QUESTION: This really is a brief comment. When 38.2 percent of African American female head of households are in poverty, a slight increase--but insignificant increase--over last year, approximately 35 percent of Hispanic female head of households are in poverty this year, unchanged from last year, I can't call it--I can't say that single-headed households are doing relatively well in this economy. I don't think that that's a correct characterization of what we're seeing in the economy now.

Proposed solutions for what to do about unchanged poverty among these families, by Mr. Rector, encourage more work and encourage marriage. Among women generally in families, only 32.7 percent of women with children under 6 work. Why should we expect single mothers, with many more barriers to employment than the average mother, to work more than that?

In addition, also released today in the Supplemental report, we see that for people with a high school education, poverty rates are half of the poverty rates for those without a high school education.

So I would suggest that, instead of trying to force more women into the labor market, we should make it easier for women who are receiving assistance to get

education and training. Invest more dollars in some of the proven services rather than marriage promotion, which is largely unproven and which the majority of the American public disagrees with and finds invasive.

Thank you.

MR. HASKINS: Anybody on the panel? Robert?

MR. RECTOR: Well, I would just say--

MR. HASKINS: Let me--we do need to be brief, because otherwise we're not going to get many questions.

MR. RECTOR: I'll just go directly to that point. We have a study available on our website, where we compare the relative effects of education and marriage in terms of reducing child poverty. We found, as I recall, the data basically showed that a married mother who was a high school dropout had a poverty rate that was about the same as a single mother who was a college graduate.

Basically, marriage is just very, very effective. Work is very effective. The historic record of trying to decrease poverty by increasing education is not that effective. But I wouldn't disagree with that entirely. I mean, we have multiple pathways here. If you want poverty to go down, marriage is an extremely effective way for doing it. A lot of low-income parents who are poor are very interested in marriage. Work is also effective.

I have to disagree with Bob. If you look at the normal data, the median household with children, that's poor, using money income data, has only 1000 hours of work during the course of a year. If you throw the earned income tax credit in as part of the definition of income, it's down to 600 hours a year, of those families still in poverty.

So yes, most families that are poor do have work, but they're not working very much during the course of the year. Clearly, if we want them to get out of poverty, they're going to have to work somewhat more.

MR. HASKINS: Kay.

MS. HYMOWITZ: I just want to address the issue of marriage promotion policies. You know, I think they're very untested. We don't know. I have issues with them myself.

What I was trying to say in my remarks is that the actual policy, in some way, is less important in this case than, I think, a shift in the cultural expectations. And that's the kind of marriage promotion I would like to see; that is, a more universal understanding that this will make a huge difference in the lives of children.

MR. HASKINS: Bob, before I turn to you, I have to say something because otherwise Belle is going to attack me the second this session ends. I think there are papers out there on the table that Belle and I did about this exact question of work and marriage and the relative impact on levels of poverty of work and marriage as compared with welfare.

Now, Bob, sorry.

MR. GREENSTEIN: I think the figures Robert just mentioned suggesting not much work among the poor, I believe he averaged people who don't work and people who do work together. The figures I mentioned are straight out of the Census data. If you look at poor families that have employment, among those families, on average, there's a lot of work. Those averages that I mentioned are pushed up by the inclusion of two-parent families who are poor who work, who often have two workers. If you do the figures for single-parent families who work, they're not as high, but

they're still substantial. It's 30-some weeks of work per year, on average, and 30-some hours of work per week in the weeks that were worked. The hours I'm giving are the hours of work per week in the weeks worked, and the number of weeks worked, on average, during the year. So they are substantial.

But let me turn to two other quick points.

MR. HASKINS: Quick.

MR. GREENSTEIN: The woman who asked the question actually raises--it's another one of these "is the glass half full or half empty"--what's your standard of comparison? We can say, Look at these poverty rates and look at where they were at other points in the '80s or '90s; aren't we doing well for a downturn?

We can also say, Look at these poverty rates and let's compare them to Canada and Western Europe, and then we looked pretty bad even when they came down in the late '90s during peacetime. It's also of note that [tape change] study analyses, when there was an attempt to say why do we have higher child and family poverty rates than Western Europe? When the U.S. figures were adjusted to control for a higher rate of single-parent families, it explained only a modest part of the higher poverty rate that the U.S. had. The larger factor was a weaker safety net than those programs have.

