US Poverty Studies and Poverty Measurement: The past twenty-five years

Howard Glennerster

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Centre for Analysis of Social Exclusion
London School of Economics
Houghton Street
London WC2A 2AE
CASE enquiries – tel: 020 7955 6679

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Telephone: UK+20 7955 6679
Fax: UK+20 7955 6951
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Web site: http://sticerd.lse.ac.uk/Case

Editorial Note

Professor Glennerster is Professor of Social Policy in the LSE's Department of Social Policy, and is also a co-director of CASE. This paper was written while Professor Glennerster was a visiting scholar at the National Academy of Social Insurance in Washington DC during the Summer of 2000. A version of the paper will appear in the *Social Service Review*'s 75th anniversary edition published by Chicago University Press for the Chicago School of Social Service Administration.

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Abstract

This paper discusses the contribution made by American social scientists to the study of poverty in the past twenty five years. It has three parts. The first concentrates on the measurement of poverty and the fact that the US poverty line remained unchanged in that period despite its increasingly important deficiencies. Proposals to produce a revised poverty line and an Annual Poverty Report are advanced. The second part traces the change of emphasis in US writing about poverty both in terms of academic emphasis and prescription. The final part considers the policy impact of American work on poverty policy beyond America.

A Long Tradition

The tradition of studying poverty in the United States dates back to the early years of the last century and indeed before. This is notably evident in Chicago. The early records of both Hull House and the Chicago School of Civics and Philosophy reflect interests any modern social policy analyst would recognise (Costin 1983; Fitzpatrick 1990). However, US scholars were followers rather than initiators both in methodology and policy innovation. As one of the early primers in US social administration put it (Breckinridge 1938):

> "In some of the commonwealths of the United States the English Poor Law was copied faithfully so that its very terminology was taken over."(p16)

One in five of the papers published in the first years of the new *Social Service Review*, founded in 1927, were written about systems of poor relief or social insurance abroad, mostly in European countries. There was a great deal of academic and practitioner interest in new ways to measure poverty and to administer poor relief. Above all there was interest in the developing social insurance schemes of Germany and the United Kingdom. That did not mean there was uncritical acceptance of those schemes. There is, for example, an incisive review of the Beveridge Report (1942) in this journal written by Edith Abbott (1943) Dean of the Chicago School for many years. She goes right to the heart of its weakness and points to the design flaw that was to doom Britain's social security pension system in the last part of the twentieth century – the flat rate contribution principle. It led to very low state pensions that lost the support of the average British voter and was unfair on the poor to boot. Abbott is scathing.

> "This is not the American principle of taxing men according to their ability to pay. … A flat rate 'contribution' of this kind is really a poll tax and we have enough poll taxes in some of our American states without increasing them." …. " this is not what we call equity and justice in America." (Abbott 1943, pp 76 and 78).

Would that the British had listened to Abbott. We might still have a viable universal public pension scheme in the UK! (For a fuller discussion see Glennerster 2000). In later decades the journal's interest in overseas experience declines sharply. By the 1970s it is minimal. Only 5 of the 135 articles published 1975-1980 are about non-USA matters. American interest in poverty becomes inward looking, pre occupied with problems of the depression in the 1930s and with race in the 1960s. This paper will argue that in the past twenty-five years US poverty studies have broadened out again and become influential abroad.

Almost totally ignored by economists up to the early 1960s, Robert Lampman (1959) being the outstanding exception, poverty and income distribution have become an important focus of study for a distinguished if small band of economists. As the American economy failed to deliver steadily rising standards of living for average families the incomes of poor families actually fell in real terms. Economists began to try to figure out why. The growing concentration of poverty in urban centres attracted sociologists and demographers. The rise in lone parenthood and welfare roles attracted others. The shift in the approach to studying poverty and the remedies advanced have, in contrast to the early twentieth century, begun to frame the way social scientists in other countries approach the topic. Even so, advances in the conceptualisation and measurement of poverty have still largely taken place in Europe. The early traditions of Booth and Rowntree live on.

This paper, then, is divided into three parts. The first looks at the conceptualisation of poverty in the US and the part played by the "official" definition of poverty which has lain essentially unchanged for thirty years. The second examines the scientific contribution American scholars have made to the debate about income distribution and to understanding the big changes that have taken place in the past three decades. We argue this has been important and influential. The third reflects on the influence of American ideas about the causes of poverty and what policy responses are legitimate. It is here that US influence has been greatest.

I An "official" definition in a time warp

Attempts carefully to count the poor and those on the fringes of society were one of the first scientific activities of those at Hull House in Chicago over a hundred years ago. They closely followed the approach adopted by Charles Booth in London a few years before (Harkavy and Puckett 1994; Abbott 1917). I well remember first going to visit Hull House, seeing on the wall coloured maps I took to be copies of the Charles Booth maps we have in the LSE Library. These set out which class of person lived in which street in the whole of what was then central London. What I could see in Hull House were, of course, maps of Chicago from 1895 along with powerful descriptions of life in the mean streets of that immigrant area. The echoes of Booth's descriptions of the East End of London are powerful.

The quite distinct idea of calculating the cost of a minimum basket of goods necessary for decent human survival also has a long history. It was a particular interest of social workers in the US in the first decade of the century. Early American efforts were again inspired from abroad this time by Rowntree's work in York, England, at the turn of the century (Rowntree 1901).

The very first paper in the *Social Service Review*, indeed, was about measuring poverty.

