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IMPOVERISHED SCHOLARSHIP AT THE INSTITUTE FOR RESEARCH ON POVERTY

INTRODUCTION

The Institute for Research on Poverty (IRP) was created when Great Society aspirations seemed limitless. In nearly two decades of operation, the IRP has received over $21 million in federal funds to study "the nature, causes, and cures of poverty." While IRP research earns praise from the National Academy of Sciences, a growing body of critics asserts that its mission and methods are flawed, yielding questionable data of limited or no value to federal poverty planners. More seriously, they perceive an overt political bias dominating IRP work and distorting its findings. IRP director Sheldon Danziger denies that his University of Wisconsin-Madison based think tank toes an official political line. Yet though he says that "we try very hard not to have an official position," he concedes that individual IRP researchers are "known for their views."[1]

These views include support for the concept of comparable worth, guaranteed annual income, and greater income equality among individuals. IRP studies routinely discount the effectiveness of market forces in alleviating poverty while embracing state schemes for income redistribution. Complains one former federal official, IRP "is like having a speechwriting staff for liberal Democrats in Congress."[2]

Selective use of market force data pervades IRP research. While IRP studies repeatedly cite the success of increased transfer payments in alleviating poverty, especially among the elderly, very little

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1. Interview, May 20, 1985.

2. Interview, June 20, 1985.

mention is made of inflation's devastating impact on the fixed-income elderly and the working poor. When Jimmy Carter left office in January 1981, the annual inflation rate was a crushing 13.5 percent. And between 1980 and 1981, the official incidence of poverty had shot up a full percentage point. It continued climbing until this summer, when it posted the largest drop in over 15 years. Such high inflation, often accompanied by rising unemployment, of course significantly reduces the purchasing power of transfer payments. Here too, IRP research remains cursory at best.

Independent studies have shown that fewer than 1 percent of Americans consistently received welfare during the ten-year period from 1969 to 1978.[3] While transfer payments are an important source of short-term relief, evaluation of economic performance should be a preeminent variable in any assessment of poverty.

Since 1982, the economic recovery has produced 10 million new jobs[4] and brought the unemployment rate down almost three full percentage points (to 7 percent). Even in the face of such impressive economic evidence, IRP research continues to cling firmly to transfer payments as the preferred way to attack poverty and inequality among those who, for whatever reason, remain outside the labor force. States IRP: "a robust economy will have the least effect on those, such as single parents with small children, whose commitment to the work force is tenuous, those who are disabled, and those who are disadvantaged by lack of training, race, or ethnic background."[5]

Health and Human Services officials' disappointment with the focus and quality of IRP research, and the desire to attract poverty research from various sources on a competitive basis, led to Reagan Administration attempts to cut IRP's federal support ($1.75 million for Fiscal Year 1985-1987). These efforts have been thwarted in the Senate, where William Proxmire (D-WI) and Lowell Weicker (R-CT) successfully attached core grant funds earmarked for IRP to the Department of Health and Human Services FY 1983 and FY 1985 budgets. A top-ranking HHS official promises that IRP funding again "will be an issue in 1986."[6] From the record, it is clear that supporting IRP is an inappropriate and wasteful use of taxpayer funds. Congress should examine IRP carefully before granting it any further money.

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3. M. Rein and L. Rainwater, "Patterns of Welfare Use," Social Science Review, 52, 1978, pp. 511-534.

4. The New York Times, December 6, 1985.

5. Focus, Institute for Research on Poverty, Winter 1984, p. 7.

6. Interview, June 19, 1985.

TWO DECADES WITH THE IRP

The Institute for Research on Poverty was established by the Office of Economic Opportunity (OEO) in 1966 to study "the nature, causes, and cures of poverty." IRP oversight now resides with the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services (HHS).

