

POVERTY

AND WHAT TO DO ABOUT IT

IN AMERICA



A COMPILATION OF WORK FROM SCHOLARS
AT THE AMERICAN ENTERPRISE INSTITUTE

Poverty in America— and What to Do about It



AMERICAN ENTERPRISE INSTITUTE

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I

The Big Picture: A Conservative Social Justice Agenda

“Conservative leaders owe it to their followers and the vulnerable to articulate a positive social justice agenda for the right. It must be tangible, practical, and effective. And it must start with the following question: ‘What do the most vulnerable members of society need?’”

—*Arthur C. Brooks*

“Be Open-Handed toward Your Brothers”

ARTHUR C. BROOKS

There will always be poor people in the land. Therefore I command you to be open-handed toward your brothers and toward the poor and needy in your land.

—Deuteronomy 15:11

The 2008 election marked the return of progressive politics in America. For the first time in 16 years, Democrats won both houses of Congress and the White House. They wasted no time in articulating a progressive agenda they claimed would offset the Great Recession and turn America toward greater fairness and compassion. Lifting up the poor, decreasing inequality, and curbing runaway income gains among the wealthiest Americans ranked high among their stated priorities.

It has been five years. How has their project turned out?

Since January 2009, the Dow Jones Industrial Average has more than doubled. Last year brought the largest annual increase in the S&P 500 since the late 1990s. And the vast bulk of this sustained market surge has accrued to the extremely wealthy. According to New York University economist Edward Wolff, the top 10 percent of earners own 81 percent of stocks and mutual funds, 95 percent of financial securities, 92 percent of business equity, and 80 percent of non-home real estate. So it comes as little surprise that nearly all the real income growth that President Obama’s “recovery” has generated would flow to the wealthiest Americans. According to University of California, Berkeley, economist Emmanuel Saez, 95 percent of all recovery gains have accrued to the much-vilified “top 1 percent.”

At the same time, the poor have become even more desperate. The number of Americans receiving aid through the Supplemental

Nutrition Assistance Program (known as food stamps) has increased by almost 50 percent since January 2009, from 32.2 million to 47.7 million. One in six citizens in the richest country in the world now rely on food aid from their government.

Today, a lower percentage of Americans are in the workforce—63 percent, according to the Bureau of Labor Statistics—than at any time since the infamous days of Jimmy Carter. This has the effect of reducing the official unemployment rate, which led Binyamin Appelbaum of the *New York Times* to quip: “We are basically ‘recovering from the recession’ by reducing the share of Americans who participate in the labor force. Hurrah!”

And what has happened to income inequality? A central theme in each of the president’s campaigns, this is one metric by which committed egalitarian liberals might judge this administration. Economists measure inequality with the Gini coefficient, a number from 0 to 1. Zero denotes complete equality, and 1 would be complete inequality, with all income possessed by one person. Since January 2009, the Gini coefficient has moved from 0.47 to 0.48.

In sum, the administration’s ostensibly pro-poor, tough-on-the-wealthy agenda has led us toward a new American Gilded Age. Our putatively progressive president has inadvertently executed a plutocratic tour de force.

But the administration’s failure to achieve the president’s stated goals is nothing for his opponents to celebrate. Few conservatives begrudge the wealthy their gains, and many are skeptical that income inequality is meaningful in and of itself. But the fact that many Americans continue to suffer years after the technical end of the Great Recession should offend any sense of plain justice. The administration’s pathetic performance demands not *schadenfreude*, but answers. Conservatives need a social-justice agenda of their own.

Conservatives and Poverty

When wealthy liberals attempt to demonstrate their own charitable bona fides by insisting that taxes should be raised, conservatives seethe. It is easy to be generous with other people’s money, and the

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idea that support for higher taxes is a mark of good character badly confuses intentions for effective action. This is a moral framework built not around altruism, but sanctimoniousness.

But simply frowning at such fatuousness is no substitute for action. The American conservative's reluctance to articulate a social-justice agenda of his own only feeds the perception that the right simply doesn't care about the less fortunate. The lack of a positive plan makes it feasible for a president whose own tenure has proven disastrous for the poor to assail his Republican opponents with these extraordinary words: "Their philosophy is simple: You're on your own. You're on your own if you're out of work, can't find a job. Tough luck, you're on your own. You don't have health care: That's your problem. You're on your own. If you're born into poverty, lift yourself up with your own bootstraps, even if you don't have boots. You're on your own."

Obama's 2012 opponent hardly made things better. Mitt Romney's unfortunate claim that "47 percent" of Americans "believe that they are victims [whom] the government has a responsibility to care for" and that they could never be persuaded to support his campaign did little to combat misconceptions. And the caricature of Republican callousness has been repeated so often that conservatives can even fall into a kind of political Stockholm Syndrome. In a 1999 study, researchers at UCLA found that subjects viewed liberals as generous and conservatives as "somewhat heartless," without regard to their own political views.

Conservative leaders owe it to their followers and the vulnerable to articulate a positive social-justice agenda for the right. It must be tangible, practical, and effective. And it must start with the following question: What do the most vulnerable members of society need? This means asking the poor themselves.

Most academic research on poverty is eerily divorced from contact with the actual people it references. One of my colleagues tells an instructive story. One afternoon, as he beavered away at his Ph.D. dissertation in a top university's poverty-research center, an *actual poor person* walked in. He had seen the signs and was simply looking for help. The expert researchers had no idea what to do. Their instinct was to call security.

Interviews with poor and vulnerable citizens, especially those whose struggles to lift themselves up have yielded success, provide more insight in these conversations than any survey database could impart. From my experience conducting such interviews, many express an apolitical contempt for all politicians, liberal and conservative. They denounce with equal force the progressive politicians who believe that cash and redistribution alone can solve poverty and the conservatives who act as though every poor person should simply start a small business.

What, then, do poor people say they truly need to lead prosperous and satisfying lives? The real answer is both simple and profound. They need transformation, relief, and opportunity—in that order. On these three pillars, conservatives and advocates for free enterprise can build the basics of the social-justice agenda that America deserves.

Transformation

The first pillar is personal moral transformation. By now, everyone acknowledges that poverty in America is often intertwined with social pathologies. In the late 1990s, scholars at the Urban Institute estimated that up to 37 percent of individuals enrolled in Aid to Families with Dependent Children abused drugs or alcohol. Similar findings connect poverty with criminality, domestic violence, and other problems.

Whether these problems are a product of poverty or mutually causal, common sense and the testimony of the poor themselves say that moral intervention must precede economic intervention for the latter to be truly effective.

All the evidence on happiness and successful living shows that living with intentionality, meaning, and purpose boosts well-being in unique and unparalleled ways. In one typical study, Swedish researchers surveyed 900 Americans and found an especially successful group of “self-fulfilling individuals” who draw on wellsprings of meaning such as community, spirituality, and personal responsibility. These people had the least depression, the most positive affect, and the highest life satisfaction—all distinct measures of enduring well-being.

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As one digs deeper into the data, four transformational values prove to be concentric to a well-ordered, successful, and happy life: faith, family, community, and work.

We can use data from the 2010 General Social Survey to construct two demographically identical individuals. Both men are of the same age and race, attained the same level of education, and earn equal incomes—but here the similarities end. One is religious, married with two children, and lands in the top 10 percent of Americans in both hours worked and community engagement. The other is single with no kids and no religion, and his hours worked and social involvement both rank in the bottom decile.

How satisfied with life will these men be? The data indicate that the first man has a 47 percent likelihood of saying that he is “very happy” with his life, all things considered. The odds that the second man would say the same are a meager 10 percent. Hold everything constant but faith, family, community, and work—and the gap in well-being is enormous.

And it is precisely these four institutions that are increasingly absent in poor America. In his important 2012 book *Coming Apart*, Charles Murray shows that population averages for these “institutions of meaning” conceal a stark bifurcation beneath. In high-income, high-education America, these institutions are abundant. At the bottom, they are rapidly vanishing.

To be sure, many of our poor neighbors lead happy, upright lives full of faith, family, community, and fulfilling work. But to deny that these are disproportionately missing in poor communities today is to shove aside the facts and ignore an undeniable if inconvenient truth. Transforming the character and values of individuals and communities is essential to genuinely helping those in need. To say otherwise is to contradict their own testimonials.

This, not puritanism or bourgeois condescension, is the reason that conservatives must promote and defend the time-tested stores of personal and social meaning. To presume that low-income Americans are somehow unworthy of the same cultural standards to which we hold ourselves and our own families is simple bigotry. Genuine moral aspiration, not patronizing political correctness, will be the tip of the spear in a true social-justice agenda.

Material Relief

After transformation comes material relief. To deny that some Americans are genuinely needy requires willful blindness. In addition to the one-sixth of Americans currently receiving food assistance, consider a few more findings. A 2010 analysis from the National Center on Family Homelessness found that child homelessness spiked by a staggering 38 percent during the Great Recession years. And a team of public-health researchers stunned readers of the journal *Health Affairs* in 2012 when they released new life-expectancy findings. Among disproportionately low-income white females with fewer than 12 years of education, the scholars found that average life expectancy had *fallen* sharply since 1990.

Conservatives eager to reverse these facts naturally reach for their checkbooks. As I found in my 2006 book *Who Really Cares*, the average conservative household contributes significantly more to charity than does the average liberal household despite earning less income. According to the 1996 General Social Survey, those who strongly agreed that “the government has a responsibility to reduce income inequality” gave away \$140 on average to charity. Among those who strongly disagreed, the average gift was \$1,637.

Of the 10 most charitable states in 2012, as ranked by the *Chronicle of Philanthropy*, nine went for Romney over Obama. Three times as many red states as blue states placed in the top 20 states in giving. And all but one of the 10 *least* charitable states swung President Obama’s way.

Why do conservatives give more? The research shows that the largest charity differences owe to religious participation. We see that religious liberals are approximately as generous as their conservative co-religionists. But there are far more religious conservatives today than religious liberals, so the political gap persists.

It would be wonderful if America could solve all problems of poverty and need through private charity. We can and should give even more, and conservatives must continue to lead by example. But even in this remarkably charitable country—where voluntary giving alone exceeds the total GDP of nations such as Israel and

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Chile—private donations cannot guarantee anywhere near the level of assistance that vast majorities of Americans across the political spectrum believe is our moral duty.

Consider the present total that Americans give annually to human-service organizations that assist the vulnerable. It comes to about \$40 billion, according to Giving USA. Now suppose that we could spread that sum across the 48 million Americans receiving food assistance, with zero overhead and complete effectiveness. It would come to just \$847 per person per year.

Or take the incredible donation levels that followed Hurricane Katrina in 2011. The outpouring of contributions exceeded \$3 billion, a record-setting figure that topped even the response to the attacks of September 11, 2001. But even this historic episode raised enough to offset only 3 percent of the costs the storm imposed on the devastated areas of Louisiana and Mississippi. Voluntary charity simply cannot get the job done on its own.

The Safety Net

That leaves the government safety net. Is a limited, targeted safety net consistent with conservatism? Or is it one more way station on the road to serfdom?

Before you answer, here is a pop quiz. Which unrepentant statist wrote the following words?

There is no reason why, in a society that has reached the general level of wealth ours has, the first kind of security should not be guaranteed to all without endangering general freedom; that is: some minimum of food, shelter, and clothing, sufficient to preserve health. Nor is there any reason why the state should not help to organize a comprehensive system of social insurance in providing for those common hazards of life against which few can make adequate provision.

Was it Franklin Roosevelt, John Rawls, Ralph Nader? Not by a longshot. It was Friedrich Hayek. That passage is featured in his seminal free-market text *The Road to Serfdom*.

Hayek, along with most Americans, easily distinguishes between “some minimum of food, shelter, and clothing”—a core safety net for the truly indigent—and the sprawling, rent-seeking tangle that is today’s welfare state. Hayek recognized that it is the right that champions a true, sustainable safety net; progressives prefer an ever-expanding system for redistributing income more broadly and establishing greater state control over the economy.

Take the Affordable Care Act. For all its economic disruption and tremendous expenses, does President Obama’s signature achievement at least offer coverage to all needy Americans? Not even close. According to the *New York Times*, roughly 8 million low-income Americans are “impoverished, uninsured, and ineligible for help.” What the law does do is extend generous subsidies to citizens earning up to four times the poverty line and pledge sub-market premiums to millions more. And it pays for all this by diverting tax revenues and jacking up premiums for other citizens. One of the law’s most enthusiastic supporters in Congress put the point all too clearly: “Some are going to pay more so that others can pay less.”

ObamaCare is a case in point. Left unchecked, the left’s labyrinthine schemes will push America toward insolvency—and leave us unable to fund even the most fundamental parts of the safety net for those who truly need it.

Consider the European social democracies mired in economic crisis. What made, say, Greece so vulnerable to the economic meltdown? The Greek government spent well beyond its means, lavishing funds on public-sector salaries and middle-class “entitlements.” For more than a decade, heavy government borrowing facilitated all this spending. But the international financial crisis prompted foreigners to seek higher returns for purchasing Greek debt. At the most desperate hour for the most vulnerable Greeks, the nation had no choice but to cut spending dramatically.

Whom did austerity hit the hardest? From 2009 to 2010 alone, household disposable income in Greece dropped by more than 12 percent, and an Oxfam analysis found that most of that nosedive came from surging unemployment among those already on the margins. From 2010 to 2011, the homeless population climbed by 25

percent. Access to public health services fell sharply, crime rose, and suicide rates increased by a quarter.

In short, Greece's poor bore the brunt of the bankruptcy that government profligacy invites. And so it will be here in America if we do not change course. Meteoric entitlement spending, the most holy of progressives' sacred cows, will ultimately devolve into macroeconomic insolvency. Indiscriminate austerity cuts would be inevitable. And austerity always and everywhere hurts the poor the most, by weakening the economy and shredding the real safety net. Conservative fiscal policy does not cut against commitments to struggling American families. To the contrary, it is the only way to uphold them.

