

APRIL 2021

The Effect of Housing Assistance on Generational Poverty: A Brief Commentary

Michael Jones, PhD

Academic Director, Kautz-Uible Economics Institute

m.jones@uc.edu

Kautz-Uible Economics Institute

Carl H. Lindner College of Business

University of Cincinnati

2906 Woodside Drive

Cincinnati, OH 45221-0371



Any opinions expressed in this paper belong solely to the author; they do not necessarily reflect the views of the Kautz-Uible Economics Institute or the University of Cincinnati. No external funding was provided for the publication of this report.

About the Author: Michael Jones



Michael Jones is the Academic Director of the Kautz-Uible Economics Institute and an Associate Professor - Educator of Economics at the University of Cincinnati. He earned his Ph.D. in Economics at the University of Notre Dame and his M.B.A. from the University of Cincinnati. Prior to receiving his Ph.D., he worked as a Senior Research Analyst for the Nielsen Company and as a Senior Business Development Manager at Cincinnati Bell.

The Effect of Housing Assistance on Generational Poverty: A Brief Commentary

Children in low-income households who move to low-poverty areas are more likely to escape poverty, enroll in college, and earn higher wages later in life.

In a recent report,¹ the Kautz-Uible Economics Institute at the University of Cincinnati analyzed 2019 Census Bureau data within the City of Cincinnati and found an affordable housing deficit of just over 8,000 units. This calculation indicates that proponents of Issue 3 who cite a figure of 28,000 units overstate the actual deficit by a significant factor. The Economics Institute report also identified housing as a regional challenge when it found a shortage of 50,000 housing units in the entire Cincinnati metropolitan statistical area. Recent economic research indicates that addressing the affordable housing challenge at a regional level is more effective at helping individuals escape poverty compared to a strategy of building a concentration of units in the City of Cincinnati.

In 2019, the Harvard economist, Dr. Raj Chetty, gave a keynote speech at the Policy Summit hosted in Cincinnati by the Federal Reserve Bank.² He presented research on how housing policy can be tailored to address issues of poverty. By linking IRS administrative tax data with neighborhoods, he found that children in low-income households³ who moved to low-poverty areas do much better in life as adults. Their earnings were 30% higher in their mid-thirties, and they were 27% more likely to attend college.⁴ Given Cincinnati's childhood poverty rate of nearly 40 percent, policy makers would be wise to apply the lessons from this research and avoid a strategy in which Cincinnati tackles affordable housing in isolation from the region.⁵

Economic outcomes for the Cincinnati metropolitan area can be discovered using the Opportunity Atlas.⁶ This database is a project between researchers at the US Census Bureau and Dr. Chetty's research group at Harvard University—Opportunity Insights. Maps provided in the appendices of this report show that a child living in a low-income household in the West End of Cincinnati will stay trapped in poverty as he ages and make only \$14,000 as an adult. In contrast, a child born in a low-income household in Beckett Ridge, Ohio in Butler county will go on to earn \$35,000.

Issue 3 is an example of how even good intentions can have unintended consequences. There is no evidence to suggest that proponents of Issue 3 have anything but the best intentions. However, the most recent research shows that affordable housing solutions that are concentrated in one geographic area like the City of Cincinnati will result in worse outcomes than if housing solutions were considered regionally.

¹ The Affordable Housing Deficit in the City of Cincinnati, 4-5-2021

² <https://www.clevelandfed.org/en/newsroom-and-events/publications/notes-from-the-field/nftf-20190905-looking-beyond-data.aspx>

³ Low-income households are defined as parents whose income is at the 25th percentile.

⁴ <https://www.brookings.edu/wp-content/uploads/2015/05/RajChettyv2.pdf>

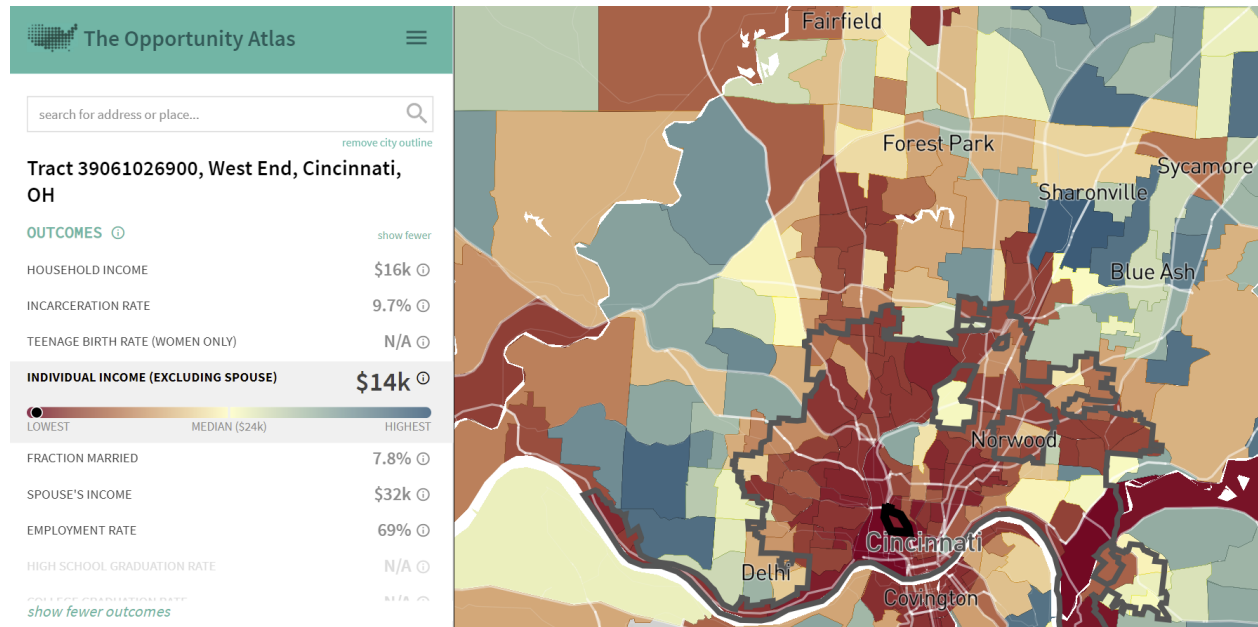
⁵ <https://www.wcpo.com/news/our-community/tri-states-child-poverty-rates-improved-in-2019-but-will-covid-19-crisis-erase-gains>

