

A Research Agenda on Poverty in Appalachia

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and UKCPR Applied Research Seminar
—Poverty in Appalachia”

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U.S. Department of Health and Human Services*



About UKCPR

- Established in 2002 as one of 4 Federally funded poverty research centers in the U.S.
- Core funding from the Office of the Assistant Secretary for Planning and Evaluation, U.S. DHHS

About UKCPR

- Mission is to conduct research on the causes and consequences of poverty and inequality in America, with a thematic emphasis on the South
- Sponsor several grant programs for academic researchers, mentor graduate students, and disseminate research findings
- More detail available at <http://www.ukcpr.org/>

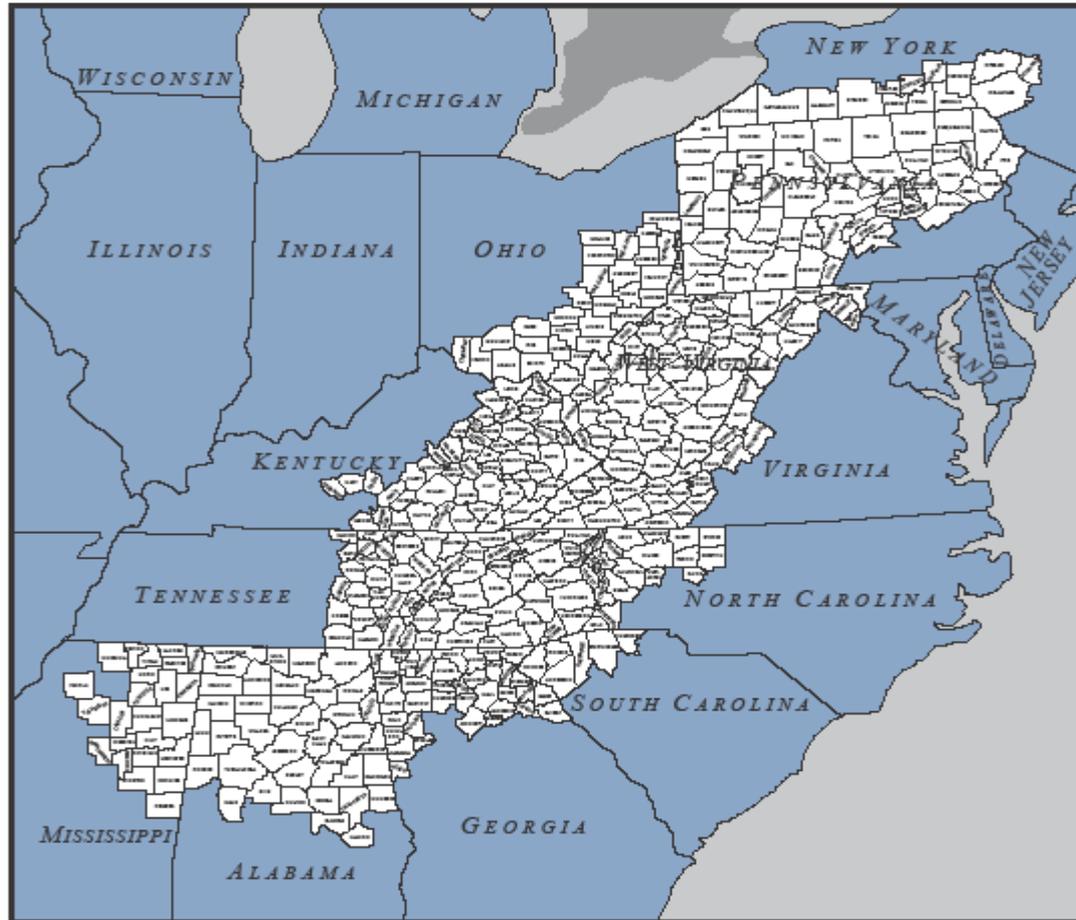
Special Initiative on Appalachia

- President Johnson announced the nation's 'War on Poverty' in April 1964 in Inez, Kentucky
- The area was designated in 1965 as a special economic zone by the Appalachian Regional Development Act, which also established the Appalachian Regional Commission (ARC)
- 'Poverty tours' in 1960, 1968, and 2008
Presidential campaigns

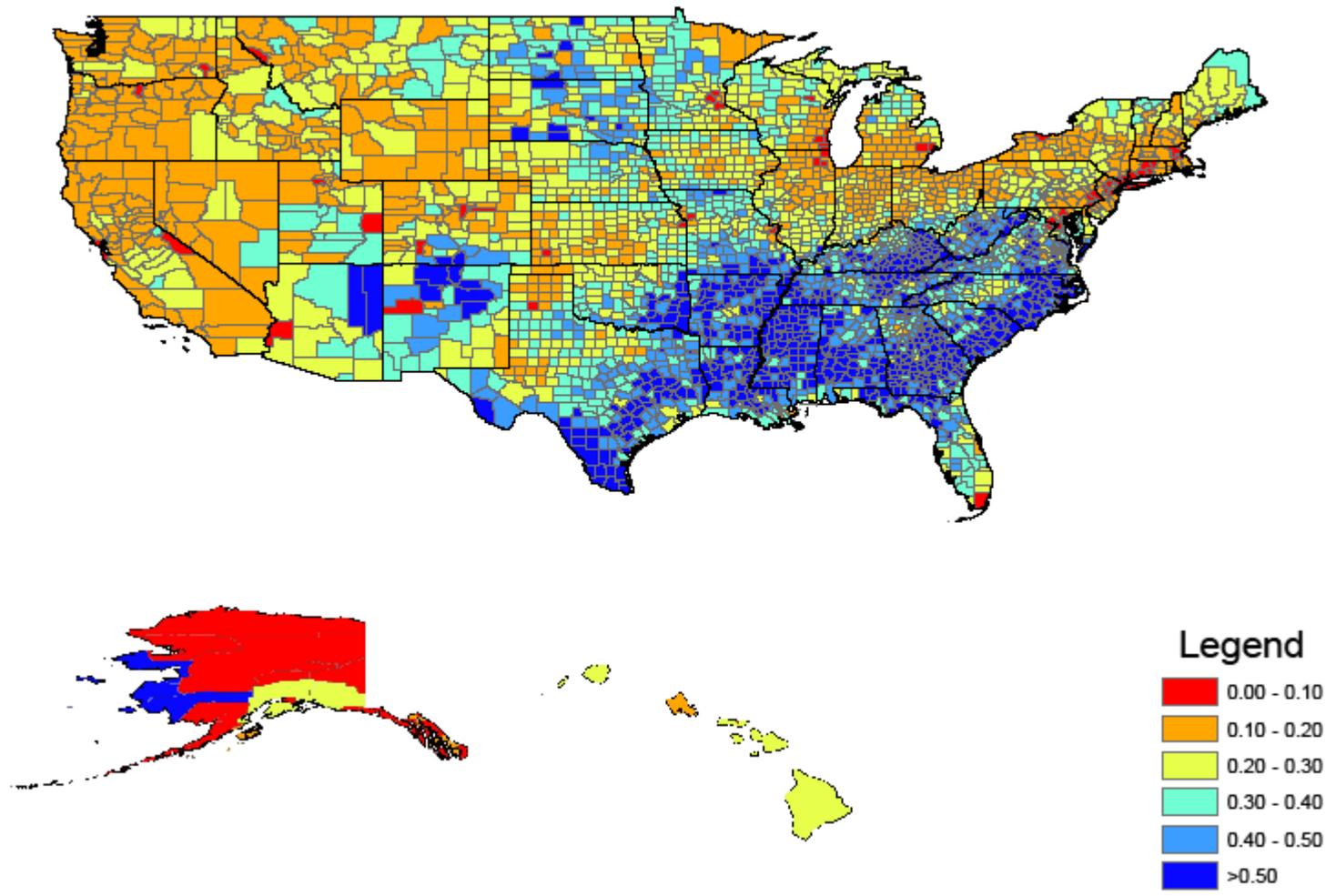
Special Initiative on Appalachia

- Despite focus of policymakers (and the occasional popular press), Appalachia has received scant attention from the Federal poverty centers
- This might seem surprising at first blush because poverty in Appalachia is persistently higher than most other regions of the nation, earnings are lower, and transfers are higher