So you can do these comparisons in various ways. The only final point I'd make is if Belle and Ron, if you're doing any further version of your piece, you analyze the--

MR. HASKINS: We'll have to now, I can tell.

MR. GREENSTEIN: When you analyze the effects of different treatments of poverty rates--and I suspect that, for some of the measures, you wouldn't get the same results if you looked at the effect on poverty gaps rather than poverty rates.

MR. BURTLESS: Can I just make a very brief--

MR. HASKINS: Very brief. Very brief.

MR. BURTLESS: On education promotion. Just as a labor economist who's looked at these questions for many, many years, I think that that is a much better piece of advice for people who have not yet had their first child and are still young, to try to promote greater education amongst that population. I'm not sure that we have very favorable experiences when trying to promote education among people who are 25, already have one or more children that they're trying to rear.

MR. HASKINS: Other questions? Dr. Aaron.

HENRY AARON: First I want to say how glad I am to hear the ringing endorsement from Robert Rector of expansion of state earned income tax credits. I'm sure that the Center on Budget would be glad to collaborate with you in urging states to move ahead.

But my question goes in a different direction. During recessions, one of the problems, in addition to loss of jobs or income, is loss of health coverage. I wonder if the panel would comment a bit on whether this recession is where it fits in terms of access to health care.

MR. HASKINS: Bob?

MR. GREENSTEIN: Before answering, I actually want to put in a quick plug for Robert. We disagree on most issues, but he has a long history of support for the Earned Income Credit. And I actually participated in one behind-the-scenes meeting with Republican staff in the mid-'90s, where Robert took them to task for proposing to cut the earned income credits.



MR. HASKINS: Now, Bob, you have completely ruined Robert Rector's reputation. [Laughter.]

MR. RECTOR: You just got my salary cut there, Bob.

MR. GREENSTEIN: One thing we agree on. We disagree on almost everything else.

New data. The Census Bureau is releasing, I think today, in embargoed form, the health insurance data. I think the embargo comes off at 12:01 a.m. Tuesday morning.

Having said that, we do have pretty good sense of what's happening, because the Centers for Disease Control has already released its data on 2002. And the result is actually pretty interesting. It shows an increase in the percentage who are uninsured, as you would expect. But it shows a smaller increase in the percentage who are uninsured than we might have thought would be the case. And if I remember correctly, I think there's not a net increase in 2002, at all, in the percentage of children who are uninsured. And if you go into the CDC data, it's pretty clear why that occurred. The data show significant drops in employer-based coverage as people lost jobs or as employers responded in a tough economic time to rising health care premiums and dropped coverage.

But Medicaid worked the way it's supposed to. This is an example. Not to prejudice the October 15th debate, this is an example of an entitlement, rather than a block grant, working the way it's supposed to even despite some state cuts in the Medicaid program. Medicaid as an entitlement expanded to serve more of the people who qualified for it when they lost their jobs, lost their employer coverage, and became poor.

And there was something like--I hope I'm going to remember the number right--an increase of 4 million people in the number on Medicaid and SCHIP in 2002, and you can put the numbers together. And the expansion of Medicaid and, to a lesser degree, SCHIP, completely offset the loss of private coverage for children, so that we had no net increase among children. For adults, there was a net increase because Medicaid coverage isn't as expansive and there wasn't as much of an expansion to offset the loss of employer-based coverage.

MR. HASKINS: Other questions?

QUESTION: I'm Lisa Jacobs from the NOW Legal Defense and Education Fund, and I want to see if I can dig deeper into a couple of issues that you were raising, particularly the issue that you raised, Ron, asking about what may be the intersection between welfare reform on the one hand, and the recession on the other.

