

# **The Geography of American Poverty**

## **Is There a Need for Place-Based Policies?**

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## Spatial Concentration of American Poverty

### Should We Care, and What Are the Options?

*An expanding economy no longer seems a panacea, allowing us to reduce poverty while we all become richer.*

—Rebecca Blank, a member of the Clinton administration’s Council of Economic Advisers, speaking about how poverty rose in the 1980s

*The best antipoverty program is still a job.*

—President Bill Clinton at a 1996 news conference on welfare legislation

*The intergenerational poverty that troubles us so much today is predominantly a poverty of values.*

—Vice President Dan Quayle in his famous 1992 “Murphy Brown” speech, arguing that a lack of personal values is the primary cause of poverty

Concern about the well-being of the least fortunate Americans has ebbed and flowed over the last century. The New Deal initiatives of the 1930s stimulated interest in helping those hit hardest by the Great Depression. During the war years and the prosperous 1950s, the presence of the poor faded from the consciousness of many Americans, but concern for their plight again intensified during Lyndon Johnson’s War on Poverty in the 1960s. Since then, interest in reducing poverty has continued to experience ups and downs: poverty rates are no lower today than when the War on Poverty ended in the late 1960s; on the contrary, high poverty exists in many regions of the country. To be sure, the aftermath of Hurricane Katrina once again reminded Americans that concentrations of high poverty remain within our borders.

Much of the current popular discourse is driven by the view that public efforts to reduce poverty are not worthwhile, let alone effective (Moore 1997). One result of this skepticism was the landmark 1996 reform of federal welfare policy, which greatly increased the personal responsibility of the disadvantaged for their own well-being. In fact,

reducing overall poverty was not even an explicit goal of the 1996 welfare reform legislation (Ellwood and Blank 2001). Policies designed to eliminate regional pockets of poverty have been criticized on the grounds that it would be more effective to direct policies at individuals and not at places (Peters and Fisher 2002).

Even as interest in antipoverty efforts waned and skepticism grew, the U.S. poverty rate fell to 11.3 percent in 2000 (the lowest it had been since 1974), including a record low average rate of 13.4 percent in non-metropolitan areas (ERS 2004). This could be interpreted as being the result of a favorable link between growth and poverty-rate reduction that had seemingly been nonexistent from the 1970s through the early 1990s but that had reestablished itself since then (Blank and Card 1993; Freeman 2001). The Council of Economic Advisers (1999) and O'Neill and Hill (2001) argue that welfare reform was the impetus behind the reduced number of welfare caseloads, which may then have contributed to lower poverty. Yet others note the potential interaction between a strong economy and the success of welfare reform (e.g., Moffitt 1999).

Despite the nationwide antipoverty gains of the 1990s, poverty rates remained high in many metropolitan central cities and inner suburbs (Jargowsky 2003) and in remote nonmetropolitan areas (Miller and Weber 2004). This raises the question of whether these areas experienced subpar economic performance compared to the nation or whether there was less of a connection between local economic growth and poverty in these areas. The answer to this question would relate to whether there is a need for place-based policies and would help inform their design.

In the remainder of this chapter, we first provide a rationale for society to become more engaged in reducing poverty, including at the regional level. We then briefly review the evidence on the connection between employment growth, welfare reform, and poverty at the national level. The implications of the national trends for regional poverty follow; we particularly consider the relative merits of place-based and person-based policies for evening out spatial concentrations of poverty. This includes a discussion of the role space plays in poverty outcomes, because national growth policies alone may do little to ameliorate persistent regional pockets of poverty. We introduce the possibility that local economic growth, using place-based employment supports, may be a needed tool for reducing poverty. The chapter concludes with an

overview of the remainder of the book, whose primary emphasis is the spatial dimension of the relationship between economic performance and poverty, including an examination of competing explanations such as federal and state welfare reform.

## **WHY SOCIETY SHOULD CARE ABOUT POVERTY**

There are both philosophical and practical reasons why the American public should be concerned with the well-being of its poorest members. For one, according to the Rawlsian view, if individuals in a group selected a distribution of income for the members of the group before they knew how each of them would fare—i.e., if they had a “veil of ignorance” concerning the outcome—risk-averse individuals would pick the distribution that maximized the well-being of the least-well-off member of the group (Rawls 1971). In our wealthy society, application of Rawlsian logic would eliminate poverty. Nevertheless, while the notion that individuals are risk-averse and interested in justice *before* the fact is thought-provoking, public policy does not work in the realm of the “veil of ignorance.” Rather, it is affected by politicians reliant on voters who are fully aware of their actual or most probable place in the income distribution.

