Fighting Poverty the American Way

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Fighting Poverty the American Way

Introduction

President Lyndon Johnson declared war on poverty in the United States in 1964.\textsuperscript{1} At the time, the US had a very modest commitment to programs, other than public education, aimed at the poor.\textsuperscript{2} Part of Johnson’s intent was to accompany his anti-poverty commitment with a host of programs that would help the poor. It is invigorating to read about the optimism with which his team worked to invent programs that might help the poor improve their well-being or even avoid poverty in the first place.\textsuperscript{3} In retrospect, it is clear that there were lots of ideas about how to help the poor, but few of the ideas had been tested. Then as now, it was mathematically certain that poverty could be reduced by simply giving families money, but Americans do not like giving money to able-bodied people who don’t work.\textsuperscript{4} Thus, anti-poverty policy in the United States has been in large part a struggle to provide the poor with enough cash and in-kind benefits to have a decent if spare standard of living while simultaneously trying to help them and especially their children achieve self-sufficiency and get a foot on the ladder to success. The goals of this paper are to discuss the causes of poverty in the US, provide an overview of anti-poverty programs, review spending on the programs, and then examine evidence that the programs have had an impact on poverty. I also focus some attention on what we have learned about the programs that attempt to fight poverty by improving children’s development and by helping children and young adults avoid or overcome conditions that are associated with poverty.

Causes of Poverty

If we were magically transported back to 1964 and had the chance to initiate, Johnson-like, a war against poverty, how would we start? A reasonable approach would be to review the leading reasons people become poor in the first place because it might be possible to reduce poverty by attacking its causes. Although the list of factors associated with poverty is long, a few stand out.

Work Rates

In the United States, with the important exception of the elderly, the only way for most adults and families to avoid poverty is to work. Any individual or family that is
dependent on welfare will be poor because welfare programs, even in combination, do not, as a rule, remove people from poverty. Engaging consistently in hard work has been a fundamental part of the nation’s cultural ethic since the Pilgrims landed at Plymouth Rock. The tradition of hard work and self sufficiency is so fundamental to the American ethic that it imposes a constraint on US social policy. Americans think people should earn their own way and resent it when adults, including single parents, do not work and rely instead on welfare. So fundamental is the commitment to work and self-sufficiency that President Roosevelt, in his 1935 message to Congress accompanying the original Social Security Act, found it necessary – even with Americans in the grip of the Great Depression – to declare: “the lessons of history . . . show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber” and that welfare was a “narcotic” and a “subtle destroyer of the human spirit.” He even said that “we must and we shall quit this business of relief.”

Given that work is necessary to avoid poverty in the US, work rates can be expected to be a major factor determining the poverty rate. Figure 1 shows the employment-to-population (E/P) ratios for several demographic groups. Between 1980 and 2009, work rates for men declined from 74.2 percent to 67.6 percent, a fall of around 9 percent. The trend for young black men (ages 20-24) is even worse. Starting from the very low base of 60.9 percent, their ratio declined to the startling level of 46.9 percent, a decline of nearly 23 percent. Given that a very large number of young black men are in prison and are not included in these employment figures, it is not too much to claim that work among young black males is a national crisis.

The E/P ratio of women stands in sharp contrast to that of men. In 2007 before the Great Recession set in, 58.1 percent of women were working, a 25 percent increase since 1980. These figures reflect the post-World War II trend of the relentlessly increasing participation by women – including mothers of young children – in the nation’s economy. Equally impressive is the 20 percent rise in work by lone mothers over the same period, a trend that bears directly on child poverty rates because children in female-headed families are four or five times (depending on the year) more likely to be in poverty than children in married-couple families. Even more important for the nation’s poverty rate, work by
never-married mothers rose more sharply than that of any other group during the 1990s. These mothers and their children have always been the group most likely to be in poverty, including long-term poverty, in large part because historically their work rates have been so low. In 1983, for example, only about only 35 percent of never-married mothers worked. However, their work rates increased somewhat between the mid-1980s and the mid-1990s. After the welfare reform legislation of 1996, their work rate exploded, increasing from 46.5 percent in 1995 to 66.0 percent in 1999, an increase of more than 40 percent in just four years. Equally surprising, after a lengthy period of employment stagnation and decline associated with the mild recession of 2001 and the deep recession of 2007-2009, in 2010 their work rate was still more than 25 percent higher than it had been before welfare reform in the mid-1990s. As we will see, the increase in work rates by never-married mothers had a substantial impact on their children’s poverty rate.

The trends in US work rates are a mixed bag. The secular trend is toward less work by males, especially black males, and more work by females, including low-income mothers. Increased work rates by any demographic group can lead to lower poverty rates. But the fact that in 2007 – before the Great Recession – the E/P ratios of males and

Figure 1

U.S. Employment-to-Population Ratios by Gender and Marital Status, 1980-2010

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Source: Brookings tabulations of data from the Annual Social and Economic Supplement to the Current Population Survey, 1980-2010. "Black Men, Ages 20-24" Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, http://data.bls.gov. Notes: Only includes noninstitutionalized civilians ages 16 and up who are heads of household or the spouses of heads. Never married mothers are female heads of household at least 16 years of age who are never married and have at least one never-married child under age 18 in the family. Never married mothers who are not heads of households, for example those in subfamilies, are excluded from this analysis. Single mothers include all women who are never-married, separated, divorced, or widowed and have at least one never-married child under age 18 in the family.
females were 72 percent and 58 percent respectively, combined with the fact that the poverty rate for individuals in families in which no one works is nearly eight times as high as the poverty rate for individuals in families with at least one full-time, year-round worker, shows that there is plenty of room for improvement. The standard response to calls for more work is that jobs are not available. In this context, it seems pertinent to note that between 1994 and 2009, the labor force experienced a net increase of about 11 million foreign-born workers. Moreover, in 2009 the employment-population-ratio among foreign-born males (ages 16 and older) was an impressive 16 percent higher than the ratio for native-born men.

Wages

Wage rates are a second work-associated factor that has a major impact on poverty. Based on data from the US Census Bureau, we plot real wages at the 10th, 50th, and 90th percentiles between 1973 and 2009 (Figure 2). In order to emphasize the trends, wage rates are expressed as a percentage of the 1979 rate. The trends can be succinctly summarized. Wages at the bottom fell and then recovered and ended the nearly three decade period almost exactly where they were in 1979. Wages at the bottom are stagnant. The general trend of wages in the middle of the distribution was a slow increase amounting to about a 10 percent rise over the entire period. At the top, by contrast, wages did very well, increasing 32 percent over the period at the 90th percentile. If we were to plot wages higher up in the distribution, say at the 99th percentile, they would rise even higher.

Now ask yourself this question: If wages at the bottom of the distribution are not increasing, how can low-income workers avoid or escape poverty? In 2007, wages at the 10th percentile were about $8 per hour. Working at this wage for 35 hours a week year round, a person would earn $14,560, $2,145 under the poverty level for a family of three. The worst part of this way of thinking about wages and poverty, of course, is that 10 percent of all workers will always be at the 10th percentile or below. Thus, if wages do not improve at the bottom, all single parents with two or more children at or below the 10th percentile – and even some above the 10th percentile – will always be in poverty if earnings are their only income. To put the public policy dilemma concisely: people with
low skills and little schooling cannot escape poverty unless they work, but even if they do work and their only income is wages they are likely to be poor.

**Figure 2**

Change in Men’s Real Hourly Wage by Percentile, 1973-2009

![Graph showing the change in men's real hourly wage by percentile from 1973 to 2009.](image)


**Family Composition.**

In 2009, the poverty rate for children in married-couple families was 11.0 percent. By contrast, the poverty rate for children in female-headed families was 44.3 percent.\(^\text{14}\) The difference between these two poverty rates is a specter haunting American social policy because the percentage of American children who live in female-headed families has been increasing relentlessly for over five decades. In 1950, 6.3 percent of families with children were headed by a single mother. By 2010, 23.9 percent of families with children had single-mother heads.\(^\text{15}\) That a higher and higher fraction of children live in a family type in which they are about four times (in some years, even more) as likely to be poor exerts strong upward pressure on the poverty rate. One way to think of the shift to single-parent families is that even if government policy were successful in moving people out of poverty, the large changes in family composition serve to offset at least part of the progress that otherwise would be made.
Education

There now appears to be universal agreement that the combination of technological advances and globalization have resulted in education being a major factor in determining the employment and earnings of most Americans as well as most workers in nations with modern economies. Census Bureau data on the relationship between education and family income since the 1960s show that families headed by adults with more education typically make more money. Some of the differences are huge. In 2009, the difference in median family income between families headed by an individual who dropped out of high school (between 9th and 12th grade) and families headed by an individual with a bachelor’s degree or higher was about $68,600 ($31,100 compared with $99,700). Even more pertinent for examining the causes of poverty, family income for those with less than a college degree has been stagnant or declining for three decades. The average high school dropout, for example, earns around $31,100. Equally important, longitudinal data on parents and their children show that without a college degree, 45 percent of the children from families in the bottom quintile of income will themselves be mired in the bottom quintile as adults. By contrast, with a college degree, adult children cut their odds of staying in the bottom quintile all the way down to 16 percent from 45 percent. The odds of making it to the top quintiles indicate similar abrupt changes if youngsters from poor families manage to achieve a college degree. Once again, education proves to be a very useful ticket out of poverty and into the middle class.

In the standard economic model of rational behavior, the increasing payoff to higher levels of education and the punishment of those with little education should stimulate American youth to get more education and to learn more. One important consequence of improved levels of education would be a reduction in the poverty rate. So let’s examine trends in three fundamental measures of educational achievement by American youth – the high school graduation rate, the college graduation rate, and academic performance by American children in the public schools.

As James Heckman has demonstrated, the high school graduation rate reached its highest level at about 80 percent in the late 1960s and has since decreased by 4 to 5 percentage points. Moreover, a significant gap remains between the white graduation rate
(above 80 percent) and black and Hispanic graduation rates (both about 65 percent). Ethnic gaps such as these are a continuing plague on US social policy.

College completion rates have increased for all ethnic groups, but blacks and Hispanics still lag far behind whites and Asians (Figure 3). About 39 percent of whites and 56 percent of Asians, as compared with only 19 percent of blacks and 13 percent of Hispanics between the ages of 25 and 29 have college degrees. Over the past decade, the rates for all four groups have increased somewhat. With the exception of Hispanics, who have increased their college graduation rate by around 38 percent in the past decade, the ten-year increase for whites is 14 percent and the increase for blacks and Asians is lower at about 5 percent and 3 percent respectively. Thus, despite the impressive increase for Hispanics, the four-year college graduation rate has increased modestly for other racial/ethnic groups. Many other nations are enjoying much more rapid increases in their rates of college graduation and at least six nations have surpassed the US.

The four-year college enrollment and graduation rates of students from families with varying levels of income makes the education picture even less encouraging. Figure 4, based on longitudinal data from the Panel Study of Income Dynamics, shows that youngsters from higher-income families are more likely both to enroll in and graduate

![Figure 3](image-url)
from college than youngsters from poorer families. For example, 79 percent of children whose parents were in the top income quintile enrolled in college and 53 percent earned a four-year degree. By contrast, only 34 percent of children whose parents were in the bottom income quintile enrolled in college and only 11 percent received a four-year degree. If education is one of the routes out of poverty, the American educational system seems to be perpetuating poverty and income distinctions as much as it facilitates movement up the income scale.

