

# Economic Inequality and Mobility: Past, Present, and Future

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COLUMBIA UNIVERSITY  
IN THE CITY OF NEW YORK



President Lyndon B. Johnson delivering the State of the Union address, Jan. 8, 1964. Photo (excerpt): LBJ Library & Museum.

Let's start with the War on Poverty.

Although trends with official poverty measure (OPM) suggest “we waged a war on poverty and poverty won” (Reagan, 1987) – the OPM is badly flawed.

# Improving our understanding using the Supplemental Poverty Measure (SPM)

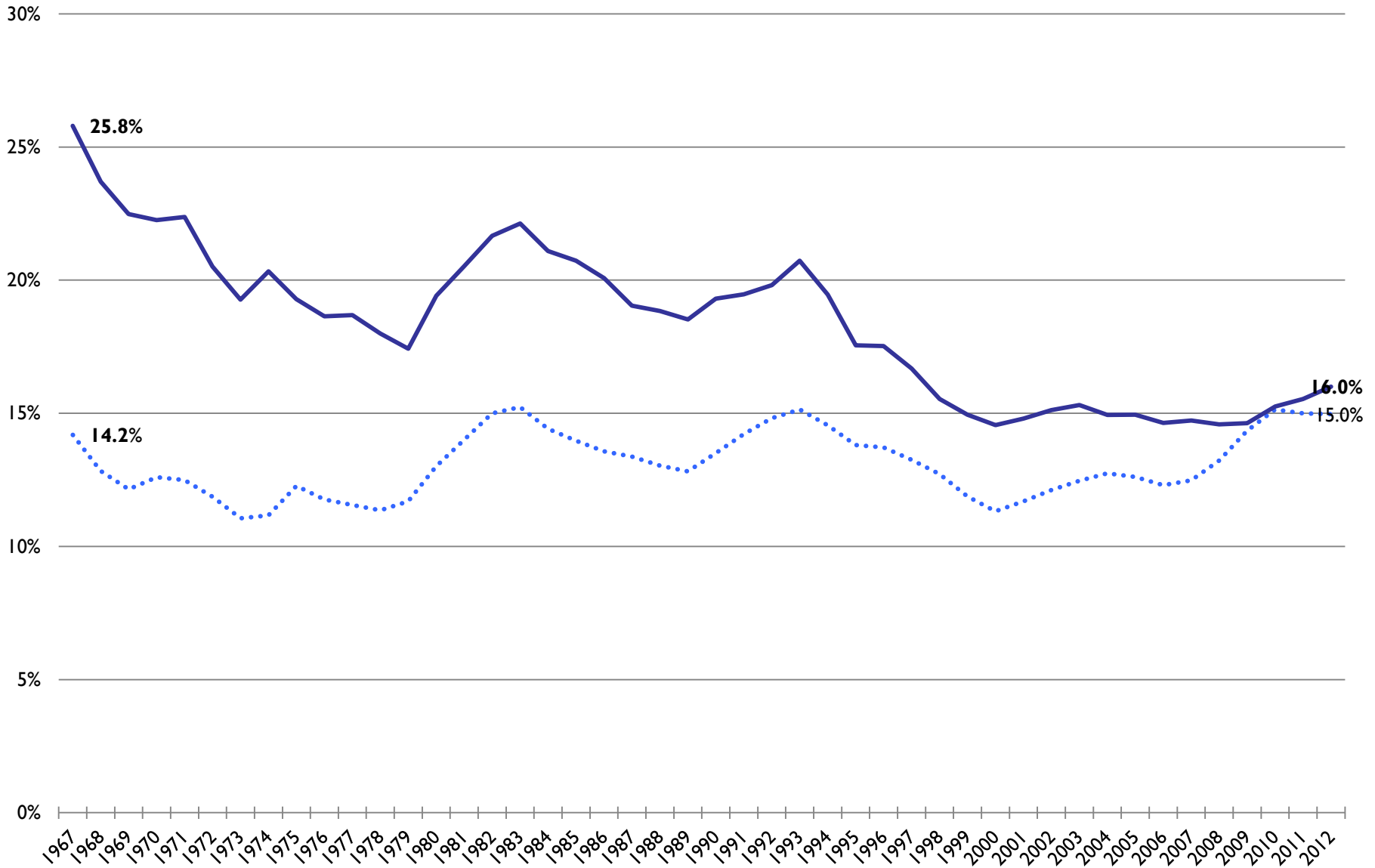
- Based on recommendations of a National Academy of Sciences panel, SPM sets more appropriate thresholds and better accounts for resources (cash & non-cash transfers including Food Stamps and tax credits, work & medical expenses)
  - Census has released SPM estimates since 2009
  - But they have not produced SPM historically
- Liana Fox, Irv Garfinkel, Neeraj Kaushal, Chris Wimer, and I recently provided
  - first historical estimates using SPM, and
  - estimates using an “anchored SPM” where thresholds are anchored to today’s SPM poverty line and then taken back historically (adjusting for inflation using CPI-U-RS)

