

# Cato's Letter

A QUARTERLY  
MESSAGE  
ON LIBERTY

SPRING 2019  
VOLUME 17  
NUMBER 2

## How Government Causes Poverty

**MICHAEL TANNER**

**D**espite what you may hear about how stingy we are as a country, we spend an enormous amount of money fighting poverty. The federal government alone has more than 100 different anti-poverty programs—about 70 which provide benefits directly to individuals and the remainder which provide benefits to poor communities. The federal government spent roughly \$700 billion last year on these programs. State and local governments kick in another \$300 billion, meaning we spent about a trillion dollars fighting poverty last year.

Since 1965 when Lyndon Johnson declared war on poverty, we've spent about \$26 trillion in constant 2018 dollars fighting poverty. And the question is: what have we gotten for this money?



**MICHAEL TANNER** is a senior fellow at the Cato Institute. In March, he spoke at Cato's Policy Perspectives seminar in New York about his book *The Inclusive Economy*.

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**E**ven the federal government can't spend a trillion dollars a year and not accomplish something. You could fly over the country in an airplane, shovel a trillion dollars out of the back, and actually reduce poverty.

But is that really enough? Is that all we should do? If you look at Maslow's hierarchy of needs, down at the base there's food, shelter, and other basic needs. We do a pretty good job of providing that, but moving up that pyramid we find accomplishment and self-actualization—human flourishing, the idea that people should be able to achieve everything that they can with their talents and abilities. They should be self-sufficient. They should have control over their own lives and destinies.

And I defy you to go to some place such as Sandtown in Baltimore, or East Fresno, California, or Owsley, Kentucky—the poorest community in America. And look at folks in those communities and say, are they thriving? Are they achieving everything they can? Are they masters of their fate? And the answer would clearly be no.

“The real problem isn't the poor, and it isn't society. It's the government.”

So, I wanted to look at something different and ask: is there a better way that we can fight poverty in this country than what we've been doing, which is simply throwing money at the problem? I started at the beginning in *The Inclusive Economy* asking, “why are people poor?” If you were a doctor, you wouldn't start treating people until you actually diagnosed their illness, right? I found that there are basically two competing theories on the left and the right about poverty.

On the right people basically said, “it's the poor's fault.” They say the poor made bad choices, there's this culture of poverty, and they point to something called the success sequence. This view says that if you finish high school, then you get a job, and you don't have children until you get married, your chances of being poor are very slim. All of those are true individually, and if you do all three of those things the likelihood of being in poverty is very, very slim. They look at these and say, “OK, clearly the poor are making bad choices. They're not doing these things, and that's why people are poor.”

If the right blames bad choices, the left says, “No. We blame society.” They look at things like racism, gender discrimination, and economic dislocation, and say “these larger societal issues are what ultimately leads to pov-

erty.” That if you look at the abysmal history we have in this country of how we’ve treated people of color and women, those things contribute to where people are today.

So I asked, “Which of these is correct?” and ultimately I concluded that both are to some degree, and that neither are to a large degree. Clearly the right has a point that you can’t strip poor people of agency and pretend that their decisions don’t matter, that there are no consequences to their actions, that nothing they do ever matters. That’s an incredibly demeaning way to treat the poor.

But we must take into account the context in which choices and decisions are made, what economists refer to as the constraints on our decisions. And the simple fact is, if you’re a poor black child growing up in inner-city Baltimore you

“We need to increase savings among the poor.”

face a very different set of circumstances than if you are a white kid growing up in the suburbs in Chevy Chase, Maryland. If you live in an area where there are no jobs, the schools are terrible, and the police hassle you every time you step foot outside your door, then you’re going to make very different choices.

So both theories have something to them, but both are also missing a much bigger point and a much bigger villain in the debate. As I looked more and more into this, I found that the real problem isn’t the poor themselves, and it isn’t society. It’s the government. If we really wanted to fight poverty in this country, what we should do is tell the government to stop making people poor.

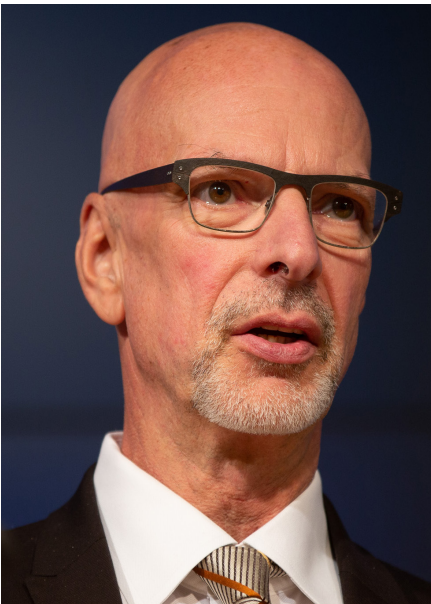
So what I laid out in the book are five areas where I thought that we could implement libertarian solutions to government policies that are pushing people into poverty.