Another primary measure of education is student performance on standardized tests. In addition to large differences between the academic achievement of white and Asian children as compared with black and Hispanic children, the achievement test scores of American students have improved only modestly since the 1970s. The reading and math scale scores of 9-year-olds and 17-year-olds for selected years between 1971 and 2008 on the National Assessment of Educational Progress show only modest progress among a few, but not all, groups. The math scores of 9-year-olds showed some improvement (11 percent over three decades) as do their reading scores (about 6 percent over nearly four decades), but given the huge investment in education and the fact that
per-student expenditures have increased by more than 250 percent since the early 1960s, these improvements are modest and inconsistent.\textsuperscript{22}

Although it is difficult to know what level of improvement should be expected in test scores, some gauge of the effectiveness of US education can be achieved by comparing the performance of US students with students from other OECD nations. In the most recent version of the Program for International Student Assessment (PISA), the US was tied with two other countries for 27\textsuperscript{th} in math, was 17\textsuperscript{th} in science, and tied for 12\textsuperscript{th} in reading.\textsuperscript{23} A recent volume by Claudia Golden and Lawrence Katz of Harvard presents a strong case that past US achievements in international competitiveness were due in large part to the superiority of the nation’s system of universal education and excellent colleges and universities.\textsuperscript{24} The US now seems to be mired in a situation in which the nation’s young people are at a level of educational achievement that is inferior to that of young people from many other nations. Thus, not only will the modest educational achievement of many Americans continue to make progress against poverty difficult, but American competitiveness in the global economy seems threatened.

\textbf{Immigration}

Until the recent recession, America had been experiencing one of the greatest waves of immigration in its history. For the past two decades, an average of about one million immigrants has obtained legal permanent resident status in the US each year.\textsuperscript{25} In addition, according to the Pew Hispanic Center, in the seven years before the Great Recession, the population of undocumented immigrants grew by an average of a little over 500,000 per year.\textsuperscript{26} In a nation that prides itself on being built by immigrants, these large numbers alone are not particularly daunting. However, the education and skills of immigrants have been declining relative to the education and skills of native-born American workers. As George Borjas of Harvard shows, about 20 percent of immigrants have less than a 9\textsuperscript{th} grade education as compared with a little less than 3 percent of non-immigrants.\textsuperscript{27} Consistent with the relatively large number of immigrants who lack even minimally adequate education, Borjas also finds a long-term trend toward lower wages by immigrants. In 1940, the age-adjusted average wage of first-generation male immigrants was 5.8 percent above the average wage of non-immigrant males. This figure
fell to 1.4 percent above the average wage of non-immigrant males in 1970 and then dropped dramatically to 20 percent below the non-immigrant male wage in 2000.\textsuperscript{28}

It comes as little surprise, then, that the poverty rate among immigrants is higher than the poverty rate among native-born Americans. In 2009, the immigrant poverty rate was 19.0 percent as compared with 13.7 percent for native-born Americans. Given that the overall poverty rate for the nation was 14.3 percent, the poverty rate would be lower by about 0.6 percentage points (or around 1.9 million people) if the immigrant poverty rate were the same as the poverty rate for native-born citizens.\textsuperscript{29}

**Summary**

Reflecting on these four major causes of poverty leads one to understand why it has been so hard for the US to make much progress against poverty despite the proliferation of social programs and the substantial increases in spending since President Johnson first declared war on poverty in the mid-1960s (see below). Declining work rates, stagnant wages, the rise of female-headed families, and the arrival of millions of immigrants with poor education and low skills are each like little engines pushing up the poverty rate. Even so, the US has done a lot to reduce poverty and has even achieved a few victories as we shall now see.

**Overview of Programs Designed to Reduce Poverty**

Although many analysts stress the differences between US and European social policies,\textsuperscript{30} a review of the principles on which the US approach rests, the programs themselves, and the level of spending will show that policies of the US and European nations are perhaps not so different after all. Before reviewing specific programs and spending that characterizes US social policy, several general issues can be profitably examined.

**General Issues**

**Federalism.** The US system of government operates on three distinct levels: the federal, the state, and the local. All three units of government have their own elected officials, most of which include an executive and one or more legislative bodies. All these levels of government are involved in creating social programs, running social programs, and paying for social programs. A useful generalization is that state and local governments implement a large fraction of social policy, particularly public education,
but the division of authority is not always clear and there is a constant struggle between the three levels of government for control. The conflicts are especially intense when the federal government imposes mandates on states or localities.31

Means-tested programs are no exception to this rule. In fact, states constantly complain about what they refer to as “unfunded mandates,” meaning requirements of federal law that force states to share program costs or meet certain standards but without adequate federal dollars to comply with the mandate. The most powerful example is the Medicaid program. Medicaid is the third biggest domestic program in the federal budget after Social Security and Medicare (defense and interest on the federal debt are also larger than Medicaid). Similarly, in 2008, states on average spent 16 percent of their general funds on Medicaid, making it the second biggest item in their budgets after education (which is 35 percent). States must make these large and rapidly increasing expenditures despite the fact that the federal government pays between 50 percent and 76 percent of Medicaid costs, varying inversely with state per capita income and averaging about 57 percent across the states. The federal government mandates a certain set of basic health care coverages and certain groups that must be covered, then gives states the option of covering additional services and additional groups.32 The Temporary Assistance for Needy Families (TANF) program, most of the major child care programs, and the major programs for dealing with abused and neglected children follow a similar pattern in which the federal government and states split the costs, states must offer specific services and cover specific groups stipulated by federal law, but states nonetheless have some flexibility in providing services and selecting recipients.

The version of federalism practiced in the nation’s major nutrition programs and most housing programs is quite different than the model of split federal-state financing. The federal government pays 100 percent of the costs of the benefit of both SNAP and housing, but splits the cost of administration with the state in the case of nutrition programs.

The struggle between the three levels of government for control and financing of social programs is baked into the American system of governing. The struggle over Medicaid, which is a major presence in both federal and state budgets and which is scheduled to increase rapidly as a result of the health care expansion enacted under
President Obama’s Affordable Care Act, will be yet another struggle between the federal government and the states, in large part over the enormous increases in spending that will occur as Medicaid expands. The federalism battle is a permanent feature of the American system of social policy and adds a layer of uncertainty and variability to the nation’s social policy. On the other hand, the federal system of social programs serves the useful purpose of allowing sufficient flexibility in program design and implementation to allow adaptations to the very different histories, economies, and cultures of America’s regions, states, and localities.

Measuring Poverty. Two factors define poverty: an income threshold that separates the poor and the non-poor; and a definition of what is counted as income. Individuals or families with income below the poverty threshold are poor. Determining the poverty threshold is not a scientific undertaking. Sometimes social scientists will collect data on how much it costs to pay for a list of consumer items thought to be necessary to survive in a given nation (e.g., housing, food, clothing, electricity and heating). But even here, there is a wide range of quality and price for every consumer item. Knowing what level to choose for each item is again not a scientific enterprise. Because it turns out to be impossible to appeal to science to establish a poverty threshold, another approach is for an authoritative or elected body to set the threshold. In the US, the poverty threshold was established by the Office of Management and Budget (then called the Bureau of the Budget) in 1969. An OMB document designated the nation’s official poverty measure as the poverty guideline used by the Census Bureau, which in turn was based on a method devised by poverty scholar Mollie Orshansky. Leaving out many complications, Orshansky based her guidelines on two findings of the Department of Agriculture: the results of a 1955 survey showing that the average American household spent about one-third of its income on food and the cost of the Department’s economy food plan – a sort of minimally adequate diet. Given the empirical finding that the average American household spent one-third of its income on food, Orshansky simply multiplied the cost of the economy food plan by three to derive her thresholds for families of different sizes and compositions. These poverty thresholds have been increased every year by an index of inflation but otherwise have been fixed ever since 1969. Not surprisingly, there is great dissatisfaction with the US poverty measure and
many proposals to reform it, including one that the Obama administration will highlight in its poverty report for 2010.\textsuperscript{35}

By contrast with this absolute measure of poverty that does not reflect changes in average income or patterns of consumption by American households, the poverty standard in European nations is usually some percentage of median family income. The Organisation for Economic Co-operation and Development (OECD) often uses 50 percent of median income as the poverty threshold. Unlike the US measure, the measure used by most European countries reflects changes in the standard of living of typical families. Roughly, the US poverty level is a fixed target (adjusted only for annual inflation) whereas the European measure reflects changes in median income and is therefore a relative measure that increases more than inflation in most years. Thus, the poverty level in European nations is generally higher and more difficult to meet than the poverty level in the US.

**Program Goals: Maintenance, Employment, Child Development.** Although the goals of the programs we review below overlap, it is nonetheless useful to draw some broad distinctions among the goals of programs intended to fight poverty. Interestingly, the types of programs have not changed much since the War on Poverty began in the 1960s. The most basic program type is those intended to allow the poor to meet basic needs. For this purpose, economists believe that cash programs are the best because cash allows people to make their own choices about consumption, thereby allowing them to maximize their personal preferences. However, precisely because the poor get to make their own choices, taxpayers are somewhat hesitant to give them cash. After all, some taxpayers reason, they might buy cigarettes and alcoholic beverages or even gamble with their money. And indeed, there is good evidence that the poor are more likely to spend their money on these nonessential items than the middle class.\textsuperscript{36}

In large part for this reason, US policymakers seem to have been more willing to give in-kind benefits than cash to the poor. Thus, it is little surprise that the nutrition programs are very large and most of them are entitlements (meaning that eligible recipients have a legal right to the benefit). The food stamps program, now called the Supplemental Nutrition Assistance Program (SNAP), is in effect a national guaranteed annual income. Although Congress has always been unwilling to enact a guaranteed
annual cash income, Congress did create – on a bipartisan basis – the food stamp program that now provides benefits to over 40 million individuals and anyone who meets the income and resources standards and applies gets the benefit. Food stamps is especially notable because it is one of the few programs that provide welfare benefits to single men. In addition to SNAP, the school breakfast and lunch programs provide nutritious food to school children, even if they attend private schools; the Women, Infants, and Children Nutrition program (WIC) provides milk, cheese, and other healthy foods for infants and young children and their mothers; and the Child and Adult Care Food program pays for food for people, especially children, in child care centers, preschool programs, shelters, and other facilities that cater to the poor.

The Medicaid program also provides in-kind benefits, in this case health care. Medicaid is the biggest and usually the most rapidly growing of the means-tested programs (at a cost of $277 billion in 2010 at the federal level). If Americans prefer to give the poor in-kind benefits, public support for health care, especially for the elderly and children, is even stronger than support for other in-kind benefits.

Another type of benefit that enjoys public support is employment, training, and work programs, the goal of which is to increase human capital so that people have skills valued by the nation’s technologically advanced economy. The training programs do not have a very strong track record of either increasing employment or helping people get better jobs. There is modest evidence that one of the nation’s biggest training programs produced benefits in the form of increased employment, but the effects were not large and whether they lasted is questionable. Perhaps the most elaborate and expensive program, the Job Corps which provides residential job training, was found to produce impacts on employment and earnings in a high-quality, national study, but subsequent work showed that the benefits generally did not last. On the other hand, there is an extensive literature showing that job search programs with welfare mothers result in increased employment and some of these programs have even been shown to save money.

