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## Commentary: GOP Poverty Forum – Its High Notes and Low Notes

By Robert Greenstein

It's encouraging that six Republican presidential candidates appeared today in South Carolina to discuss poverty, and they advanced some positive proposals. Jeb Bush called for expanding the Earned Income Tax Credit (EITC) for low-income workers not raising children, essentially endorsing a proposal from both President Obama and House Speaker Paul Ryan, while Chris Christie and others spoke of adopting or expanding *state* Earned Income Tax Credits. Various candidates, and Speaker Ryan, talked about reforming federal and state sentencing guidelines to reduce incarceration for people using drugs, and trying to strengthen the labor-market prospects of people who've been involved with the criminal justice system. Several speakers talked about apprenticeship programs, vocational education, and early childhood education, which can be constructive approaches in boosting skills and mobility.

Unfortunately, the candidates also said much that was disappointing. They sometimes misrepresented basic facts and research about poverty and anti-poverty programs. Some advanced proposals that would likely *increase* poverty and hardship rather than reduce them. While various candidates and Speaker Ryan talked about “results” and “impacts,” and Ryan has elsewhere called for “evidence-based policymaking,” some speakers advocated ending programs that have been shown to be successful — such as the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps) — and offered proposals that conflict with the evidence.

In addition, while many GOP candidates have called for deep tax cuts that would sharply shrink federal revenues, and many have also called for balancing the budget, *no* candidate or other speaker explained today how they could pursue these goals without severely cutting basic assistance for the poor.

### **Avoiding a Key Question: How to Cut Taxes Deeply Without Decimating Assistance for the Poor**

The fiscal year 2016 congressional budget resolution, which the Republican-run House and Senate both passed on party-line votes last year (and which is similar to the budgets that Paul Ryan fashioned as House Budget Committee chairman) would secure nearly two-thirds of its budget cuts — more than \$3 trillion in cuts over ten years — from programs for low- and modest-income people. Although, as forum speakers noted, the poverty debate should extend well beyond funding

levels, those budgets' severe cuts in assistance for meeting basic needs, making college more affordable, and the like would inescapably increase poverty and hardship.

Moreover, the GOP congressional budget assumes that revenues would remain at their levels under current law. Many Republican presidential candidates, though, have called for multi-trillion-dollar tax cuts, which would necessitate even steeper budget cuts than those in the GOP budget in order to keep budget deficits from exploding. That raises a fundamental question for Republican candidates: how would they craft budget and tax plans that *don't* savage assistance for the poor and thereby increase poverty and hardship?

No candidate or other speaker addressed — or acknowledged — this issue. This makes it hard to take seriously their claims that their plans overall would reduce poverty, rather than making life harder for people of limited means.

### **Misportraying Poverty Trends and Safety Net Programs**

Several speakers, including candidate Mike Huckabee and American Enterprise Institute President Arthur Brooks, repeated claims that the poverty rate is about the same today as in the 1960s (when President Johnson launched the “War on Poverty”), thus supposedly showing that the nation has made little progress and government programs have failed. As we and other poverty analysts across the political spectrum repeatedly explain, however, this claim is deeply misleading.

Today's poverty rate appears similar to that of the late 1960s only if one *doesn't* count income from the EITC, SNAP, rental vouchers, and the like — which clearly boost family incomes and purchasing power. At a hearing a few years ago over which Speaker Ryan presided as Chairman of the House Budget Committee, every witness (including the conservative witnesses Ryan himself selected) said that analyzing poverty trends in this way isn't valid. Instead, when analyzed properly — by *counting* benefits like the EITC, SNAP, and rental assistance— the poverty rate has fallen significantly.

The most recent analysis shows that when such benefits are counted, the poverty rate has fallen by two-fifths since the late 1960s.<sup>1</sup> It also shows that in 2014, safety net programs lifted out of poverty 42 percent of the people who would otherwise have been poor, or more than 36 million people. In 1967, before many of these programs existed, the safety net lifted out of poverty just 4 percent of those who would otherwise have been poor.

Poverty remains much too high. But in assessing where we should go from here, we shouldn't start by misportraying poverty trends and the record of current programs.

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<sup>1</sup> Danilo Trisi, “Safety Net's Anti-Poverty Effectiveness Has Grown Nearly Ten-Fold Since 1967,” January 4, 2016, Center on Budget and Policy Priorities, <http://www.cbpp.org/blog/safety-nets-anti-poverty-effectiveness-has-grown-nearly-ten-fold-since-1967>.

