

Comments on:

**“A Roadmap to
Reducing Child
Poverty”**

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Kudos to all the many people who worked to put together the NAS report

The goal of cutting child poverty in half is very ambitious, but we should have ambitious goals like this

Child poverty is a moral and economic disaster, and our society is too complacent about it

Moreover, as the report demonstrates, it's a disaster that we can address

Report is a critical resource for anyone in a position to craft poverty policy or economic policy more broadly

Point 1—The report builds off of a terrific new(ish) body of research

Thanks to better data and new technologies, over the last two decades, we've seen a groundswell of studies that rigorously demonstrate that certain social insurance and safety net programs have **significant effects on people's long-term economic well-being** in addition to having direct effects on their welfare in the moment

Point 1—The report builds off of a terrific new(ish) body of research

Furthermore, combining the findings of this literature with what we know about the number of children in poverty, one can conclude that **cutting child poverty in half should have macroeconomic significance** via the long-term beneficial effects on labor supply, incomes, tax receipts, and health spending and crime reduction

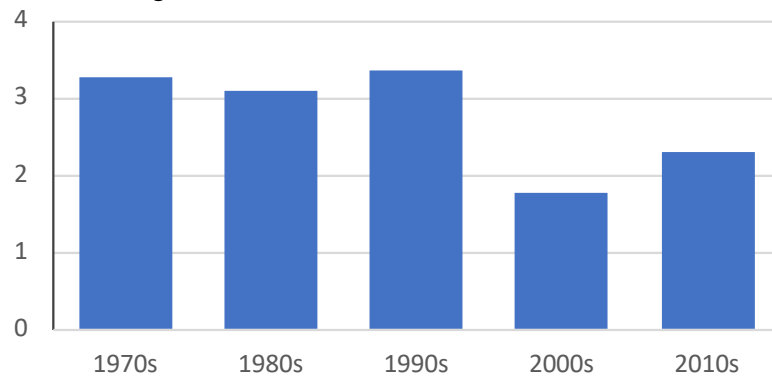
These macro effects are important given the longer-term macro challenges we are facing

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The challenge of continued low expected macro growth in coming decades

Real U.S. GDP Growth by Decade

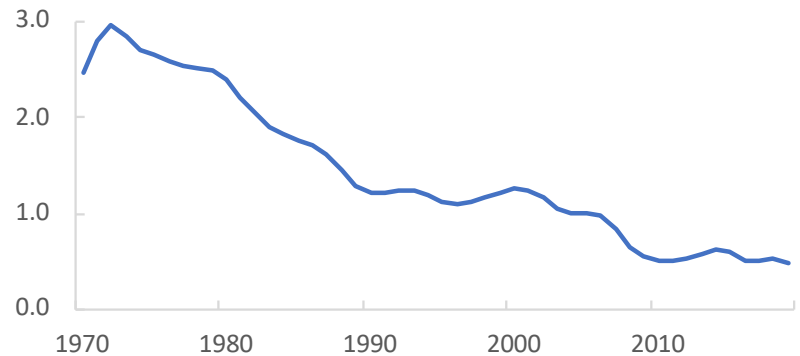
Percent change, annual rate



Source. Bureau of Economic Analysis.

Potential Labor Force Growth

Percent



Source: Congressional Budget Office.



CBO projects that, under current policy, the potential labor force will continue to grow between $\frac{1}{4}$ and $\frac{1}{2}$ percent per year over the next 3 decades

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Some caveats, of course:

We haven't studied every piece of every program.

We don't know if the marginal effects of expanding these programs will be the same as on average in the past (particularly if we are talking about large-scale expansion)

We also need to keep in mind some of the future outcomes take years to occur; with the social and economic environment facing households subject to change over time, outcomes may not be the same in the future as in the past

Point 2—The report tells us that we can make a real difference *mostly using existing tax provisions and spending programs*

A super important point

It tells us concretely that cutting child policy **is totally feasible**

Not a case where we need a new paradigm

Not a case where we need to redesign government

We just need to do more of what we are already doing (or what others have done)

Point 2—The report tells us that we can make a real difference *mostly using existing tax provisions and spending programs*

For many big policy issues, the solutions aren't nearly as readily available

In climate change discussions, for example, many proposed solutions involve technologies that we don't actually have right now—or we do have some technology but it's not tested

Or consider the problem of trying to boost productivity growth—the policy ideas for doing so in any kind of major way are limited

Point 2—The report tells us that we can make a real difference *mostly using existing tax provisions and spending programs*

These proposals are **feasible in a we-know-what-we'll-be-getting-for-our-dollars sense**

Eases the policy-making in the sense that it allows one to do a cost-benefit analysis with much more certainty

These proposals are **feasible in a we-already-have-the-institutions-and-infrastructure sense**