A special case of employment programs is the programs that increase work incentive by augmenting the income of working families. These programs, often called the work support system when taken as a group, will be discussed in more detail below,
but they include the Earned Income Tax Credit, the Child Tax Credit, Medicaid, food stamps, and child care. All of these programs have been modified or created from scratch since roughly the mid-1980s to increase the take-home pay and work incentive of low-income workers with children. These programs, in short, make work pay. The workers who benefit from work support programs are disproportionately single mothers.

Another type of human capital program is programs designed to boost child development. The US spends more than $31 billion on its preschool programs, including child care, Head Start, and home visiting programs, all of which attempt to provide either children or their mothers with experiences designed to help children learn the skills that will prepare them for the public schools. Similarly, the US invests heavily in its public school system as well as its system of two- and four-year colleges and universities. The impacts of many of these education programs on human capital development are adequate to excellent for students from advantaged families, but their impacts on children from poor families are usually modest at best.

With these background considerations in mind, we turn now to an overview of US programs designed to fight poverty.

**Programs Galore**

Since the beginning of the war on poverty, both the federal and state governments have created a wide range of programs that aim to fight the causes or effects of poverty. In most of what follows, with a few noted exceptions, I confine attention to programs that provide some type of benefit to individuals or families that have income below a specified threshold. These programs are often called “means-tested” because only individuals or families with means below a threshold (not always the poverty threshold) are eligible.

Two complications arise for any analyst trying to estimate US spending on means-tested programs. First, state and local governments both spend a lot of money on these programs, so a full accounting requires a data source that has good estimates of state and local spending as well as federal spending. Second, given the huge number of programs, compiling complete spending data for all levels of government over a long period of time is an immense undertaking. Third, given the sensitivity of the political issues around spending on “welfare” programs in the US, the data source needs to be
unimpeachable. Attempting to meet all three data requirements, I elected to use data reported by the nonpartisan federal Congressional Research Service (CRS). The only problem with the CRS data series on means-tested spending is that it ends in 2004 and there have been major changes in means-tested spending since then. Thus, I supplement these data with data from Robert Rector and his colleagues at the Heritage Foundation, perhaps the nation’s leading conservative think tank and from the Office of Management and Budget (OMB).43

Table 1 provides an overview of the major federal programs that provide means-tested assistance of eight distinct types to individuals or families falling below some income cutoff.44 These 82 means-tested programs include health (11 programs), cash (5 programs), food and nutrition (10 programs), housing and development (17 programs), education (17 programs), social services (14 programs), energy assistance (2 programs), and employment and training (6 programs). There are actually many more programs than those shown in Table 1 that provide means-tested benefits, but these additional programs are small and so numerous that trying to deal with them would add great complexity but little information to our survey of anti-poverty programs.45

Four points about these programs are of interest. First, the fact that the programs fall into eight categories shows the breadth of approaches government has taken to fight poverty and low-income. The most expensive programs by far are Medicaid and the other health programs. In 2010, Medicaid alone accounted for $276.7 billion and constituted about 45 percent of total means-tested federal spending on the major programs (see Table 2 below). Second, total spending across all the programs increased from $88.8 billion in 1968 to $583.3 billion in 2004, a 6.6-fold increase in constant dollars.46
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<td>Supplemental Security Income</td>
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<td>Additional Child Tax Credit</td>
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<td>Earned Income Tax Credit</td>
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<td><strong>Food and Nutrition (10 Programs)</strong></td>
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<td>Supplemental Nutrition Assistance Program (SNAP)</td>
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<td>School Breakfast Program</td>
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<td>National School Lunch Program</td>
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<td>Special Supplemental Nutrition Program for Women, Infants and Children (WIC)</td>
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<td>Child and Adult Care Food Program</td>
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<td>Summer Food Service Program</td>
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<td>Commodity Supplemental Food Program</td>
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<td>Nutrition Assistance for Puerto Rico</td>
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<td>The Emergency Food Assistance Program (TEFAP)</td>
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<tr>
<td>Nutrition Program for the Elderly</td>
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<td><strong>Housing and Development (17 Programs)</strong></td>
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<td>Single-Family Rural Housing Loans</td>
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<td>Rural Rental Assistance Program</td>
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<td>Water and Waste Disposal for Rural Communities</td>
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<td>Public Works and Economic Development</td>
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<td>Supportive Housing for the Elderly</td>
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<tr>
<td>Supportive Housing for Persons with Disabilities</td>
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<tr>
<td>Section 8 Project-Based Rental Assistance</td>
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<td>Community Development Block Grants</td>
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<td>Homeless Assistance Grants</td>
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<td>Home Investment Partnerships Program (HOME)</td>
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<td>Housing Opportunities for Persons with AIDS (HOPWA)</td>
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<td>Public Housing</td>
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<td>Indian Housing Block Grants</td>
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<td>Neighborhood Stabilization Program-1</td>
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<td>Grants to States for Low-Income Housing</td>
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<tr>
<td>Tax Credit Assistance Program</td>
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</table>
### Education (17 Programs)

- Indian Education
- Adult Basic Education Grants to States
- Federal Supplemental Educational Opportunity Grant
- Education for the Disadvantaged -- Grants to Local Educational Agencies (Title 1-A)
- Title 1 Migrant Education Program
- Higher Education -- Institutional Aid and Developing Institutions
- Federal Work-Study
- Federal TRIO Programs
- Federal Pell Grants
- Education for Homeless Children and Youth
- 21st Century Community Learning Centers
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
- Reading First and Early Reading First
- Rural Education Achievement Program
- Mathematics and Science Partnerships
- Improving Teacher Quality State Grants
- Academic Competitiveness and Smart Grant Program

### Social Services (14 Programs)

- Indian Human Services
- Older Americans Act Grants for Supportive Services and Senior Centers
- Older Americans Act Family Caregiver Program
- Child Support Enforcement
- Community Services Block Grant
- Child Care and Development Fund
- Head Start
- Development Disabilities Support and Advocacy Grants
- Foster Care
- Adoption assistance
- Social Services Block Grant
- Chafee Foster Care Independence Program
- Emergency Food and Shelter Program
- Legal Services Corporation

### Energy Assistance (2 Programs)

- Weatherization Assistance Program
- Low-Income Home Energy Assistance Program (LIHEAP)

### Employment and Training (6 Programs)

- Community Service Employment for Older Americans
- Workforce Investment Act (WIA) Adult Activities
- Workforce Investment Act (WIA) Youth Activities
- Social Services and Targeted Assistance for Refugees
- Foster Grandparents
- Job Corps
<table>
<thead>
<tr>
<th>Program</th>
<th>Outlays (Billions)</th>
<th>Funding Type</th>
<th>Type of Benefit</th>
<th>Participants (Millions)</th>
</tr>
</thead>
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<tr>
<td>TANF</td>
<td>16.5 ¹</td>
<td>Capped Entitlement</td>
<td>Cash</td>
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<td>Medicaid</td>
<td>276.7</td>
<td>Entitlement</td>
<td>Health Care</td>
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<td>Child Nutrition⁵</td>
<td>19.81</td>
<td>Mostly Entitlement</td>
<td>Food</td>
<td>56.1</td>
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<td>Food Coupons</td>
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<td>Cash</td>
<td>18.3 ²</td>
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<tr>
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<td>Discretionary</td>
<td>Housing</td>
<td>4.8 ³</td>
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<tr>
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<td>43.9</td>
<td>Entitlement</td>
<td>Cash</td>
<td>2.2 ¹</td>
</tr>
<tr>
<td>Pell Grants</td>
<td>32.9</td>
<td>Capped Entitlement</td>
<td>Funds for College</td>
<td>6.1 ³</td>
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<td>Title I (A)</td>
<td>19.5</td>
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<td>Education Services</td>
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</tr>
<tr>
<td>Total</td>
<td>621.6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Data are for 2009.
² Data are for 2008.
³ Data are for 2008-2009 School Year.
⁴ Data are for 2006-2007 School Year.
⁵ Includes Women, Infants, and Children Program, National School Breakfast and Lunch Programs, and Child and Adult Care program.
⁶ Data are for 2007 and are for number of units rather than individuals.

Sources: Please see the appendix for the full source.

A third point about these programs that is not obvious from the table is that the extent to which people eligible for the various programs can actually receive the benefit differs sharply based on the type of funding Congress gave the program. A few of the most important programs are entitlements. The legal concept underlying entitlement programs is that everyone who meets the qualifications for receiving the programs’ benefits has a legal right to actually receive the benefit. By contrast, some programs, usually called “discretionary programs,” have a fixed amount of money appropriated each year regardless of how many people qualify for the benefit. Nearly all the federal housing, education (including preschool), and employment and training programs have discretionary funding. Once the money is spent in any given year, those who are eligible and apply for the benefit must wait until more money becomes available, usually either because Congress increased the amount of money available for the program in a subsequent year or because previous recipients no longer qualify for the benefit. In
housing programs, people often wait for many years before money is available to include them in the program. On the other hand, several of the biggest programs, such as Medicaid, SNAP, and the Earned Income Tax Credit (EITC), are entitlements and annual funding is open-ended so that the money will be available to pay the benefit to all who qualify and apply.

An important distinction between entitlement programs and discretionary programs that will not concern us here is that, from a budgeting perspective, spending on entitlements is more difficult to control because the only way to reduce spending is to enact legislation to repeal the program, which virtually never happens, to change the program’s eligibility requirements so that fewer people are eligible for the benefit, or to reduce benefit levels. In discretionary programs, all Congress needs to do to reduce spending is to reduce the appropriation for the program, something that happens every year as the federal budget process unfolds. Another important characteristic of entitlement programs is that many of them are not reviewed on a regular basis by Congress so their funding keeps growing year-after-year without additional legislative action. By contrast, programs that have discretionary funding are reviewed every year in the context of a fixed amount of money allocated to the Congressional committees that control appropriations and the fixed amount of money is divided among all the programs under the committee’s jurisdiction. Thus, there is always pressure on spending in the annual appropriation process because a fixed amount of funding must be divided up between many programs. Participating in the Congressional appropriations process each year is a blood sport in the nation’s capital.

**Spending**

Perhaps the characteristic of the US anti-poverty system that receives the most international attention – and a major point of conflict between US liberals and conservatives – is total spending. In international comparisons, it is often said that the US is a laggard and spends much less on social programs than most European nations. Be that as it may, it is useful to look in detail at how much the US spends on these social programs and how spending has changed over time.

The most trusted source of long-term trend data for means-tested spending is published by the Congressional Research Service. Figure 5 shows the trend in total
federal and state means-tested spending (all figures in 2004 dollars) between 1968 and 2004. It is worth emphasizing that Figure 5 does not include any of the nation’s huge and rapidly growing insurance programs. Thus, Social Security ($577 billion in 2010), Medicare ($452 billion), Social Security Disability Insurance ($124 billion), Unemployment Compensation ($157 billion), certain retirement and disability programs for civilian federal employees (around $70 billion), and many other social programs are not included in the figure because they are not means-tested. Though not means-tested, they certainly provide support to millions of poor people as well as people who would be poor if not for benefits from these non-means-tested programs. Social Security, for example, keeps more people out of poverty than any of the means-tested programs. It follows that my accounting of programs and spending provides a conservative estimate of the anti-poverty impact of all government programs.

The benefits portrayed in Figure 5 are notable for their low level as recently as 1968. Total federal spending on means-tested programs in that year was around $89 billion (in 2004 dollars). The means-tested health programs alone now cost about 3.5 times as much as all means-tested spending in 1968. Thus, a notable feature of the spending data in Figure 5 is the steady rise, often steep, in total means-tested spending.
From the 1968 level of $89 billion, total spending has increased more than six-fold to $583 billion in 2004. Spending on most of the subcategories of programs shown in Table 1 also increased, but the greatest increase in spending in both absolute dollars and in percentage growth was the medical care category, especially Medicaid.

