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## Bootstrapping and Volunteerism: The Labor Market Solution to Poverty

by David E. Shulenburg

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**BOOTSTRAPPING AND  
VOLUNTEERISM:  
THE LABOR MARKET  
SOLUTION TO POVERTY**

Address by

**DAVID E. SHULENBURGER**

Associate Professor of Business

The Byron T. Shutz Award and Lecture

The University of Kansas

Lawrence, Kansas

October 26, 1982

# **The Byron T. Shutz Award**

for  
Distinguished Teaching on Economic Systems

The Byron T. Shutz Award was established by Mr. Shutz in 1978 to stimulate distinguished teaching in the fields of economics and business at the University of Kansas. Award-ees are chosen from the faculties in business, economics, political science, and related areas for the quality of their teaching about the strengths and weaknesses, the advantages and disadvantages of the American economic system.

The honored teacher receives an honorarium of \$2,000 and delivers a public address.

Mr. Byron T. Shutz of Kansas City, Mo., was a student at the University in 1918 and 1919, but left to support his mother after the death of his father. He joined the Herbert Jones and Co. realtors as a salesman, and rose to a partnership, becoming president in 1944. In 1973 he became chairman of the Byron T. Shutz Co., realtors and mortgage bankers.

Mr. Shutz has served his profession as president of the Mortgage Bankers Association of America, and his community through the American Red Cross and Kansas City Philharmonic, among others.

For his service to society, the University of Kansas in 1963 conferred on Mr. Shutz its Citation for Distinguished Service, its highest recognition for lifetime service to society.

### **Previous Shutz Awardees**

1979—Anthony L. Redwood, Associate Professor, The University of Kansas School of Business.

1980—Anthony M. Marino, Associate Professor, The University of Kansas School of Business.

1981—Malcolm R. Burns, Assistant Professor, The University of Kansas Department of Economics.

## David E. Shulenburger

David E. Shulenburger, associate professor of business at the University of Kansas, has been named the fourth recipient of the Byron T. Shutz Award for Distinguished Teaching on Economic Systems.

Shulenburger, also recently named director of the School of Business undergraduate program, received his bachelor of arts degree in 1967 from Lenoir Rhyne College in Hickory, N.C., and his master's and doctoral degrees from the University of Illinois in 1968 and 1974, respectively. He began teaching at the University of Kansas in 1974.

In August 1982, Shulenburger concluded work as project director on a \$520,000 U.S. Department of Labor grant project that involved developing a Human Resources Program in the Business School. The program established an evaluation system to track the cost of C.E.T.A. training for employees in the state.

As director of the undergraduate program in business, Shulenburger is responsible for the organization and management of the undergraduate curriculum. He teaches courses in labor relations, labor economics, the economic system, business economics, minority employment problems, collective bargaining, human resource program evaluation, human resources management, and the labor workshop.

Shulenburger has published numerous articles on such topics as wage differential, wage negotiations, earnings impact on employment and family, minority employment issues, and management techniques. He currently serves as a fact-finder for the Kansas Public Employee Relations Board and as a fact-finder and adjudicator for a similar board in Iowa. He has been a consultant for several firms and government agencies.

Receipt of the Byron T. Shutz award is a career highlight for anyone at the University of Kansas who teaches about the U.S. economic system. I wish to thank Mr. Shutz for establishing the award. Our daily lives are so directly impacted by economic events that every citizen should and would benefit from knowing more about this field. The encouragement which this award gives to those who teach economics will enhance the effort to spread that knowledge.

Tonight I wish to apply some of the knowledge which economists have gained from their last decade and one-half of exploring the functioning of the labor market. My objectives are to explore the relationships between work, poverty, and welfare and then to determine whether our current national policy, which relies upon work to reduce poverty, will achieve that end.

Let me begin by establishing some ground rules. I will define poverty as that condition which exists when an individual or family unit has an income level which is below the Department of Health and Human Services official poverty-level income. I am aware that controversy exists about this definition, but I believe that controversy will surround any definition of a social phenomenon such as poverty. The real focus of this discussion is on improving the human condition. By accepting the official poverty level as a definition, I am essentially making the judgment that increasing income beyond very meager levels will tend to improve the human condition.