# SPM vs. OPM

- Thresholds:
  - OPM based on minimally adequate food diet in 1960s
  - SPM based on consumption of a basic bundle in past 5 years
- Resources:
  - OPM includes only income and cash transfers
  - SPM includes income, cash transfers and in-kind benefits, *minus* taxes, child support paid, work expenses, child care, MOOP
- Family unit:
  - OPM includes family only
  - SPM includes unmarried partners, unrelated children under 15, and foster children under 22

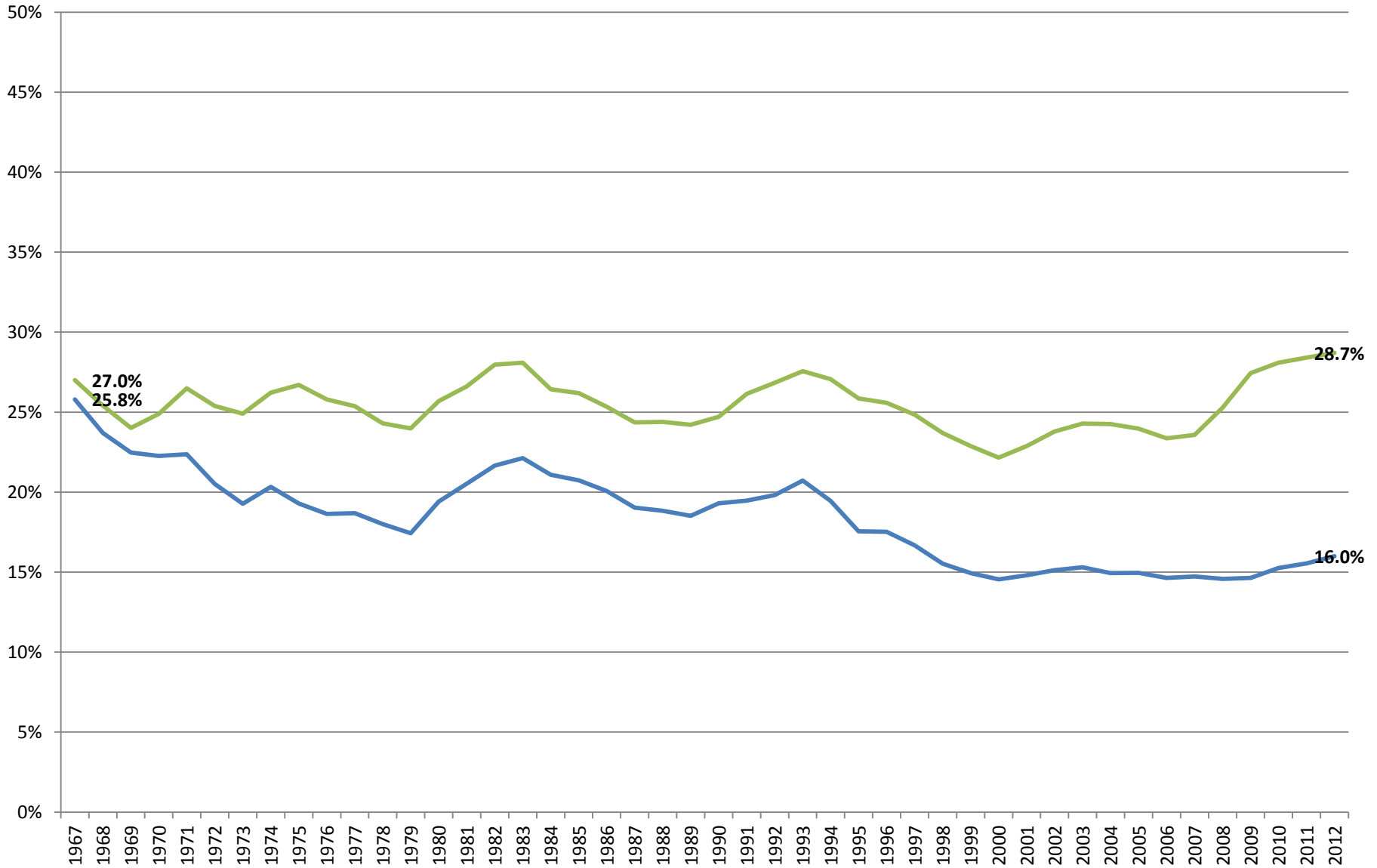
# Figure I: Official vs Supplemental Poverty Rates, 1967-2012