Looking to Welfare Reform

To recognize that a safety net for the needy is meritorious is one thing; to say exactly how to build it is another. Which programs should conservatives support? The beginning of an answer lies in the conservative social-policy success story of our time: the welfare reform movement of the 1990s.

American social policy expanded enormously after World War II, largely directing new support to fatherless families in poverty. Conservatives watched as generations of Americans were alienated from the workforce, whole classes defined themselves as claimants on the government, and millions were consigned to squalid public housing and became dependent on income support disconnected from incentives to work.

Two centuries earlier, Thomas Jefferson cautioned that "dependence begets subservience and venality, suffocates the germ of virtue, and prepares fit tools for the designs of ambition." More recently, Franklin Roosevelt had warned in his 1935 State of the Union address that "continued dependence" on government support "induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit."

But Jefferson's and Roosevelt's words fell on deaf ears, and central planners charged ahead enthusiastically. The American welfare

system grew and grew throughout the 1970s. The root of change was planted in Charles Murray’s 1984 book, *Losing Ground*, which argued forcefully that the system’s problem was not primarily economic, but ethical. Policies that inadvertently trapped people in miserable conditions only harmed those who sorely needed help. And by holding people in this condition, the system created dependency that stripped people of the dignity that inheres in earning one’s own way.

In the mid-’80s, these arguments were radical. Ten years later, they were mainstream, and the idea of welfare reform was embraced by a Democratic president. Clinton-era legislation empowered people to punch through dependency by imposing time limits on how long they could receive support and by conditioning receipt of benefits on work. Welfare reform was signed into law in 1996, and it was a resounding success. According to the U.S. government, it helped 4.7 million Americans move from chronic helplessness to self-sufficiency within just three years of enactment; by 2004, the welfare caseload had declined by 54 percent.

This case study offers three lessons for us today. First, there is nothing *inherently* wrong with safety-net programs, be they SNAP, housing support, or Medicaid. Second, they must be designed and administered in ways that fight fiercely against dependency. And third, the safety net’s ultimate goal cannot be the perpetual subsistence of poor Americans in barely tolerable lives. We can aim at nothing less than real human flourishing.

These principles compel conservatives to focus on the main source of misery in America’s present stagnation: our dysfunctional labor market. Earlier in this essay, I relayed our historically poor rate of labor-force participation. Fewer than two-thirds of 10 working-age Americans are employed or seeking employment. And no national number, even one this depressing, fully captures the plight of the poor. It represents an illusory average of two radically different economic experiences, into which Americans are sorted based on their background and their wealth.

Research by Northeastern University economists shows that the wealthiest American workers have already recovered to full employment, and they did so relatively quickly after the recession’s official

end. Not so for the working poor, whose persistent double-digit unemployment rate is reminiscent of the Great Depression's.

And while entrepreneurship is often thought to offer unemployed Americans a path to productivity, the data here are equally bleak: The Kauffman Foundation's latest report found that new firm formation remains well below pre-recession levels. All this explains why outright majorities told the Pew Research Center in September that their household incomes and job situations have recovered "hardly at all" since the recession. Roughly 70 percent felt that government extended either "a great deal" or "a fair amount" of help to megabanks and massive corporations, but the same fraction said those policies have done "not much" or "nothing at all" to help the poor.

Faced with these terrible statistics, President Obama and his allies reach reflexively for an old favorite—increasing the minimum wage. California, New Jersey, and 11 other states just did so on January 1. Washington D.C.'s city council recently approved a massive increase from \$8.25 to \$11.50 that will be phased in by 2016. And in late December, the *New York Times* reported that the president and Democrats in Congress plan to make hiking the federal minimum wage a front-and-center concern in the 2014 midterms.

Properly considered, the minimum wage is not part of the safety net at all. Even functioning as intended, the policy makes it marginally more expensive to hire new low-skilled employees in exchange for ensuring a marginally higher standard of living for those with jobs already. A January 2013 report from the National Bureau of Economic Research surveys the recent literature and concludes that—consistent with the views of nearly all mainstream economists—"minimum wages pose a tradeoff of higher wages for some against job losses for others."

So minimum-wage laws create both winners and losers. The winners tend to be secondary earners in middle-class households, and the losers tend to be the least-educated workers with the most tenuous grip on jobs to begin with. For short, imagine a public policy that reduces opportunity among urban minority youth in order to provide pay raises for my teenage children. That policy exists. It is called an increase in the minimum wage. It is the left's top priority.

Never mind that the Employment Policies Institute finds “no statistically significant evidence that a higher minimum wage has helped reduce financial, housing, health, or food insecurity” among the poor households it claims to assist.

Policymakers who put actual people ahead of dated dogma would sooner cut the minimum wage than raise it. In a recent *National Affairs* essay, my colleague Michael Strain explains how dramatically lowering the minimum wage for the long-term unemployed would make the least fortunate Americans uniquely cheap to hire. At present, America’s million-plus long-term unemployed are caught in a vicious cycle. Their increasingly lengthy jobless spells make them increasingly unattractive applicants.

In a job market brimming with safer bets, high minimum wages price these marginalized people right out of the labor market. Making them initially employable at sub-minimum wages would give them a fighting chance.

But wouldn’t this policy leave workers with too little to get by? Not in the forms that any serious conservative has proposed. Expanding the Earned Income Tax Credit or, better yet, crafting more straightforward wage subsidies for the working poor would support poor families’ budgets without making them costlier to employ. Either approach would strengthen work incentives rather than undermine them.

Strain makes another intriguing proposal involving relocation vouchers. Using a mixture of direct payments and low-interest loans, the government could help cover costs for chronically unemployed Americans to move to areas with more plentiful opportunities. Obviously, not everyone will pick up and move, however generous the voucher. But at a time when economic conditions vary wildly between regions, the opportunity is a powerful one.

Thousands of low-income families would probably prefer to pursue hope and prosperity in booming states such as North Dakota (where unemployment sits at 2.6 percent) than continue cashing government checks and despairing in, say, Michigan (8.7 percent) or Rhode Island (9.0 percent). Relocation might well offer the spark they need to begin rebuilding their résumés—and their lives. And a simple, public two-page document that compared local

labor markets across the United States would go a long way toward informing interested workers about available positions.

Opportunity

Enlightened labor policy complimented by an appropriate safety net is a key component of material relief. But it also meshes with the *sine qua non* of American conservatism, the third plank in the social-justice agenda: opportunity.

Nothing inspires conservatives more than a Horatio Alger story, the tale of a man or woman who started with nothing and climbed to the top. Therefore, I submit, nothing should trouble the political right more than the fact that the ladder of socioeconomic opportunity seems to be losing its lowest rungs.

The Federal Reserve Bank of Boston has shown that in 1980, 21 percent of Americans in the bottom income quintile rose to the middle quintile or higher by 1990. But those who started off in the bottom quintile in 1995 had only a 15 percent chance of becoming middle class in 2005. That is a one-third decline in mobility in under a generation. Other analyses tell a similar tale. One 2007 Pew study measured relative mobility in Canada and Scandinavia at more than twice America's level.

How can a conservative social-justice agenda reverse these trends and expand opportunity for all? An opportunity society has two basic building blocks: Universal education to create a base of human capital and an economic system that rewards hard work, merit, innovation, and personal responsibility. So opportunity conservatism must passionately advance education reform and relentlessly defend the morality of free enterprise.

Education reform has been discussed *ad nauseam* in these pages and elsewhere. We know that meaningful progress cannot be made in sclerotic systems that put adults' job security before children's civil rights and that resist the innovations that upgrade the rest of the economy.

Per-pupil federal education spending has skyrocketed to nearly four times its 1970 level, according to data compiled by Andrew

Coulson of the Cato Institute. What has this massive inflow of new resources bought us? A sizeable increase in our school systems' employment rolls—but no detectable increase in our children's test scores in reading, science, or math.

And this fecklessness is not evenly spread across America. Our broken bureaucracies systematically ship the very worst product to their most vulnerable consumers. Public schools in Washington D.C. spend more per pupil than all but one U.S. state (New York), yet only about 56 percent of children graduate from high school. In our nation's capital, a city flanked by six suburban counties that rank among America's 10 richest, only 15 percent of eighth-graders read at grade level.

Similar stories characterize cities with poor populations all around the country. And anyone who believes that a barely literate high school dropout is running a fair race in America is deluding himself. Equally delusional still is many politicians' blind faith that the existing statist apparatus can or will do anything more than heave more money down the well while we fail more generations of poor American children. This is the civil-rights struggle of our time.

What to do? It's not as if we have no idea how to improve the situation. Decades of research and experimentation in real communities have shown how charter schooling, vouchers, and other innovations can benefit needy children. In one rigorous 2007 study, scholars from Harvard and the Brookings Institution found that school vouchers in New York City significantly increased the proportion of African-American students who went on to attend college. Research from Stanford shows that access to charter schools reduced New York City's black-white achievement gap by 66 percent in reading and a stunning 86 percent in math; a Harvard economist has found that Boston's charters produce similarly massive improvements.

AEI education expert Frederick M. Hess has spent decades reviewing these results, and his conclusion is unambiguous: “For poor parents trapped in dangerous and underperforming urban school systems, it is pretty clear that school choice works.”

Similarly, we have a wealth of information on the best ways to teach disadvantaged children and recruit, retain, and reward the best

teachers. In one recent study, prominent economists from Harvard, the University of Chicago, and University of California, San Diego, found that linking teacher pay to student performance pushed up test scores among working-class students near Chicago. Interestingly, their research suggests that paying every teacher a bonus up-front and then taking the money back from subpar performers can be even more effective than conventional after-the-fact rewards.

Why do these and countless other lessons go unheeded on a national scale? If we know what solutions work, why aren't they scaling up? Simple: They upset the status quo. In California, more than 283,000 teachers and roughly 23,000 administrators work in an education sector that consumes nearly 40 percent of the state's entire general fund. Fundamental, disruptive innovation might mean a significant inconvenience for a huge number of well-organized grown-ups. And by definition, the families and communities who would stand to benefit the most have little time and money to spare on costly political battles.

This is a classic public-choice problem, and only a crusade for social justice will stand a chance at winning this fight.

But education reform is just the first battlefield. Equipped with adequate human capital to earn their success, Americans then deserve a system that makes that earned success possible on the widest imaginable scale. Only the free-enterprise system fits the bill.

Simply look at worldwide prosperity over the past four decades. When I was a child in 1970, third-world poverty was a picture in *National Geographic* of a needy child. Charity might help, but we all knew that there was effectively nothing to be done. Our efforts were just thimblefuls in a vast ocean of tragic need.

The world has changed profoundly since then. According to Columbia University economist Xavier Sala-i-Martin, the percentage of people in the world living on a dollar a day or less—a traditional measure of starvation-level poverty that he adjusts for inflation—has fallen by 80 percent since 1970. This is the greatest antipoverty achievement in world history. Yet it is not the result of philanthropy, para-statist organizations, or government foreign aid. This miracle occurred when billions of souls pulled themselves out of poverty

thanks to globalization, free trade, property rights, the rule of law, and entrepreneurship.

In short, it was the worldwide spread of American-style free enterprise that saved billions from poverty by giving them their first opportunity to rise in history. Truly, this is America’s gift to the world. Conservatives can and must champion this truth without apology or compromise. For the sake of all people, our end goal must be to make free enterprise as universally accepted and nonpartisan as civil rights are today.

Conservative Social Justice

Our nation has a great deal of need that goes unmet, and it is only exacerbated by years of misguided statist policies and a materialistic culture. The social-justice agenda outlined above can reorient us toward our best selves and toward our obligation to help the vulnerable.

It is an agenda that seeks transformation, relief, and opportunity. It means defending a culture of faith, family, community, and work; increasing our charity and protecting the safety net for the truly needy; and fighting for education reform and free enterprise as profound moral imperatives.

This agenda will do the most good for the most people—and revive the conservative movement. For too long, conservatives have identified themselves as fighting *against* things, perpetually making war on the left’s mistaken priorities. They fight against punitive taxes, creeping overregulation, wasteful spending, licentious culture, and ruinous national debt.

There is no reason to repudiate the ideology behind these fights. But these second-order policy fights are not intrinsic to a better nation; they are merely instrumental. The central, motivating purpose of conservative philosophy is not fighting against things. It is fighting for people.

Fighting for people doesn’t mean a catalog of massive government programs. It means thinking carefully about who is in need and how their need can best be met. In some cases, such as caring for the truly poor and defending our allies around the world, the right solution

may well involve the government. In others—such as a crumbling culture, needy children caught in ineffective schools, entrepreneurs struggling to start businesses, or people permanently dependent on the state—the proper conservative answer is for the government to stop creating harm and get out of the way. In both cases, conservatives can and should be equally bold warriors for vulnerable people.

The conservative creed should be fighting for people, especially vulnerable people, whether or not they vote as we do. Such an experiment cannot guarantee success. But its spark will relight the fires of hope in a wearied country that 64 percent of Americans feel is “off on the wrong track.” In ethical, emotional, and potentially even electoral terms, no opportunity could be more promising than this opening to champion those who need our help.

This is our fight, and it is a happy one. After all, as Proverbs 14:21 reminds us, “He that despiseth his neighbor, sinneth: but he that hath mercy on the poor, happy is he.”

Arthur C. Brooks is president and Beth and Ravenel Curry Scholar in Free Enterprise at the American Enterprise Institute. This essay is from his February 2014 Commentary article titled “Be Open-Handed Toward Your Brothers.” Reprinted with permission.

II

The Focus: Poverty, Not Inequality

“Fifty years have passed since President Lyndon B. Johnson declared an ‘unconditional war on poverty.’ . . . The fundamental challenge facing this generation is the same one that faced President Johnson. The fundamental issue is about poverty, and not about whether incomes at the top are ten or fifteen times higher than for the bottom. While these latter statistics may serve a useful political end in stoking class wars, they do little to help people in need.”