The second ground rule is that my discussion will focus only on those adults and near adults in the poverty population who are physically, mentally, and emotionally capable of working. The labor market cannot address the problems of poverty for those people who cannot participate in it.

In spite of belonging to a profession which was first characterized as the "dismal science," economists can sometimes be overwhelmingly optimistic. For example Robert J. Lampman, writing in an article published in the *American Economic Review* in 1964, stated that "past experience provides a basis for the belief that poverty can be *eliminated* in the U.S. in this generation. The poverty rate has been reduced at the rate of one percentage point a year. . . ."

Since, when he wrote his article the poverty rate stood at 19.0 percent, in only twenty years—one generation (by

1985)—the poverty rate, by simple arithmetic projection, would become zero. Indeed, Lampman was nearly prophetic, for by 1973 the proportion of citizens living below the poverty level stood at 11.1 percent of the population. This was a reduction of 8.9 percentage points in just eight years, greater than his target reduction rate of 1 percentage point per year. After 1973, however, the rate ceased to decline, and by 1981 the poverty rate had risen from its low of 11.1 percent up to 13 percent.

What has happened? Is the dream unattainable? Shall we have, to quote a noneconomist, “. . . the poor with us always”?

President Reagan has called upon Americans to work harder and to pull themselves up by their bootstraps out of poverty. He has also called upon American business through volunteerism to assist the poor in that effort.

In addition to these two exhortations, which I wish to examine later, the remainder of the President's program for eliminating poverty was enunciated by an undersecretary of the U.S. Department of Labor when asked why there were no new anti-poverty programs being proposed by cabinet-level agencies. This undersecretary responded that the administration's economic program is its anti-poverty program—that the prosperity brought about by the three-year 30 percent tax cut would effectively reduce poverty. More colorfully he added, “A rising tide lifts all ships.”

I will not attempt to judge whether the President's economic program will cause the tide to rise or even whether it will lead to economic prosperity; I will discuss whether the “rising tide” theory, as a means to reducing poverty, can work. In fact, I believe that it is the most effective anti-poverty weapon known.

From 1960 until 1973, the poverty rate was cut precisely in half—from 22.2 percent to 11.1 percent. During this economic golden age, 1960 to 1973, the real output of the economy (GNP) grew at an annually compounded rate of 4.177 percent per year. The growth rate for this period was more than one-third greater than the U.S. long-term growth rate of 3.05 percent over the last 50 years.

While the rapidly rising ship of the economy certainly deserves much of the credit for poverty reduction during this period, the slowly rising ship of economic performance

resulted in no decrease in poverty after 1973. From 1973 to 1981 the economy grew only 2.3 percent per year, on the average, as the poverty rate began to rise. Since 1980 our economy has hardly grown at all in real terms, while the poverty rate has absolutely increased.

Most observers agree that the robust economy of the 1960 to 1973 period is due most of the credit for poverty reduction which occurred then. This is not to say that President Johnson's war on poverty did not help. Certainly it aided some. The civil rights act of 1964 also helped minority group individuals. These two programs desirably affected the distribution of poverty, not its level. What made the big reduction in the level of poverty, however, was the action by hundreds of thousands of businesses to hire the poor during this period.

Their motivation was certainly volunteerism—volunteerism motivated by profit. Businesses hired people who in less robust times they would not have employed. They spent time which they normally would not have spent training and teaching work habits. Their motivation was not humanitarianism but the desire for profit, and the result was that their efforts enabled the poor to pull themselves up by their own bootstraps. The poor learned needed skills, endured hard labor, turned their backs on welfare and unemployment insurance, and worked. This was bootstrap improvement motivated by their own desire for financial gain, just as desire for financial gain had motivated businesses. Thus Adam Smith's "invisible hand" propelled both business and those in poverty to act in their own interests in such a way that the common good was served.