..... OPM      — SPM (Anchored, 2012)



# Figure 2: Effects of Taxes and Transfers on Poverty Rates, 1967-2012

— Anchored SPM      — Pretax/Pretransfer Anchored SPM



# So what do we conclude about the past and present role of the safety net?

- Using SPM has altered our understanding of War on Poverty\*
  - Poverty has fallen by about 40% since 1967
  - Social policy plays substantial and growing role in reducing poverty
  - Food stamps and tax credits are particularly important today
  - We are now extending these analyses to the state level
  - And in NYC we are measuring other aspects of disadvantage through the Robin Hood and Columbia University *Poverty Tracker*
- The reduction in poverty, and the role of social policy, would be obscured if we limited our analysis to OPM

\*Fox et al, 2013; Wimer et al., 2013. <http://cupop.columbia.edu/publications/2013>. Cited in: Washington Post, New York Times, The New Yorker, Business Week, Chicago Tribune, LA Times, Huffington Post, USA Today, The Economist, PBS, MSNBC, Al Jazeera, Mother Jones, The Atlantic, Wall Street Journal, Bloomberg News, Economic Report of the President



We need to set aside the belief that government cannot do anything about reducing inequality... Without Social Security, nearly half of seniors would be living in poverty — half. Today, fewer than 1 in 10 do... ***And because we've strengthened that safety net, and expanded pro-work and pro-family tax credits like the Earned Income Tax Credit, a recent study found that the poverty rate has fallen by 40 percent since the 1960s.***

