

# THE ANTI-ECONOMIST

## Problem Number One

By Jeff Madrick

This spring, Newark mayor Cory Booker, then considering a run for U.S. Senate, came to my office along with members of his staff to discuss national economic issues. We spent a couple of hours batting around such familiar topics as deficit spending, public investment, and Wall Street's role in creating or suppressing job growth. But I also used the opportunity to move beyond these subjects to what I think is the most critical problem in America today: child poverty.

It's a problem largely absent from our political debate. When candidate Romney, with embarrassing honesty, admitted that he wasn't "concerned about the very poor," he was simply expressing the common assumption that social safety nets effectively address the problem of poverty and that politicians ought therefore to concentrate on the middle class. Though President Obama is far too savvy to use such language, he appears to share this assumption: in his July speech outlining his second-term economic agenda, he talked about wages, infrastructure, and education, but there was not a word about child poverty. The current economic talking point—building the economy from the "middle out"—is the most recent effort to skirt the issue of poverty and frame Democratic programs in middle-class terms. (It should be noted that Obama's original stimulus package did in fact direct more money to the poor, but such programs don't seem to get much political traction.)

The truth is that more than one in five U.S. children live below the pov-

erty line, which puts the United States at the bottom of the pack among wealthy nations. Close to half of those poor children live in extreme poverty—with parental incomes of less than half the poverty rate. Some 13 percent of children are born into poverty, and for them it is likely to persist: most remain poor for at least half their childhood.

Researchers have found that stress in infants and toddlers does measurable damage to memory and I.Q. What investigators now call "toxic stress" can permanently change the structure of the brain, according to reports by the American Academy of Pediatricians. As one study puts it:

The active ingredients that are necessary to construct a strong architecture of brain circuitry are abundant, safe opportunities to learn and active, reciprocal relationships with adults.

These are too often missing in the lives of poor children. Nutritional inadequacy and exposure to violence are common; poor children are likelier to wind up in hospitals because of physical abuse and nutritional neglect. Economists insist that investment in education is the key to reducing inequality and raising opportunities for all. But how can a child deprived of adequate nutrition, emotional support, and normal early cognitive development take advantage of universal pre-K education?

Those born to poor parents are significantly less likely to finish high school, to attend college, or to complete a degree. Childhood poverty is also closely related to a higher fre-

quency of teen parenthood, and children born to young parents are likely to fall into the same damaging cycle.

"Dramatically reducing child poverty, especially in the first five years of life, will not solve all of America's problems," says Lawrence Aber, a developmental psychologist and the former director of the National Center for Children in Poverty. "But it will make a large number of very tough problems—childhood obesity, academic underperformance, and too-early births to single parents—much easier to solve."

The problem may seem particularly intractable, but in fact a number of obvious solutions present themselves. First, let's disabuse ourselves of what may be the most common reaction to our nation's stunning child-poverty rate. There is nothing about American history or demographics that condemns us to high rates of poverty. The overall problem has little to do with the legacy of slavery or the culture of inner-city black communities or the influx of poor immigrants from Latin America. When government social programs are removed from the equation, the U.S. poverty rate is in the middle of the pack among rich nations, according to an analysis of the Luxembourg Income Study Database, the most comprehensive collection of the relevant data. The difference is simply that the United States does less for its poor children than others do.

Global success in reducing poverty rates proves that corrective policies are possible. Western European nations



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generally provide unconditional cash allowances to families with children. But Britain's efforts on this front may be the best recent example. In 1999, the Labour government under Tony Blair promised to eliminate childhood poverty in Britain, where rates were then almost as high as those in America. A major component of Blair's plan was a cash allowance—with few strings attached—to families with children. While the United States was "reforming welfare as we know it," Britain cut the number of children living in poverty nearly in half. There are also examples closer to home. In 1997, the Mexican government adopted a program now called Oportunidades, which provides "conditional" cash allowances to families with children who attend school, adopt minimal nutritional standards, and meet other conditions. The program decreased the use of child labor throughout Mexico, and in some regions high school attendance jumped by as much as 85 percent. Many Latin American nations have since instituted similar antipoverty programs.

While other countries have attacked child poverty through direct cash payments, the United States has moved in the opposite direction. Congressman Paul Ryan's proposed budget, so popular with Republicans, got two thirds of its cuts from health, nutrition, and other programs designed to help the poor and the middle class. The recent budget sequester has cut deeply into social programs for the needy.

