

# The Politics of Fighting Poverty in Faltering Economies



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**T**he next president has a real chance to reduce poverty and increase opportunity in this country. Indeed, the way forward on those two objectives has seldom been clearer, and the only question is whether the president will be able to frame such an initiative in a way that mobilizes broad-based public and congressional support.

There are two main constraints within which the next president will operate that will affect whether an antipoverty and pro-opportunity agenda succeeds. The first and most obvious constraint is that the president will likely be taking over an economy in the midst of a downturn. Because government revenues decline in a downturn, there will be limits on the number and size of any new initiatives, and such discretionary spending as does occur will be most easily justified in the Keynesian language of economic stimulus. In this article, I will argue that the Keynesian framing lends itself to antipoverty initiatives rather than anti-inequality ones.

The second main constraint is that, despite increased polarization in the electorate, raw partisanship is increasingly unpopular. A premium will be placed, therefore, on crafting an agenda around which a bipartisan consensus can be built. The two main presidential candidates recognize both the need for and public taste for more bipartisanship than has been on display during the Bush administration. This need is magnified, moreover, in an economic downturn because the fiscal constraints that downturns generate create an automatic bias against any costly new initiatives. If that bias is to be overcome, a bipartisan consensus will likely be needed.

I will attempt to lay out the types of antipoverty and pro-opportunity initiatives that might work well in light of these two constraints. The constraints lead us toward many of the same policies and are therefore quite conveniently complementary, which is precisely why I claim that the way forward has seldom been clearer. Although I cannot lay out a comprehensive list of initiatives here, I attempt to identify the three main principles around which such initiatives might be built.

### Principle I: Emphasize Poverty Not Inequality

The initiative must be carefully framed to speak to shared commitments. And the winning framing will likely involve a focus on poverty rather than inequality. Whereas poverty is typically defined as *absolute deprivation* (relative to some agreed-upon baseline), inequality does not necessarily imply any deprivation at all, only that some groups are relatively better off than others.

Why should the next president focus on poverty and not inequality? An initiative built on reducing inequality alone is bound to be politically divisive, as it is an initiative that only liberals could embrace. For the most part, what liberals regard as a matter of fairness and social justice, conservatives call envy and class warfare; and conservatives, unlike liberals, are also quite committed to the incentive-generating effects of inequality. There is simply no percentage in this context for liberals to push, almost lemming-like, an anti-inequality initiative when so much headway on an antipoverty initiative might instead be made. If one asks, for example, which of the proposals proffered in this issue of *Pathways* are likely to be implemented and which are not, the simple litmus test of whether they take on poverty or inequality would no doubt serve us well.

In an economic downturn, the rationale for focusing on poverty rather than inequality becomes stronger, and not just because a downturn tends to increase the number of poverty

stricken and hence foster a bipartisan interest in assisting them. Democrats and Republicans alike are perforce interested in delivering stimulus during a downturn, and it is well known that stimulus measures targeted toward the poor are especially efficient because the poor are more likely than the rich to spend that extra cash. The implication is that downturns are tailor-made for antipoverty initiatives but not necessarily for anti-inequality initiatives.

Beyond the steps already taken in this spring's first stimulus package, the particular programs that might in this context be undertaken are well known. There is no compelling reason, for example, why the minimum wage should not be indexed for inflation. And increasing the Earned Income Tax Credit would not only increase work-related income, but also enhance work incentives and strengthen families. We should increase the participation of single workers in the program and reduce the steep marriage penalty now built into its structure.

We could also reduce poverty by strengthening the bridge from welfare to work. The 1996 reform bill worked much better than its critics predicted, but we could improve it by further weakening two key barriers to full-time employment—child care and health care. We should expand the child care tax credit for poor families. Also, while we are debating whether and how to achieve universal health insurance coverage, surely we can agree on a federal-state program that funds and achieves universal coverage for poor children.

All other things being equal, there is a relation between poverty and family structure. At the very least, the federal government could throw its spotlight on what some have called the “sequencing strategy”: If you finish high school, get married, and have children—in that order—both you and your children are much less likely to live in poverty. As part of this push, the government could put new emphasis on reducing teen and unwanted pregnancies, which often disrupt the optimal sequence.

These proposals are for the most part well known. As a general policy, we should build on what works, look skeptically at what has not worked, and experiment only in those areas where we don't know enough to act boldly on a large scale.

### Principle II: Means-Testing Has Its Place

The next president should likewise recognize that there is growing support across party lines for means-tested programs. Increasingly, conservatives understand that the market does not cure all social ills and that there is a place for carefully targeted public programs. For their part, most liberals no longer believe, as the saying went, that “programs for poor people are poor programs.” To the contrary, a fair number of means-tested programs have not only survived but thrived, even in adverse political circumstances. The social democratic strategy of garnering widespread support for antipoverty initiatives by including everyone in them is not and likely never will be attractive in the United States.