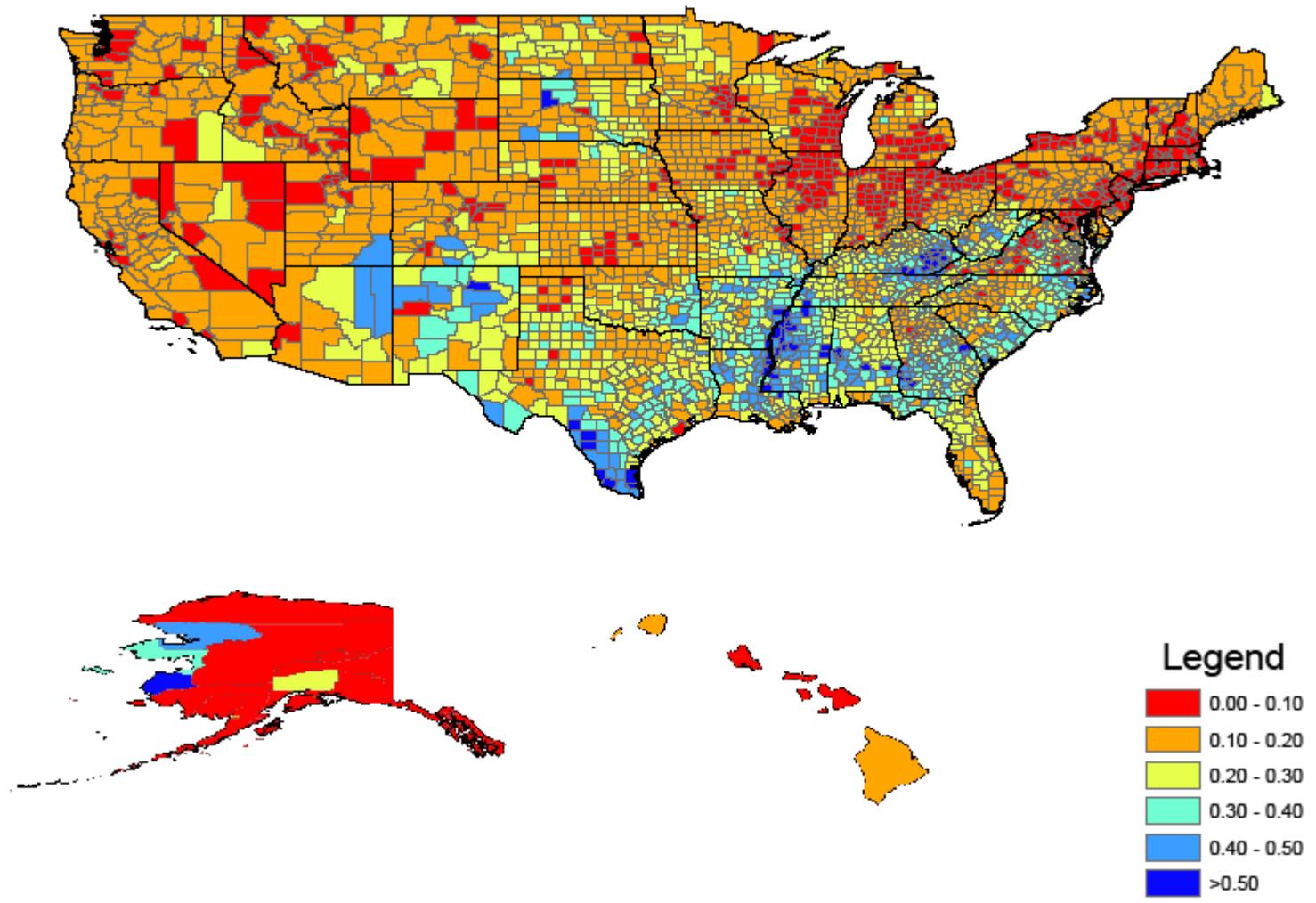
The Appalachian Region (2006)



