

SIXTH EDITION

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THE
ECONOMICS
OF
POVERTY
&
DISCRIMINATION

Bradley R. Schiller

Sixth Edition

THE ECONOMICS OF POVERTY AND DISCRIMINATION

Bradley R. Schiller

The American University



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PREFACE

In the twenty years since the first edition of this book appeared, the United States has implemented countless “anti-poverty” programs, spending trillions of dollars in the process. The effort has not been notably successful. According to official estimates, there are more poor people today than there were in 1973. The poverty line itself is still embroiled in controversy, as are the methods for counting the poor. The controversy over the causes of poverty and dependency has been rekindled with new assertions about genetic and environmental influences and the changed political balance that emerged in the 1994 Congressional elections. And the demand for welfare reform is more urgent than ever—on both sides of the political spectrum.

Charles Murray suggests that our reliance on the welfare system to alleviate poverty has only exacerbated the problem; he advocates dismantling the system and replacing it with orphanages, easier adoption procedures, and more community- and home-based charity. James Heckman hints that we have never truly acknowledged how much it would cost to relieve poverty with the kind of education and training programs so many liberals advocate. William Julius Wilson believes that the roots of poverty and dependency lie in the continued unwillingness of white America to offer full and equal opportunity to black, Hispanic, and other minority groups. Barbara Bergmann and Heidi Hartman attribute the increasing feminization of poverty to similar gender-based inequities in access to education, jobs, and social support. And nearly everyone worries whether a declining work ethic, rising teen illegitimacy, and splintered family values have created an underclass of permanent poverty.

In view of these developments, no one would begin to claim that we have won the war against poverty. That does not mean, however, that

we have utterly failed. We have had stunning success in reducing poverty among the aged. Although poverty rates haven't declined for the nonaged—and have actually *risen* for children—the poverty population today has more access to food, health care, and housing than it did two decades ago. Virtually everyone agrees that food stamps, Medicaid, and other in-kind transfers have also reduced poverty levels significantly below official poverty counts. Race- and gender-based gaps in income have narrowed somewhat and Christopher Jencks suggests that homelessness and even crime rates have declined. So maybe we've done a few things right.

During the last twenty years we've also learned more about the dynamics of welfare and poverty. Bane and Elwood have helped clarify the distinction between short- and long-run dependency, while Gottschald, Duncan, and others have emphasized that most poverty is not permanent either. Indeed, the isolation of subgroups in "permanent" poverty or dependency has spawned an outpouring of research on the so-called "underclass."

Dozens of welfare demonstrations have also yielded productive insights. We've learned that economic incentives do matter, but not always as much as we might hope. We've learned that seemingly rock-solid guarantees of opportunity—of jobs, of child care, of training—don't induce a universal response. We've learned that the easy successes are not always the most cost-effective ones. And we've also learned that often-times some form of compulsion is necessary to evoke desired changes in behavior. Last, but not least, we've learned anew the limits of our knowledge. Human behavior is incredibly complex. Sociology, anthropology, economics, and political science all illuminate important aspects of that behavior. But the whole is far greater than the sum of the parts.

After twenty years and six editions, the title of this book seems increasingly obsolete, given the growing recognition of poverty's multidisciplinary roots. However, economic theory still gives structure to the text and this sixth edition ranges broadly across disciplinary boundaries. This is particularly evident in expanded discussions of the urban underclass, the increasing feminization of poverty, the renewed IQ controversy, and the behavioral constraints on welfare reform. A review of the table of contents will confirm the breadth of the inquiry and the thoroughness of this revision.

The central focus of the text continues to be on the phenomenon of poverty, with discrimination examined as a potential contributing cause. The text begins with a conceptual discussion of poverty and inequality, then proceeds to an empirical description of contemporary poverty. The seemingly mundane task of counting the poor has become increasingly controversial, as evidenced by the National Academy of Sciences 1995 report and the ensuing debate over poverty standards and census methods.

Chapter 2 summarizes the key dimensions of this debate and emphasizes how our perceptions of poverty depend on the yardstick used. Data for 1993 are used to illustrate both the official poverty count and the impact of various adjustments.

Chapters 3–10 address the major causes of poverty. Each chapter focuses on a cluster of related causes, drawing on a broad range of research. Points of controversy are emphasized and analyzed in the context of the best available evidence. The intent is not to advocate one point of view but to encourage critical thinking on central issues in the poverty debate.

The more prominent policy options for eliminating poverty are examined in the final five chapters. Welfare reform gets a lot of attention, as do new initiatives in education and training, child care and support, and employment tax credits. An entirely new chapter on social insurance programs has been added, offering extended discussions of Social Security, unemployment insurance, and child support enforcement and assurance. In each case, the theoretical and historical foundations of the policy option are reviewed, with an eye toward assessing its antipoverty potential.

The burgeoning literature on poverty-related topics has been surveyed to provide a comprehensive bibliographical foundation for the discussion. Scholars from around the country generously provided their most recent research findings to help assure that the discussion is up-to-date. Footnotes and suggestions for further reading have been expanded greatly to facilitate further inquiry.

The ultimate objective of this book has not changed through six editions. Its goal is to lay the foundations for a clearer understanding of poverty and discrimination and for a keener perspective on related public policy. Until we know why people are poor, or what kinds of programs are effective in combatting poverty and discrimination, we cannot expect these problems to disappear.

Teacher's Manual

A Teacher's Manual is available for this edition. Prepared by Steven Rock of Western Illinois University, the Teacher's Manual offers a brief synopsis of each chapter, a set of true/false and discussion questions, and some lecture suggestions. The Teacher's Manual is available on request from your Prentice Hall sales representative.

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This would not be such a special edition without the assistance I received from so many quarters. Indeed, I received so much assistance on this edition that I feel more like the head of a production team than a sole author.

Without implicating anyone for whatever errors I might have made, I would like to acknowledge that assistance. I would first like to thank the individuals who either offered critical assessments of the previous edition or reviewed drafts of this edition. The advice they offered—from the disciplines of economics, political science, and sociology—had a high value-added in reshaping the text. These reviewers included:

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I am also especially indebted to those academic colleagues who generously supplied me with research papers, book manuscripts, and other materials that had not yet been published. These materials were a critical element in giving this anniversary edition an unprecedented timeliness. I hope that I have interpreted and summarized their work correctly. My thanks in this regards are extended to:

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U.S. Department of Health and Human Services, Office of Assistant Secretary for Planning and Evaluation

U.S. Office of the President, Domestic Policy Council

I hope that everyone who offered assistance on this edition—and everyone who reads it!—concludes that the effort was worthwhile.

BRADLEY R. SCHILLER
American University

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