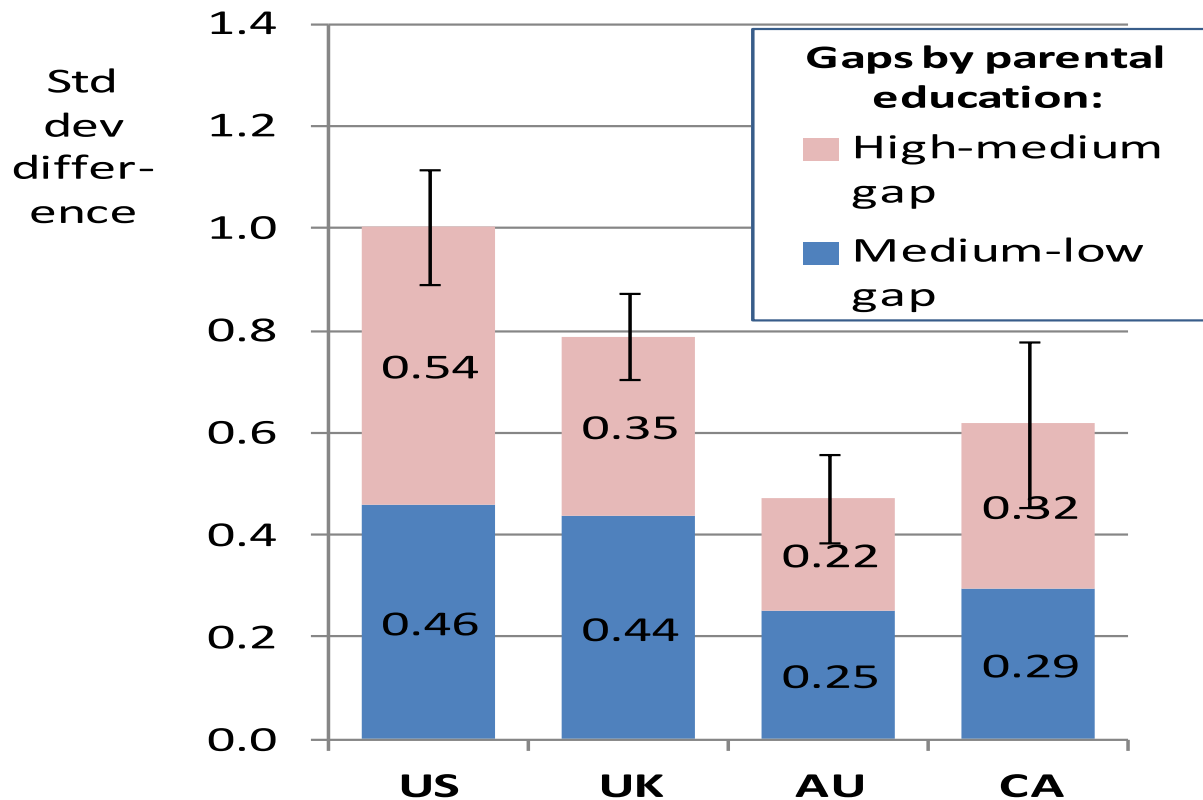


## But what about the future?

- We still have an unacceptably high poverty rate, and too little opportunity and mobility
- Sean Reardon's work has called attention to large and growing achievement gaps between low and high income children
- Robert Putnam's new book *Our Kids* calls attention to large and growing gaps in other factors related to opportunity between low- and high-educated families
- Bruce Bradbury, Miles, Corak, Liz Washbrook, and I show such gaps are larger in the US than in peer countries – Canada, Australia, & UK – in our new book *Too Many Children Left Behind: The U.S. Achievement Gap in Comparative Perspective*

**Figure 4.1\***

***Gaps in language/reading skills at age 5, by parental education, are largest in the U.S.***



Bradbury, Corak, Waldfogel, & Washbrook (2015). *Too Many Children Left Behind*. NY: Russell Sage Foundation.