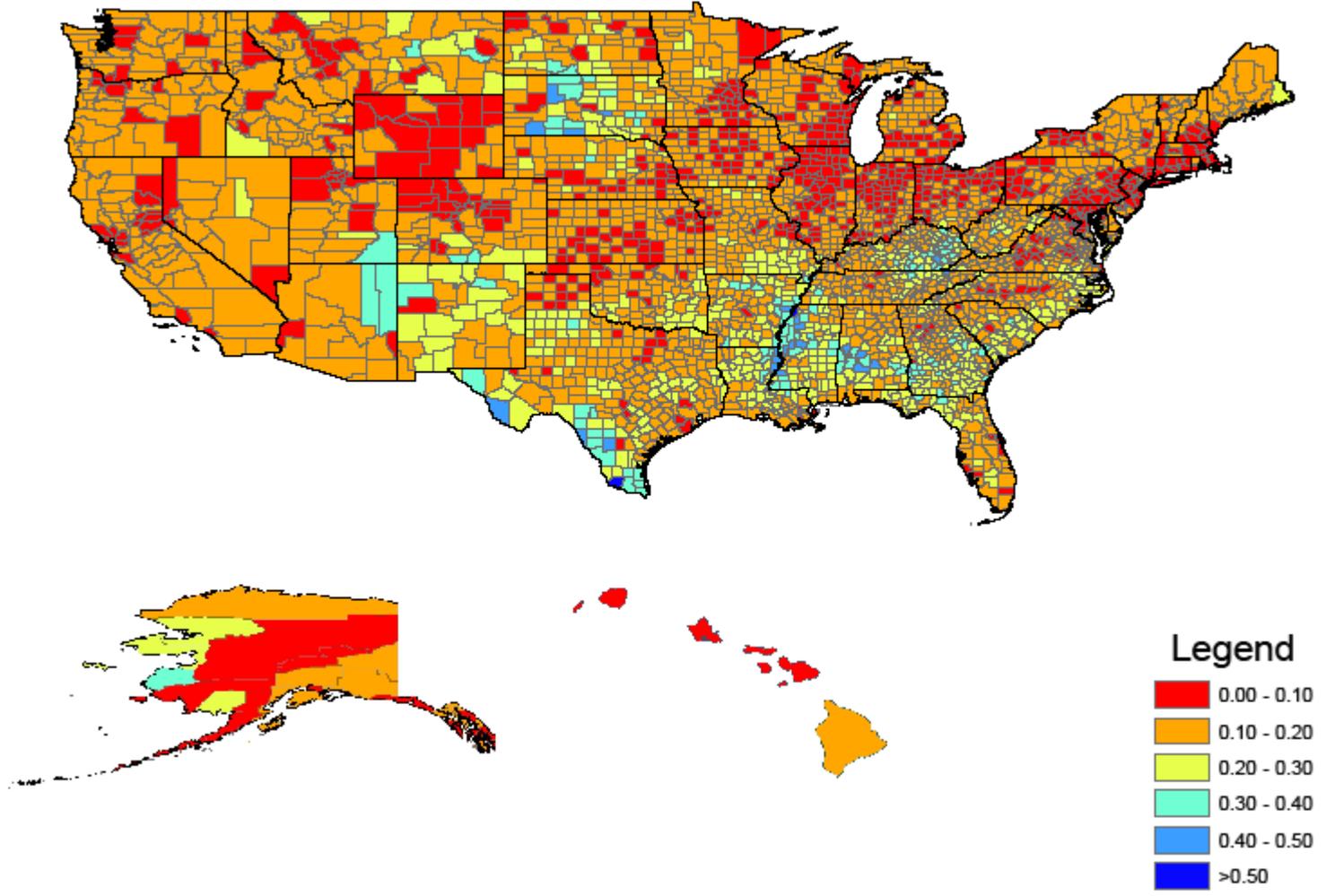
US Poverty Rate - 1960



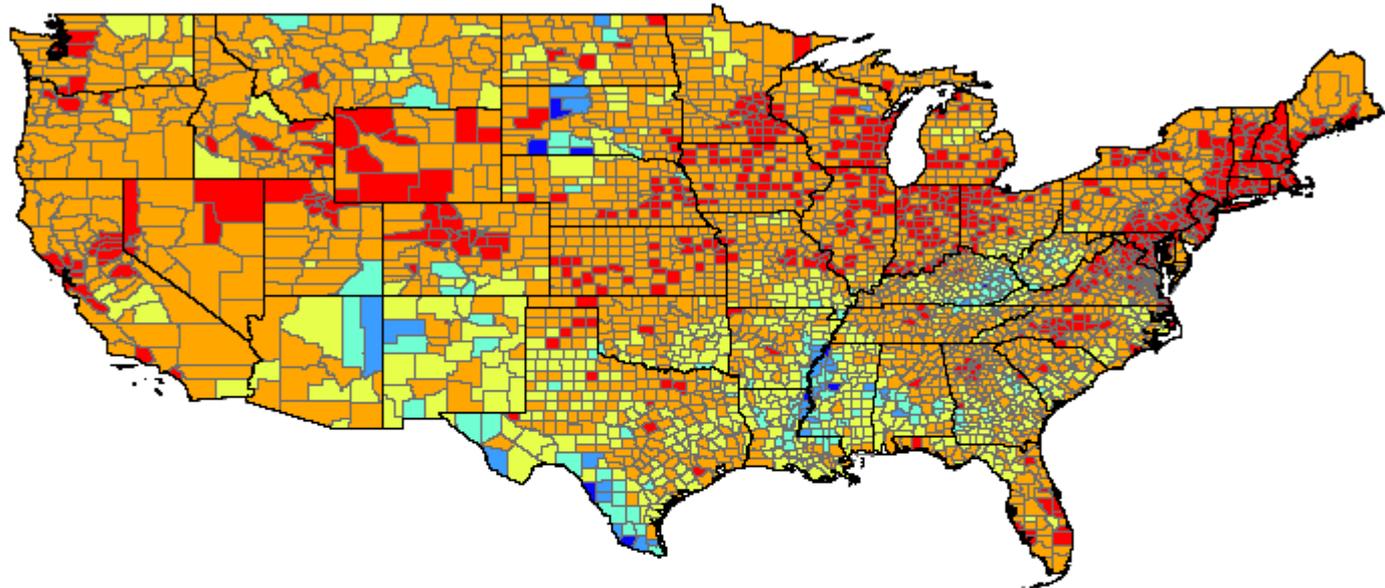
US Poverty Rate - 1969



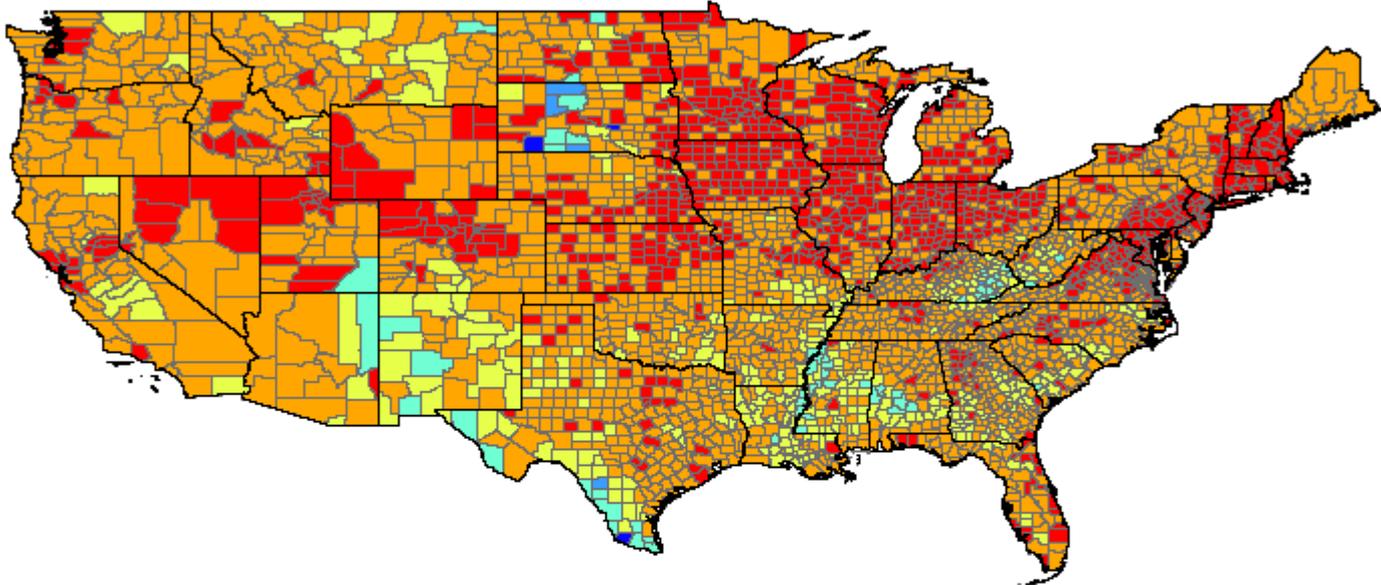
US Poverty Rate - 1979



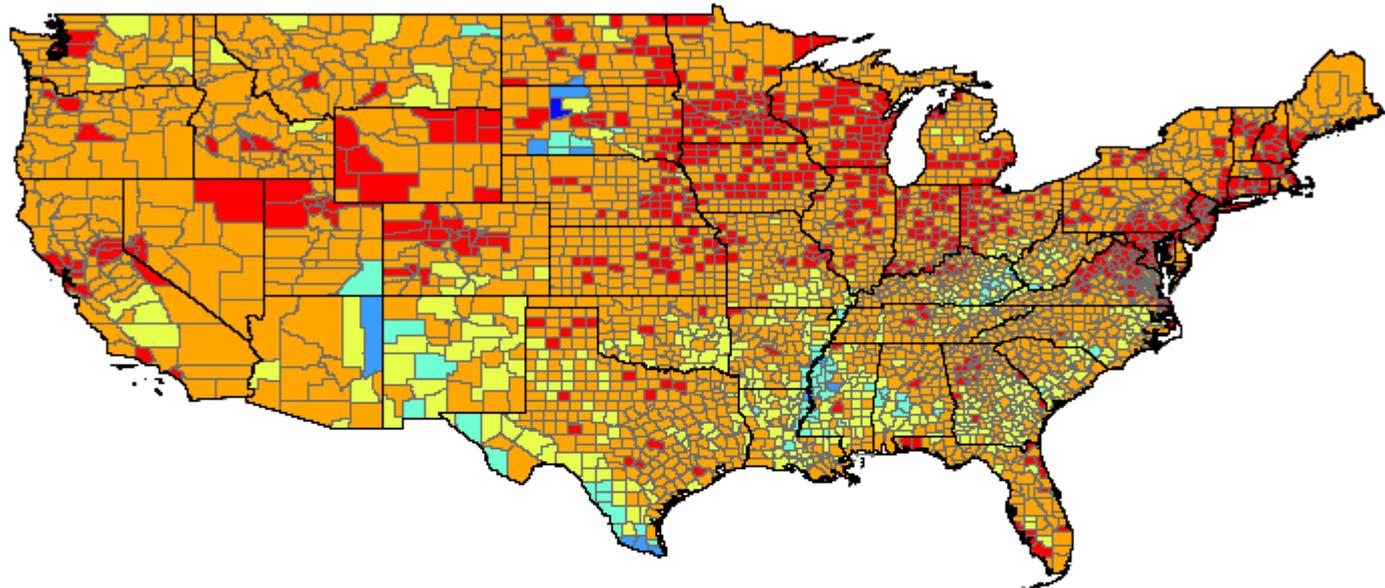
US Poverty Rate - 1989



US Poverty Rate - 1999



US Poverty Rate - 2005

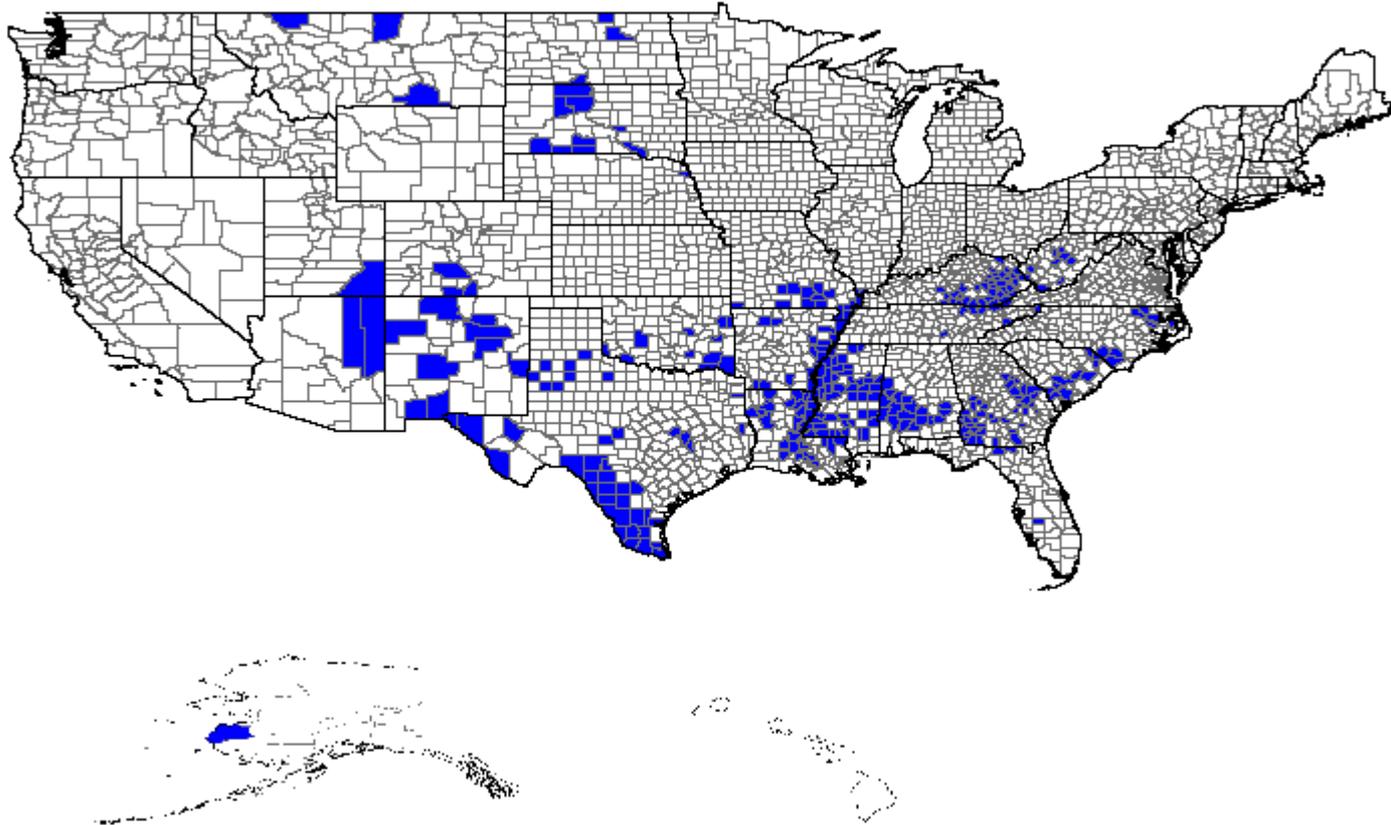


Legend