> "During the past twenty years relief organisations in various parts of the country have been searching for a more scientific method of determining what constitutes 'adequate relief' for families dependent on them for support." (Houghteling 1927: 1)

As her paper points out, by 1912 there was in existence a minimum budget deemed necessary for the "maintenance" of poor families used by the Mothers' Aid Department of the Chicago Juvenile Court which developed into the Chicago Standard Budget. The basic basket included the costs of food, clothing, household furnishings and supplies, heat, lighting and other items as well as rent. There was a New York equivalent from 1906 up dated regularly from 1913 (Appelbaum 1977). What these pre 1929 food budgets bought looks remarkably like the contents of the 1960s Economy Food Plan which formed the basis of Orshanky's (1965) poverty line. More fruit and vegetables and more eggs could be bought in 1965 compared to those of the early part of the century and rather more milk but not that much more. Food then took 44% of the budgets of the poor not the one third figure assumed by Orshansky in 1965. It was an assumption criticised by Rose Friedman at the time (Friedman 1965).

Reading contemporary (2000) debates about whether to change the US official definition of poverty one cannot but get the feeling, as an outsider, that the debate has barely moved on in a century. At least the poverty standards set in the 1900s covered a good deal more than food which is still the basis of the current calculation.

Since the Bureau of the Budget recommended Orshansky's (1963; 1965) poverty line be made 'official' in 1968 virtually nothing has been done to change it apart from uprating it in line with prices. Numerous commentators have advocated changes at various times (Friedman 1965; Fuchs 1967; Rein 1969; Rainwater 1974; Ruggles 1990; Haveman 1993). Most notably the National Research Council's authoritative report examined the options and recommended a new basis (Citro and Michael 1995). Using that report as its starting point the Census Bureau has issued an 'experimental' new version of the poverty figures (Short *et al.* 1999). At the time of writing nothing more had happened though a group of interested academics and think-tank members in Washington were discussing how to move the debate on and get some action. It certainly makes an outsider wonder if it is such a good idea to invest one poverty number with official blessing. Why the difficulty and does it matter?

When Orshansky came to settle on her minimum food budget she chose the very lowest of the food budgets on offer from the work of the Department of Agriculture. It was meant for those in emergency need. Her reasons, as she has explained afterwards, were political (Ruggles 1990). She wanted a basis that could not be challenged for its generosity just as Rowntree did in 1901. She remains appalled that it has been set in aspic ever since. In fact, her overall figure for a family of four turned out to be not far from what the general public thought was reasonable as a basic minimum, reflected in questions the Gallop Poll had long asked. It was also just about equivalent to what became an international yardstick – half the median post tax income of a four person two child family (Citro and Michael 1995: 138). Yet, as the 1995 Research Council report put it:

> "Even if the method for determining the poverty threshold for 1963 is considered flawless, there is no logical argument why 1963 was the historically correct time at which to apply that method to set a level for all years thereafter." (Citro and Michael 1995: 113)

Once installed institutional and party politics have made the measure very difficult to alter. The agency who recommended its adoption as an official yardstick was the Bureau of the Budget, now the Office of Management and Budget. That became the agency who 'owned' the threshold. It has to initiate and approve changes. It is therefore understandable that an agency that is keeper of the public purse should not be keen to see a more generous interpretation of the threshold. The Bureau of the Census that actually collects the data and publishes it annually is not primarily concerned with poverty. It has more central concerns – counting people! So there is no powerful advocate at the heart of government concerned with poverty numbers. For a period the issue hardly mattered. Real family incomes barely rose for most families thus the poverty line remained much the same as a percentage of median income. Later it mattered more. Family incomes and wages began to rise and the poverty line became lower and lower relative to the average families income. By the late 1990s the poverty line had fallen to the equivalent of less than a third of median household income. This was a harsher measure than it had been in the 1960s and much harsher than most international poverty standards. The European Union has increasingly been using a measure of 60% of median incomes as its poverty line. This is much the same, in practice, as Britain's use of 50% of the *mean,* though with rather more statistical justification. In the Reagan years poverty was a forbidden term in the USA, just as it was in Thatcher's England. No pressure here to improve a poverty measure.

Perversely, too, liberals do not seem to have pressed for other changes that would have shown the impact of policy change – notably Medicare, Medicaid and food stamps not to mention the more recent tax changes like Earned Income Tax Credit (EITC). None of these are included either as additional income or reduced costs for the families concerned. Some lobbyists, at least, seem to have felt that to show declining poverty numbers might reduce the demand for social action. That was a miscalculation. The central thrust of Charles Murray's (1984) influential work was that the social programmes of the 1960s had not had *any* impact on poverty. Yet, the impact of many of those measures was excluded by the narrow way the poverty line was drawn.

We can see what happens if we do take account of these social programmes from the new work done by the Census Bureau. Short *et al.* (1999) show that including the benefit of food stamps and school lunches on the income side reduces the poverty population by almost a full percentage point. Including housing and heating subsidies and the effect of EITC produces another significant fall. Factoring in these in kind transfers as well as taxes on the poor and tax credits reduces the poverty rate from 13.3 to 11.1 per cent. That is all before trying to measure the impact of being able to receive free, or now not so free, medical care as a result of the Medicare and Medicaid programmes. These benefits do not figure in the poverty count either as increased income or as reduced costs. After reducing the burdens on the poor in the 1960s and 1970s old people have had to meet growing costs of medical care more recently prescription drug costs being but one example. In the 1990s the costs of medical care met by poor people increased numbers over the poverty line by a full five percent – (Burtless and Smeeding 2000). Yet, that is merely the impact on families of incurring *partial* medical costs. Taking all these government benefits into account the poverty level in the late 1990s would be reduced by about a third (Burtless 2000).

