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## Evidence Compiled by President’s Economic Experts Illustrates Long-Term Gains from Antipoverty Programs

By Arloc Sherman

A document from the President’s Council of Economic Advisers (CEA) compiles some of the mounting evidence that antipoverty programs not only help poor families get by today but also help their children succeed tomorrow.<sup>1</sup> Depending on the program, the long-term benefits include better health, more education, improved earnings and economic self-sufficiency, and/or higher marriage rates. The findings suggest that cutting such programs in the name of austerity is short-sighted and likely to damage opportunities for the affected children to fully participate in — and contribute to — society.

The evidence compares children whose families received certain benefits with otherwise similar children who received less or none of those benefits (or, alternatively, compares children with large *increases* in benefits with children with smaller or no increases). The programs covered include:

- **Head Start:** Children in Head Start grow up to fare better than their siblings who didn’t attend the program across a collection of adult outcomes, such as finishing high school, attending college, and health status. On a summary index of these outcomes, the advantages associated with attending Head Start were equivalent to closing about one-third of the outcome gap between low- and middle-income children.<sup>2</sup>
- **Earned Income Tax Credit (EITC):** After the EITC was expanded in 1993, the share of babies born at unhealthily low birth weight fell among families receiving the largest increases in the credit, relative to other newborns who received a smaller or no EITC increase.<sup>3</sup> (The expansion varied by family size, with families with two or more children receiving the largest increase.) In a separate study, children whose families were eligible for larger EITCs and

<sup>1</sup> Jason Furman and Krista Ruffini, “Six Examples of the Long-Term Benefits of Anti-Poverty Programs,” May 11, 2015, <https://www.whitehouse.gov/blog/2015/05/11/six-examples-long-term-benefits-anti-poverty-programs>.

<sup>2</sup> Arloc Sherman, Danilo Trisi, and Sharon Parrott, “Various Supports for Low-Income Families Reduce Poverty and Have Long-Term Positive Effects On Families and Children,” Center on Budget and Policy Priorities, July 30, 2013, <http://www.cbpp.org/research/various-supports-for-low-income-families-reduce-poverty-and-have-long-term-positive-effects>.

<sup>3</sup> Hilary Hoynes, Doug Miller, and David Simon, “Income, the Earned Income Tax Credit, and Infant Health,” *American Economic Journal: Economic Policy* 2015, 7(1): 172–211, <https://gspp.berkeley.edu/assets/uploads/research/pdf/Almond-Hoynes-Schanzenbach-RESTAT-2011.pdf>.

Child Tax Credits had higher average reading and math scores than children eligible for smaller or no credits, holding constant their pre-tax-credit incomes; the researchers estimated that these skill improvements will lead to future earnings gains that exceed the families' current EITC costs.<sup>4</sup> A third study found that high school seniors whose parents received larger EITCs were more likely to go to college.<sup>5</sup>

- **SNAP:** The Food Stamp Program (now called SNAP) was rolled out in stages across the country in the 1960s and 1970s. As food stamps arrived in a county, babies started having healthier birth weights.<sup>6</sup> By their adult years, moreover, children from those counties had lower rates of stunted growth and metabolic syndrome (a cluster of related health problems including diabetes, high blood pressure, and heart disease) and, for women, greater economic self-sufficiency, defined as a combination of outcomes including high school completion, higher income and earnings, and lower welfare participation.<sup>7</sup>
- **Rental vouchers:** Among low-income families that changed homes because they received an experimental form of voucher that encouraged them to move to a low-poverty neighborhood, children who were under 13 at the time of the move earned an extra 31 percent by age 26, relative to a randomly assigned group of peers in traditional public housing. The experimental assistance also boosted marriage rates (as did receiving a rental voucher that allowed the family to move but did not limit where they moved).<sup>8</sup>
- **Medicaid and the Children's Health Insurance Program (CHIP):** An added year of Medicaid/CHIP eligibility in childhood boosted individuals' cumulative tax payments by an estimated \$186 by age 28, by increasing earnings, particularly for women.<sup>9</sup> Assuming the effects persist through age 60, researchers project, this would repay a substantial fraction (56 percent) of the coverage's cost.

In a *New York Times* op-ed accompanying the analysis, CEA chairman Jason Furman, a co-author of the analysis, noted these programs' lasting reach.<sup>10</sup> Some antipoverty programs, such as Head

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<sup>4</sup> Raj Chetty, John N. Friedman, and Jonah Rockoff, "New Evidence on the Long-Term Impacts of Tax Credits," November 2011, <http://www.irs.gov/pub/irs-soi/11rpchettyfriedmanrockoff.pdf>.

<sup>5</sup> Dayanand S. Manoli and Nicholas Turner, "Cash-on-Hand & College Enrollment: Evidence from Population Tax Data and Policy Nonlinearities," National Bureau of Economic Research Working Paper No. 19836, January 2014, <http://www.nber.org/papers/w19836>.

<sup>6</sup> Douglas Almond, Hilary W. Hoynes, and Diane Whitmore Schanzenbach, "Inside the War on Poverty: The Impact of Food Stamps on Birth Outcomes," *Review of Economics and Statistics*, May 2011, <https://gspp.berkeley.edu/assets/uploads/research/pdf/Almond-Hoynes-Schanzenbach-RESTAT-2011.pdf>.

<sup>7</sup> Hilary W. Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," April 2014, <https://gspp.berkeley.edu/assets/uploads/research/pdf/Hoynes-Schanzenbach-Almond-4-14.pdf>.

<sup>8</sup> Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," May 2015, [http://www.equality-of-opportunity.org/images/mto\\_paper.pdf](http://www.equality-of-opportunity.org/images/mto_paper.pdf).

<sup>9</sup> David W. Brow, Amanda E. Kowalski, and Ithai Z. Lurie, "Medicaid as an Investment in Children: What Is the Long-Term Impact on Tax Receipts?" National Bureau of Economic Research Working Paper 20835, January 2015, <http://www.nber.org/papers/w20835>.

<sup>10</sup> Jason Furman, "Smart Social Programs," *New York Times*, May 11, 2015, <http://www.nytimes.com/2015/05/11/opinion/smart-social-programs.html? r=1>.

Start, have been called ineffective because their effects on children’s test scores typically last only a few years before fading, but longer-term analyses reveal that they succeed years later in improving important outcomes like high school completion, college entry, and earnings. (One early 20<sup>th</sup> century U.S. cash assistance program cited by the CEA was found to reduce mortality rates among recipient children as late as age 87.)<sup>11</sup>

Furman also underscored the importance of meeting families’ fundamental needs. While program design — *how* programs meet basic needs — sometimes matters a great deal, he wrote, “much of the benefit” of antipoverty programs “appears to derive from helping low-income families pay for basic needs like food, housing or health care, or simply reducing the intense economic pressure they face,” noting that poverty can increase intense stress that inhibits young children’s cognitive development.<sup>12</sup>

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<sup>11</sup> Anna Aizer, Shari Eli, Joseph Ferrie, and Adriana Lleras-Muney, “The Long Term Impact of Cash Transfers to Poor Families,” National Bureau of Economic Research Working Paper 20103, May 2014, <http://www.nber.org/papers/w20103>.

<sup>12</sup> “Stresses of poverty may impair learning ability in young children,” National Institutes of Health, August 28, 2012, <http://www.nih.gov/news/health/aug2012/nichd-28.htm>.