



What's Missing in the War on Poverty?

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This year the federal, state, and local governments will spend close to a combined \$1 trillion to fund more than 100 separate anti-poverty programs. In fact, since Lyndon Johnson declared “war on poverty” in 1965, government efforts to fight poverty have cost more than \$23 trillion.

If our goal was to reduce the material deprivation of poverty, we have undoubtedly been successful. By the metrics, there are clear signs of success. Conservatives often focus on the traditional Census Bureau definition of poverty, which has remained largely stagnant since the 1960s, yet more accurate poverty measures that consider non-cash government benefits and refundable tax credits like the EITC suggest that the real poverty rate is 5-6 percentage points lower than the official version. Perhaps not as successful as we would like, but successful nonetheless.

But is that sufficient?

President Johnson himself called for something more than simply fighting material poverty. The War on Poverty was created not only to meet the “basic needs” of those in poverty, but also to “replace despair with opportunity.” Yet in focusing on the material aspects of poverty, we have neglected the more important aspects of human flourishing. Our tax and spending policies should be better designed to enable every person to attain their full potential, to be capable of being all that they can be.

After all, it wasn't just government spending that contributed to the drop in poverty. Although studies suggest that poverty rates would be considerably higher in the absence of government benefits, improvements that resulted from spending in the early years after welfare programs began have plateaued more recently, and we are no longer seeing marginal declines in poverty commensurate with increased spending. It seems likely the passage of the Civil Rights Act, the expansion of economic opportunities to African-Americans and women, increased private charity, and general economic growth may all have played a role.

In proposing a better way to fight poverty, we should not blindly support cutting programs for the sake of cutting. Nor should we assume that what we are doing now is working just fine and we should simply do more of it. Rather we should ask whether it is possible to continue to ameliorate the suffering of those living in poverty, while also creating the conditions that would enable people to live a fulfilled and actualized life.

In my new book, *The Inclusive Economy: How to Bring Wealth to America's Poor*, I lay out what I believe to be an effective approach to fighting poverty based firmly on libertarian

principles. It suggests that before we discuss whether or how much redistribution is needed, we should attack the underlying barriers that can prevent poor people from prospering.

We can start with reforming the criminal justice system and curtailing the War on Drugs. Large numbers of people in poverty are burdened with a criminal record that makes it far more difficult for them to find jobs. Moreover, dragging poor and minority youth into the criminal justice system severely limits the pool of marriageable men, and a wave of fatherlessness afflicts poor communities.

As for education, we must reform the system to give more control and choice to parents. Despite our spending more and more money, our public schools are failing many poor and minority students. The type of innovation necessary to turn this around is unlikely to occur under a system dominated by a government-run monopoly. Instead, our education system needs to be opened up to greater competition and choice.

Rather than chase rising housing costs with ever higher subsidies, we should focus on lowering the cost of housing and rent. Restrictive housing regulations primarily benefit the wealthy who own homes, while driving up rents for the poor.

One other key ingredient for a more inclusive economy is to make it easier for the poor to bank, save, borrow, and invest. Too many poor people find it difficult to access the banking system. We should review banking regulations that primarily harm the poor, and review welfare eligibility requirements to ensure that they do not unnecessarily discourage the poor from accumulating savings.

Economic growth does more to reduce poverty over time than any government intervention. But that growth must be inclusive. We should also make it easier for the poor to find work today by eliminating regulations, licensure, zoning, and other laws that make it harder for the poor to find jobs or start a business.

Rather than create new programs and spend more money, there is a real need to start undoing the harmful legacy of past and current government policies. Reforming criminal justice, education, and housing policy, while encouraging job creation, economic growth, and individual savings will do more to help reduce poverty than anything we are doing today. Taken as a whole, these reforms would give far more poor people the opportunity to partake in the prosperity that they seek.

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