⁶ <https://opportunityatlas.org/>

While these research findings to address childhood poverty are encouraging, unfortunately, they also show that **low-income adults who move to low-poverty areas see no increase in earnings**.⁷ As a result, if proponents of Issue 3 want to help adults escape the poverty trap, this research suggests that \$50 million a year would be better spent in other, targeted ways.

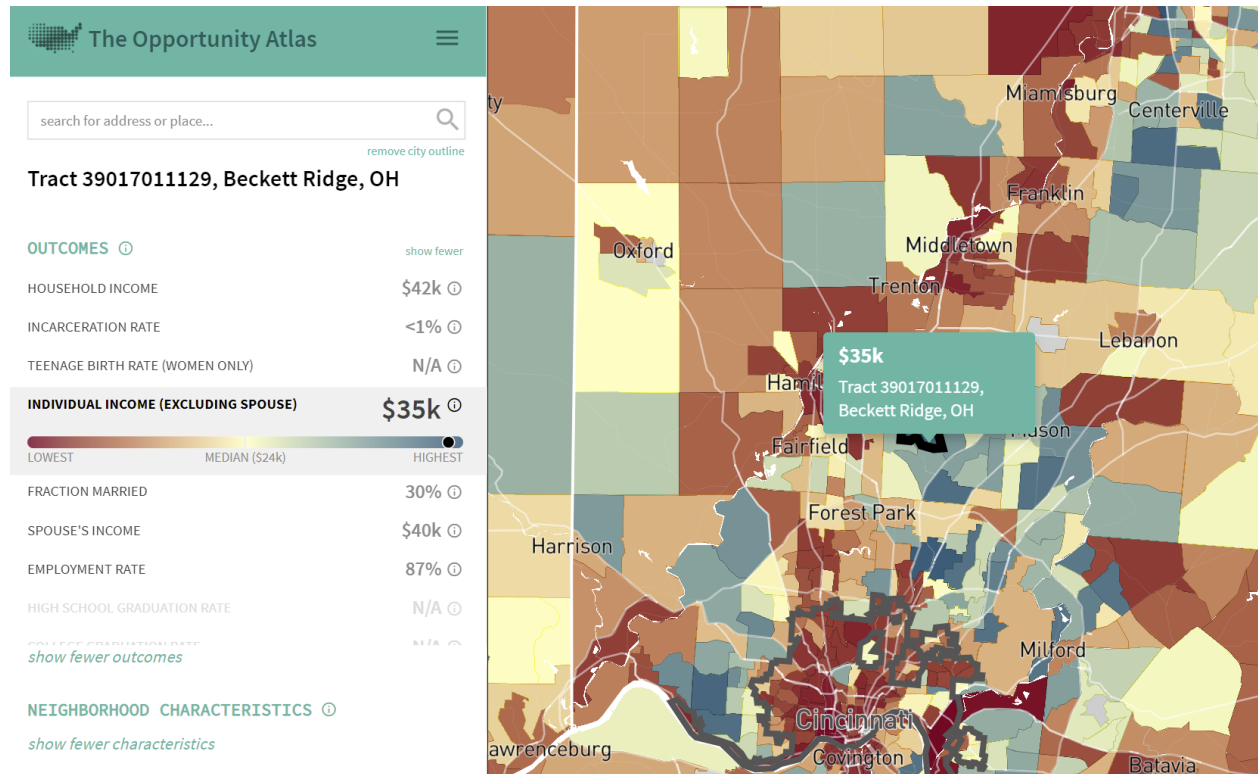
⁷ <https://opportunityinsights.org/paper/newmto/>

Appendix A: West End, Cincinnati, OH



Source: Opportunity Atlas, accessed April 7, 2021

Appendix B: Beckett Ridge, OH



Source: Opportunity Atlas, accessed April 7, 2021

About the Kautz-Uible Economics Institute

The Kautz-Uible Economics Institute creates opportunities for enhanced learning and growth for students, faculty, and alumni of the University of Cincinnati's nationally ranked Department of Economics in the Carl H. Lindner College of Business. Established in 1982 as the Hewett-Kautz Fund, the institute's mission has steadily expanded and continues its transformational impact.

The institute currently supports the economics department through:

- The Kautz-Uible Fellowship Program, which offers scholarships and the Caroline M. Kautz book prize to outstanding economics students;
- An annual lecture series, presented by prominent economists;
- Annual domestic and international travel by undergraduate and graduate student groups;
- The Kautz-Uible Women in Economics Initiative, which provides scholarships and mentoring to economics students;
- The Kautz-Uible Research Initiative, which provides faculty-supervised research opportunities to undergraduate students;
- The Kautz-Uible International Scholar Program, which financially supports the economics department hosting a reputed international scholar for up to a year;
- Faculty recruitment and retention through the establishment of chair professorships.