

RESEARCH REPORTS

Reviews of new research by public agencies and private institutions

"Years of Poverty, Years of Plenty."

Institute for Social Research, Publishing Division, Box 1248, Ann Arbor, Mich. 48106. 200 pp. \$24.00.

Author: Greg J. Duncan

If you are on the top of the economic heap today, your chances of staying there during the next few years are not particularly good. But neither are you condemned to remain poor next year if you are now.

These are among the findings of Duncan and his colleagues at the University of Michigan's Institute for Social Research; they have followed the fortunes of 5,000 American families since 1968.

Dividing their group into five income "quintiles," they found that "of those who were either at the top or at the bottom levels in 1971, only about half had remained in those relative positions in 1978." The most important factor influencing family fortunes was change in family structure: marriage or divorce, a birth or a child leaving home. Job-related changes, such as layoffs or physical disability, were the No. 2 factor.

During the 1970s, one-third of the 5,000 families enjoyed "dramatic improvements" in income, and one-fifth suffered serious setbacks. In most families, earnings growth kept pace with or exceeded inflation.

Duncan's data also offer a revised portrait of poverty in the United States. Between 1969 and 1978, he found, 25 percent of the U.S. population dropped below the official poverty line at least once. But only 2.6 percent could be classified as "persistently poor"—suffering from poverty in eight or more of the 10 years. For most Americans, poverty is a *temporary* condition.

Even the persistently poor defy many stereotypes. About 68 percent of these chronically poor people live in the South. Only 21 percent live in large cities. One-third are elderly. Duncan does, however, confirm some familiar findings: About 61 percent of persistently poor Americans live in female-headed households; 62 percent are black.

What about welfare? Between 1969 and 1978, Duncan writes, "while nearly one-quarter of the population received income from welfare sources at least once in the decade, only about two percent of all the population could be characterized as dependent." He doubts that there is any sizable welfare "underclass."

Nor is there strong evidence of a self-perpetuating "culture of poverty," Duncan contends. Among young women in the study who left their parents' homes between 1968 and 1976, those who came from families that had been on the welfare rolls were only 1.4 times as likely as other women to join the ranks of recipients.

If anything, fewer Americans collect social welfare benefits from the government than could legally do so; only half of those eligible for food stamps or Supplemental Security Income (for the elderly poor) actually apply for them.

One emerging reality in America, Duncan suggests, is that economic mobility—up and down—is far greater than most social scientists, politicians, or journalists have imagined.

"Nuclear Power in an Age of Uncertainty."

Office of Technology Assessment, U.S. Congress, Washington, D.C. 20510.
293 pp. \$10.00.

Civilian nuclear power in America has suffered one blow after another in recent years. The Congressional Office of Technology Assessment (OTA) sees little chance for a recovery without "major improvements" in the technology and management of nuclear power, as well as greater public support.

Currently, there are 81 functioning nuclear power plants in the United States, and 40 more are under construction. Since 1975, 83 reactor projects have been canceled.

The reason is simple: "Nuclear power plants present too many financial risks as a result of uncertainties in electricity demand growth, very high capital costs, operating problems, increasing regulatory requirements, and growing public opposition." Average construction costs for new nuclear plants doubled during the 1970s.

Yet, the OTA believes, these problems are "not insurmountable." And nuclear power may be necessary to meet future U.S. demand for electricity: Coal, the only economical alternative, is a major pollutant. Nuclear plants that avoid unusual regulatory

or operational problems can supply electricity at 10 percent less cost than can coal-fired generators.

Among the remedies proposed by the OTA are improved, standardized reactor designs that would minimize chances of error by the engineers who build and operate the plants. In the OTA's view, the recent spate of (non-fatal) mishaps at nuclear plants was caused, in large part, by the "immaturity of the technology" and utility companies' inexperience in managing it. Tightened federal regulation of plant operations is also needed.

Meanwhile, the OTA says, Washington should speed development of new nuclear technologies to replace today's "light-water" reactors.

No "technological fix," however, will assure nuclear power's future unless public confidence is restored. Opinion surveys show that only a third of the public endorses continued nuclear power plant construction; half is opposed. To win over the skeptics, the OTA says, power plant operators will have to do more than maintain good safety records. They will need to avoid even minor mishaps and mistakes.

"Federal Support of U.S. Business."

Congressional Budget Office, U.S. Government Printing Office, Washington, D.C. 20402. 100 pp. \$4.50.

U.S. businesses face increasingly keen international competition, much of it subsidized by foreign governments. What sort of help is American industry getting from Uncle Sam?

According to the Congressional Budget Office (CBO), billions of U.S. tax dollars go each year to assist American commerce and industry.

But Congress as yet has no plan for, or real control over, the whole.

The CBO report cites three major forms of federal subsidies. During the 1984 fiscal year, the government will directly invest \$13.7 billion in energy, agriculture, aeronautics, water transportation, and mining. Of that total, \$6.1 billion will be for farm price sup-

ports, the rest largely for research and development.

