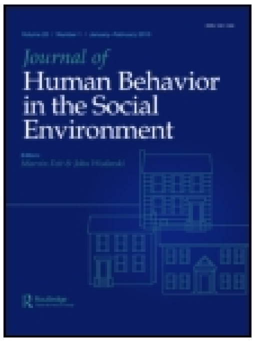

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**Sun Young Jung MSW & Richard J. Smith MFA, MSW**

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# The Economics of Poverty: Explanatory Theories to Inform Practice

Sun Young Jung
Richard J. Smith

**ABSTRACT.** Blank (2003) identifies six perspectives that economists and policymakers use to understand the causes of poverty. They include issues of economic underdevelopment, human capital, contradictions in capitalism, structural causes, characteristics of the poor, and the incentive effect of welfare programs. This analysis uses Blank's framework to identify major economic theories and related recent research (1990-2005) to explain poverty. While each of the six perspectives provides explanations about the nature of poverty, the strongest factor relates to race. The analysis concludes with implications for practice. doi:10.1300/J137v16n01_03 *[Article copies available for a fee from The Haworth Document Delivery Service: 1-800-HAWORTH. E-mail address: <docdelivery@haworthpress.com> Website: <http://www.HaworthPress.com> © 2007 by The Haworth Press. All rights reserved.]*

**KEYWORDS.** Poverty, economics, policy, welfare, development

## *INTRODUCTION*

The first major thinker in economics to discuss poverty was Adam Smith, the eighteenth century proponent of a wealth-creating capitalism. He defined poverty as the inability to purchase necessities required by nature or

Sun Young Jung, MSW, and Richard J. Smith, MFA, MSW, are Doctoral Students, affiliated with the School of Social Welfare, University of California, Berkeley, CA.
Address correspondence to: Richard J. Smith, California Social Work Education Center, 6701 San Pablo Avenue #420, Berkeley, CA 94720 (E-mail: smithrichardj@berkeley.edu).

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custom. Gilbert (1997) notes that Smith's argument in the *Theory of Moral Sentiment* is that poverty was a cause of shame, social exclusion, and psychic unrest, rather than an economic condition. In *Lectures on Jurisprudence*, Smith observes that economic inequality was part of all societies, from the hunting to the herding stage. Commercial societies, on the other hand, would not find poverty problematic, because Smith felt wage earners would not experience actual misery.

Almost all of Smith's books assume an "economy of greatness," where the poor obtain all their necessities through wages earned from the rich. However, as pointed out, Smith failed to include cases of injury, illness, or old age, which interrupt poor people's economic activity. Moreover, his assumption that income would resolve problems relating to poverty does not consider instances where the minimum wage does not provide for the basic necessities of food, clothing, and shelter (Gilbert, 1997).

In a more recent analysis of poverty, Rank (2004) makes the argument that poverty is a life course event that affects the majority of Americans; for example, 58.5%, or the majority of the nation will experience poverty at least once. The focus of this brief literature review is to identify economic theories that help to explain the existence and persistence of poverty in order to inform practice and research in social welfare. It includes a review recent journal articles and book chapters to see how current economic thinking about poverty in the U.S. can expand our understanding of the role of social welfare practice and research.