Beyond the abstractions of philosophical arguments, Americans are well grounded in notions of justice, equity, and a sense of fair play. Madden (2000) presents evidence showing that a strong majority of the U.S. public prefers a more equal distribution of income. However, the catch is that the public tends to be very skeptical of whether government intervention is the proper vehicle to satisfy its desire for equity. Indeed, the issue reflects a fundamental tenet of neoclassical economics, which is that there is an equity-efficiency tradeoff (Okun 1975): societies can achieve more equity and less poverty through redistribution of income, but by blunting economic incentives, attaining this goal comes at the expense of economic efficiency and growth. Yet other economists argue against the existence of an inverse relationship between equity and efficiency, instead contending that greater inequality reduces growth by producing societal upheaval, inefficient government redistribution, and suboptimal investment in human and physical capital.<sup>1</sup>

Besides notions of equity and fairness, there are practical reasons for society to be concerned about the well-being of its lowest-income members. For example, lower poverty may encourage disadvantaged segments of the population to become more civilly engaged in their communities because they feel they are legitimate stakeholders. Higher poverty, on the other hand, adversely affects the physical health of the workforce, which, besides reducing poor people's quality of life, reduces their workplace productivity and ultimately increases public health care expenditures and their reliance on other government programs (Scott 2005). If poverty is reduced through improved labor market participation, then benefactors will enjoy long-term gains through enhanced labor market experience, increased skills upgrading, and, in turn, higher future earnings (Bartik 2001).

Perhaps the largest societal gains from poverty reduction occur through intergenerational linkages. The environment created by families facing severe financial stress is not optimal for raising children, particularly for developing their cognitive and noncognitive skills. There are significant ramifications in adulthood when children from difficult circumstances fall behind early. There is growing consensus in the literature that the income of a child's family has long-term impacts on that child's health, education, nutrition, and future income and welfare as an adult (Carneiro and Heckman 2003; Case, Fertig, and Paxson 2003; Karoly et al. 1998). These intergenerational effects suggest the potential benefits from poverty reduction can be large simply in terms of future earnings and health care savings from the children of disadvantaged families. In contrast, Carneiro and Heckman (2003) note that later interventions, such as tuition policies for underprivileged college students, likely have smaller marginal effects on improving future earnings.

Another indirect benefit of poverty reduction relates to the link between labor market conditions and crime (Freeman 2001; Freeman and Rodgers 1999; Raphael and Winter-Ember 2001). These studies suggest that 33–40 percent of the large decrease in crime during the 1990s can be attributed to the strong economy of those years.<sup>2</sup> This effect implies large antipoverty benefits in terms of savings from reduced victimization, lower expenditures on protective measures, and lower incarceration costs associated with reduced recidivism.

In summary, reducing poverty can provide substantial benefits in many ways: improved social engagement, higher economic potential,

greater long-term earnings for positively affected individuals, lower crime, and significant long-term gains for affected children in terms of health, education, and income in adulthood. Associated gains include eventual reductions in government expenditures for public assistance, health care, and the criminal justice system. Along with even modest concerns for equity and fairness, these advantages provide continued justification for aggressively fighting poverty. And the potential gains are likely greatest where poverty is geographically most concentrated.

## **NATIONAL POVERTY AND ECONOMIC GROWTH**

Numerous measures of poverty exist, each with relative advantages and disadvantages. We use the official federal poverty rate (see Box 1.1), which is not perfect but is well known and has been consistently measured over time. Also to its advantage, the official federal rate is used both in assessing and in setting government policy. As an example of the federal definition of poverty, a household with one adult (under 65 years of age) and two children had to have earned more than \$14,824 to be above the poverty line in 2003, while a household containing two adults (under 65) and two children had to have earned more than \$18,660.

As shown in Figures 1.1 and 1.2, there were remarkable reductions in poverty during the 1960s and early 1970s. This was true regardless of whether one considered person or family poverty rates (Figure 1.1), or even female-headed-family poverty rates (Figure 1.2). With that progress, an observer in the early 1970s had reason to be optimistic that the War on Poverty would ultimately be won. Nevertheless, subsequent trends show that poverty has remained a persistent element of American society.