Had our record rate of economic growth continued in the 1974 to 1981 period, would Lampman's dream of dwindling poverty have been realized? The answer is definitely yes!—at least for the early part of the period. A limiting factor was at work. That 4.2 percent real growth rate we were experiencing was straining the economic system.

The evidence of this was the alarming increase in the rate of inflation—from a mere 1.5 percent rate in 1960 to a 6.1 percent rate in 1969 to an 8.8 percent rate in 1973. This increase wasn't linear, but each plateau was higher than the last.

While those inflation numbers now seem nostalgically

small, they seemed enormous then. Moreover, the relative magnitude of inflation quintupled in those 13 years. Hence one must conclude that while the rising tide does indeed help to reduce poverty, there can obviously be too much of a good thing. The high and rising inflation of that period led to both natural economic forces and political forces which undermined that prosperity and brought that economic golden age to an end.

In this less-than-robust economic period can President Reagan's call to volunteerism, that is, for business to act in a socially responsible way, successfully reduce poverty?

Let me first deal with the question of social responsibility by quoting from Milton Friedman's *Capitalism and Freedom* in which he discusses the social responsibility of business. He says: "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. . . . Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. . . ."

Two points need to be examined here. First, the corporation belongs to the stockholders. They, in Friedman's viewpoint, not corporate officials, should dictate how their wealth is spent on ventures not necessitated by the enterprise. Second, the welfare function of corporation executives may not be the welfare function of society, e.g., will corporate officials make the same choice between a lower rate of increase in prices and employment for the disadvantaged that society would wish them to make? Should that choice be theirs to make?

Friedman is being normative, or prescriptive. He is also being a hard-nosed realist. When economic times are tough, firms make every effort to reduce the cost of production. They have to—they have no choice. Wide-spread volunteerism is a fair-weather child. This means that volunteerism nearly disappears just at the time when economic conditions are already increasing poverty, thus doubly compounding the problem.



While Friedman says that corporations should not engage in charity, he does believe that owners of those corporations should engage in acts of social responsibility, i.e., they should be the ones involved in the volunteerism. The motivation for these private individuals to engage in charitable acts is, says Friedman, ". . . that I am distressed by the sight of poverty, and I am benefited by its alleviation." He continues, ". . . but I am benefited equally whether I or someone else pays for its alleviation; the benefits of other people's charity therefore partly accrue to me. To put it differently, we might all of us be willing to contribute to the relief of poverty, provided everyone else did. . . . In small communities public pressure can suffice to realize the provision even with private charity. In the large impersonal communities that are increasingly coming to dominate society, it is much more difficult for it to do so." Generally, economists call the very real phenomenon Friedman describes by the term "free rider" problem. If we can ride on someone else's fare, why should we pay?

With this rationale, Friedman, the archetypical free enterprise, small government spokesman, accepts a governmental role in the care of the poor. Whether you agree with his rationale or not, history amply demonstrates that volunteerism definitely is not the answer to the problem of poverty in depressed periods. Is the task, however, too big to be assigned to government? Can we possibly even raise enough money in the public sector to eliminate poverty? The answer is clearly yes, clearly yes, because we have already done so!

According to the Social Security administration, all levels of government spent \$85.060 billion in 1979, the most recent year for which complete federal, state, and local data are available, which was designed to deal directly or indirectly with the problems of low income. This total includes spending for public aid, veteran welfare, public housing, child welfare, child nutrition, the now defunct OEO-Action program, and C.E.T.A. I have not included in this total the big buck social security, unemployment insurance, or farm income programs which share similar ends. Had I done so, the sum spent for income maintenance would have reached \$233 billion, which is three times as large.

Considering only the \$85 billion spent to deal directly with the problem of poverty, were we simply to distribute

this money to individuals and families in poverty, we could write a check for \$10,526 to every four-person family that is classified as being in poverty. Since the official poverty level for such a four-person family was \$7,253 in 1979, the available sum is \$3,200 more per family than is necessary to eliminate poverty. Rough calculation shows that only \$67.631 billion would be required to pay poverty-level incomes to all those individuals and families who are in poverty. This is \$17.428 billion, or 20 percent, less than the \$85 billion actually spent for that purpose.