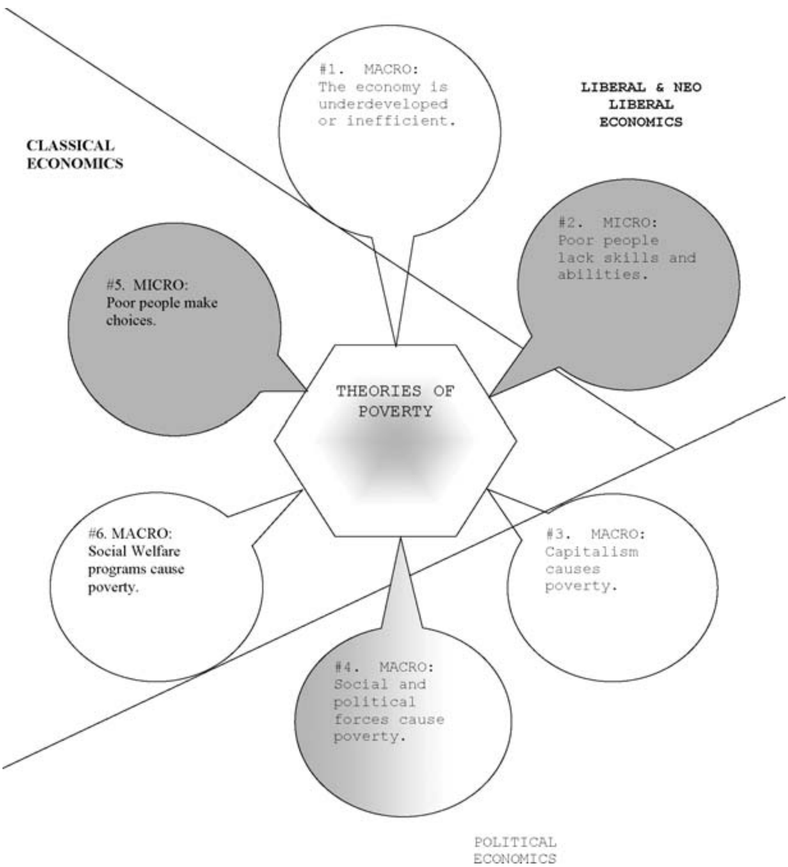
## *METHODS*

The literature review focuses on journal articles in economics that were either authored or coauthored by at least one economist and identified in EconLit using such key words as poverty, cause and theory. In addition, online search engines and Wikipedia.org were used in order to identify references to major economic theories as well as those that focused on poverty. Using Cambridge Scientific Abstracts (CSA), which included 17 search engines, such as Education Resources Information Center (ERIC) and Sociological Abstracts, nearly 200 articles were identified, excluding those that described specific poverty interventions or case studies, in the period of 1990-2005. Blank's (2003) typology of the causes of poverty was used to select a representative sample of articles.

## LITERATURE REVIEW

Blank (2003) introduced six major theoretical approaches that describe the fundamental causes of poverty, especially focusing on the economics of the marketplace (Figure 1). She started with the perspective of "economic underdevelopment" and the absence of effectively functioning markets. Taking examples from third world poverty, she suggests that poverty can be alleviated through the expansion of markets

FIGURE 1. Conceptual Map of Theories of the Causes of Poverty




Adapted from Blank, 2003

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to poor regions, including regions in the U.S. experiencing economic stagnation. In her second perspective, she points out the lack of "human capital development" where individuals are either unprepared or unable to participate in the workforce and could benefit from training programs, educational opportunities, and job market expansion.

In the third perspective, she notes that the "market is inherently dysfunctional" and thereby creates poverty. In this Marxist viewpoint, a capitalist society makes the cost of labor lower through the threat of unemployment and therefore poverty can be alleviated through regulation of the market. The fourth perspective identifies the "social and political forces" that occur outside the market, such as political favoritism and racism that contribute to poverty.

In her fifth perspective, poverty is attributed to "individual behavioral characteristics and choices," such as marriage, family size, or alcohol and substance abuse. Values about work and education that underlie this perspective suggest that the problem of poverty is within the control of the poor themselves and therefore the policies and programs need to influence those choices through incentives or prohibitions. The sixth and final perspective suggests that poverty is caused by the very efforts to alleviate poverty, referred to as "welfare dependency or poverty traps." Most economists find that welfare provides a guaranteed cash incentive while taxation creates a disincentive to work. Because short-term cash benefits hamper long-term anti-poverty efforts, time-limited aid and work requirements are seen as desirable policies.

The conceptual map illustrated in Figure 1 links Blank's six poverty perspectives to their theoretical antecedents in the field of economics. Blank clustered the perspectives by major schools of economic thought. The first two perspectives (economic underdevelopment and lack of human capital) are common approaches in "liberal economics" whose primary figure John Maynard Keynes promoted the belief that the market can promote economic development (Jensen, 1998). The second two are "Marxian" theories (capitalism causes poverty) or "political economic" theories (social and economic forces cause poverty). The last cluster of perspectives (individual behaviors cause poverty and welfare dependency causes poverty) reflects the traditional views of "classical economics." The classical economists feel that government intervention to alleviate poverty only rewards the bad behavior of the poor and should be discontinued. The neo-liberal economists focus on social and political forces.

