

Reducing Poverty: The Progress We Have Made and the Path Forward

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Washington, DC
January 17, 2017

OUTLINE

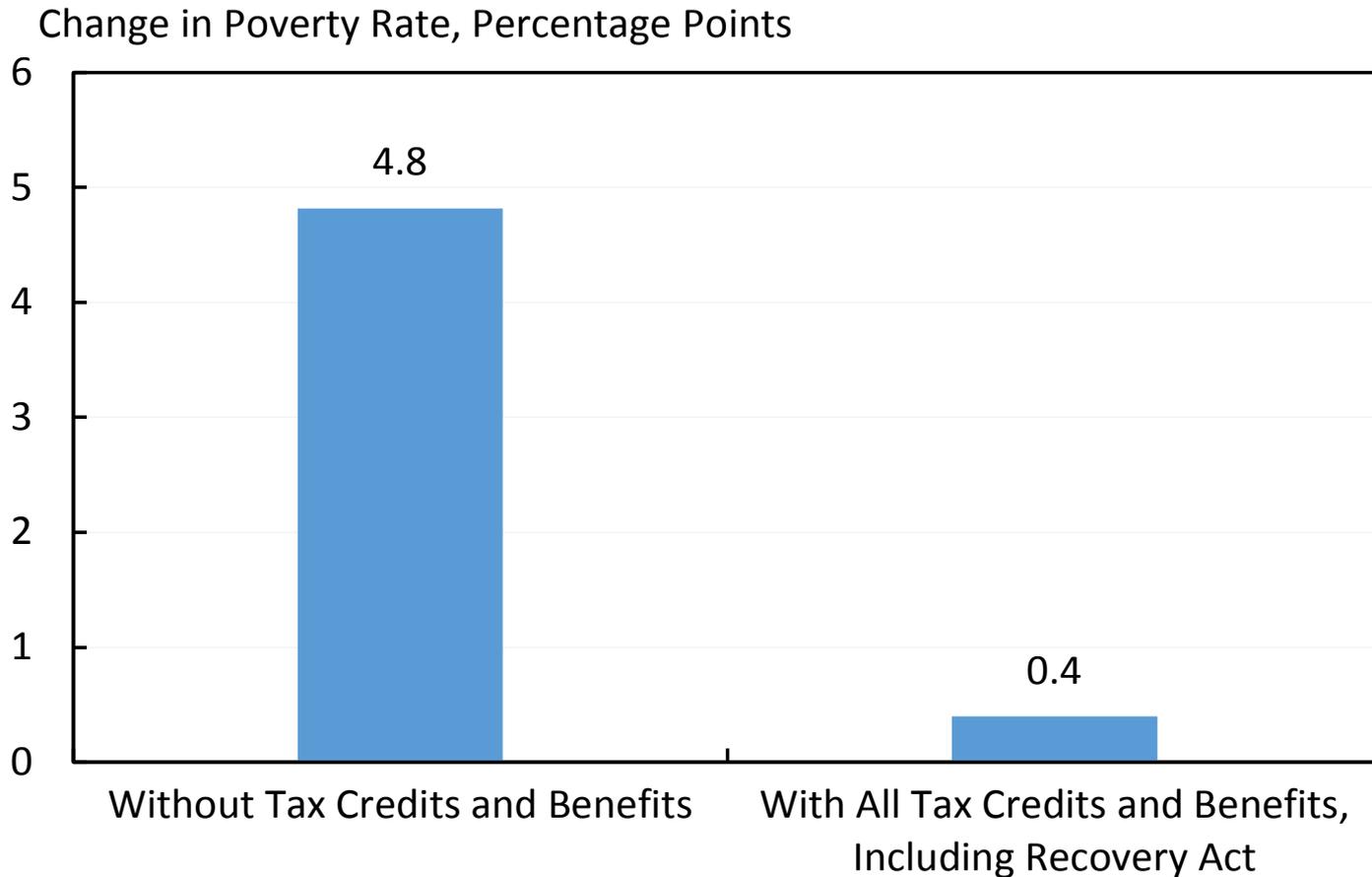
- 1. Recent Developments in Poverty and Policy**
- 2. Poverty Over the Last Fifty Years**
- 3. The Role of Tax & Transfer Programs in the Short Run**
- 4. How To Raise Market Incomes**
- 5. The Agenda Going Forward**

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The Safety Net—and Its Temporary Expansion—Cushioned Much of the Blow From the Great Recession

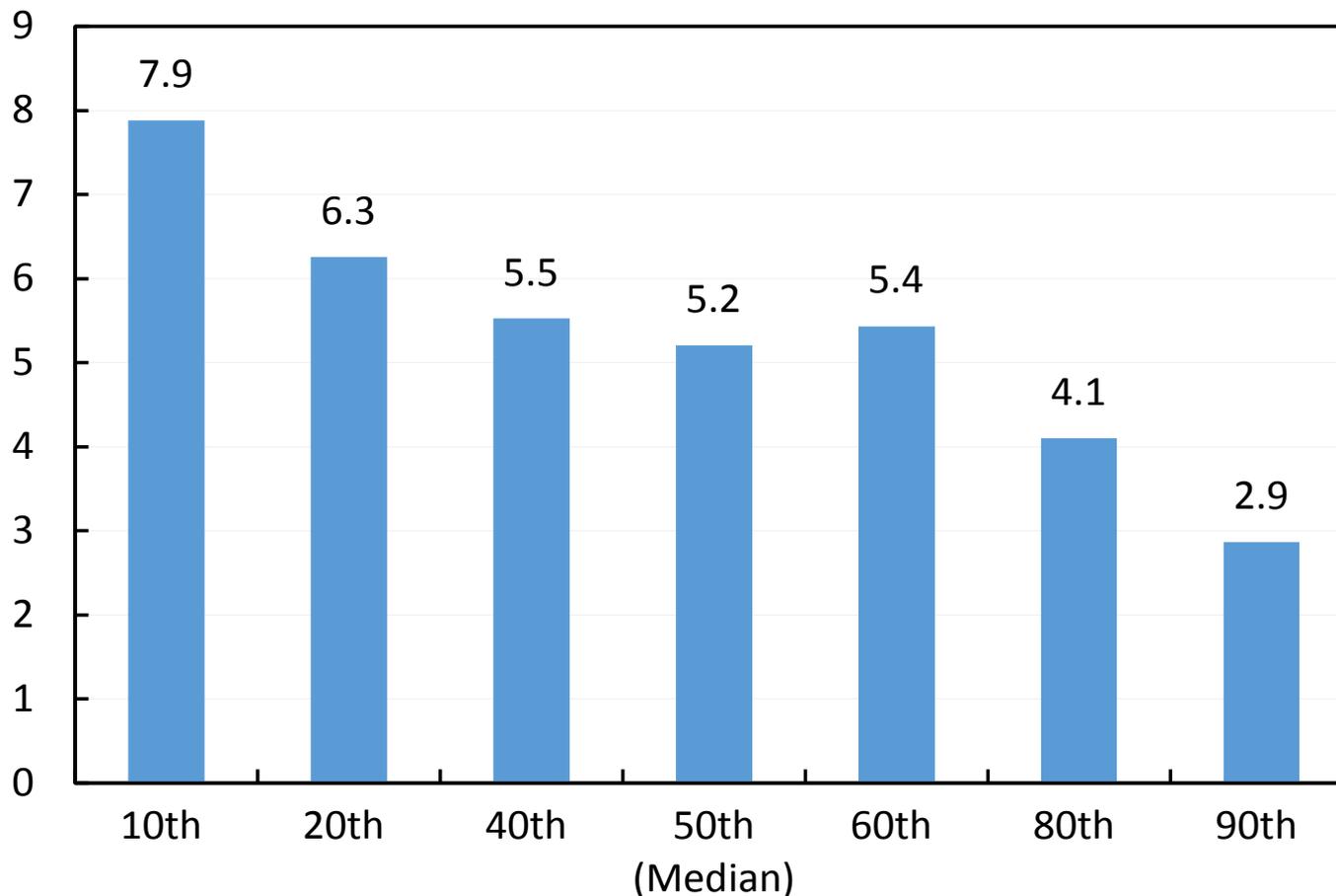
Change in Poverty Rate from 2007 to 2010, Without and With Tax Credits and Benefits