Inflation and population growth can make increases in spending over time look bigger than they actually are. All the figures used here are expressed in constant 2004 dollars to avoid the misleading impression created by allowing the inevitable increase in inflation to look like increased purchasing power. To provide control for population growth and changes in the number of people in poverty, Figure 6 expresses total means-tested spending per person in the US population and per person in poverty. Both of these trend lines show that even on a per-capita and per-person-in-poverty basis, means-tested spending had grown substantially over time. Focusing on the per-person-in-poverty measure, the number of years in which spending declines is greater than under the other measures, but the overall direction is still up in most years. By 2004, the US was spending five times as much on means-tested programs per person in poverty as it was in 1968.

Figure 6
Two Versions of Spending Per-Capita on Poor and Low-Income Americans, 1968-2004

Nor has the pattern of increased spending slowed down in the years since 2004 when the CRS data ends. Data on a set of means-tested programs analyzed by Robert Rector of the Heritage Foundation, expressed in 2008 dollars, show an increase in spending from about $640 billion in 2004 to $714.1 billion in 2008, about a 10 percent increase. The same data show that combined federal and state spending on means-tested programs is scheduled to increase to well over $927 trillion by 2019, with health care again leading the way.\textsuperscript{53}

As might be expected, domestic politics in the US features striking differences between conservatives and liberals over how much should be spent on government social programs, both those that are universal such as Social Security and Medicare and those that are means-tested like the ones discussed above.\textsuperscript{54} Based on the spending data just reviewed, it is clear that since the War on Poverty of the mid-1960s liberals have managed to greatly increase government spending on means-tested programs, although some of the biggest increases (such as the tax benefits, Medicaid, and food stamps) enjoyed bipartisan support. In addition to mere increases in social spending, another way to judge the level of US social spending is by comparing it with social spending in other rich nations. Figure 7 uses OECD data to compare a broad measure of spending on public social programs\textsuperscript{55} (including education) as a percentage of GDP across several rich nations. In this context, the impressive increase in US spending on means-tested programs is seen to be rather modest. Only Mexico and South Korea spend a smaller percentage of their GDP on social programs than the US. Garfinkel, Rainwater, and Smeeding provide an extensive analysis of social spending, including education, across rich nations and the US is more or less consistently toward the lower end of spending as it is in Figure 7.\textsuperscript{56} Given the current condition of the US federal deficit and the deficits being experienced by most state and local governments in the US, it seems unlikely that there will be major increases in social spending in the US at any time in the near future. Similarly, the deficit problems being experienced by many rich European nations seems to be increasing the pressure on policymakers to contain or even reduce the growth of social spending.
Big Programs

The programs summarized in Table 1 and Figures 5 and 6 provide an overview of social programs and spending, but Table 2 provides a more concrete view of the most important and some of the biggest US means-tested programs. Taken together, these programs accounted for nearly 80 percent ($621.6 billion) of total spending on means-tested programs in 2010 (nearly $790 billion). As we have seen, the biggest program by far is Medicaid which pays for health care for the poor and disabled and assisted care, usually residential, for the poor elderly. Nearly two-thirds of the Medicaid budget is spent on the elderly and disabled, because they require more and more expensive health care and residential care. Under the Affordable Care Act of 2009, Medicaid is due for a huge increase in spending over the next decade. It will be recalled that Medicaid is financed by both the federal government and the states so it imposes a large and growing burden on both federal and state budgets. Although the federal government will pay 100 percent of the cost of those made newly eligible under the Affordable Care Act when the Medicaid expansion becomes fully effective in 2014 and a gradually declining portion thereafter (to 90 percent in 2020), states could still have additional costs due to
increased enrollment of people who would have been eligible under the old Medicaid program.⁵⁹

Although Medicaid is by far the most expensive program, food stamps, the Earned Income Tax Credit (EITC), housing, and the Supplemental Security Income (SSI) program each cost more than $40 billion in 2010. Moreover, in part due to the recession that began in December 2007, food stamps was growing rapidly and the SSI program has been growing for many years. The EITC has also experienced substantial growth in recent years, despite the recession. Without new legislation, these programs are likely to have increased costs in the years ahead.

Fiscal Sustainability

These increases in means-tested spending are symptomatic of federal and state spending in general. As a result of increased spending on domestic and military programs and the Bush tax cuts of the early 2000s, the US is now in the midst of the greatest budget crisis in its history. Not only has the public debt increased by about 2.5 times (to $14.3 trillion) since 2000,⁶⁰ but even under the moderate assumptions made by the Congressional Budget Office net interest payments will rise from $197 billion in 2010 to $792 billion in 2021.⁶¹ It won’t be long before payments on the US debt will reach $1 trillion annually. In the longer run, as Social Security and Medicare payments explode with retirement of the Baby Boom generation and rapid increases in the cost of health care, debt will crush the nation’s finances.⁶² Of course, many European nations face the same problem of crushing debt as a result of the growth of spending programs. Indeed, a few nations have already made painful adjustments and more are sure to follow.⁶³

For US conservatives, never known to be cheerleaders for the welfare state, this is a moment when necessity meets opportunity. Many conservatives, not least Paul Ryan, Chairman of the Budget Committee in the House of Representatives who has introduced a budget that would cut back on many of the programs discussed here and bend the curve on US social spending, see the budget crisis as a moment when the traditional conservative desire to reduce the size of government might be possible.⁶⁴ Even if conservatives are only partially successful, both political parties accept the idea that reducing the nation’s deficit will require broad and deep cuts in spending, including spending on means-tested programs. Of course, no one knows when Congress and the
President will face their deficit problem. Two, three, or five years from now is not impossible. But whenever they do, the spending patterns we have been tracing will change, perhaps substantially.

**Fighting Poverty: Success and Failure**

Has the platoon of programs and the army of spending initiated by President Johnson and expanded greatly since his presidency had the intended effect of reducing poverty? The picture is mixed. Many programs are primarily, though not exclusively, intended to help the poor lead a decent life – to have housing, food, clothing, medical care, and education. Yet there can be no sharp line dividing the effect of programs in helping the poor meet their basic needs and helping the poor achieve economic and social mobility. Health care, for example, can and often does mean the difference between life and death, but there is ample research to show that good physical and mental health is conducive to child development and that quality health care produces good health. A clean, well-lighted place to live is a minimum requirement for decency, but the characteristics of the neighborhood in which the house is located has a major influences on a child’s growth and development. The poverty level has come to represent the success of a nation’s attempts to achieve solidarity between society and the poor both in the sense of helping them meet their basic needs and of opening the doors of opportunity. Although many other outcomes of social policy (e.g., school achievement, wealth, marriage rates, wages, crime rates) are important in their own right, poverty is correlated with all of them. Thus, progress against poverty is widely viewed as an overall measure of the success of a nation’s social policies.

Figure 8 shows the overall US poverty rate for all people and the rate for children in families, black children in families, and the elderly since 1959. Between 1959 and the early 1970s, the poverty rate fell substantially in every group and then moved up and down, in loose accord with the economy, for every group shown in Figure 8 except the elderly. The official poverty rate among the elderly continued to decline after 1970 and ended the period at 8.9 percent, the lowest poverty rate for the elderly ever (in the midst of the Great Recession) and lower than the rate for the other three groups. Black children enjoyed a substantial and sustained decline between 1992 and 2001, but their rate increased somewhat after that. Still, it ended the period at 35.3 percent, a little more than
10 percent lower than its 1969 rate of 39.6 percent. Since 1970, the overall poverty rate and the poverty rate for children have only occasionally declined and then only temporarily.

The pre-1970 decline for all the non-elderly groups most likely reflects increased levels of employment and growing wages. It is unlikely that, with the exception of the elderly who will be considered in more detail below, government programs played a major role because government means-tested programs were still quite modest until well into the 1970s and began their steepest ascent in the mid-1980s. Moreover, many of the government benefits do not count in the calculation of income when the poverty measure is computed by the Census Bureau. Taking all these poverty figures together, it is impossible to avoid disappointment at the lack of consistent progress in reducing poverty levels for every group except the elderly and one other group to be discussed below -- especially in view of the rapid and widespread progress against poverty before 1970 and the dramatic increase in means-tested spending throughout the period.

Part of the problem is the poverty measure itself. It will be recalled that benefits through the tax code and in-kind benefits such as food stamps and Medicaid do not count as income in calculating the official poverty measure. Given the enormous spending on
these programs (see Table 2), and the fact that they provide tangible resources that help the poor, it seems a serious oversight to ignore them in poverty calculations. That they have a huge impact on the resources of the poor is certain. Figure 9 shows, for never-married mothers and selected years, the differences in the raw poverty rate before any government programs and what the poverty rate would be if the major government benefits and taxes (including tax benefits) were included in income. In 1989 the raw poverty rate for never-married mothers was an astounding 48.3 percent. However, when the value of cash insurance programs and means-tested benefits are added to their income, the poverty rate drops by 19 percent to 39.1 percent. Adding the EITC while subtracting social insurance taxes and income taxes, however, does not further reduce the poverty rate. Turning to the same analysis for 2000 and 2006, two striking contrasts with 1989 are apparent. First, the raw poverty rate is lower by nearly 25 percent in 2000 and nearly 20 percent in 2006. The major cause of this felicitous decline is straightforward – single mothers, especially never-married mothers, increased their work rates dramatically during the latter part of the 1990s. Second, both social insurance and means-tested transfers as well as tax benefits had major impacts on the poverty rate in both 2000 and 2006. As a result, the impacts of government programs reduced the poverty rate more in both years than in 1989. This analysis shows that government programs are effective in reducing the poverty rate and that the official poverty measure gives only a partial indication of the anti-poverty effects of government programs. But most important for our purposes, the analysis shows that the combination of more work by low-income mothers and government transfer programs is even more effective than just providing benefits in reducing the poverty rate.