Blank concludes that poverty is not only an economic problem but also a moral issue for the nation. Her framework provides one of the

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best summaries of the economics of poverty. In order to find evidence to support or refute this framework, this analysis includes a search of the literature to find research in economics and to link the studies to some of the major economic schools of thought. Following a description of these studies, the analysis concludes with a discussion of the ethics of poverty in relationship to economics and recommendations for future practice in the field of social welfare.

## *LIBERAL ECONOMICS*

Blank's first two perspectives (economic underdevelopment and human capital development) are related primarily to liberal and neo-liberal economics. Jensen (1998) noted the progression in thought from classical to liberal economics with regards to poverty. Specifically, Marshall and Keynes believed that poverty is caused by economic underdevelopment and lack of human capital. Marshall was influenced by the utilitarian views of John Stewart Mill and Jeremy Bentham. With respect to utilitarianism, Marshall is quoted in Jensen (1998, pp. 122-123) as saying "an increase by a quarter of the wages of the poorer class adds more to the sum total of happiness than an increase by a quarter of the incomes of an equal number of any other class." Moreover, he viewed poverty as a result of institutional neglect of education for the masses. He believed that through education, those who became more efficient would be promoted to a higher class of work, making the unskilled labor scarcer and consequently raising the income of unskilled workers.

Keynes was influenced by Marshall's social economics of labor. Based on twentieth century capitalism, he formulated his concept of the class structure that included four types: (1) the investing class, (2) the business class, (3) the elite class of public-spirited super-entreprenuers, and (4) the earning class. He argued that the investing class intentionally reduced their funding of entrepreneurial investments which in turn raised unemployment and working class poverty. He concluded that the great depression resulted from the failure of the government in "mitigating the consequences of the collapse of private investment." Keynes suggested that it was necessary that communal savings, instituted in the form of direct tax, needed to be invested into private enterprises. He called this process a "socialization of investment." He believed that this process would discourage the investing class from getting interest from savings and encourage them invest in enterprise, thereby raising

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the employment rate. Some of the limitations of Keynesian theory were seen in the 1970s where high unemployment and continuous inflation, provided evidence that the "socialization of investment" did not always work (Jensen, 1998).

### *Perspective 1: Underdeveloped Economies Cause Poverty*

Policy makers generally believe that economic growth can reduce poverty rates. However, the studies on the relationship between economic growth and poverty rates in the U.S. reveal different trends.

According to Haveman and Schwabish (2000), economic growth and poverty rates showed a negative relationship until 1970s. However, starting from the late 1970s, this relationship between economic growth and the poverty rates became statistically unclear. They take findings from Blank and Blinder (1986) that show that a decrease in unemployment rates was related to the increase of poverty rates after 1982. To examine the changes in the economic growth and poverty relationship since 1990, Haveman and Schwabish (2000) found that since 1993, there exists a positive relationship between unemployment rates and poverty rates as well as a negative relationship between GDP (Gross Domestic Product) growth and poverty rates. They found that the reasons for the weak relationship between economic growth and poverty rate from 1973 to 1992 involved the following: (1) the stagnation of average income (e.g., Blank, 1993), (2) the increase of female-headed families (e.g., Gottschalk & Danziger, 1993), (3) decreased job opportunities for low-skilled workers (e.g., Tobin, 1994), and (4) reduced income transfer generosity (e.g., Powers, 1995). However, they predicted that technological changes in workforce, increased work participation of youths and immigrants, and the persistent increase of single mothers and their job participation following the 1996 welfare reform bill may strengthen the relationship between economic growth and poverty reduction. In contrast, Anderson, Halter, and Gryzlak (2004) found in their qualitative study (focus groups) of welfare-to-work participants that low wages and job instability frequently made those who left the welfare rolls (leavers) return to welfare, which suggest that the current relationship between economic growth and poverty rate reduction may be different from that in 1993 through 1998.

While Haveman and Schwabish (2000) and other researchers found that the relationship between economic growth and poverty rate broke down during 1980s, the research findings of Freeman (2003) show that there was strong relationship between the two during the 1980s. He

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adopts claims of Cutler and Katz (1991) that there was extraordinary dispersion in regional growth rates during the 1980s, which led to the breakdown of the relationship between economic growth and poverty reduction. The research findings of Freeman (2003) demonstrated that regional poverty rates, rather than national poverty rates, are more responsive to regional difference in income growth and unemployment rates during 1980s and 1990s, which suggests that an increase in mean income and employment conditions would reduce the poverty rates. However, he accepts the notion that economic growth alone cannot solve poverty issues, saying that even in the best of economic times, there is always poverty.