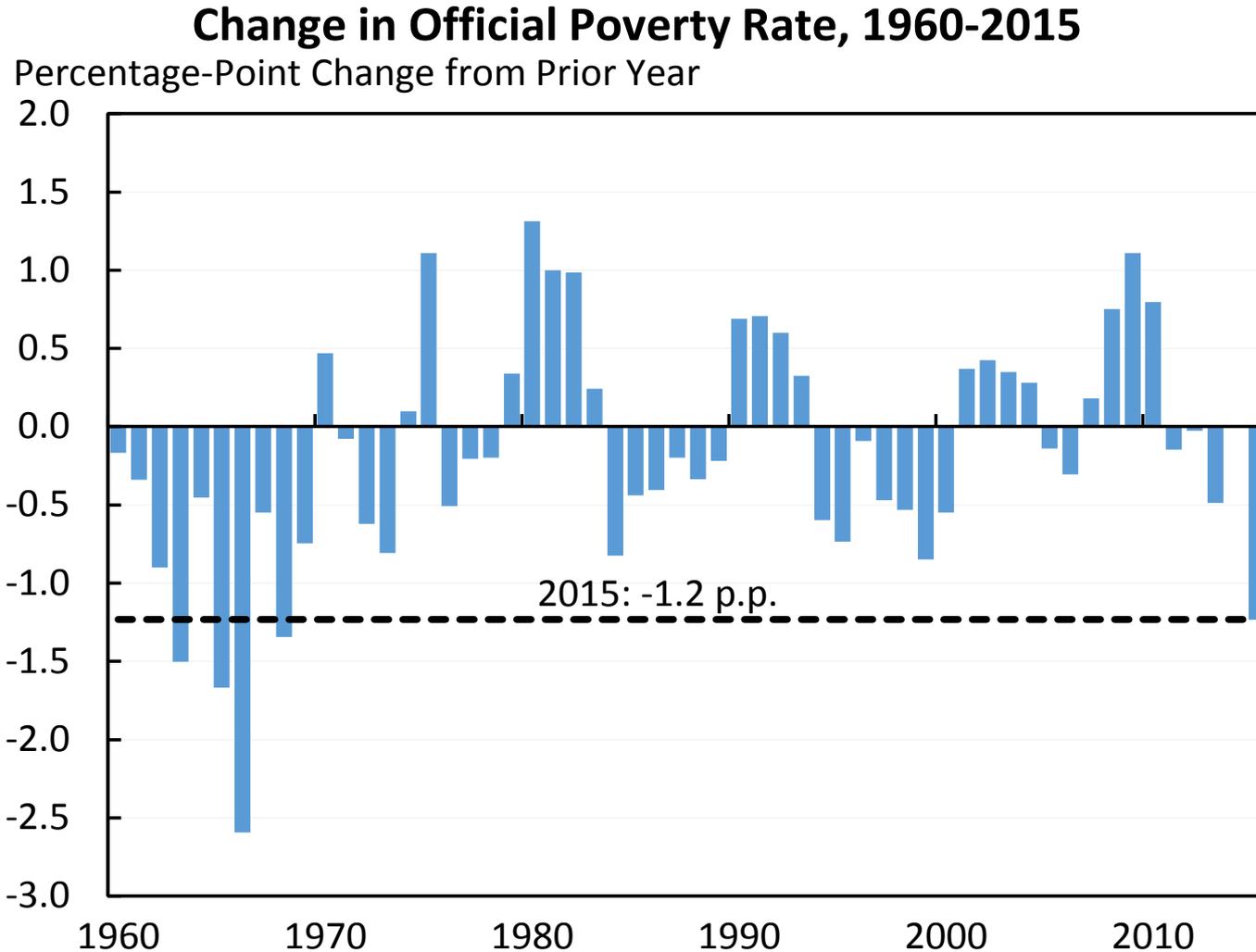
In 2015, Income Increased for Households Across Distribution, With Largest Gains at Bottom and Middle