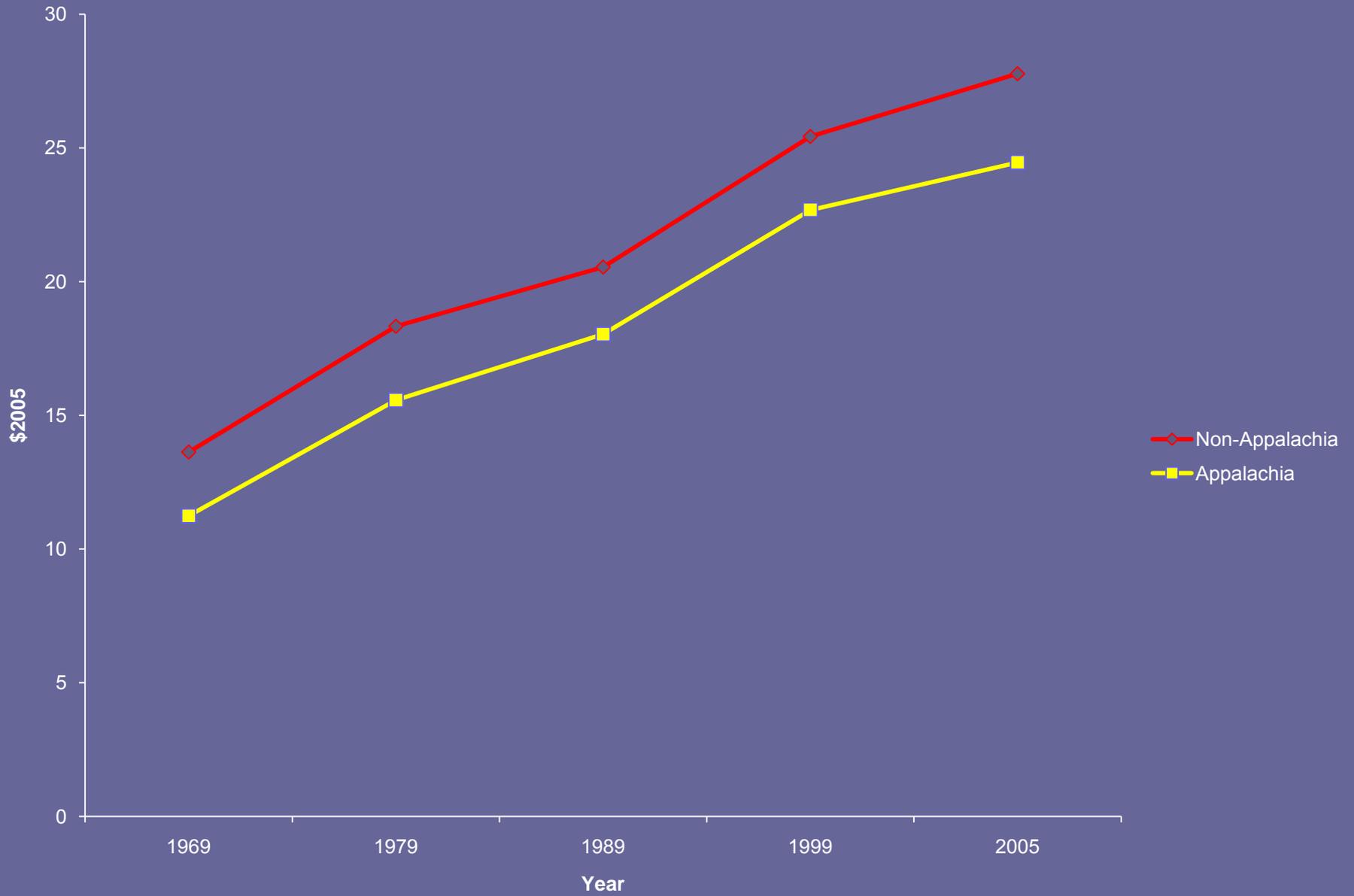
- 0.00 - 0.10
- 0.10 - 0.20
- 0.20 - 0.30
- 0.30 - 0.40
- 0.40 - 0.50
- >0.50

The Economic Research Service of the USDA defines a county as ***persistently poor*** if the county's poverty rate exceeds 20% at least since 1970

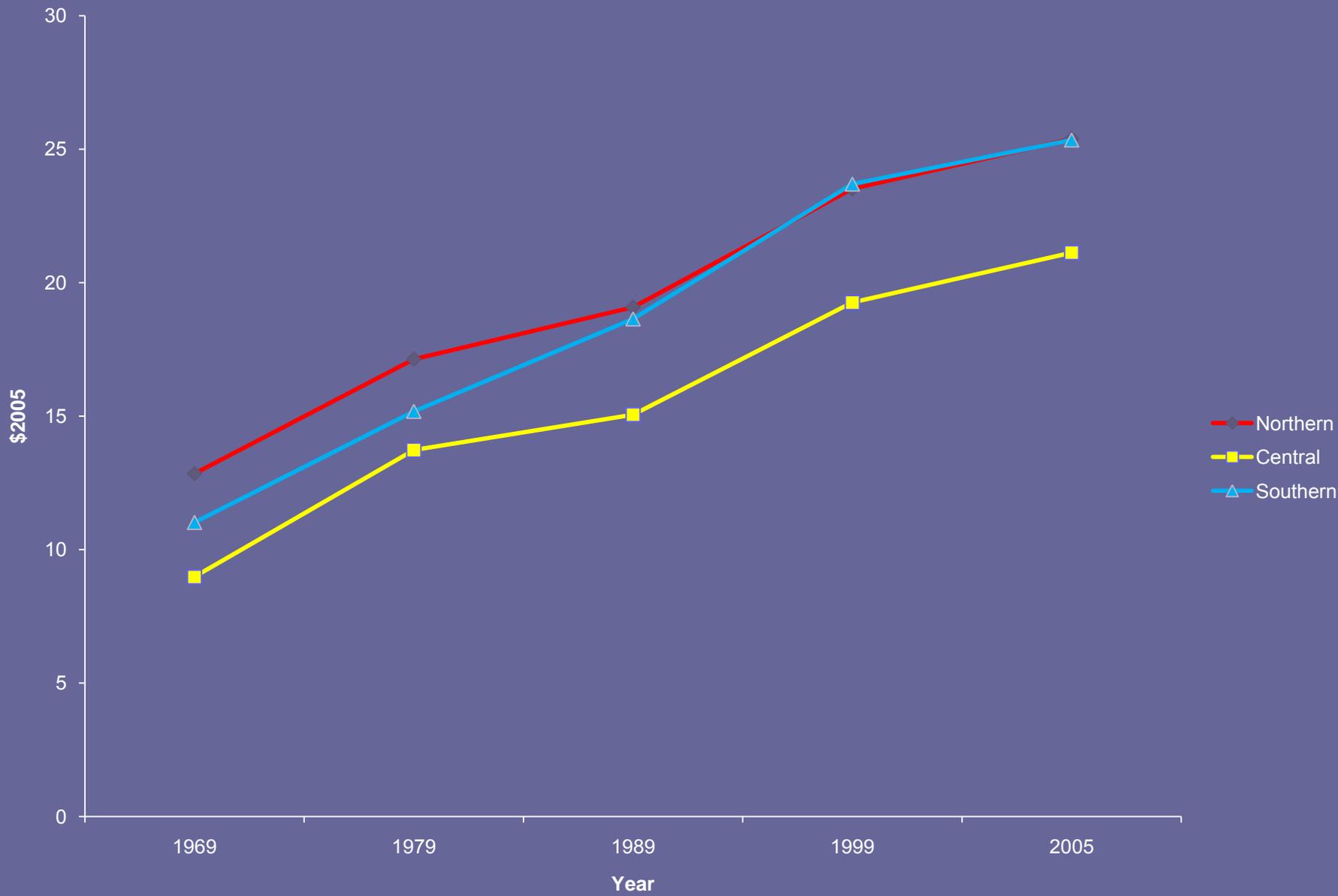
US Counties with Poverty Rate Greater than 20 Percent During the Years 1960-2005