During 1984, Congress will also transfer \$8.8 billion to business in the form of subsidized low-cost loans, most going to rural utilities (\$3.7 billion), farmers (\$3 billion), and exporters (just under \$1 billion).

Tax breaks (or "tax expenditures") for businesses this year will total over \$70 billion, most of which will go to manufacturers. The three largest tax breaks will be \$18.3 billion for the "accelerated cost recovery system" (depreciation), \$16.4 billion for preferential treatment of capital gains, and \$15.7 billion for the investment tax credit—all designed to increase busi-

ness investment.

Excluded from the CBO inventory of federal subsidies are major government defense, health, and housing programs that promote commerce only secondarily. Their annual cost: \$300 billion.

The CBO notes two serious weaknesses in American business's federal support system. One is that much of the aid, especially tax expenditures, is lavished during upswings in the business cycle—when profitability is high and help is not needed.

The other is that tax expenditures, which make up the bulk of the aid, are not subject to the annual federal budget review process.

"Network Television Coverage of Economic News."

Institute for Applied Economics, 370 Lexington Ave., New York, N.Y. 10017. 83 pp.

The U.S. economic recovery was in full swing by late 1983. Nearly every statistical indicator—unemployment, employment, inflation, retail sales—showed dramatic improvement. Yet from the way the three TV networks' evening news shows told the tale, viewers might have thought that things were going from bad to worse.

So says the Institute for Applied Economics (IAE), whose researchers monitored the network news broadcasts from July through December 1983. Not surprisingly, 95 percent of the stories that simply transmitted new economic statistics were positive in tone. Unemployment dropped from 10.7 to 8.2 percent during the year; retail sales climbed by 9.1 percent.

But when they did background or illustrative segments, the network producers managed to find a cloud for every silver lining: Of the 104 stories of this kind, about 85 percent were negative.

(The breakdown: CBS aired 35 negative stories, ABC 29, NBC 25. Upbeat reports numbered five, four, and six, respectively.)

Frequently, according to the IAE, the networks reported good economic news but illustrated it with contrary film footage and commentary. On August 16, 1983, for example, the "CBS Evening News" reported that factory output rose a "whopping" 1.8 percent. But it then showed *film* of people waiting in a long line to apply for 11 percent mortgages—a reminder of high interest rates.

In November, unemployment dropped substantially, from 8.7 to 8.4 percent. Yet ABC chose to accentuate the negative. After reporting the news on its December 2 broadcast, it ran a film story about two upper-middle-class men who had been out of work for 18 months. One was contemplating suicide. Anchorman Peter Jennings emphasized that the recovery was not

helping *everybody*.

"Without question," the IAE says, "there continued to be poor, unemployed, homeless, and hungry Americans during the second half of 1983."

But the networks virtually ignored the millions of Americans "who were working, who had been returned to work, or who were enjoying the fruits of the economic boom."

"The Fourth Wave: California's Newest Immigrants."

Urban Institute, 2100 M St. N.W., Washington, D.C. 20037. 30 pp. \$3.00.
Author: Thomas Muller

Every year, thousands of foreign immigrants, many of them illegal aliens from Mexico, come to California. State residents worry that the newcomers will increase competition for jobs and drive up public spending for welfare, education, and social services.

In fact, says Urban Institute research associate Muller, the steady immigrant influx has played no small part in California's prosperity.

Close to half of the 1,868,000 foreign immigrants who settled in California between 1970 and 1980 were from Mexico. Seventy-two percent of the Mexicans were undocumented aliens and thus limited to unskilled and semiskilled occupations. Almost half of all working Mexicans are employed in manufacturing industries, mostly textiles; one in five is employed in a restaurant, retail establishment, or other service firm.

Advocates of stricter immigration laws argue that Mexicans displace native workers from blue-collar jobs. But Muller notes that unemployment rose less rapidly in Southern California than in the rest of the nation.

As for claims that immigrants have hindered black Americans' job prospects, Muller states that in cities nationwide "there is no statistical relationship between the size of the Hispanic population and black unemployment." Blacks in heavily Hispanic Los Angeles, for example, recorded larger increases in income than did their counterparts in California cities

with fewer Mexicans.

Indeed, Muller argues, Mexican immigrants have broadened economic opportunities in California. The large number of low-wage workers has cut costs for many manufacturing firms that otherwise would not have survived in the face of overseas competition. Muller calculates that 52,000 of California's low-wage manufacturing jobs would not exist without Mexican immigrant workers.

The number of jobs in California is expected to increase by about 25 percent by 1990. A declining state birthrate and the apparent end of women's shift into the labor force mean that native Californians can satisfy only 40 percent of the demand for labor. Continued immigration is necessary if California's economy is to grow.

The immigrants from the South do drive up public spending. The average Mexican immigrant household receives \$2,000 more in services from the state (public schools and hospitals, welfare) than it pays in taxes. In Los Angeles County, such households receive \$460 more from the local government than they pay in taxes.

But Muller does not see such outlays as a major cause for concern. He is more worried that California's schools may be too overwhelmed to help integrate the immigrants' children into the economic mainstream and that the state will not be able to create enough good jobs to allow the newcomers to climb the economic ladder.