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Office Hours:
Monday, Thursday 8:15 AM-9:45 AM
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American University
Department of Economics

Econ 396/696 Poverty, Inequality, and Social Policy
Spring 2008, Ward 304

Market economies have an excellent record for generating economic growth and raising overall living standards. However, the effectiveness of market economies in dealing with distributional issues is far more contentious. Policies to carry out the broad consensus for reducing poverty sometimes conflict with the goals of maintaining work, family, and self-sufficiency objectives. Inequality levels raise concerns about class consciousness. Social policies are central to government efforts to help low-income families, less-educated workers, the unemployed, the elderly and vulnerable populations. But social security and antipoverty programs are often at the center of political controversies. This class will examine these issues, primarily in the context of the United States but partly in the context of poverty and social policy in other industrialized countries. Although we will focus on economic issues, social and cultural issues will play a role as well. The class will discuss:

- the goals and fundamental concepts of social policy;
- concepts and measures of poverty and inequality;
- methods of evaluating policies and programs;
- social assistance programs, including cash assistance and benefits in the form of goods, such as housing, child care, and medical care;
- public provision of vouchers for housing, food, and other essentials;
- employment, training, and wage subsidy policies, especially for the disadvantaged;
- approaches for dealing with selected population subgroups, primarily youth, lone-parent families and the elderly; and
- examples of policy proposals, policy reforms and evaluations of social programs and initiatives in the U.S.

Grading policy

Class attendance and participation are part of your learning process and will count toward your grade in the class. Reading assignments are important. You will be asked to write occasional short reaction papers in response to the readings and will occasionally be asked to write a short statement about the readings in class. In addition, course requirements include a group project, a term paper that may or may not be part of a group project, and a final

examination. A good deal of time will go into providing materials and advice to students for their term papers and group projects. Grades will be determined as follows:

10% Oral Class Participation

50% Final Examination

40% Short papers, term paper, and group project and presentation

Readings and Other Assignments

Many of the readings are recent, thus capturing ongoing controversies and new findings. Most will be on blackboard or provided as handouts. A few are electronic books, accessible from the library. Students may wish to purchase paperbacks of the books by David Shipler and by Kathryn Edin and Maria Kefalas. Students will be assigned short 2 page reaction papers to some of the readings and/or other issues. The topics and readings for each week are as follows:

January 14: Overview of Broad Approaches to Poverty and Social Policy

How should we think about poverty and inequality in a market economy?

What should be the focus of policies dealing with distributional issues?

What is the welfare state?

- How have social welfare systems evolved in terms of spending and program mix? The increasing role of government over the family. Spending on social welfare programs in various countries. What is the private welfare state?

Role of Risk and Uncertainty

- Types of risks—unemployment insurance/disability insurance/survivors insurance. Moral hazard and adverse selection, Design of social insurance programs.

Neil Gilbert. “Enabling Citizens: Beyond the Welfare State.” Chapter 6 in *Welfare Justice*. Yale University Press. 1995. (handout)

OECD. “Expenditure Trends.” Chapter 2 in *A Caring World: A New Social Policy Agenda*, OECD. 1999 (Blackboard).

David Ellwood, “Values and the Helping Conundrums.” Chapter 2 in *Poor Support* (handout).

January 17: Defining and Measuring Poverty

How should we define and measure poverty? What are the practices of poverty measurement in various countries? What are the trends in poverty levels and dynamics? Where do the data come from?

Measuring Poverty: A New Approach. Edited by Constance Citro and Robert T. Michael. National Academy Press. Washington, DC 1995. 17-72. (e-book in library)

Amartya Sen. “Poverty as Capability Deprivation.” Chapter 4 in *Development as Freedom*.

Anchor Books. 1999. 87-100/ (handout).

Richard Bavier, "Reconciliation of Income and Consumption Data in Poverty Measurement." *Journal of Policy Analysis and Management*. Winter 2008. 40-62.

Jonathan Bradshaw and Naomi Finch "Overlaps in Dimensions of Poverty" *Journal of Social Policy*. Spring 2003. 513-525. (Blackboard)

David Shipler. *The Working Poor*. Electronic book. Chapter 1, "At the Edge of Poverty."

January 21—No Class---Martin Luther King Birthday

January 24: Economic Inequality: Definitions and Basic Data

What are the main options for defining inequality? What do the basic data show?

Amartya Sen. "Measures of Inequality." in *Economics of Inequality*. 24-45.

