

### Poverty and discrimination

*Poverty and Discrimination.* By Kevin Lang, Princeton, NJ, Princeton University Press, 2007, 408 pp., \$66.00/hardback.

How should the United States handle the problems of poverty and discrimination? There are many people who speak as if the answer to this question is easy to find, but often those who make the strongest assertions are those with the fewest quality economic data to corroborate their claims. In a refreshingly honest attempt to understand poverty and discrimination in this country, Kevin Lang tackles the topic in a book rife with graphs, tables, and rigorous economic and statistical analysis. He focuses not on furthering a political agenda but rather on providing the reader with the knowledge necessary to analyze poverty and discrimination. The first chapter of the book serves as an introduction, the next eight chapters analyze poverty, the following five chapters analyze discrimination, and the last chapter contains a few of the author's proposals for policies that he believes could reduce poverty and discrimination.

The introduction contains a definition of poverty: "An individual is poor if he or she lacks sufficient financial resources to obtain adequate food, clothing, shelter, and medical care and to participate in society." Lang explains that it can be very difficult to determine whether a person is poor; one of the many reasons for this difficulty is that it is often hard to ascertain whether a particular good or service is necessary to for an individual to participate in society. The author also shares the little-

known explanation of how the Federal Government first developed the poverty line, a threshold that it continues to update annually. Using the knowledge that many families spend around one-third of their income on food, one person from the Social Security Administration multiplied the cost of a nutritionally adequate diet by 3, adjusted it for household size, and labeled the result as the poverty line. The Government still follows this general formula today.

The primary cause of variation in the poverty rate, Lang writes, is the state of the economy. Yet, paradoxically, there has been little change in the poverty rate during the past 30 or so years despite strong growth in per-capita gross domestic product during the period. One of the factors that has prevented poverty from decreasing to any great extent is changes in family structure, such as an increase in the number of single parents. Lang points out, however, that "single motherhood and teen motherhood are as much symptoms of poverty as its cause." The author also mentions that welfare programs have had little effect on the official poverty rate because the programs have not lifted many people from below the poverty line to above it; rather, they typically have brought people from a level of income below the poverty line to a higher income level that is still below the poverty line. Lang says that it is too early to judge the impact of the welfare reform that occurred in the 1990s, but that it appears that it has been neither a disaster nor an unqualified success. The book also explains minimum-wage legislation and its effects. Minimum-wage laws can help poor people make more money, but they can also cause firms to hire few-

er people, thus depriving some poor people of jobs. Lang says that, among labor economists, there is a growing consensus that both the positive and negative effects of minimum-wage laws in the United States are small.

The author dedicates a considerable number of pages to evaluating training programs in which participants are taught jobs skills and other life skills, but he finds it difficult to measure the impacts of these programs. Nevertheless, he does determine that, on the whole, inexpensive training programs do not appear to be very effective and expensive programs produce returns that are similar to those of education. Because there are very few expensive training programs, however, it is unlikely that they have much effect on the poverty rate.

The section of the book on discrimination focuses primarily on race discrimination faced by Blacks but also has a chapter on sex discrimination faced by women. Lang differentiates among prejudice, discrimination, and segregation. If the labor market is competitive and works perfectly smoothly, prejudice can still lead to segregation but usually cannot lead to discrimination. For example, if employers are prejudiced against Blacks, they typically will hire them only if they can pay them less than they pay Whites. However, if Blacks make less money than Whites, then a firm can increase its profit margin simply by hiring more Blacks and fewer Whites. Ultimately, firms would be forced to stop discriminating in order to compete.

Unfortunately, because of asymmetric information and other problems, the labor market does not work perfectly smoothly. Lang explains that the Civil Rights Act of 1964 was a

major factor in decreasing discrimination against Blacks but that today there is still statistically significant evidence of discrimination against Blacks in the labor market, the housing market, and the justice system. The problem of self-fulfilling expectations appears to substantially exacerbate the effects of discrimination; for example, if Blacks believe that a particular firm discriminates, they are less likely to try to apply for a job at that company. Regarding affirmative action, the author cites arguments both for and against this controversial practice, recognizing the role that values play in choosing a side in this debate.

It is clear that women historically have faced discrimination in the labor market, Lang writes. However, legislation passed during the 1960s, 1970s, and 1980s has reduced sex discrimination in the United States. Lang cites both evidence for and evidence against sex discrimination in the labor market today. For example, orchestras have been shown to hire fewer women when there is no curtain or other barrier to hide the sex of the person auditioning compared with when there is a blind audition. By contrast, the wages of lesbian women are similar to those of men. Some of the difference in wages between men and women is due to the

types of occupations chosen by men and those chosen by women. Yet it can be hard to determine whether women tend to choose a particular occupation because they prefer it to other occupations, whether they were discriminated against when they tried to work in an occupation dominated by men, or whether they would like to try a different occupation but do not do so because of a belief that they would face discrimination. Another reason that the average wage of women is lower than that of men is that, overall, women have less experience in the labor market than men—mainly because there are more women than men who withdraw from the labor market to have children.

On the whole, Lang has written an excellent book that can serve as a useful tool for researchers, students, and policymakers. The author clearly is an expert in the field who has thoroughly researched his topic, and the first 14 chapters certainly accomplish the author's goal of providing a solid base of knowledge on poverty and discrimination. The last chapter, however, is a bit of a letdown. In the introductory chapter, Lang promises, "In the last chapter, I will drop my cloak of academic distance and outline my conclusions...about what policies we should pursue." Once the reader arrives at the last chapter, he

or she finds only 11 pages dedicated to policy discussion. The chapter provides only a few opinions on policy, and it generally does not preempt arguments that could be made against the policy suggestions.

The author does make some intriguing points in the chapter, however. For example, he proposes that, in order to obtain more data on young students' academic abilities, schools do more to track children's knowledge before third grade. There is evidence that the low quality of education in many of the elementary schools with a large percentage of black children has a strong negative effect on the achievement of Blacks as they get older, and more data are needed in order to better determine what elementary schools are doing wrong. It is very often in the book, in fact, that Lang concludes that there are not enough quality data currently available to evaluate accurately the effects of policies involving poverty or discrimination. Though it is frustrating to learn that the answer to many of the questions considered in the book is a resounding "I don't know," there is a need in society for researchers like Lang who confront difficult topics with academic integrity.

—Casey P. Homan  
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