The Poverty Puzzle

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Michael D. Tanner, a longtime poverty researcher for the libertarian Cato Institute and a National Review Online columnist, is rethinking some things. In the preface to his new book, he writes that some friends of his have "rais[ed] my consciousness" on certain issues. Racism and the legacy of slavery, for example, are bigger obstacles to success, even in a free market, than he had truly grappled with before.

In the book's early pages he also writes that government spending on the poor isn't *totally* useless. True, the official poverty rate hasn't fallen much since the War on Poverty began — but that measure ignores most of the income people get from the very safety-net programs the War on Poverty created. With that income included, the poverty rate has fallen substantially: by 23.5 percentage points between 1960 and 2010, by one measure (which also corrects flaws in the government's standard inflation adjustment). It's hard to say what would have happened without those programs; maybe more people would have lifted themselves out of poverty if the government hadn't stepped in. Nonetheless, it seems clear these efforts are alleviating a lot of material need.

But these revelations haven't shaken Tanner's core convictions: He hasn't become one of those "bleeding-heart libertarians" or "reform conservatives" who've made their peace with the size of the welfare state and just want to fix it. (To put it in D.C.-speak, he won't be leaving Cato for the Niskanen Center anytime soon.) When it comes to actual policy, the most he can concede is that "the provision of welfare to at least some people may (or may not) be necessary and justified." Indeed, despite the admissions he makes in the book's first half, by its conclusion Tanner writes that "the government is much more part of the problem than part of the solution" and that "the policies we are pursuing today have failed."

I don't think the book ever quite resolves that central tension, pitting the "woke" Tanner debuted in the early pages against the old-school-libertarian Tanner we all know and love. But *The Inclusive Economy* offers a lot that's worth engaging with, from its analysis of why poverty happens to a set of big-picture suggestions for simultaneously (a) helping the poor and (b) limiting the government. Those who don't share Tanner's libertarian convictions won't think he's provided the best possible ways to combat poverty, but everyone should recognize he's hit on some great ideas.

When it comes to the causes of poverty, Tanner casts a broad net, though not quite broad enough. He writes about the historical disadvantages some groups have faced and details the strong evidence we have that discrimination persists to the modern day. At the same time, he highlights

how paternalistic it is to deprive the poor of all agency, to insist that any bad decisions they make are not their fault. Toward that end, he discusses the debate over the "success sequence" — graduate from high school, work full-time, don't have kids until you're married — which conservatives point to as a tried-and-true method through which just about anyone can avoid poverty.

The discussion of causes stumbles in two ways. First, while it covers *voluntary behaviors* that might keep people poor, it shies away from discussing *traits*. The current economy rewards certain characteristics — Tanner's fellow libertarian Bryan Caplan highlights intelligence, conscientiousness, and conformity — and owing to the unfortunate facts of human genetics, not everyone has or can develop these to the same degree. People low in these traits are not genetically incapable of working, of course, but it's obviously true that they will have a harder time finding and keeping a good job, especially during economic downturns, when employers have more options. This speaks not only to poverty's causes but also to the question of blame, for as another of Tanner's fellow libertarians, Charles Murray, has pointed out, "nobody deserves the possession of those skillsets" and "none of us has earned our IQ."

As businesses move in the direction of requiring higher levels of education and automating lower-skill work, this issue will become ever more salient. Yet Tanner seems almost willfully oblivious to these realities. He discusses some studies finding that parents' beliefs and outcomes are correlated with their children's, for example — yet he does so in the context of cultural transmission, and he never raises the obvious alternative explanation aside from an oblique reference to "other factors."

Second, in his discussion of the success sequence, Tanner gives short shrift to family structure, even taking seriously the idea that single motherhood doesn't cause poverty — that "women give birth outside marriage because they are poor rather than [being poor] because they have children outside of marriage." To be fair, there is an intense debate among researchers today over the precise role of single motherhood in poverty; plenty of poor households don't even involve single mothers, and no country on earth has eliminated single motherhood entirely, so it may well be that efforts to improve family structure can have only a minimal impact on the overall poverty rate. But at the individual level, the simple fact is that most prime-age men (25–54), including high-school dropouts, are employed, and therefore adding one of these men to a poor household is quite likely to bring that household above the poverty line. This year the federal poverty level starts at $12,490 for a single person but increases only $4,420 with each additional mouth to feed, reflecting the fact that people who live together save on various expenses, so adding an income-earning adult to an existing household is almost always a net plus. Even a minimum-wage job pays about $15,000 per year, and the average income for a prime-age male dropout (the bottom 10 percent of men by education) is more than $20,000.

That's basic accounting, not a confusion of correlation and causation. It's just easier to support a kid with two parents than it is with one. Studies that look at this individual level (instead of calculating changes to the overall poverty rate) have found that marriage to demographically similar men could lift more than half of poor single mothers out of poverty. Maybe marriage promotion doesn't work as public policy, but marriage is undeniably a boost to individual families.

On a side note, I was frustrated to see that Tanner changes his stance on fathers when said dads are criminals: In his chapter on criminal-justice reform he starts citing individual-level studies

showing that a child's risk of poverty goes up substantially when a dad is locked up (and his income is removed from the household). This is precisely the scenario where the case is weakest, because criminal dads, whatever their income, aren't great role models. Some well-designed studies even find that child outcomes such as educational performance *improve* when a parent is incarcerated.

But on to Tanner's policy recommendations — which are magnificent, by and large, even if they don't amount to a comprehensive plan to fight poverty. Government meddling may not be the biggest obstacle the poor face, but Tanner proves beyond any doubt that it can be a big one.

Overly intrusive zoning regulations drive up rents, which both squeeze budgets for the poor and keep them from moving into some cities entirely. Some jurisdictions require occupational licensing for workers whose jobs pose little or no threat to public health (hair-braiders and florists being two stock examples). The criminal-justice system burdens far too many people with the stigma of a criminal record, though I suspect Tanner and I would disagree on exactly how much we can roll back penalties and prohibitions at an acceptable cost in crime. And, of course, the public schools provided to poor families are a disgrace, with school choice being the obvious libertarian solution.

Especially interesting is a chapter on how the government keeps the poor from saving. Many welfare programs have "asset tests," meaning benefits are not available to people with too much money in a bank account. These are necessary to some extent — otherwise you end up with last year's lottery winners on food stamps — but they are too often set at paltry amounts, sometimes as low as $1,000. Tax-advantaged savings accounts also help the rich far more than the poor: The rich pay higher taxes and thus benefit more from shielding their income; the poor are more likely to balk at the penalties they'll pay if they withdraw the money prematurely. Tanner recommends consolidating our various savings programs into a new one that's available to everyone and doesn't penalize early withdrawals.

This book comes at an interesting time, because nowadays the Right is rather divided over the safety net. Many conservatives are fans of work requirements, for example — help the poor, but require the poor to help themselves too — while others despise such paternalism and would prefer the government to just give everyone cash and be done with it. Reform conservatives want to make parenthood easier through a bigger child tax credit, and to subsidize low-paying work as well. Those bleeding-heart libertarians see a robust safety net as a necessary complement to a free market and nothing to worry about at all. And of course there are still plenty of folks who think the government is virtually doomed to make things worse wherever and however it intervenes.

In *The Inclusive Economy*, Tanner confronts evidence he hadn't before and tries to reconcile it with his longstanding policy views. That's a respectable project, and even if he's not entirely successful in it, he illuminates a lot of areas where libertarian insights could help the poor. Policymakers, even those with no libertarian inclinations of their own, should give it a read.