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David Ellwood, Poor Support: Poverty in the American Family

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BOOK REVIEW

Title: Poor Support: Poverty in the American Family

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Reviewed by: Marc Linder

Despite its breezy style, *Poor Support* offers a serious analysis of an important subset of the poverty population—families with children—and recommends "nonwelfare policies that can support the poor."[1] Ellwood identifies three distinct types of poor families with children: two-parent families, single-parent families, and the ghetto poor. Within each of these types, he distinguishes three groups: families in which at least one parent is working steadily; those suffering from a transitional problem such as unemployment; and, finally, the long-term unemployed. Ellwood believes that nonwelfare solutions to poverty can only be effective if they avoid the welfare system's focus on symptoms and are instead aimed at the immediate causes of poverty. He explains: "People are poor not just because they lack money. They are poor because they do not have a job, because their wages are too low, because they are trying to raise a child single handedly, or because they are undergoing some crisis."[2] By the same token, Ellwood rejects "scientific" approaches to the extent that they fail to understand that poverty is tied to social values and expectations.

Among these values, Ellwood singles out as "basic tenets" the autonomy of the individual ("rugged individualism"), the work ethic, the primacy of the family, and the desire for community.[3] Antipoverty programs that are perceived as undermining these basic values will not receive the political support of the more affluent, whose "American ideal" is "not of a guaranteed income, but of a guarantee that people who strive and who meet reasonable social responsibilities will be able to achieve at least a modest level of dignity and security."[4] Ellwood views social policy, at least until the 1960s, as having largely avoided trade-offs between security and work, assistance and family structure, and targeting and isolation. But with the expansion and proliferation of time-unlimited, cashlike, and income-tested pure welfare programs such as AFDC and food stamps, social policy exacerbated the "value dilemmas" and ceased "to further the American dreams of opportunity, prosperity, and independence."[5]

Ellwood looks at this development in the context of a transformation of family structure brought on by long-term demographic, economic, and attitudinal changes. The most important of the changes are women's increasing participation in the labor force, the diminished economic status of men, and the sexual and feminist revolutions. Skeptical that the state can alter these underlying forces, Ellwood contends that

> we will have to find ways to help people help themselves within this larger context. Some will argue that working on poverty without changing the larger forces at work in society is ineffectual and even counter productive. I disagree. A great deal can be done if we examine the poverty of different groups and seek solutions that . . . take account of the . . . economic and social landscape.[6]

In order to put his analysis of the distribution and concentration of poverty into the proper perspective, Ellwood notes that while poverty the rate before government transfers of income is about 50 percent for single-parent families and only 15 percent for two-parent families, the latter account for half of the poor children in the U.S. In up to 44 percent of these poor, two-parent families, at least one adult works full-time, year-round. Despite the vast increase in married women's participation in the labor force, only 15 percent of the wives in poor two-parent families worked full-time, year-round in 1984; the corresponding figures for all poor two-parent families with children and all two-parent families with children were 7 percent and 27 percent, respectively. In contrast, 41 percent of all female heads of households with children worked, while 9 percent of poor female heads of households with children worked. Because they are ineligible for virtually all government programs except food stamps, the two-parent families with at least one full-time worker wind up "as far below the poverty line as are single-parent families on welfare in which no one is working."[7]

In order to reduce the poverty of this group, Ellwood proposes a number of policies, each of which is modest and for none of which he claims originality, but that would, in their totality, he argues, fundamentally alter the current welfare system. They are meant to implement the American belief that

1. D. Ellwood, Poor Support: Poverty in the American Family (1988) at x.
2. *Id.* at 6-7.
3. *Id.* at 16.
4. *Id.* at 44.
5. *Id.*
6. *Id.* at 79.
7. *Id.* at 103.

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society ought not to guarantee a minimum income to the healthy, but that "everyone who is willing to work ought to be able to make it."[8] His policy recommendations include the following:

> (1) government-sponsored medical insurance with sliding-scale payments;
> (2) a modest increase in the minimum wage to $4.40 per hour (almost splitting the difference, as it turns out, between the levels proposed by Congress and the Bush Administration in 1989);
> (3) an increase in the earned income tax credit (EITC) differentiated according to family size (a policy advocated by a number of Republicans in Congress who are opposed to raising the minimum wage) so that, for example, a family of four with minimum-wage earnings of $8,800 would receive $2,640 in EITC, tantamount to a net effective wage of $5.41 per hour and enough to push the family over the poverty level;
> (4) a modest refundable child care tax credit;
> (5) time-limited transitional assistance in lieu of welfare; and
> (6) last-resort governmental minimum-wage jobs.[9]

These proposals would also apply to single-parent families, whose poverty is more specifically targeted by ensuring that all absent fathers contribute a certain percentage of their income to the families' support. Where the collection system has failed, the government would make up the shortfall. Thus, Ellwood calculates, if each child received $1,750 annually, a mother of two children working half-time at the minimum wage and paying $1,000 for child care would almost reach the poverty line.