—*Aparna Mathur*

Poverty, Not Income Inequality, Is the Challenge We Must Address

APARNA MATHUR

Fifty years have passed since President Lyndon B. Johnson declared an “unconditional war on poverty.” More recently, President Obama has declared a new war, this time on income inequality. This shift in focus is somewhat misguided. With 47 million individuals still living in poverty, the first war is far from over. Defining income inequality as “the biggest challenge of our time” further detracts attention from the poor since a change in the income distribution across all households says little about how people are faring in absolute terms at the bottom of the distribution.

In a recent testimony, I argue that the fundamental challenge facing this generation is the same one that faced President Johnson. The fundamental issue is about poverty, and not about whether incomes at the top are ten or fifteen times higher than for the bottom. While these latter statistics may serve a useful political end in stoking class wars, they do little to help people in need.

Aside from the fact that reducing income inequality per se is an ill-defined goal, a very basic issue with defining the problem of income inequality is the lack of a consistent measure of household income. Researchers have come up with different responses to the question “is income inequality trending up or down” on the basis of these different definitions of income. In a recent December 2013 report, the Congressional Budget Office divided all U.S. households into five groups of equal size (quintiles), on the basis of their before-tax income. The CBO definition of before-tax includes government transfers to these households. As per this report, in 2010, households in the lowest quintile (bottom 20 percent) received 5.1 percent

of all before-tax income, or about \$24,100 per household. Those in the middle fifth received 14.2 percent or \$65,400 per household. Households in the top quintile received 51.9 percent or about \$239,100 per household. In other words, households in the top income quintile received an income share that was ten times that for the lower income quintiles. The corresponding numbers for after-tax income are 6.2 percent for the bottom quintile, 15.4 percent for the middle quintile and 48.1 percent for the top quintile.

Trends since 1979 suggest that households at the very top of the income distribution have increased after-tax incomes at a much faster pace than households at the bottom. The much cited paper by economists Thomas Piketty and Emmanuel Saez confirms this trend, though it fails to account for taxes and transfers. Other economists, however, counter these results by using a different definition of income. In a 2013 paper, Richard Burkhauser and colleagues contend that using a broader measure of income, that includes accrued capital gains, income inequality has narrowed between 1989 and 2007.

The results for widening income inequality are further weakened when we use consumption as the measure of household welfare. In my own research co-authored with Kevin Hassett, we find that consumption inequality is a lot narrower than income inequality. Further, we document that there has been an increase in material standards of living even for low income households, resulting in a narrowing of inequality in terms of access to everyday household appliances and electronic devices. The percentage of low-income households with a computer rose to 47.7% from 19.8% in 2001. The percentage of low-income homes with six or more rooms (excluding bathrooms) rose to 30% from 21.9% over the same period. Similar increases can be documented for appliances like air-conditioners, dishwashers, microwaves, cell phones and other household items.

However, despite these secular improvements in living conditions, the Census Bureau documents that more than 47 million people live in poverty in America today. We are now in the fifth year of an economic recovery that does not seem like a recovery to most people in the labor market. There are more than 10 million unemployed workers, of which nearly 4 million have been jobless for longer than

27 weeks. In addition, there are another 10 million who are either in involuntary part-time jobs, or are too discouraged to look for work. Therefore, I would argue that the focus on income inequality is somewhat misplaced. This is essentially a problem of poverty. And when these high rates of poverty exist in an economy with low economic mobility as is true of the U.S., the problem is exacerbated.

What policies can we encourage in order to improve economic mobility and the access to high-wage high-skilled jobs that are one of the primary drivers of economic success? Access to high quality education and schools is extremely important as an investment into children's futures. Poor quality schooling can limit an individual's earning ability. Research has shown that the quality of local public education is improved in areas where there is more competition due to a large number of school districts or a greater availability of non-public education.

The labor market poses serious concerns about the future livelihoods of the millions of unemployed workers, particularly those who are long-term unemployed. One solution that is being proposed is the extension of unemployment benefits to the long-term unemployed. I believe that the unemployment benefit programs have to be supplemented by skills training and greater help with matching workers to jobs. It is simply not enough to keep extending benefits if at the end of the benefit period, the worker is still unemployed. The goal of any such program should be to train the worker to transition to a new job, rather than to simply provide cash benefits to allow them to meet their basic needs for a limited time period. For a worker who stays unemployed for more than six months, the likelihood of finding a job is extremely low and is unlikely to improve without active help. Towards this end, workers who have been long-term unemployed should be provided training and then placed in jobs through wage-subsidy programs that allow some share of the wages to be paid by the employer and the rest to be paid by the unemployment insurance program.¹ This would allow employers to test and see if the match with the prospective employee is a good one, while at the same time it would allow workers to receive on the job training and gain experience with the likelihood that they will be able to keep the job.

Raising minimum wages is a particularly bad idea when we think of high youth and teenage unemployment rates.² Workers under age 25 make up half of those paid the federal minimum wage (or less). Instead, research suggests that internship or apprenticeship programs may improve employment prospects and also boost college attendance.

Minimum wages are also not a tool to fight poverty. By some estimates, less than 25 percent of minimum wage workers live at or below the poverty line based on family cash income. An alternative to the minimum wage is the Earned Income Tax Credit program. The EITC arguably is one of the federal government's most efficient means of encouraging work and fighting poverty. As per the Census Bureau, the EITC lifted 5.4 million people above the poverty line in 2010. While the EITC has some disadvantages, such as the significant tax penalties on earners in the phase-out range, it has been shown to encourage labor force participation for single mothers, and has lifted millions of adults and children out of poverty.

To conclude, the bulk of the evidence suggests that programs that enable people to work or transition to work are more effective at fighting poverty, than simple cash assistance programs. As such, wage-subsidy programs that combine skills training, and tax credit programs like the EITC are a better bet today to get the unemployed back in the labor market and improve the lives of low-income individuals.

Aparna Mathur is a resident scholar in economic policy studies at AEI. This essay is from her January 22, 2014, RealClearMarkets article titled "In the War on Poverty, Cash Assistance Will Fail." Reprinted with permission.

Notes

1. Lawrence Katz ("Wage Subsidies for the Disadvantaged," 1998) presents evidence indicating that the Targeted Jobs Tax Credit, the major wage-subsidy program for the economically disadvantaged between 1979 and 1994, did boost employment of disadvantaged youths.

2. Further, there is substantial evidence to suggest that there are negative employment effects, particularly for low-skilled workers of raising minimum wages. A recent 2009 paper by David Neumark suggests that employers often take back the increases that come with higher minimum wages in future years by forgoing the usual nominal wage increases that would have happened.

III

Antipoverty Policy: Hand-Up Solutions for Poor Americans

“Policies that require work as a condition of public assistance, while also rewarding that work with well-targeted supports that make low wages go further, have proven most effective in helping low-income Americans rise out of poverty.”

—*Robert Doar*

Earned Income Tax Credit Does a Better Job of Lifting Workers from Poverty

MICHAEL R. STRAIN

It is not at all hard to understand the fundamental economic logic of the minimum wage: By raising the minimum price of labor, you will decrease the amount of labor that employers want to purchase.

This logic is very appealing. I drink a lot of diet Coke. If the price of diet Coke went up 40 percent, I would drink a whole lot less of it. Why would the market for diet Coke be different than the market for labor?

Conservatives should acknowledge that that question has sensible answers. Perhaps instead of cutting back on workers, firms will simply increase prices. Perhaps firms will neither increase nor cut back on workers, but instead will make do with smaller profits.

Ultimately, this is an empirical question. And here again, we have disagreement among economists. A recent poll of some top academic economists asked them whether raising the minimum wage would make it “noticeably harder for low-skill workers to find employment.” About one-third agreed, one-third disagreed, and one-quarter were uncertain.

Count me among the economists who think that it would. My holistic judgment—which is informed by economic theory, the existing empirical economics literature and basic common sense—is that raising the minimum wage by 40 percent, as President Obama and many Democrats want to do, will make it noticeably harder for low-skill workers to find jobs.

The non-partisan and highly respected Congressional Budget Office agrees with me. Analyzing the president’s proposal, the CBO

found that raising the federal minimum wage from the current \$7.25 to \$10.10 would cost hundreds of thousands of jobs.

That's high price to pay. What benefit would we get for that cost?

Well, many workers would get higher paychecks. The CBO estimated that these extra earnings will total \$31 billion.

But it turns out that 29 percent of the \$31 billion of those extra earnings would flow to families with household earnings of more than three times the poverty level. Only 19 percent of the \$31 billion of extra earnings will accrue to households below the poverty line.

This demonstrates that the minimum wage is a terribly targeted anti-poverty program.

Why? Because the minimum is agnostic to the household income of workers. I earned the minimum wage as a kid in a middle-class family. Raising the minimum wage would have given my family a very slight income boost, but it wouldn't have taken us out of poverty because we weren't in poverty.

Conservatives should support the government ensuring that no one who works full time and heads a household lives in poverty, by opposing the minimum wage increase in favor of a better targeted anti-poverty program.

One such program is the Earned Income Tax Credit, which is a federal subsidy for low-income, working households. It is a remarkably effective anti-poverty program because it targets household income. And it provides an incentive for people to work because it is only offered to working households.

The IRS estimates that in 2009 the EITC lifted nearly 7 million people out of poverty. Right now the EITC is not nearly generous enough for workers with no children. Instead of increasing the minimum wage, the childless EITC benefit should be expanded.

Liberals are wrong that the customers and employers of low-income workers should bear the responsibility of lifting the working poor out of poverty. Google and Microsoft, me and my AEI colleagues—all of society—should pitch in as well.

The EITC channels social resources to meet a social goal. And it does so a helluva lot better than the minimum wage.

Michael R. Strain is a resident scholar at AEI, where he studies labor economics, public finance, and applied microeconomics. This essay is from his May 2014 McClatchy-Tribune News article titled “Earned Income Tax Credit Does a Better Job of Lifting Workers from Poverty.” © McClatchy-Tribune Information Services. All Rights Reserved. Reprinted with permission.

Here's Why Conservatives Should Worry More about Long-Term Unemployment

MICHAEL R. STRAIN

Editor's Note: The following is an interview between Strain and Brad Plumer of the Washington Post's Wonkblog.

Michael Strain is an economist and resident scholar at the American Enterprise Institute whose work focuses on long-term unemployment. Over the past year, he's been publishing papers and writing in places like National Review and the Weekly Standard urging conservatives to focus much more heavily on the plight of millions of workers who have been out of work for more than six months. . . .

Brad Plumer: Let's start with an overview of the problem. How do you usually try to convey the long-term unemployment situation to people?

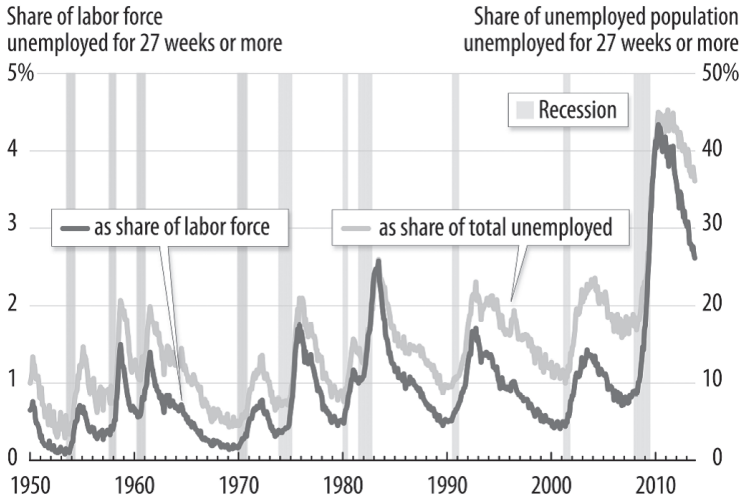
Michael Strain: I think it's a challenge to convey it adequately. I often point to a simple chart of the long-term unemployed, the percentage of people unemployed for 27 weeks or longer, and that really stands out. (*See next page.*)

Currently we're at about 4 million people [who are long-term unemployed]. That's about 1 million more than the high in the previous recession, back in the 1980s. And we were up to 6.5 million during the Great Recession at its peak.

BP: This might be belaboring the obvious, but what are the main reasons why people should worry about this?

MS: First of all, just at a basic level, work is very important and a well-functioning labor market is very important—not only for the

Long-Term Unemployment Remains Near Historic Highs



Sources: Bureau of Labor Statistics and National Bureau of Economic Research

Center on Budget and Policy Priorities | cbpp.org

economic benefits of working. But if you have a bunch of people who want to work and can't, that's a lot of potential that's sitting on the sidelines, and it's bad for economic efficiency. Also, if people aren't working, they're more reliant on government welfare, taxes are higher.

And more important are the basic human issues. People derive so much of their identity and of their moral core from being able to work. It's how people provide for their families, express creativity, gives you a sense of purpose. There are all these moral and spiritual and psychological benefits to working. So if you want to ask how society is doing broadly, certainly the economics are important, but more important is whether this society is functioning in a way that people can live the fullest life possible and can maximize their potential. And right now, for these 4 million folks, we're failing.

BP: The other part of this argument is that long-term unemployment isn't like regular employment. If you're out of work for a

long time, it actually becomes harder to get a job after awhile. What's the evidence on this score?

MS: There's the survey evidence, you can just ask businesses, if you have two candidates and one's been unemployed for four weeks, and one's been unemployed for 30, who would you hire? I think there's a limit to what you can learn from acting.

There have also been résumé studies that have been really good, where people create fake résumés and send out pairs of résumés where the only difference is the length that each person has been unemployed. And sure enough, the longer a person's been unemployed, the smaller the probability that people get called for an interview. So there's some compelling evidence that "scarring" is actually happening.

BP: Now one of the recent debates in Congress was about whether to let emergency unemployment aid for millions of people expire this year. [The latest budget agreement doesn't include an extension.] By and large, the push for an extension mainly came from Democrats, while many Republicans opposed it.