These figures, incidentally, were calculated assuming that those persons in poverty earned no money at all. In fact, 7.792 million of the 19.5 million adults who were in poverty in 1981 worked. Indeed, 1.6 million of them worked full-time. You should note that working 2,000 hours at the legal minimum wage of \$3.35 per hour produces a subpoverty annual income of \$6,700. In addition, many poverty-level persons draw social security, private pensions, or income from other nonworking sources. Thus the \$67 billion is considerably more than is necessary to bring the below-poverty-level population up to poverty threshold incomes. The problem with eliminating poverty is certainly not acquiring the total resources needed to do the job. It is getting these resources to those in poverty without reducing their desire to work.

Given the choice between working as a farmworker and receiving, as does the average farmworker, \$8,491 for a full year's work or receiving \$10,526 for not working at all, many farmworkers would choose the latter, the dole. *Indeed the problem with the poor is that they are just like the nonpoor—they respond to financial incentives as do the nonpoor.* (This is supported by the weight of research evidence.) If a merchant's keeping the store open one more hour per day will net very little or nothing, the merchant will choose not to work that extra hour. Similarly, if working nets the poor no more than not working, they choose not to work. It's that simple.

Knowing this, we administer a "needs test" before we permit someone to receive welfare. This needs test is designed to determine whether persons really require an income supplement or whether they could earn an adequate income on their own. It is largely the expense of administering this needs test that accounts for why our seemingly

ample poverty expenditure has not eliminated poverty.

In a simpler time, administering the needs test wasn't terribly complex or expensive. A set of persons close enough to the applicant to know whether the applicant could really provide for himself or herself administered it. There was little question of malingering. The local welfare board (public or private) could determine that the applicant needed \$30 per month for necessities and would supply it. If the aid recipient found a way to earn \$10, the welfare stipend was cut by \$10; the board, being close to the recipient, ultimately would have known about the recipient's opportunity to work and cut the benefit by \$10 whether the welfare recipient chose to work or not.

This simpler time escaped us, however, with the mass poverty of the 1930s and the growing concentration of poverty in the cities. Welfare came to be administered on a broader, less personal scale. The principle remained the same, but administration of the needs test became far more difficult and required an army of administrators who were asked to perform this unpleasant task.

In the mid and late 1960s a number of economists and other social scientists began to calculate what they called the implicit tax on working which was associated with our social welfare programs. Where benefits were reduced \$1 for every \$1 earned, the implicit tax on working was essentially 100 percent. (This is the case with the welfare recipient previously noted. Earning \$10 netted her or him nothing! Total income remained at \$30.) Were your marginal tax rate 100 percent, would you work more?

While we have tried to change such programs in order to reduce such implicit tax rates, we have failed because we changed them piecemeal. The implicit tax on working for the mother of an Aid to Families with Dependent Children family of four was recently calculated by the President's Council of Economic Advisors to be 86 percent. The average A.F.D.C. mother received a tax equivalent income from the A.F.D.C. program that was 86 percent of the amount she would have earned had she worked full time. This amounts to the grand sum of 41¢ per hour net for the mother choosing work. The recent Reagan reforms have not improved the incentive picture.

According to Tom Joe of the University of Chicago Center

for the Study of Social Policy, the Reagan reforms are aimed at strictly applying the means test so that those who can work will not receive welfare. This is laudable but indeed difficult to enforce, given the structure of incentives faced by aid recipients. Consider the case of the average mother on A.F.D.C. who chooses to work. Under the Reagan reforms she would have \$9 more per month to spend than the average nonworking mother on A.F.D.C. That is 11.2¢ per hour net for working, based upon an 80-hour, or half-time, work month. Try to enforce the means test under those circumstances! There are few jobs so inherently rewarding that people will work when the economic reward is so trivial.