Thus, overall, the poverty measure has substantially under counted the impact of a range of anti poverty measures taken in the past twenty five years. The US got itself the worst of all worlds – an increasingly mean measure of poverty which also suggested that US social programmes were not making a difference when they were.

This situation can scarcely be blamed on the academic community. But a European is struck by the relatively limited conceptual discussion of poverty in the US even today. Many of the most recent papers on poverty in the US continue to use the old official poverty line as their starting point.

In Europe thinking about poverty and how to measure it has moved on. As long ago as the 1950s Townsend (1954; 1962; 1979) began his destructive critique of the absolute notion of poverty which has more or less carried the day with social scientists in Europe. Sen's (1983; 1985) differences with Townsend were useful in establishing the legitimate rational for both absolute and relative notions of poverty. Above all he introduced the concept of capabilities – basic needs of different kinds that must be met for someone to be able to participate fully in society (Sen 1992).

The Dutch began the work on subjective poverty measures (Goedhart *et al* 1977; van Praag *et al*. 1980; Hagenaars 1986). All poverty lines are, of course, in the end subjective. Yet, they have usually been devised by experts of one kind or another (Piachaud 1987). This is odd because to be operational they depend on public support. They pay. What the public view as an ethically tolerable minimal level of life which it is prepared to tolerate for fellow citizens is worth knowing. That line of reasoning has certainly led to a detailed opinion survey repeated at intervals in the UK – Breadline Britain (Mack and Lansley 1985; Gordon *et al*. 2000). At a cruder level Gallop used to ask regularly what a ‘get along’ level income was in the US (Vaughan 1993). (“What is the smallest amount of money a family of four… needs each to get along in this community?”). They stopped doing this in 1989 only repeating their question for the benefit of the National Research Council in 1992. Poverty definitions remain a stubbornly elite activity in the USA.

European governments, the French, British and Dutch especially, have widened the concept of poverty into one of social exclusion – the inability to participate in the activities of normal living. This can be measured in several dimensions – access to services, transport, work, caring, participation in community life, absence of discrimination – as well as income (Burchardt *et al.* 1999). The UK now has an annual poverty report which includes a range of indictors of poverty and social exclusion (Cm 4445 1999). It was a proposal first made by Tony Atkinson, formerly Professor of Economics at LSE, now Warden of Nuffield College, Oxford. Perhaps this is a way for the USA to go.

However, Europeans’ exclusive reliance on relative poverty lines also has problems.

Incomes in a country can collapse as we saw in Russia only too recently. A relative poverty measure, say half average earnings, may show no decline. The same percentage of the population may be living at half the median but that now means they are starving. Our poverty indicators have to be able to reflect that reality. (A point made by my colleague John Hills.) Conversely relative poverty has barely changed in Ireland over the past decade or more, while the absolute living standards of the lowest income groups have risen dramatically.

People do carry in their heads a notion of poverty that stems from their memory of times past. The generation who can remember the 1930s have a point when they say things are better now even if the Gini coefficient may not be that strikingly different. The past is a valid reference point. As Robert Lampman (1971) has pointed out it makes sense to ask: are people absolutely better off than they were when a particular piece of anti poverty legislation was passed. Surely we should judge progress, at least in part, using the yardstick the inventors of that statute would have understood?

The view-point of other countries is also valid. To someone from Southern or Eastern Europe few people in the US are poor. The problem with relative measures is that the poverty numbers are so difficult to shift. They induce pessimism. But, taken on their own, absolute measures grounded in the past also give a misleading impression. The American situation illustrates this. Very few American voters can realise that the measure of poverty which dominates political discussion here has been getting more and more mean as the years pass. It only survived as a valid single measure because US family incomes stagnated for so long. If the present rate of income growth continues and the poverty line remains unchanged the poverty line will soon be equivalent not to a half median earnings as it was when Mollie Orshansky invented the number but will be a quarter of median earnings. That would be twice as harsh a measure as other countries in the world adopt. If we want to judge the extent to which groups are being left behind or excluded from main stream society, absolute measures of income alone are not appropriate.

Services that are given free as a right of citizenship or exclusively to the poor have to be in the poverty count one way or another. Otherwise the impact of social policy on the poor cannot be measured. They need to be in both on the cost side, the cost of meeting that basic need, and as the value of benefits received to meet that need. Health expenditure is particularly crucial. But the indicators need to be wider still. The full picture is necessary – all cash and kind income and benefits certainly have to be included as well as income after tax and tax credits. But so do other measures of social exclusion – by geography for example. This can arise from lack of access to public transportation. It can arise from prejudice in those who ration access to housing – public or private.

So my conclusion for the US, as elsewhere, is that we need a variety of measures. There is a case for keeping an absolute poverty measure covering a wide range of basic necessities. This could be kept for quite a long period to measure changes relative to some historical starting point. But there is also a case for updating the basic basket regularly in line with changing consumer tastes to produce a moving relative picture in the way the National research Council recommended. This is analogous to the re-basing of GDP which is done regularly to take account of the major changes in the structure of the national output. However, that is not enough. A European would expect to see periodic surveys of what the public thought constituted a basic minimum income. They would also expect a poverty report to include other indicators of social exclusion discussed above. Finally, there is a strong case for including international comparisons. Here the measure could be half median net earnings adjusted for family size or the more generous sixty per cent of the median the European Union prefer or indeed a tougher measure. The Luxembourg Income Study data set makes this a relatively easy thing to do. (See Smeeding, O'Higgins and Rainwater 1990 and Burtless and Smeeding 2000 for an example of this approach). A new century and a nearly forty year old *single* poverty measure suggest that the time is surely ripe for some change.