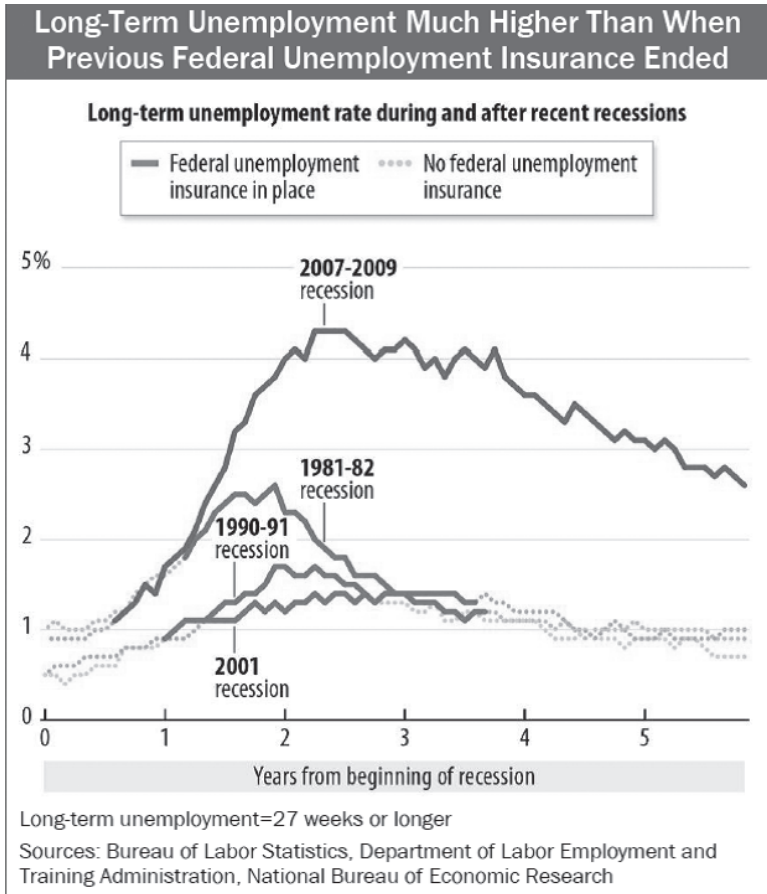
You've mentioned you'd be in favor of an extension. So how do you think about this debate?

MS: I think you have to look at this in context: We've had this emergency unemployment program in place since 2008—that seems like a really long time. But you can also ask when we've cut off similar programs in the past, given things like the long-term unemployment rate. And if you do that, then you can see that we're cutting it off earlier this time around. (*See next page.*)

That's the crux of the issue. Things are much worse now than they have been in the past when we've terminated emergency benefits.

BP: One thing you hear from opponents of extending the jobless benefits for so long is that it deters people from finding work. How do you address that?

MS: I think it's generally true that unemployment benefits do increase the amount of unemployment. But you would expect the effects to vary depending on whether the labor market was strong or weak. And



if you look at the estimates during the Great Recession, they show a very small impact of unemployment insurance on unemployment. So the critique here overstates the degree to which this is a problem.

I would also say that extending the length of time that a person is unemployed isn't always a bad thing. If the benefits allow people to be more selective with which jobs they take, and they end up with a better match, that will increase their productivity, their contributions to the economy are higher in the long run, the likelihood that they'll quit or get fired later is smaller.

Plus there are households that face severe liquidity constraints, and unemployment insurance offers a way to mitigate that, too. So I would say that given the weak labor market, we shouldn't be as concerned about unemployment insurance increasing the amount of unemployment as we normally would be. And the research backs that up.

BP: You've written before that if you look at the types of workers who actually make up the long-term unemployed, it's hard to believe that they're just refusing to find work to keep their benefits. What makes you say this?

MS: I was trying to find a way to illustrate the theory for people who aren't technical experts. If you look at the long-term unemployed, a good chunk of them have children. A good chunk are married. A good chunk are college-educated or have had some college and in their prime earning years.

And it just seems to me—and, again, this is consistent with the research—that someone who has been unemployed for 30 or 35 or 40 weeks, and is in their prime earning years with kids and education. . . . It strikes me as implausible that this person is engaged in a half-hearted job search. Maybe if they'd been unemployed for five weeks, you can imagine that maybe they're being too choosy, or maybe they're just enjoying their time with their kids. But for there to be a significant number of long-term unemployed who aren't engaged in a job search because of their unemployment checks . . . that just strikes me as implausible.

BP: You've also noted that extending the unemployment benefits can't be the only policy to help the long-term unemployed. So what are the other big ones?

MS: If I had to pick just one, I think relocation vouchers are a good idea. If you look at unemployment rates and other labor-market indicators, they really vary a lot from place to place. But moving is expensive. So I think if the government could help out some of these folks to move—just those who want to, certainly not forcing anyone—you can imagine them having an easier time getting a job.

BP: Would that really make a big difference? Are there estimates on this?

MS: There aren't any compelling estimates that I'm aware of, and I think we could certainly debate the effectiveness of it. But there are 4 million long-term unemployed. If even 5 percent of them took this program and ended up working, that's a good chunk of people.

BP: Are there other policies here that could help?

MS: Yeah, I've laid out quite a few suggestions before.

For instance, I think work-sharing is a promising policy, although it wouldn't help the current long-term unemployed. This is basically a prorated unemployment benefit. Right now, if someone goes into the unemployment insurance office and says, "Hey, my hours got cut by 20 percent, I'd like a 20 percent benefit," the office will say no. So while firms can cut the hours of their employees instead of laying people off, it's an unattractive option because employees wouldn't get compensated.

Work-sharing would allow these arrangements. We wouldn't want to ban layoffs. But if there are firms who would rather not lay people off but feel like they have to because they're in a state that doesn't allow work-sharing . . . if we can give all firms a choice between work-sharing and layoffs, that could be a really positive innovation and could have an effect on unemployment.

BP: Also on your list is lowering the minimum wage for a particular set of the long-term unemployed. How would that work?

MS: A chunk of the long-term unemployed are high-school drop-outs and are young workers. Lowering the minimum wage for those folks makes a lot of sense as an idea. It stands to reason that some of the long-term unemployed, particularly those who are low-skilled and pretty young would be more successful at getting jobs if firms could pay them less.

That might overcome some of the scarring effects. Say a worker looks pretty good on paper, but he's been unemployed for 35 weeks. Employers might think, "Well, he's been to other interviews before, maybe there's a problem I missed, I'm not going to hire him." And

part of the reason is that the firm doesn't want to take a \$7.25 per hour risk on the worker. So it stands to reason if we kicked that down a few dollars, a firm might say, "Okay, I'll take a \$5-per-hour risk on this guy."

Now if we did this, we'd want to expand the Earned Income Tax Credit or maybe give those workers direct wage subsidies in order to make sure that the workers aren't in dire straits.

BP: You've also written about the link between transportation and unemployment. How does that work?

MS: So if you're an unemployed person in Washington, D.C., you're probably not going to apply for jobs in Baltimore. It takes too long to get there. Or if you live way out in Fredericksburg, it's a real journey to get into downtown. So that restricts the number of jobs you can apply to. So if the government could improve those transportation networks—say run buses from low-income areas to employment centers—that increases the number of jobs workers can apply for. Or we could just pay for gas or for a bus fare or for a train ticket, and throw that on as a supplement to emergency unemployment.

BP: So if we enacted all of these ideas, what would the actual effect be?

MS: I don't know the answer. But again, when you're talking about 4 million people. If just 5 percent take up relocation voucher, that's 200,000 people. So that's something. If just 5 percent get hired because of a lower minimum wage, that's another 200,000 people.

My point is that this is a big enough problem that these ideas are worth trying. They're not going to be that expensive. And I think they'll pay for themselves, because the long-term damage of having all these people who may never get a job again creates big losses.

Now it's true that fundamentally what we need is broad-based economic growth, and that's what's really going to restore the labor market to health.

BP: Now you're mainly writing for a conservative audience, but some of these ideas—improving transportation, work-sharing—sound like liberal ideas.

MS: Well, I don't think you'd find many liberals who want to reduce the minimum wage or eliminate capital gains taxes on new business investments or significantly mitigate occupational licensing. When I was writing about this issue in the *National Review* in June, I was arguing that delaying the employer mandate could be one way to address the employment issue. Or permanently reducing the payroll tax and paying for it by increasing the Medicare eligibility age. Those aren't really liberal ideas.

On the other hand, some of the other ideas for long-term unemployment could well be things that liberals would support. And I'd welcome that.

BP: But is there a specific argument that this should be a conservative cause?

MS: I think so. Conservatives have a vision of society that's very dynamic, very fluid, characterized more by opportunities and less by equality of outcome. And I think many of these support that.

And I wouldn't want these to be emergency measures, I'd want them to stay in law for many years to come. We want people to have the ability to have the best match in the labor market as possible. So one classic barrier to that is geographic mobility, and relocation vouchers for the long-term unemployed can advance that conservative goal whether we're talking about the Great Recession or not. So would better transportation options for low-income neighborhoods. Worksharing is another—it increases economic efficiency. You would want that 10 years from now.

BP: Why isn't this a bigger Republican issue?

MS: There's the aversion among Republicans to spending money. A lot of ideas to help long-term unemployment would cost money. And with the rise of a more libertarian Republican Party, there is an aversion by some to using government power to help people, although I wouldn't want to overstate this. And the party has been

very focused on Obamacare and debt and deficits.

I think the major problem we have right now with the economy is not deficits, it's jobs. But that's something that I think a lot of Republicans would not agree with right now.

BP: Anything else you want to add?

MS: The big thing I want people to take away is that this is a big economic and human crisis. The role of government is to help the most vulnerable in society, and helping the long-term unemployed should be at the top of that agenda. And anything we can do to help within reason should at least be discussed.

Interview has been lightly edited for length and clarity.

Michael Strain is a resident scholar at AEI, where he studies labor economics, public finance, and applied microeconomics. From The Washington Post, December 11, 2013. © 2013 Washington Post Company. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this content without express written permission is prohibited.

The Path to Responsibility Can Start with a Broom and a Paycheck

ROBERT DOAR

It is hard to be a young black male in the United States today. According to the Bureau of Labor Statistics, the unemployment rate for African-American men between 16 and 24 is 30.5%. That rate is more than twice what it is for whites in the same age group. Among African-American men over 20, more than 33% are not in the labor force. In addition, young African-American men are also more likely to be poor and to not graduate from high school. Sadly, the disparities these numbers reveal have not changed much since President Obama was elected in 2008.

On Thursday [February 27, 2014], Mr. Obama announced an initiative called My Brother's Keeper intended to "unlock the full potential of boys and young men of color," aiming to help them avoid the pitfalls of unemployment and criminality by focusing on education and personal responsibility. A White House task force will work on the matter, and Mr. Obama has recruited foundations and businesses pledging \$200 million over five years to find solutions.

Those on the My Brother's Keeper team searching for answers about how to help the most "at risk" young minority men would do well to stop by the Doe Fund in New York City, where, for more than 25 years, the organization run by George and Harriet McDonald has helped homeless men. The program they run is based on a clear contract between the shelter managers and the homeless men. "You get up every day and go to work and stay drug free-and we will pay you and house you and feed you. It's as simple as that," Mr. McDonald said at his shelter on 155th street in Harlem. Doe Fund facilities are

funded by revenue generation from their maintenance and cleaning business, government funding for homeless services, and private donations. The breakdown is roughly one-third each.

Anyone who enters one of the four Doe Fund facilities in New York City is handed a paper entitled: “Some of the Rules that You Will hear ALL the time.” Among the regulations are Rule No. 4: No standing or loitering in front of the building at any time of the day. Rule No. 10: You must not drink or drug while you are in the program. Rule No. 11: No cellular phones are allowed while you are working.

In return for a roof over their heads and a salary, residents of the Doe Fund shelters clean and maintain commercial strips all over New York City—real jobs, with real demands and shifts that start at 6 a.m. The Doe Fund crews add an extra touch not provided by the sanitation and park employees of New York City, and every day workers face real customers who include not only local business groups who pay for their services but also residents and pedestrians who benefit from the improved quality of life.

Hourly wages start at \$8.15, which gives shelter residents a chance to save, as room and board are provided. Some men accumulate as much as \$5,000 while they are in the six- to nine-month program.

According to the McDonalds, over the past three years 57% of the men who completed the six-month program got jobs at an average wage of \$10.86 an hour. And 65% of those retained the job for at least six months. A 2010 Harvard University evaluation found similar results. For a program that works with homeless men, many of whom have served prison sentences, those are solid results.

In addition to a strong work and drug-free requirement (enforced by random drug tests), the Doe Fund also requires the men who are fathers to provide financial support to their children and to identify themselves to the city’s child-support enforcement office to be sure they comply with their child-support orders.

What is important about the Doe Fund is that it explicitly links aid with a strong enforcement of the rules. Doe Fund managers enforce the rules by restricting noncompliant residents to the shelter, reducing benefits, or referring them to another city shelter where these opportunities are not offered. The Doe Fund is not alone in its

approach—there are similar setups across the country, but in most such programs it's still rare to tie behavior to consequences.

That's surprising, given that the approach used by the Doe Fund is right out of the welfare-reform playbook—the nation's Temporary Assistance for Needy Families program for poor single mothers links help with strong work requirements. As a result of this 1996 reform, many more single mothers are working, which has led to a reduction in child poverty.

The typical way that men wind up in the Doe Fund program is through referral from the city's Department of Homeless Services. But there is no stigma attached to being a Doe Fund worker, who dress in distinctive blue uniforms and are familiar sights on the city's streets. It is not uncommon for poor men—many under age 30—to join the program on their own, sensing that their life needs structure and because they need a job.

It is troubling that at the same time the president has announced a new focus on helping young minority men, one of his administration's top legislative priorities is a substantial hike in the federal minimum wage—a mandate on employers that is likely to reduce job opportunities for the very young men the president wants to help with My Brother's Keeper.

There's an old Washington story about former New York Sen. Daniel Patrick Moynihan angrily telling President Bill Clinton to give up his obsession with health-care reform and focus on the much bigger problem of welfare and our nation's care for the poor. That story came to mind as I read about the White House's big push, five years into the Obama administration, to alleviate the problems of young minority men. It is very late, and it is not enough.