Although Ellwood is much less sanguine about the efficacy of his proposals for eliminating black ghetto poverty, which has become more concentrated and intractable, he stresses that, at the time of the last census in 1980, less than one tenth of the poor population lived in big city ghettoes. It would thus be irrational, he suggests, to structure a system of poverty support around unrepresentative media stereotypes.

Ellwood almost willfully detaches poverty from its macroeconomic and macrosocial context in the sense that he abandons the search not only for the underlying causes of poverty but also for the functions that it serves in the larger context. By failing to examine, for example, whether the renewed increase in the inequality of primary income distribution[10] is rooted in recent important large-scale changes in the political economy,[11] Ellwood deprives his analysis of poverty of the very historical specificity he seeks. It is therefore not coincidental that Ellwood chooses not to dwell on the implicit foundation of his analysis and policy recommendations—that the enormous human and natural productive assets that the United states has accumulated generate so much current income that even an Americanized, depoliticized, watered-down version of social democratic welfare could eliminate a significant component of poverty without seriously interfering with the political-economic system. Here Ellwood appears to be implying that poverty itself has become superfluous to the efficient operation of the economy.

Yet, from another vantage point, he implies that it is the welfare system that has become dysfunctional. Thus, although he emphasizes incentives to work as an ideological factor because an American value system that transcends class demands them, Ellwood pays virtually no attention to the material advantages that accrue to employers when the number of jobs sought by desperate workers vastly exceeds the supply.[12] Because Ellwood's reform proposals would require current welfare recipients to queue up for minimum-wage jobs, they would exacerbate a problem that is now to some extent alleviated by the removal of these persons from the potential oversupply of the labor market. This oversaturation is also calculated to aggravate the disparities of income distribution. The enhanced EITC, which is, as Ellwood admits, a disguised wage subsidy, would serve to keep afloat relatively inefficient producers who would otherwise be driven out of business by more productive, full-wage-paying competitors. Does Ellwood mean that the anticompetitive aspects of a welfare system offering subpoverty-level incomes have become intolerable?

His opposition to plans for a guaranteed annual income, a negative income tax, or even European-style state children's allowances, suggests that he may indeed harbor such suspicions. On the other hand, Ellwood, aware of the practical obstacles to such programs, may merely be practicing *realpolitik*. Indeed, the coexistence of a nonpoor working class, a poor working class, and a poor nonworking class has prevented workers as a group from advancing a uniform policy to eradicate poverty, even though the boundaries between these groups are fluid and overlapping. Yet the intraclass split is not inevita-

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8. *Id.* at 126.
9. *Id.* at 104-25.
10. "Primary income distribution" refers to the distribution of income prior to government intervention through taxation or redistribution. For a discussion of the widening gap between rich and poor in primary income distribution, see S. Danziger, P. Gottschalk, E. Smolenski, How the Rich Have Fared, 1973-1987 (Univ. of California at Berkeley, Graduate School of Public Policy, Working Paper No. 161 Jan. 1989).
11. *See, e.g.*, M. Davis, Prisoners of the American Dream (1986).
12. Shapiro and Stiglitz argue that involuntary unemployment is necessary and functional for employers, not because it creates an incentive for workers to seek employment, but because it increases the penalty associated with being fired. Shapiro and Stiglitz, *Equilibrium Unemployment as a Worker Discipline Device*, 74 Am. Econ. Rev. 433 (1984).

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ble. It is plausible both that the U.S. is wealthy enough to dispense with a stigmatizing means-tested welfare system and that important projects requiring the work of generations remain unfulfilled because profit-making entities refuse to undertake them. With restoration and maintenance of the environment, and provision of decent housing for millions, child care, and mass transit systems (to name but a few items) still on the agenda, it would be anachronistic to force additional workers into demeaning for-profit minimum-wage jobs.

Although Ellwood's proposals reveal how little needs to be changed in order to improve the existing niggardly and irrational system, which actually reinforces poverty, a combination of guaranteed annual incomes, taxpayer-financed national health care, and state-sponsored community building projects would be an economically, socially, and politically more coherent approach.

Poor Support: Poverty in the American Family, by David T. Ellwood. New York: Basic Books (1988). 271 pp. $19.95

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