Growth in Real Household Income by Percentile, 2014-2015

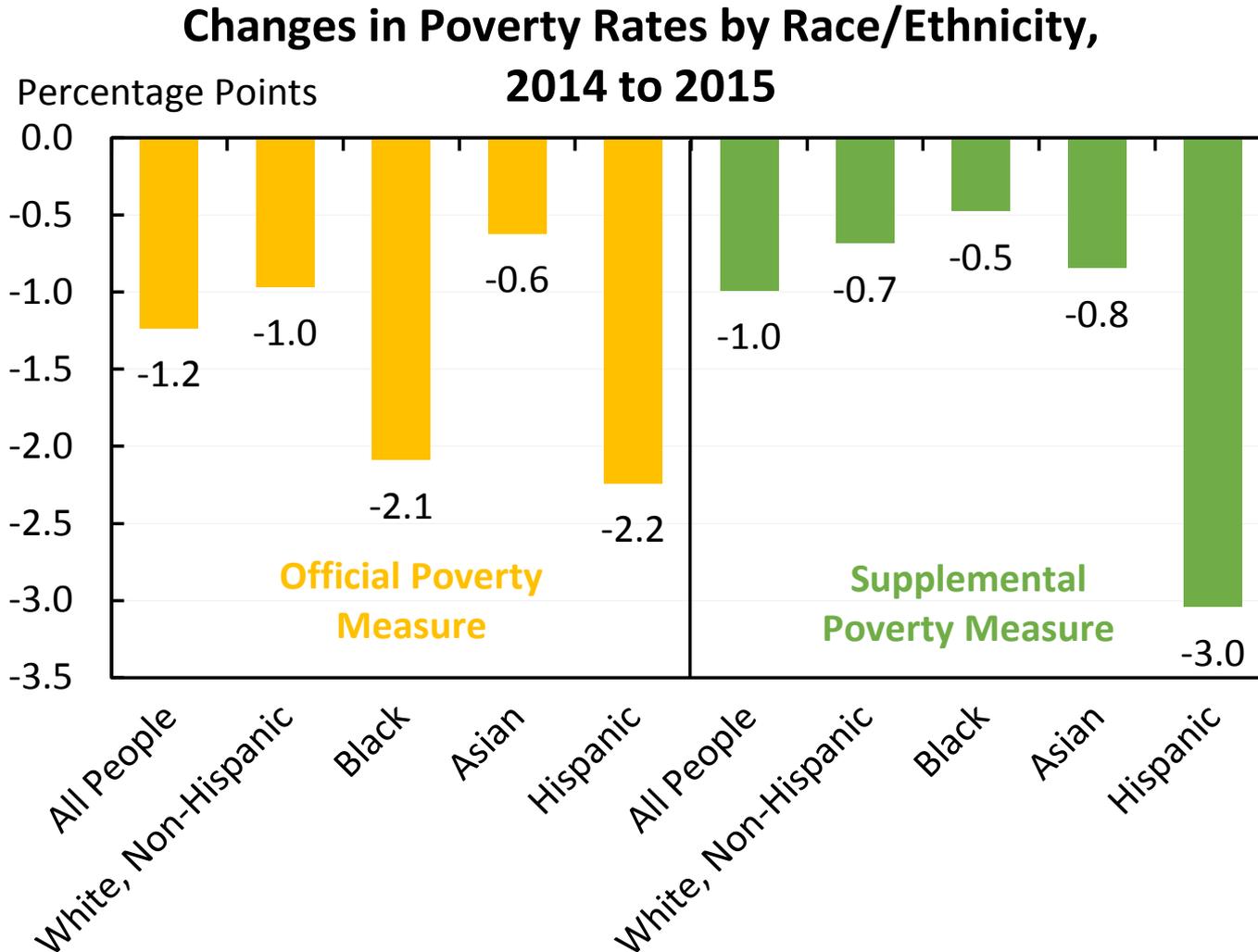
Percent



Largest Decline in Official Poverty Rate Since the 1960s

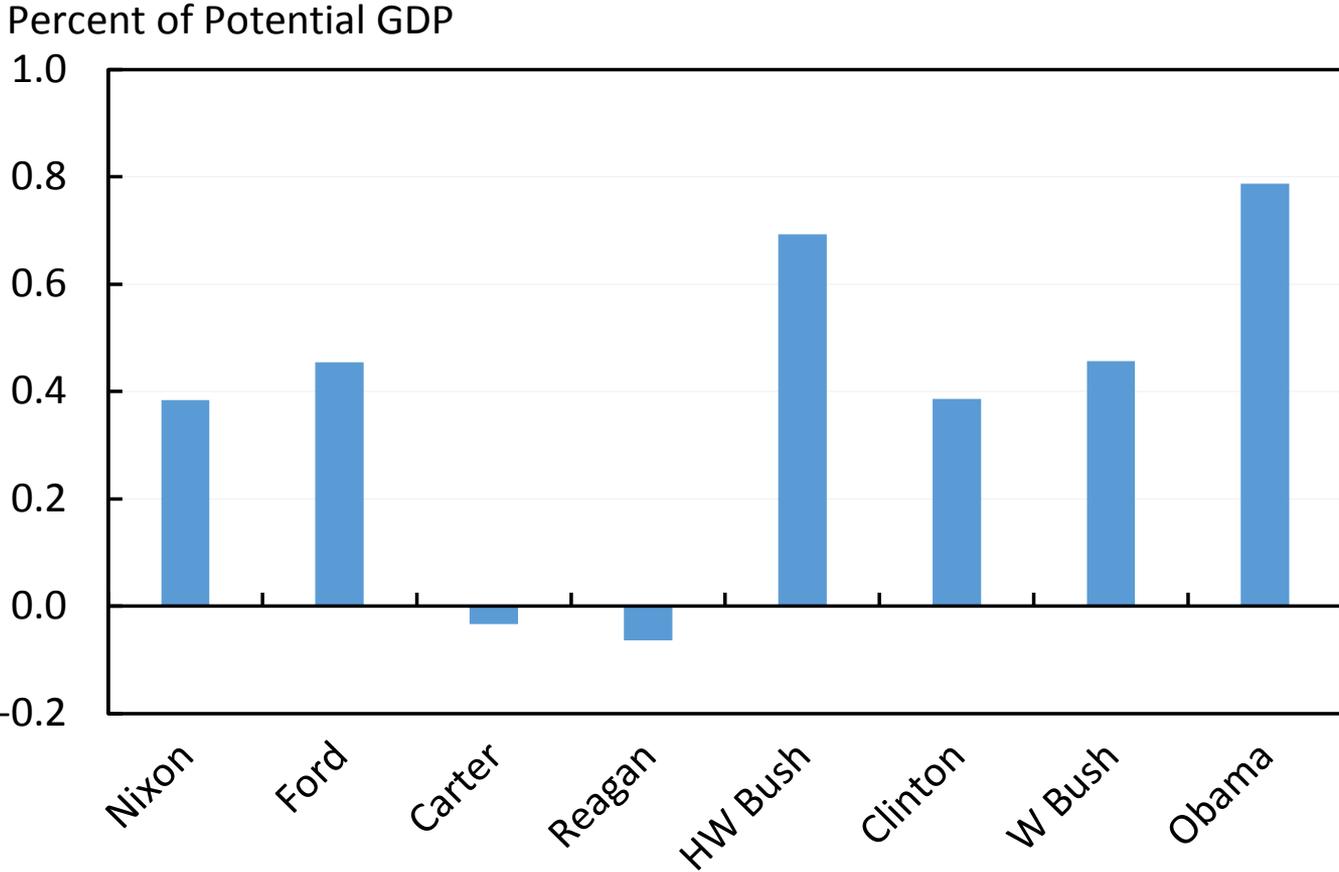


Poverty Declined for All Groups



President Obama Has Overseen the Largest Federal Investment in Inequality-Reducing Transfers of Any President Since the Great Society

Change in Spending on Major Anti-Inequality Programs by Term, 1968-2016



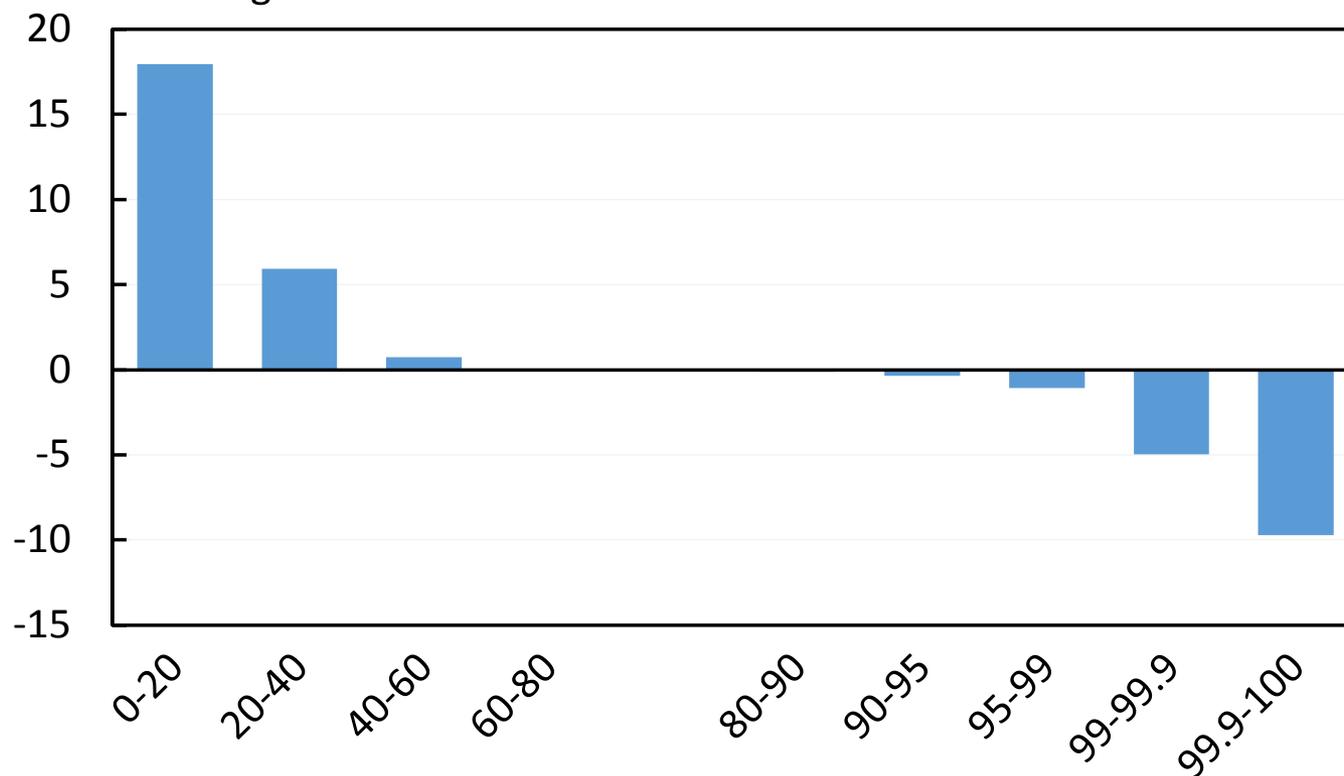
Note: Major anti-inequality programs defined as Medicaid/CHIP, SNAP, the refundable portion of the EITC and CTC, SSI, TANF and other family support, educational assistance, Pell grants, housing assistance, the refundable portion of the Premium Tax Credit, and cost-sharing reductions.

Source: Office of Management and Budget; Congressional Budget Office; CEA calculations.

Tax-and-Transfer Changes Since 2009 Have Resulted in Large Increases in Income for the Poor and Reduced Inequality

Change in After-Tax Income by Income Percentile: Changes in Tax Policy Since 2009 and ACA Coverage Provisions, 2017