The rationale for means-testing is yet more compelling in the context of an economic downturn. As I mentioned above,

the most efficient way to spend out of a downturn is to target the poor, as the poor will quickly spend much of their stimulus check. The stimulus package of February 2008 is not as targeted as some might want, but it may well presage more aggressive targeting in the future.

The initiatives laid out under “Emphasize Poverty Not Inequality” are, for the most part, means-tested; hence there is no need to rehearse them again here. These initiatives don’t, however, address the pressing problem that many poor and near-poor families find themselves living from paycheck to paycheck without ever accumulating savings. This makes it difficult for them to buffer themselves against financial reverses, and it either precludes home ownership or makes it possible (as we now see) only on terms that cannot be sustained. To turn this around, we need a means-tested savings match—for example, two public dollars for every dollar saved by poor families, a one-to-one match for near-poor families, and fifty cents on the dollar for the working class.

These types of means-tested programs are usefully contrasted against those that single out a given neighborhood and pour resources into improving opportunities for all neighborhood residents. Because neighborhoods comprise residents of varying economic circumstances, a place-based strategy of this sort is quite poorly targeted, with all the consequent inefficiencies that entails. The evidence on the effectiveness of place-based strategies is scanty at best. We would do better to invest in means-tested strategies that allow hard-hit urban areas to benefit in proportion to the number of residents who meet the test.

### Principle III: Facilitate Opportunity

The third, and final, principle that should inform the next president’s program is to foster opportunities rather than guarantee mobility outcomes. Opportunity is typically understood as a set of enabling conditions that allow all children, regardless of family background, to compete fairly for those jobs or occupations to which they aspire. We have sought to increase opportunity in this country by strengthening primary and secondary education, by providing information and resources needed to take advantage of post-secondary education and training, and by building an economy that offers jobs to all willing workers. By contrast, mobility pertains not to opportunities but to outcomes, and it is accordingly measured by comparing the occupations (or income) of parents to the occupations (or income) of their children. It may be understood as the realization of the opportunities to which individuals are exposed as well as their decisions whether to “take up” those opportunities.

While liberals often argue that family background should have no impact on how children fare later in life, conservatives are less sure that this is an appropriate ideal because it necessarily interferes with the prerogative, indeed responsibility, of parents to assist their children. Moreover, they are concerned that perfect mobility could not be achieved without massive social disruption, perhaps even a dismantling of the family itself. The implication, again, is that bipartisan support is best achieved by focusing on equalizing opportunities, an objective that is surely in itself sufficiently daunting.

How might opportunity be equalized? Our most urgent and important task is to mount a comprehensive assault on the shortcomings of our educational system. We know, for example, that fully half of the “achievement gap” between white and minority students at age 18 is attributable to differences that children bring with them to the first day of public school. So we need measures to ensure that children arrive at school ready to learn, including a federal-state partnership to make pre-kindergarten education universal for all 3- and 4-year-olds. Based on state-level programs, it appears that means-tested subsidies to families are efficient and effective.

There are other important gaps in our education system that we must fill. For example, because they have fewer opportunities for enriching activities outside school, poor children are more likely to lose ground during the summer. “Opportunity vouchers” for summer school would help them retain what they learned during the previous year.

We have also recently learned that we have been fooling ourselves for decades about high school graduation rates. In major urban areas, the real rate of on-time graduation with a regular high school diploma barely reaches 50 percent. The Department of Education has recently required all states to adopt a uniform system of accounting and reporting for dropouts. That’s a sensible and long-overdue step, but it’s only a start.

In today’s economy, young people without a diploma are all but doomed. This is especially true when the labor market they enter is weakened by an economic downturn like the one we are currently experiencing. To avoid losing another generation to the streets and prisons, we need a crash anti-dropout plan. Starting in middle school, every student at risk of dropping out should be paired with an adult mentor who monitors progress, offers assistance and advice, provides information and encouragement about post-secondary opportunities, and warns teachers and administrators when a student seems to be veering off the path.

### Finding Political Common Ground

The next president should build on areas of agreement across partisan and ideological lines. Because reducing poverty, assisting those in need (means-testing), and enhancing opportunity are themes that resonate through most of the political spectrum, they should constitute the foundation for his efforts. In an economic downturn, the task of developing political common ground is even more critical, as one must overcome real fiscal constraints that make it difficult for all but the most strongly supported initiatives to succeed.

I do not mean to suggest that my proposals—none of which is original—represent an adequate response to the difficulties we face. But they do offer three key advantages: They have already been tested, they can achieve support across party lines, and they are well-suited to an economy entering a downturn. A skillful and determined president of either party could, I believe, create broad agreement on such proposals without squandering scarce political capital.

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