Initial IRP funding was generous: a total of $10.5 million from 1966 to 1973, peaking at $2.2 million in 1971. But competition for funds appeared as a "poverty industry" sprang up under the Great Society. By the late 1970s, Carter Administration officials proposed significant reductions in IRP funding and had drawn a plan to award all future federal poverty research grants by competitive bidding. Reagan appointees made this a reality, granting awards totaling more than $500,000 to the Rand Corporation, the University of Michigan, and Harvard to study specific poverty-related problems in FY 1982. IRP researchers received $175,000.

University of Wisconsin labor economics professor Robert Haveman, an IRP researcher, complained bitterly to Senator Proxmire. "[Haveman] played the wronged aging scholar," says one official close to the situation.[7] Proxmire, who bestows the "Golden Fleece Award" on wasteful government spending projects, embraced IRP funding. He amended the FY 1983 HHS appropriations bill to include a $1.5 million biennial grant for IRP. HHS officials complain that Proxmire's action wrecked their program of competitive bidding on poverty research.

During its early years, IRP derived the vast majority of its funding from the federal government. In 1966, 90 percent of the Institute's funds came from the Office of Economic Opportunity. Gradually, IRP diversified its funding sources. Today, according to Danziger, 40 percent of its annual $2 million budget is supplied by HHS. The remainder is contributed by the State of Wisconsin, the University, the National Science Foundation, the Rockefeller and Ford Foundations, and other groups. Its 72-member staff, most of whom work part time, are drawn from the University of Wisconsin's Economics, Education, Psychology, Political Science, Sociology, and Social Work departments. In addition, IRP's Small Grants Program dispenses $250,000, usually in amounts of $10,000 or less, to researchers selected in a nationwide competition.

IRP's research activities focus on, but are not confined to, eight main areas: measurement of income, poverty, and economic inequality; employment statistics and labor market structure; income

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7. Interview, June 20, 1985.

maintenance programs; status attainment, social mobility, and education; discrimination; demographic behavior; poverty risk groups; and methodology and new data sets. Researchers or "investigators," not all of whom are based at the University, select their own topics in consultation with the Institute's director. The impact of "Reagan budget cuts" on the poor has been a popular topic for this taxpayer-funded institute.

Danziger claims that the Institute is an important "data source" for the Senate Budget Committee, the Joint Economic Committee, the General Accounting Office, the House Ways and Means Committee, the State of Wisconsin, and the media. IRP's sizeable publications department distributes articles, studies, and the Institute's quarterly newsletter, Focus (circulation, 7,000).

Danziger predicts IRP will diversify, devoting more energy toward in-state needs and analysis. "I don't expect federal funding to return to 50 percent [of budget]." The assessment is realistic, given the ongoing tension between IRP and HHS. IRP's seeming inability to provide relevant data to HHS calls into question the wisdom of continued federal funding of the Institute.

IRP-FEDERAL TENSION

Evaluations of IRP by the National Academy of Sciences (NAS) in 1971 and 1979 noted inherent tensions between IRP researchers and their federal overseers. IRP's desire for academic freedom was pitted against federal planners' needs for policy relevant data and analysis. According to the most recent NAS report, "Most institute researchers seem to regard HEW [now HHS] as distant and inscrutable."[8] Federal poverty policy makers continually have complained that IRP's research approach has been unfocused. The report recommended that IRP support outside research[9] and concluded "Our overall impression is that there is a degree of mismatch between the institute's research priorities and disciplinary resources."[10] Acting on this recommendation, along with pressure from HHS, IRP instituted its Small Grants Program.

A 12-member National Advisory Board, with equal numbers selected by IRP and HHS, was formed in an effort to improve relations. The

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8. "Evaluating Federal Support for Poverty Research," National Research Council, National Academy of Sciences, 1979, p. 52.

