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## The Geography of American Poverty: Is There a Need for Place-Based Policies?

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do not offer a 401(k) or other retirement plan to offer a payroll deduction for contributions to an IRA. These plans would not be considered employer-sponsored retirement plans. While companies currently have the option of directly depositing funds into IRAs, few have chosen to do so. Thus, the authors propose a temporary tax credit to provide employers an incentive to offer payroll deductions for IRAs. They also examine the case for automatic enrollment and investment defaults in these new IRAs. This chapter raises several questions that the authors do not address, including whether companies might be tempted to use the new payroll deduction IRAs instead of a 401(k) plan, thus denying workers the employer match that prevails in most 401(k) plans. Also the incentives proposed for these IRAs are smaller than current incentives for the adoption of other pension plans. The authors provide no empirical evidence that this plan would enhance retirement saving.

In Chapter 5, the editors propose modifying the saver's tax credit to stimulate saving by middle- and lower-income Americans. Proposed changes include making the credit permanent, making it refundable, indexing the limits, and providing stronger incentives for middle-income households.

Zoe Neuberger, Robert Greenstein, and Eileen Sweeney (Chapter 6) suggest modifying the treatment of retirement accounts in means-tested programs to eliminate the disincentives for saving by families that are eligible for these benefits. Saving that pushes a household's wealth over an allowable limit can result in the loss of benefits. This can be viewed as a significant negative return to saving. Eliminating or reducing this disincentive to save should provide encouragement for low-income households to increase their saving.

In summary, the editors outline a series of policy initiatives that should increase retirement saving through increased participation in and contributions to 401(k) plans and employer-facilitated IRAs. This edited collection is more of a policy tract than a research volume. The authors do not provide new theoretical or empirical research to support their positions, nor do they provide evidence concerning the likely gains in retirement saving from the adoption of their proposals. However, for the most part, the proposed changes in federal regulations and tax policies are reasonable and not too burdensome; importantly, too, most aspects of the proposals are voluntary. A shortcoming of the analysis is that the authors do not place their proposals in the broader context of retirement planning, company retirement policies, and government regulations

and retirement policies.

A final observation is that given the authors' belief concerning the complexity of planning for retirement, it is surprising that they do not discuss whether there is a need for increased financial literacy and financial education. Would an enhanced awareness of the retirement process, a better understanding of financial mathematics, and greater knowledge about the availability and generosity of existing retirement programs lead to better choices? Is there a role for the government in improving financial knowledge?

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Since the end of the Second World War, the United States has experienced tremendous prosperity and gains in economic well-being. For example, between 1979 and 2004 real GDP per capita rose 63% (Economic Report of the President, 2006) while real mean household money income rose 29% (U.S. Bureau of the Census, "Income, Poverty, and Health Insurance Coverage in the United States: 2005"). These increases in economic well-being, however, did not occur uniformly across the population.

Many studies have documented how the gains in economic well-being have varied across the income distribution. For example, we know that the increases in income have been much greater in the higher deciles of the income distribution, leading to a steady increase in upper tail income inequality. Median family income, in contrast, has grown more modestly, while poverty has actually worsened slightly: between 1979 and 2004, for example, median family income grew only 11%, and the percentage of persons in poverty increased from 11.7% to 12.7%. (Ibid.)

What has received less attention is geographic variation in economic well-being, which has been both stark and persistent. In 2004, the percentage of persons in poverty ranged from a high of 19.3% in Mississippi to a low of 6.6% in New Hampshire. The variation across counties is even more dramatic, with 1999 poverty rates ranging

from under 6% in some counties to almost 40% in others. There appears to be a great deal of persistence in these spatial disparities, with the relative positions of many counties hardly budging across the consecutive decennial censuses of 1980, 1990, and 2000.

In *The Geography of American Poverty*, Mark Partridge and Dan Rickman address this important issue of spatial variation in poverty and in so doing fill a significant void in the voluminous poverty literature. The thesis of the book is that anti-poverty policies should include both person-based policies (such as welfare reform and the Earned Income Tax Credit) and place-based policies (such as enterprise zones). To build up to this policy recommendation, the book provides a wealth of facts and statistical analyses.

The descriptive portions of the book document the variation in poverty rates across states, metropolitan areas, and counties. This spatial variation is explored across three decennial censuses, giving a complete picture of poverty across areas in the United States between 1979 and 1999. The authors argue that county poverty rates provide the most detailed view of poverty rates, and much of their descriptive and statistical analyses are focused on counties. By examining counties they can explore the important distinctions and differing patterns between central city counties, suburban counties, rural counties adjacent to metropolitan areas, and rural counties not adjacent to metropolitan areas.

At the heart of the book is a statistical analysis of the determinants of state and county poverty rates. The main factors analyzed are local labor markets, welfare policies, and demographic variables. While the analysis of state poverty rates is relatively routine, the analysis of counties, and especially the analysis of different types of counties (MSA counties, non-MSA counties, rural counties adjacent to MSA counties, and rural counties non-adjacent to MSA counties), provides an important contribution to the literature.

Local labor market conditions, the authors find, are a very important determinant of local poverty rates. Also important is the demographic profile of the area (family type, race, ethnicity, age). The authors find welfare policies to be less important in determining poverty rates. Other findings are that poverty rates tend to persist fairly strongly over time in a given area and that the degree to which local labor market conditions affect poverty rates varies across areas.

The authors' descriptive and statistical analyses are thorough. They burrow down to smaller geographic areas and stratify the analysis across different types of areas in an effort to present a

comprehensive picture of the determinants of poverty. In general, this effort is quite successful. It would have been enhanced, however, by inclusion of decompositions to allow a quantitative assessment of the relative importance of different variables (or groups of variables) as determinants of poverty rates across the different geographic areas and across time. In addition, I would have liked to see more attention to the fact that an improvement in economic conditions may lead to larger reductions in poverty rates in areas with higher initial poverty simply because there is a greater density of families near the poverty line in those areas. This statistical effect is distinct from the effects of underlying behavioral differences across the areas, which are what the authors point to in the book's conclusion.

The final chapter links the findings to policy prescriptions. The costs and benefits of person-based versus place-based policies are well discussed. The authors persuasively argue that both types of anti-poverty policies need to be implemented. In particular, in remote rural areas with low mobility rates, place-based policies may be effective in raising the well-being of residents of high-poverty pockets, whereas in metropolitan areas, person-based policies removing impediments to spatial mismatch of employment to the disadvantaged population may be preferred.

While the policy prescriptions seem sound, they represent a leap from the statistical analysis. In order to make policy recommendations, one needs to ensure that causal channels have been identified. Because the statistical analysis in this book is highly descriptive in nature, one needs to be cautious in using the results as a basis for policy predictions. This is especially true in the county analysis, where the cross-sectional model does not include county fixed effects. The existing literature finds that controlling for area fixed effects has a dramatic impact on estimates of the importance of local labor market conditions.

This clear and well-organized book is important reading for anyone interested in poverty policy or labor markets and economic well-being. While the book is pitched to the involved researcher, it is also accessible to non-specialists, partly because the authors have placed much of the technical material in the appendix and in sidebars, and partly because they conclude each chapter with a long list of bulleted points that summarize the statistical analyses.

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