

COMMENTS ON CHILD POVERTY, THE FAMILY, THE MARKET, PUBLIC POLICIES AND THE SOCIAL ENVIRONMENT

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Let me begin by just saying that I agree with most of Kevin's descriptions of the problems facing America's youth. But I think he might have given a more dramatic description of the historical consequences of the fact that such a large fraction of American children live in single parent households in a high level of poverty. Malnutrition is combined with the fact that we do not have an adequate public healthcare system. Moreover in the last few years there has been an erosion of some of the safety nets that had been created earlier. For instance, in the area of healthcare, a programme, called chips, was providing children with health insurance under the responsibility of the states. It stayed in place in certain parts of the United States. But some of the states have almost taken a war against children. The State of Texas, for instance, has cut back enormously on the children healthcare programmes and made it more difficult for parents to apply. As another example, in contrast to some of the things going on in Brazil to improve the plight of poor children, in the United States there is an erosion of the school lunch programme which was very important in addressing problems of malnutrition.

I now want to spend my time on talking about some of the underlying causes, their consequences and the responses that may be given. On the causes, a number of discussants and Kevin talked about increased mobility and about the requirements of our national economy. The United States in that way is different from many other countries. It is a very large country with a very high degree of mobility, and that means that children often are separated from their parents.

Two issues have come up a number of times before here: the role of the State and the role of the market in weakening the family, which were exam-

ined on Saturday afternoon by Professor Mlčoch in his paper and subsequently discussed. First I want to emphasize the point I then made. When it decides to provide more social services, the State puts less responsibility on the family and this may lead to a weakening of the role of the family and of the bonds within the family. To a large extent the State took such increased roles because they were not being performed. The State was then filling a gap. But it was a vicious cycle to the extent that it had the effect of weakening the family. However, since the alternative would have been to leave these vast needs unmet, I think there was really no alternative but for the State to take on an increased role.

The second issue was the question of the role of the markets in weakening the family. On this point I should like to speak at some length. First, we cannot ignore that extending the market has a positive role, in freeing people's time. This means that women in developing countries do not have to spend as much time gathering wood, energy, or water. By the way, in the United States, given the high value that Americans have placed on consumerism, the time that we spend working is higher than in almost any other society (the number of hours worked by the average American worker is about 20% more than that worked by the average European worker). Actually this is related to the growing inequality in America and to the particular problem of lower income families. The fact is that wages in the United States at the bottom of the income distribution have stagnated for 25, 30 years. Our economy may be exhibiting increases in GDP, but they are not being translated into higher wages at the bottom and even at the middle.

I now want to comment on a difficult issue that has come up repeatedly in the discussion earlier this morning, namely the role of the family in risk-bearing. Some argue that the family is the most important insurance provider that people have. Others point out that the market has one big advantage, namely that it spreads risks widely and actually is a more efficient distributor of risks. But, on the other hand, it is now well known that insurance markets generate perverse incentives because of 'moral hazard'. For many the insurance market appears to be much less efficient in monitoring moral hazard than the family is: indeed the family is better able to ascertain whether one of its members is suffering because of something beyond his or her control or because of carelessness. A number of years ago, in a paper with Richard Arnott of Boston College, we looked carefully at the issue and showed that, even on economic terms, one had to be careful about saying whether in fact the replacement of the family by the market would be efficient.

Again on the relationship between markets and the family, the next comment concerns a real issue in many developing countries, particularly in Africa. There is such a strong inter-generational solidarity that it may be an impediment to development, at least in many people's interpretations. Individuals would realise that, if their income goes up, they will have to share it with an extended family. Such a prospect would lower individual incentives. Another issue is a result of women being more actively involved in the labour force. It gives them the option of divorce, which they did not previously have because of economic necessity. That has effects for the children. But the fact that women can make those choices freely is an enhancement of their wellbeing. In some Muslim countries for instance the husband can say to the woman 'I divorce thee' three times, and the divorce happens. Changes of legal frameworks may create more symmetry. Such an interesting development occurs in Bangladesh where some loans for mortgages are provided on the condition that the house be put in the name of the woman. If the husband says 'I divorce thee' three times, the woman can say 'yes, you have to leave', and he becomes homeless as opposed to she becoming homeless. The little change in finance has the potential of having effect on family stability and on economic power within the family.

