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**The Politics and Economics of Income Inequality**

**Gary Burtless** is a senior fellow and holds the John C. and Nancy D. Whitehead Chair in Economic Studies at the Brookings Institution in Washington, DC. He does research on issues connected with income distribution and poverty, public finance, aging, labor markets, social insurance, and the behavioral effects of government tax and transfer policy. Before coming to Brookings in 1981, he served as an economist in the policy and evaluation offices of the U.S. Secretary of Labor and the U.S. Secretary of Health, Education, and Welfare.

**Ron Haskins** is a senior fellow in the Economic Studies program and co-director of the Center on Children and Families at the Brookings Institution and senior consultant at the Annie E. Casey Foundation in Baltimore. From February to December of 2002 he was the senior advisor to the president for welfare policy at the White House. Prior to joining Brookings and Casey, he spent 14 years on the staff of the House Ways and Means Human Resources Subcommittee.

## **Key Observations**

We have done two things in the history of American social policy that have had a clear impact on poverty. One was Social Security, which has reduced poverty among the elderly.

The second was welfare reform. Poverty among black kids in female headed families reached their lowest level ever within three years of welfare reform.

Our programs are way more successful than they're given credit for. We spend a lot of money on supports for low income families that work.

In 2009 we had a huge increase in unemployment but poverty did not increase at all. And it's because of the safety net.

The official poverty measures are extremely misleading because they do not include the benefits--such as Social Security, the income tax credit, and food stamps--that society has put in place to ameliorate inequality since 1928.

A more comprehensive measurement of after tax incomes shows that middle and low income families in the United States continue to see improvements in their living standards. However, since 1980 the after-tax income for the top 20 percent has grown faster.

Market incomes for middle class families fell by almost ten percent during the last recession. But on an after-tax, after-transfer basis, incomes fell a little less than one percent. The programs to protect people's incomes worked the way they were supposed to.

We have one of the most progressive tax systems in the world. Over ninety percent of the take from the federal income tax system comes from the top twenty percent; by contrast the bottom forty percent pays negative taxes on average.

College is the best anti-poverty, middle class program imaginable. Kids with parents in the bottom twenty percent have a 45% likelihood of also being in the bottom. But if they get a college degree, the probability is sixteen percent.

If you graduate from high school, get a full-time job, and wait until you're married and at least 21 before you start having babies, you dramatically decrease the probability of being in poverty and dramatically increase the probability of being in the middle class.

The family form that has increased the most since 1980 is a single mom with children. From a kid's perspective the decline in marriage is the worst thing that's happened to the probabilities of their well-being as an adult.