9. Ibid., p. 62.

10. Ibid., p. 53.

board meets annually and ranks research proposals submitted by IRP. The rankings do not determine funding and the board is viewed largely as a superfluous public relations exercise. One board member asserts that IRP staffers resented even this very limited intervention and did not provide members with a complete list of proposed projects.[11]

Danziger claims that Reagan Administration officials have not asked IRP for specific HHS policy analyses. This may be understandable, given the torrent of IRP attacks on Reagan policies. HHS officials also find IRP studies "useless," says a former HHS executive who worked closely with IRP. "They're looking at old data over and over again. This is just chewed newspaper."[12] Another high-ranking HHS official charges "academic quality is lacking."[13] The IRP project officer at HHS admits that there is "no formal mechanism for grading the quality" of the Institute's work.[14]

Questions of academic quality are often subjective in the "soft sciences." Nonetheless, some statistical methods can be used to quantify facts. Statistics, however, can be manipulated, especially when incorrect or arbitrary values are inserted. This attempt to "cook" the numbers to give credence to otherwise unsupportable conclusions often reveals the researcher's underlying ideological bias. Such has been the case with IRP criticisms of Reagan budget proposals.

In May 1984, at a Rockefeller Foundation conference in Italy entitled "Income Transfer Policies and the Economic Well-Being of the Poor," Danziger and IRP researchers Peter Gottschalk and Eugene Smolensky presented a paper entitled, "Reagan, Recession, and Poverty in the United States." While not funded by HHS, the paper was evaluated by Daniel Weinberg of the HHS Office of Income Security Policy. According to Weinberg, Danziger et al. concluded that one-third of the recent U.S. poverty rate increases was attributable to Reagan tax and budget programs. Weinberg charges that the paper has "substantial problems with assumptions, model specifications, and policy simulations."[15] He faulted the researchers for failing to account for under/nonreported income and assigning arbitrary values to

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11. Interview, August 14, 1985.

12. Interview, June 20, 1985.

13. Interview, June 18, 1985.

14. Al Caltino, Interview, June 20, 1985.

15. Mr. Weinberg's Evaluation, p. 9.

Reagan tax and spending programs in 1981 and 1982. The authors' text admits as much.[16]

> ...[T]he dummy variable approach...attributes all non-cyclical and nonsecular changes to Reagan. Nonetheless, the obvious problem with the dummy variable is that there may have been other forces beyond Reagan's control in 1981 and 1982 which may also have affected...poverty. We have no way of separating these factors from the direct impact of programmatic changes.

In other words, they guessed.

INSTITUTIONAL BIAS

A clear ideological bias pervades IRP. As part of a vast national welfare industry, IRP has a vested interest in increasing, or at least preserving, its market share. Economist Charles Hobbs describes the problem. "...[F]ederal welfare programs spawned a national welfare industry, led by federal bureaucrats far removed from local pressures to contain welfare spending. Reducing dependency on government welfare was not in their best interest. Their careers depended on more people becoming more dependent, and this set expansionary goals for the welfare industry."[17]

By 1984, the welfare industry had grown to monstrous size. HHS officials decided to hold a public retrospective on what the Great Society had wrought. That December, IRP and HHS co-sponsored the conference on "Anti-Poverty Policy: Past and Future" in Williamsburg, Virginia. HHS, through IRP, commissioned 12 papers for the "Williamsburg Conference" at a cost of $124,000. Carl J. Dahlman, the former Labor Department Assistant Secretary for Policy, attended and later wrote a stinging post mortem.

"In view of the fact that many of the participants had been active soldiers in the War on Poverty," he writes, "the tone of the conference ranged from nostalgia and disappointment regarding old attempts at solving poverty to anger and despair with current policies. The gallows humor among the veterans could not hold back

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16. pp. 15-16.

17. Charles D. Hobbs, The Welfare Industry (Washington, D.C.: The Heritage Foundation, 1978), p. 63.

cynical jokes drawing parallels to the Last Supper, dying dinosaurs, and like matters."[18] According to Dahlman, the majority of the participants favored increased government transfer payments as the best way to reduce poverty, ignoring widespread public distaste for the solution. Indeed, over 40 percent of Americans think nongovernment entities best help the poor; less than 30 percent believe the government does a good job.[19]

Dahlman believes that "academic researchers could make a significant contribution to inventive new policies. But they do not. Instead, they moan about the loss of existing programs."[20]

The overwhelming majority of IRP researchers support state, rather than market, solutions to the problem of poverty. This contributes to a significant lack of scholarly balance.