A nation dedicated to equal opportunity for all cannot tolerate such unambiguous disadvantages for so many at the very start of their lives. Sure, we can try to build a universal pre-K education system, but poor kids are often not ready for it. We can improve the quality of public K-12, but the poor, especially those born poor, have often fallen far behind before even reaching school age. We can create jobs programs, but poor kids often don't graduate high school. For any of these policies to have their full impact, we must also address child poverty.

**H**ow might U.S. policy change if we got serious about this problem? For starters, general poverty is at a high level in the United States compared

with other rich nations. We have to begin with putting more people to work in higher-paying jobs. There is no quicker path to reducing childhood poverty than reducing unemployment for parents. But the recession and slow economic recovery have kept poverty rates around 15 percent. More fiscal stimulus now is a priority; at the very least we must end the sequestration. The minimum wage should also be raised substantially from its current level of \$7.25 an hour.

There are also ways to target the problem more directly. The best modern federal program to help the poor is the Earned Income Tax Credit, a refund of income and payroll taxes aimed at low- and medium-income workers, particularly those with children. When the credit exceeds the amount of taxes owed, workers are given some of the difference in cash payments in addition to tax refunds. The EITC can be made more generous, and a higher proportion of the unused refund should be made available in cash. Currently, many low-income people without jobs can't make use of the credit, and many workers who aren't required to file federal returns don't know they are eligible for it. The same is true of the Child Tax Credit, which benefits middle-income workers more than the poor. Another fruitful reform would be the expansion of Early Head Start, the community-based program that provides services to pregnant women and children up to age three.

But the boldest and potentially most productive new idea around is to follow Mexico's example by providing conditional cash allowances to poor families with children. This is one approach Lawrence Aber advocates. He acknowledges that it would be hard to win support for the kind of unconditional cash allowances favored in Europe, so his version would attach plenty of conditions on the payouts. He would tie substantial cash allowances per child to requirements for regular pediatric visits, maintaining nutritional programs at home, and regular school attendance.

Aber figures that a reasonable allowance would amount to about \$3,000 per family, with minimal administrative costs. By my own estimate that would mean spending about

\$25 billion a year nationally. That would surely repel Republicans and probably lots of Democrats as well. On the other hand, the conditions Aber recommends may also disenchant many progressives, who believe such government control is demeaning and undermines the confidence of the poor. Further, the nation has to invest in more developmental pediatrics, nutritional programs, and other services, so they are available to those given allowances to use them.

A conditional allowance for low-income families does have one prominent precedent in our own country. New York City mayor Michael Bloomberg raised private financing for such a program, which started in 2007. (It was called Opportunities, in tribute to its Mexican model.) An average of \$6,000 a family was doled out over two years when children attended school, got regular medical attention, went to the dentist, got a library card, or met other conditions. Doctors' visits went up, visits to the ER down. Stress in general among poor children was reduced. But Mayor Bloomberg's primary goal was to raise test scores; because the program failed on this front, it wasn't renewed. "You always hope that you'll come across a magic silver bullet, and you never do," said an impatient Bloomberg. "If there were simple solutions, somebody would have found them a long time ago."

Cory Booker, however, seems willing to confront the issue nationally. A few days after our meeting, Senator Frank Lautenberg died at age eighty-nine. Booker announced his candidacy shortly after that. By early July, he proposed a comprehensive program calling for "ending child poverty in the United States." In August, Booker received the Democratic nomination to fill Lautenberg's seat, and he looks likely to defeat Republican Steve Lonegan in a special election this month.

Booker's plan does not include cash allowances, but he gets the point—and few in the Senate have shown as much insight or courage. "We must acknowledge," read the report outlining his new plan,

that there are large numbers of American children who because of circumstance, are unlikely to be able to take

advantage of the best schools or the best teachers. We must acknowledge this reality and do something about it. These children are born staring at a mountain they lack the tools to climb. In Newark, I see it every day: So many children, generation after generation, repeating history.

He'd raise the minimum wage to \$10.10 and expand the Earned Income Tax Credit. He'd establish programs to provide nutritional guidance and affordable housing. At this stage, bringing national attention to this most invisible of crises may be more important than any specific proposals. "If given the opportunity to be your senator," he said before the primary, "I will make eliminating child poverty the moral and economic priority it must be for New Jersey and the United States to continue leading the world."

If someone with Booker's high media profile will continue to speak out on the problem, we may at last take some serious steps in reducing the burden one out of five American children now carry in life through no fault of their own. ■

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