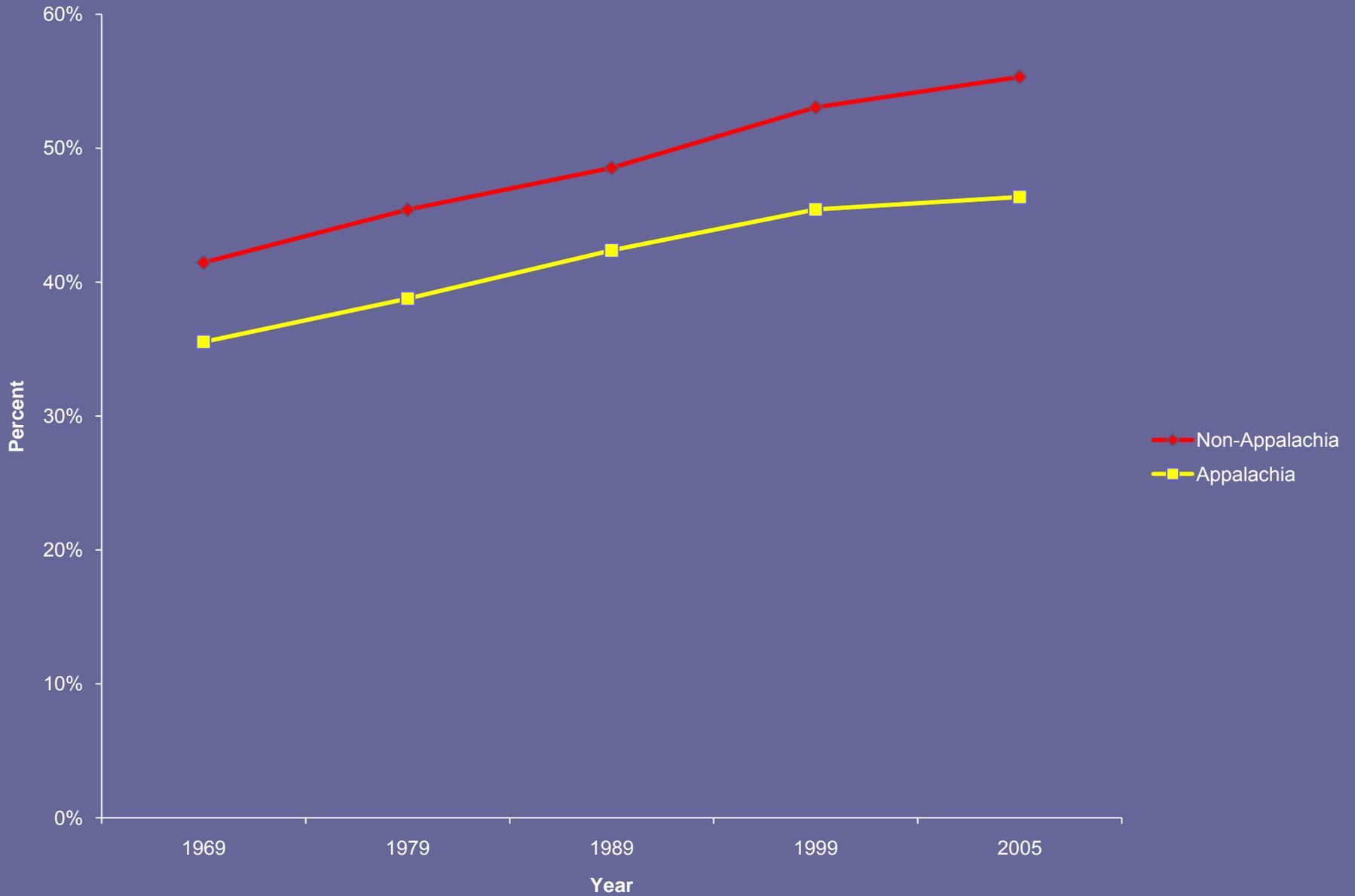
Trends in Per Capita Real Income



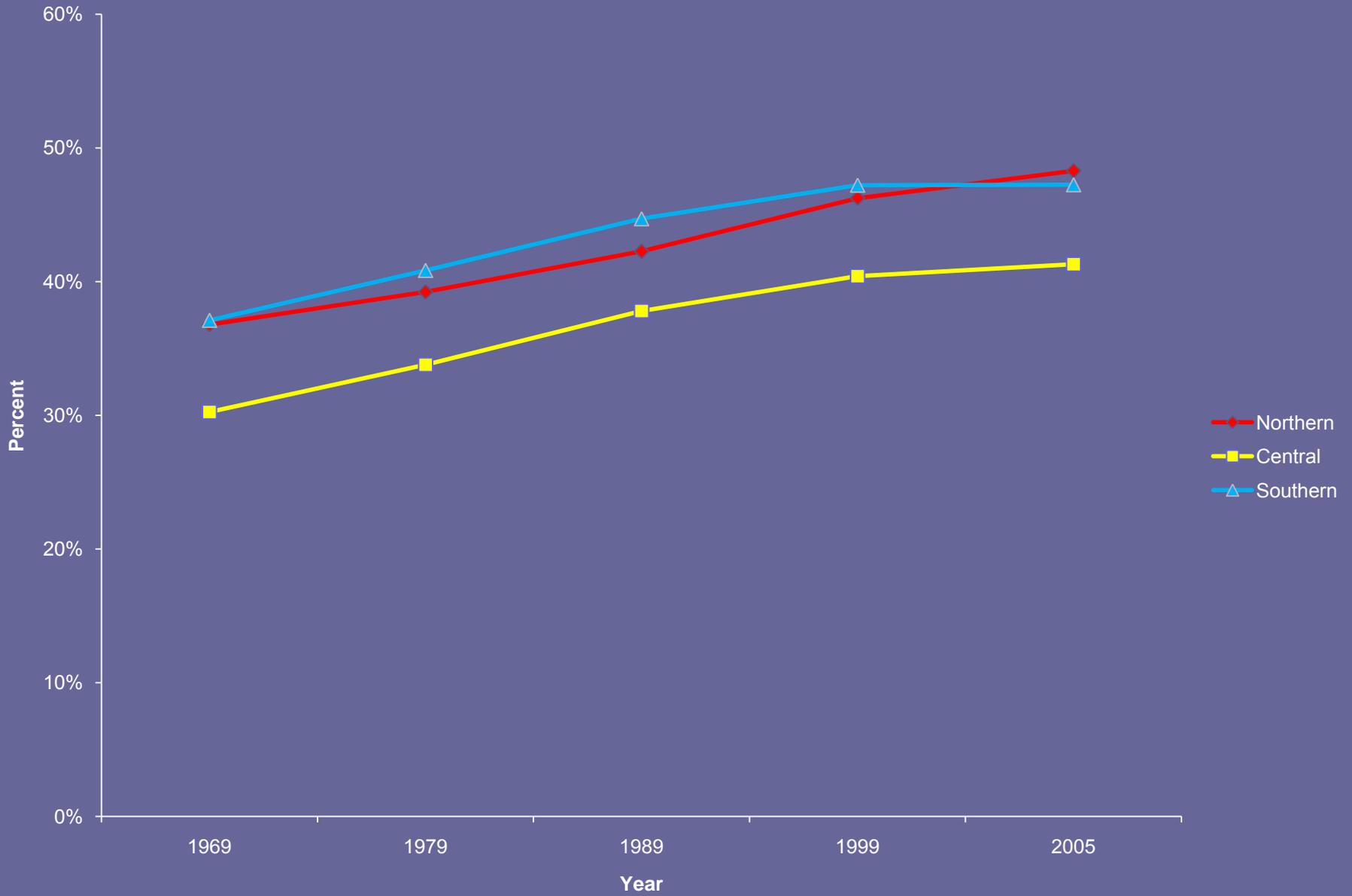
Trends in Real Per Capita Income by Appalachian Subregion



