



Assisting the Working Poor in the USA

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Abstract

Max J. Skidmore reviews *Boosting Paychecks: The Politics of Supporting America's Working Poor*, by Daniel P. Gitterman.

KEYWORDS: anti-poverty legislation

Daniel P. Gitterman (2010) *Boosting Paychecks: The Politics of Supporting America's Working Poor*. Washington: The Brookings Institution. \$22.95/£16.99, pp. 180, pbk. ISBN 978-0-8157-0308-2.

Many works deal with efforts in the United States to provide cash assistance to the poor, or to provide other direct aids such as food stamps. Gitterman supplements these by examining the history and effects of programs designed to increase their actual take-home pay. One of these, the Earned Income Tax Credit (EITC), employs the federal tax code; the other, the federal minimum wage, simply requires that jobs pay above a certain level.

He notes the rising income disparity in the United States over the past quarter century, but his concern here is not income inequality. Rather, it is “the policies that improve the economic well-being of low-wage workers and their families” (2).

Both the EITC and the minimum wage have had broad support from Republicans and Democrats alike through the years, although the minimum wage has been the more controversial. Its opponents have tended to see it as “a burden on employers and an unwarranted interference with the labor market” (10).

Conservatives in general are the more skeptical, and tend to be eager to accept classical economic theory that high minimum wages simply must reduce the number of jobs for lower-paid workers. “As early as 1941, economist George Stigler argued that ‘economists should be outspoken and singularly agreed’ that the minimum wage does not reduce poverty,” Gitterman writes. “Opponents continue to claim that the weight of the evidence ... supports the traditional view.” Nevertheless, he notes, research does not support this negative view of the minimum wage, and “some economists believe that the minimum wage offers substantial benefits” (10).

Gitterman is correct. Those economists who actually have conducted empirical studies—instead of relying upon received wisdom—have generally found no effect on employment. Upon occasion, they have even found an increase in jobs accompanying an increase of the minimum wage. This was the finding, for example, of the classic Card and Krueger study of the Philadelphia metropolitan area in 1992, an area that included Pennsylvania where there had been no increase and New Jersey where the minimum wage had been raised.

After an introductory chapter, *Boosting Paychecks* includes an insightful chapter discussing “the political origins of Federal taxes on individual income” (chapter 2). This deals with the income tax, with its modern roots in the First World War, and with the payroll tax that originated with the Social Security Act of 1935. Whereas the income tax previously had been restricted to the affluent, the Second World War inaugurated the era of “income taxes for everyone” with withholding from paychecks (25–26), so that taxes became more or less “pay as

you go.” Marginal tax rates were as high as 94% during the war, and were gradually reduced over the next decade or so, but remained sizeable. By the 1960s, the progressive income tax came to be regarded by Democrats, and by mainstream Republicans as well, “as an antipoverty tool to move working poor families above the federal poverty threshold” (33). This was true both for Democrats John Kennedy and Lyndon Johnson, and for Republican Richard Nixon. The Earned Income Tax Credit had its beginnings in the administration of Republican President Gerald Ford. It has grown since, and has remained relatively popular.

The next chapter is devoted to the minimum wage. It provides detailed and valuable details regarding development of policies, and discusses the decline in the value of the minimum wage through the years.

In the remainder of his book, Gitterman deals with the Reagan years and beyond, and with the significant changes in policies of income support. He dispassionately discusses the tax cutting policies of the second Bush administration and its lessened concern with boosting paychecks.

The concluding chapter deals with the beginning years of the Obama administration, and predicts continued emphasis upon the rather popular EITC. Unfortunately, Gitterman wrote before the Republican takeover of the House of Representatives, which has introduced an unprecedented oppositional factor into the political equation, and into the entire question of paycheck support. The political climate has so shifted, that even President Obama and some other Democrats have accepted the Republican position that everything must be cut, and even “entitlements” must be “revised.” This, if implemented, can only mean ultimate reductions in benefits. Such apparent willingness to tamper with universal programs highly popular with most Americans, including the middle class, does not auger well for policies seeking to boost the incomes of the truly poor, who have little voice in the polity.

In view of the importance of language, a cautionary note is in order. Throughout, when writing of levels of taxation, Gitterman refers to “tax burdens.” When he speaks of tax reductions, he invariably refers to “tax relief.” Such language plays into the hands of politicians who oppose all such programs, and who argue that the current low levels of taxation are oppressive, and that our population that is relatively lightly taxed—certainly at the upper levels—needs “relief.”

Nevertheless, Gitterman has produced an admirable book. He generally achieves the even-handed, objective treatment that he intended, and he makes easily available an invaluable history of tax policies.