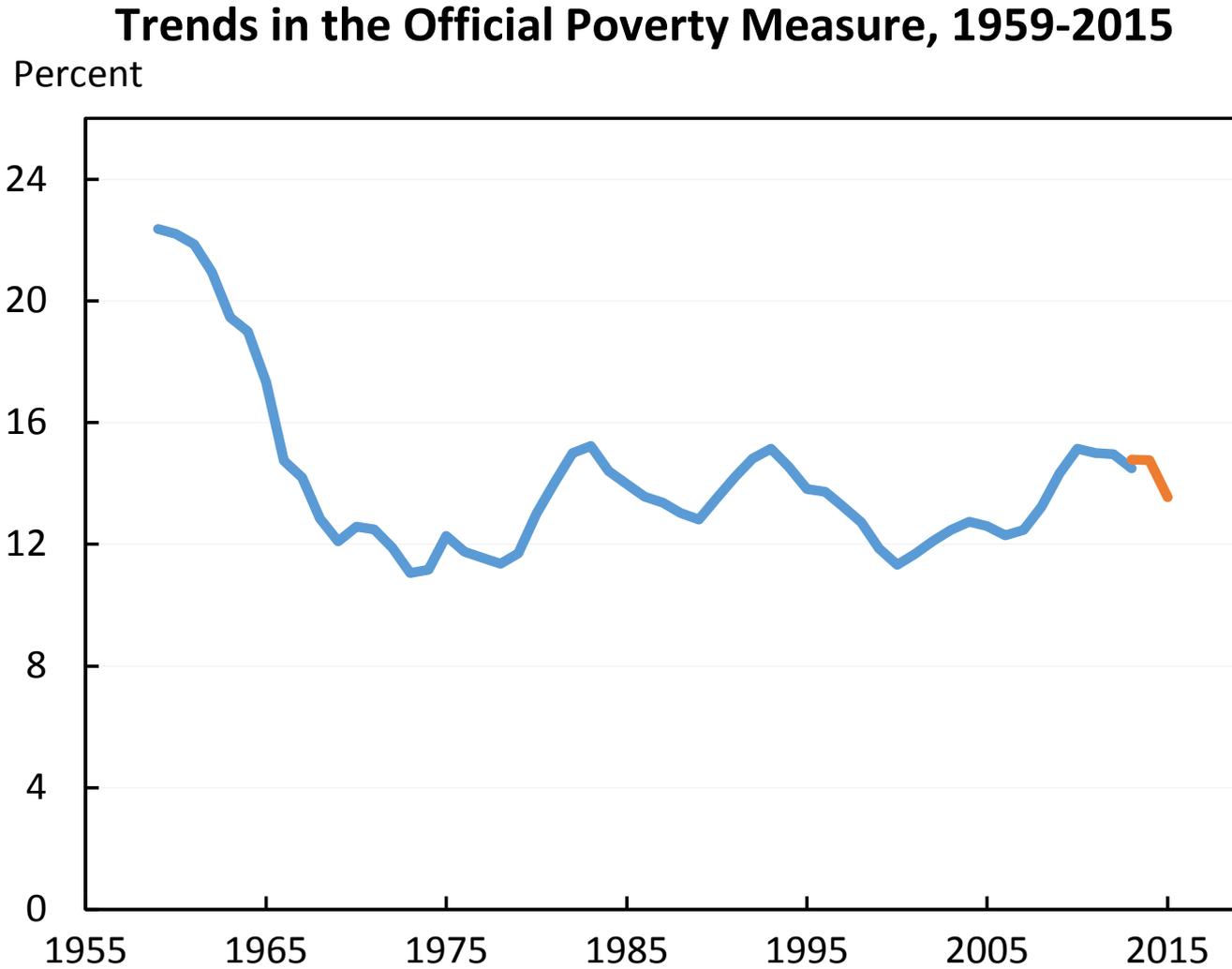
Percent Change in After-Tax Income



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Little Progress in Official Poverty Measure Over the Last Five Decades



The Official Poverty Measure Exists in Measurement Limbo Between Market Income and Actual Income

The official poverty measure includes:

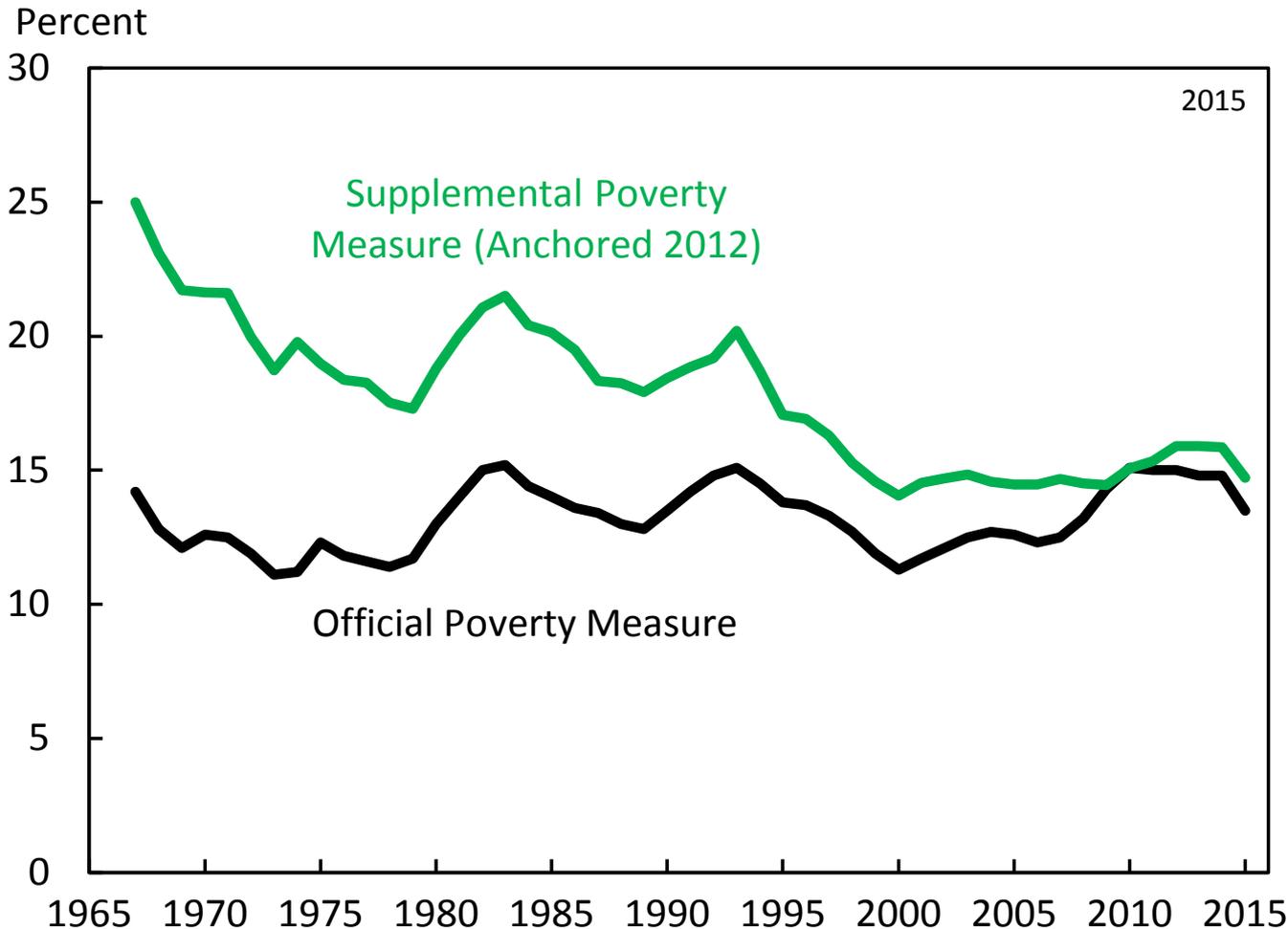
- Pre-tax income
- Cash transfers (e.g. cash welfare or payments from unemployment insurance or Social Security)

But it excludes critical parts of the safety net:

- Tax payments
- Tax credits (e.g., the EITC)
- Non-cash transfers (e.g., SNAP)