I'd be interested if any of you have read the piece that the Economic Policy Institute did called "Falling Through the Safety Net." It talks about how welfare reform was designed to work in a booming economy, and how, particularly because of the characteristics of this particular recession, the women who got out on the front end of welfare reform went into industries like service industries and like the retail industries, which have been hardest hit in this particular recession and, as a consequence, they are actually bouncing back out of the labor force but for particular reasons that may be associated with welfare reform and five-year caps or sanctions or other things, are not actually benefiting from those kinds of services any longer. So I think it's a little dangerous to sort of glibly say the welfare reform rolls are falling, when I don't think we're looking closely enough at what's happening to those people.

And the other piece that I want to raise very quickly, and getting to a point that Bob made about needed to fund adequately the welfare system, is this: Flat funding clearly is not adequate. It's hard to sort of offer a complete critique, given that we really haven't seen what the Senate proposes to do. They marked up concepts in the markup instead of looking at the full bill.

But what we do know about what we've heard is that the administration is interested in \$2 billion for marriage promotion. Particularly in this economy, where states are struggling, where, as I think Bob or someone else pointed out, they're having to cut child care, they're having to cut things that we know will actually support women into getting into work. An untested program like marriage promotion, particularly with an American public that opposes this level of governmental interference, particularly among a population at issue for domestic violence, an untried program or sort of a test with \$2 billion in this economy is irresponsible.

MR. HASKINS: Comments.

MR. RECTOR: I do have a comment. The simple fact of the matter is that anyone who's looked at these issues for a long time recognizes the very, very harmful economic and social consequences of the decline of marriage for both children and adults. I really think there is still some disagreement among some parts of the left, but there's very, very broad consensus among a wide range of scholars, including Irv Garfinkel and Sara McLanahan and Isabel Sawhill, that marriage is a good thing.

And the other thing we have to understand is that basically a welfare system is a subsidy system for single parents. If you take all the means-tested programs for children, about 75 percent of that spending is going to single-parent families. And I'm not suggesting to cut that back.

But what is being proposed in the welfare reauthorization is to spend, effectively, one penny on programs to promote healthy marriage for every \$5 we're going to spend subsidizing and supporting single parents. And I think given the importance of marriage to the well-being of children, and given the importance of marriage to reducing child poverty and welfare dependence over the long term, that one penny out of every \$5 for that initiative is not at all excessive. In fact, I think it's quite modest.

And what I think we're really doing here is, very fortunately, going back almost 40 years to the beginning of the discussion of welfare and poverty in the early '60s, when, if you looked at the work of the late Senator Moynihan and other work such as *Tallys Corner* by Elliott Liebow, very great concern about the relationship between fathers and fathers' work and marital stability and its whole impact on child poverty.

And really, for 30 years there was a tempest of denunciation of that discourse that created an unfortunate and unhealthy gag rule over this issue. And I really think, in the last 10 years, due to the work of a lot of different people, including a lot of people in this room, we've stopped that. And we've gone back and we've said, you know, these fathers are important, these fathers are needed in these families. They are not all abusers by any stretch of the imagination. The majority, the average unmarried father at the time of birth has a job, does not have a criminal record; he's making about \$17,000 a year.

And if we can do something gently and voluntarily to help those couples form healthy marriages, that clearly, by everyone's analysis, is going to have substantial positive benefits both economically and developmentally for the children. I think it's

time to stop hiding our head in the sand and really begin to take a few steps forward in that direction.

MR. BURTLESS: Can I answer? I hate to be--

MR. HASKINS: Yes. Absolutely.

MR. BURTLESS: The first part of your question has to do with the job loss of people who are potential recipients of TANF. And I have to say that if you'd asked me in 1995 or in 1999, I would have agreed with what you said as a prediction of what's going to occur. But poring over the data from the last two or three years, it really just does not look like the mothers who are most likely to be TANF recipients have suffered huge or disproportionate employment losses compared with other people in the economy. In fact, their employment rates have held up better than those of other groups in the population.

So I am a big fan of the Economic Policy Institute. I use their statistics all the time. And if they made that point, the one that you stated, I've got to see some evidence showing it's true, because I don't see it.

MR. HASKINS: Don.