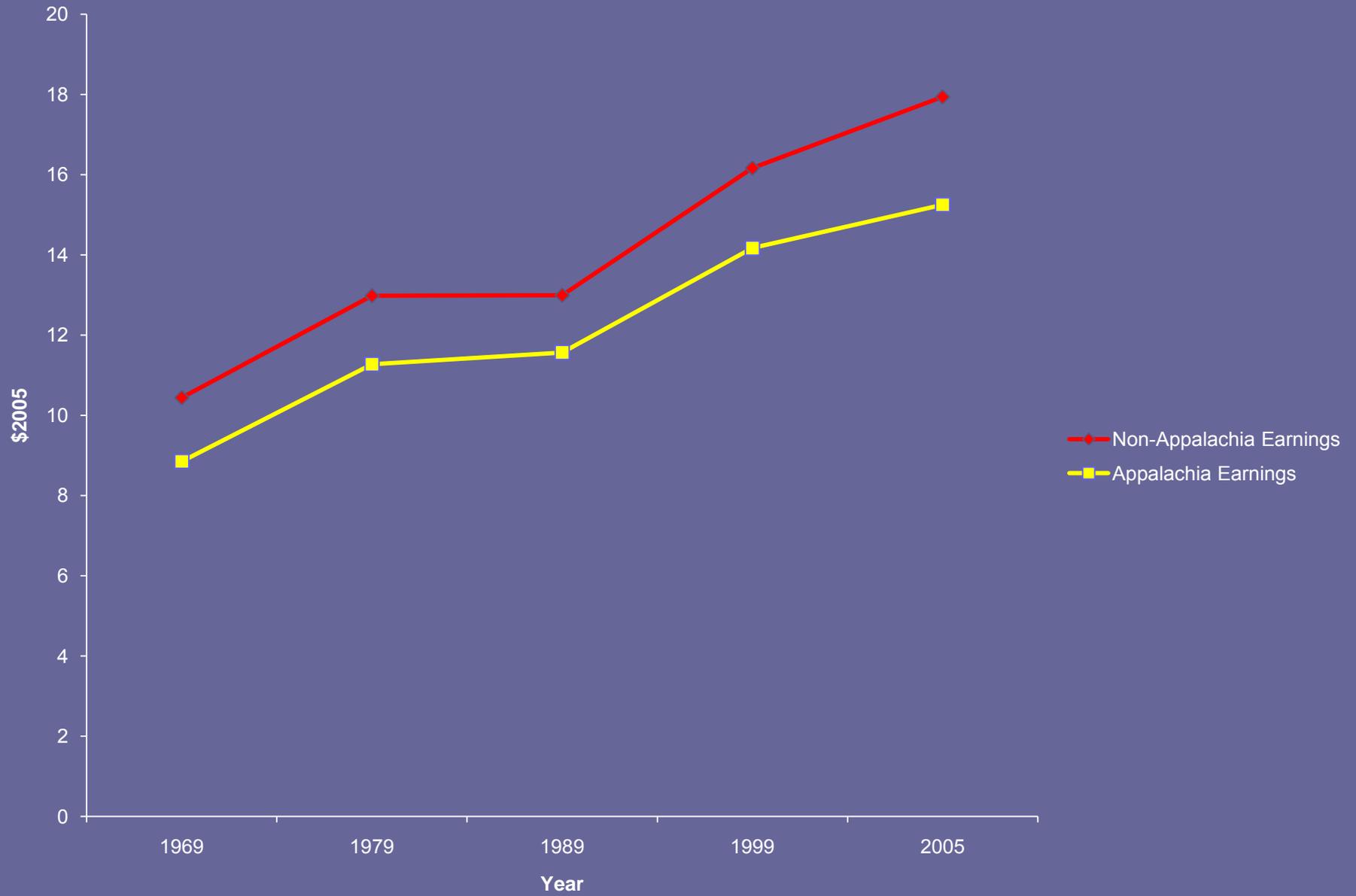
Trends in Employment per Capita



Trends in Employment per Capita by Appalachian Subregion



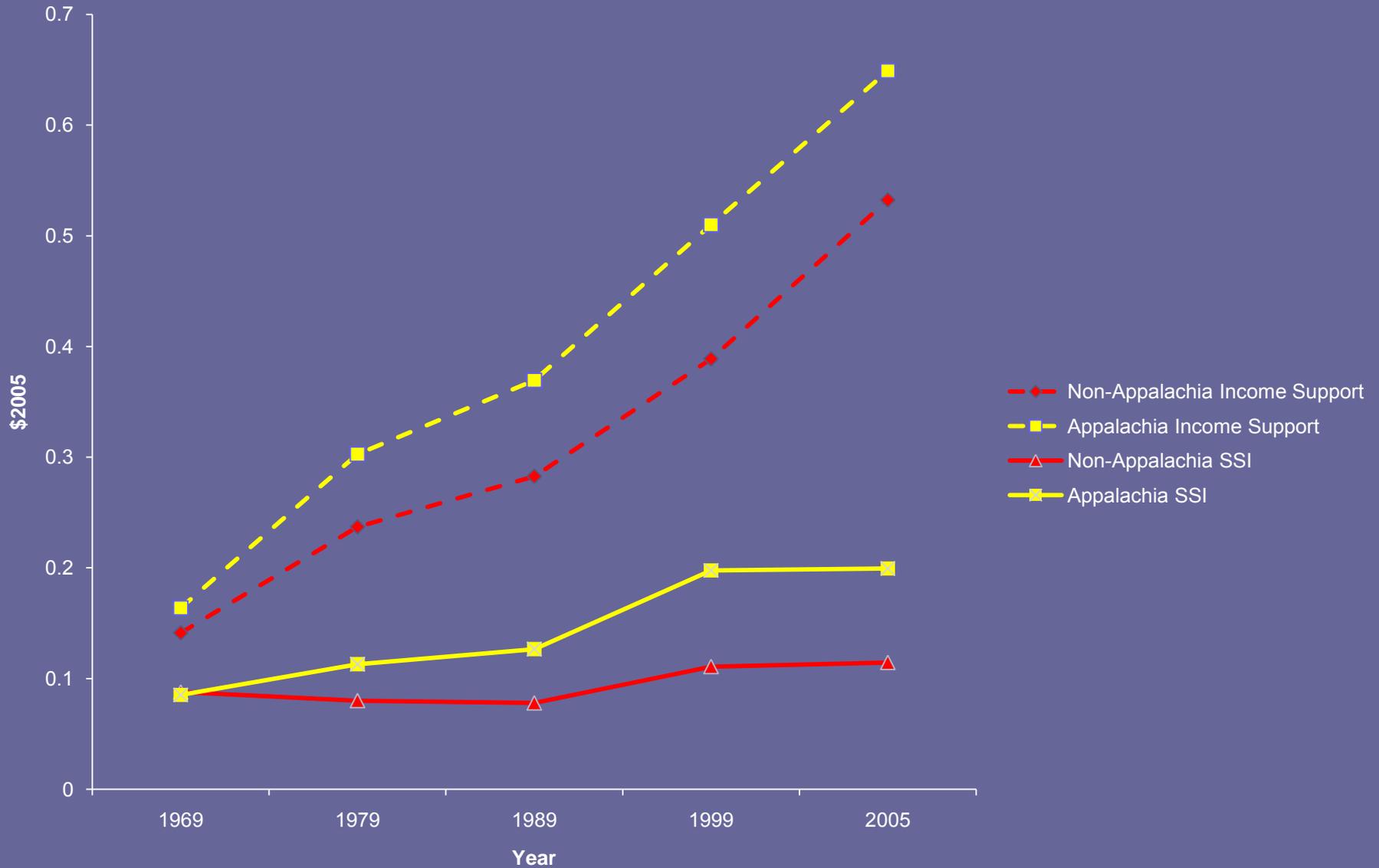
Trends in Real Per Capita Earnings



Trends in Real Earnings per Capita by Appalachian Subregion



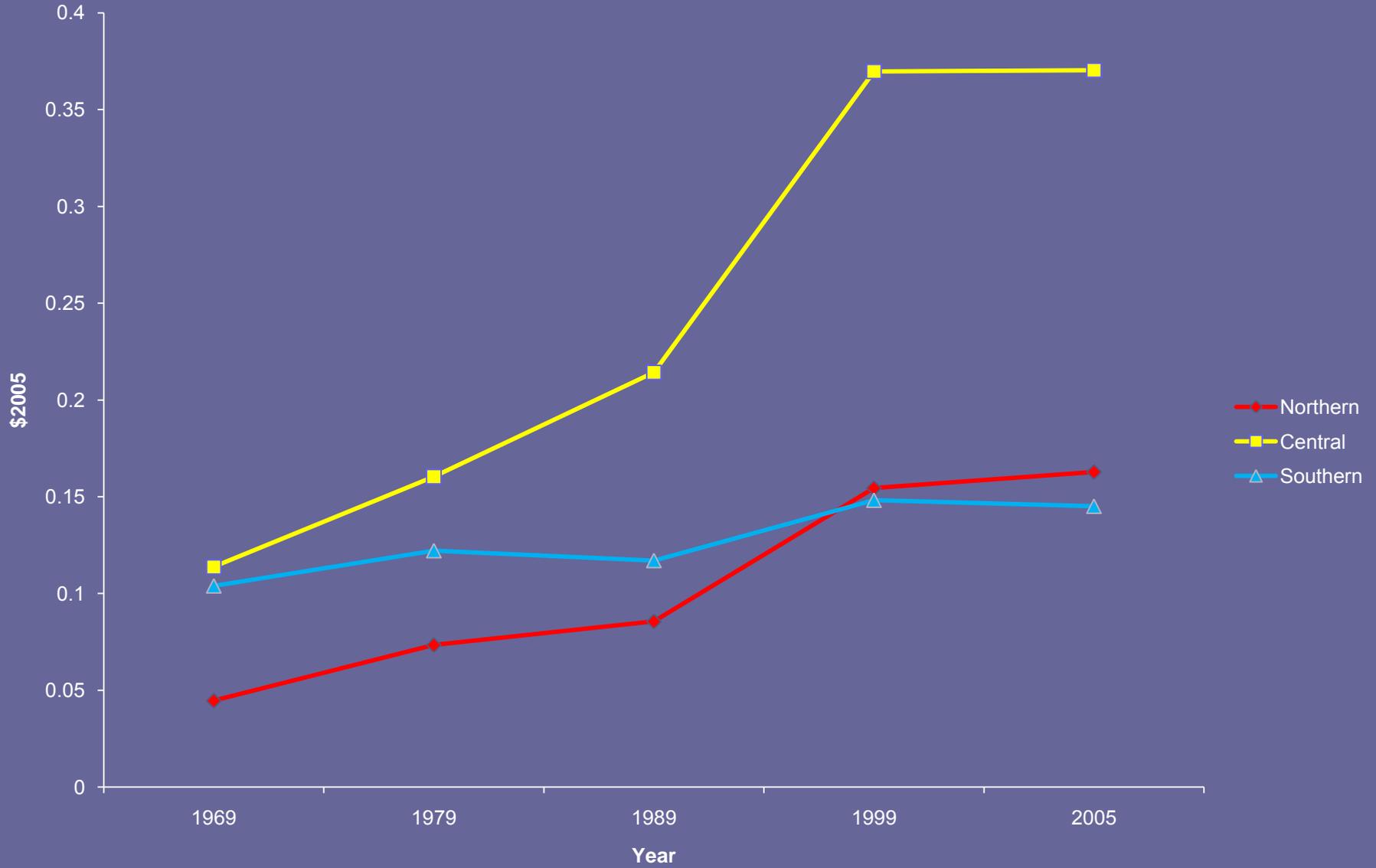
Trends in Real Per Capita Income Maintenance and Supplemental Security Income



Trends in Real Income Maintenance per Capita by Appalachian Subregion



Trends in Real Supplemental Security Income per Capita by Appalachian Subregion



Bollinger, Ziliak, and Troske (2009)