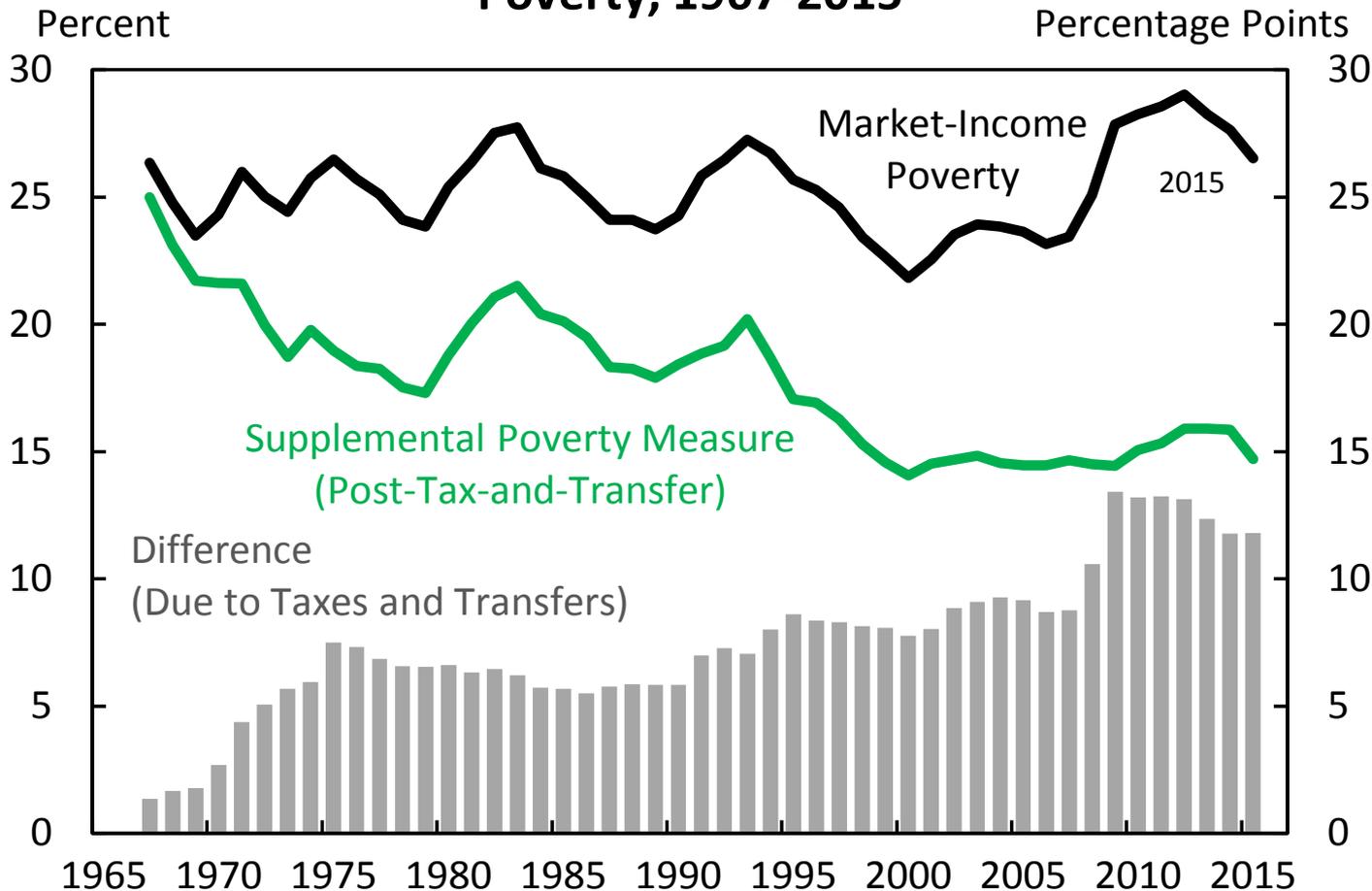
Using Supplemental Poverty Measure, Poverty Rate Has Declined 41 Percent Since 1967

Official vs. Anchored Supplemental Poverty Rates, 1967-2015



No Progress on Market-Income Poverty—All of the Gains Have Been Post-Tax-and-Transfer

Trends in Market-Income and Post-Tax-and-Transfer Poverty, 1967-2015



Summary of Key Facts on Poverty Trends

- 1. Market-income poverty, though varying over the business cycle, has remained essentially flat over the past fifty years.**
- 2. The antipoverty impact of government safety net programs has grown over time.**
- 3. Government safety net programs are particularly important for reducing deep poverty.**
- 4. Taxes and transfers directly reduce cyclical swings in poverty.**

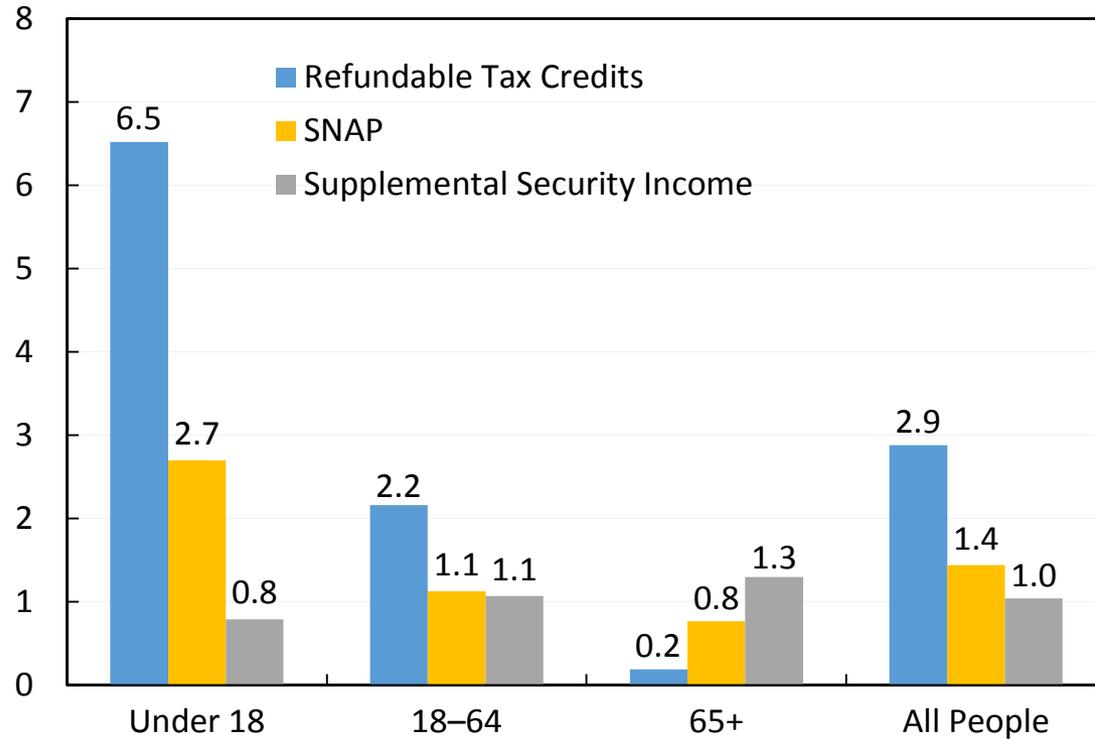
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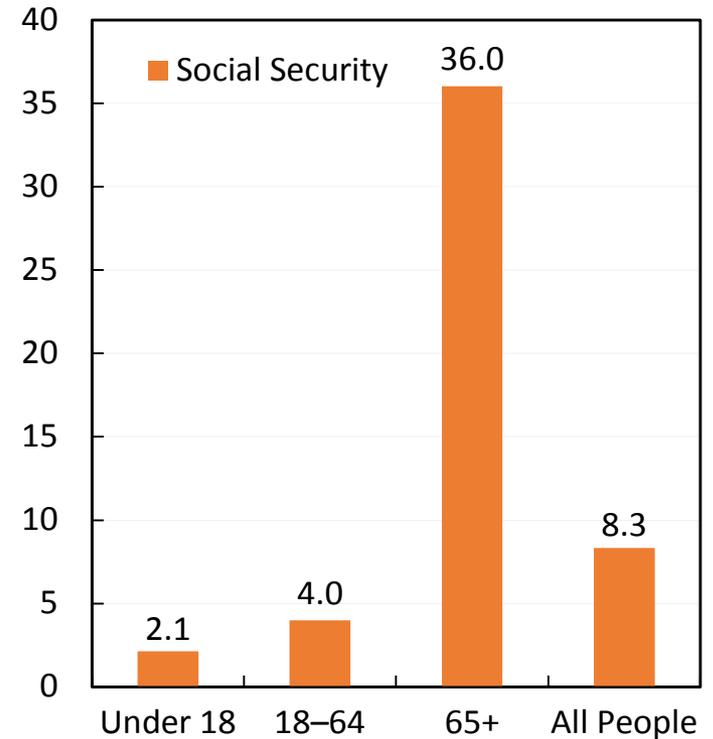
Role of Selected Programs in Reducing Poverty