Carmen DeNavas,-Walt, Bernadette Proctor, and Jessica Smith. *Income, Poverty, and Health Insurance in the United States: 2006*. US Bureau of the Census. August 2007. (Blackboard)

Congressional Budget Office. "Changes in the Resources of Low-Income Households with Children." May 2007. (Blackboard)

January 28: Trends in Poverty and Inequality from Various Perspectives

What are some of the key trends relating to poverty and inequality and to changes in poverty and inequality over time? Some of the questions raise controversies.

Robert I. Lerman. "US Income Inequality Trends and Recent Migration." In *Inequality, Welfare, and Poverty: Theory and Measurement*. 2003. Elsevier Science. 289-308. (handout).

Thomas Piketty and Emmanuel Saez. "The Evolution of Top Incomes: A Historical and International Perspective." *American Economic Review*. May 2006. 200-205.

Alan Reynolds. "Has U.S. Income Inequality Really Increased?" Policy Analysis 585. CATO Institute. January 2007.

Response by Piketty and Saez to Alan Reynolds.

David Johnson, Timothy Smeeding, and Barbara Torrey, "Economic Inequality Through the Prisms of Income and Consumption." *Monthly Labor Review*. April 2005. 11-23.

Stephanie Riegg Cellini, Signe-Mary McKernan, and Caroline Ratcliffe. "The Dynamics of Poverty in the United States: A Review of Data, Methods, and Findings."

January 31: No Formal Class Finish earlier readings and start new ones.

February 4: Evaluating Impacts of Social Factors and Programs

What are the basic statistical issues that arise in judging the impacts of social factors and of social programs? Some guidelines for use in interpreting research findings.

Handout on “Standards of Evidence in Policy Debates.”

Gary Burtless. “The Case for Randomized Field Trials in Economic and Policy Research.” *Journal of Economic Perspectives*. Spring 1995. 63-84.

February 7-11: Work and Earnings

What is the role of work and low-wages in affecting poverty and inequality?

David Shipler. *The Working Poor*. Electronic book. Chapters on “Work Doesn’t Work,” “The Daunting Workplace,” and “Work Works”

Thomas Lemieux. “The Changing Nature of Wage Inequality.” NBER Working Paper 13523.

Tables on work patterns and poverty rates.

February 14-18: The Role of Family Structure

How does the changing structure of families affect inequality and poverty, especially child poverty?

Kathryn Edin and Maria Kefalas. *Promises I Can Keep*. 27-48; 71-103.

David Ellwood and Christopher Jencks. “The Spread of Single-Parent Families.” KSG Working Paper.

Adam Thomas and Belle Sawhill. “For Richer or for Poorer: Marriages As An Antipoverty Strategy.” *Journal of Policy Analysis and Management*. 587-599.

Sara McLanahan. “Diverging Destinies: How Children Are Faring Under the Second Demographic Transition.” *Demography*. November 2004. 607-627.

Fragile Families Research Brief. “Mother’s and Children’s Poverty and Material Hardship in the Five Years Following a Non-Marital Birth.” January 2008.

February 21-25: Direct Cash Assistance

What is the logic of direct transfers, such as negative income taxes? What are the differences between universal vs. selective programs and programs providing basic income support vs. programs supplementing income? What incentive issues arise in the provision of benefit programs? What are work-related subsidies?

Milton Friedman. "Alleviation of Poverty." In *Capitalism and Freedom*. 190-195. 1962 (short handout).

Anthony Atkinson. "On Targeting and Family Benefits." In *Incomes and the Welfare State*. Cambridge University Press. 1995. 223-261. (handout)

Charles Murray. *In Our Hands: A Plan to Replace the Welfare State*. 2006. (selected chapters—handout).

Robert A. Moffitt. "The Negative Income Tax and the Evolution of U.S. Welfare Policy." *Journal of Economic Perspectives*. Summer 2003. 119-140. (blackboard).

February 28: Benefits In-Kind

What is the role of programs providing in-kind benefits, such as food and housing? How should these essentials be provided, directly or through vouchers? Should government build and operate public housing or subsidize individuals to rent their own dwellings?

C. Eugene Steuerle. "Common Issues for Voucher Programs." In *Vouchers and the Provision of Public Services*. Brookings Institution. 2000. 3-39. (handout)

Janet Currie. "The Take Up of Social Benefits." in *Public Policy and the Income Distribution*. Edited by Auerbach, Card, and Quigley. 2006. 80-137.