Put yourself in the shoes of a welfare worker. Suppose a mother tells you that her preschool children need special care that only she can provide, hence, she cannot work. Evaluate this case. Consider the consequences for the children if you are wrong! Suppose a recipient informs you that he or she has a severe back problem. Evaluate that. Can a blind person work? Will you be an ogre and say he or she must?

When the reward for work is trivial, people do not work. This is the whole notion behind supply side economics, but the welfare program acts as though the poor do not respond to financial incentives; and since the welfare system creates so little financial incentive to work, we are compelled to spend much time and effort determining who can be self-supporting. The overall result is the \$85 billion plus welfare expenditure which is insufficient both to bring the poor up to the poverty income level and to administer the means test.

Thus there are indeed some persons on welfare who do not choose to pull themselves up by their own bootstraps. They have no incentive to do so, just as that businesswoman or man who chose not to keep the store open an additional hour had no financial incentive to do so.

Martin Anderson in his book, *Welfare*, clearly illustrates this point. Up to an annual income of approximately \$10,000, each additional dollar earned by the average American is implicitly taxed at a rate of approximately 70 percent. Each dollar earned beyond the \$10,000 threshold is taxed at approximately 27 percent. The tax rate drops abruptly at approximately \$10,000 because at that income level, eligibility for most welfare-type programs ends. Dollars earned up

to that point tend to make one ineligible for direct welfare grants and for indirect grants for such items as food stamps, school lunches, and rent subsidies. Let me state Anderson's finding again. For each dollar earned up to \$10,000 the combination of taxes paid and welfare-type benefits lost amounts to about 70 cents. Beyond the \$10,000 income level only 27 cents per dollar are lost to the government.

Anderson says that a "poverty wall" exists at the \$10,000 earnings level. The poor don't escape out of poverty because the penalty is too high: 70 percent of all earnings are taxed away by the government. Conversely, one gets to keep only 30 cents out of each additional dollar earned.

After reviewing recent attempts to reform welfare programs, Martin Anderson concludes that only two ways exist to increase work incentives and eliminate the poverty wall: 1) to lower basic welfare payments or 2) to reduce directly the rate of welfare grant reductions as income levels rise. Lowering basic welfare payments doesn't really eliminate the poverty wall. It simply moves the wall from the \$10,000 level to a lower level. Were all welfare benefits to be eliminated at the \$3,000 income level, for example, many individuals would be hurdled by their own earnings ability far enough beyond that point that the poverty wall would be meaningless for them. Those with no earnings ability would suffer greatly. Anderson concludes that lowering basic welfare payments by any meaningful amount is politically impossible. I concur in that judgment.

Anderson also concludes that eliminating the wall by reducing the rate at which welfare grants fall as incomes rise is too expensive a method to use. To illustrate first the mechanism, were the welfare recipient to lose only 30 cents worth of benefits for each dollar's worth of income earned instead of 70 cents, the welfare recipient would have nearly the same incentive to work as does the nonrecipient. Anderson bases his conclusion that this method is too expensive on the large-scale field experiments on the negative income tax which the federal government has conducted. These studies have found that broad eligibility for income subsidies by the federal government induced up to a thirty-five percent reduction in work effort. In short, income guarantees, even with reduced grant reductions as incomes increase, appear to create an overly tempting opportunity for many to work

less. While I disagree with Anderson's interpretation of much of the negative income tax program experimental data, I reluctantly conclude that programs like the negative income tax are no panacea for overcoming the welfare wall and getting the poor to pull themselves by their own bootstraps out of poverty.

Martin Anderson concludes that the only solution which will create work incentive for those on welfare is to cease welfare payments to all those who can work but choose not to do so. This is the same solution that the Reagan administration embraces. If they can work, make them do so.

The conservative strands in my heart respond favorably to the Reagan-Anderson solution. My intellect, however, tells me that my heart is wrong. The Reagan-Anderson proposal is merely another call to conduct an effective means test. I see no reason to believe that we can conduct this test better now than in the past, that we can cheaply and correctly separate the work able from the work non-able.