Reduction in Poverty Rate by Program, 2015

Percentage Points



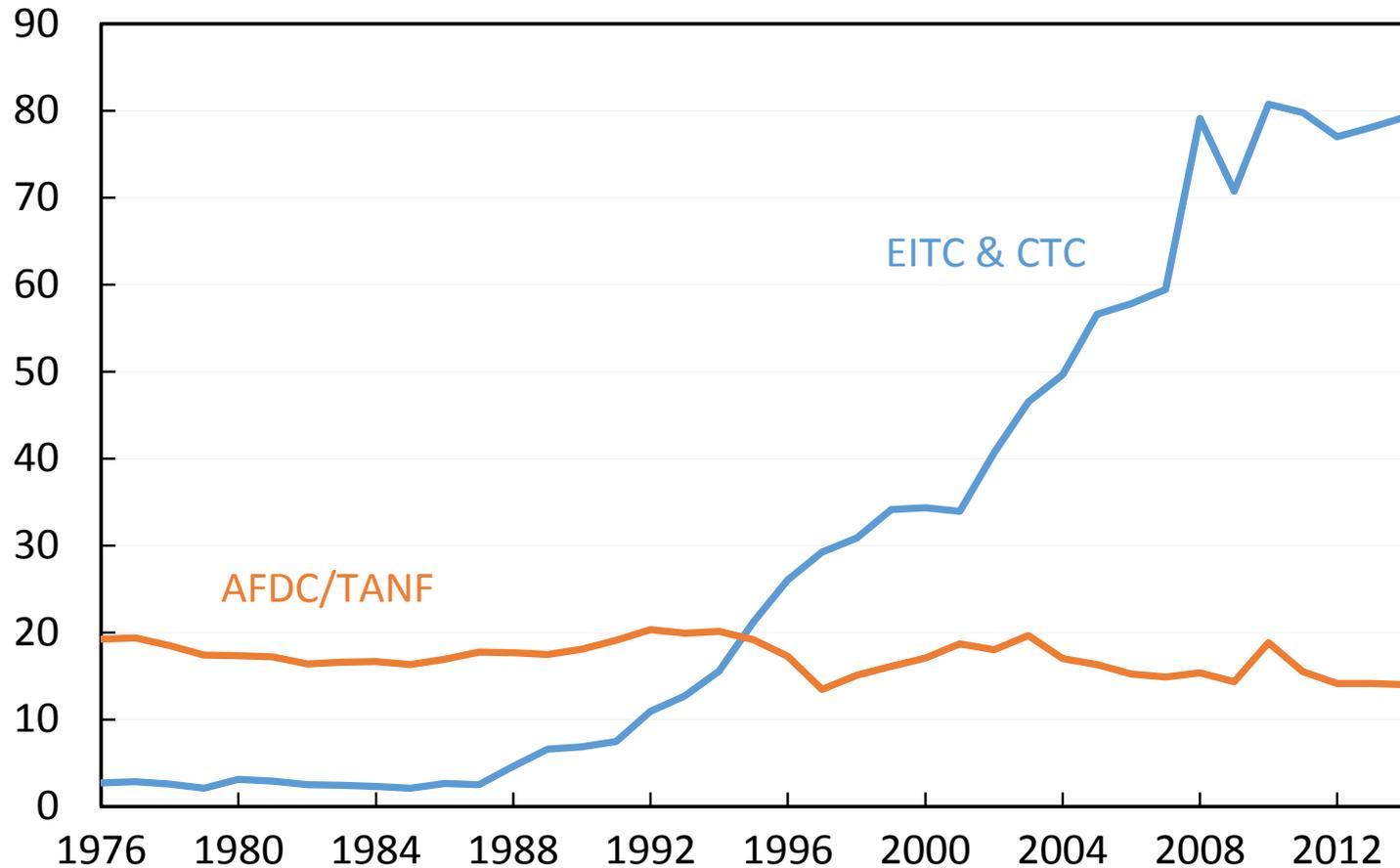
Percentage Points



Expansion of Tax Credits in Addressing Poverty

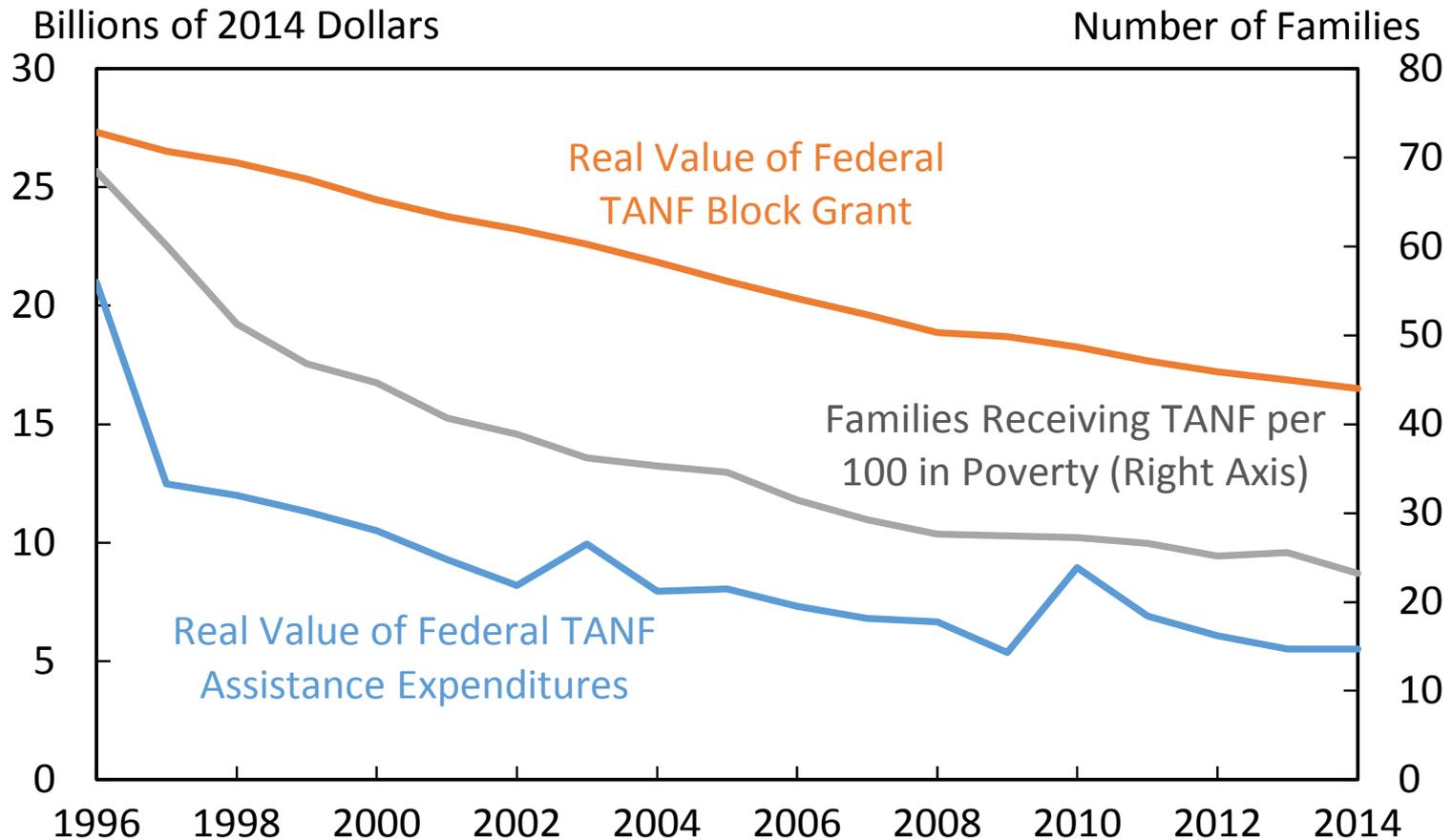
Federal AFDC/TANF v. EITC & CTC Expenditures, 1976–2014

Billions of 2012 Dollars



The Large Decline in the Value of the TANF Block Grant Adjusted for Inflation and Population

Value of Federal TANF Block Grant and Assistance Expenditures, Adjusted for Inflation and Population Growth, 1996-2014