DON WINSTEAD: Another question that may set up for your October 15th event, but just to--to the point of what's been characterized as the level funding of the block grant, since we're comparing scenarios, I just wonder if it had happened that we maintained AFDC or something like AFDC as a state and federal matching arrangement under the old rules, and if we had the caseload reduction that we've seen, and if we had the state fiscal situation that we've seen, what would you imagine the level of federal funding on these programs would be today compared to the block grant; and

what would you imagine the level of state funding compared to the state Maintenance of Effort requirement would be?

MR. GREENSTEIN: I think there's a distinct possibility, and I think, Don, this is where you were headed in your question, I think there's a distinct possibility that it would be lower today than it is today. However, my concern is not today. My concern is the next five or 10 years. We have--clearly in the late '90s, federal funding was significantly higher than it would have been under the old system. It might still be higher. But the lines are getting closer together. And if you ever fund the program, the lines cross, and over time you end up with progressively bigger declines in the federal and state funding compared to what it would have been under the old funding structure.

Now, one could address that if there were willingness among policy makers to increase, with inflation or some other factors, the TANF funding level, but there isn't. My concern is the future, not the present.

MR. RECTOR: I think clearly the answer to your question is that if we had maintained an entitlement-based system and had seen this reduction in AFDC caseload, we'd be spending about 60 percent less of federal funds now than back then--or at least 50 percent less. But the answer is, I think we wouldn't have seen anything like this reduction in caseload.

I think that it's probably a mistake, when talking about welfare support for families with children, to just talk about TANF in isolation. Okay? I think we have to recognize that, as a nation, we spend over \$200 billion in aggregate means-tested aid for families with children. And part of any solution that we have to have to a better system is not merely you talk about adding on to the top of that or something like that, but changing the way that this money is spent. Because I believe a lot of it is spent to

promote unnecessary dependence. If we change that, we can in fact free up additional funds. There's a lot of money there. I think part of it is spending it more wisely in a way which challenges recipients to work the best to benefit themselves, and then using more funds of the residual funds to go in and more aggressively address those families that are the neediest.

MR. GREENSTEIN: I want to very quickly--because I really disagree with Robert's 50 or 60-percent figure. And I don't think it's clear--it may be the case, but it's not clear--that the current level of funding is lower than it would have been under the old system. What I mean is the following: If we had put very tough work requirements under the old system akin to the '96 law, but maintained an entitlement matching structure rather than the block grant structure, then there's no way policy makers would have done that without appropriating outside of the old AFDC program significant increases in child care and job-training funds.

So in order to, you know, ask that question, it involves some hypotheticals that are hard to answer. There's no way that we would have had the big emphasis on work without also providing more child care and job training. The TANF block grant structure let one do that within the block grant. If one had had an old essentially cash-benefit AFDC program, you would have had to have another funding structure to provide some of the additional money.

But again, my big concern is where we're heading in the future.

MR. HASKINS: One more question. Wendell.

WENDELL PRIMUS: As a critic of welfare reform, I'll resist making a whole bunch of comments.

MR. HASKINS: Oh, thank you so much for that, Wendell.

MR. PRIMUS: I want to make one, and just reiterate what Bob has said, and that is that if you look at this recession, you know, the poverty rate in 1991 was 14 percent. Today it's 12. It's a lot lower. You look at it by poverty counts, and you get a certain answer. But if you look at it by poverty gaps, you would say this recession is very much like the recession of the early '90s. And in fact, the average amount by which each poor person is below poverty is 30 percent deeper today than in 1991. So I think we ought to take all of that with a grain of salt, because the real poverty gaps are bigger today.

My question is, to the panel in general, if you look at where the poverty increases occurred, they really occurred in an unsympathetic political group--non-elderly, childless individuals. For the most part. There are lots of them. And I guess my questions are, one, should we be satisfied with a poverty rate on children up at 16.7 percent? And two, if the EITC has worked so well, why don't we expand it enormously for these non-elderly childless individuals? And Robert, if the states are doing such a good job, why don't we give them some block grant money to work with the non-custodial parent portion of the child equation?

MR. HASKINS: That is several questions. Robert, which one would you like to answer?

