### The (Un)natural Disaster of Early Poverty

As the Winter 2011 issue of *Pathways* showed, poverty affects children very early in their life-course. If children are subjected to early and chronic stress, it can “get under the skin” and compromise their adaptive biological systems in ways that then make it difficult for them to do well later in life. But exactly when do these early life course effects begin to play out? It’s long been argued that the effects of poverty and stress may extend into the womb, but proving causality between conditions in utero and life outcomes has posed a difficult problem for researchers.

A creative new study by Florencia Torche overcomes these difficulties. Her research links maternal stress to a drop in birthweight by exploiting an external, measurable source of stress: a magnitude 7.9 earthquake that hit Chile in 2005. The findings show that exposure to a high-intensity earthquake has a significant negative effect on birthweight, thereby reducing the toll that poverty itself, we can at least find a way to reduce low-income mothers reduce chronic stress, it can “get under the skin” and compromise their adaptive biological systems in ways that then make it difficult for them to do well later in life. But exactly when do these early life course effects begin to play out? It’s long been argued that the effects of poverty and stress may extend into the womb, but proving causality between conditions in utero and life outcomes has posed a difficult problem for researchers.

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### Segregation of a Crisis

Subprime lending and the foreclosure crisis that followed were a catastrophe for low-income Americans. Because mortgages were securitized and readily sold, a new market for high-risk borrowers opened up, a market quickly exploited by predatory lenders. The standard story about how this happened is an impersonal economic one. We’re told that the crisis was a consequence of highly leveraged refinancing, overbuilding, the collapse of home prices, and a poorly regulated mortgage market. But Jacob S. Rugh and Douglas S. Massey show that, in addition to such economic forces, racial segregation was also an important cause of the crisis. Analyzing a database of foreclosures in 100 U.S. metropolitan areas, they find racial segregation to be a more powerful predictor of foreclosure rates than many market factors cited in previous studies. How does segregation facilitate the sale of subprime loans? It concentrates underserved, less financially sophisticated minority group members in a small number of well-defined neighborhoods and thus makes it easier for brokers to target them when marketing subprime loans. This means that minorities also bore the brunt of the fallout with the waves of foreclosures that followed.

Is there a policy fix? Rugh and Massey argue that there is: The enforcement mechanisms of antidiscrimination policy could be given real “teeth” via systematic and regular audit studies to identify discrimination. For Rugh and Massey, the main conclusion is that, if we really want to reduce the racialized fallout of future financial crises, it’s largely a matter of getting serious about taking on housing discrimination.

### Starting Up Job Growth

Small businesses drive job growth. This claim is trotted out by pundits so often that one might forget it’s an empirical claim rather than a political slogan. Indeed, because it’s an empirical claim, it is useful to test its validity before building all manner of economic policy around it. The testable hypothesis behind the claim is that economies with a larger share of big firms will, all else being equal, be associated with a lower rate of job growth.

Appealing as this idea may be to supporters of small business, new research suggests it’s flat-out wrong. John C. Haltiwanger, Ron S. Jarmin, and Javier Miranda use longitudinal Census data on business dynamics to demonstrate that firm age distorts the relationship between firm size and economic growth. It’s a classic spurious relationship: When one controls for firm age, the negative association between firm size and net growth disappears. The implication is that, if job growth is the goal, what we need is many young firms, not many small ones.

Though start-ups account for only 3 percent of total employment, they provide almost 20 percent of newly created jobs. Although many start-ups fail and their employees will lose their jobs, the start-ups that survive tend to grow extremely fast and more than compensate for the number of failures. Popular perception is wrong: It’s start-ups—not small businesses—that are the real heroes when it comes to job growth in the United States.

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The American economy shed millions of jobs during the Great Recession, and new jobs are trickling back at an anemic pace. When a fuller and more forceful recovery eventually happens, an important question will be whether the poor, who are disproportionately found in big urban centers, will have access to the new jobs the recovery creates. Will the poor be able to take advantage of such jobs as they become available?

According to new research by Adie Tomer, Elizabeth Kneebone, Robert Puentes, and Alan Berube at the Brookings Institution, many residents of big urban centers lack easy access to currently available jobs. According to their analysis of the 371 transit providers in the nation’s 100 largest metropolitan areas, fully 70 percent of jobs cannot be reached by the typical metropolitan resident via mass transit in 90 minutes or less. If attention is restricted to jobs that require only low or moderate levels of skill, approximately 75 percent of all jobs are unreachable in 90 minutes.

This spatial mismatch matters because the poor can’t easily afford cars or the high costs of fueling and maintaining them. If we’re going to run a high-poverty economy in which cars are not available to all, there’s good reason to do a better job of making jobs accessible to the carless poor.