

NATIONAL REVIEW

Why Are People Poor?

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December 5, 2018

Why are people poor? Conservatives and liberals offer very different explanations.

Conservatives point to a “culture of poverty” and suggest that much deprivation is the result of flawed choices and behavior by the poor themselves. They point to a strong correlation between poverty and a failure to follow the so-called “success sequence”: finish school, get a job, get married, and only then have children. Relatively few people who do those things end up in poverty.

Liberals, on the other hand, say that that is all very well, but choices are always constrained by the circumstances in which people live. Therefore, conservatives are wrong to discount structural factors, such as racism, gender-based discrimination, and economic dislocation, that can help shape people’s choices.

There is truth to both explanations. One can’t strip the poor of agency by treating them as if they were little more than chaff blown by the wind, with no responsibility for their choices. But neither should we ignore the context in which those decisions are made. For all the progress we have made, not everyone starts with an equal opportunity.

However, in my new book, *The Inclusive Economy: How to Bring Wealth America’s Poor* (available this Friday, December 7), I offer a third explanation: Too often, government policies help make or keep people poor. Rather than having another sterile debate over whether this program should be increased by \$X billion or that program should be cut by \$Y billion, we should strive for fundamental reform of those areas of government that most harm the poor:

Criminal Justice: Scholars at Vanderbilt University have estimated that overcriminalization and the bias against the poor and people of color in our criminal-justice system have increased poverty rates by as much as 20 percent. Another study found that a family’s probability of being poor is 40 percent greater if the father is imprisoned. Given that 5 million children have an imprisoned parent, that is an enormous contributor to poverty in America.

As President Obama’s Council of Economic Advisers pointed out in 2016:

Having a criminal record or history of incarceration is a barrier to success in the labor market, and limited employment or depressed wages can stifle an individual’s ability to become self-sufficient. . . . Further, criminal sanctions create financial and emotional stresses that destabilize marriages and have adverse consequences for children.

In addition, conservatives who warn about the dangers of nonmarital births should take note of research by Harvard’s William Julius Wilson, who points out that nearly 1.5 million young African-American men have been rendered largely unmarriageable because of their involvement

with the criminal-justice system. This has inevitably led to an increase in childbearing outside marriage.

Education: Numerous studies show that educational achievement is a key determinant of financial success. At the same time, government-run schools are doing an increasingly bad job of educating children, especially children who grow up in poverty. Schools attended mostly by children living in poverty tend to produce weaker educational outcomes than do schools attended by more-affluent students. This has continued despite massive increases in spending on public schools. Yet poor families are often left with little alternative to these failing government schools. Indeed, in several states, it is illegal to send your child to a public school outside your assigned district.

An effective anti-poverty program would break up the government education monopoly and limit the power of the teachers' unions. One can debate the precise merits of charter schools vs. vouchers vs. tuition tax credits, but, in the end, we must give parents more choice and control over their children's education.

Housing Policy: Government policies, from trade barriers to taxes, can increase the cost of living for those already struggling. One of the worst areas is housing policy. Rent can eat up a disproportionate share of the poor's income, yet government zoning and land-use policies can add as much as 40 percent to the cost of housing in some cities. In places such as New York City and San Francisco, the zoning cost is even higher, at 50 percent or more.

And these regulations don't merely increase the cost of rent; they effectively lock the poor out of areas with more jobs or better schools. Historically, zoning laws were often explicitly designed to perpetuate racial segregation. They still have that impact today.

Savings: The route out of poverty runs through savings, not consumption. Yet too many government policies are perversely designed in ways that discourage saving. The more forward-looking a poor person is — the more he delays immediate gratification in favor of long-term investment — the more government works against him.

Banking laws make it difficult for the poor to access our banking system. Asset tests for public programs punish the poor for saving. And Social Security squeezes out opportunities for the poor to save for themselves. We need to reconfigure a wide variety of current policies to encourage thrift, saving, and investment.

Inclusive Economic Growth: As President Obama once pointed out, "The free market is the greatest producer of wealth in history — it has lifted billions of people out of poverty." That means we need to pursue policies such as low taxes, reduced government debt, and deregulation, policies that spur investment, entrepreneurship, and the economic growth that will increase the wealth of our society.

Yet it's not enough to encourage economic growth if the poor remain locked out of participation in that growing economy. That means we need to eliminate barriers such as occupational-licensing rules, occupational zoning, and the minimum wage. For example, it estimated that more than 1,100 different professions (25 to 30 percent of all job categories) require a license in at least one state, from florists to funeral attendants, from tree trimmers to make-up artists. The removal of licensure barriers not only unlocks employment and entrepreneurial opportunities for the poor in low-skill occupations but also lowers prices. Similarly, occupational zoning can

prevent a poor person from starting a small business in his or her home. And minimum-wage laws can block low-skilled workers from getting that first job, and therefore a start on the economic ladder. As with zoning, many of these laws have an explicitly racist history and continue to disproportionately disadvantage the poor and people of color.

An anti-poverty agenda built on empowering poor people and allowing them to take greater control of their own lives offers the chance for a new bipartisan consensus that rejects the current paternalism of both Left and Right. More important, it is an agenda that will do far more than our current failed welfare state to actually lift millions of Americans out of poverty.

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