MR. RECTOR: Well, I do--would favor an expansion of the earned income tax credit. But what I would like to do with that is make the expansion designed in such a way as to make both the EIC and the other welfare programs less hostile to marriage. I think the fundamental premise that I always use to approach how to benefit the poor is, one, that it has to be a synergistic process, that you have to design systems in such a way that reward constructive behavior, particularly work and marriage, and that if



we do that, we can draw behavior out of the recipient and, by combining their positive energies with support from government, we'll get the best result. But earned income tax credit, as Bob said, is certainly something that I look on with quite a degree of favor.

The other point about--I'll just make one point about the overall level of child poverty in the United States. Bob made the point that when you compare the United States to European countries, we have higher levels of poverty. Those numbers, I think, are highly misleading because the standards of comparison are not uniform. In other words, the poverty threshold for the United States, because they're relative poverty measures, the poverty threshold in the United States is roughly twice that of the United Kingdom. So you can have much higher income in the United States under that method and be counted as poor, even though you actually have a higher income than those people in the U.K. and other European nations.

There's another cross-national comparison run by the U.N., which has a uniform standard of around what it calls \$11 per day per person. It's around \$16,000 a year for a family of four. A uniform standard. And when you compare the United States with European countries by a uniform fair standard, we do do less well than some European countries, but we do have less poverty than countries such as Australia and the United Kingdom.

So that's just one little point of comparison. But I think we all are in agreement that we do have too much child poverty in the United States, and we need to have policies that we can all work on and, hopefully, come to agreement on ways to bring that down.

MR. HASKINS: Gary Burtless.

MR. BURTLESS: I think that if you're going to bring in international statistics, I have to step in here. When Tim Smeeding and Lee Rainwater and I assessed U.S. poverty in a global perspective, it didn't matter whether we used a relative poverty threshold in which you measure people as being poor if they have income below some percentage of the median income in a country, or whether we used an absolute standard. There was some slight change in the United States rank, depending on which of these two measures you used, but neither ranking should bring pride to any American.

And this just brings, I think, a different perspective than the perspective which I have heard alluded to several times here, which emphasizes a gap in the behavior between families containing poor children and families that do not contain poor children, that are not poor. And certainly there are differences in behavior--there's less work, there's less marriage, there's less educational attainment in those families that are poor than there is in families that are non-poor.

But a completely different view of what's going on emerges if you compare countries. Because these behavioral problems are not unique to the United States. Poor populations in all of the industrialized world have these problems. In fact, in most, the poor work less than they work in the United States. They don't work more. So if you take a cross-national perspective, the conclusion that emerges is there's just a very big policy difference between the United States and other rich industrialized countries that yields, in the United States, much higher rates of child poverty than we see elsewhere.

MR. HASKINS: Bob, a final comment?

MR. GREENSTEIN: My concern is that that policy gap is going to become much bigger. We--the Committee for Economic Development and the Concord

Coalition have run a joint assessment, that if you continue on the current policy path where budget deficits take us, \$5 trillion over the next 10 years and the numbers beyond the next 10 years when the boomers retire, are off the charts. I think Herb Stein once said if something can't continue at all--I'm probably not getting the phrasing exactly right--and this country is not going to let deficits continue to the point where they start to cause the economy to implode. Some point down the road, maybe starting soon, big changes are in order.

And there is, I think, every risk that we're going to start to make these policy differences even bigger by increasingly reducing funding for a variety of programs for low-income families and children. And that is my biggest fear. I think Gary's point hit it--we all agree we'd like to see more work, it'd be better if more people married, we can't wave a magic wand and just make those things happen. Other kinds of policies and the level of resources invested in them, whether it's the EITC or child care or other areas, also are quite important.

And we really are entering into, I think, a very dangerous period, where fiscal policy has taken us, where we may increasingly--gradually, over a 20, 30-year period as the boomers retire--increasingly shrink those resources, whether it's in low-income housing or it's in child care or a bunch of other areas. And if that occurs, I think forums like this 20 or 30 years from now are not going to be facing a very pretty picture in terms of poverty rate.

MR. HASKINS: And on that very happy note let me thank the members of this panel for bringing some interesting angles on the poverty data, and thank the members for the audience. We look forward to seeing many of you on October 15th. Thank you.

[End of briefing.]

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