- In a project funded by the Cleveland Fed, Bollinger et al. examine the evolution of wages of men and women in Appalachia compared to the rest of the U.S.
- They focus on the role of regional differences in skill levels versus the labor market returns to those skills using data from the 1980, 1990, and 2000 Decennial Censuses

Figure 1: Education Attainment of Residents Within and Outside Appalachia aged 25-60, 1980-2000

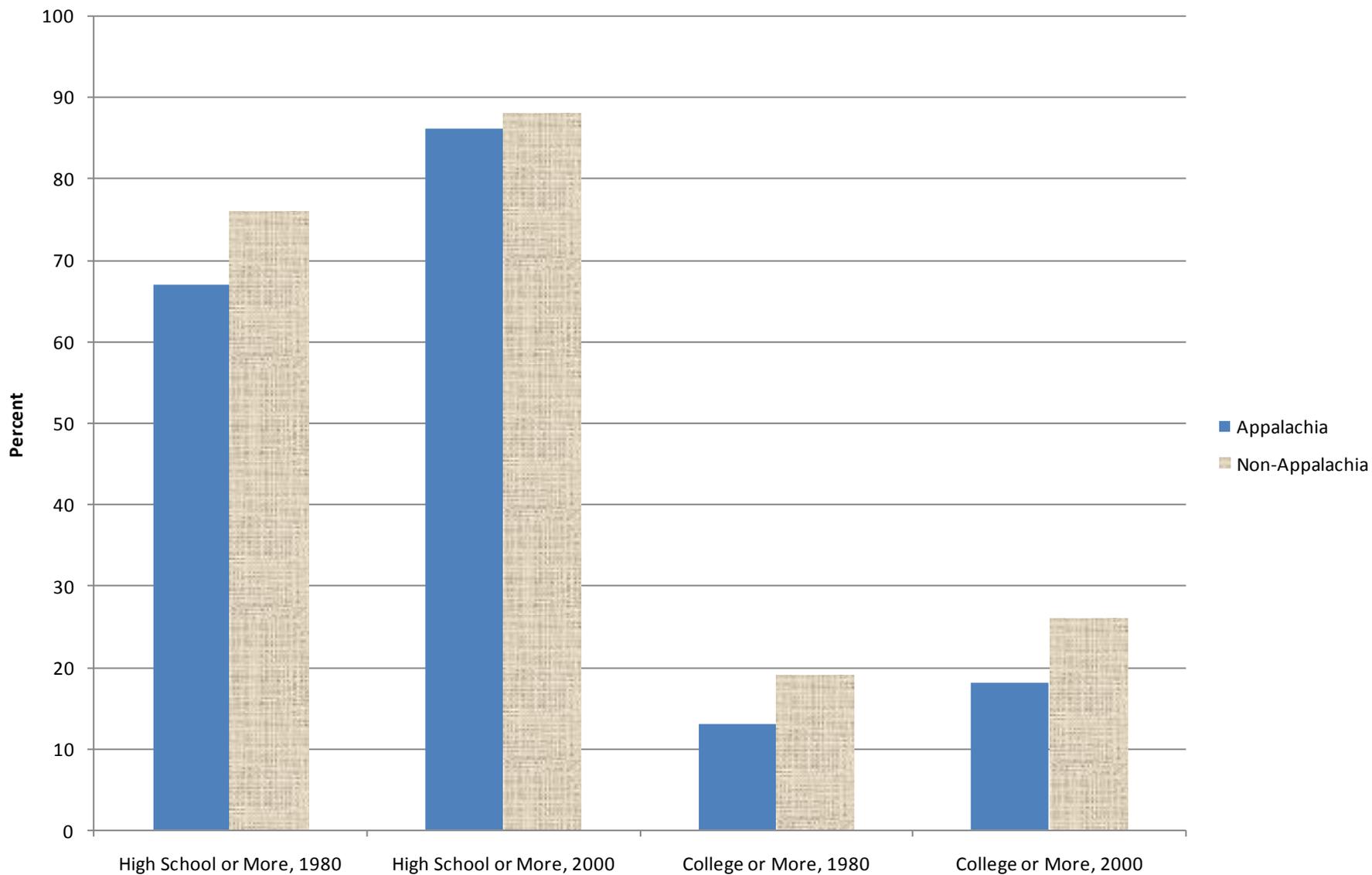


Figure 4: Wage Gain of Men Relative to a High School Dropout with 10-20 Years Potential Experience