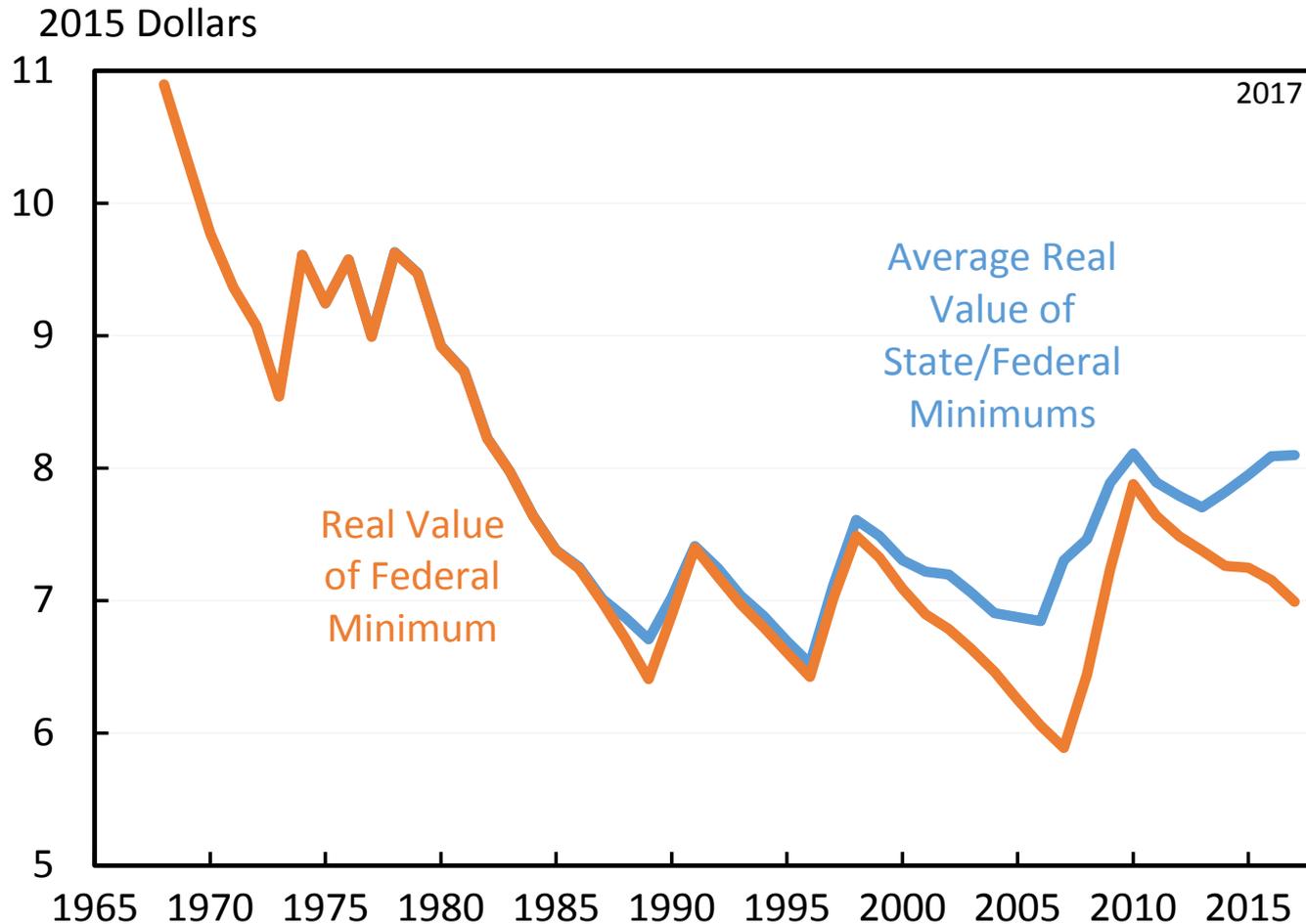
Note: Adjusted for inflation using the chain price index for personal consumption expenditures (PCE).
 Source: Department of Health and Human Services; Ziliak (2015); Floyd, Pavetti, and Schott (2015).

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22 States & DC Have Raised Their Minimum Wages

Real Value of Federal and State Minimum Wages, 1968-2017

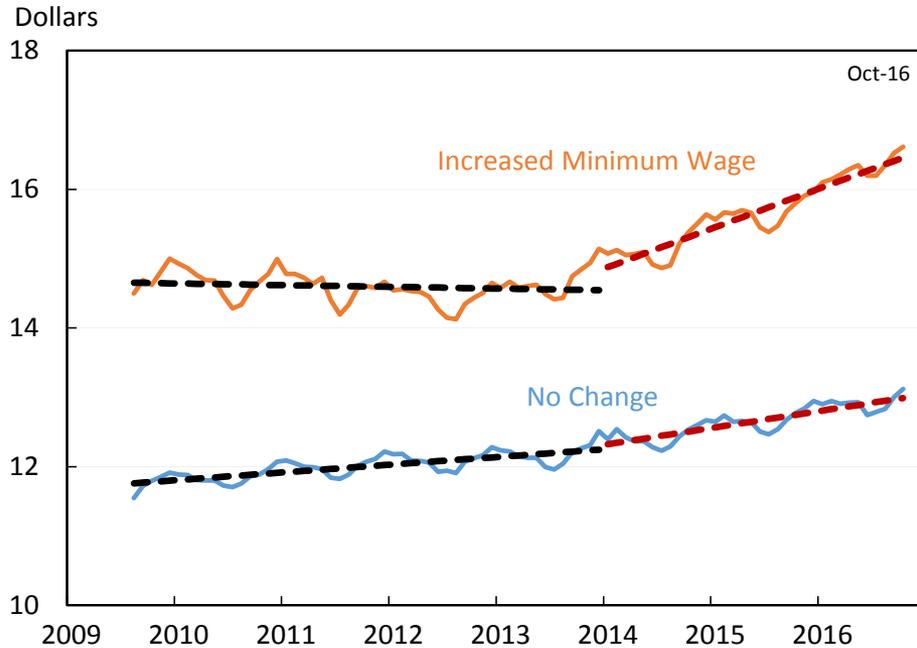


Note: Average State and Federal minimums (available 1974-2017) are weighted by statewide weekly worker hours as recorded in the CPS and described further in Autor, Manning, and Smith (2016). For the combined trendline, the Federal minimum is recorded in place of State minimums where the former binds. All values inflation-adjusted using the CPI-U.

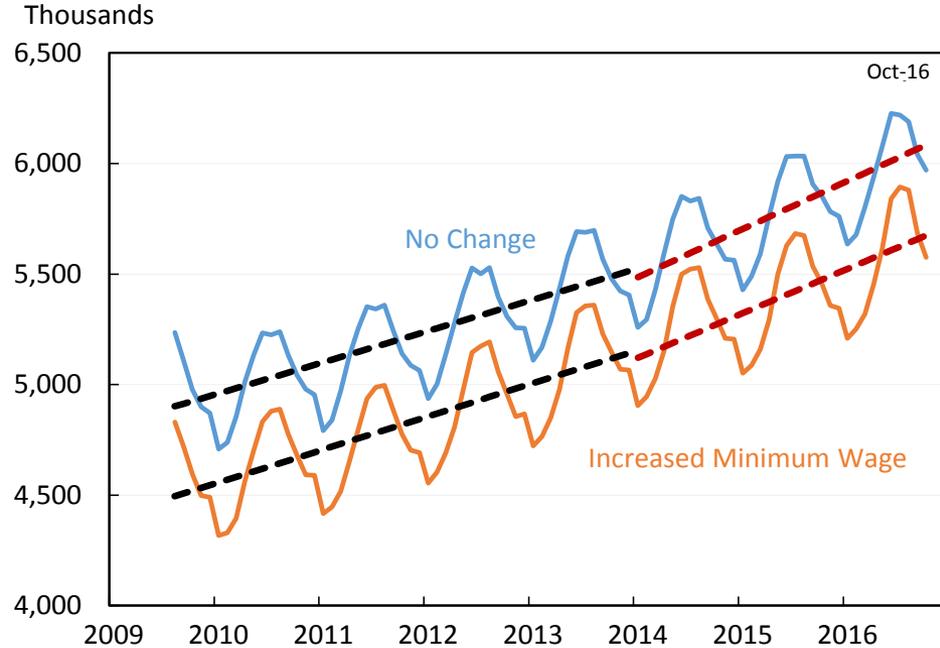
Source: Autor, Manning, and Smith (2016); Bureau of Labor Statistics; Congressional Budget Office; CEA calculations.