Danziger, along with Haveman, had taken early aim at the Reagan Administration. "Instead of asking 'what does it [the budget] do for the poor?' this Administration asks, 'what does it do for the rest of us?'"[21] "Reagan Budget Cuts" were assailed further in a 1984 IRP study whose author concluded, "While an overall evaluation of all program reductions was outside the scope of this study, it is clear that many single mothers--especially those who were working and on welfare--have been victimized by multiple setbacks in their efforts to provide for their families."[22]

IRP studies have virtually ignored how the poor are helped by plummeting inflation rates and by the expanding economy, which has created 10 million new jobs since 1982.

AN EXPENSIVE FLAIR FOR THE OBVIOUS

While much HHS funding of IRP supports straightforward census data interpretation, some is dedicated to less tangible pursuits. The

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18. Carl J. Dahlman, "Some Thoughts on the Conference on Poverty," December 1984, p. 1, uncirculated.

19. Sindlinger and Co., Inc., July 25, 1985.

20. Dahlman, op. cit., p. 8.

21. Sheldon Danziger and Robert Haveman, "The Reagan Budget: A Sharp Break With the Past," Challenge, May/June 1981, pp. 5-13.

22. Sandra K. Danziger, "The Impact of the Reagan Budget Cuts on Working Mothers in Wisconsin," IRP Discussion Paper #761-84.

authors of "Proletarianization of Work in American Capitalism," for example, find "that the data support some of the main descriptive claims of both Marxist and postindustrial theories, but that overall they are more consistent with the explanatory logic of Marxist Theory."[23] A later study, funded by the National Science Foundation and HHS, examines "American Class Structure."[24] Its authors claim "This paper presents the first systematic investigation of the American class structure based on data gathered from an explicitly Marxian, relational perspective."

A July 1984 study, also funded by HHS, examined "The Human Capital Losses of Displaced Workers." The author asserts "if the job from which the worker is displaced is unionized, but the job subsequently obtained is not, the worker suffers a loss in wages, ceteris paribus."[25] The author concludes, "The estimates indicate that displaced workers do incur a cost in the form of an unexpected depreciation in the firm-specific human capital in which they have invested."[26] All this study seemed to do was cloak common sense in academic garb. Simply put, when a person loses his job, he not only suffers lost wages, but forfeits whatever time was invested acquiring firm specific job skills and building good relations with co-workers and supervisors, by no means an astounding revelation.

This flair for the obvious graces much of IRP's work, particularly in the Institute's Small Grants Program, as an examination of 1983-1985 project awards makes evident.

Researchers Mary E. Corcoran and Paul N. Courant of the University of Michigan, in "Sex-Role Socialization and Occupational Segregation: An Empirical Investigation," find, "There is good reason to believe that pre-labor-market behavior of boys and girls (and their parents) may have important labor market consequences."

Robert M. Entman of Duke University looked at a 1974 newspaper readership study and observed, "The more liberal the newspaper, the

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23. Erik Olin Wright and Joachim Singelman, "The Proletarianization of Work in American Capitalism," IRP Discussion paper #647-81, p. 5.

24. IRP Discussion Paper #688-82.

25. Daniel S. Hamermesh, "The Human Capital Losses of Displaced Workers," IRP Discussion Paper #753-84, p. 5.

26. Ibid., p. 29.

more likely were readers to hold pro-welfare-state opinions, and the more likely they were to vote Democratic."[27] From an academic viewpoint, perhaps these exercises hold interest. But Congress and the taxpayers are entitled to expect the federal funds committed to the Small Grants Program to produce research with more salient findings.