## The Effect of Safety Net Programs on Work

Numerous candidates, as well as Speaker Ryan, said that safety net programs today create a “poverty trap” that discourages people from working and makes them worse off if they do, leading them to work far less than they would otherwise. Their statements were at odds with the research.

A recent comprehensive review by leading scholars of the extensive academic research concludes that the safety net overall has only small effects on the amount that low-income people work. The research finds, for example, that SNAP’s impact on beneficiaries’ work is too small even to quantify.<sup>2</sup>

Speaker Ryan talked about low-income people who receive safety net benefits and lose 80 cents in higher taxes and lower benefits of each additional dollar they earn. Chris Christie and Mike Huckabee asserted that many people lose more than \$1 for each dollar they would earn if they went to work. But in November, the Congressional Budget Office (CBO) issued a detailed study of this issue, finding that, while that can occur in some cases, they are unusual. CBO reported that poor workers typically lose *less* of each added dollar earned from higher taxes and lower benefits than other workers do — with workers whose earnings equal less than half the poverty line typically losing *14 cents* of each added dollar earned and those with earnings between 50 and 100 percent of the poverty line typically losing *23.5 cents* of each added dollar earned.<sup>3</sup> The data are clear: most poor people are much better off if they work than if they do not or if they increase how much they work — contrary to repeated assertions at today’s forum.

The candidates also ignored research that doesn’t support their claims of the safety net’s failures. A growing body of research has found that when families with children receive added income and purchasing power from benefits such as SNAP and the EITC, the children in these families are likely to have higher school test scores and academic attainment and higher high school completion rates — and, as a result, higher earnings and employment in adulthood. That’s an area in which the long-term effect of some key safety net programs that various candidates would scrap appears to be *more* work, not less.

Also noteworthy, no speaker acknowledged that the Affordable Care Act reduces work disincentives among the poor in states that have adopted the ACA’s Medicaid expansion. Before the ACA, working-poor parents in the typical state lost their Medicaid eligibility when their earnings reached about 60 percent of the poverty line. If an employer didn’t offer health coverage, this created a huge “cliff” — and a disincentive for those working-poor parents (especially those with medical conditions) to move from part-time to full-time work. States that have taken the Medicaid expansion have eliminated this cliff.

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<sup>2</sup> Yonatan Ben-Shalom, Robert A. Moffitt, and John Karl Scholz, “An Assessment of the Effectiveness of Anti-Poverty Programs in the United States,” Working Paper 17042, National Bureau of Economic Research, May 2011.

<sup>3</sup> Congressional Budget Office, *Effective Marginal Tax Rates for Low- and Moderate-Income Workers in 2016*, November 2015, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50923-MarginalTaxRates.pdf>. For more discussion, see Isaac Shapiro, “Ryan Work Disincentive Claim Doesn’t Square With New CBO Figures,” Center on Budget and Policy Priorities, December 4, 2015, <http://www.cbpp.org/blog/ryan-work-disincentive-claim-doesnt-square-with-new-cbo-figures>.

## Weaknesses in Poverty Proposals Advanced at the Forum

Some of the proposals presented today lacked concrete details, but various themes emerged. Some were positive, as noted above. Other approaches embraced by various speakers, however, would more likely exacerbate poverty and reduce opportunity than make progress on those fronts.

In one persistent theme throughout the forum, various candidates called for ending major anti-poverty programs like SNAP and turning the funds over to governors and state legislators. Several speakers referred to the 1996 welfare law's replacement of the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant, suggesting it showed that converting programs to block grants enables states to help more people work.

The research, however, shows TANF's track record to be mixed. A new National Bureau of Economic Research (NBER) review of the research finds that TANF (buttressed by EITC expansions) led some single mothers to work or to work more, but also left other single mothers and their children worse off because they wound up with neither earnings nor cash assistance and consequently fell deeper into poverty.<sup>4</sup>

And the data and research raise particular concerns about the wisdom of ending SNAP and replacing it with a TANF-style block grant, as various speakers today suggested. In 1996, for every 100 poor families with children, 68 received cash assistance through AFDC; today, for every 100 poor families with children, only 23 receive cash through TANF. That's a key reason why with TANF, more families have fallen into deep poverty, with potential negative effects on the life prospects of the children in these families. The consequences could be serious if millions of poor children also lost the basic nutrition assistance that SNAP provides. None of the candidates or other speakers grappled with this issue.

