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Fixing Poverty:  
What Government Can, and Cannot Do, To Make America Better

by James Kirchick

**Introduction**

In 1986, President Ronald Reagan issued the pithiest expression of the modern American political conservative credo when he told a Chicago audience, “I’ve always felt that the nine most terrifying words in the English language are ‘I’m from the government, and I’m here to help.’”<sup>1</sup> While the current Republican administration is hardly an embodiment of this sentiment (President Bush has overseen the largest inflation-adjusted increase in federal spending since the Johnson Administration<sup>2</sup>), conservatives, at least in principle, believe in the notion of “small government” when it comes to social programs: less welfare, less federal control of education and Social Security privatization, among other proposals. The question of whether or not government has an “important, positive role in a capitalist society” is to a degree axiomatic; capitalism cannot exist without some form of government to set the rules (print currency, balance exchange rates, etc). Aside from this quibble, the heart of the matter is to what *degree* government should involve itself in the lives of its citizens (the “importance” of the role of government) and if said involvement will lead to beneficial outcomes (whether that role is “positive”). For a capitalist society to be considered decent, there must exist some governmental

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<sup>1</sup> Michael White, “The Layers of Tarnish on the White House.”

<sup>2</sup> Stephen Slivinski, “The Grand Old Spending Party.” Cato Institute Policy Analysis 543.

involvement to minimize poverty and its many social ills through programs that put incentives on work.

Before exploring these issues, it would be instructive to explain the ideal, yet realistically obtainable, sort of society the majority of us envision. While some political actors today vouch for societies that are nothing short of utopian, I believe that a reasonable middle ground exists for those on the left and the right, Democrats and Republicans, in creating a “decent” society. This would mean a society where every citizen is clothed, fed, can find stable work if he seeks it and is able to attain adequate health care should he require it. Infant mortality rates should be low and life expectancy high. These are basic needs and expectations that we ought to assume all parties of good faith can agree upon. Of course, how society meets these needs is the crux of the debate: ought government to provide them or does the private sector offer not only a fairer method of achieving all (or some) of these goals, but also a more efficient one? All too often in our highly partisan political atmosphere, politicians impute nefarious motives to their opponents rather than critique the intellectual arguments that are presented in contention. This sophistry does no one in our country – especially the poverty-stricken – any good. For the purposes of this paper, therefore, I will assume that those with whom I disagree have the best intentions and that the source of disagreement lies with the different methods we advocate as most appropriate in trying to reach these ends.

### **Poverty, Not Inequality**

Democratic Socialist nations (an appellation which categorizes much of Western Europe, for example) provide an extensive safety net to ensure a basic standard of living for every citizen. No doubt, there are serious trade-offs in a democratic state’s decision to undertake socialist programs, not limited to high unemployment, workplace inefficiency, unwieldy labor

union power and extremely high taxes on the most successful workers. My own political sympathies and life experiences place me in general opposition to socialist policies. Yet few reasonable observers would argue that democratic socialist societies are cruelly repressive because of their socialist nature (I stress the democratic aspect of socialism, for if the state were to abandon this characteristic, it would inevitably resort to something completely alien to the notion of “decent”). The greatest ideological threat socialist countries face is inequality, for it is a danger that strikes at the very core of socialist principle.

Democratic capitalist societies, however, face a different sort of burden when it comes to judging whether or not they are decent. The philosophy of capitalism in its pure, unadulterated free-market form leaves a great many people, perhaps even the majority, in a tenuous economic situation. Democratic capitalism, however, has been accepted by nearly all, modern, industrialized states - to varying degrees - as the most viable form of government, even over democratic socialism. While the prevalence of free societies that are capitalist is greater than free societies that are socialist, this does not imply that capitalism necessarily *means* freedom. The United States had many allies in the Cold War that were capitalist (primarily in the sense that they were friendly to American business interests) but could hardly be considered free. Yet it is much more difficult for a state to restrict political freedom when it has accepted free markets – the slow transformation of China from a totalitarian, capital “C,” Communist regime into what is now a free-market state with serious cracks in its authoritarian political structure stands as a good example of this principle.

The greatest threat, then, that faces capitalist democracies is poverty. Indigence is of course a threat to socialist countries as well, but the presence of inequality (necessarily concomitant with poverty) strikes at the socialist conscience in a way that it simply does not for

most Americans. Inequality, in and of itself, is not at all a bad thing and something that Americans do not disfavor.<sup>3</sup> The modern debate over the scope of government is just the latest version of the centuries old debate in democratic societies between the contending values of liberty and equality, with the former holding more sway in America and the latter in Europe. As the level of human abilities, skills, intelligence and natural talent varies widely amongst the general population, economic inequality – which, albeit crudely, signifies how society values and thus rewards these differentiations in ability, skill, intelligence and talent -- is as natural as the seasons.