Even though the 1980s and 1990s had two of the three longest economic expansions on record, the person and family poverty rates in 2002 were little changed from what they were when the War on Poverty ended more than 30 years ago (Figure 1.1). In fact, U.S. Census Bureau (2004a) data suggest that while real median-family income rose by 7 percent between 1973 and 1993, the person poverty rate increased from 11.1 percent to 15.1 percent (the second highest rate since 1965). Figure

**Box 1.1 Official Federal Poverty Thresholds**

Social Security Administration economist Mollie Orshansky originally developed the official federal poverty criteria in 1963–1964 (U.S. Census Bureau 2004h; Fisher 1997). Orshansky calculated the economy food budgetary requirements of 58 family types based on age and family size (currently 48 family types are used). For each family type, she simply multiplied this figure by three to obtain what is now called the poverty threshold. For the most part, Orshansky’s definition has remained unchanged except that it is adjusted upward for inflation every year.

In determining poverty status, before-tax income is used, including public assistance but not capital gains. The official poverty rate is not adjusted for several factors such as the Earned Income Tax Credit or in-kind public welfare programs like Medicaid. Nor is it adjusted for regional cost-of-living differences. To give a feel for the resulting thresholds, we present the following examples: a three-person household with one adult (under 65 years of age) and two children needed to earn more than \$15,219 to be above the poverty line in 2004, while a two-adult (under 65) and two-child household needed to earn more than \$19,157. Comparable three- and four-person households needed to earn \$13,423 and \$16,895 in 1999 and \$9,990 and \$12,575 in 1989—the increase reflects inflation (U.S. Census Bureau 2005e).

The official definition can be criticized for not adjusting for taxes and in-kind contributions. It also does not account for the notion that poverty is often viewed as a relative concept: what is considered economic deprivation changes over time with rising living standards.<sup>a</sup> For example, an upper-middle-class standard of living a century ago would now be one devoid of modern conveniences. Nonetheless, developing alternative measures of poverty rates is full of pitfalls in that they can be ad hoc and they may not capture true conceptions of poverty. For more details on alternative poverty measures, see U.S. Census Bureau (2003).

Despite these concerns, the official poverty rate measure is used because it is well known, has been consistent over time, and

**Box 1.1 (continued)**

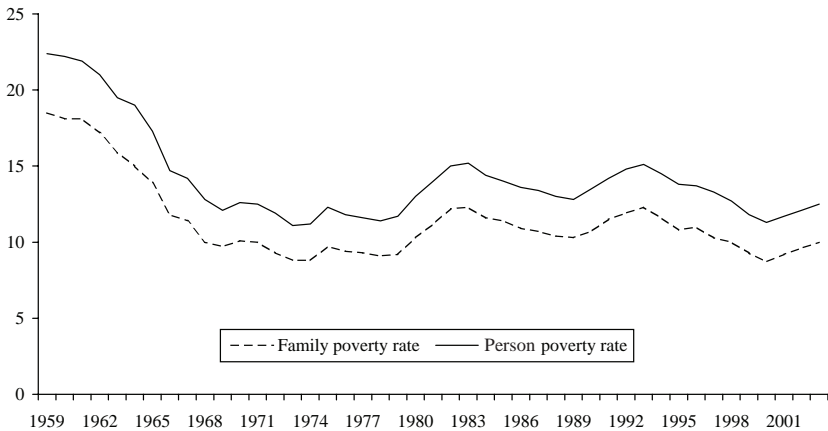
is used in both assessing and setting government policy. Even more important is that it is widely reported for various demographic groups and geographical areas. To be sure, the Census Bureau has recently reported a variety of alternative poverty rate thresholds. Yet these are not as widely reported across geographical areas, and their data usually only cover a short time span, dating back to the latter 1990s. Moreover, at least in terms of the change in poverty rates, the alternative poverty rate measures tend to follow the official one quite closely (see, for example, U.S. Census Bureau 2003). That is, while the actual poverty rate percentage may depend on the particular alternative used, the more critical measure, change in poverty rate, is approximately the same over time.

<sup>a</sup> See Slesnick (1993) for a detailed discussion of problems with official poverty thresholds.

1.2 shows that the poverty rate increased for female-headed families during this 20-year period from 32.2 to 35.6 percent, or slightly less than the increases in overall rates in Figure 1.1. This reversal in trend led many experts to question whether economic growth was continuing to trickle down to the poor (Blank and Card 1993; Cutler and Katz 1991).

With the link between growth and poverty seemingly broken and poverty rates stagnant or rising, questions arose as to whether governmental efforts to eliminate poverty had instead made matters worse. Indeed, Stephen Moore (1997) contended that the “War on Poverty, launched by Lyndon Johnson thirty years ago, has probably been the most destructive government concept ever invented.” However, the argument that growth was no longer “lifting all boats” also did not go unchallenged. For instance, Bartik (2001) argues that it is counterintuitive to expect economic growth not to reduce the poverty rate unless there is an accompanying increase in income inequality.