Whether a poverty report should be an official Government publication is a moot point. We have seen that politics can stifle change and limit the approaches a government agency can adopt. It is too early to judge the UK's experience with its annual official Poverty and Social Exclusion Report. If there were to be a similar approach in the US careful thought would be needed about which should be the lead agency. The Census Bureau, the Social Security Administration or the Congressional Budget Office are obvious candidates. If it were not a government report then some independent body funded on a long term basis by a private foundation could be charged with the responsibility.

II Analysing Poverty

During the past thirty years the academic and political discussion of what to do about poverty in the US has been transformed (Haveman 2000). To get a sense of the changed nature of the debate it is worth re- reading the conference volume edited by Patrick Moynihan (1968) "Understanding Poverty". Then compare it with papers given at a conference held in Madison, Wisconsin, under almost the same title, in May 2000. The earlier volume is largely dominated by a discussion of the 'culture of poverty' and the contribution of race to poverty. Moynihan, in his introduction concludes:

> " In retrospect it is possible to view the war on poverty as a device that enabled the Federal Government to launch a fairly wide range of programs designed primarily to aid Negro families without having to specify their purpose." (1968: 14)

The contributors were mainly sociologists, only two were economists. There are very few numbers. The 2000 seminar was dominated by economists and by the analysis of large data sets.

The two periods are distinguished by far more than a disciplinary or methodological shift. The assumptions about the causes of family poverty change rather dramatically. The debates about poverty in old age and sickness barely change. In many ways they are the main success story. In practice they become sidelined.

From the culture of poverty to the underclass

Speculation about whether the able bodied poor are different is not new. It preoccupied many in Victorian England and seems to re-emerge in every generation. The account that caught American attention in the 1960s was that of an anthropologist, Oscar Lewis (1961; 1966). He described the lives of families in Mexico City, Puerto Rico and New York. These families, he claimed, suffered from maternal deprivation, a weak ego structure, confused sexual identification, lack of impulse control, present time orientation, resignation, fatalism and much more. Sweeping generalisations were made that were applied to black families and caused offence as well as controversy. But Lewis' basic position was that a cash economy, wage labour, high rates of unemployment and perpetual low wages produced these behavioural responses. Families adapt and pass on their learned coping strategies to their children – helplessness, dependence and a sense of inferiority. But the cause of the problem for Lewis lay with the economic system – especially uncertain and low wages. He claimed these attributes declined as societies became richer and developed welfare states. The causal agency in much of the influential policy literature of the eighties and nineties is the reverse. It was the welfare system not the economic system that lay at the root of family poverty.

Just why this reversal occurred can only be speculated upon but it surely grew out of the peculiarities of American economic experience in the period after 1970. First, the American economy ceased to deliver the year on year improvement in the standard of living for the average family that had seemed its birthright, at least since the end of the depression. For decades the economy had worked with the grain of social policy. It had delivered not just improving living standards for most families but had narrowed the gap between rich and poor. In 1950 the lowest quintile of income recipients in the US received 4.5% of all incomes. By 1970 this share had risen to 5.5% – not revolutionary but by no means insignificant. The share received by this group then fell back nearer to 4.0% by the end of the century (Burtless and Smeeding 2000). The largest part of the explanation can be traced to what happened in the labour market. The real hourly earnings of the bottom three deciles *fell* by a fifth in real terms between 1973 and 1995. Wage dispersion worsened in other countries too but did not *fall* in real terms. Americans were leading a world-wide change of enormous significance. The Kuznets law had taught generations of economists that as countries' incomes grew those incomes also became more equally distributed. That no longer held, it seemed, at least among the advanced economies.

Families responded by increasing the only resource they had – the market labour power of married women. More married women worked and worked longer to keep up the family income. Single women with children on welfare could not increase their income significantly by entering the labour market and did not do so. So we see rising poverty levels, a sharp increase in the participation of married women in the labour force but not in the incomes of single women on welfare. Indeed, benefit rates fell.

The stage is therefore set for a shift in problem appreciation and public values. As has happened so often in the past when the working poor are under pressure, resentment of those just below them on the economic ladder grows. In the US, in the late twentieth century, the most obvious group to be resented were the women on welfare. AFDC was invented and sold as relief for widows. It was a way of helping mothers to stay out of the workforce and look after their children. By the 1990s most married mothers were at work. The pressure on these families and the changes in the working habits of most mothers lead to sea change in attitudes about welfare mothers. There is no Federal programme that gives automatic assistance to poor single young men as there is in Europe. In the UK it was that group that were most resented when the economy worsened and on them that welfare reform has focused.

In the 1980s the popular imagination was caught not by the culture of poverty but by a new version – "the underclass". Ken Auletta's articles in the

New Yorker in 1981 began the newly fashionable use of the term. They became a book (Auletta 1982). Another piece in the *Atlantic Monthly* was also influential (Lemann 1986). "Every aspect of the underclass culture in the ghettos is directly traceable to the roots in the south," he claimed.