These articles show that economic growth and poverty can have a relationship depending on the time and place. This provides some empirical support for carefully targeted poverty alleviation polices that promote economic growth.

### *Perspective 2: Lack of Skills and Education (Human Capital) Cause Poverty*

Two recent articles evaluate human capital investments and impacts on poverty. First, Karoly (2001) examined the effects of human capital investments among children prior to school entry, school-age children and older youth, and adults. She reviewed research findings that training and education raise the human capital and help children escape poverty. In terms of human capital investment on children younger than five, she examined outcomes from nine early intervention programs and evaluated their impacts on children versus their cost-effectiveness.

The findings showed that although early IQ gains faded out as children grew, later benefits appeared in the form of increased school attainment, decreased crime and delinquency rates, and economic success. Regarding investment in school-age children and older youth, Karoly (2001) compared the types of interventions, such as improvement of school quality and access, dropout preventions, school-to-work transition programs, youth employment and training program, and their effectiveness. In terms of investment in adults, she reviewed evaluation literature on training programs for welfare participants and disadvantaged adults, such as California's Greater Avenues for Independence (GAIN) and other training programs under Job Training Partnership Act (JTPA).

Although human capital investment among school-age children, older youth, and adults were effective, Karoly's meta-analytical findings showed that early childhood interventions were more cost-effective

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than adolescent interventions or adult interventions. Karoly looked at the net present value to society of program costs versus future costs in remedial education, welfare payments, or criminal justice costs. For example, early intervention programs returned three or four dollars for each dollar invested, while youth intervention programs failed to return even the original investment. Karoly argues in her conclusion that human capital investment should be implemented at earlier ages in combination with traditional social welfare programs in order to reduce poverty rates.

However, the research of Corcoran and Adams (1997) showed that there may be other factors that have bigger impacts on poverty than human capital development. Corcoran and Adams (1997) examined competing explanations for the intergenerational transmission of poverty: parents' lack of economic resources, parents' lack of non-economic resources (e.g., family structure and education level), welfare dependency, and structural/environmental factors noted by Wilson (1987) in *The Truly Disadvantaged*. Wilson rejected the welfare dependency thesis and argued that racism and inner-city disinvestment caused poverty. Corcoran and Adams' sample included 565 black men, 773 white men, 735 black women, and 825 white women aged 25-35 years in 1988.

Their research findings showed relationship between parents who were poor and less schooling of their children, ultimately leading to adult poverty when the children became adults. However, they pointed out that even controlling for the schooling of children, the effects of parental poverty decreased only slightly, which means that there may be other more powerful mechanisms than schooling.

These two articles show that human capital interventions are important if done in early childhood, but other factors such as race have a stronger relationship to poverty.

## *POLITICAL ECONOMY: STRUCTURE AND SOCIETY*

The next two perspectives bridge the gap between economics and related social science disciplines by addressing the structural and societal causes of poverty. With respect to the structural view of the economy, Blank describes how Marx viewed capitalists as those who rent the labor of workers and then aggregate some of the value created by the workers to create additional capital. As a result, poverty related to the unemployment caused by the need of capitalists to have surplus labor that can artificially lower wages. This contradiction is central to

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the inherent dysfunction of the market and only the state, when influenced by the working class, can regulate the improvement of working conditions and promote higher wages (Blank, 2003). After Marx, other thinkers like Wilson (1987) applied the theories of class conflict to race. And in Europe, poverty is seen as part of panoply of indicators of social exclusion (Social Protection Committee, 2001). The political economy approach to poverty is primarily interdisciplinary, based on the fact that many of the social factors that cause exclusion are not economic.

### *Perspective 3: Capitalism or Market Dysfunction Causes Poverty*

Setting a minimum wage is common policy response to the inherent dysfunction of the market and such policies are designed to reduce poverty. Hout (1997) noted that former welfare recipients enter low-wage job markets, thereby increasing competition for jobs which can lower wages and ultimately increase poverty. He showed that the real value of minimum wage fell, which led to increased inequality from 1983 to 1993, and that the minimum wage affects hourly younger or older workers more so than prime-age full-time workers.