Even as the debate raged about the role of economic growth in reducing poverty, the poverty rate began a precipitous decline near the

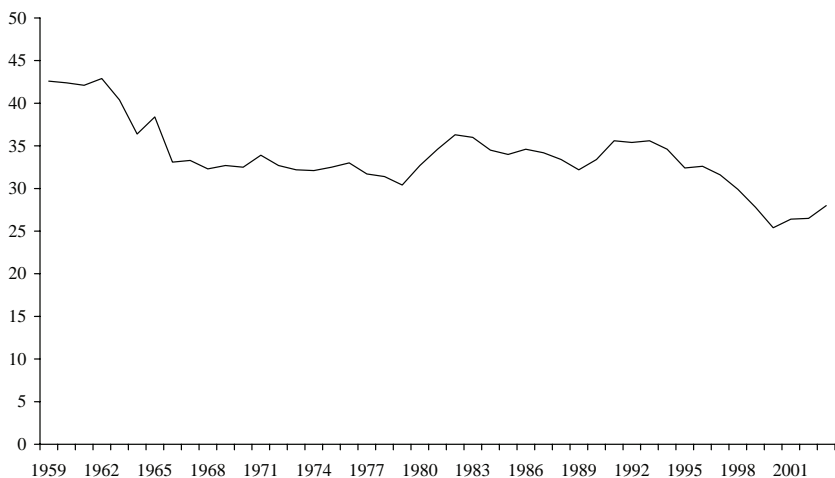
**Figure 1.1 U.S. Family and Person Poverty Rates, 1959–2003 (%)**

SOURCE: U.S. Census Bureau (2004a).

end of the 1990s economic expansion, as shown in Figure 1.1. It fell from 15.1 percent in 1993 to 11.3 percent in 2000 (the lowest mark since 1974). Subsequently, however, sluggish economic conditions and rising unemployment yielded a modest increase in poverty from 2001 to 2003. One possible explanation for the seemingly closer link with economic conditions is that growth has its strongest influence on lifting households out of poverty when the unemployment rate falls to levels so low that businesses are forced to hire the chronically unemployed and less skilled (Freeman 2001). This reasoning may explain the successes of the 1960s and latter 1990s, as the unemployment rate fell below 4 percent in both cases. The disappointing persistence of the poverty level during the expansions of the latter 1970s and 1980s may have resulted from relatively loose labor markets. Although firms may have been hiring workers during those times, there was a sufficient queue of applicants that employers never had to reach down to hire the more disadvantaged. Such a nonlinear response suggests that the influence of policies on poverty will vary depending on labor market conditions.

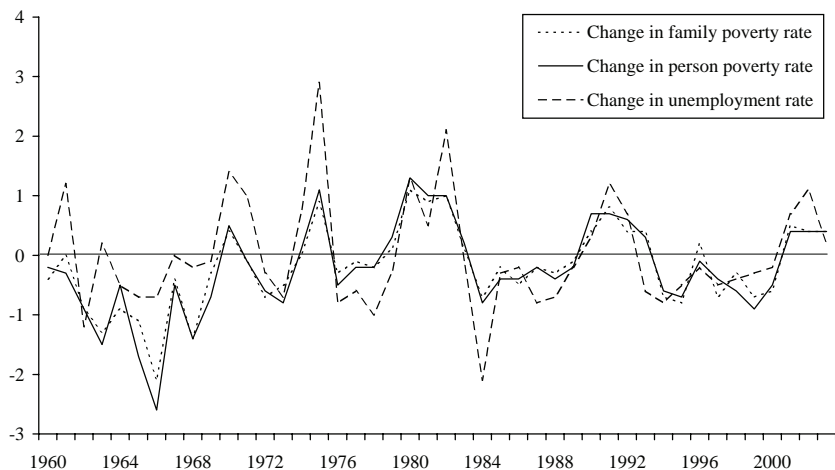
Figure 1.3 shows the changes in the U.S. individual and family poverty rates from 1960 to 2003, along with the annual changes in the unemployment rate. While the correlation is not perfect, there appears to be a clear, positive relationship between the change in the unemploy-

**Figure 1.2 Female-Headed Family Poverty Rate, 1959–2003 (%)**



SOURCE: U.S. Census Bureau (2004b).

**Figure 1.3 Change in U.S. Poverty and Unemployment Rates, 1960–2003 (%)**



SOURCE: Person rate, U.S. Census Bureau (2004a); family rate, U.S. Census Bureau (2004b); unemployment rate, BLS (2006c).

ment rate and changes in poverty rates. The simple correlation between the change in unemployment and the change in family poverty is 0.66, while the corresponding correlation between the change in unemployment and the change in person poverty is 0.65.

