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Boosting Paychecks: The Politics of Supporting America's Working Poor

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Book Review

Boosting Paychecks: The Politics of Supporting America's Working Poor.
By Daniel P. Gitterman. Washington, DC: The Brookings Institution, 2010,
174 pp., ISBN 978-0-8157-0285-6, £22.95 (paperback).

“[W]hat’s at stake is a viable middle class, something America has always prided itself on.” (p. x)

At the outset of his book, political scientist and public policy analyst Daniel P. Gitterman offers us the above motivation for reading his work. While *Boosting Paychecks* falls short of addressing this issue squarely, it is still a worthy read for those who seek a deeper understanding both of the economic constraints at the lower end of America’s income distribution, and of the politics that have led to our fragmented and inadequate response to the problems facing America in this regard.

Gitterman begins the book with a brief overview of US federal income tax rates and brackets, federal payroll taxes, and the federal minimum wage as they relate to individuals and families of relatively low income, including explanations of standard deductions and the marriage penalty (or bonus, as the case may be). This section contains several useful graphs, notably showing the precipitous decline in the top marginal tax rate in recent decades, and the secular decline in the inflation-adjusted value of the minimum wage. In the chapters that follow, he goes on to describe the politics in operation in the early years of federal income and payroll taxes, and the minimum wage, in the USA. This discussion is organized by presidential administration, from Franklin Delano Roosevelt to Jimmy Carter. In addition, in the chapter on the political development of the minimum wage, Gitterman also analyzes the movement in the context of the relative numbers of Democrats and Republicans in the House and Senate, also including data on the number of southern Democrats. Gitterman describes how, from the inception of the minimum wage in the late 1930s

until the early 1960s, a coalition of Republicans and conservative, southern Democrats agreed to moderate increases in the minimum wage, but blocked efforts to expand the coverage of minimum wage legislation and also defeated efforts to index the minimum wage to inflation.

In the second half of the book, Gitterman recounts political developments in the Ronald Reagan, William J. Clinton, and George W. Bush administrations, as well as considering the early tax proposals of candidates Barack Obama and John McCain. There is a good account of the two tax related legislative events of the Reagan years (1981 and 1986), including discussion of the distributional effects of these major changes in the tax structure. The 1981 law favored higher income earners (for example, it reduced the highest marginal income tax rate from 70 percent to 50 percent, and the lowest from 14 percent to 11 percent). The 1986 law paid more attention to the lowest income groups, while again offering major tax reductions to the highest income levels (reduced the highest marginal rate from 50 percent to 28 percent, increased the income threshold for paying income taxes, and raised the lowest marginal rate to 15 percent). The combined effects of these tax changes favored the highest income groups more than any other. In the political bargaining prior to passage of tax laws in the Reagan/Bush years, the compromises Democrats were able to achieve for lower income earners were mainly in the area of getting increases in tax credits for low income families with children (the Earned Income Tax Credit and the Child Care Tax Credit), and indexation to inflation of tax brackets, personal exemptions, and standard deductions. In contrast, Republicans won changes in the tax structure that were favorable to their high income constituents, especially since ever increasing payroll taxes fell disproportionately on lower income groups. Gitterman notes that Reagan's opposition to the minimum wage led to a period of significant decline, as the minimum wage remained unchanged, and inflation eroded its real value; the Bush administration presided over limited increases in the minimum wage.

Gitterman notes that the Clinton administration succeeded in passing a Child Tax Credit, primarily aimed at middle income earning families, and successfully pushed for several increases in the minimum wage, and he highlights the scaling down of measures to help lower income Americans once Congress was under Republican control in the latter Clinton years. Gitterman also documents the tax reductions of the George W. Bush administration which largely benefited high income earners, and notes that minimum wage increases in the Bush years occurred after Democrats regained control of Congress, but still left the real value of the minimum wage at a low point since 1955. The book closes with some thoughts on

possible future developments under the Obama administration, especially with regard to the scheduled expiration of the 2001 tax reductions, highlighting the differential effects of the Republican and Democratic proposals on specific segments of the income distribution.

While Gitterman does not tell us specifically who this book is addressed to, he describes himself as public policy oriented, and expresses a desire to “bridge a gap between the perspectives of welfare state scholars and social policy analysts, especially across the disciplinary boundaries and venues where we conduct research, teach, and advocate for improved social policies in the United States” (p. ix). The author seeks to distinguish his contribution (programs and policies for boosting the paychecks of the working poor) as distinct from those of welfare state scholars and social policy analysts who focus on welfare programs *per se*. Many social economists might wonder if, in framing the subject in this manner, he is ceding too much ground to those who conceptualize the base of the American income distribution as divided into two groups: the virtuous, hard-working poor and the lazy, non-working, welfare-collecting poor (there is a long history of this kind of classification in Western societies, the English Poor laws being a notable example that dates back to medieval times). In today’s real world America, people and families often move in and out of minimum wage and other low-wage employment, utilizing the welfare system when they are unemployed; further, they may indeed rely on welfare system components such as food stamps even when employed. Successful policies to address this situation would be built on a holistic understanding of these realities, and a reliance on simplified notions of lower-income Americans may not promote such an understanding.

Further, Gitterman specifically defers from analysis of “American’s political success or failure in reducing income inequality” and instead states his focus as “policies that improve the economic well-being of low-wage workers and their families” (p. 2). This is interesting to an economist, as it implies that economic well being is a purely absolute phenomenon—i.e., that the relative status of low-wage workers does not enter into the economic well being of these workers. There is a large and growing literature that would take issue with this, as anyone who has attended a recent meeting of the Association for Social Economists can attest. Still, Gitterman’s solid contribution to the status and history of efforts in the USA to enhance the after-tax, take-home pay of lower income workers is welcome, especially as it does indeed cover ground that is often ignored, and it does so in a succinct, readable fashion. Ultimately, Gitterman’s summary of the tortuous path necessary to procure rather modest ameliorations to the status of low-earning Americans is a sobering reminder of just how far we have to travel to

achieve a goal of meaningful work at reasonable compensation for all willing to work.

So if a “viable middle class” is actually “at stake,” what insights does this book offer us in order to address the threats facing the American middle class? In general, the book lives up to its subtitle (*The Politics of Supporting America’s Working Poor*) in its consistent focus on the working poor (although there is little analysis of those without children in the household), but the work does not directly tackle the argument that the viability of the middle class is threatened. It would appear that the focused approach of Gitterman’s book effectively contains his insights to noting that limited concessions to the working poor appear as one area of successful compromise between Democrats and Republicans (which is analyzed in the context of the historical partisan political balance of power).

To gain further insights, the horizons of this book must be expanded, especially in the area of policies to address the problems stated at the outset of the book. To place the policies traced in this volume in context, we need to seek analysis in a number of areas, including greater progressivity for the tax system as a whole, reduction of biases in the current tax deduction system, living wage policies such as indexing a reasonable minimum wage to inflation, and availability of higher education and health care services to lower and middle income Americans. Nevertheless, the book is a valuable addition to the literature as a useful summary that documents the politics involved in the specific policy areas of the minimum wage, income, and social security tax rates, and tax credits such as the Earned Income Tax Credit and Child Tax Credit. These policies have indeed assisted the lower end of our income distribution (and this is certainly a worthy accomplishment to note), but the inadequacy of these policies has also led us to our current predicament, whereby, as Gitterman points out, working full-time at the federal minimum wage still means poverty for even a small family.

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