Number one is criminal justice reform. Our criminal justice system is prejudiced against low-income people and people of color at every step from the top to the bottom. This has a significant impact on poverty. You can commit an offense—something that shouldn’t even be an offense—when you’re young and end up with a criminal record that 20 or 30 years later is following you around and preventing you from getting a job. You can simply look at the number of young, black men who are in the criminal justice system, who are basically taken out of the job market, and therefore also taken out of the marriage pool, so to speak.

William Julius Wilson suggests that there are a million and a half young

black men who are either in jail, on probation, or have a criminal record that renders them unemployable or unmarriageable. You know, conservatives have for a long time pointed out that poor women shouldn't have children if they're not married. And they say, we need to encourage marriage. Who the heck are these women supposed to marry?

We take the men in these communities and lock them up for something like having marijuana or—my God, remember Eric Garner in New York, who was killed because he sold an untaxed cigarette. If we lock people up for things that shouldn't be crimes and tag them with a criminal record for the rest of their lives, we shouldn't be surprised that we create large pools of poverty. Scholars at Van-



derbilt University estimate that if we had criminal justice reform in this country we could reduce the poverty rate through that step alone by 20 percent.

Second: we need to reform the government-run school system that is leaving so many people behind. It's not a matter of spending money. We spend tons of money on education. In fact, we keep spending more and more money without getting any better results. You can look at some of the worst school systems in the country and

find that they spend more per student than anywhere else. What we really need if we want to reform our school systems is choice and competition. And we can argue about what the best way to do that: charter schools, vouchers, tuition tax credits. But we need to make sure that the school system operates for the children and that the parents are in control.

Third: we need to reduce the cost of housing in this country. The poor spend a disproportionate amount of their money on housing, about 40 percent of their income on average. This causes a lot of problems. If you're spending a lot of money on housing you don't have a lot of money for other things, obviously. It also locks the poor into bad neighborhoods because they can't afford to move to an area that might have a better school, less crime, or more jobs. And the cost of housing is often driven by government policies, in particular zoning and land use policies. Zoning in some cities like New York and San Francisco

can add 50 percent to the cost of housing. Across the country it's about 10 percent on average.

If we really want to make housing affordable in this country, it's not a matter of having more subsidies to chase ever-higher costs. It's a matter of getting rid of those regulations to reduce the cost of housing, so the poor can have mobility and move into the areas where the jobs are.

Fourth: we need to increase savings among the poor. Now this is kind of axiomatic but we often forget that the opposite of poverty is wealth. We want to encourage poor people to save money and accumulate wealth, but our policies are often perversely designed to encourage consumption and discourage savings. That includes banking laws. We're so terrified of terrorism and drug-money laundering that we require all sorts of special rules and identification in order to open a bank account. You know, people worry in this country about whether you need an ID for voting. About 20 percent of poor people in this country don't have sufficient identification to open a bank account! Just imagine what it means if you can't open a bank account. It means you can't borrow, it means you can't save, it means that you have to go to these check-cashing places that charge you high fees. It means you're walking around all the time with wads of money in your pocket so you get robbed, or the police pick you up and think you're a drug courier because you have \$500 in your pocket.

And finally, perhaps most importantly, we need to have inclusive economic growth. Nothing has lifted more people out of poverty than economic growth. Throughout most of history man was desperately poor. There was a small aristocracy that was slightly less starving than the people below them, but basically we were all in abject, miserable poverty throughout most of mankind's history.

And then about 300 years ago something happened. Human wealth began to increase, and people began to rise out of poverty. That something was modern free-market capitalism. But economic growth will only lift people out of poverty if it's inclusive, if everybody can participate in a growing economy.

What we really need to do is look at what is preventing poor people from becoming rich.

Nelson Mandela says that "poverty is manmade." I think that's wrong. Poverty is the natural state of mankind. What's really manmade is prosperity. And by implementing powerful libertarian solutions that involve more liberty, more freedom, and less government, we can create prosperity that benefits everyone including the poorest people in our society. ■



## SCHOLAR PROFILE

# Emily Ekins

EMILY EKINS is a research fellow and director of polling at the Cato Institute. Her research focuses on public opinion, American politics, political psychology, and social movements. She holds a Ph.D. in political science from the University of California, Los Angeles.

### **How did you become interested in polling as a field of study? How did you get involved in polling for libertarian organizations like Cato?**

I became interested in polling during my political science Ph.D. program, because I became passionate about understanding why people think what they do. Surveys are a primary tool in political science to study public opinion and voter behavior, so public policy organizations are a natural fit.

### **What are some popular misconceptions about polling, and how do you respond to them?**

People often think that polling isn't accurate because of a few elections where some pollsters predicted a different outcome. The truth is sometimes polling is off by a few percentage points, especially during elections when it's unclear which Americans will turn out to vote. Even still, most polls accurately predict most election outcomes within the margin of error, which validates their use on other policy issues.