# What should we do to reduce inequality & promote mobility? In *Too Many Children Left Behind*, we call for:

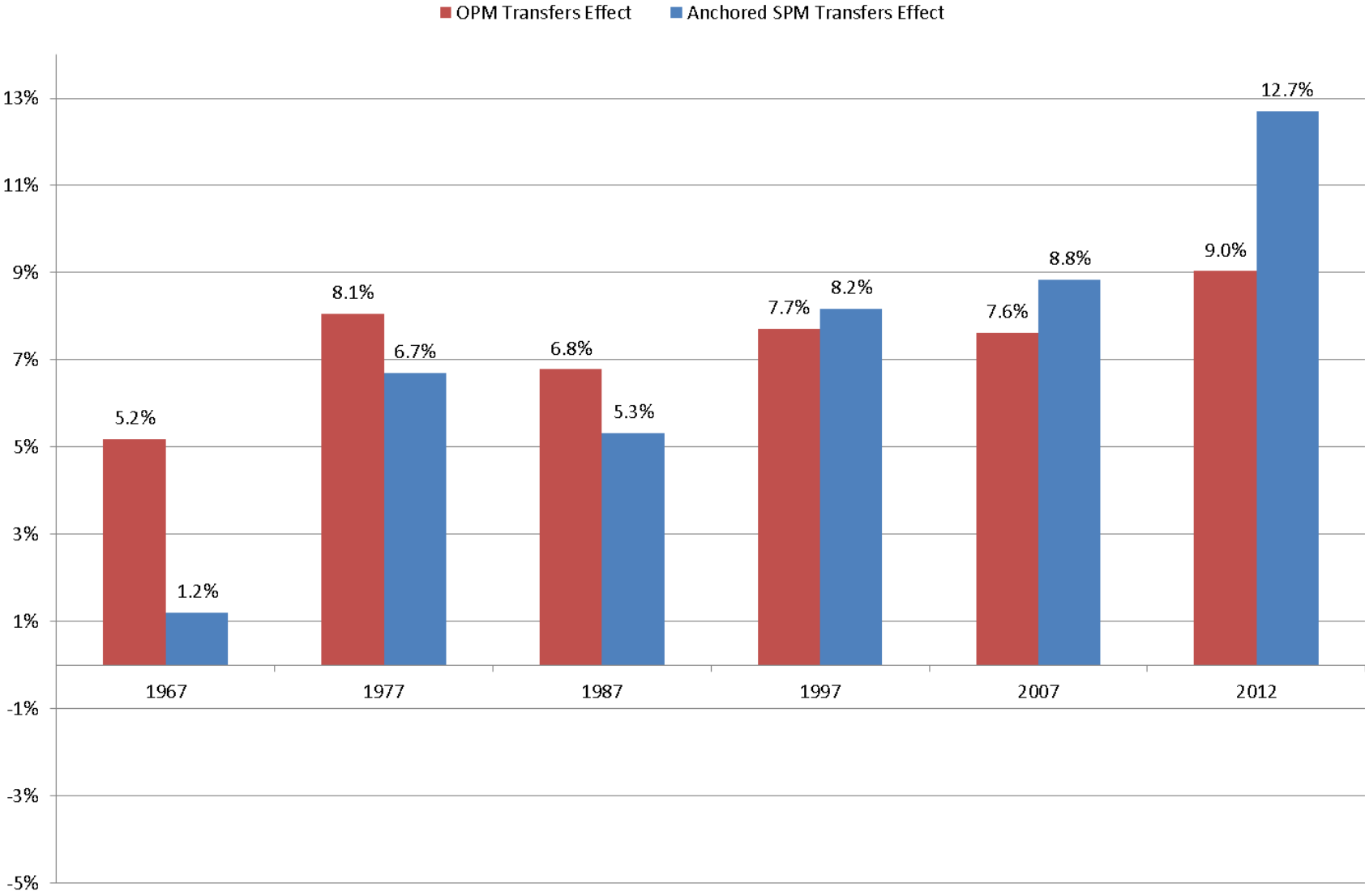
- 1) Provide more support for early learning through more widespread availability of evidence-based parenting programs for families with infants and toddlers and universal preschool for 3 and 4 year olds
- 2) Raise family incomes for the poor and near-poor through measures such as increasing the minimum wage and expanding the Earned Income Tax Credit and Child Tax Credit
- 3) Improve the quality of teaching and learning in schools by recruiting, supporting, and adequately compensating more effective teachers, implementing more rigorous curricula, and setting higher expectations and providing more support for low-achieving students

## More immediately ...

- We need to make sure that we don't erode the safety net we do have, in particular, food stamps and the EITC and CTC - the elements that are crucial for families with children.

# Extra Slides

**Figure 10: Effect of Transfers on Poverty Rates Under the OPM and Anchored SPM**



### Figure 11: Effect of Transfers on Child Poverty Rates Under the OPM and Anchored SPM

■ OPM Transfers Effect    ■ Anchored SPM Transfers Effect