The error in the Reagan-Anderson approach is that they believe that the government, through case workers, will conduct the means test when, in fact, the means test will, as it has been since local welfare boards disappeared, be conducted by the recipient. Recipients who find it is in their financial self-interest not to work, will not work. The poverty-stricken who find themselves worse off because they pulled on their bootstraps will soon cease to exert the effort. Furthermore, their unprofitable experiment with work will become an example for others.

Only if we were able to return to small-town America where neighbors knew neighbors, apple pie was made by Mom and not Hostess, and funds were raised and administered locally would the Reagan-Anderson solution work. In the mass society we cannot know whether a stranger has the ability to work. Enough people can fool the administrators so that a system based upon getting people to do that which is not in their best interest will not work.

What, then, is the solution? I suggest that we begin by admitting that the poor are like the rest of us in that they will not do those things which are harmful to their economic interests. We must create a system in which it is in the poor's economic self interest to pull themselves up by their bootstraps out of poverty and consequently off welfare.

The experience of the booming sixties clearly tells us that there are two essential elements in such a system:

1. Business must find it in its economic self interest to hire the poor, and
2. The poor must find it in their economic self interest to go to work.

Both of these essential elements are met by training the poor for occupations which are critically needed by business. *If businesses find people with critically needed skills available, they will hire them.* If individuals have critically needed skills, their labor will command such a price that they will find that work pays better than welfare and choose to work.

My solution—the labor market solution—is of the utmost simplicity; train the poor for well paying jobs. For a moment please let the solution remain simple. Assume that such jobs do exist and that the poor can be trained to do them. We will deal with those complexities in time.

Examine the simple solution. It recognizes formally that the poor ultimately conduct the means test. If, after training, it is economically worthwhile to choose work over welfare, the newly trained will work. The enforcement problem disappears and, with it, the need to spend enormous amounts of money for enforcement.

Consider the case of the A.F.D.C. mother with two children at home. Under a means-tested program we would either have to accept her argument that she needed to stay home with her children or command her to work and hang the consequences, perhaps literally. Under this proposal, job training would give her enhanced earning ability. With this new earning ability she might choose on her own to go to work as do the mothers of many small children. The beauty of the solution is that she would choose work only if it were in her best interest to do so. The more earning capacity created by job training, the more likely she would be to make the choice to work.

Further, the solution lies right at the heart of the supply side economics concept which has so fascinated politicians of late. To wit, increased productive capacity leads to increased production. Increased production means increased income and wealth out of which to pay wages. From a supply point of view this is a production program, not a redistribution

program; and if the poor were truly trained for those critical jobs where labor shortages exist, even conventional economic theory would grant that production and incomes would increase. The crutch of supply side economics is not needed to justify such a program.

Now the complexities—

Is job training possible? Haven't we just finished a long national experiment with the Comprehensive Employment and Training Act program (C.E.T.A.) that shows that job training doesn't work?

Research evidence now clearly shows that job training programs in this country have been greatly maligned. Such programs have truly increased earnings and improved employment opportunities in spite of the common wisdom that they have failed. The Comprehensive Employment and Training Act program has been a success. My own research on the Kansas C.E.T.A. program shows that it has improved participants' earnings by approximately 50 percent relative both to a control group and to their own previous earnings. Most national evaluations of the C.E.T.A. program also indicate that the program has increased earnings.

C.E.T.A. works, that is, job training works, because it lowers the risk associated with employing poverty-group people and eliminates much of their training cost to employers. C.E.T.A.'s success could even be improved if all job training were market-directed instead of bureaucratically directed. Let me broaden my focus. General education also accomplishes the same ends and thereby reduces poverty. In general, the poverty rate ranges from 36.8 percent for those with no schooling to 8 percent for those having a high school diploma to 3.7 percent for those with some college education. The program I describe would include both job training and formal education. We now know very little about adult education in this country, but what we do know shows that it is extremely effective.