### **What is the most surprising or counter-intuitive result you've found?**

We consistently find that the public turns against purportedly popular new government programs or expansions of existing government programs when they learn how much the programs cost and what trade-offs they will have to make.

### **How do survey results inform the policy advocacy done by Cato's experts?**

Cato surveys are about uncovering truth. The data is what the data is. Our policy scholars are able to use our surveys however they see fit. Most polling is conducted by people who do not have a libertarian view and thus fail to ask important questions about trade-offs. Our polls contribute to the body of public opinion research consumed by the media, policymakers, academics, scholars, and the public by shining a light on what the public actually thinks about important issues and trade-offs that are often ignored by pollsters. ■

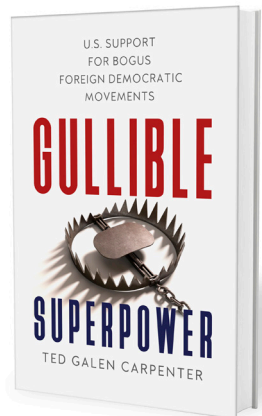
## New in Foreign Policy

“*Gullible Superpower* is an excellent study of our government’s destructive habit of embracing foreign insurgents and activists in the name of democracy promotion.”

—DANIEL LARISON, Senior Editor, *The American Conservative*



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# Fight for the Future

**T**hanks to Cato's Sponsors, there is an independent, vital voice in Washington, DC, with influence across the political spectrum promoting the principles of liberty. Whether we're defending free-market healthcare solutions, showing how to cut government and lower taxes, fighting for criminal justice reform, advancing free trade and a more restrained foreign policy, or demanding a return to constitutional republicanism, Cato's Sponsors make possible a unique voice in the nation's public affairs.

Legacy Society Sponsors—individuals who have created planned gifts to Cato—are among those ensuring Cato's future strength and are allowing the Institute to reach more persuadable people than ever through improvements across Cato's research, communications, and educational programs. Today, we are uniquely positioned not only to shape policy debates but also achieve our foremost objective for the long term: persuading coming generations of leaders that our ideas will create a freer, more prosperous world.

Reaching a young, global audience is essential to the fight for future generations. Cato's internship program continues to be one of our core talent development activities, engaging around 90 promising young people each year in substantive policy work. We thought you'd enjoy hearing directly from a few current interns about their experiences at Cato.



*I'm a young Venezuelan political activist who has been involved with the libertarian movement for the last four years. To me, Cato has always been a reference for serious academic research in libertarian philosophy and public policy.*

—ANDRÉS

Universidad Central de Venezuela

*Whether it's discussing a different perspective of libertarianism in a seminar or researching the state of humanity for HumanProgress.org, I've learned more in this internship than I had previously thought possible.*

—ANNA

University of North Carolina-Chapel Hill

*The Cato internship program is a great opportunity to be a member of a robust intern community with plentiful access to renowned libertarian scholars.*

—JEFFREY

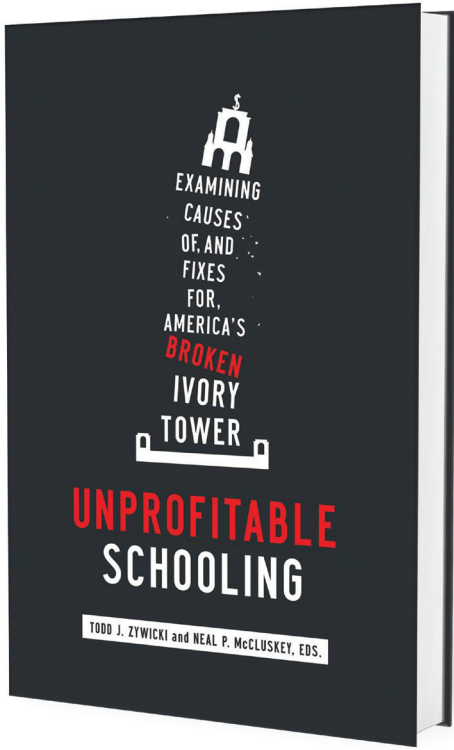
Harvard University

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# Is “Free” College the Solution?



**T**he price of college has inflated enormously for decades, and many students have had to take out increasingly large loans to pay for higher and higher credentials demanded by employers. It's not surprising that people would demand an end to the cost insanity. How has this happened? What can be done? Before we leap at simple solutions, we ought to determine what the problems are and think clearly about the unintended consequences our solutions might have.

This new edited volume from the Cato Institute, *Unprofitable Schooling: Examining Causes of, and Fixes for, America's Broken Ivory Tower*, looks at the issues facing higher education from the perspectives of both economics and history. Each chapter explores crucial aspects of the provision of higher education with an eye to bringing about innovation, improved quality, and lower costs.

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