We now turn to a survey of policies that have been designed to reduce poverty in the US. Four strategies are examined: giving money and in-kind benefits directly to the poor; helping the poor work and providing government benefits to support their efforts; trying to increase the share of children in two-parent families; and increasing the human capital of poor and low-income Americans. There are, of course, several other categories of strategies for reducing poverty, but these four would be high on almost everyone’s list of the most important and potentially successful strategies.
Strategy 1: Give Them Money

The most straightforward way to help people escape poverty is to give them cash and in-kind benefits that will bring their income above the poverty threshold. The analysis summarized in Figure 9 shows that government programs do in fact reduce the poverty rate. The strategy of giving cash and in-kind benefits to the poor has been especially effective in reducing the poverty rate of the elderly. In most societies now and in the past, the elderly has been the demographic group with the highest poverty rate, in large part because it is often difficult for the elderly to continue working, especially in jobs that require physical exertion. But all the rich nations now have programs designed to provide cash and other benefits to the elderly after retirement. The Social Security program, enacted in 1935, is designed specifically to help the elderly avoid destitution. Although in its early decades it provided benefits that were quite modest by today’s standards, in 1972 Congress enacted laws that increased the Social Security cash benefit. These reforms had an immediate impact in driving down the poverty rate among the elderly (Figure 8). Indeed, research shows that virtually the entire decline in poverty among the elderly is accounted for by the rise in Social Security benefits.
addition, nearly all the elderly are covered by the Medicare health program and the poor and low-income elderly are qualified for many other programs including housing and nutrition. If the value of taxes, in-kind benefits, and the imputed return on home equity are taken into account, poverty among the elderly drops even further, from the official rate of 8.9 percent to as low as 5.3 percent.\(^7\)

The strategy of reducing poverty by providing government benefits touches on one of the major fault lines in American politics. As polls consistently show, Americans think able-bodied, non-elderly people should earn their way. Americans simply don’t like welfare, even when someone calls it by a different name (e.g., “food stamps” or more recently “SNAP”).\(^7\) In 1995 and 1996 during the welfare reform debate, when Republicans were proposing that the cash welfare benefit of lone mothers (including those with babies) who didn’t meet work requirements be reduced or terminated and that the benefit be time limited, polls showed that the American public supported these tough policies.\(^7\) Giving money and other goods to the poor might work with the elderly or the disabled, because Americans do not expect either group to work. But it seems likely that simply giving welfare to the able-bodied poor, even if they are single mothers, will never be an effective strategy for reducing poverty in the US because it will be difficult to enact legislation authorizing the necessary spending.\(^7\)

**Strategy 2: Increase Work Rates and Work Supports**

At the other end of the continuum from policies that give money and other benefits to the poor are policies that encourage work. Census Bureau data show that a major feature of US poverty is that its prevalence is much higher among those who do not work (excepting the elderly). Well over 75 percent of families with children that lack a full-time, year-round worker, for example, are in poverty.\(^7\) An individual or family in the US whose only source of income is welfare benefits cannot escape poverty.\(^7\)

It follows that an effective anti-poverty strategy would be to increase work rates. This was precisely the goal of the welfare reform legislation enacted in 1996, which replaced the Aid to Family with Dependent Children program with the Temporary Assistance for Needy Families (TANF) program. Passed on a strong bipartisan basis, and signed by Democratic President Bill Clinton, the new law required individuals to meet work requirements in order to qualify for welfare benefits. Mothers on welfare had to
participate in state-designed welfare-to-work programs that provided training, job search assistance, or actual work experience. If the mothers did not participate, states were required by federal law to impose financial sanctions on them in the form of reduced or even terminated cash benefits (under most circumstances, the family continued to be eligible for Food Stamps, Medicaid, housing, and other means-tested benefits). In addition to work requirements and sanctions, the reform law imposed a 5-year time limit on most mothers who signed up for welfare. Thus, the new program had two strong negative incentives to encourage work: if mothers did not look for or prepare for work, they could lose their cash benefit and meanwhile the mothers knew from the moment they signed up for benefits that they could not receive TANF cash benefits for more than five years.

Anyone hoping to have a major impact on poverty in the US needs a plan that pays special attention to single mothers because their poverty rates are so high (Figure 10). Within a few years after passage of the 1996 reforms, more than a million mothers on welfare or eligible for welfare entered the labor force and found jobs. Between 1995 and 1999, for example, there was an unprecedented increase of more than 40 percent in the number of never-married mothers, the poorest of the poor, who found employment. In large part due to this increased employment of never-married mothers, poverty among all single mothers and their children fell by 30 percent, from a 1991 peak of 47.1 percent to 33.0 percent in 2000, its lowest level ever. Even in 2009, in the midst of the Great Recession, the poverty rate for mother-headed families was still almost 20 percent below its 1991 level, in part because the work rates among these mothers were still much higher than in the pre-welfare reform years. Similarly, poverty among black children, who live disproportionately in female-headed families, reached its lowest level ever in 2001 (Figure 8). This example demonstrates what is possible if government policy encourages and even pressures adults to go to work and then subsidizes the incomes of those who earn low wages.
It is notable that even during and after the recessions of 2001 and 2007 to 2009, work rates among never-married mothers did not return to their pre-welfare reform level. Although their employment-to-population ratio fell from its 1999 peak (and highest ever) of 66.0 percent to 58.7 percent in 2010, the 2010 level is still about 25 percent higher than the pre-welfare reform level of 46.5 percent in 1995.\textsuperscript{77} On its face, the strategy of emphasizing work, even by mothers whose education and experience usually limit them to low-wage jobs, results in more mothers working and lower poverty levels than the low employment levels that prevailed during the pre-welfare reform years in which millions of mothers spent many years on the welfare rolls.\textsuperscript{78} Further, giving benefits to mothers who work full time in order to help them and their children escape poverty is more politically popular – and therefore sustainable – than giving welfare to mothers who don’t work.

The predominance of low-wage work for poorly educated workers was the reason encouraging work was only half the federal strategy for increasing work rates to attack poverty. Millions of Americans have low-wage and part-time jobs that do not provide them with enough money to support a family at or above the poverty level. If a lone

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure10.png}
\caption{Poverty in Female-Headed and Married Couple Households with Children in the United States, 1974-2009}
\end{figure}

mother worked year-round, full-time at the minimum wage ($7.25 per hour), with no
vacations and no time off for illness or to care for sick children, she would earn $15,080,
about $2,500 below the poverty level for a mother and two children. Realizing the
problem of low wages, and hoping to increase work incentives at the bottom of the wage
scale, Congress and three presidents, beginning roughly in the mid-1980s, passed a series
of laws that created, modified, or expanded programs that provide cash and in-kind
benefits to poor and low-income working families. These programs, often referred to as
the nation’s work support system, are structured in such a way that they provide benefits
to families that have low (but not necessarily poverty-level) earnings. Some of the
programs, like the Child Tax Credit and EITC, provide their benefits only to families
with earnings. All of the programs allow at least some of their benefits to flow to families
that avoid or leave welfare for work.

Figure 11 provides a graphic idea of the seriousness with which federal
policymakers developed the work support system over a period of roughly two decades.
Based on a study by the nonpartisan Congressional Budget Office, the two bar graphs
present estimates of how much working families would receive from programs in the
work support system as they existed in 1984 and in 1999. If the laws on child care,
medical assistance, the child tax credit, and the Earned Income Tax Credit (EITC) had
not changed after 1984, in 1999 working families would have received a mere $5.6
billion in benefits. But because Congress expanded, modified, or created all these work
support programs after 1984, in 1999 working families qualified for $51.7 billion
in benefits. A more recent estimate of benefits from these programs for working families by
Sheila Zedlewski of the Urban Institute shows that between 1996 and 2002, work support
benefits grew by 27 percent in real dollars. Since 2002, the EITC has been expanded
twice, Medicaid coverage has expanded, food stamps benefits have been reformed to
make it easier for working families to get them, and day care funding has been expanded.

The increase in work by single mothers following enactment of welfare reform in
1996 activated the work support system for millions of these families, both those leaving
welfare and those who never went on welfare. Work and work support, in short,
functioned together to reduce poverty and welfare dependency. It will be recalled that
Figure 9 provides a clear view of the impact of government programs on children’s
poverty rates in families headed by never-married mothers in 1989, before welfare reform, and in 2000 and 2006, after welfare reform. The raw poverty rate (before any government transfers or taxes) in 2000 was nearly 25 percent lower than in 1989 (36.7 percent vs. 48.3 percent). Undoubtedly, this decline in raw poverty before any government assistance was due to increased work and earnings by these never-married mothers. Even better, if we make the assumption that TANF was a major cause of the increase in work seen between 1989 and 2000 and that changes in the work support system (especially the EITC), interacting with the effects of the TANF reforms, accounted for the big declines in poverty from the raw poverty rate, we might be justified in claiming that the dual policy of work and work support were the main drivers behind the fall in poverty from 48.3 percent to 24.6 percent, a dramatic decline of nearly 50 percent. Even if this interpretation of the data is somewhat overstated, it nonetheless underlines how successful the dual policy of combining strong procedural work incentives and requirements in welfare programs with strong financial incentives in work support programs can be in reducing poverty and dependency.

Figure 11
Support for Working Families Increases Dramatically, 1984-1999

![Bar chart showing increases in spending on various programs for working families from 1984 to 1999](chart.png)

Strategy 3: Reduce Family Dissolution

We have seen that one of the engines driving poverty in the US is the fragmentation of families. Around a quarter of children are living in female-headed families at any given moment and about half experience at least some time during their childhood in a female-headed family. When children live in female-headed families, they are at least four times as likely to be poor as when they live in a married-couple family. But poverty is not the only risk faced by these children. Since Sara McLanahan and Gary Sandefur published *Growing up with a Single Parent* in 1994, social science research has repeatedly shown that children reared in female-headed families are more likely to fail in school, more likely to be arrested, more likely to get pregnant as teens, more likely to have mental health problems and to commit suicide, more likely to get a divorce when they grow up, and more likely to experience other negative outcomes. In addition, as Kathy Edin has shown based on a large sample of never-married parents living in twenty major cities in the US, these parents tend to separate within a few years, whereupon both the mother and father usually go on to form new relationships. Thus, their children experience a series of changes in household composition as their mothers form new cohabiting relationships. The mother might even have a baby with one or more of these new men, creating a household with complex and often difficult relationships among the adults and usually making it difficult for the children to establish a close relationship with their fathers. The point is that life in female-headed families imposes both a high likelihood of poverty and of household instability that can produce negative impacts on child development. If family stability could be increased, poverty and childhood education, health, and mental health problems would decline, increasing the human capital of the nation’s children and having a long-term impact on both the nation’s poverty rate and its GDP. Indeed, my colleagues Isabel Sawhill and Adam Thomas have shown that if the US had the marriage rate in 1998 that prevailed in 1970, the child poverty would decline by well over 25 percent.

But can government policy have an impact on family composition? It is useful to consider two broad approaches the US has taken to reducing the number of children living in single-parent, especially female-headed, families. The first approach is to reduce nonmarital births; the second is to increase marriage rates.
Reducing Nonmarital Births. There is now a substantial and growing literature showing that programs designed to reduce nonmarital births among teens in the US can have significant impacts in reducing both sexual activity and pregnancy. In part because of the prevalence of these programs, the US teen birthrate has declined in all but three years since 1991. It is difficult, however, to be too optimistic about the declining teen birthrate because as the teen birthrate has declined, the nonmarital birthrate for young women in the twenties and early thirties has increased more than enough to offset the decline in the teen rate.

A masterful review of more than 450 studies by Douglas Kirby in 2001 isolated several common characteristics of successful pregnancy prevention programs for teens. These included knowledge and beliefs about sex and the norms surrounding sexual activity, knowledge about contraception, skills in avoiding sexual advances by partners, mentoring by adults, and participation in community activities, especially in the afternoon hours. As part of an evidence-based initiative on preventing teen pregnancy initiated by the Obama administration in 2009 and now being implemented, a review of the literature aimed at identifying successful prevention models by Mathematica Policy Research found a total of 28 specific model programs that had high-quality evidence of reducing sexual activity, teen pregnancy, or both. There is little question, then, that with sufficient investment in evidence-based programs, the US could continue its march to reducing teen births.