The temptation to take shortcuts to accomplish desired goals, however, is always present. Many have reasoned that if job training lowers employment cost and makes the poor employable, a tax credit equal to some proportion of wages would do the same thing. A tax credit program would eliminate the need for bureaucracy and government programs. Business would simply hire the poor, train them, and



write off a fraction of their employment cost from income taxes due. Indeed such a tax credit would work well except for the same problem found in welfare—the means test.

The only employees for whom such an anti-poverty tax credit should be given to employers for hiring are those who do not have the means to gain employment themselves. Often, however, the employer is allowed to administer the means test, i.e., to select employees. Government checks exist, but a big problem remains. It is in the interest of business to let the government subsidize through these tax credits the employment of persons who are already productive; business gets both the benefit of having an already productive person and no training cost. Hence the end result is a business firm on welfare with no financial incentive to get off the dole.

In 1981 a total of \$390 million was spent on the Targeted Jobs Tax Credit (T.J.T.C.) program, a tax credit program like the one just described. We have *no* acceptable evaluations of this T.J.T.C. program which show that it works to raise incomes for the poor. The \$390 million of taxes foregone due to T.J.T.C. is, in my view, a form of public corporate welfare. It is not accomplishing the end desired. The Work Incentive Program, on the other hand, which also provides tax cuts to employers, appears to be effective. This is probably so because only welfare recipients are eligible for the W.I.N. program, i.e. employers do not solely conduct the means test.

At the present time the choice for many of the poor is between a minimum-wage job and welfare. Here the implicit tax is quite high. With appropriate job training the choice would be between an above-minimum-wage job and welfare; as earning ability goes up, the implicit tax goes down, and the job would be more frequently chosen.

The second complexity involves the existence of skills critically needed by business which the labor market cannot provide. I will admit that in this period of extremely high unemployment, few such unmet needs exist. Even at the present, however, jobs are available for office machine repairers and others with specific technical skills.

We should not let the myopia of the present blind us. We are in a rapidly changing technological age. Jobs which don't now exist will develop, to build, utilize, and maintain this

technology during the 1980s and 1990s. These jobs will require training.

Furthermore, the demographic changes which we know will occur in this decade and the next will greatly increase pressure on the labor market. A labor market with many fewer new entrants will be one in which jobs will be relatively more abundant. Just as public job training programs worked in the less-than-booming decade of the 1970s, they will also have an opportunity to work in the next two decades.

The final complexity involves the overall level of economic activity.

Should the U.S. work force remain as far from full employment as it now is, a program of job training will not eliminate poverty. That requires more economic activity. In less than a full-employment economy, what this job program would do is to reduce the unevenness of the distribution of poverty across society; that is, poverty would be distributed randomly across the population instead of being visited differentially on certain groups. Instead of a black poverty rate higher than the white rate and a female rate greater than the male rate, these rates would be more nearly equal. Everyone would more equally participate in whatever prosperity exists.

Second, even in a full-employment economy this program will not get every poverty-level person into the labor market. Employment of two groups will be excluded, namely those few who simply will not work even if working would make them financially better off and those who cannot work (the old, young, physically and mentally disabled).

What this approach would do, however, is gradually to free up welfare money now used to make payments to the poor who *can* work so that the poor who *cannot* work may be more adequately supported. Job training is inherently self-financing: welfare goes down and tax receipts increase. My research has shown that Kansas government income increased enough as the result of C.E.T.A. to pay for the entire C.E.T.A. stipend to trainees in only seven years. That is a 14 percent return on the investment in job training for the state.

This program will not produce Lampman's dream of poverty's eradication in a generation. It will take time, but

even though we are all dead in the long run, as Keynes said, our children live on. To ever reduce the legacy of poverty to future generations is a worthwhile goal.

I began by saying that I would speak as a labor economist. I do not believe I have strayed too far from my discipline. The principle I have relied upon has been delivered to me by theory and confirmed by research: that is, we, the rich, the poor, and those in the middle, respond alike to economic incentives. Let us use that knowledge to make the only lasting solution to poverty, the labor market solution, work.