The Result Has Been Growth in Earnings Without a Discernible Effect on Employment

Average Hourly Earnings, Leisure & Hospitality



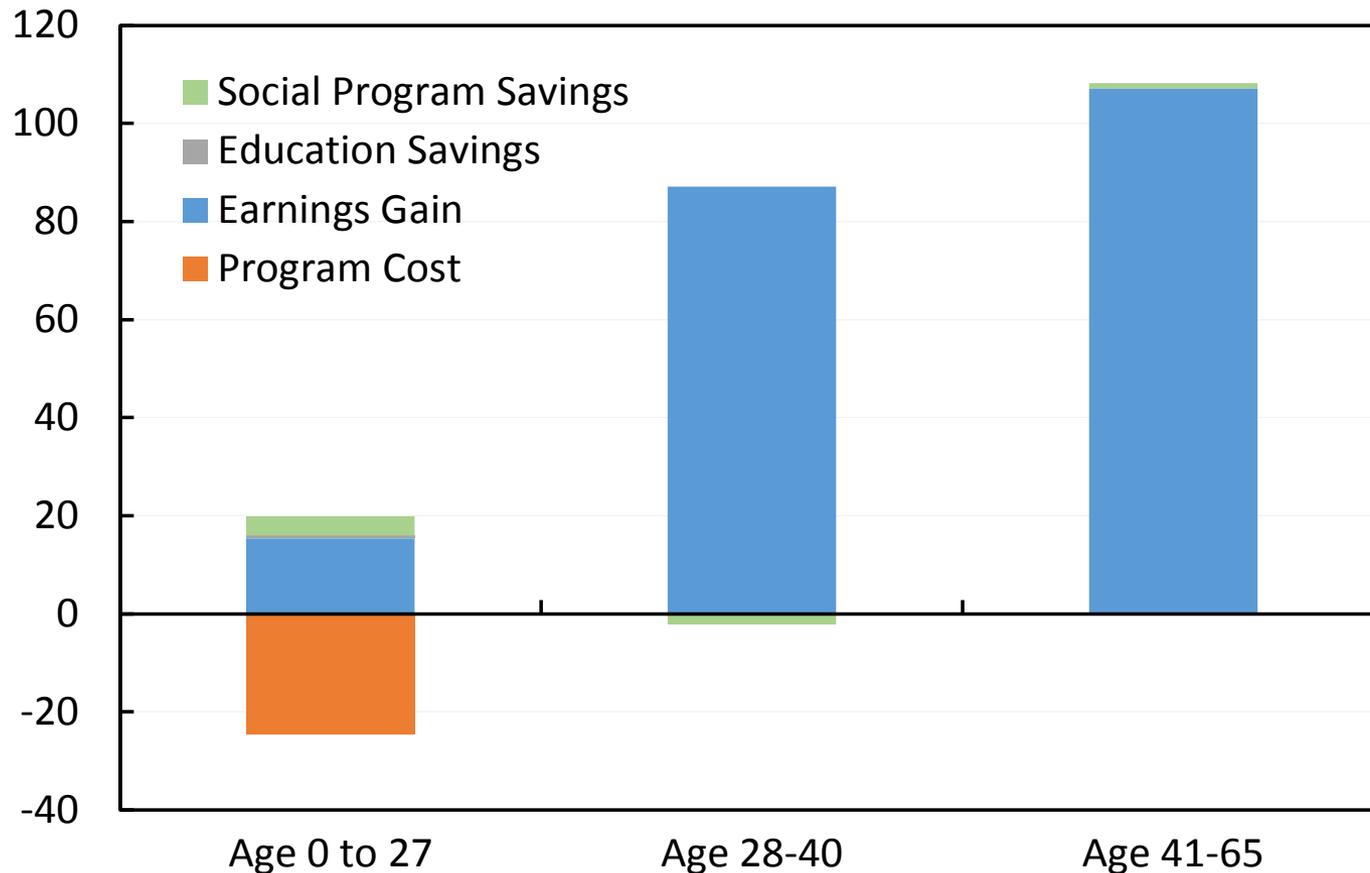
Total Employment, Leisure & Hospitality



Investments in Preschool Can Have Long-Run Benefits

Net Benefit Per Child of Perry Preschool Rises Over Lifecycle

Thousands of 2015 Dollars

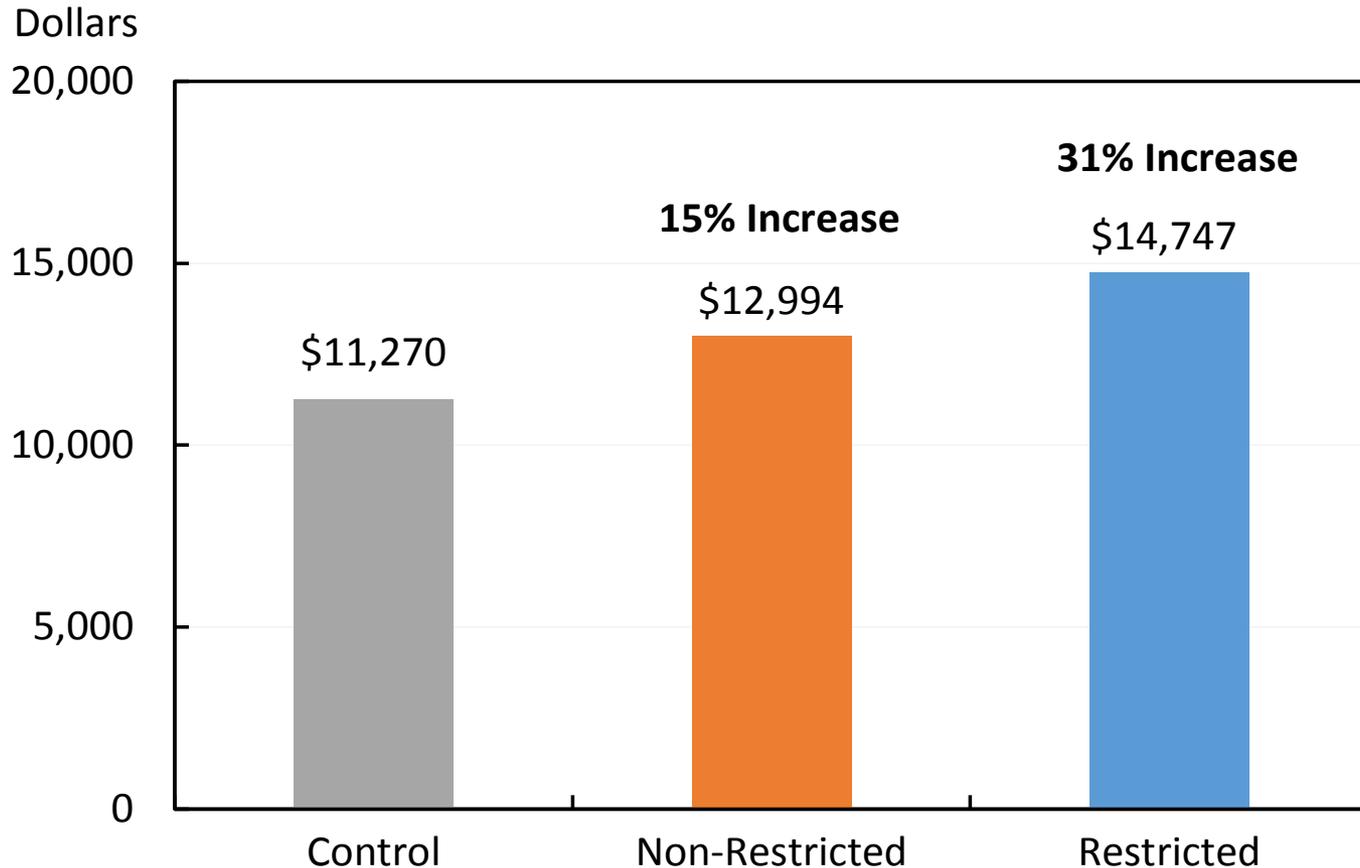


Note: Estimates based on Heckman et al. (2010) using undiscounted 2006 dollars converted to 2015 dollars using CPI-U-RS. Additional costs and benefits, such as education beyond age 27, vocational training, savings from crime reduction, health benefits, and maternal earnings, have not been quantified in this chart.

Source: Heckman et al. (2010); CEA calculations.

Evidence on Moving to Opportunity (MTO)

Average Annual Earnings in Adulthood Among Children Younger Than 13 When Their Family Participated in MTO



A Wide Range of Programs for Children Have Long-Run Benefits

- **Head Start:** increased high school completion and college attendance; reduced crime and teen parenthood; and improved health status and mortality rates
 - By one estimate, yielded benefit-cost ratio in excess of seven
- **Medicaid:** increased high school graduation, college completion, and earnings for women; reduced hospitalization and mortality risk for black children later in life
- **SNAP:** improved high school graduation rates by 18 percentage points; reduced obesity, high blood pressure, and diabetes in adulthood; girls grew up to be more economically self-sufficient
- **EITC:** lowered prevalence of low-birth weight among single mothers, raised elementary and middle school scores for children, increased college enrollment

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Conclusion: The Agenda Going Forward

1. **First, do no harm**
2. **Going forward higher market incomes will be critical—which depends on a stronger overall economy and policies to help raise wages, connect workers to jobs and enhance their skills to succeed in those jobs**
3. **Further steps are needed to improve the safety net—and to make it even more countercyclical**
4. **We also need to think harder about the people who fall through the cracks in the existing social safety net**

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