George Peterson, "Housing Vouchers: The US Experience" In *Vouchers and the Provision of Public Services*. Brookings Institution. 2000. 139-175. (handout)

March 3-6: Work-Related Antipoverty Policies

How do programs offering work-related supports operate? Do they improve work incentives and family incomes more than standard social assistance programs?

David Neumark and Wascher, William, "Minimum Wages, the Earned Income Tax Credit, and Employment: Evidence from the Post-Welfare Reform Era" NBER Working Papers: 12915, 2007.

"Policy Challenges in Implementing Employment-Oriented Social Policies." Chapter 5 in *A Caring World: A New Social Policy Agenda*, OECD. 1999. 91-103. (Blackboard)

Has Bos, Gregory Duncan, Lisa Gennetian, and Heather Hill. "New Hope: Fulfilling America's Promise to Make Work Pay." Hamilton Project. Brookings Institution. December 2007.

John Karl Scholz, "Employment-Based Tax Credits for Low-Skilled Workers." Hamilton Project. Brookings Institution. Policy Brief 2007-14. December 2007.

March 10-13: Spring Break

March 17-20: Job Training and Career-Focused Education Programs

What is the experience of public training programs? How do countries differ in helping young people make the transition from school-to-work? How do you evaluate publicly provided training programs?

OECD Employment Outlook: 2004. “Improving Skills for More and Better Jobs: Does Training Make a Difference?” Chapter 4. 183-224.

Christopher King. “The Effectiveness of Publicly Financed Job Training in the United States: Implications for WIA and Related Programs.” In *Job Training Policy in the United States*. W.E. Upjohn Institute for Employment Research. 2004. 57-100.

Robert I. Lerman. “Career-Focused Education and Training for Youth.” In *Reshaping the American Workforce in a Changing Economy*. Urban Institute Press. 2007.

March 24-27: Poor Neighborhoods

Paul Jargowsky. “Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s.” Center on Urban and Metropolitan Policy. The Brookings Institution. May 2003.

Susan Mayer and Christopher Jencks, “Growing Up in a Poor Neighborhood: How Much Does It Matter?” *Science*. March 17, 1989, 1441-45.

Kristin, Turney, Kathryn Edin, Susan Clampet-Lundquist, Jeffrey Kling, and Greg Duncan. “Neighborhood Effects on Barriers to Employment: Results from a Randomized Housing Mobility Experiment in Baltimore.” *Brookings-Wharton Papers on Urban Affairs*. 2006. 137-187.

March 31-April 10: Policies Involving Lone Parent Families: Child Support, Welfare Reforms, and Marriage Policies

What policies help lone-parent families by providing social assistance, require work, and demand child support from non-custodial parents?

Society at a Glance: OECD Social Indicators. 32-35, 44-45. (handout)

Robert I. Lerman and Elaine Sorensen. “Child Support: Interactions Between Private and Public Transfers,” in *Income-Tested Transfer Programs in the United States*. Edited by Robert Moffitt. 2003. 587-628.

Rebecca Blank, “What Did the 1990s Welfare Reforms Accomplish?” in *Public Policy and the Income Distribution*. Edited by Auerbach, Card, and Quigley. 2006. 33-72.

Dialogue between Lawrence Mead and Sharon Perrot and Arloc Sherman, “Welfare reform after 10 years: Strengths and Weaknesses.” *Journal of Policy Analysis and Management*. Fall 2007. 369-386.

Christopher Jencks “What Happened to Welfare?” *New York Review of Books*. Volume 52,

Number 20. December 15, 2005.

Kathryn Edin and Maria Kefalas. *Promises I Can Keep*. “What Marriage Means”

Dialogue between Sara McLanahan, Paul Amato, and Frank Furstenberg, Jr. on “Should government promote marriage?” *Journal of Policy Analysis and Management*. Fall 2007. 951-964.

April 10: Unemployment Insurance: Existing Programs and Potential Reforms

What is the unemployment experience in the US and other OECD countries? How do countries help the unemployed? What is the rationale for publicly provided unemployment insurance? How do benefit formulas and employer roles vary? Should unemployment insurance be fundamentally reformed?

OECD Employment Outlook: 2000. “Eligibility Requirements for Unemployment Insurance.” 129-154 (handout)

Jeffrey Kling. “Fundamental Restructuring of Unemployment Insurance: Wage-Loss Insurance and Temporary Replacement Accounts.” Hamilton Project. Brookings Institution. 2006.

April 17: Asset Building Among Low-Income Families

TBA

April 21-28: Student Presentations

May 1: Final Examination: 8:30-11 AM.