While Hout was optimistic about the benefit of increasing the minimum wage, Neumark and Wascher (2002) were less enthusiastic with respect to the weakness of previous studies on the employment effects of minimum wages. They found that those studies used data for all workers rather than minimum wage workers and measured the income gain from all groups even though not all workers were affected by minimum wage increases. In their examination of data from 1986-1995 that compares the impact of minimum wages between "poor" and "non-poor" groups, they found that minimum wages increased the probability of poor families to escape from poverty by raising the incomes of some low-wage workers in poor families. However, it also increased the probability of previously non-poor families to become poor through disemployment. Therefore, they stressed that because the increase in minimum wage led to income redistribution among low-income families rather than from high- to low-income families, it cannot be confirmed that increasing the minimum wage will result in equitable distribution. In addition, although single mothers comprise a significant portion of poor populations and usually receive lower wages than male workers, Neumark and Wascher (2002) only controlled for the factors related to male workers, such as the prime-age male unemployment rate.

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A third study related to market dysfunction relates to the impact of international trade liberalization and technological change on U.S. income inequality (Davis, 1999). According to Rodrik (1997), the outsourcing of jobs threatens low-skilled workers with job loss to countries with lower labor standards, because safety regulations in the U.S. are expensive to employers. Moreover, as trade liberalization is subject to greater fluctuation of product prices, it causes labor market instability. Using these claims, Davis (1999) asserts that trade liberalization is not always an efficient policy because income inequality constitutes a cost of trade liberalization. For example, while skilled workers have secure jobs that are not challenged by "fair" competition, unskilled workers are less likely to accumulate wealth and human capital, thereby imposing institutional equity costs on society. Therefore, he claims that the relationship between increasing wage inequality and internationalization of the economy needs further examination.

Based on these three studies, it is apparent that capitalism contributes to poverty, but also some evidence suggests that efforts to control the market such as setting a minimum wage or liberalizing trade may also increase poverty.

### *Perspective 4: Social and Political Forces Cause Poverty*

In examining the structural issues related to poverty, Galster (1991) suggests that the relationships between urban poverty among African-Americans and poverty related factors (e.g., family structure, spatial mismatch, economic structure, inner-city education, social isolation, and labor discrimination) can yield more powerful explanations when housing discrimination is included. To reveal uni- or bi-directional relationships among these factors, he adopted simultaneous-equation models and used the data from the 59 largest metropolitan statistical areas (MSAs) in 1980. Galster (1991) notes that intra-racial segregation (in addition to inter-racial segregation) increases poverty rates, such as the out-migration of middle-class African-Americans and the historically persistent racism, the decline of manufacturing in the inner-city, and the exacerbated living condition of the inner-city (Wilson, 1987).

Galster's findings suggest that the location of housing is strongly related to school quality, which influenced poverty rates by discouraging academic achievement and school attainment. The impact of school quality was bigger than the rates of female-headed families, believed to be one of the biggest contributors to poverty among African-American populations. Additionally, the results show that discrimination in both

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owner and rental housing led to intra-race, inter-race, and inter-class residential segregation in the metropolitan areas that were included in the data (Glaster, 1991). Additional evidence is found in the research of Kling, Liebman, and Katz (2000) who noted that children of families who used vouchers to move to low-poverty neighborhoods displayed lower levels of behavioral problems as well as higher levels of school performance than children who did not leave poor neighborhoods (Rosenbaum, 1995).

In related research, Elliot and Sims (2001) examined the impact of racial and poverty concentration in urban neighborhoods on job-seeking activities of minority populations. They explained that previous research findings show that black and Latinos displayed different patterns in job seeking. For example, Latinos are more likely to acquire jobs through family, friends, and other personal contacts (e.g., Falcon, 1995), while blacks are more likely to use formal channels, such as classified ads. They attribute the racial difference to the fact that (1) Latinos' limited English proficiency and immigrant status make Latinos utilize personal networks (e.g., Aponte, 1996) and (2) employers disfavor black workers (e.g., Wilson, 1996). Furthermore, Elliot and Sims examined the "neighborhood effects" claims of Wilson (1996) regarding disadvantaged neighborhoods, labor market detachment and joblessness, to see if they exert different effects on blacks than Latinos. They found that the neighborhoods with extreme racial and poverty concentration reduced the difference between the outcomes of job search strategies used by African-Americans and Latinos. Nevertheless, racial differences were found in racially segregated and disadvantaged neighborhood. For example, while barrio residents used insider referrals, such as family and neighbors, ghetto residents were more likely to use non-neighborhood and organizational outsiders.