These popular pieces, however, sparked off a significant social science response as a result of which we have a much better idea of the nature and dynamics of family poverty formation in modern America and how poverty concentration occurs. William Julius Wilson's early (1985) response to the underclass debate was particularly sharp. Inner city black communities had existed from the 1920s and 1930s. They were very poor but they were not feared. They exhibited features of social *organisation*. They had a sense of community, explicit norms and sanctions. The brief recent excursions by white journalists and anthropologists failed to see this or understand what had happened to these communities through time. Liberals had fled the topic bruised by the culture of poverty debate. Liberal interpretations had failed by not honestly acknowledging the decline that had taken place in these areas. That had left the way open for the Conservative interpretation to dominate. Wilson put economic structural change and especially the decline of inner city jobs at the centre of his explanatory model (Wilson 1987).

The Social Science Research Council commissioned a range of studies on urban change and poverty (McGeary and Lynn 1988). It concluded that there had indeed been a growing concentration of poverty in the older urban centres and growing isolation of those living there. Nearly four million poor Americans lived in these areas which had been most affected by the loss of manufacturing jobs. Especially hard hit were cities in the mid west and the Great Lakes area. But the journalist stereotype was not helpful. Perhaps the best overview (Jencks and Petersen 1991) concluded: "the claim that America has a growing underclass does not help us understand the complex issues". But the growing concentration of poverty was real (Jargowsky 1997). As numbers on welfare fell those numbers became increasingly concentrated in poor urban centres (Allen and Kirkby 2000). The growing isolation of the poor from job opportunities which Kain (1968) and later Wilson had posited also turned out to be an increasingly powerful explanation (Pugh 1998; Katz 1999). Raphael and Stoll (2000) show this mismatch across American cities but also relate lack of car ownership to poor job prospects. In the absence of adequate public transport this turns out to be very important. They conclude that:

> "raising minority car ownership rates to the white car ownership rate would eliminate 45% of the black white employment rate differential and 17% of the Latino-white differential".

American work on the growing concentration of the poor has not just helped us to understand the problem of US cities but has prompted similar work in Europe, not least by colleagues at the London School of Economics. Does living in a poor area have long term effects on the children raised there as opposed to simply being brought up poor? This question has been studied with considerable sophistication in the US not least because long term panel data and census based income information exists as they do not for example in the UK (Gottschalk, McLanahan and Sandefur 1994; Brooks-Gunn, Duncan and Arber 1997). Work of a similar kind is now underway at the Centre for Analysis of Social Exclusion at the LSE.

Yet despite this fascination with the inner city poor we should remember that most poor Americans are not inner city dwellers nor single parents nor black.

The other assumption in the underclass debate was that the poor remain poor. This too was subjected to increasing scrutiny (Duncan, Coe and Hill 1984; Bane and Ellwood 1986; Rogers and Rogers 1993). US panel data gave researchers much more on which to work than their colleagues in the UK, for example, where new panel data sets are only just being exploited for this purpose (Jarvis and Jenkins 1998; Gardiner and Hills 1999; Burgess and Propper 1999).

From blaming the economic system to blaming the welfare system

Just as Michael Harrington (1963) had influenced debate in the 1960s with his powerful evocation of *The Other America* writers like Murray and Meade encapsulated the shift in public debate in the 1980s. Murray (1984) was probably the most influential. His message was essentially that things had got worse since the Federal Government had been actively involved in social policy. ‘Things’ being single parenthood, poverty, crime. There is no glimmer in his work of the fundamental transformation taking place in US labour market. Nor was there any recognition that the Federal social security programme had significantly reduced poverty among the elderly and the sick. On poverty his central point was that assistance to the poor encourages more people to become poor. It was a claim as old as the Poor Law itself but the economic changes of the time gave it particular appeal. It was what many wanted to hear and it seemed to be backed by some kind of evidence. Murray’s work led to a veritable explosion of social science responses (Danziger and Weinberg 1986; Sawhill 1988 for a summary). Yet the shift of emphasis – that public programmes overall were creating incentives not to work was difficult to refute. The negative income tax experiments had attempted to measure those effects though in a different context. They were bigger than many liberals had expected (Danziger, Haveman and Plotnick 1981). The new culprit, of course, was not more generous welfare – it was becoming less generous – but the decline in earnings at the bottom of the income distribution combined with other benefits targeted on the poor like Medicaid which a family would lose if they took up work.

Meade's (1986) was a more serious academic work though the core empirical study was small scale and open to methodological criticism (Sosin 1987). Its impact came from Meade's clear statement of values. Rights to welfare demanded equivalent duties, notably the duty to work. Since those paying the welfare bill were having to work far more hours this was a message that was likely to be heard. Meade's use of the language of citizenship to depict the notion of a universal right to benefit derived from Professor Marshall's characterisation of Britain's welfare state. Yet Marshall (1950) himself had been very careful to emphasise precisely the balance of duty and rights that Meade advocated. These duties became so much more difficult to enforce because of the changes to the income distribution and the high levels of unemployment that came to exist in the areas most welfare recipients lived. That at least was the story in the United Kingdom which suffered precisely the same severe stretching of the income distribution and spatial concentration of the poor. Meade's conclusion (1992) was that the age of social reform was over. Efforts to induce work from the non-working poor had failed. There were jobs, even if low paid ones, and the poor should take them or not receive help. Here he was but flowing with the tide of local state action and long held beliefs (Heclo 1994).

To their credit social scientists responded to both Murray and Meade with some impressive work. Significantly it did not just seek to refute their case but carved out a distinctive response. It acknowledged the strong perverse incentives welfare recipients were under, suggesting new ways to "make work pay" (Ellwood 1988). It would give single mothers both a secure income and place a duty on fathers to contribute (Garfinkel 1992). The result was to secure a wide band of social science and public support for welfare reform measures of *some* kind.