A lot of our seemingly clever economist ideas encounter obstacles when it comes to putting them into practice

Point 3—We can afford to make these changes

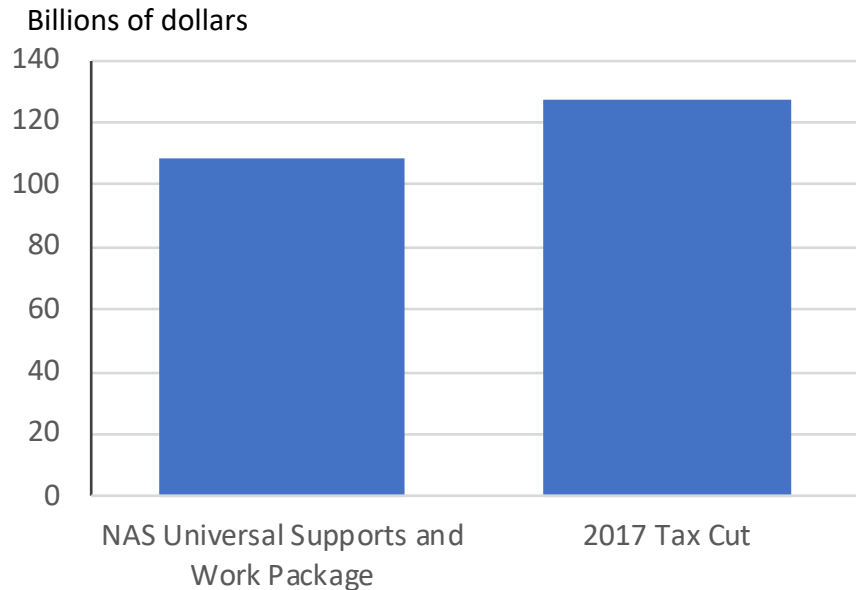
I would describe \$100 billion per year (roughly the cost of the two NAS packages that would cut child poverty in half) as **“moderate” in terms of cost**—small relative to some categories of government spending (e.g. health care) but large enough to generate political debate

Point 3—We can afford to make these changes

For context, compare the larger NAS package to the projected average annual cost of the 2017 tax legislation over the first 10 years

Chart shows the [Congressional Budget Office](#) (2018) estimate of effects of tax cut on primary deficit, including macro feedback effects

Annual Cost of NAS Child Poverty Reduction Package versus the 2017 Tax Cut



Source. NAS Child Poverty Report, Congressional Budget Office.

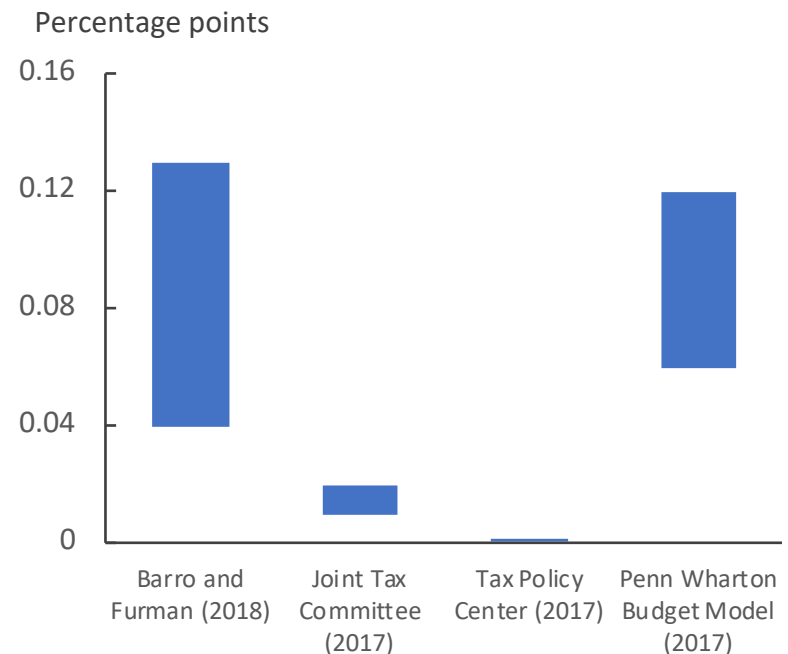
Point 3—We can afford to make these changes

The tax cut also provides good context for estimates of the macroeconomic benefits of the NAS packages (taking their estimates at face value)

If we could cut child poverty in half and add 2 percent to the level of GDP over 10 years, that would raise annual growth by 0.2pp

Bi-partisan or non-partisan estimates (at right) suggest the tax cuts would raise growth by 0.1pp or less per year

Estimated Effect of 2017 Tax Act on 2017-2027 Annual GDP Growth



Note. Bars depict the range of estimates offered by these sources.