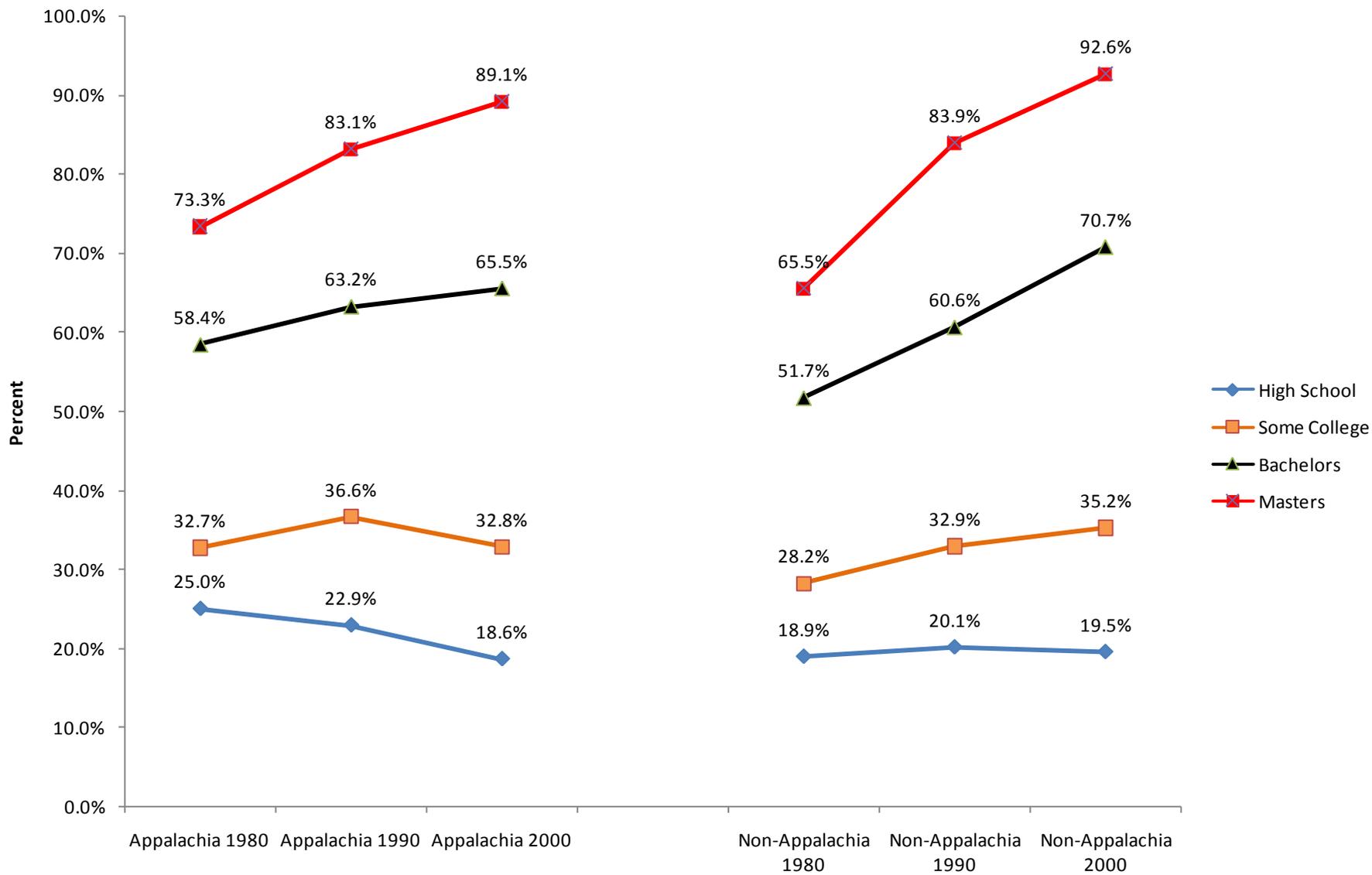
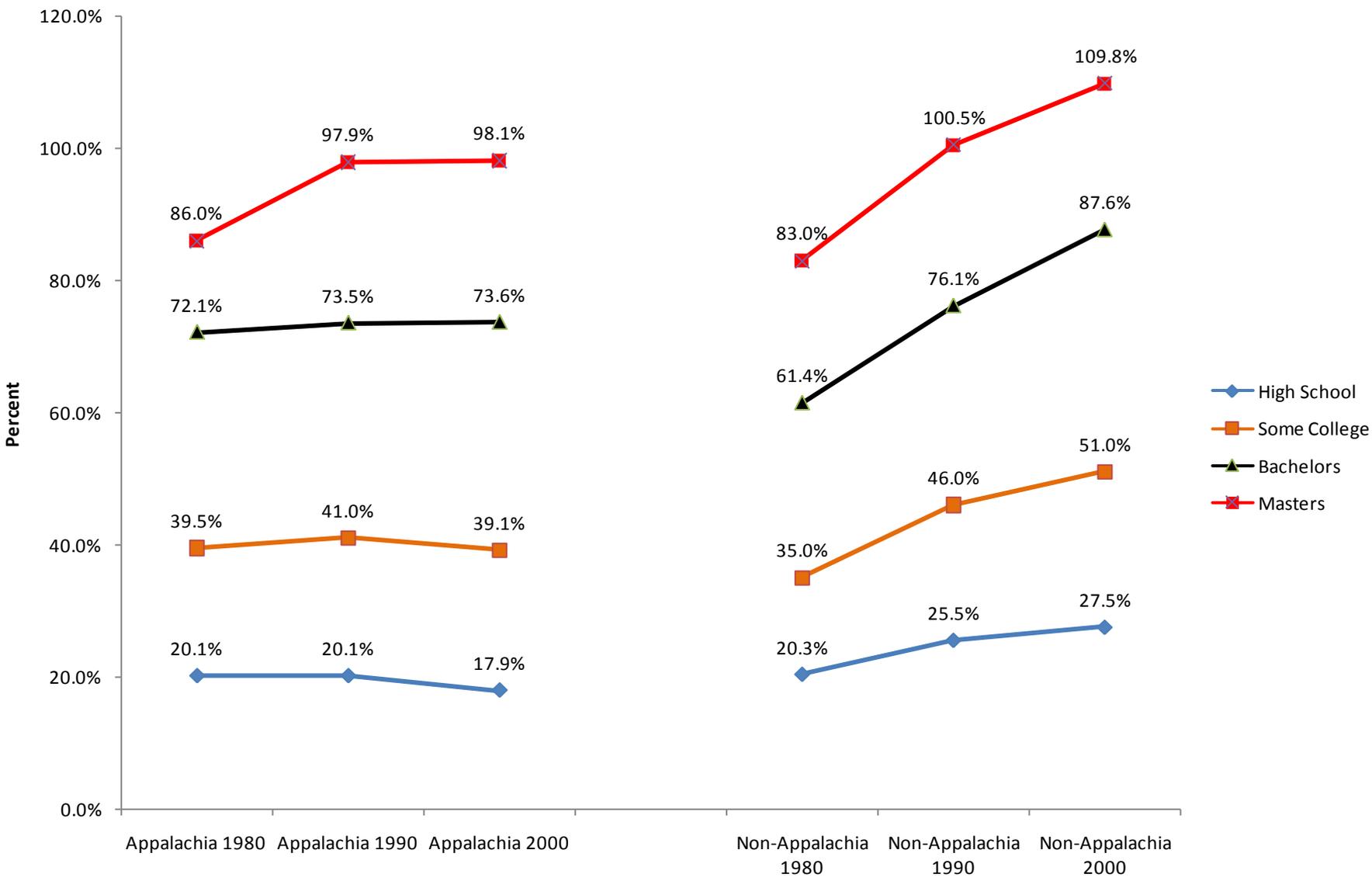


Figure 5: Wage Gain of Women Relative to a High School Dropout with 10-20 Years Potential Experience



Bollinger, Ziliak, and Troske (2009)

- Appalachia seems to suffer from “missing markets”—the double jeopardy of lower skill levels and lower skill returns.
- This is most pronounced in the urban areas of Appalachia, which are smaller and less dynamic than urban areas in other parts of the country

Special Initiative on Appalachia

With this background UKCPR commissioned leading scholars in economics and demography to address the roles of

- Poverty Traps
- Cities and Place-Based Policies
- Socioeconomic Status and Health
- Family Structure
- Inequality and Human Capital

on the economic status of Appalachians

Poverty Traps

Steven Durlauf, University of Wisconsin

- Durlauf defines a poverty trap as a situation where
 - Poverty is highly persistent
 - Poverty is not “self-correcting,” i.e. it can persist indefinitely
 - Poverty is perpetuated by the socioeconomic environment, i.e. from so-called threshold effects, institutional effects, and/or neighborhood effects
- He makes a forceful case that the fact that poverty in (Central) Appalachia is highly persistent does not provide prima facie evidence of a poverty trap. One needs evidence from *individual* income dynamics, but identification is very difficult

Cities and Place-Based Policies

Matthew Kahn, UCLA

- Kahn argues that cities are the key location for modern economic growth because they
 - Economize on transportation costs
 - Facilitate learning and diffusion of new ideas
 - Compete on dimensions to raise quality of life (“Green Cities”)
- Appalachia is at a strategic disadvantage because of its smaller cities and scarcity of hubs of innovation, e.g. major research universities
- Policy response likely requires Appalachia to adopt a “grow your own” strategy of educating and retaining its young

Socioeconomic Status and Health

Janet Currie, Columbia University

- Currie argues forcefully that
 - Health disparities begin before birth and are cumulative
 - Children from low SES backgrounds face greater ‘insults’ to health
 - These health disparities have long term consequences in terms worse health and lower labor market earnings as adults
- She documents that child and adult health outcomes are significantly worse in Appalachia compared to the rest of the U.S., especially among whites
- —“First response” policy implication is to improve children’s health in utero

Family Structure and Poverty

Daniel Lichter and Lisa Cimbaluk, Cornell University

- Lichter and Cimbaluk argue that
 - Changes in family structure in recent decades has put upward pressure on poverty rates nationally
 - Whether these changes are a *cause* or *consequence* of poverty is not well understood
 - Regardless, “marriage promotion” policies are in ascendancy
- They show that changes in family structure in Appalachia are less pronounced. Still they have partially muted the anti-poverty benefits of job growth.
- Policy response is muddled until we get a better handle on causal links of family structure and poverty

Human Capital

Dan Black, University of Chicago, and Seth Sanders, Duke University

- Black and Sanders highlight that
 - Wage inequality increased substantially in the U.S. from the mid 1970s thru the mid 1990s, both within and between groups
 - Leading explanations are skill biased technical change (labor demand) and changes in the supply of skill (education)
 - Little is known about *growth* in inequality between urban and rural areas in general, and Appalachia in particular
- They find convergence in earnings inequality between rural and urban areas between 1960 and 1980, but significant divergence after 1980, which they attribute to a rising return to skill in urban areas.
- Policy response dovetails closely with that of Kahn

Next Steps

- Appalachia offers excellent research opportunities in the social sciences above and beyond the topics highlighted here, both quantitative and qualitative
- UKCPR hopes to both produce research on Appalachia internally and support research externally through our grant programs in order to better inform future public policy