The third study relating to social and economic forces concluded that poverty can be alleviated by economic growth, but is also related to social factors, especially race (Hoover, Formby, & Kim, 2004). Economic growth did not necessarily lead to the reduction of poverty in the 1990s, despite optimism regarding policies aimed at increasing economic well-being. In the 1980s, economic expansion led to a decreased poverty rate but stagnant low wages made poverty during this period more intractable. While economic growth alone is not sufficient to alleviate poverty, it is important to note that "the non-white population has been significantly affected by dramatic increase in the number of households which are headed by females" (Hoover, Formby, & Kim, 2004). In short, those

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who support pro-growth policies to reduce poverty need to be aware of subgroups that will be left out.

In this cluster of political and economic perspectives, race is the strongest predictor of poverty. Accordingly, anti-discrimination law and carefully targeted economic development strategies are needed to reduce poverty.

## *CLASSICAL ECONOMICS*

Persky (2004) reviewed the evolution of classical economics from Mill to more contemporary thinkers and noted that Mill was against legislating minimum wages or providing general wage subsidies because he thought that the "gains of equality cannot outweigh the high cost they would impose in efficiency loss" (p. 927). Instead, he expected the co-operative movement to establish equality, self-respect, and common feeling in the working population and thereby reduce poverty through the intrinsic motivation of worker self-management. As a result, poverty reduction would not require massive redistribution or national ownership.

To early neoclassical economists, eradication of poverty was one of their central goals. They thought that "the transference of income from a relatively rich man to a relatively poor man must increase the aggregate sum of satisfaction," as it makes possible for more intense wants to be satisfied at the expense of less intense wants (Persky, 2004). However, like the classical economists, they noted that full equality would cause low productivity, diminishing social welfare. Instead of confronting "disharmony" between equality and social welfare, they invented ways to avoid the disharmony, such as direct transfers in the form of wage subsidies, for example, which would raise the productivity of labor. In addition, with the influence of globalization, they feared that capital would leave the country because of the social cost of equality and that there would be influx of immigrants to the developed countries because of the high minimum wage.

Perskey goes on to discuss the new welfare economists, such as Robbins, who disagreed with the classical or neoclassical economists who thought that equality could be measured. The welfare economists saw equality as a non-economic goal that was not relevant to the valuing of costs and benefits of a particular policy. This disinterest in equality became known as the Kaldor-Hicks criterion, which stated that "public policy was justified if it produced gains in excess of losses so that it was possible for winners from the policy to compensate losers, even if

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[such] compensation did not actually occur" (Perskey, 2004, p. 934). Their cost-benefit analysis approach made them pursue efficiency gains with less emphasis on equality. Instead, the welfare economists focused on other issues, such as technology improvement and international trade, for example, as "true economic objectives." Although most economists endorse this new welfare viewpoint, there are some economists who still claim that equality can be measured as an economic objective.

While the historical views emanating from classical economics regarding the changes between economic thoughts and attitudes toward poverty are helpful, they do not address how these views influenced public or economic policies, especially public policies that specifically targeted eradication of poverty and their effectiveness in achieving the goal of equality (Persky, 2004).

### *Perspective 5: Welfare Programs Cause Poverty*

In exploring the welfare dependency theory, Kasarda and Ting (1996) see welfare participation as a trap that keeps people in poverty. Poor people make a rational choice and realize that a combination of benefits will produce a higher wage than those provided by most employers in the typical urban neighborhood. While they note the work of Murray (who coined the phrase "welfare trap") and Danziger who argues that the incentive effect of welfare is small, they focus primarily on two theories: skills mismatch and spatial mismatch. Skills mismatch theory claims that inner cities are producing high skilled jobs that primarily low-income black residents cannot obtain. Spatial mismatch theory predicts that low-skilled jobs moved out to the suburbs or beyond and it creates a commuting or relocation disincentive. Their findings support both the skills and spatial mismatch theory as well as the welfare trap hypothesis.