Similarly, a recent review of pregnancy prevention policies by Isabel Sawhill and her colleagues finds that three types of programs would reduce nonmarital births, including births among women in their 20s and 30s. The programs are a mass media campaign that encourages men to use condoms, a program for teens that both encourages abstinence and instructs on the proper use of contraceptives (i.e., one of the types of programs shown by the Kirby review to produce significant impacts), and expansion of family planning services provided by Medicaid, mostly birth control for low-income females. Sawhill and her colleagues performed a sophisticated simulation of the costs and effects of all three policies and showed that each of them reduces nonmarital pregnancy rates (and abortions) and produces benefits that exceed their costs.
All of this work, much of it based on rigorous evidence, is about as persuasive as social science gets. Several model programs have shown that they reduce sexual activity and increase use of contraception among teens which in turn reduces pregnancy, abortions, and nonmarital births. Similarly, family planning services provided by Medicaid also reduce nonmarital births which both saves money and reduces abortions. Moreover, US social policy, in part based on this evidence, has responded by creating numerous funding streams to support programs for teens and older women that follow the model programs and that make contraception widely available and free. Even so, in 2008, the US had 1.7 million births outside marriage, perpetuating poverty and the poor developmental outcomes reviewed above. The Obama administration has initiated a number of new evidence-based initiatives that could reduce the number of nonmarital births even more, but with 72 percent of black babies, 53 percent of Hispanic babies, and over 40 percent of all babies born outside marriage, there is a long way to go. It seems safe to conclude that despite all the progress in this area, nonmarital births will continue to be a major cause of poverty in the US for the foreseeable future and that despite the effectiveness of policy in reducing nonmarital births, the demise of marriage rates and the driving force of sexual activity outside marriage will make progress against nonmarital births a long-term proposition. This conclusion is strengthened by the fact that women’s education level is positively correlated with marriage rates and inversely correlated with nonmarital birth rates. Thus, the children most likely to be born outside marriage have a double disadvantage: a high probability of living in poverty and of having a mother whose child rearing practices are not as conducive to child development as the practices of college-educated women. The nonmarital birth machine that expands poverty and produces children with minimum human capital is and will continue to disrupt the nation’s drive to curb poverty.

**Marriage Promotion.** The major cause of the rise of female-headed families in the US is falling marriage rates. By definition, only mothers who are unmarried can have nonmarital births. Thus, if marriage rates could be restored to previous levels, the nonmarital birth rate would fall, poverty would fall, and child development would be boosted. As stated by a recent review of the evidence: “Low-income children, in particular, stand to reap large gains in terms of family stability if marriage can be restored
as the norm for parents." Similarly, in one of the most extensive studies in the literature, Hill, Holzer, and Chen report that children who grew up without both their biological parents and followed longitudinally into their mid-twenties worked less and at lower wages, had lower educational achievement, and were more likely to participate in risky or illegal behaviors.¹⁰⁰

But can marriage rates be increased by government policy?¹⁰¹ After all, the phenomenon of declining marriage rates is not just an American issue. Most rich nations, especially those in Europe and all the English-speaking nations, have seen their marriage rates fall as much or more than the US. But the US seems to have been more active in using deliberate government policy to increase marriage rates. Here I briefly review three types of initiatives.

The first is called a “marriage calculator.” The American tax code is exceptionally complex. As a result, it is often difficult for even experts to determine what the effect of additional earnings, a change in family composition, or a change in welfare benefits might be on the family’s after-tax income. The marriage calculator, established by the Department of Health and Human Services in 2006, can be used by anyone (it is available online) to determine the impact of marriage on specific low-income couples. Given that welfare rules vary substantially across states, the calculator is built to take into account the tax and welfare rules in each state to determine if a couple contemplating marriage will experience benefits or penalties.

A second type of initiative, which has been advanced by several pieces of legislation, is to reduce marriage penalties in the tax code. The most important of these provisions, enacted in 2001, was the Child Tax Credit. Under this provision, families receive up to a $1,000 credit on federal income tax payments for every child in the family. Since poor and low-income families typically pay no federal income taxes,¹⁰² the main Child Tax Credit provision would be of no use to them. Thus, about 40 percent of families would have been excluded from the Child Tax Credit because they had no tax liability and only a very select number of families would have been able to claim refundability. However, as part of the negotiations over the Bush tax cuts of 2001, it was agreed to make the credit more refundable. Under this provision, families without tax liability receive a check from the government in an amount equal to 15 percent of their
income in excess of $12,550 (in 2009) with a cap of $1,000. Because families earning less than $12,550 still receive nothing from the credit, President Obama proposed and Congress accepted a reduction of the $12,550 to $3,000 as part of the American Recovery and Reinvestment Act of 2009. This provision brought the total number of children receiving the credit to 19 million, including 3.6 million who received the higher refundable credit.

The Child Tax Credit and the EITC both make marriage a financial gain for many families. Even before the Child Tax Credit was enacted, research showed that many more low-income couples who married would receive an income bonus from the nation’s tax and transfer programs. Based on the representative sample from the National Survey of American Families, Greg Acs and Elaine Maag calculated that about 75 percent of couples below 200 percent of the poverty line would receive a net gain from TANF and the EITC combined if they got married, about 11 percent would experience a net loss of combined EITC and TANF income, and about 25 percent would be held harmless. It seems likely that the additional refundability for the Child Tax Credit enacted in the ARRA would provide these families with even more financial incentive to marry.

A third marriage initiative, unlike any policy being pursued by other rich nations, is a two-part strategy for promoting marriage created by the Bush administration beginning in 2002. The first part is two large-scale, random assignment, multi-site initiatives designed to test the impacts of marriage education and services on unmarried parents and on married parents respectively. The second part of the strategy is a $100 million per year grant program to help 150 or so local communities implement marriage programs. The obvious intent of the Bush strategy was to test the effectiveness of marriage education with poor and low-income parents who had had a baby together outside marriage while simultaneously mounting community-level programs around the nation to strengthen marriage. Local communities were given great flexibility in setting up their programs.

The evaluation of the first part of the strategy with unmarried parents is the furthest advanced and an interim evaluation has been published by Mathematica Policy Research. A brief review of this program, called Building Strong Families (BSF), and the findings of the Mathematica evaluation are in order. The BSF program is an example
of what has been called an “evidence-based” approach to developing effective social intervention programs. The basic idea is to require clear specification of social goals and the characteristics and curriculum of the program designed to achieve the goals and then to carefully evaluate, using rigorous evaluation designs, the effects of the program. In the case at hand, the goals of the marriage education programs include helping couples develop better communication skills with each other, develop good parenting behaviors and capabilities, learn strategies for settling disputes without use of intimidation or violence, and learn financial skills. In the long run, it is hoped that marriage education will help these couples stay together, perhaps marry, and raise children who do better in school and avoid the numerous problems associated with being reared in a female-headed family. Eight local sites were funded to conduct the random-assignment study using one of a small set of marriage education curriculums specified by the federal Department of Health and Human Services. More than 5,000 couples participated either in a control group that received no services or in a treatment group that received three types of services: group sessions with other couples guided by the marriage education curriculum selected by each project, support from a family coordinator who encouraged participation in the group sessions and provided ongoing emotional support to the couples; and referral for services such as job search, mental health, and child care. The curriculums offered between thirty and forty-two hours of group sessions.

Interim results fifteen months after couples had applied for the program can be summarized in four points. First, averaged across all eight sites, there were no differences between couples in the control or program group on any of the major outcomes. Second, the programs nonetheless had positive effects on black couples, who improved their ability to manage conflicts and avoid destructive behaviors, reduced infidelity and family violence, and increased effective co-parenting. Third, the Oklahoma City site produced a host of positive impacts, including keeping couples together, increasing their happiness, and helping them express support and affection and use constructive rather than destructive behaviors during conflict, among others. Fourth, couples in the Baltimore program experienced some negative impacts, including fewer couples maintaining their romantic involvement, lower expression of support and affection, more severe violence against women, lower quality of co-parenting, and less father involvement.
Like so many other evaluations of social programs, the evaluation of the BSF program produced modest and mixed impacts. If the field of marriage education can learn from the Oklahoma City program and implement similar programs with similar impacts, marriage education could prove effective in helping parents of unwed children stay together and have a smoother and happier relationship which could in turn have a positive impacts on their children’s development. Both parents and children in the BSF program are being followed to see if any of the positive impacts are sustained. Meanwhile, like the field of preventing pregnancies outside marriage, the field of marriage education, as well as all the various efforts to boost marriage rates in the US, have not shown that they can produce impacts capable of reversing the nation’s low and falling marriage rates, reducing poverty, or boosting children’s development.

**Strategy 4: Increase Human Capital**

The most basic reason rich nations need welfare programs is because a significant fraction of their populations do not earn enough money to support themselves and their families. The elderly and the disabled may always have difficulty supporting themselves, although a significant fraction of the disabled manage to work and a significant fraction of the elderly either work or have savings and investments that provide a decent standard of living. But even if government spending on these two groups could be reduced, there would still remain the issue of how to handle the able-bodied, non-elderly who do not earn enough to escape poverty. The provision of public benefits for the able-bodied, never very popular in the US, is becoming more contentious in all the rich democracies, in large part because of financial pressures on their government budgets.

From the beginning of the US War on Poverty in the 1960s, a major goal of anti-poverty policy has been helping the poor acquire the education and skills needed to achieve earnings that will support a decent standard of living. In other words, the goal has been to create more opportunity for economic and social achievement by helping people improve their human capital, which in turn would increase their earnings and reduce their dependency on welfare. Here, I briefly discuss three types of policy designed to boost human capital – preschool education, K-12 education, and post-secondary education.

**Preschool Programs**. No human capital program is so widely believed to be effective as preschool education for children from poor and low-income families. The
Perry Preschool Program in Michigan, the Abecedarian program in North Carolina, and the Child-Parent Centers in Chicago have all produced both immediate and long-term impacts on the development of poor children. The impacts produced by one or more of these programs include improved school performance and reduced grade retention and special education placement, increased high school graduation rates, increased college enrollment, reduced delinquency and crime, reduced rates of teen pregnancy, and increased adult employment and earnings. Recent evidence from selected state pre-K programs have shown similar impacts at the end of the preschool year and in a few cases a year or two after the programs ended. Reviewers regularly cite these and similar programs to argue that there is rigorous evidence that preschool programs can have broad and long-lasting effects that boost human capital.

Between the federal government and the states, the US now spends around $31 billion on preschool programs (including child care and home visiting), mostly for children from poor and low-income families. At least some of this money is being spent on programs, particularly the state pre-K programs, that are of high enough quality to produce some of the impacts achieved by Perry, Abecedarian, and the Chicago Parent-Child Centers. Unfortunately, a substantial portion of the money is being spent on preschool programs that lack an educational focus or on Head Start (about $7 billion in 2010), which has been shown by a recent random-assignment evaluation to have almost no impacts by the end of first grade (three or four years after random assignment). Thus, until the US figures out how to achieve bigger impacts in the programs supported by our current $31 billion in expenditures on preschool programs, it cannot be expected that poor children are going to receive enough of a boost from preschool programs to make a long-term difference in their school performance, employment, or earnings. Label preschool as a strategy to boost the human capital of poor children as hopeful.

K-12 Education. Historically the excellence of public schools has been a major reason the US economy has performed so well and that the US has led the world in science, technology, and productivity. But for the last three decades or so, the K-12 schools in the US have not performed well and the US has lost its lead in education. As we have seen, reading achievement by students at almost every grade level has been more or less flat since the early 1990s; the US does not fare well in international comparisons;
school dropout continues to be a major problem; and the achievement gap between whites and Asians as compared with blacks and Hispanics is large and has shown only modest improvement in the past two decades.\textsuperscript{114} Other than that, the schools are doing just fine.

