Contact: Mark Primoff
845-758-7749
primoff@bard.edu

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**POVERTY POLICY MUST CREATE JOBS FOR POOR,
NEW LEVY ECONOMICS INSTITUTE STUDY SAYS**

ANNANDALE-ON-HUDSON, N.Y.—It has been 40 years since U.S. policymakers embarked on the War on Poverty (WOP), yet a new report from The Levy Economics Institute of Bard College suggests that, in spite of programs and policies aimed at eradicating poverty in United States, the war has made little progress. Levy scholars Stephanie Bell and L. Randall Wray draw on the work of the late economist Hyman Minsky to argue that poverty is largely an employment problem and that a government-backed full-employment policy that directly creates jobs for those willing to work is essential to any plan that aims to reduce poverty.

In their public policy brief, *The War on Poverty after 40 Years: A Minskyan Assessment*, Bell and Wray contend that WOP programs and policies have had little success at significantly raising employment and reducing poverty rates. Furthermore, the chief instruments of the WOP—training and education programs and the “trickle-down” approach of tax cuts aimed at spurring private investment—have not only been ineffective in reducing poverty, the authors assert, but, at times, have increased inequality and had a destabilizing influence on the economy. "The private investment strategies tended to exacerbate income inequality, generate inflation, and undermine financial stability,” the authors write, stressing that studies have also shown that training initiatives have had little success in addressing the jobs-skills mismatch.

Specifically, the authors show that poverty rates at the end of the millennium were similar to what they had been were in the mid 1960s when WOP began. Supporting Minsky’s assertion that joblessness, insufficient hours of work, and low pay were the major

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contributors to poverty in the United States, Bell and Wray cite 2002 statistics showing that the number of families below the poverty line rises from 10 percent to 25.8 percent when those families have no workers. In black families the poverty rate was 21.5 percent but rose to 57.8 percent when those families had no workers. At the same time, families with at least one year-round worker had a poverty rate of only 3.5 percent. “These data show how important a full-time, full-year job is for poverty reduction—a relationship that remained as true in 2002 as it was in 1965,” the authors write.

Bell and Wray support a policy similar to Minsky’s employer-of-last-resort proposal, which called for the federal government to institute a job assurance program similar to the New Deal’s Works Progress Administration, Civilian Conservation Corps and National Youth Administration. This alternative stresses high consumption fueled by policies that would increase wages and incomes at the bottom of the distribution, creating more equality and greater stability. The authors back Minsky’s claim that tight full employment would generate more than enough additional production to bring all Americans out of poverty. They estimate that the cost of eliminating poverty in 2002 would have been just under $100 billion, or about 10 percent of the extra GDP generated by reducing unemployment to Minsky's 2.5 percent benchmark. Furthermore, the authors contend that price and wage competition from overseas in today's global economy make inflationary constraints much less of a concern now than they were in the early years of the WOP.

"The economic theories on which the WOP was based misunderstand the nature of poverty," the authors conclude, supporting Minsky's assertion that creating jobs for the poor is fundamentally more important than, and must come before, programs to upgrade their skills. "Whereas the investment strategy begins with demand increases for specialized labor, hoping for the trickle-down creation of low-skilled jobs, the employment strategy 'takes the unemployed as they are and tailor-makes the jobs to their skills.'"

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Public Policy Brief 78, *The War on Poverty after 40 Years: A Minskyan Assessment*

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