### **Welfare Reform and Policy Changes in the 1990s**

The 1990s was a period of significant public policy change, as it related to the working and nonworking poor. The first change was the expansion of the Earned Income Tax Credit (EITC), which greatly increased work incentives. Then came the Clinton administration's accelerated issuance of state waivers from the Aid to Families with Dependent Children (AFDC) program, beginning in 1993 (Council of Economic Advisers 1999; Ellwood and Blank 2001). Most waivers made welfare more restrictive, such as by adding sanctions for non-compliance with work requirements and by adding time limits for receiving benefits.

A third initiative was the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which replaced AFDC with the Temporary Assistance for Needy Families (TANF) program. Known as "welfare reform," the 1996 act eliminated the welfare entitlement and placed a strict 60-month federal lifetime limit on most recipients; it also put stringent requirements on states to shift most recipients into work by 2002 (Blank 2002; Ellwood and Blank 2001). New legal immigrants faced restrictions in using TANF, and there were other changes to help reduce births to unwed mothers. Financing was changed to a federal block grant, and states were given great latitude to set program parameters, including those for benefits and eligibility.

Between August 1996, when welfare reform was signed, and September 2001, the number of recipients declined by a remarkable 56 percent (Administration for Children and Families [ACF] 2002a). Even with the sluggish economy, the number of welfare recipients fell slightly in Fiscal Years 2002 and 2003 (ACF 2002b, 2004). Congress has periodically worked on renewing welfare reform, but progress has been slow. Most indications are that the act will remain largely unchanged; however, some likely changes include increased child care support, greater flexibility for states in counting "work-related" activities, and a modest increase in work requirements (U.S. Department of Health and Human Services [DHHS] 2004).

Many economists argue that welfare reform and the work-promotion effects of the expanded EITC were key factors behind the almost 10-percentage-point increase between 1994 and 2000 in the labor force participation of unmarried females with children (Blank and Schmidt 2001). The Council of Economic Advisers (1999) and O'Neill and Hill (2001) hold that welfare reform was the impetus for reducing the number of welfare recipients. Meyer and Rosenbaum (2001) conclude that 60 percent of the increase in employment of single mothers relative to single women without children over the 1984–1996 period was attributable to the federal and state EITC and other tax changes, whereas welfare reforms over the 12-year period were much less important—although they did have significant effects. Yet others contend that welfare reform's supposed initial success had little to do with policy and is more of an artifact of the robust economy of the late 1990s.<sup>3</sup> A comprehensive literature review by Blank (2002) suggests that welfare reform and the strong economy both reduced welfare usage.

Though welfare reform is important, we are ultimately interested in whether it affects poverty. The poverty rate for unmarried women with children—a key welfare-recipient cohort—fell from 41.9 percent in 1996 to 33.0 percent in 2000, before rising to 33.7 percent in 2002 (U.S. Census Bureau 2004b). Yet this could be more economy-driven than welfare-reform driven. Also, even if welfare reform did greatly reduce the rolls, it is still possible that it had little influence on changing the average household income at the lower end of the distribution; it may have merely reallocated income from welfare benefits to labor earnings and the EITC (Blank 2002; Primus 2001).

Welfare reform has also expanded the low-skilled labor supply by encouraging work. The increased labor supply should have a deleterious effect on the wages and employment of low-skilled nonrecipients, which would indirectly increase poverty rates (Bartik 2000, 2002a,b). The possible indirect spillovers suggest that the impact of welfare reform could extend well beyond the most directly affected groups, which means aggregate labor market assessments are necessary to explore how welfare reform affected the overall poverty rate.

## PERSON- VS. PLACE-BASED POLICY

Despite declining U.S. poverty in the 1990s, the gains were not spatially uniform, and many high-poverty pockets remain (Jargowsky 2003). It is unclear why all geographic areas did not experience the same favorable developments as the nation as a whole. It could be that some areas experienced lower growth. Alternatively, spatial factors unique to certain areas may have affected the connection between growth and poverty. If so, person-based antipoverty policies alone may be inadequate; instead, what may be required are policies tailored to place.

There is wide debate within the academic and policy communities on whether policies aimed at helping the poor should include place-specific elements to complement person-specific programs (Kraybill and Kilkenny 2003). However, critics contend that policies designed to help distressed communities or regions with concentrations of poverty are misguided and wasteful, and that the best way to aid the disadvantaged is to tailor policies to directly help needy individuals (e.g., Peters and Fisher 2002). Policies such as providing education, training, job and family counseling, relocation assistance, and certain types of health care assistance form the core of person-based approaches.