The attempt to reduce economic inequality, *merely for the sake of reducing inequality*, is inherently problematic as it works to reverse a natural state of human affairs. Martin Feldstein best describes those who advocate these policies as “spiteful egalitarians,” (or, just as accurately, Marxists).<sup>4</sup> The complaint that the “rich are getting richer, while the poor are getting poorer,” is a problem only because of the latter trend, yet the grievance is usually raised as if some sort of causation existed due to the former. Thus the complaint linking the two trends is groundless unless it can be proven that the poor getting poorer is *directly caused* by the rich getting richer – a contention that is rarely, if ever, substantiated with verifiable evidence.

The most important task of government in a capitalist society is to reduce poverty and lift all people up, not to drag those at the top back down. A policy of excessive tax on high incomes is not just undesirable because it penalizes the most entrepreneurial and productive in our society but it inhibits economic growth and thus hurts the entire economy. We may rail against the

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<sup>3</sup> Schlozman, et. al., “Inequalities of Political Voice,” which shows that “Most Americans say that all people are ‘created equal’ and strongly favor equality of opportunity. However, there is considerably more tolerance of inequality of economic results—especially when people perceive extensive opportunities to get ahead, or when economic inequality can be plausibly justified as providing incentives to work and invest in ways that may benefit everyone.”

<sup>4</sup> Martin Feldstein, “Reducing Poverty, Not Inequality.”

professional athletes who make a fortune while public school teachers make so little, but let us not forget that it is the skill of these athletes which effectively provides employment for the legions of working class people who comprise the grounds crews, the vendors, the ticket rippers etc. Nor, should I add, are the high salaries of professional athletes and the relatively low salaries of public high school teachers mutually exclusive, the former are a result of the market, the latter a problem caused by a serious defect in government priorities.<sup>5</sup>

There is a critical distinction, though, between the roles of government as related to political and economic inequality. The latter is an acceptable reality of human existence, while the former is borne from racism, sexism and other discourses of superiority, and thus morally unacceptable in a liberal state which views all citizens, regardless of inherent traits, as political equals. Slavery, the lack of voting rights and, I would argue, the current ability of wealthy political patrons to influence government policy are all examples of political inequality. It was government, and will continue to be government, that works to alleviate these grave social ills.

### **What Should We Change?**

Once we establish that it is poverty and not inequality that is the great evil which plagues democratic capitalist societies, it then follows that it is not the *relative* material wealth of the country's poorest citizens but rather their *absolute* material wealth that should concern public policymakers. I agree with W. Michael Cox and Richard Alm on their principle that it is necessary to take into account the assortment of goods and services that those typically referred to as “poor” enjoy, but I remain to be convinced that the “poor” in this country should not even

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<sup>5</sup> It is true that low schoolteacher salaries are also a result of the market in the sense that whatever salary a worker is paid is the result of the market. What I mean to postulate views low teacher salaries not in the pure, free-market based sense, but in the normative sense that government has a responsibility to hire high-quality individuals as public schoolteachers, a task that is simply impossible to accomplish on a grand scale when the pay is so low and college graduates can earn more than a schoolteacher's salary. Government, then, should pay teachers *more* than the market rate, because it is the sort of job that the free-market does not value highly enough, and thus it is only government that can alleviate this situation.

be defined as such, as Cox and Alm would have us believe. That 9 out of 10 American households own an automobile<sup>6</sup> (one of the voluminous number of feel-good statistics that the authors cite in order to show that there is little wrong with America's economy) does not negate the fact that there is distressing poverty in America, the sort which is structural and requires more to fix than simply cutting taxes and reducing business regulations. If our nation's poorest have no health insurance, face chronic job instability and encounter serious difficulties in feeding and clothing their children, then it is these *absolute* problems which are of utmost relevance to this discussion – not the fact that those living in Appalachia at least have it better than starving Sudanese.

There are other, equally practical reasons why the government has a positive role to play in reducing poverty. Contrary to the argument put forth by Charles Murray that America must face up to the reality of a vast, permanent underclass for which there is little economic “hope” and thus ought to leave to fend for themselves, it is not only cruel, but dangerous to allow a huge population of everlasting groundlings to fester on society's edge. As a conservative, who by definition should appreciate historical precedent and the wisdom of the ages, Murray ought to know better. A cursory glance at the history of feudal societies persuades us against the notion that whole swathes of the population should not even be afforded the opportunity to improve their lot. This is not to argue in favor of the massive, social engineering programs that many modern political liberals seem to think will fix all of society's woes, but merely to acknowledge the fact that especially in the modern, dynamic and – most importantly – open economies that libertarians and conservatives endorse, no man is an island. To extend the marine analogy, if a rising tide lifts all boats, then it is contradictory to allow many of those boats to be drowned by the wave.

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<sup>6</sup> W. Michael Cox and Richard Alm, p. 10.