Kasarda and Ting view the poor as intelligent human beings who are capable of making the rational choice of seeking/accepting public assistance, but argue that public policy should direct this valuable intelligence into the labor market in the following ways: (1) Decentralize affordable housing and improve transit options; (2) Cut welfare benefits and increase wages through tax incentives; and (3) Train social service staff to assist welfare recipients in moving from welfare to work. Although Kasarda and Ting suggest that welfare can lead to joblessness and persistent poverty, they also acknowledge the need for economic development and the need to address the structural problems of racial discrimination in hiring and housing. Their policy recommendations are

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designed to benefit the poor indirectly by subsidizing private industry in real estate development, manufacturing, and the service sector.

One of the classic articles written by a welfare economist (cited in almost 400 subsequent articles) is Moffitt's (1992) review of the literature related to the 270% increase in Aid to Dependent Families with Children (AFDC) cases from 1965-1985. Economists had looked mostly at work incentive effects of short-term assistance, but there was a growing literature at long-term welfare dependency and a related but limited literature on intergenerational transmission. According to economic theory, welfare programs create a guaranteed income that can create an incentive to avoid work while at the same time impose an equivalent tax on workers, which can also create a disincentive to work. While there was empirical evidence for this theory, it was difficult to find agreement on the size of the disincentive. Danziger et al. (1981) estimated that the receipt of AFDC could discourage work for a range of 10-50% of recipients. Moffitt cautioned that female heads of households would generally not work full time anyway and that the additional hours lost would not raise the family out of poverty at minimum wage. Accordingly, welfare dependency would not alone cause poverty.

With regard to intergenerational transmission of poverty, Moffitt argued that it was difficult to establish a causal link between welfare and the intergenerational transmission of poverty. In essence, although studies show that welfare has a substantial impact on labor supply, Moffitt maintains that there is no clear causal link between poverty and labor supply because labor supply does not tend to change with changes in benefit levels and the participation in the labor force of female welfare recipients is consistent with non-recipients and married women.

While there is some consensus on the nature of welfare dependency, there is considerable disagreement about the scope of the incentive effect and whether or not a specific benefit level would have a detrimental effect on labor force participation at any given time or place. Also, economists usually agree that other factors cause poverty but continue to pursue research on the nature of welfare dependency.

### *Perspective 6: Behaviors, Choices, and Attitudes Put People in Poverty*

In Blank's sixth and final perspective, we move into the emerging field of behavioral economics. For example, one theory of the intergenerational transmission of poverty suggests that families create a "culture of poverty" in order to cope with low economic means. These attitudes

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and choices have been measured using educational attainment and family structure. Gottschalk and Danziger (1993) explore the relationships between family size, structure, and income as they affect the increase in child poverty between 1968 and 1986. They found that: (1) The changes in family size, structure, and income offset each other to produce a small increase in poverty (e.g., the increase in female-headed households that, in turn, increased poverty was offset by a decrease in family size and increase in women's income because of education); and (2) Increased income inequality and poor economic growth also contributed to increased child poverty. In essence, family structure impacts poverty, but there are competing and offsetting cultural and economic factors that also influence poverty.

In a related study, Biosjoly, Harris and Duncan (1998) address the behavior of persons in poverty by looking at intergenerational transmission to see if there is a correlation between demographic characteristics and the events associated with first entry into welfare. By including all family members (not just heads of household and spouses) Biosjoly et al. found a greater prevalence of work-related events (out-of-wedlock births, lack of work experience) and that no one factor occurs with more than one-third of cases examined. They could not explain the increase in caseloads in the late 1980s and early 1990s and predicted that young unmarried women without sufficient education will have difficulty exiting welfare in a timely manner.

The research of Biosjoly et al. tells us that each family on welfare has a complicated story that involves both events and demographics. However, the length of time on welfare can be predicted in terms of being unmarried with children and not attaining education. This lends some support to the argument that personal choices can lead to poverty, but one would have to prove that a substantial portion of poor women actually chose to have more children and not finish school. There is increased attention being given to involving other disciplines beyond behavior economics in order to expand our understanding of the role of behavior, choices, and attitudes leading to poverty (Corcoran, 1995; Mayer & Lopoo, 2001).