Rising inequality

Parallel to this fundamental shift in assumptions about the behaviour of the poor and the welfare system by sociologists was a renewed interest in the labour market by economists. It seemed no longer to be producing benign results for the average and below average American wage earner. The American dream that you may begin poor but work your way out of poverty seemed to hold no longer. Labour economists, growth economists and those interested in foreign trade all got involved. What was producing this stretching of the income distribution or possibly the emergence of twin peaks – the growing clustering of the very poor and the very rich?

Growing wage dispersion seems to have begun in the US around 1973 and then affected other economies during the next two decades (Danziger and Gottschalk 1993; Gottschalk and Smeeding 1997; Gardiner 1993; Atkinson 1996). So it is understandable that American economists should have begun this work and taken it as far as anyone. They are better technically placed having a richer source of data on incomes than many other countries. The US Census has long collected income data and produced annual reports on its distribution since just after the Second World War. Since the census reports other social characteristics, it is possible to relate income to education and hence human capital investment. The Census Bureau had been producing age earnings profiles by educational level several years before Becker (1964) produced his classic human capital theory. Income, race and place information are available together in ways they have not been in the UK until the capacity to match data sets only in the last five years.

Finally, the compilation of the Luxembourg Income Study data set has made international comparisons not only easier but more valid. For many years small scale careful studies comparing one or two countries were the norm or else large scale comparisons using questionable data (Sawyer 1976). American studies rarely looked abroad. But in 1982 researchers from the US and the European Community met at Clark University to discuss the problems of international comparisons of low income groups (Smeeding, O'Higgins and Rainwater 1990). The Europeans had been struggling with this in Europe and had made a lot of progress. The time seemed ripe for an international effort including the US. The then Prime Minister of Luxembourg, later head of the European Community, lent his support and that of the Luxembourg statistical service. The Luxembourg Income Survey (LIS) has now become an invaluable and unique source of data collected according to strict guidelines. It is also a rare example of US-European statistical collaboration. The first LIS project Director was an American – Tim Smeeding from Syracuse. The result has been to transform the content of many US papers on poverty. Twenty five years ago there would be little or no statistical poverty comparisons with other countries. Now they are common.

Thus, partly because it experienced rising inequality first, partly because it had very good income data and partly because the social science research budgets available in the US are vast compared to those in Europe, the US has moved into the lead in quantitative studies of income distribution.

This broad conclusion has to be modified in one increasingly important respect. What happens to poor at the state level has been under researched and very difficult to analyse systematically. After the welfare reform legislation of 1996 states have become even more important in delivering welfare to the poor. Both the Urban Institute and the Brookings Institution in Washington have begun to remedy this, the former collecting data on a state level and the later at an inner city level where welfare recipients are increasingly concentrated. What has happened to those who have simply fallen off the welfare roles is also under researched.

The old and the sick

So far the studies referred to have focused on the working or the potentially working poor. Yet in 1965 30% of the officially defined poor were over 65. That figure had fallen to one in eight by the end of the century. The cause of the decline lay in the maturing social security system that covered more of the elderly population by then. The next highest levels of spending on the poor come via Medicare and Medicaid. Fifty per cent of the Medicare and seventy per cent of Medicaid expenditure goes to those who would have been poor without these programmes (Scholtz and Levine 2000). Unemployment compensation and workers compensation for those injured at work which is administered by the states (Mont, Burton and Reno 2000) are both poverty alleviating. Over half of these benefits go to the pre benefit poor. Social benefits available to US citizens together eliminate about seventy per cent of the country's poverty gap Scholtz and Levine calculate. (That is seventy per cent of the total income transfer that would be required to raise all the poor in the US above the poverty line.) The size of the gap closed is not as high as in most European countries but US poverty would have been a whole lot worse without these benefits. Of that reduction *two-thirds* is the result of the main line social programmes – social security for the old and the sick, Medicare, Medicaid, SSI, unemployment compensation and workers compensation. This is the silent majority in the poverty debate. They are also the programmes on which most money is spent.

For these groups – the old, the disabled, the sick – the research conclusions and the issues remain much the same as they were twenty five years ago. Less sexy, perhaps, but no less effective for all that. As Rebecca Blank (1997) has pointed out most poor people do not live in ghettos, most are white, most are not single parents, few are continuously on welfare and most social programmes directed at these groups have worked. They *have* significantly reduced the scale of poverty.

Schools and education

The anti poverty literature of a generation ago featured education and training in large measure. The hope was that improved education would raise the earning capacity of the poor. Certainly there have been some small but well-publicised experiments on these lines (Karoly 2000). They mostly involve generous targeted aid to early intervention programmes aimed at pre school children. Some have long term effects. But no one is spending large sums on poor schools in the US. The reverse happened (Kozol 1991). Much of the early work on the impact of spending on schools was so negative that it hardly encouraged legislators to spend large sums on schools. (For a critical review see Burtless 1996.) The wide disparities in spending between suburban and inner city schools in the same state like New York or Illinois are simply unbelievable in European terms. They strike at the heart of the very idea of common citizenship.

The disparities in US pupils' achievement seem to have barely shifted, indeed, may have got worse in the last 25 years.

Similarly most of the schemes designed to raise the employment prospects of unemployed and low skilled youth showed limited success, especially in the early years. This was especially true of the rather short, cheap and minimally intensive programmes. These ranged from the Jobs Corps (1964 on), the Comprehensive Employment and Training Act (CETA) 1973, Job Training Partnerships (1982), JOBSTART and more. Karoly (2000) concludes:

> "The widely held consensus of this literature is that these programmes, particularly those that are not very intensive, have failed to produce economically meaningful improvements in employment or earnings for programme participants, with little success in moving youth out of poverty."