Critics of place-based subsidies contend that they can induce the disadvantaged not to migrate to localities with better employment opportunities, which creates a culture of dependency in the region (Glaeser 1998; Glaeser, Kolko, and Saiz 2001; Kraybill and Kilkenny 2003). They contend that virtually all of the newly created jobs will instead go to commuters and new residents who already have the necessary skills and experience that employers prefer, and not to the intended disadvantaged beneficiaries (Peters and Fisher 2002). Therefore, policies aimed at improving a distressed local economy (e.g., tax breaks) may primarily help business and property owners instead of the disadvantaged.

Critics of place-based policy also point out that economic development efforts may fail in high-poverty areas. For example, the small-scale economies of remote rural areas may hinder their economic development: not only may there be insufficient public infrastructure for such areas to be economically competitive (Lucas 2001; Jalan and Ravallion 2002; Glasmeier and Farrigan 2003), but there may be a backwash effect of jobs and capital being drawn toward urban centers and

away from these areas (Barkley, Henry, and Bao 1996; Henry, Barkley, and Bao 1997). Further, the exodus of highly mobile, highly skilled labor from high-poverty regions may lower the pay of those remaining (Gibbs 1994).

On the other hand, there are traditional and emerging arguments for place-based policies to be part of the optimal policy mix, based on the “new economic geography.” As discussed in Chapter 3 of this book, equilibrating market responses are impeded if labor is not perfectly mobile, particularly the low-skilled segment of labor, which is the most likely to be in poverty (Ravallion and Wodon 1999; Yankow 2003). Such arguments form the core of the urban spatial-mismatch models (Holzer 1991). Rural areas’ remoteness and greater distance to potential migration destinations increases the transport and psychic costs for those who may wish to relocate (Greenwood 1997). Therefore, while remoteness, small scale, or social and geographic isolation may be hindrances to successful economic development, they also may lead to disadvantaged residents garnering more of the benefits if economic development is successful, suggesting the potential efficacy of place-based antipoverty policies. That is, if job creation occurred in these distressed areas, more of the benefits would go to the disadvantaged because the area’s remoteness would cut down on employment competition from new commuters or migrants.

Other arguments for place-based policies include the notion that geographical space produces monopolistic power, in which entry and exit costs reduce free-market adjustments (Kraybill and Kilkenny 2003). New-economic-geography arguments include agglomeration economies where productivity increases with greater urban scale or arises from the co-location of similar firms in the same industry. Agglomeration economies can arise because of factors such as more specialized input markets, specialized labor supply, and knowledge spillovers across firms. Rural areas also can experience agglomerations when industry “clusters” co-locate to take advantage of enhanced vertical integration of inputs. Place-based policy advocates also argue that economic development policies can effectively enhance local growth and reduce poverty because of factors such as neighborhood effects, economic role models, and knowledge spillovers.

In addition, advocates of place-based policies note that person-based policies are expensive and that programs such as job training

may have relatively low returns, depending upon the location of the disadvantaged (Bartik 2001; Carneiro and Heckman 2003). Thus, sole reliance on people-based policies may be inadequate in addressing the spatial concentration of poverty (Blank 2005). Blank argues that place and related contextual effects influence economic vitality and shape the character of the people.

The wide spatial variation in local attributes can thwart “one size fits all” person-based policies. In isolated inner cities and remote rural areas, many of the disadvantaged have less access to job training, counseling, health care, child care, and transportation, suggesting that government service delivery should reflect these spatial differences (Allard, Tolman, and Rosen 2003). Work-support policies such as the provision of child care, transportation, education, and training also may have higher pay-offs if jobs are nearby. Policies that improve a distressed community’s vitality and job accessibility may do more for its disadvantaged residents than approaches that give them lengthy training and hope they eventually find work nearby where there are very few jobs, or, failing that, hope they move elsewhere (Kraybill and Kilkenny 2003).

Practically speaking, to ignore the spatial dimension of poverty is also to overlook the basic fact that most politicians and policymakers represent specific jurisdictions. They may have less interest in the necessary person-based human capital development without the added attraction of well-planned (or even poorly planned) policies aimed at particular locations. Place-based policies also have the simple advantage that governments may find it easier to target appropriate poor places than to identify the appropriate poor households with specific attributes (Ravallion and Wodon 1999). Likewise, because of the unpopularity of person-based programs such as welfare assistance with voters, it may be easier to obtain public support for policies aimed at distressed regions than for policies directed at low-income individuals.