It is difficult to make a case based on reason or evidence that K-12 education is going to turn around anytime soon. There are two thin rays of light that could support some moderate optimism that US schools may improve. The first is the possibility of increasing the average quality of teachers, the most important ingredient in any plan for promoting excellence in education.\textsuperscript{115} Research on effective teachers provides solid information about the effects of good teaching and suggests how good teachers can be identified. One of the first illuminating studies of teacher effectiveness was conducted by William Sanders and June Rivers of the University of Tennessee in 1996.\textsuperscript{116} The authors followed student test scores in mathematics from grades three through five and found that students in classrooms taught by the best teachers had test scores that were substantially better (about 50 percentile points) than students with the poorest teachers. Further analysis showed that the best teachers produced improvements among all students, regardless of the students’ original test scores or their ethnic group. Similarly, Eric Hanushek of Stanford and his colleagues, in a sophisticated study of Texas students in grades four through eight, produced similar findings.\textsuperscript{117} Not surprisingly, a review by Rand researchers of the literature on teacher quality based on student change scores concluded that the body of studies stands up well to careful scrutiny and that good teachers do in fact produce major improvements in student learning.\textsuperscript{118}

If teachers contribute directly to student achievement, as these studies show, the most direct route to improving student performance is likely to be improving the average quality of teachers. Several researchers have developed plans to do just that. These plans typically encourage school districts to select the best teachers they can attract, although overreliance on education school graduates and teacher certification is probably a mistake. Schools should also hire people who have had good careers in other fields, graduating college students with high academic performance in college who did not major in education, and teachers from the new array of alternative teacher preparation programs such as Teach for America.\textsuperscript{119} At least as important as trying to select good
beginning teachers, however, is a strategy for retaining and promoting successful teachers. School systems that simply grant tenure to teachers after several years of teaching are missing the opportunity to gradually improve the quality of teachers in their system. Student test score improvement should be an important—but not the only—element in a plan for retaining and promoting teachers. Other elements should include principal ratings, feedback from parents, and evaluations by senior teachers. Only teachers who are effective as indicated by these measures, with improvements in test scores playing a central role, should be retained and promoted.

Fortunately, at least some US school systems are implementing teacher improvement plans like the one just outlined. The Teacher Advancement Program—initiated by Lowell Milken of the Milken Family Foundation in 1998 and now operating in 220 schools with more than 6,000 teachers—shows that schools are fully capable of implementing such teacher improvement programs.\textsuperscript{120} Despite merit pay being a central part of the Teacher Advancement Program, the program has been implemented in Chicago and elsewhere with the approval or at least acquiescence of teachers’ unions. The US Congress recently provided $100 million a year to school districts to pay for teacher improvement plans, although much higher funding would be needed to help school districts across the US to increase average teacher quality.\textsuperscript{121}

A second reason for having some optimism about K–12 education is that a growing number of schools, many located in dangerous urban neighborhoods and only a few blocks away from some of the worst schools in the nation, seem to have produced remarkable results in creating a safe and orderly environment for students and in bringing them, on average, to the performance level of students from more advantaged neighborhoods and schools. A recent book by writer David Whitman describes six of these schools in great detail and concludes that similar highly successful schools can be created in the midst of the chaos of our inner cities and with students that would fail or perform far below age norms if they went to regular schools.\textsuperscript{122}

The schools described by Whitman and others have several common characteristics.\textsuperscript{123} Taken together, these characteristics make these schools traditional or even paternalistic in the sense that authorities decide they know best what is good for students and take strong measures to ensure that students actually do what they would
decide to do if they made wise decisions. Larry Mead of New York University was one of the first to understand the importance of paternalism and its application to many types of social policies. The authors in a volume edited by Mead in 1997 describe the application of paternalistic policies to social problems as diverse as teen pregnancy, payment of child support by fathers, drug addiction, and mandatory work programs.\textsuperscript{124} Since that time, research by neuroscientists, economists, and psychologists increasingly suggests that paternalistic policies may, in some cases, be more effective than those that rely exclusively on individual self-interest and choice.\textsuperscript{125}

Programs based on paternalism attempt to use strong measures, sometimes involving sanctions, to encourage or require people to behave in accord with mainstream values, such as not having babies outside marriage, meeting the paternal responsibility to pay child support, terminating drug use, and getting a job. The education programs described by Whitman set demanding standards that reflect middle-class norms. The schools are especially insistent on order. Students must meet dress codes, walk silently in hallways between classes, sit straight in their seats, attend to the teacher at all times, get permission to talk, and use standard English. Any actions or paraphernalia associated with gangs, such as colored scarves or symbols displayed on notebooks, are dealt with harshly, often by permanent expulsion. Paternalistic schools tend to use both sticks and carrots to persuade students to meet conduct and academic rules. Regarding carrots, students receive points for good behavior and academic achievement, points that can be redeemed for privileges such as field trips and time to engage in leisure pursuits like playing electronic games. But students who do not meet expectations not only lose points but are sometimes compelled to meet in study hall after school, do extra homework, or perform various jobs around the school after regular school hours. Students who repeatedly violate rules are expelled for a period of time or even permanently.

On the academic side, these schools emphasize basic skills. Several of them provide intense remedial instruction when students first arrive because they are often behind in reading and math. Teaching methods tend to be traditional, such as drill and frequent review. Instruction is accompanied by frequent assessments, including standardized tests, to make sure students are mastering the knowledge and skills being taught. One feature of instruction in all the schools is time spent on academic tasks,
which is much more than that in regular schools. School hours usually begin by 8:00 a.m.
and run until 4:00 or 5:00 p.m. In the KIPP junior high school in the Bronx, for example,
Whitman estimates that students receive more than 300 minutes a day of instruction,
compared with 185 minutes in other New York City schools. Even this difference is
probably an underestimate, however, because like most inner-city schools instruction in
regular New York City schools is frequently disrupted by noise, acting out by students,
and even violence. As if these huge differences in time on task are not enough, most of
the schools studied by Whitman require attendance on Saturdays and at a summer session
lasting three or more weeks.

Although none of the programs reviewed by Whitman have been evaluated by
gold-standard research designs, he nonetheless finds evidence of improved performance
of students at each of the six schools on standardized tests and other measures. At the
KIPP school in the Bronx, 87 percent of eighth graders passed the New York State
Standards Test, compared with 54 percent of eighth-graders statewide and only about 11
percent of eighth-graders at the three schools nearest to the KIPP school. The results are
similar for English proficiency. At the University Park School in Worcester,
Massachusetts, 91 percent of students, compared with 69 percent statewide and an
average of 45 percent at the two closest inner-city schools, were rated “proficient” or
“advanced” in math on the Massachusetts Comprehensive Assessment System, one of the
toughest statewide achievement tests in the nation.

Whitman’s study suggests that it is possible to have successful inner-city schools.
In a rational world, other schools would try to follow the model provided by the schools
he studied, especially in their emphasis on order, extra hours of instruction, and emphasis
on basics like drill—in a word, paternalism. Indeed, the famed Harlem Children’s Zone,
initiated by Geoffrey Canada and proposed as a model for expansion to twenty
neighborhoods throughout the country by President Obama during the 2008 presidential
campaign, features charter schools with characteristics and results similar to those praised
by Whitman. But most of the key characteristics of paternalistic programs are
anathema to the progressive educators who populate schools of education and the ranks
of public school teachers. Another problem is that it seems likely that many teachers
could experience burnout from the long hours, and in any case teachers unions will not approve of these long hours without additional compensation.

Post-Secondary Education. There is good reason to believe that unless the US can increase the proportion of children from poor and low-income families who achieve college degrees, they will not, as a group, enjoy increased opportunity. First, data from the Census Bureau plotting the relationship between education level and family income over the past four plus decades show that the only demographic groups to achieve increased family income after roughly 1989 are those with a four-year degree or higher (Figure 12). Both high school graduates and high school dropouts, the most frequently-achieved educational status of children from poor families, have been the victims of falling family income since the early 1970s.\textsuperscript{129} Second, nationally-representative longitudinal data on parents and their children show that children from families with parents in the bottom quintile of earners reduce their odds of remaining in the bottom quintile as adults from 45 percent to 16 percent and increase their odds of making it to the top quintile of earnings from 5 percent to 19 percent if they achieve a four-year college degree. This and additional evidence show convincingly that helping poor children get post-secondary degrees would greatly increase opportunity and reduce the need for means-tested programs.\textsuperscript{130}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure12.png}
\caption{Median Family Income of Adults Ages 30-39 with Various Levels of Educational Achievement, 1965 - 2007}
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\begin{footnotesize}
\begin{itemize}
\item Note: All men and women ages 30-39, including those with no personal income, are included in these estimates.
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But relatively few children from lower-income families even enter post-secondary institutions and fewer still actually achieve a terminal degree. A little less than 30 percent of children from families in the bottom income quintile enter college as compared with almost 80 percent of children from families in the top income quintile. Even worse, only 11 percent of those from the bottom, as compared with more than half of those from the top, actually achieve a terminal degree.\textsuperscript{131} Thus, we know that children from poor families can greatly boost their income if they achieve a college degree, but we also know that only a tiny fraction of these children are successfully pursuing post-secondary degrees.

Under the standard economic model of rational human behavior, the financial payoff to individuals who achieve post-secondary degrees should prompt students from poor families to finish high school and flock to the nation’s colleges and universities. But as we have seen, nothing of the sort has happened. What to do?

My colleagues Harry Holzer and Robert Lerman, both economists at the Urban Institute in Washington, D.C., and I have recently recommended a four-part strategy for boosting college attendance and completion rates among the poor. The four policies are improving student K-12 academic preparation for college coursework, providing students with effective guidance in selecting and paying for college, helping students persevere in college until they achieve a terminal degree, and focusing more federal subsidies for postsecondary education on the children from poor and low-income families.\textsuperscript{132} All four policies have some evidence from empirical research that they could boost college attendance and even college completion by students from poor families, although none of the evidence shows substantial impacts.

