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POVERTY

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Poverty Research and Poverty Policy

A Case Study of the Interaction of Poverty Policy and Social Science Research

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Two Questions

- Does poverty policy influence poverty research?
- Has research on poverty issues led to new social science methods?

Note: Unlike the prior talk, I will not be concerned with efforts to increase the communication between social researchers and policy makers; rather, I'll be describing the process by which policy influences research, which in turn leads to improvements in social science methods

It is a case study of developments over the 1965 to 1980 period

First, How has Poverty Policy Affected Social Science Research

- What has been the impact of the Great Society initiatives of the 1965 to 1980 period on social science research?
- These initiatives include the Job Corps, Neighborhood Youth Corps, Community Action Program, Upward Bound, Head Start, and the Work Experience Program. In the first year of the Great Society, over \$800 million (1964) was appropriated to support these programs; in today's dollars that is nearly \$6 billion
- Because of these policies, research support increased substantially from \$19.1 million (2016 dollars) to \$634 million (2016 dollars) from 1965 to 1977—a 34 fold increase or an average annual percentage increase of 33 percent

How About Published Poverty Research?

- Poverty-related research articles published in top economics journals increased from 4.3 percent of all articles published in 1963 to 7.7 percent in 1980.
- After the Great Society programs, poverty research came to occupy an important place in the social science disciplines.

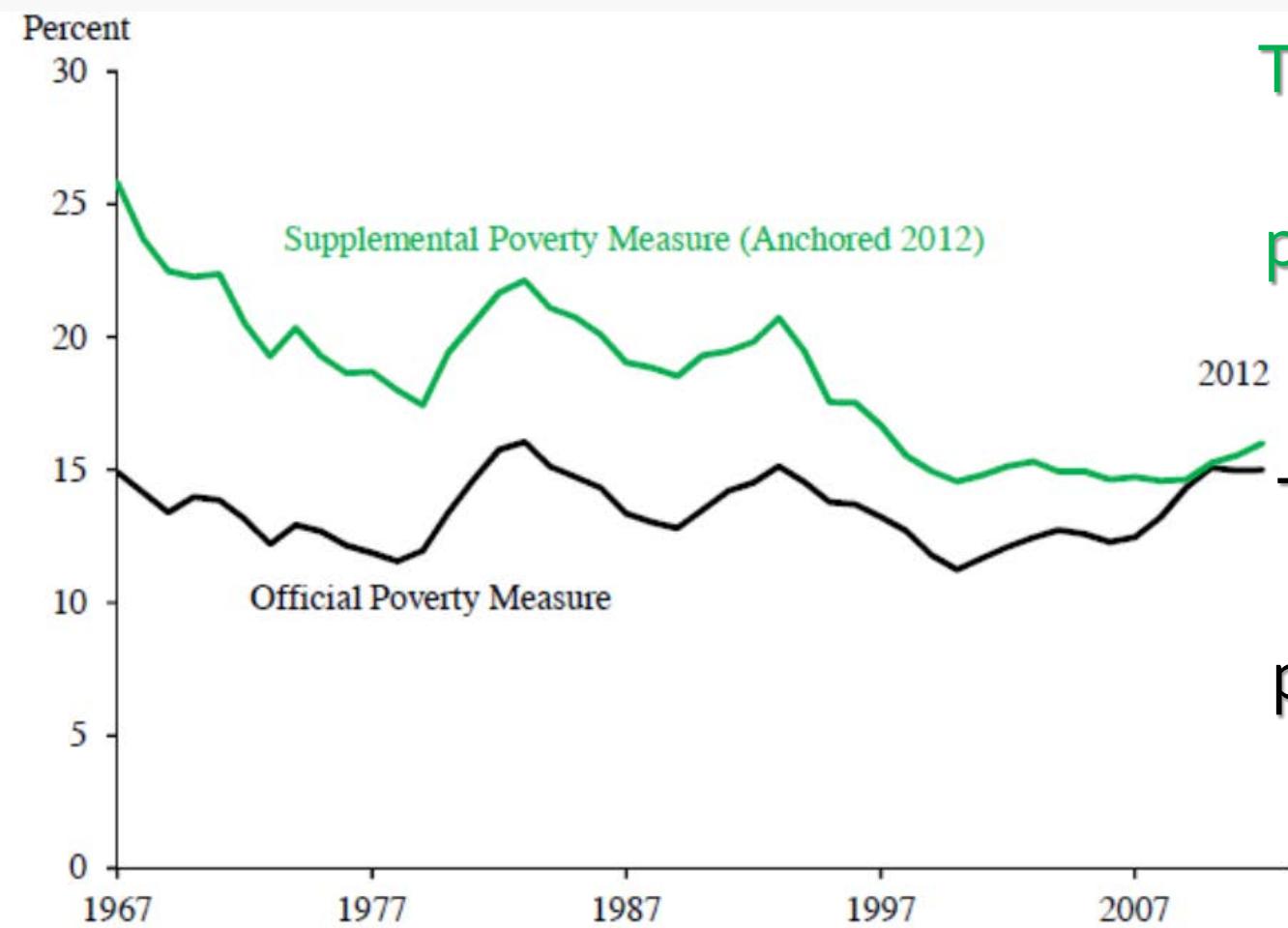
The Response of Poverty-related Research to the Growth in Poverty Policy