FUEL FOR STATIST SOLUTIONS

A large body of IRP studies, using 1940 to 1980 census data, promises to provide fresh ammunition for proponents of affirmative action, comparable worth, and a resurgence of government social welfare spending programs. IRP published executive summaries of the reports this September. Final drafts are due at year's end. Among them:

- Married Women's Economic Dependency, 1940-1980. The study finds that married women have become less dependent on their husbands during the last 40 years.

- The Utility of Private Social Welfare Agencies in Delivering Material Assistance. This study discounts the private charitable sector's ability to "fill all of...[the] gaps in public programs," but suggests that the private groups could be used "to dispense public funds" or to assist in the development of "some new federal programs."

- Income Security Policy in the Low-Wage Labor Market. In an effort, presumably, to boost comparable worth legislation, the researchers assert "...a case for government intervention on behalf of women's status in the paid labor market can be made on the grounds of equity and (more tentatively) efficiency, according to conventional economic analysis." The authors also boost the case for affirmative action, citing statistics which they claim prove that blacks, Hispanics, and other minorities suffer from wage discrimination.

- Research on the Labor Market and Program Participation of Hispanics, Immigrants, and Southeast Asian Refugees. The author asserts a need for increased civil rights, labor standards, and anti-discrimination enforcement while assailing private refugee resettlement efforts on the grounds that they introduce "The inequality that prevails in the U.S. population into the refugee resettlement experience."

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27. "The Impact of Media Messages on the Attitudes of the Public Toward the Welfare State," executive summary.

- Behavior Models of Employment and Earnings Over the Life Cycle. This appears to be another exercise in the obvious: "Broadly speaking, turnover is a 'good' for individuals just entering the labor market...through mobility, 'unlucky' workers are able to dissipate the negative effects of bad initial luck."

Given this body of work, criticism of IRP would appear justified.

MEASURING POVERTY--A MURKY SCIENCE

IRP researchers use the "official" poverty measure, $10,609 for a 1984 family of four. The "official" line does not take into account under/nonreported income, other aspects of the underground economy, or in-kind benefits.[28] The U.S. Senate in 1980 noted that measuring in-kind benefits would drop the poverty rate to 9 million instead of the 25 million, who then were classified as living in poverty.[29]

Many IRP researchers dismiss the effect of economic performance on the poverty rate; yet major swings in economic performance have had a profound impact on the number of Americans living in poverty. The poverty rate dropped to 11.1 percent in 1973, a year of robust economic activity. It rose slightly during the mid-decade recession and then climbed dramatically, from 11.7 percent in 1979 to 15.3 percent in 1983, largely due to employment contractions in low/nonskilled jobs in industries left reeling from the effects of double-digit inflation and high interest rates. Between 1983 and 1984, however, the poverty rate fell by nine-tenths of a percentage point, from 15.3 to 14.4 percent. The total number of the nation's poor decreased by 1.8 million.[30] A robust economy can have a substantial impact on the poverty rate and should not be dismissed so casually by policy researchers as in the past.

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28. S. Anna Kondratas, "The Problems of Measuring Poverty," The Heritage Foundation, November 1, 1984.

29. Department of State, Department of Justice, Department of Commerce, The Judiciary and Related Agencies Appropriations Bill FY 1981, United States Senate, 96th Congress, Second Session, September 16, 1980, pp. 33-34.

30. The New York Times, August 28, 1985, p. 1.

CONCLUSION

A large body of work produced by the Institute for Research on Poverty (IRP) for federal policy planners falls outside the parameters of the contemporary and realistic poverty policy debate. The reluctance of IRP researchers to explore free market solutions to poverty indicates a strong individual and institutional bias within the IRP. Liberal members of Congress repeatedly have saved IRP funding and undermined HHS officials' attempts to obtain poverty research on a competitive basis. Just as IRP cannot be blamed for poverty, poverty's existence cannot be used to justify continued federal funding on a noncompetitive basis.

Congressional circumvention of HHS poverty research acquisition, in the form of guaranteeing IRP core grants, casts doubts on the Institute's ability to attract federal support in the face of competition. If it cannot compete, then the time for federal support of the Institute for Research on Poverty has come--and gone.

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