Conclusion

The US has spent trillions of dollars on scores of programs to reduce the effects of poverty and to equip children and young adults with the education and skills needed to maintain steady employment by competing successfully in the global economy. Meanwhile, the forces that sustain and increase poverty rates, including low work rates, low wages, family dissolution, mediocre education, and immigration of poorly educated workers, make progress against poverty difficult. More important, the family crucible that should be laying the foundation of child development and the educational system that
should be churning out world-class students are both weak. Thus, the policy goal of fighting poverty by boosting the human capital of the next generation, especially children from poor families, is not being achieved. The War against Poverty that President Johnson initiated has come to a stalemate. Without better policies, the stalemate can be expected to continue.
2 Robert Rector and his colleagues at the Heritage Foundation estimate that in 1964 the federal government
spent $54.6 billion (in 2008 dollars) on means-tested programs.
4 Why Americans Hate Welfare: Race, Median, and the Politics of Antipoverty Policy (University of
5 A favorite play of critics who want to end most welfare programs is to list all the benefits a family could
possibly receive and then, based on the assumption that the family receives all the benefits, calculate their
total value. According to my rough calculations, summing just welfare cash, food stamps (now called the
Supplemental Nutrition Assistance Program or SNAP), school lunch, Medicaid, and housing could yield a
number as high as $30,000, well above the poverty level for a family of three (about $17,300 in 2009). The
problem is that cash welfare is contingent on work, Medicaid health insurance does not contribute to food,
shelter or other consumption items, and housing benefits are provided on a first-come, first-served basis
until the money runs out each year (only about a quarter of eligible people actually get the benefit each
year). Thus, there are few families that get the full package of benefits for which they might be eligible. In
2009, for example, the average income of mothers in the bottom quintile of mothers with children was
$9,410 (as compared with a median family income of about $60,000 and a poverty level income of about
$17,300 for a mother and two children. A major reason these mothers have such low income is that they
receive a total of only $4,834 in public benefits (including cash, nutrition, housing, and the EITC) – not
even close to the $30,000 bandied about as the amount of “welfare” poor families can receive from
government.
6 Franklin D. Roosevelt, The Public Papers and Addresses of Franklin D. Roosevelt (Volume 4; New York,
7 Harry J. Holzer, Paul Offner, and Elaine Sorensen, “Declining employment among young black less-
educated men: The role of incarceration and child support,” Journal of Policy Analysis and Management
8 For example, in 2009, 11.0 percent of children in married-couple were in poverty compared to 44.3
percent of children in female-headed families. Similarly, in 2008 the poverty rates for children in married-
couple families and female-headed families were 9.9 percent and 43.5 percent, respectively. And in 2007,
these respective child poverty rates were 8.5 percent 42.9 percent. U.S. Census Bureau, Detailed Poverty
Tables, “POV03: People in Families with Related Children Under 18 by Family Structure, Age, and Sex,
Iterated by Income-to-Poverty Ratio and Race: 2007” (http://pubdb3.census.gov/macro/032008/pov/new03_100_01.htm),
“POV03: People in Families with Related Children Under 18 by Family Structure, Age, and Sex, Iterated by Income-to-Poverty Ratio and
Race: 2008” (http://www.census.gov/hhes/www/cpstable032009/pov/new03_100_01.htm), and “POV03:
People in Families with Related Children Under 18 by Family Structure, Age, and Sex, Iterated by Income-
to-Poverty Ratio and Race: 2009” (http://www.census.gov/hhes/www/cpstable032010/pov/new03_100_01.htm).
9 As Wu and Stojnic (2007, 7-8) note, during the period between 1975 and 2000, “individuals in never-
marrried female-headed households were roughly 4 to 5 times more likely to be in poverty relative to a
randomly chosen individual in the U.S. population; similarly, individuals in never-married female-headed
households were, on average, about twice as likely to live below the poverty line as individuals in ever-
marrried female-headed households…” Lawrence L. Wu and Miodrag Stojnic, “Poverty among the Poorest-
Poor in the United States: Trends for Never-Married Women and Their Children,” Paper Presented at the
Inaugural Conference, Center for Research on Inequalities and the Life Course, Yale University (May
10 U.S. Census Bureau, Detailed Poverty Tables, “POV10: People in Families by Number of Working
11 Nabeel Alsalam, “The Role of Immigrants in the U.S. Labor Market: An Update,” Congressional Budget
Office (July 2010), Table 1 and Table 6. Available at: http://cbo.gov/ftpdocs/116xx/doc11691/07-23-
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Based on Social Security income records, the top 1 percent of workers earned 12.3 percent of all income in 2004, up from 5.9 percent in 1960. See Wojciech Kopczuk, Emmanuel Saez, and Jae Song, “Earnings Inequality and Mobility in the United States: Evidence from Social Security Data since 1937,” Quarterly Journal of Economics 125, no. 1, 2010, pp. 91-128.


17 U.S. Census Bureau, Historical Income Tables, “Table F-18: Educational Attainment of Householder--Families with Householder 25 Years Old and Over by Median and Mean Income” and “Table F-19: Years of School Completed--Families with Householder 25 Years Old and Over by Median and Mean Income” (http://www.census.gov/hhes/www/income/data/historical/families/index.html).

18 U.S. Census Bureau, Historical Income Tables, “Table F-18: Educational Attainment of Householder--Families with Householder 25 Years Old and Over by Median and Mean Income” and “Table F-19: Years of School Completed--Families with Householder 25 Years Old and Over by Median and Mean Income” (http://www.census.gov/hhes/www/income/data/historical/families/index.html).


21 According to OECD data, Denmark, Finland, Korea, the Netherlands, New Zealand, and Norway have a higher percentage of their population ages 25 to 34 holding at least a tertiary type-A degree, which generally requires four or more years of education. In addition, Australia, Poland, and Sweden are tied with the US at 32 percent. See OECD, “Indicator A1: To What Level Have Adults Studied, Table A1.3a: Population with Tertiary Education (2008),” from Education at a Glance 2010: OECD Indicators (Paris: Author, 2010), available at http://www.oecd.org/document/52/0,3746,en_2649_39263238_45897844_1_1_1_1,00.html.


23 Organization of Economic Cooperation and Development, PISA 2009 Results: What Students Know and Can Do: Student Performance in Reading, Mathematics, and Science, vol. 1 (Paris: Author, 2010). Professor Daniel Koretz of Harvard recommends caution in simply comparing the average PISA scores of American students with the average scores of students from other nations in part because the scores are so variable from test occasion to test occasion. Nonetheless, the performance of US students shows clearly that they are not near the top on any of the subtests. Rather, American students are closer to the average scores for OECD nations than to the top score; see Daniel Koretz, “How Do American Students Measure Up? Making Sense of International Comparisons,” The Future of Children 19, no. 1 (Spring 2009): 37-51.


32 The federal government’s share of financing for the Medicaid program increased temporarily above the figures reported in the body of the text. For a general discussion of Medicaid financing, see: Kaiser Commission on Medicaid and the Uninsured, “Medicaid: A Primer: 2010,” Washington, DC: Author, June 2010; and Committee on Ways and Means, *2008 Green Book*, Section 15.


38 See Table 2 for source information.


43 Below I use data from my colleague Robert Rector of the Heritage Foundation. Heritage is one of the most politically active and politically influential conservative think tanks in Washington, D.C. Rector’s use of OMB spending data is careful and accurate based on our checks of the data. Thus, I use the nonpartisan Congressional Research Service for my main source of spending data, supplemented with data for more recent years from the Rector/Heritage analysis of OMB spending data.


45 The total number of domestic programs run by the federal government is enormous. Each year the Office of Management and Budget published a catalog of federal domestic programs. The 2010 volume is 2,738 pages long and describes 2,112 programs; see: Executive Office of the President, *2010 Catalog of Federal Domestic Assistance* (Washington, DC: Author, 2010). Similarly, whereas the number of employment and training programs listed in Table 1 (and in the report from the Congressional Research Service) is six, a


47 About 40 percent of the federal budget is discretionary spending, almost equally divided between domestic programs and military programs. Both the House of Representatives and the Senate have Appropriations Committees that decide how the appropriated funds are to be spent each year. The actual decisions are made by thirteen subcommittees, each with funding control over several agencies and programs of the federal government. So powerful are these subcommittees that their chairmen are often referred to as the “Cardinals.” For an overview of the annual appropriations process, see: Sandy Streeter, “The Congressional Appropriations Process: An Introduction,” (CRS 7-5700), Washington, DC, Congressional Research Service, December 2010.


55 For purposes of Figure 10, social programs include old age and survivors programs, disability benefits and treatment programs associated with disability, health, child allowance and credits, employment and training services, unemployment, housing, and the inevitable “other.” Willem Adema and Maxime Ladaique, “How Expensive is the Welfare State?: Gross and Net Indicators in the OECD Social Expenditure Database (SOCX),” *OECD Social, Employment and Migration Working Papers*, no. 92 (2009), available at http://dx.doi.org/10.1787/220615515052.

56 Garfinkel, Rainwater, and Smeeding, p. 113.


59 Jagadeesh Gokhale, “The New Health Care Law’s Effect on State Medicaid Spending”.

Congressional Budget Office, Current Budget Projections: Selected Tables from CBO’s Budget and Economic Outlook (2011), Table1-4; available at http://www.cbo.gov/ftpdocs/120xx/doc12039/BudgetTables.pdf.


Gruber and Engelhardt, 2006.


For example, according to Liz Schott and Zachary Levinson, TANF Benefits Are Low and Have Not Kept Pace with Inflation, (Washington DC: Center on Budget and Policy Priorities, 2008); available at http://www.cbpp.org/pdf/11-24-08tANF.pdf; the combined benefits of TANF and Food Stamps (SNAP) remained under 75 percent of the federal poverty line in all but three states in 2008. The percentage increase is based on our analysis of data from the Annual Social and Economic Supplement to the Current Population Survey. The percentage of never-married mothers employed in 1995 was 47; by 1999, the percentage had increased to 66.


Sheila Zedlewski and others, “Is there a System Supporting Low-Income Working Families,” Low...


86 Reference Edin study of transitions in Fragile Families study

87 Kathy Edin, personal communication, April 28, 2011; see https://crcw.princeton.edu%2fworkingpapers%2fTWP11-10-FF.pdf.


William L. Sanders and June C. Rivers, “Cumulative and Residual Effects of Teachers on Future Student Academic Achievement,” research progress report (University of Tennessee, Value-Added Research and Assessment Center, 1996).


Daniel F. McCaffrey and others, Evaluating Value-Added Models for Teacher Accountability (Santa Monica, Calif.: Rand, 2003).

A random-assignment evaluation by Mathematica finds that Teach for America teachers produced slightly better student outcomes in math than other teachers. Paul T. Decker, Daniel P. Mayer, and Steven Glazerman, The Effects of Teach for America on Students: Findings from a National Evaluation (Princeton: Mathematica, 2004). Teach for America students working with pre-K students in Washington, D.C., also produced learning outcomes that appeared to be better than the outcomes produced by average Head Start teachers (in a national evaluation of Head Start) and by teachers in state pre-K programs. Nicholas Zill, Promising Results from Teach for America’s Early Childhood Initiative: Report to the CityBridge Foundation (Rockville, Md.: Westat, 2008).


Based on Brookings tabulations of data from the Panel Study of Income Dynamics.
APPENDIX
(Source for Table 2)

Sources: **TANF**: Department of Health and Human Services, Administration for Children and Families, "TANF: Total Number of Recipients," (2011); http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/2010/2010_recipient_tan.htm, and Administration for Children and Families, TANF Financial Data, Table A-2, Line 5a; http://www.acf.hhs.gov/programs/ofc/data/2009/table_a2_2009.html. Expenditure figure is for cash benefits only. In 2009 total expenditures of federal funds were $21.771 billion. $4.504 billion of that was in basic assistance, $.343 billion was in child care, and $.270 billion was in transportation. Funds also went to work related activities, work subsidies, education and training, other work activities/expenses, job access, pregnancy prevention, systems, 2 parent formation, and administration.


**Child Nutrition**: Food and Nutrition Service, WIC, Child and Adult Care, and School Breakfast And Lunch Participation and Cost Sheets (2011); http://www.fns.usda.gov/pd/wisummary.htm, http://www.fns.usda.gov/pd/ccsummar.htm, http://www.fns.usda.gov/pd/sbsummar.htm. Participants is just the sum of the participants in each program. It is almost certain that some people participate in more than one of these programs and are being double counted. Wic: 9,175,000 participants; Child and Adult Care 3,410,000 participants; Breakfasts: 11.67 million participants; Lunches: 31.8 million participants.


**EITC**: Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2010-2014 Footnote 5 to Table 1 and Table 3 (Washington DC: Author, 2010); http://www.jct.gov/publications.html?func=startdown&id=3718. Participants is number of returns filing.


**SSI**: 2012 Budget, Analytical Perspectives, Table 32-1, "Budget Authority and Outlays by Function, Category, and Program," Income Security, Other Income Security,