Well, the final comment I want to make on the relationship between markets and family relates to a recent development in the United States where the soaring real estate prices have meant that many children have become more dependent on their families in their twenties and thirties. They cannot afford to have a home of their own and they have to borrow from their parents. I am not sure how good it is. But it has strengthened family bonds by making the children once again dependent on their parents.

I am now turning back to remarks having to do with increases in poverty, particularly with the responses that can be given. Indeed it is extremely important for public policy to deal with the economic consequences of family dissolution, leading to single parent families, to childhood poverty and malnutrition. These are becoming increasingly important social issues. It is important to have programmes, like the earned income tax credit, that provide increased income to those who work. We also need to be sensitive to the policies that may have exacerbated some of the problems we talked about.

Let me begin with tax policies. It has been argued that our past tax system discouraged labour force participation of women (note that this may have been good from the perspective of family stability). Interestingly, the current administration has been changing the tax system and encouraging female participation in the labour force. On the other hand, our welfare

programmes have the effect of encouraging single parenthood because if a woman gets married, she loses her eligibility for welfare. I think there ought to be more recognition of the incentive effects of these programmes.

Now, let us consider what has to do with the media. I think Kevin is right in saying that the media play a very important role. It used to be that, in order to get a TV licence, you had to do a certain amount of public services broadcasting, like education broadcasting. The philosophy here was very clear: the airwaves, or the spectrum as we call it, was a nationally owned natural resource. When we decided to privatise it, the question ought to have been: under what conditions will privatisation be consistent with our social values? Among those ought to have been a high requirement on educational programming and strong restrictions on the adverse kind of programming that Kevin was criticising. But we did not give that response and did not encourage the use of the media in a positive way.

As a third kind of response we ought to be more actively thinking about controlling the environment in which our children grow up. And this speaks to the question of, for instance, the government using subsidies to encourage some movies. But there has been an initiative within the WTO by the United States to restrict the ability of governments to subsidise movies. The French have resisted this initiative and it remains an issue under debate. More generally, the question is whether it is legitimate to pursue through the media a variety of social agenda. I think we ought to, and I worry about losing that ability within international agreements.

As the family gets weaker, another kind of response follows from the realisation that a lot of functions of the family can now be more actively undertaken through communities. Part of the transmission of values can be done through schools or other communities. The idea that the government ought to provide financial support to such communities should be more on the national debate. We ought to recongnize that things can be done to create a better learning environment, particularly for lower income individuals. We need to have summer camps. We need to have after-school programmes. So is the way to help substitute for some of the things that the family has provided in the past.

Let me just take an illustrative example from my American environment. We used to have a national guard, which was a community-based group involved in rescues and cases of emergencies. When you had a flood, it brought in a whole group. But they also had a social function and an ongoing basis. They got together once a month and they march around. They could also take children, helping them to learn skills and get jobs. They

could organize all kinds of community groups to provide activities for children from single parent families or even two parents families when both parents were working. So there they created a better environment for these children to grow up and in the same time integrate into the labour force.

Finally I want to put forward an idea about learning of values by living. Indeed, a good way you learn about values is actually to live those values. So you learn how to be of service and to care about others by being in, by providing services. Watching the United States in the aftermath of the war and remembering the generation of the sixties, I know that the peace corps was a very successful programme of sending Americans abroad and getting them much more committed to those service values. I think there ought to be now more of this kind of activities. The Church is actually in a very good position for doing something similar. It is the largest grass-roots organisation in the world. And it is in many communities around the world. It could help establish a global peace corps, teaching education and health, having people involved in individual communities in the developing world and in the developed world. For instance in the United States there is a need of such a process involving young people at that critical age of 19 to 23. The opportunity to spend one, two or three years doing that would really change their perspective for the rest of their lives.