More recent more intensive projects reviewed in that paper have shown better results. Earnings differentials for participants assigned randomly to training projects were improved by the equivalent of a year of extra schooling compared to non participants in one experiment but the results are early and more follow up is needed to confirm any lasting effects (Schochet, Burghardt and Glazerman 2000) Overall, the cost benefit results of this, the most favoured of the 1960s solutions, remain disappointing – even negative. Early intervention seems to be the key (Danziger and Waldfogel 2000).

Health and poverty

Here scientific debate outside the US has been fierce in the past twenty five years. It has been the subject of two major UK Governments reports (Black 1980 and Acheson 1998) that have sparked a huge controversy about the facts and what to do about the health of the poor. Nothing like that has happened in the US though important work on health inequalities is taking place (Kawachi, Kennedy and Wilkinson 2000).

III Anti-Poverty Policy

Has any of this academic work produced policy responses that have resonance beyond the US? The answer is yes, in a few particular respects, especially in the UK and some other "Anglo Saxon Nations" as the French dismissively label them – Australia, Canada, New Zealand. The most obvious influence has been the debate about welfare reform but the Blair Government has been deeply affected above all by what Ellwood (1999; 2000) called "the quiet revolution" in American social policy over the past decade. This has seen substantial increases in support for low wage families through the tax system.

The duty to work

A steady increase in the number of families with children where *no* member was in paid work – over a fifth of all UK families by the mid 1990s – sharply focused government attention on the work issue regardless of party. Thus, Meade's general argument fell on receptive ears and politicians of all parties began to use language strongly reminiscent of Meade. It was perhaps most strikingly true of the lead up to the 1997 Election when Blair repeatedly returned to the "benefit must be matched by duty to work" theme. Visits to Wisconsin by ministers and civil servants became obligatory.

The Conservative government steadily increased the requirements to actively seek work as a condition of receiving benefit. But they had not been prepared to offer the intensive counselling the Labour Government was to require young (18-24 year old) jobless single people to undergo. Continued receipt of benefit now depends on the young person agreeing to enter full time education, to take a subsidised job in the private sector or voluntary agency or work in an environmental task force. The advisor and recipient have the goal of moving into ordinary employment in a six month period. For single mothers using an advisor is purely voluntary and is only suggested after a child is five. Single mothers have no work requirement until their youngest child is sixteen. Thus, though there are echoes of the US debate and policy direction the starting point was very different, the steps have been small and very gingerly taken, especially regarding single parents. There are some intriguing thesis topics for students of comparative social policy here.

Making work pay

If Meade had some influence on the welfare rhetoric of the Blair Government it was David Ellwood (1988) who had the most impact on policy. Both the UK and the US have suffered similar trends in growing inequality in wages and incomes for much the same period and for much the same reasons. The issue of rising inequality had become a central issue in the run up to the 1997 UK election campaign. This was partly the result of a bipartisan expert report on trends in income distribution funded by the Rowntree Foundation with a brilliant exposition of the research evidence amassed by John Hills (1995). I can find no equivalent in the US.

Single parenthood was growing in the UK only slightly less fast than in the US, unlike the slower pace in much of the rest of Europe. So the underlying economic and demographic factors have a lot in common. The political logic was also the same. If the middle class voters that returned Blair were to support a pro poor policy they would have to feel that their values were respected and the poor were not simply free riding. The reasons for Ellwood's influence are more personal. The Blair Government jumped a generation of Labour leaders and two generations in political advisors. Experience of American Graduate School was a new characteristic. The Treasury Minister Brown has strong

American connections and his young personal advisor Ed Balls was a student at Harvard in the early 1990s. Brown also took an unusual interest in social policy, the Treasury coming to take the lead in devising a social policy strategy in this period. Ellwood and a colleague were invited to help advise on the strategy – especially the introduction of the UK equivalent of the Earned Income Tax Credit for the UK. The phrase "making work pay" recurs throughout Brown's speeches and Budget documents describing Ellwood type measures. Indeed, if we take the main recommendations in Ellwood's book (p.238), or the proposals he made to President Clinton for welfare reform , we find *everyone of them* implemented by the Blair Government between 1997 and 1999.

- *Make work pay so that working families are not poor*: A generous Earned Income Tax Credit, with a child care credit and a more generous minimum wage. All implemented in the UK in those years. Indeed a minimum wage was introduced for the first time there in 1999 (Metcalf 1999).
- *A uniform child support system* requiring a percentage contribution from absent fathers or partner with a guaranteed income for mothers. The first attempts to reform the child support system date back to the Conservative Government but the simpler rules of this kind date from the Labour Government.
- *The welfare system to be replaced by short term support* plus assistance to get into a job. The "New Deal" programme introduced in 1999 is based on similar principles.
- *Ensure everyone has medical protection*: This has been in place since 1948.

In several respects the UK welfare reform design is an advance on the US. It includes subsided jobs in the private sector. It can be cashed in by mothers or fathers on a weekly basis. There is minimum level of hours of work required before a family can draw benefit and a higher rate for those in full time work .

That Milton Friedman and Charles Murray should have had such influence with Mrs. Thatcher is not surprising. That the moderate left should have been so influenced by American ideas is more interesting. America has led the economic poverty trends of the period. That the policy instruments should be so similar is more surprising. They reflect an increasingly shared transatlantic academic culture. (For a more extended discussion of the issue see Deacon 1998.) This transatlantic frame of reference does not extend to the Continent of Europe nor has the policy influence. Another subject for doctoral theses here!