## Acceptable Government Interventions

There are several positive roles that government can play in alleviating poverty. Most important is to encourage people to work. The full benefits of the Welfare Reform Act of 1996 have yet to be conclusively analyzed, but American welfare policy, on principle, was unsustainable prior to the passage of this act. Welfare on demand for an unlimited period of time – with no requirement that an individual have to work in order to earn a check from the taxpayer – is a policy guaranteed to keep a sizeable segment of the population voluntarily out of work. Legitimate debate can be had over the intensiveness of the work requirements or the time limit on welfare payments that have been imposed by the 1996 reforms but I see little justification, both morally and economically, for the institution of welfare policies that actually discourage people from working, as American welfare policy did prior to 1996 and as European welfare policies continue to do.

In conjunction with welfare reform, the Earned Income Tax Credit (EITC) has proven to be perhaps the most successful policy of sustained government economic intervention since the passage of the Social Security Act in 1935. The EITC is rightly credited as being the most effective anti-poverty program for working-age adults precisely because it rewards work. It does so by complementing the incomes of the working poor (with children) via direct cash payments and requiring that individuals work. Between the years of 1993 and 1996 alone, economists estimate that more than half a million families moved from receiving welfare payments to EITC income supplements.<sup>7</sup> In terms of tax policy towards the working poor, the government can play a positive, or more precisely, an inactive role by eliminating taxes for low-income workers. A single worker who lives on the poverty line actually pays taxes in this country and is thus

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<sup>7</sup> Robert Greenstein, “The Earned Income Tax Credit.”

effectively taxed into poverty.<sup>8</sup> This occurrence is nonsensical and should be stopped immediately.

As James Glassman writes of President Bush's "Ownership Society," "People who own stocks and real estate—who possess wealth of their own—have a deeper commitment to their community, a more profound sense of family obligation and personal responsibility, a stronger identification with the national fortunes, and a personal interest in our capitalist economy."<sup>9</sup> All of these are important virtues and beneficial to the American people as a whole. And where government can assist Americans in "possessing wealth of their own," – through assisting in federal and state home-ownership programs, for example – it should, with the support of people on both ends of the political spectrum. As Glassman discovered, increasing ownership also has the likely effect of increasing political participation (a fundamental crisis of American democracy studied extensively in this course). In the November 2004 election, Glassman writes, 70% of voters said that they were owners of stocks and bonds.<sup>10</sup> This trend is to be expected, as a citizenry that directly controls its own revenue will be more cognizant of the general economic environment and thus more sensitive to how politics might affect their economic interests.

Of course, poverty is not the only realm in which government has an important role to play. The most basic, Constitutionally delineated function that our government serves is to protect its citizens, and it does that by equipping the best military in the world. Our government has hardly fulfilled this task, however. The revelation that former Senator Sam Nunn is raising money for a private foundation established to secure former Soviet nuclear materials from getting into the hands of terrorist groups – a government obligation if there ever was one – sends

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<sup>8</sup> Ibid.

<sup>9</sup> James K. Glassman, "A Nation of Citizen Investors," *The American Enterprise*, March, 2005.

<sup>10</sup> Ibid.

chills down the spine.<sup>11</sup> Especially in an increasingly interconnected world where communication and world travel has become easier and more efficient, one of the last remaining shreds of national identity left is territorial defense. This is not a responsibility that the United States, perhaps more than any other nation, can write off as a responsibility.

## **Conclusion**

To pay for national defense, public health, education, etc., government has to tax – and there are good reasons for a progressive income tax that have nothing to do with jealousy towards the wealthy or a desire to fund vast social programs. It is simply that the wealthiest in our society – those who benefit from the vast system of money networks, financial institutions, the stock market, systems of higher education, – are able to reach their high status in life not in spite of government, but to some degree, because of government. It is the American system that allows for success – a government that protects its people through national defense, fire, police and public health services, protects their constitutional rights through the judiciary system, and allows for an open economy. The wealthy are better off when the people who serve their food, clean their houses, and sell them their clothes also enjoy freedom from want.

There are valid counter arguments to the contention that government has an important, positive role to play in a capitalist society. Some might argue that it is unfair for the government to take as much as it does from the wealthy and redistribute it, through various social programs or subsidies to public education in poor districts of the country, to the less wealthy. There is certainly the historical argument that government anti-poverty programs have been a massive failure – the Great Society's welfare and public housing programs stand as a testament to this assertion. For example, welfare reform, it could be argued, is actually an example of how government involvement is negative, because what the act did was curtail government activity. I

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<sup>11</sup> Robert H. Frank, "Sometimes, a Tax Cut for the Wealthy Can Hurt the Wealthy."

accept these arguments, and am sympathetic to the philosophical opposition of government meddling in the lives of citizens. Yet none of the past errors in federal policymaking negate the argument that there are positive ways, however limited, in which government can affect people's lives – especially those suffering in the lowest depths of poverty.

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