- Consider **four** areas:
 1. The measurement of poverty
 2. The measurement and analysis of inequality
 3. The design and impacts of income transfer policy
 4. The measurement of social mobility and stratification

1. The Measurement of Poverty

- Through a succession of research projects, significant progress has been made in the measurement of poverty
- Based on this research, there is now an official supplemental poverty rate, that makes several important adjustments to the official rate, including a resource definition that measured after-tax income plus imputed in-kind benefits from near-cash programs

Official vs Anchored Supplemental Poverty Rates, 1967-2012



The SPM shows a 38% drop in poverty between 1967 and 2012.

The OPM shows no consistent progress against poverty.

Source: Census Bureau; Wimer et al (2013).

2. The Measurement of Inequality

- Motivated by the same concerns that led to progress in the measurement of poverty, substantial research has gone into the measurement of inequality
 - Measures of current income have become replaced by measures of a more permanent type
 - Multi-year income
 - Earnings capacity
 - Measures of equivalized income that takes account of family-size related needs have been used in measuring household

3. The Design and Impacts of Income Transfer Policy

- From 1965 to 1980, federal and state income transfer benefits increased from \$311 billion to \$1028 billion (2016 dollars); a three-fold increase)
- In response to this rapid growth in expenditures designed to reduce poverty, many research developments have occurred

Research on Income Transfer Policy

1. To what extent do income transfers discourage labor supply or encourage unemployment?
 - A mini-industry of studies analyzing the effects of income transfers on work effort
2. What determines participation in transfer programs?
 - Stigma costs, lack of knowledge, and administrative discretion were all found to contribute to non-participation
3. What are the income distribution effects of income transfers?
 - Concepts such as “target efficiency” and the “poverty gap” were developed and extensive research on these values followed

4. The Measurement of Social Mobility

- Research on social mobility was also stimulated by the growth in Great Society programs; there has been an increase in the number and quality of studies that examine the relationship between the earnings of parents and their adult children
- This research was enabled by the start of the Panel Study of Income Dynamics (PSID) in 1968, which was funded by the agency administering the War on Poverty. Numerous research studies have used the PSID to study issues of social mobility
- Many of the findings of these studies challenged conventional wisdom regarding poverty, such as:
 - Poverty is a transitory and not a permanent status
 - Long-term welfare dependency is not common
 - The tie between parental dependency and offspring dependency is not tight
 - A large proportion of Americans use the social safety net at some point in their lives
 - Few workers are trapped in certain types of jobs

Additional Effects of Poverty Policy on Research

- Education and Training
 - What is the effect of additional education on earnings?
 - Through what means does education affect economic success?
 - What is the effect of education on inequality?
- Segregation and Discrimination
 - Extent and causes of the Black-White income gap
- The structure and functioning of the labor market
 - Policy to increase the employment of low-skilled workers

Substantial research pursued all of these issues

Poverty Research and Social Science Methods

- The issue here is: To what extent has poverty related research in the two decades following the initiation of the War on Poverty contributed to the development of methods in the social sciences?
 - Policy analysis and evaluation research
 - Social policy random controlled experiments
 - Methods for correcting selection bias
 - Micro-data simulation modeling

1. Policy Analysis and Evaluation Research

- Much of the Great Society legislation included language that required evaluation
- The most rigorous civilian evaluation programs grew up where the Great Society programs were concentrated

2. Social Experimentation

- The New Jersey Income Maintenance Experiment was the first major social experiment; it was run by the Institute for Research on Poverty
- It was testing the effect of a negative income tax on labor supply
- Numerous follow-on experiments followed this early experiment

3. Methods for Correcting Selection Bias

- Many of the Great Society programs were plagued with problems of selectivity
- These included income maintenance programs (eligibility limited to those below 150 percent of the poverty line) and education and training programs (non-random selection of those participating in the program)
- Numerous studies suggesting corrections for this bias were proposed, culminating in Heckman's selection correction method

4. Micro-data Simulation Modeling

- Computer models based on one-time and longitudinal surveys enabled researchers to test the effects of changes in the parameters of proposed policies
- The early models were static; later models were dynamic followed by models that incorporated behavioral responses
- The culmination were full-blown general equilibrium models

In Sum

- The development of and expenditures on policies designed to reduce poverty has led to substantial research and important findings
- This research, in turn has led to important developments in social science research methods
- This research continues as does the issue of how to best measure poverty.