Making fathers pay

A far less successful policy transplant followed Mrs. Thatcher's determination to catch up on wayward fathers. Again Wisconsin trips were required. Yet

Garfinkel's and others advice to make sure mothers had a financial incentive to collaborate was rejected. Her Majesty's Treasury saw this as a primarily revenue raising activity. The result was that middle class ex-husbands who had already made court settlements came in the firing line and mounted a highly successful resistance campaign bringing the government agency concerned near to collapse (Glennerster 2000). Here was a classic example of how not to policy learn. Again, though, this whole issue is a largely Anglo-Saxon obsession.

Social security and the elderly

As we saw, arguably America's most successful anti-poverty effort has been its main line social security programme. It is here that the UK has taken a completely different route from both the US and Europe and Scandinavia. This is too big a story to develop here but as hinted earlier Beveridge's flat rate scheme failed to provide adequate pensions for the average voter. Attempts to install an American or Scandinavian type wage related scheme did not succeed until the late 1970s and permitted contracting out into the large private sector that had grown up. Mrs. Thatcher essentially accepted the view of many American economists that funded private pensions were the way forward. The UK's wage related state pension was reduced in generosity and people were encouraged to opt out of it with heavy tax inducements. Only a minority of the population remained members. The Blair Government has accepted the inevitable and essentially redesigned the residual state scheme to cater for the very low paid with heavy general revenue subsidies. The UK has gone further down the road to privatised funded pensions that any other advanced economy. It has targeted its tax funding on poor pensioners.

There are two lessons here for the US. A universal social insurance based state pension scheme does not necessarily rescue the old from poverty. Second, going the private pension route is not a cheap option. The UK has been more successful than the US in reducing levels of poverty among the aged using an international measure of poverty. Though not for children and not compared to more generous European pension systems (see Table 1.). There is a limit to what social *insurance* schemes can do for the poor who have low or intermittent work histories. Here you need a reasonably generous means tested basic minimum to pick up those who fall through the insurance net. That the US does not have. The State administered Supplementary Income (SSI) payments to the old, the disabled and blind are surprisingly inadequate. The benefit standard is set at only about 75% of the Official Poverty line, which is itself low by international standards as we have seen. Even more important the asset limits are also relatively low.

However, UK experience also shows the enormous practical difficulties of introducing personal private pensions without disadvantaging even middle income groups. To do so requires heavy regulation to prevent abuse. It also requires big chunks of public spending on the elderly poor who do not have private pension income. Despite its heavy reliance on private pensions the UK's social security taxes are much higher than those in the US even for those contracted out of the state scheme. They are going mainly to those who did not and who cannot join private schemes. The present generation of British workers is paying twice over for old age – its own and its parents'. Sweden has private accounts but as compulsory private funded *additions* to its state pay as you go pension scheme. Germany is going a similar way. None of these 'solutions' have been cheap. It would be good for Americans to shed some of their insularity in discussing options for the future of social security and poverty relief.

Table 1: Poverty rates in eighteen rich countries, by age group, in the 1990s

		Poverty rate (% of population)[1]		
Country	**Year**	**Overall**	**Children[2]**	**Aged[3]**
United States	1997	17.8	22.3	20.7
Australia	1994	14.2	15.0	28.9
Italy	1995	13.9	18.9	12.4
United Kingdom	1995	13.2	20.1	13.9
Japan	1992	11.8	12.2	18.4
Canada	1994	11.4	15.3	4.7
Spain	1990	10.4	12.8	11.4
Israel	1992	10.2	11.6	17.2
Netherlands	1994	7.9	7.9	6.2
Germany[4]	1994	7.5	10.6	7.0
France	1994	7.4	6.7	10.2
Denmark	1992	7.1	4.8	11.1
Norway	1995	6.9	3.9	14.5
Austria	1992	6.7	5.9	17.4
Sweden	1995	6.5	2.6	2.6
Belgium	1992	5.5	4.4	11.9
Finland	1995	5.0	4.1	5.1
Luxembourg	1994	3.9	4.4	6.7
Overall average		9.3	10.2	12.2

Notes:

Poverty is measured at 50% median adjusted disposable personal income (DPI) for individuals. Incomes are adjusted by E=0.5 where adjusted DPI = actual DPI divided by household size (S) to the power E: Adjusted DPI = DPI/sE.

Children are persons under age 18.

Adults aged 65 and over

Includes former West Germany only.

Source: Burtless and Smeeding (2000).

	Rank of country		
	Overall	**Children**[2]	**Aged**[3]
United States	1	1	2
Australia	2	5	1
Italy	3	3	8
United Kingdom	4	2	7
Japan	5	7	3
Canada	6	4	17
Spain	7	6	10
Israel	8	8	5
Netherlands	9	10	15
Germany[4]	10	9	13
France	11	11	12
Denmark	12	13	11
Norway	13	17	6
Austria	14	12	4
Sweden	15	18	18
Belgium	16	14	9
Finland	17	16	16
Luxembourg	18	14	14

Social exclusion

Another area where Americans may come to learn from UK and French experience is in their attempts to come to terms with the multiple and extreme forms of social exclusion that afflict our societies in the wake of the modern trends in income distribution and urban polarisation. The cross-departmental attack on these issues which both the French Government and, more recently, the Blair Government (Cm 4045 1998) have launched are at least the beginnings of what will be a very difficult project.

Social exclusion is not just a more helpful academic concept than poverty. It also prompts a wider cross departmental governmental response.

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