And finally, Edwards, Plotnick and Kalwitter (2001) focus on the attitudes of those exiting welfare by looking at attitudes of those who enter and exit welfare after the age of 15. Their research includes such dimensions as: self-esteem, locus of control, attitudes towards school, attitudes about welfare, and attitudes about women's employment in relationship to family background, urban residences, and scores on the Armed Forces Qualifying Test. While their findings are mixed, they

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found that positive attitudes about education appear to outweigh family background effects, self-esteem is generally not related to welfare use, attitudes about accepting low-wage work is positively correlated with job-seeking behaviors, and the strongest relationships were found between adolescent poverty and being African-American. While there is some evidence that attitudes about education and work may influence the "choice" of going on welfare, current research continues to make the case for external structural or environmental factors as the major contributors to poverty.

## *CONCLUSION*

Which of Blank's six perspectives best explains the nature of poverty? Who is right: the classical, the liberal, or the structural thinkers? In short, all theories apply but some are more robust than others. Although economic stagnation causes poverty, economic growth does not lift everyone out of poverty equally. Human capital is important, but not all human capital investments are cost-effective. The market may be dysfunctional, but regulating the market can add to the dysfunction. Race, gender, and geography have the strongest effects on poverty. Welfare is a trap, but may only be episodic for many and the only alternative for the few. Attitudes and choices about education and willingness to work matter, but choices to get married probably do not if only because choices about marriage are shared across incomes.

In order to preface recommendations for social work practice, social policy, and research, we return to the ethics of poverty and social justice. In the introduction to a volume devoted to issues of economic justice, Scaperlanda (1999) explains debates between orthodox economists and heterodox economists regarding the prevalence of poverty, adequate wages, and the impacts of the globalization of production. According to Scaperlanda (1999), orthodox economists (i.e., neoclassical economists) believe that markets deliver "what is deserved to every participant in the economic process" (p. 419), which precludes a discussion of income distribution. Meanwhile, heterodox economists accept that market processes are not perfect but also emphasize the issues of income distribution.

Scaperlanda (1999) sees two types of economic justice–"commutative justice," which asks whether exchanges are fair, and "distributive justice," which asks if there is a fair distribution of resources, benefits,

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and burdens of society. There are two things needed to consider in the definition of distributive economic justice. First, no definition is value-free, the definition of economic justice is likely to reflect the attitudes of dominant groups. Therefore, he suggests that the oppressed must organize to challenge the dominant group to maximize the interest of economic justice for all. The second consideration is that contest between policy makers, ethnic groups, or other groups is unavoidable, because legitimate institutions of society reflect the dominant norms and would not undertake the trial, error, or correction process of integrating notions of economic justice because it does not serve the interests of those in power (Scaperlanda,1999). In short, Rank asks us to be mindful of the self-interest of anti-poverty policies. Blank asks economists to be compassionate. Scaperlanda advises those who do not believe that welfare causes poverty need to organize for distributive justice policies.

### *Implications of Applying Theory and Research to Practice*

The most salient practice implications that can be derived from this analysis of the economics of poverty include the following:

1. The causes of poverty are complex and careful assessment is needed to determine the most appropriate intervention for a family at risk.
2. Those on public assistance need an array of support services to move into the workforce.
3. Programs for adolescents (and teen mothers) need to focus less on self-esteem or locus of control and more on positive attitudes regarding work and education.
4. Well-targeted welfare-to-work programs show promise when they include job training and childcare.
5. High-quality early childhood programs provide good evidence for long-term social benefits.
6. There is a need to be conscious of the impact of race, gender, and geography on clients ability to find work (some populations may need intensive job referrals, transportation, housing relocation assistance, or language assistance.
7. It is unclear if marriage, in and of itself, would raise a family out of poverty.
8. There is a clear need to help poor families organize in order to advocate for constructive anti-poverty policies.

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9. Since regional economic growth is related to regional poverty rates in connection with spatial mismatch of jobs and skills, area-based economic development strategies integrated with human capital development programs are needed to benefit poor families (e.g., indirect wage subsidies thorough tax credits, loans, or grants to employers to enable them to pay above poverty wages, and local government policies on living wages).
10. Since geography is a predictor of poverty, more residential mobility voucher programs are needed to reduce the poverty rates among inner-city minority population by helping them relocate, utilize job referrals, participate in job training, maximize child care supports, and benefit from the enforcement of existing fair housing laws.

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