Robert Doar is the Morgridge Fellow in Poverty Studies at AEI and former commissioner of the New York City Human Resources Administration, the city's principal social-services agency. This essay is from his February 28, 2014, Wall Street Journal article titled "The Path to Responsibility Can Start with a Broom and a Paycheck." Reprinted with permission.

10 Welfare-Reform Lessons

ROBERT DOAR

New York City's welfare system is managed out of a boxy 25-story office building on Water Street in Lower Manhattan. Approximately 5,000 employees work there, directing government programs that provide billions of dollars of taxpayer-funded assistance to the poor and near-poor. A solid majority of the workers at 180 Water Street are African-American or Latino; their voter registration is almost certainly overwhelmingly Democratic; and all but about 300 of them are union members. But from 1995 until this past December, the people who worked in New York's principal social-services agency were leading one of the most conservative and successful welfare offices in the country.

I witnessed it firsthand. From early 2007 until the end of 2013, I was the commissioner of the New York City Human Resources Administration (HRA), the agency with the 1960s-era name that occupies 180 Water Street. And before 2007, going back to early 1996, I worked at, and for a time led, the state agency that was responsible for overseeing many of the government-assistance programs administered by the city. But while my perspective is that of an insider, the facts speak for themselves: From 1995 until the end of 2013, New York City's cash-welfare caseload shrunk from almost 1.1 million recipients to less than 347,000—a drop of more than 700,000 men, women, and children.

The achievements of welfare reform in New York City were about more than reducing the number of people on cash welfare. There were also big increases in work rates for single mothers (up from 43 percent in 1994 to 63 percent in 2009) and large reductions in child poverty (down from 42 percent in 1994 to 28.3 percent in 2008).

Even in the wake of the 2008 recession, child poverty in New York City in 2011 was almost 10 percentage points lower than it had been the year before welfare reforms started.

Welfare-caseload declines, work-rate increases, and child-poverty declines all happened largely because, for eight years under Mayor Giuliani and twelve years under Mayor Bloomberg, New York City required welfare applicants and recipients to work, or look for work, in return for benefits. We aggressively detected and prevented fraud and waste (although we didn't stop all of them); and we enforced these requirements with a vigilance that every day led to hundreds of case closings and welfare-grant reductions as we made clear that welfare came with responsibilities.

Make no mistake about it: My fellow city workers and I were bureaucrats. But we were bureaucrats on a mission to bring the principles of the 1996 federal welfare-reform legislation to New York City in a way that would help poor New Yorkers improve their station in life. It turns out that, once given the right direction, bureaucrats can accomplish big things. Here are 10 lessons I learned about how programs for the poor should be run.

Always promote personal responsibility. The minute an applicant believes that government will solve all of her problems, she loses. Accepting responsibility for one's own future is the vital first step to moving up. This is not the typical attitude among government workers, especially ones raised on the promises of the Great Society, but, in their hearts, New York City welfare workers knew it was true and were happy to embrace the concept when they were allowed to. They understood that taking full responsibility for the people they served is a burden they could not shoulder. Everyone at the agency knew that absent some effort by the welfare recipient, victory over poverty and unemployment is impossible. This is especially true when it comes to getting a job. Lots of "programs" want to say that they got a participant a job, or "placed" a certain number of people into employment. But for entry-level jobs, the person who gets the job is the person who gets the job, and the sooner the clients and the caseworkers realize that, the better.

Employment is far better than training and education. In the years leading up to the passage of the federal welfare-reform legislation, study after study showed that programs that encouraged training and education over rapid employment proved less successful at getting people into jobs that lasted. Our experience in New York City proved this to be true. After we implemented strong work-first requirements and tied our payments to employment-service providers to their actual records in placing people in jobs, labor-force participation for never-married single mothers rose dramatically—far faster than even the most ardent welfare reformers expected. Though there are many who prioritize education and job training over employment, it is clear that programs with such an emphasis have not produced the desired results. The priority should be work first, then education or on-the-job training as a supplement.

Making work pay is welfare reform too. Being off of cash welfare does not mean a person is off of all assistance. Not only are a lot of former cash-welfare recipients still dependent on some form of assistance, but the increasing use of these programs means that total spending has not been reduced as a result of federal welfare reform. It has actually increased.

Food-stamp benefits, child-care vouchers, and public health insurance all were part of this arsenal of non-cash “work supports” that we promoted in New York. And so long as these forms of government assistance went to working people, the public was supportive. I remember seeing nodding heads of agreement at a large public meeting in the Bronx when I said in response to a question about what we were doing to help struggling families, “If you work, we will help you.”

It would be better if low-skilled former welfare recipients could achieve full self-sufficiency and derive no part of their income from government, but the cost of living and the current state of the labor market require work supports to shore up low wages. As a result, as cash-welfare caseloads plummeted, the number of recipients of food-stamp benefits grew dramatically, as did the number of people getting public health insurance or Medicaid. Most of this

growth resulted from assistance to working adults and their children. And—notably, given the reduction in labor-force participation at the national level during the past seven years—New York City’s labor-force-participation rate has risen during a period in which Medicaid and food-stamp receipt has risen as well.

Be honest about the importance of married two-parent families. Very few families with married and involved parents, both working, ever need any form of welfare. This is why I came to believe that it was dishonest for us not to talk about the importance of parents’ marriage in reducing the poverty of children. Children need stable, two-parent families. No government or public program can replace a missing parent. It was the recognition of government’s inadequate response to the problem—and my desire to be honest about it—that led us to put together the city’s public-messaging campaign about the consequences of teen pregnancy. With messages about the bad employment prospects and poor school performance of children raised by unmarried teen parents, we created subway and bus posters that told the truth in a way that kids and adults would see and understand. We got blowback from liberal commentators and politicians, but independently conducted focus groups with low-income teenagers found that the people we were trying to reach understood and agreed with what we were saying.

Caseworkers don’t cost much; benefits do. I understand the temptation to rail against bureaucrats and bureaucracy, but in welfare the money is spent mostly on benefits to clients, not the administrative costs of the agency. Welfare-administration costs are typically less than 5 percent of a program’s total costs. While there is often pressure from some (including conservatives) to streamline the benefits-application process with computer technologies, this is dangerous for two reasons. First, easier access to benefits may reduce personnel costs, but it will drive up use and increase dependency. Second, the workers’ key role of encouraging work and personal responsibility will be lost. Computers are great at sending money to an EBT card; they are not so good at saying, “You need to get a job.”

Medicaid is where the money is. Whenever someone talks about “welfare costs,” make sure you ask whether he is including the health-care costs associated with Medicaid, the nation’s health-insurance program for the poor. In New York City alone, Medicaid cost almost \$30 billion in 2012, compared with \$3.5 billion for food stamps and less than \$1.5 billion for cash welfare. Medicaid dwarfs all other welfare spending nationally, too—just to a slightly lesser extent. Combined federal and state spending on Medicaid (\$431 billion in 2012) is more than five times spending on food stamps and more than 25 times spending on TANF, the federal cash-welfare program.

It’s important to recognize that recipients of government assistance don’t receive Medicaid spending—health-care providers do. What recipients receive is a card that helps them get doctors and hospitals to treat them. Medicaid involves a lot of wasteful and fraudulent overspending, but poor people don’t get any of that.

Immigrants get welfare too. I know the stereotype of the hard-working immigrant who comes to America to find work and opportunity is near and dear to many Americans, liberals and conservatives alike, but not every new arrival to the United States steers clear of the social-services office.

To be sure, most legal immigrants in New York City are not poor, work for their income, and contribute to the city positively. On net, immigrants have been an economic boon to the city. But a significant portion of new arrivals apply for and receive welfare benefits. The three biggest programs at HRA were cash welfare, food stamps, and Medicaid, and our data showed that more than 25 percent of cash-welfare and food-stamp recipients and more than 35 percent of Medicaid recipients were non-citizens or children of non-citizens.

You may be thinking: How can that be? Illegal immigrants are not eligible for those programs. They aren’t, but most immigrants are here legally, and legal residents who have been in the United States for more than five years are eligible for most means-tested programs, whether they become citizens at that point or not.

There is one aspect of the immigration process that was intended to discourage welfare use by non-citizens. It is known as the “sponsor

recovery” process. Many legal immigrants seeking citizenship are required to submit a form signed by an American citizen who is sponsoring them, and that form clearly states that should the person being sponsored receive welfare benefits, the government agency providing those benefits may recover the cost of assistance from the sponsor. I know of very few welfare agencies that have actually enforced this provision—except New York City’s.

During 2013, we sought to recover expenditures from sponsors of immigrants who had received cash welfare as single adults, a form of welfare that is mostly paid for using city funds. In less than a year, we collected more than \$600,000 from sponsors just by asking that they make good on their promise.

Welfare recipients (and workers too) will try to “get over.” “To get over” is a very New York expression meaning to steal—usually from government and usually to obtain benefits that one isn’t entitled to. There’s no better opportunity for it than welfare programs. Turning a blind eye to the potential for fraud and abuse is naïve. An agency like HRA can have the most capable and unimpeachable top leaders, but these welfare programs are huge and involve millions of transactions and thousands of workers and recipients. The opportunities to take a little here and a little there are all over the place. During my seven years at HRA, we had scandals involving child-care centers that had no children, welfare workers who gave themselves food-stamp benefits, nonprofit employment-services providers who billed for phony job placements, and health-care programs that never filled out required paperwork for thousands of clients. I recruited and hired a former federal prosecutor and nationally renowned expert in Medicaid fraud to serve as our agency’s chief integrity officer and gave him wide latitude to improve all of our protections against abuse, and I was still worried.

The vast majority of expenditures in welfare programs are consistent with program rules and not fraudulent. But the overall size of the spending is so great that even a 5 percent error rate is significant. And, more important, taxpayers have a right to expect that spending on programs be managed properly. To be sure that our entire agency

was focused on fraud detection, we set an annual goal of more than \$600 million in cost avoidance and recoveries from anti-fraud efforts.

When it comes to the disabled, trust but verify. Obviously a work-based welfare program can't be successful if someone is too sick or disabled to work. But accepting disability claims at face value isn't the right answer either. That's why we set up a whole separate (and, yes, bureaucratic) process for welfare applicants who claimed they could not work because of some physical or mental condition. We required them to see our doctors to get a full diagnostic review with an eye toward determining whether they could work normally, could work with some limitations, or could not work and should apply to the federal Supplemental Security Income program. The goal was to be sure they truly could not work before shunting them off to the federal disability program. Over the years, we found thousands of people who said they could not work but in fact could. We helped an equal number improve their underlying conditions so that they could go to work. And we helped those who really did qualify for the federal program gather the documentation necessary to apply.

Always cheer for the economy. I spent seven years running New York City's welfare programs for Michael Bloomberg, and as proud as I was of what our social-service programs provided to poor New Yorkers, I never forgot that perhaps the most important key to helping struggling families was a vibrant economy that offered an abundance of entry-level jobs. That's why I was always first in line to support and encourage every kind of thoughtful economic-development idea that promised job creation. Thankfully, we had a mayor who agreed.

At no time was that more apparent than in the period after the Great Recession, when New York City bounced back far faster than the rest of the country. In fact, by the end of 2013, the city had gained back 300 percent of the jobs it had lost in the recession, while the nation as a whole was still struggling to regain pre-recession job levels. And New York City's job growth was citywide: Growth in the outer boroughs was twice the rate of Manhattan's. To make welfare programs succeed, always cheer for the economy, and those who nurture it.

What does all of this tell us about welfare in general, and about the prospects of New York City in particular? Helping people in need is important work that is necessary for our nation to fully realize its promise. It's also hard, and progress is measured in small steps. Poverty is still too high in New York and in America; too many families lack two involved parents with at least one full-time worker; and more people need to be able to move up the economic ladder.

New York City now has a new mayor with his own ideas on how to help the poor. It is likely that many of the policies in place at HRA will be modified or ended completely. The immigrant-sponsor-recovery effort has already been terminated, and the chief integrity officer whom I hired has left. I doubt that someone of his prestige or authority will fill that role, if it is filled at all. The focus on work as a condition of cash welfare will be harder to end, since the federal requirements are still in place, though now with less emphasis from Washington. As for non-cash work supports, it is likely that they will be modified to such an extent that they will become all support and little work.

Will the city's economy continue to outpace the rest of the country's? Given the new mayor's support for policies such as mandated paid sick leave and a higher minimum wage—both of which make workers more expensive for businesses to employ—I am doubtful that job growth will remain as strong as it has been. As a result of these changes, the number of people classified as poor may grow in New York City. This may come as a surprise to some, given Mayor de Blasio's progressive rhetoric. But it shouldn't be surprising at all—there is a long history of progressive policies losing ground in the war on poverty.

Robert Doar is the Morgridge Fellow in Poverty Studies at AEI and former commissioner of the New York City Human Resources Administration, the city's principal social-services agency. This essay is from his April 21, 2014, National Review article titled "Ten Welfare-Reform Lessons." © 2014 by National Review, Inc. Reprinted by permission.

IV

Family and Poverty: What's Happening and What to Do about It

“The growing marriage divide is one reason lower-income children are much less likely to live the American Dream. Children from single-parent families are about 30% less likely to graduate from college, about twice as likely to run afoul of the police and approximately three times as likely to end up pregnant as teenagers. Thus, partly because they are more likely to be exposed to the disadvantages associated with single parenthood while growing up, children from lower-income families have a much harder time making it in America today.”