## **OVERVIEW OF THIS BOOK**

The following chapters explore the spatial dimension of U.S. poverty, stressing differences across states, metropolitan areas, and counties, with an eye toward state and local policy prescriptions. We find poverty

to be very unevenly distributed across the country, varying widely even within states and metropolitan areas. The great diversity in poverty outcomes leads us to explore finer geographical areas: within metropolitan areas, we look at central-city counties and suburbs; beyond metropolitan areas, we look at metro-adjacent and outlying, nonmetropolitan counties. The spatial detail of our study allows us to draw more focused policy conclusions. We conclude that the policy prescriptions should vary greatly across space.<sup>4</sup>

In assessing poverty, we explore the underlying spatial, demographic, and economic contributors to poverty rates. Although we do not need elaborate statistical analysis to know that single-mother-headed households tend to have high poverty rates and that areas with high unemployment also have elevated poverty, we still need to know the relative importance of each factor. If personal characteristics such as race and the prevalence of married-couple households are the overriding factor, policy should be focused more on supports to encourage stronger families and to mitigate racial discrimination. Alternatively, if the uneven geographical location of employment opportunities and an unfavorable industry composition are the important causal factors, then place-based policies aimed at improving employment opportunities in distressed areas would be more effective. Without a detailed statistical assessment, we will not be able to ascertain the proper policy mix and make informed policy prescriptions for different geographic areas. For example, policies that are effective in prosperous suburbs will likely differ from those that prove effective in more remote, rural areas.

Our assessment of the geographical diversity of American poverty begins in Chapter 2, where we examine the spatial variation of state and county poverty rates and their trends over time. Fully understanding the spatial distribution of poverty requires examining multiple geographical aggregations of poverty rates. Analysis of national poverty rates is necessary if one wants to determine the overall effectiveness of national full employment. Yet to understand the relative importance of economic growth versus welfare policies, states should be examined, because they form the political entity that greatly sets and defines differential welfare policies. Understanding the underlying causes and policy solutions that differ within metropolitan areas, or between urban centers and rural communities, requires analysis of disaggregated regions such as counties.

Chapter 2 notes that state poverty rates vary greatly. The South tends to have the highest poverty rates. When examining the state patterns over the period of 1969–1999, we find that there is some persistence. Yet Southern states generally experienced marked reductions in poverty, while others, such as many Western states, had relatively lackluster performances.

When examining counties, we find even more diversity. First, there are homogeneous low-poverty-rate clusters, such as in the upper Midwest, and high-poverty-rate clusters, such as in Appalachia or the Mississippi Delta. Yet poverty can vary greatly within a given state. For example, even in Southeastern states with high average poverty, there are low-poverty pockets within each state. Poverty can also take on a more haphazard pattern, such as the wide range found within larger metropolitan areas. Nevertheless, local poverty rates remain strikingly persistent. For example, areas that had higher poverty rates in the 1950s tend to have higher poverty rates today.

Chapter 3 discusses the elements of local low-wage labor markets that provide the theoretical justification for antipoverty policies. Local labor markets respond differently to policies than does the national labor market. Improving the employment opportunities of the disadvantaged would seem to be a reasonable solution to persistently high poverty rates in certain locales. Yet a major complication is that newly created jobs often go to new migrants or commuters from elsewhere. The intended beneficiaries—the original, poor residents—can end up with few of the new jobs. Hence, the notion that “a rising tide lifts all boats,” which seems reasonable in macroeconomic discussions, may not apply at the local level, though this differs by local area.

Chapter 4 provides a statistical assessment of the determinants of state poverty rates. In it, we emphasize roles of economic growth and state public welfare policies. In particular, we try to further determine whether the 1996 welfare reform had a major role in the dramatic poverty rate outcomes in the 1990s. If so, this would give us grounds to be optimistic that Bush administration efforts to further emphasize work-first initiatives will be successful. We find that state economic growth is an important cause of change in state poverty rates, and that this effect is especially large when the labor market is tight. This influence is both direct, through enhanced labor market opportunities, and indirect, through affecting other outcomes such as teen birthrates. In contrast, we

find that policies related to welfare reform have virtually no statistically significant effect on state poverty rates. Any favorable effects on the labor force behavior of potential welfare recipients appear to be offset by adverse spillovers on other disadvantaged workers through increased labor market competition. In Chapter 5, we look at case studies of four states, which confirm the results of the statistical analysis and provide context on the nexus between poverty, labor market performance, and welfare reform.