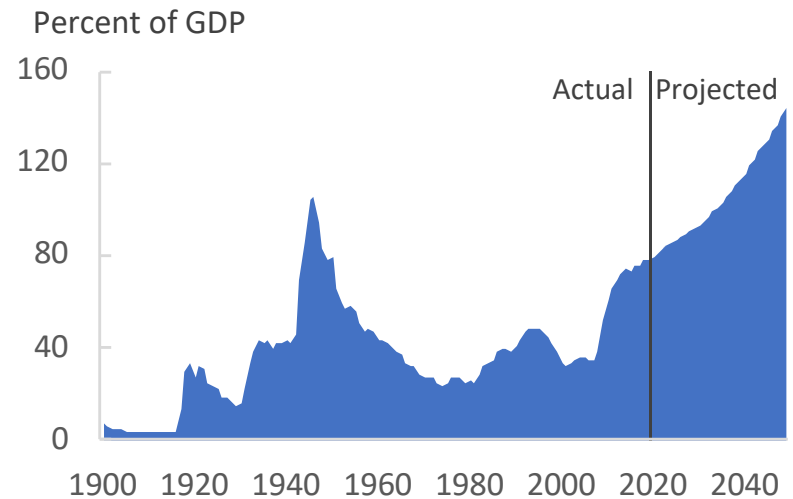
Caveat would be that the full macro benefits of the reduction in child poverty would probably take more than 10 years to emerge ... still, it compares well with the tax cut!

Point 3—We can afford to make these changes

What about the coming fiscal challenges? We know that providing our aging population with income (via Social Security as scheduled) and health care is going to drive federal debt to costly and risky levels

We do need to fix this situation

Federal Debt Held by the Public



Source: Congressional Budget Office

Point 3—We can afford to make these changes

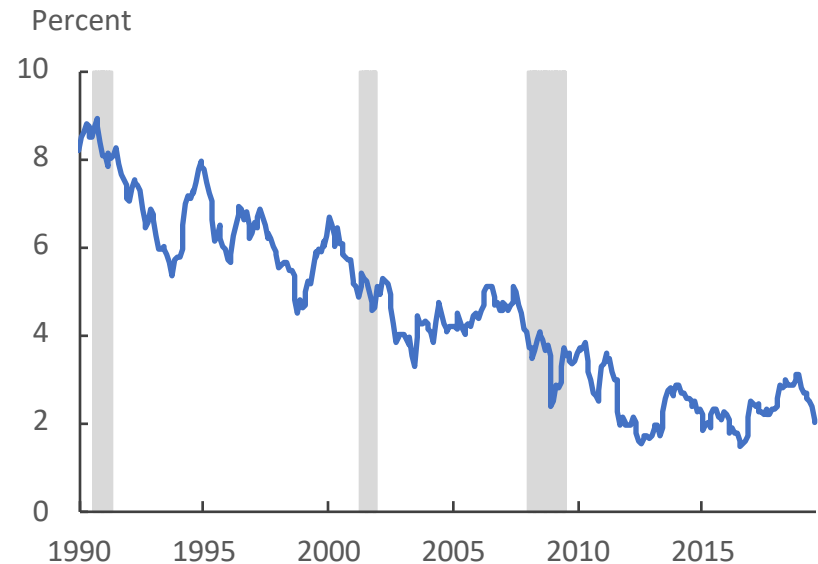
Therefore, **it would be best to pay for measures we enact to curb child poverty** through reductions in spending in other areas or raising taxes

But even if we couldn't raise taxes, there's a good case that the deficit and debt picture should not deter us from enacting the changes

Point 3—We can afford to make these changes

It's important to keep in mind that low interest rates signal that the economic costs of borrowing to finance beneficial government programs are not as high as we previously believed them to be

10-Year U.S. Treasury Rates



Source: Board of Governors of the Federal Reserve System
Shaded areas denote recessions.

Point 4—It’s important from a political perspective that the package crafted include elements that encourage work effort

From a substantive point of view, it seems okay if some of the measures reduce work effort:

In the short run, there would be beneficial effects on children from giving parents the option to be providing child care instead of working in the market place

In terms of long-run effects, you hear concern that allowing parents not to work provides a “bad example” for children that might reduce their adult labor supply; but the literature is telling us that, if those effects exist in a material way, they are being more than offset by the effects on future labor supply of relieving their poverty

Point 4—It's important from a political perspective that the package crafted include elements that encourage work effort

But some may have fairness concerns that engender political resistance to any package that doesn't include elements that materially encourage work effort

So it's very good that the report is attentive to labor supply effects

But maybe more could be done along these lines in the packages designed to meet the 50 percent child poverty reduction goal—for example the WorkAdvance expansion doesn't have huge projected effects but also doesn't have a big cost so why not include it

Thank you!