—*W. Bradford Wilcox*

Family Matters: What's the Most Important Factor Blocking Social Mobility? Single Parents, Suggests a New Study

W. BRADFORD WILCOX

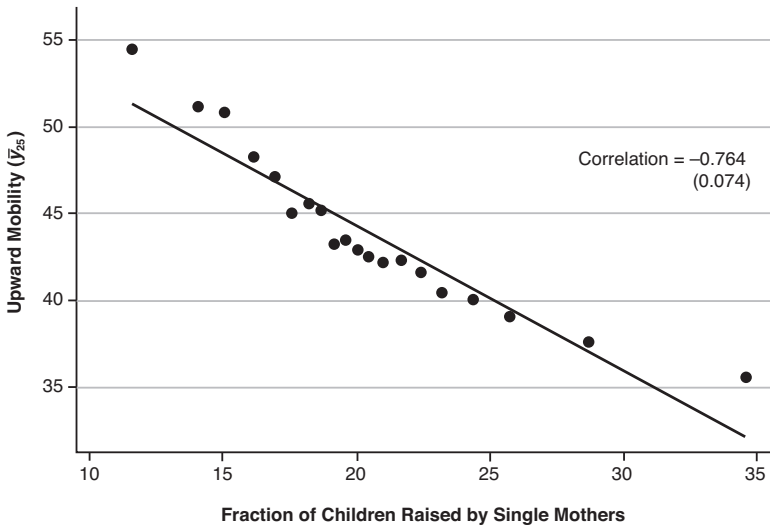
Next week, in his State of the Union address, President Obama is expected to return to a theme he and many progressives have been hitting hard in recent months: namely, that the American Dream is in trouble and that growing economic inequality is largely to blame. In a speech to the Center for American Progress last month, Obama said: "The combined trends of increased inequality and decreasing mobility pose a fundamental threat to the American dream." Likewise, *New York Times* columnist Paul Krugman recently wrote that the nation "claims to reward the best and brightest regardless of family background" but in practice shuts out "children of the middle and working classes."

Progressives like Obama and Krugman are clearly right to argue that the American dream is in trouble. Today, poor children have a limited shot at moving up the economic ladder into the middle or upper class. One study found that the nation leaves 70 percent of poor children below the middle class as adults. Equally telling, poor children growing up in countries like Canada and Denmark have a greater chance of moving up the economic ladder than do poor children from the United States. As Obama noted, these trends call into question the "American story" that our nation is exceptionally successful in delivering equal opportunity to its citizens.

But the more difficult question is: Why? What are the factors

UPWARD MOBILITY BY SHARE OF SINGLE MOTHERS IN A COMMUNITY

A. Upward Mobility vs. Fraction Single Mothers in CZ



Source: Chetty, et al., 2014

preventing poor children from getting ahead? An important new Harvard study that looks at the best community data on mobility in America—released this past weekend—suggests a cause progressives may find discomfiting, especially if they are interested in reviving the American dream for the 21st century.

The study, “Where is the Land of Opportunity?: The Geography of Intergenerational Mobility in the United States,” authored by Harvard economist Raj Chetty and colleagues from Harvard and Berkeley, explores the community characteristics most likely to predict mobility for lower-income children. The study specifically focuses on two outcomes: absolute mobility for lower-income children—that is, how far up the income ladder they move as adults; and relative mobility—that is, how far apart children who grew up rich and poor in the same community end up on the economic ladder as adults. When it comes to these measures of upward

mobility in America, the new Harvard study asks: Which “factors are the strongest predictors of upward mobility in multiple variable regressions”?

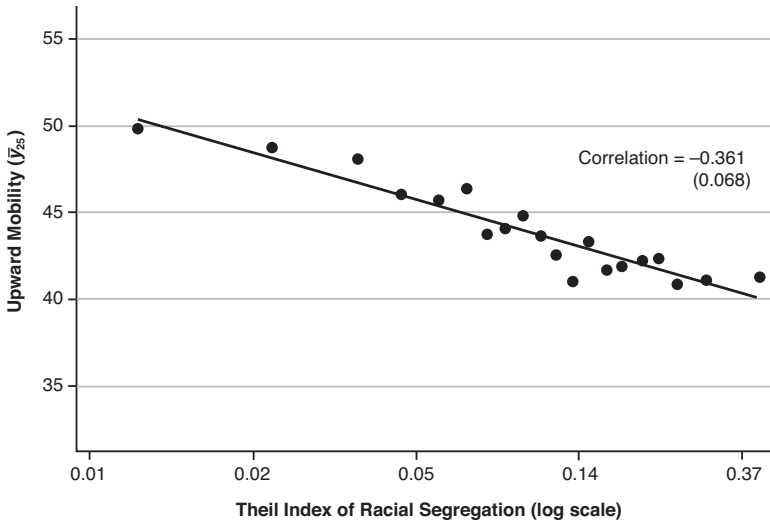
1) Family structure. Of all the factors most predictive of economic mobility in America, one factor clearly stands out in their study: family structure. By their reckoning, when it comes to mobility, “the strongest and most robust predictor is the fraction of children with single parents.” They find that children raised in communities with high percentages of single mothers are significantly less likely to experience absolute and relative mobility. Moreover, “[c]hildren of married parents also have higher rates of upward mobility if they live in communities with fewer single parents.” In other words, as the figure below indicates, it looks like a married village is more likely to raise the economic prospects of a poor child.

What makes this finding particularly significant is that this is the first major study showing that rates of single parenthood *at the community level* are linked to children’s economic opportunities over the course of their lives. A lot of research—including new research from the Brookings Institution—has shown us that kids are more likely to climb the income ladder when they are raised by two, married parents. But this is the first study to show that lower-income kids from both single- and married-parent families are more likely to succeed if they hail from a community with lots of two-parent families.

2) Racial and economic segregation. According to this new study, economic and racial segregation are also important characteristics of communities that do not foster economic mobility. Children growing up in communities that are racially segregated, or cluster lots of poor kids together, do not have a great shot at the American dream. In fact, in their study, racial segregation is one of only two key factors—the other is family structure—that is consistently associated with both absolute and relative mobility in America. The figure below illustrates the bivariate association between racial segregation and economic mobility.

UPWARD MOBILITY BY RACIAL SEGREGATION IN A COMMUNITY

A. Upward Mobility vs. Theil Index of Racial Segregation



Source: Chetty, et al., 2014

3) School quality. Another powerful predictor of absolute mobility for lower-income children is the quality of schools in their communities. Chetty, et al. measure this in the study by looking at high-school dropout rates. Their takeaway: Poor kids are more likely to make it in America when they have access to schools that do a good job of educating them.

4) Social capital. In a finding that is bound to warm the heart of their colleague, Harvard political scientist Robert Putnam, Chetty and his team find that communities with more social capital enjoy significantly higher levels of absolute mobility for poor children. That is, communities across America that have high levels of religiosity, civic engagement, and voter involvement are more likely to lift the fortunes of their poorest members.

5) **Income inequality.** Finally, consistent with the diagnosis of Messrs. Obama and Krugman, Chetty and his team note that income inequality within communities is correlated with lower levels of mobility. However, its predictive power—measured in their study by a Gini coefficient—is comparatively weak: According to their results, in statistical models with all of the five factors they designated as most important, economic inequality was *not* a statistically significant predictor of absolute or relative mobility.

Chetty, who recently won the John Bates Clark Medal for his achievements as an economist under the age of 40, has been careful to stress that this research cannot prove causation—that removing or adding these factors will cause mobility in America. The study also acknowledges that many of these key factors are correlated with one another, such as income inequality and the share of single mothers in a community. This means that economic inequality may degrade the two-parent family *or* that increases in single parenthood may increase economic inequality. But what does seem clear from this study of the “land[s] of opportunity” in America is that communities characterized by a thriving middle class, racial and economic integration, better schools, a vibrant civil society, and, especially, strong two-parent families are more likely to foster the kind of equality of opportunity that has recently drawn the attention of Democrats and Republicans alike.

Throughout his presidency, Barack Obama has stressed his commitment to data-driven decision-making, not ideology. Similarly, progressives like Krugman have stressed their scientific bona fides, as against the “anti-science” right. If progressives like the president and the Nobel laureate are serious about reviving the fortunes of the American dream in the 21st century in light of the data, this new study suggests they will need to take pages from *both* left and right playbooks on matters ranging from zoning to education reform. More fundamentally, these new data indicate that any effort to revive opportunity in America must run through two arenas where government has only limited power—civil society and the American family. This is a tall order, to be sure, but unless President Obama, and progressives more generally, can enlist a range of political, civic, business,

and cultural leaders—not to mention parents—in this undertaking, this new study suggests they will not succeed in achieving one of their most cherished goals: reviving America as a “land of opportunity.”

W. Bradford Wilcox is director of the National Marriage Project and a visiting scholar at AEI. From Slate, January 22, 2014. © 2014 The Slate Group. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this content without express written permission is prohibited.

Can Anything Really Be Done about Family Breakdown and American Poverty?

A Q&A with Brad Wilcox

W. BRADFORD WILCOX AND JAMES PETHOKOUKIS

A recent Equality of Opportunity Project study of economic mobility highlighted the importance of healthy families. “The fraction of children living in single-parent households is the strongest correlate of upward income mobility” among all the variables the research team explored.

Good to know, but what can public policy do to create more two-parent households? I discuss that and related matters with Prof. Brad Wilcox, a visiting scholar at the American Enterprise Institute, where he directs the Home Economics Project. Inaugurated in the fall of 2013, the research project explores the links between family structure and economic growth in 20 countries around the world—more specifically, how marriage and a strong family life foster free enterprise. Wilcox is also an associate professor in the department of sociology at the University of Virginia, where he directs the National Marriage Project.

JP: President Obama talks a lot about inequality and mobility—as in his State of the Union address—but not so much about family breakdown. What should Obama say about the connection between family structure and mobility?

BW: I think that the president should have acknowledged that one factor—and, of course, not the only factor—holding Americans back, particularly in poor and low-income communities, is the retreat from marriage. Fewer kids are being born and reared in

married families. If we wanted to realize our hopes and dreams for equal opportunity in America, regardless of what your zip code is, what your neighborhood's like, or what part of the country you're coming from, a lot of things that need to be done. But one of the things that needs to be done is to figure out ways to strengthen the two-parent family in the United States.

JP: Can we do anything about family breakdown? Is this just one of these big social forces that overwhelms policy?

BW: We're not going to turn this thing around on a dime, but I think we have to recognize that if we're really serious about renewing the American dream, this [EOP] study found the biggest predictor of mobility in America at the community level was the two-parent family. Communities like Salt Lake City and San Jose that do a lot better in promoting mobility for kids have more two-parent households. Cities like Charlotte and Atlanta have many more single-parent families, and they're struggling to advance the welfare of their poor kids.

One encouraging thing about the discussion of the last months in the media and online is that I'm seeing more of a recognition that the two-parent family is best. Single parents pose challenges for kids. So that's progress. But what they're also saying, as you just pointed out, is that we can't really do anything about this. Jared Bernstein, former economic adviser to the vice president, had a piece in the *New York Times* that's saying, "Yeah, it's true. Two-parent families are better, but there's nothing we can do to reverse the retreat from marriage in America."

Can anything be done? I think we have to take a page here from the progress we've made on teen pregnancy in the United States, where we've cut the teen pregnancy rate by 50% in recent decades with the help of a concerted campaign that's been supported by the government, by civic institutions, and by major cultural actors to get behind a common message to our younger Americans. You shouldn't have a baby when you're 16, for instance.

If we can change that behavior, who is to say we can't also reconnect marriage and parenthood for Americans in their 20s, where

most non-marital births now take place. The view is that we can use the teen pregnancy campaign as a model for going forward to strengthen marriage in the United States.

JP: What would be the nature of that sort of PR campaign, and to whom would it be directed?

BW: The first thing is that you have to understand where all the momentum is here. Basically, since the 1970s, you've seen pretty high levels of single parenthood and non-marital child bearing among poor Americans and Americans who are high school dropouts. We've also seen in the last 20 or 30 years that in some important respects, marriage is stronger among college-educated Americans. So, for instance, divorce has come down from the '70s to the present for college-educated Americans. So there's been progress there.

But in terms of where the movement is recently, it's primarily in a negative direction, and it's among moderately educated Americans who have attained a high school degree or some college. It's this particular portion of the population where about half of births are outside of marriage, and they're at a tipping point. They can go down the road of not having marriage as the keystone to their family formation and family life. Or we can hold the line and try to figure out creative strategies for strengthening marriage in this particular middle demographic in the United States.

I'm talking about roughly the 25th percentile to the 65th percentile. It's the middle American group, both white and Hispanic. If we can get a positive message to this group or these groups about marriage and fatherhood, that would be part of the solution.

JP: Would these efforts be more directed at men or women? Are you basically telling women to delay childbirth? They always talk about the success sequence of school, work, marriage, children. So are you saying, follow that success sequence? Are more and more women not following the sequences?

BW: I think the idea of a success sequence, like that articulated by Ron Haskins and Isabel Sawhill at the Brookings Institution. What

they basically say is this: Get your education (at least your basic education) completed, get a job, get married, have kids—in that order. If you do that, your odds of becoming poor—and of not climbing the ladder of opportunity into the middle class—are slim.

Too few young adults today realize that they need to sequence particularly marriage and parenthood in the right order if they want to realize the American dream, both financially but also family-wise. And that message should be given to both women and men, to boys and girls. It can be tailored to their own experiences, of course, but this should be a message that everyone is getting. It should be framed not just in terms of their own adult well-being (which it does—it affects their capacity as adult to flourish both economically and otherwise). More importantly though, it should make the normative argument that if they really care for the kids that they help bring into this world, they should do that in the context where those kids have two parents who are committed to one another, who love one another, and are ready to become parents.

Now, in terms of delaying parenthood into their late 20s and 30s, we have to recognize that since the 1990s, most women who don't have college degrees have their first child in their early-to-mid-20s. That trend hasn't budged much. It's moved a lot for college-educated women, who are postponing motherhood later and later. But for this other portion of the population, there's not been much movement.

My view is: Let's try to meet them where they're at and figure out ways to strengthen the economic foundations of their families with better vocational training, better apprenticeship programs, and a cultural message that speaks to them and their experience about how organizing families around marriage first, childbearing second, will be good for them and for their kids in the long term.

We should also reduce some of the policy disincentives to marriage that are embedded in some of our programs targeting lower income Americans, things like Medicaid or food stamps, for instance. So by tackling a variety of different issues that all work together to undercut marriage in this portion of the American population, I think we could make some headway here.