Chapter 6 examines 1989 and 1999 poverty rates for more than 3,000 U.S. counties. One finding is of the importance of family characteristics such as marital status and education. Female labor market participation and male unemployment rates are key labor market factors. Yet we find that, generally, employment growth has only a modest impact on local poverty rates. Without some sort of targeting of the neediest, this suggests that local policies that increase employment will likely have only modest impacts on poverty; it further implies that a strong state and national economy are important reinforcing forces. Another pattern we see is that areas that had higher shares of foreign immigrants arriving in the latter 1990s also had higher 1999 poverty rates. This was a distinct change from the 1980s, when immigrant shares had no detectable influence.

One weakness of the empirical models in Chapter 6 is that they do not fully capture the geographical diversity of low-wage labor markets. Chapters 7 and 8 address this concern by separately considering metropolitan and nonmetropolitan counties. One conclusion of Chapter 7 is that metropolitan areas are not a monolithic block that should be examined in unison. Rather, they are often composed of a mosaic of distinct central-city and suburban counties. Labor market conditions appear to have an even weaker influence on metropolitan poverty rates than on the nation as a whole. But this overlooks the greater responsiveness of poverty rates in central-city counties to changes in labor market conditions. Conversely, new suburban jobs are so regularly filled by in-commuters that poverty rates are hardly influenced by job growth. Thus, we argue that economic development policies can help disadvantaged central-city residents, as job accessibility appears to be a constraint, but that such policies will likely be ineffective in the suburbs. We describe job-creation strategies for central-city counties and indicate how they

can be targeted to ensure that the intended disadvantaged beneficiaries capture more of the benefits.

Chapter 8 explores the dimensions of nonmetropolitan and rural poverty. Examination of rural poverty has been a relatively neglected field. A key determinant of rural poverty is whether a nonmetropolitan county is adjacent to a metropolitan area. Residents of nonmetropolitan counties that border on metropolitan areas have significantly better access to jobs, child care, and government services. Because remote nonmetropolitan counties are more isolated, it is not surprising that local labor market conditions are much more important there. Moreover, if local employment growth is concentrated in industries that are faring well at the national level, there will be even more significant declines in rural poverty rates. Hence, all other things being equal, we argue that economic development policies likely have their largest benefits in rural areas, though these policies may be more expensive to implement in remote areas. In contrast, we contend that the countless billions that have been spent on specific resource-based industries, such as agriculture, have had less-than-spectacular results on overall rural economic growth and should be redirected to higher-valued uses for rural America.

Chapter 9 summarizes our empirical findings and policy prescriptions. Our foremost finding is that, while labor market conditions have modest impacts on poverty in general, they can have important impacts in central-city counties and in remote rural counties. Hence, place-based policies aimed at improving the employment prospects of disadvantaged workers in those places are in order. We describe how providing tax credits for newly created jobs and wage subsidies for low-wage workers are two ways of targeting the intended beneficiaries. We also stress the importance of first-source or community-based organizations in brokering and facilitating job creation. Other policies, such as offering relocation assistance to disadvantaged families, are most likely to work in central cities, but even there, the impact will likely be modest. On the other hand, we argue that child care assistance is more likely to be needed in remote rural areas. As with the role of economic development policies, we conclude that a one-size-fits-all geographical approach to person-based policy is misguided. Each area may instead require a unique combination of place-based and person-based antipov-erty policies.

## Notes

The first epigraph at the beginning of the chapter comes from Gene Koretz (1992), “Trickle-Down Economics May Not Help the Poor,” in *Business Week*. The second epigraph comes from the *New York Times* (1996) article “The Welfare Bill.” The third comes from a speech made to the Commonwealth Club of California by Quayle (1992).

1. Whether inequality reduces economic growth is a hotly debated topic among economists. For example, Alesina and Rodrik (1994) and Persson and Tabellini (1994) find evidence that it reduces growth, while Forbes (2000) and Partridge (1997, 2005) find the opposite.
2. The 1990s saw the property crime rate drop by nearly 50 percent and the violent crime rate drop by nearly 40 percent (U.S. Department of Justice 2005).
3. For examples of discussion of the link between economic growth and welfare roles, see Bartik and Eberts (1999); Figlio and Ziliak (1999); Hoynes (2000b); and Bennett, Lu, and Song (2002).
4. This book does not empirically examine subcounty poverty rates such as those found in poverty clusters that can exist at the neighborhood level (Weinberg, Reagan, and Yankow 2004). For example, rather than asking why a west-side Chicago neighborhood has higher poverty than a wealthy Highland Park neighborhood in the northern suburbs, we instead ask geographically broader questions, such as “Why do Chicago suburbs have lower poverty rates than the metropolitan area’s central-city county?” This focus allows us to more directly consider economic development, which is inherently more widespread than a neighborhood.