Yesterday, as he proposed to end SNAP and replace it with a block grant, Jeb Bush called SNAP a failure. Despite a common emphasis at the forum on "results" and "impacts," the speakers calling for ending SNAP and turning its funds over to the states failed to acknowledge the extensive evidence showing that SNAP has achieved important successes.

For example, before the early 1970s, each state set its own food stamp eligibility standards, with some states (especially in the South) ending eligibility at levels as low as 50 percent of the poverty line. Surveys by medical researchers in the late 1960s found shocking rates of malnutrition and nutrition-related diseases — akin to those in some third-world countries — among poor children in parts of Appalachia and the South. That prompted President Nixon to lead a successful effort to establish national food stamp eligibility standards. Follow-up studies in the late 1970s, after the national standards had taken effect, found dramatic reductions in child malnutrition and nutrition-related diseases, which the researchers concluded were due largely to the federal reforms that expanded food stamps.

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<sup>4</sup> Robert Moffitt, "Economics of Means-Tested Transfer Programs: Introduction to Volume 1," Working Paper 21751, National Bureau of Economic Research, Nov. 2015, <http://www.nber.org/chapters/c13482.pdf>.

Moreover, recent pathbreaking research has compared the life trajectories of poor children whose families did and didn't have access to food stamps. (The research compared children growing up in the late 1960s and early 1970s who lived in counties with a Food Stamp Program to comparable children who grew up in counties without a program, since the program wasn't yet nationwide.) Disadvantaged children who had access to food stamps had an 18 percent higher high school completion rate, better health in adulthood, and, among girls, greater "self-sufficiency" — which the researchers defined in terms of greater earnings, education, employment, and income in adulthood and reduced participation in public assistance programs.

Furthermore, SNAP responds automatically when recessions hit, and poverty and need consequently rise. Families plunged into poverty when their breadwinner loses his or her job can promptly receive nutrition assistance through SNAP; they don't face waiting lists. That helps not only laid-off workers and their families, but the economy as well. Moody's Analytics Chief Economist Mark Zandi (an adviser to John McCain's 2008 presidential campaign) estimates that, per dollar of cost, SNAP is more effective in stimulating the economy during a recession than virtually any other tax or spending option — and the Congressional Budget Office reached a similar conclusion.

Proposals from today to replace SNAP with a block grant — under which states would get a fixed amount of money for the year, irrespective of the state of the economy — would pose great risk of undoing this progress. They fly in the face of the conclusion of the Republican lawmaker who devoted more time to food stamp reform than any other Republican policymaker of the past half century — former Senate Majority Leader Bob Dole. He called the Food Stamp Program the greatest advance in American social policy since Social Security.

On a related front, the candidates who called today for ending SNAP and turning its funding over to the states, a la TANF, apparently assume that states have used their sweeping flexibility under the TANF block grant to shift more resources to help prepare people for employment. Yet states themselves have reported that they now devote *only 8 percent* of federal and state TANF dollars to employment and training programs. Most state TANF programs do little to help hard-to-employ individuals succeed in the labor market.

Moreover, states spend just 16 percent of TANF dollars on child care, and only half of their TANF dollars on TANF's three core purposes — work, child care, and cash assistance. Instead, they have shifted many TANF dollars to an array of other uses, not infrequently substituting federal TANF dollars for state dollars they previously spent on those other uses. That frees up state dollars to use elsewhere, such as plugging budget holes, but it doesn't reduce poverty.

Finally, while various candidates spoke extensively and sometimes eloquently today about the importance and value of work, they had surprisingly little to say about creating more work *opportunities* for low-income adults and youth (beyond the usual bromides about how their tax cuts would create jobs). There are still many more active job-seekers (7.9 million) than job openings (5.4 million), the latest Labor Department figures show. And, low-income people with the least education and skills have the hardest time in the competition for jobs.

That's an area in which we need effective policy innovation. On a hopeful front, a temporary program in 2009 and 2010 provided federal funding that states could use to create subsidized jobs programs for low-income parents and youth and, through it, states placed 260,000 low-income

people in temporary jobs, primarily in the private sector. Republican and Democratic governors alike lauded the program, which expired at the end of fiscal year 2010. That success suggests that policymakers should resurrect a version of this initiative, or at least test it as a major demonstration project. Although various poverty experts from across the political spectrum have endorsed such an approach, no speaker today mentioned it.

The candidates who spoke and the event's organizers deserve credit for putting a spotlight on poverty. If candidates are serious about reducing poverty in the world's wealthiest nation, however, they will need to do better than they did at today's forum.