JP: Dig into what the research says about what's happening with low-income women.

BW: Part of the story here is that many working-class and poor women don't feel like they have a real strong professional future ahead of them. They're not going to be lawyers, doctors, or even teachers or something else on a more professional track. For them the most meaningful thing that they will do in their 20s is to become a mother. This is the view that Kathryn Edin and Maria Kefalas have articulated in their book, *Promises I Can Keep*. In part because of this view, working-class and poor women proceed to have kids in their early teens or in their early 20s, regardless of whether or not they're married. For them, part of the answer is to make sure they do have the kind of educational opportunities that would make at least some jobs accessible, and that might persuade them to postpone child-bearing accessible to them.

But I think the other piece here is that we need to get the message out that. If you want the best things for your children, it's better to figure out how to have your kids after you've gotten married and established a stable household for them. That may mean delaying parenthood to ensure that you have that marriage in place.

But of course they're both contingent on encouraging and enabling working class and poor men to do better in the labor force, which makes them more attractive as partners but also boosts their sense of self-confidence and makes them more likely to see themselves as husband-type material and to behave accordingly. One of the problems facing the working-class or poor men is that they feel like they're not capable financially of being good providers and so they don't act in ways that would make them more marriageable in a relationship.

JP: How do lower-income, working-class men think of marriage and family?

BW: Kathy Edin, in her two books, has profiled—with different co-authors, Maria Kefalas and Timothy Nelson—low-income women in the Philadelphia area and low-income men in the Philadelphia area. What's interesting about her book is that the marriage dream is alive and kicking for both poor women and poor men. The challenge is

that it's become more of a soul model of marriage, where they're looking for that ideal relationship, and also they're looking for a partner who can help them live their middle-class dream economically. The reality is that the women and men in their circles don't have access to the kind of jobs and often the kinds of social and family experiences that would enable them to be the ideal soul-mate spouse.

And so, one of the challenges facing many low-income couples is that they have very high expectations for what marriage and family life should deliver and they feel like their prospects for realizing that kind of model of marriage in their life are slim.

JP: Having read that book, it really struck me how interested these dads are in having a relationship with their kids, and the kids become the center of the relationship rather than the mom.

BW: There is this kind of father hunger where kids are fulfilling for dads as well as for mothers. The problem is that just having an emotional connection with someone is a rather fragile reed. Absent the durable ties of law and custom and kin and community and religion classically associated with marriage, men's ability to maintain their connection to their son or daughter tends to break down.

What Edin and Nelson are showing is that, yes, these low-income dads often have an intense relationship with one of their kids or some of their kids, but because they're not married to the mother of all of their children, their capacity to have a meaningful day-in-and-day-out relationship with all of their children just doesn't happen usually, and that's a problem for the kids. It's also difficult for men to navigate the practical and financial challenges of supporting kids, oftentimes across more than one household.

JP: So you get these episodes of serial fatherhood where the father will get excited that his girlfriend is pregnant. They'll have the child, and then things kind of go bad after a year or two and he moves on to the next relationship, each time really intending that "I'm going to get it right this time, it's a fresh start," but it never quite works. He lacks a whole variety of skills, including financial and social, in maintaining those relationships. And

that to me sounds like a pretty thick problem that's going to require certainly more than just a very effective campaign to promote both marriage and delaying having a child.

BW: It could be the case that we're going to just see the inexorable decline of the two-parent marriage families as the central feature of American family life. That may happen. And if it does happen, I can guarantee you more inequality; I can guarantee you a society where demagogues are more likely to prey on the American public, where people are more likely to depend upon support from federal, state and local governments when the going gets tough, and any number of other things. So that may be the future that faces us.

But we've had [effective reform] around any number of things in the last two centuries, and including more recently on things ranging from smoking to teen pregnancy and behaviors that were seen as pretty entrenched have changed. Given the importance that marriage has for kids, for adults and for the broader country—as this Harvard study from Raj Chetty indicates—we need to get our hands dirty and work on creative and new strategies to turn the tide.

JP: So what went wrong in American society? How did we get to this situation?

BW: What went wrong happened really in the 1970s and in the late '60s and early '80s in some ways. It's a huge question, with lots of debate. But I think a couple of things went wrong in this timeframe.

Economic shifts played a significant role here. It became harder for less educated men to hold down or find good-paying stable jobs that made them attractive both in their own eyes and the eyes of their partners as husbands and as providers. So there's an economic story here of change and the move away from manufacturing in many American communities, like Philadelphia, that Kathy Edin investigates in her two books.

The cultural story, of course, is also a story of individualism coming to the fore in the '70s—the idea that it's about me and myself; what makes me happy and fulfilled. That ethic doesn't really play well with the kinds of compromises and sacrifices that long-term marriage necessitates.

The sexual revolution also is a big factor here, as George Akerlof and Jenny Yellen have pointed out. It basically changed the terms of pre-marital sex and made pre-marital sex much more acceptable. Many more kids being born outside of marriage in the wake of that revolution.

Feminism is also important in terms of making women expect more from marriage. Many good things resulted from that, but it certainly made marriage a more fragile relationship than it was prior to this revolution of 1970s.

And in the policy arena, many laws that govern marriage and reinforced commitment between spouses were undercut in the '60s and '70s.

The final point here is that strong families depend upon strong civic institutions. Since the 1970s, we've seen American withdraw from both religious and secular civic institutions like churches and synagogues as well as groups like the United Way, and that's unfortunate because these institutions provide direction, support, and guidance to families, to spouses, and to kids. They reinforce the vitality of families at the local level, and the civic disengagement is most pronounced among the poor and working class according to my own research.

These things came together at the worst possible moment for poor and working-class Americans. Simultaneously, the core institutions of work, of marriage, and of civil society became less central or salient in the lives of poor and working-class Americans.

JP: The folks at Brookings recently came out with a very short paper on this very topic, and the goal was helping family formation and delaying pregnancy and promoting marriage. They talked a lot about education, talked about social marketing, but also about long-acting, reversible contraception. Does that have a role?

BW: Well, it may. That's the big question of the hour. I think folks on the left who are cognizant of the importance of the two-parent family, but are reluctant to talk about marriage, think that contraception is the answer here. They believe that if the onset of parenthood

can be delayed long enough for poor working-class women, those women will, like their better educated peers, get married in their late 20s or in their early 30s and then have their kids. That way, they either have their kids outside of marriage or have them in their late 20s when they're more mature and they've got better jobs. So that's certainly the idea.

JP: Will women do this, especially if they view having kids as the most rewarding thing they will ever do?

BW: I think the jury is out empirically. As I said, this doesn't really address the core challenges facing many lower-income couples. My other concern is that at least some of the campaigns conducted around LARCs tend to encourage contraception in a way that doesn't reinforce an ethic of mutuality, trust, responsibility, consideration and commitment. Some of the campaigns that have been used to push contraception encourage many of the behaviors that have gotten us in trouble in the first place. There is, for instance, a very strong relationship between having multiple sexual partners prior to marriage and getting divorced after marriage. So, contraception is no panacea here; right?

JP: What about the issue that there's too many working-class poor men ending up in jail for minor drug crimes? Is that a factor here, keeping them out of jail?

BW: There's a great paper that's written by David Autor and Melanie Wasserman for Third Way called "Wayward Sons." They review the economic shifts, the shifts in prison policy or incarceration, and other factors that have undercut the fortunes of the family in working-class and poor communities.

That's certainly a part of the story we need to think about—as reform conservatives, we need to think about ways to reform the criminal justice system so that minor offenders are not getting long prison sentences. That will allow us to reintegrate men into their communities more effectively and quickly so that they can find work and play a role in raising the next generation.

JP: And what are the lessons we can draw from what other countries are doing to deal with these issues? People are always going to Scandinavia. Are they doing something that we should be doing when it comes to this?

BW: Finland has a pretty generous dependent credit that families can use as they see fit. Given the pluralism in American life today—where people who are strongly religious, strongly secular, strongly left, strongly right—when it comes to family life and how you arrange work and family, I think it's better give people power to make their own choices in this domain.

For instance, having a more generous child tax credit that's applicable to payroll taxes would help a lot of working-class and middle-class American couples navigate the financial challenges of family life in ways that would be good for them and for the country.

If they want to have both parents working full time, that's their choice. If they want to have someone at home full time, it's their choice, but it's just an opportunity to let parents make those choices. It gives them the opportunity to put the needs of their dependent, either kids or older parents, first.

JP: And this is a question I constantly get on Twitter: is poverty causing the family breakdown, or is family breakdown causing poverty?

BW: It's clearly both. It's obviously the case that people who are poor are more likely to have kids outside of marriage and will end up as single parents. It's probably because they haven't seen economic opportunities, or incentives to really focus on work, or on delaying parenthood until they're ready to be stably married parents.

But there's also now a cultural shift that has made single parenthood obviously much more acceptable—it's no longer seen as a major issue. That new cultural reality, which began to come home in the '70s, has made it possible for people to have kids outside of marriage, and at a higher level, and to get divorced when there's no serious physical conflict or drug abuse or alcohol abuse on the part of their spouse.

JP: When you talk to policymakers, how do they think about these issues and do you see, on either side, are they reluctant to really talk a lot about families and for what reason?

BW: I think Democrats and Republicans are both reluctant to talk about the issue of marriage and family. Republicans, for instance, have concerns about whether it's proper for the state to be playing an essential role in American family life since it is a private issue, but I think the Democrats are worried that this kind of talk will lead to demonizing single moms.

More fundamentally, they believe that the core challenges facing American families are economic ones. They're not related to marriage per se. Poverty and income inequality, for instance, are seen as much more consequential for the health of American family life than whether or not the parents of a child are married. So different reasons, but I think that many people on the left and the right, Democratic and Republican parties, don't want to focus that much on this family structure issue.

JP: Are there two or three policy things that both parties might agree on, or is there just a huge, vast gap between them on this?

BW: I think there are two areas maybe of potential consensus.

First, we should find ways to eliminate the marriage penalty embedded in many of our public policies. The Hamilton Project at Brookings has been working on a similar kind of effort, somewhat different focus but basically the same idea. I think that's promising.

Second, we should focus on improving vocational training and apprenticeship programs for middle-skilled jobs to be made appealing to the middle Americans we've been talking about.

If we improve the economic prospects of working class, lower middle-class men with better vocational training and better apprenticeship programs—and connect them to decent jobs in factories or as plumbers or electricians or as IT professionals—that would go a long way toward improving their economic prospects. As importantly, it would likely boost self-worth and their ability to see themselves as marriageable men.

W. Bradford Wilcox is director of the National Marriage Project and a visiting scholar at the American Enterprise Institute. James Pethokoukis is the editor of the AEIdeas blog and the DeWitt Wallace Fellow at AEI. This essay is from the March 11, 2014, AEIdeas article titled “Can Anything Really Be Done about Family Breakdown and American Poverty? A Q&A with Brad Wilcox.”

V

Opinion and Action: What Americans Are Saying and Politicians Are Doing

“Polls show that many Americans are struggling these days and are worried about the economic prospects for them and their families. Around half say they have just enough income to meet current family needs and obligations. Almost that many worry about paying their rent or mortgage on time. And, six years after the recession began, a third still feel that they or someone in their family could lose a job in the next year. Two in ten are struggling on many fronts.”

—*Karlyn Bowman*

“Republicans have been acting on sincerely held views about what they think is best for the economy. But if there is one thing conservatives have emphasized over the years when it comes to anti-poverty efforts, good intentions aren’t enough.”

—*Ramesh Ponnuru*

Economic Insecurity in the United States

KARLYN BOWMAN, ANDREW RUGG,
AND JENNIFER K. MARSICO

Job Anxiety

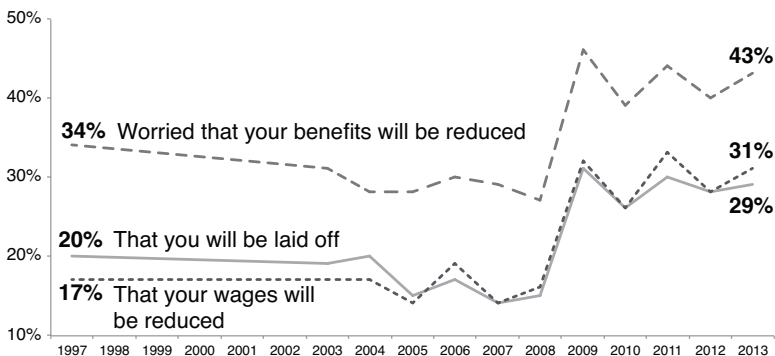
Improved economic news conceals substantial levels of economic insecurity across the nation. Americans' concerns about various aspects of their jobs increased sharply after the financial crisis in the fall of 2008, and they have stayed high. Their worries about the security of their jobs are not without cause. Pew reports that 15 percent of respondents lost their job in the last year. Around two-thirds say jobs in their area are difficult to find. And although reports about a dearth of job opportunities are not as prevalent as they were a few years ago, concern remains higher than pre-recession levels. Although job loss anxiety is high, worries about reduced benefits are even higher. Around two in five working adults tell Gallup they are worried that their benefits will be reduced.

Q: For each of the following please tell me whether or not it is something that happened to you in the past year. Have you . . . ?

Been able to save money for the future	41%
Gotten a pay raise at your current job or gotten a better job	28
Had problems paying your rent or mortgage	23
Been laid off or lost your job	15

Source: Pew Research Center, March 2013.

