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Why Tackling Child Poverty During the Great Recession Makes Economic Sense

Harry J. Holzer  Georgetown University and the Urban Institute

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Introduction and summary

Child poverty rates in the United States are quite high relative to adults and those observed for children in other industrial countries. This is true even in the best of times. What’s more, children who grow up poor in America end up worse off as adults than those who do not grow up poor along a variety of dimensions, including poorer health, lower education, and lower earnings. A previous Center for American Progress report shows that these outcomes impose serious costs on the individuals themselves, their families, and their communities. But they also hurt the U.S. economy as a whole.¹

How will the Great Recession of the last few years affect this story? Will poverty adversely affect many more children when they become adults if poverty rates rise now, even for a limited number of years, due to the recession? What economic and fiscal costs might poverty impose on the United States over time? And finally, how can our antipoverty and employment policies fight these problems in both the short and longer terms—especially in an era of very tight federal and state budgets?

I try to provide some answers to these questions in this paper. I begin by briefly reviewing previous child poverty findings and looking at how that poverty adversely affects these individuals as adults and the U.S. economy overall. I then consider the evidence showing that child poverty rates have and will continue to rise over the next few years, and how increases in poverty and unemployment will likely persist for some time.

These increases, in addition to other factors (such as high rates of parental job loss and homelessness among disadvantaged youth, and their high rates of unemployment when they seek their first jobs) will likely “scar” these young people for many years to come—perhaps permanently. It is difficult to put precise estimates on the magnitudes of these increases. But research shows that they create long-term economic and fiscal costs for the United States.
Accordingly, we need a set of robust public policy responses to poverty and unemployment over the next few years. Greater short-term federal expenditures are necessary to mitigate the Great Recession's harm to parents and their children, and for cost-effective longer-term strategies to reduce poverty. Failure to do so will not only hurt the individuals themselves who are directly affected, but will also reduce the U.S. economy’s productivity and generate higher fiscal deficits in the future.
The Half in Ten campaign believes that a clear goal and tested strategies to achieve it are crucial for success. Accordingly, setting a 50 percent reduction goal is our first step toward eliminating poverty. We can accomplish that goal if we deepen and expand the public will to move forward, and if we channel that will toward proven policy solutions. To do this, we must update the public’s perception of poverty and change the course of federal, state, and local governing by encouraging policies that promote decent work, provide opportunity for all, ensure economic security, and help Americans build wealth over their lifetimes.