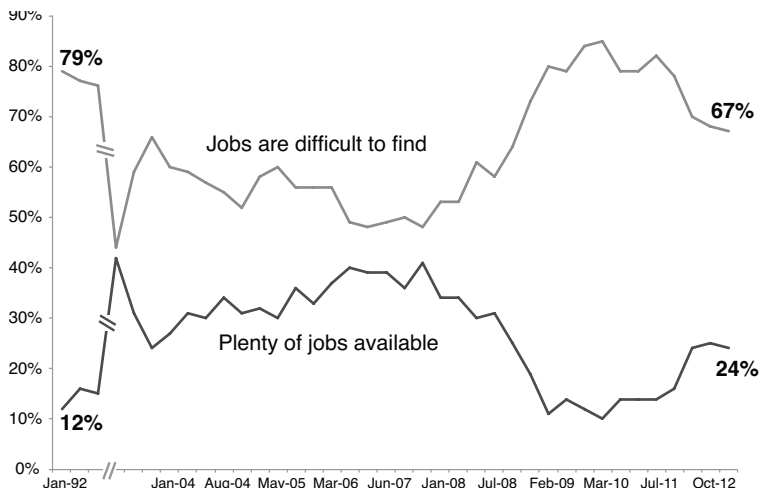
Q: Next, please indicate whether you are worried about each of the following happening to you, personally, in the near future. How about . . . ?



Note: Sample is adults employed full or part-time.
Source: Gallup, latest that of August 2013.

Availability of Jobs?

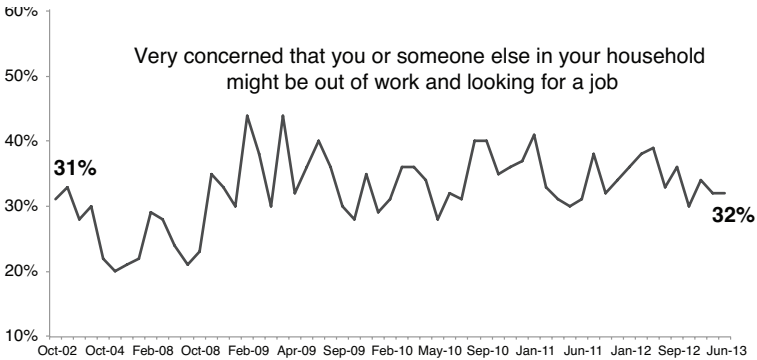
Q: Thinking now about job opportunities where you live . . . ?



Source: *US News*, Pew Research Center, and ABC News/*Washington Post*, latest that of April 2013.

Out of Work?

Q: How concerned are you that in the next 12 months . . . ?

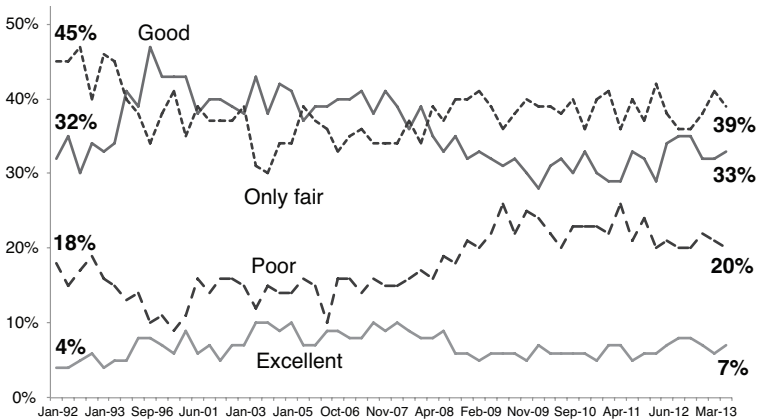


Source: CBS/*New York Times*, latest that of June 2013.

Personal Financial Worries

Most people aren't overly optimistic or pessimistic when it comes to assessing their finances. They tend to put themselves in the middle, avoiding descriptions such as "excellent," "very good," "very poor," or "very bad." When asked to look into the future and evaluate their prospects for the upcoming year, the optimism of Americans comes through. In a May ABC/*Washington Post* question, two-thirds were optimistic about their family's financial situation. In Pew's June 2013 question, a majority said they expected their situation to improve "a little" in the next year. This is despite the fact that many Americans tell pollsters that they have just enough to meet their current needs and obligations or that they don't have enough to make ends meet.

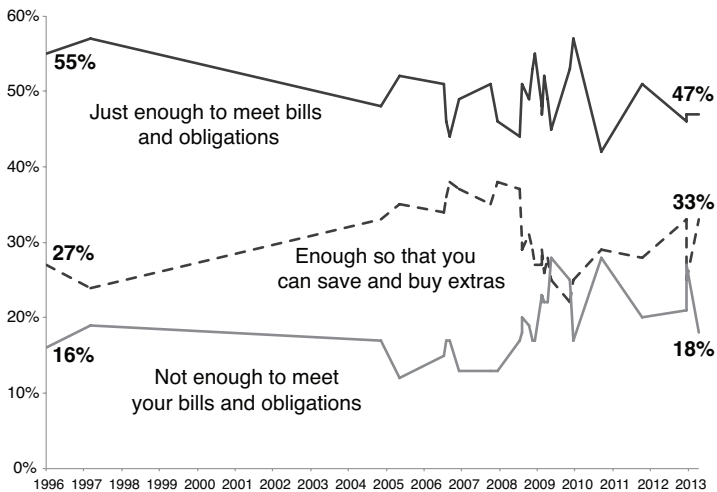
Q: How would you rate your own personal financial situation? Would you say you are . . . ?



Source: US News and Pew Research Center, latest that of June 2013.

Is Your Income Enough?

Q: Thinking about your household income, would you say that it is . . . ?

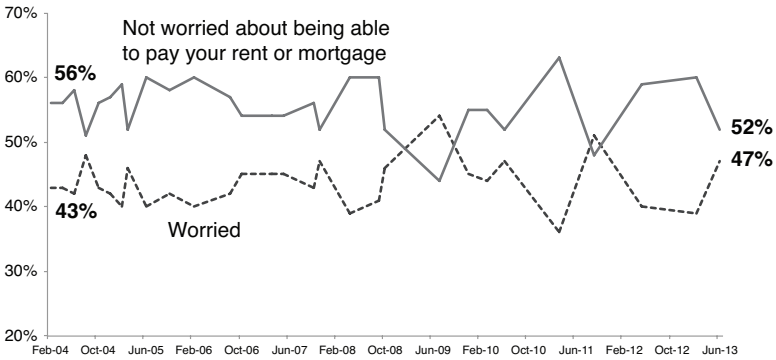


Source: CBS/New York Times, latest that of February 2013.

Paying Your Mortgage or Rent

Concern about being able to pay rent or a mortgage spiked after the financial crisis in 2008 and again in the fall of 2011. Today, 47 percent say they are worried about this while a bare majority, 52 percent, say they are not.

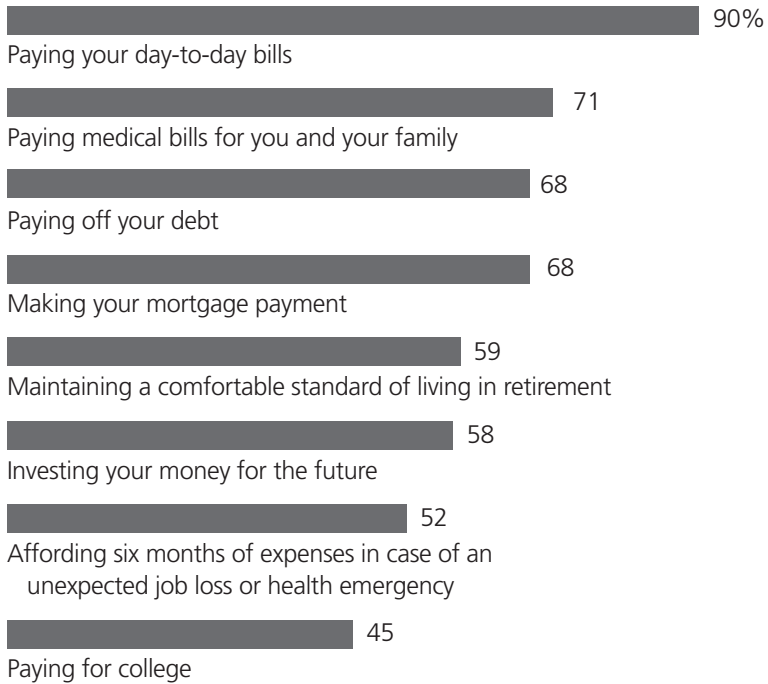
Q: I'm going to read you a list of things that some people worry about and others do not. I'd like you to tell me how worried you are about each of the following. How worried are you about . . . ?



Source: Kaiser Family Foundation, latest that of June 2013.

Q: Now I'm going to read you a list of some different financial decisions that many Americans face in their lives. For each one, please tell me how realistic each one would be for you to meet, given your financial situation, if you were faced with that decision today . . .

Realistic for me



Source: Allstate/*National Journal*, November 2013.

Struggling to Make Ends Meet

Surveys show that a sizable minority of people in the United States are struggling. Americans in this group, which numbers around twenty percent of the population, can't meet their current obligations, occasionally don't have money to buy food, can't consistently pay their rent or mortgage, and are worried about paying for basic health care. These polls provide a heartbreaking reminder of the needy among us.

Q: Which of the following statements best describes your situation?

21%

I find it hard to make ends meet

Source: Allstate/*National Journal*, September 2012.

Q: And, how would you rate your . . . ?

17%

Personal financial situation is in poor shape

Source: Allstate/*National Journal*, November 2013.

Q: Thinking ahead to this time next year, do you expect that . . . ?

15%

Personal financial situation will be worse

Source: Allstate/*National Journal*, November 2013.

Q: How would you describe your household's financial situation?

11%

Household doesn't have enough to meet basic expenses

Source: Pew Research Center, November 2012.

Q: Think about your household income, would you say . . . ?

27%

Household income is not enough to meet your bills and obligations

Source: CBS News, February 2013.

Q: Have there . . . ?

 24%

There were times during the last year when you did not have enough money to buy food your family needed

Source: Pew Research Center, March 2013.

Q: Have you . . . ?

 23%

Had problems paying your rent or mortgage

Source: Pew Research Center, March 2013.

Q: Next, please tell me how concerned you are right now about . . . ?

 24%

Very worried about not being able to pay medical costs for normal health care

Source: Gallup, April 2013.

Karlyn Bowman is a senior fellow, Andrew Rugg is a former research assistant, and Jennifer K. Marsico is a senior research associate, all at AEI. This article is from the December 2013 issue of AEI Political Report, www.aei.org/article/politics-and-public-opinion/polls/economic-insecurity-in-america-aei-political-report-december-2013/.

Fight Poverty the Conservative Way

RAMESH PONNURU

On the 50th anniversary of the War on Poverty, Senator Marco Rubio of Florida proposed a conservative version of it.

His speech follows a much-publicized tour of poverty-stricken areas by Representative Paul Ryan and a proposal by Senator Rand Paul to revitalize depressed parts of the country. Suddenly, fighting poverty has become a theme of Republican rhetoric.

Republicans may be overestimating how much political benefit they can get from this new focus (the party's real vulnerability is that people think it's disconnected from the struggles of the middle class). But a reputation for indifference to poverty is unattractive, too—and a concern for the poor has a moral importance beyond any political value it may have.

In creating an anti-poverty agenda, Republicans have a positive legacy on which to build. The most successful such initiatives of recent decades—welfare reform and the earned income tax credit—reflected conservative thinking and had conservative support.

Rubio offered three interesting ideas. The first was to modify the earned income tax credit so that more of it goes to the single and childless poor, and so that beneficiaries get a little of its value in every paycheck rather than in one lump-sum payment. The program already helps to keep people in the labor force, and Rubio's change might make it easier for beneficiaries to spend the money prudently.

Rubio should build on this idea and push to strengthen work requirements in all anti-poverty programs. If you're able-bodied and you don't have small children, you ought to be working or looking for work in order to receive food stamps or public housing.

Rubio's second idea is a "flex fund" that would hand over most federal antipoverty money to the states to manage. Maybe this reform will work, but he should be wary of romanticizing the states. He presents the welfare reform of the 1990s as a triumph for the principle of state management when in fact the central feature of that law—the one that made it successful—was a work requirement imposed by Washington.

And misguided policies by state and local governments continue to make poverty worse. Licensure rules make it harder to start businesses and careers that can help poor people better their lot. Zoning rules and development restrictions make it harder to move to where the jobs are. A conservative antipoverty agenda should combat those regulations, too.

Third, Rubio thinks we have to address the familial contributors to poverty. A child raised by married parents is much more likely to escape poverty than one raised by a single mother. The day before his speech, Rubio told me he understands that there isn't much the government can do to change social mores, but that he also thinks it's important to make the interaction between family structure and economic success better known.

"A majority of it is a cultural thing we need to address as a society," he said. "But I think government can be a catalyst for that conversation." He says that he's considering legislation in a few other areas where the government might be able to help, such as reducing the marriage penalties that are built into many anti-poverty programs. (When one poor person marries another, the household often then makes too much to qualify for assistance.)

Much of what Rubio is proposing concerns structural poverty, the kind that persists even when the economy is good. Some poverty, though, reflects the business cycle—and conservatives should take care not to make this cyclical poverty worse.

Two days before his speech, Rubio joined most of his Republican colleagues in voting against Janet Yellen's confirmation as Federal Reserve chairman. They think money has been too easy. But if money had been tighter over the past few years, unemployment and poverty would have been even worse than they have been.

Republican senators including Rubio also recently voted against extending unemployment benefits. Many of them have worried aloud that the benefits are making it less urgent for beneficiaries to look for work. In some cases that is surely true. But when there are three unemployed workers for every job opening, a lack of drive on the part of the unemployed isn't the labor market's biggest problem. It's a good thing, then, that over the weekend Rubio took the more reasonable position that he will back the benefit extension if it is paid for.

Getting macroeconomic policy right is an important way the federal government can fight poverty. On both monetary policy and unemployment insurance, Republicans have been acting on sincerely held views about what they think is best for the economy. But if there is one thing conservatives have emphasized over the years when it comes to antipoverty efforts, good intentions aren't enough.

Ramesh Ponnuru is a Bloomberg View columnist, a visiting fellow at AEI and a senior editor at National Review. This essay is from his January 13, 2014, Bloomberg View article titled "Fight Poverty the Conservative Way." Used with permission of Bloomberg L.P. Copyright © 2014. All rights reserved.

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