Module 6

How can we understand the root causes of poverty?

As we have discussed in earlier modules, individual inadequacies have often been promoted as the major reason for poverty. The argument is that people are not motivated enough, not working hard enough, do not have enough skills and education, have made bad decisions in their lives, and so on. These individual inadequacies, in turn, lead people into poverty. And in fact, this is the manner in which we have viewed many of the social problems in this country, that is, as individual pathology.

Not Enough Opportunities

In contrast to this perspective, the argument made here is that the fundamental problem lies in the fact that there are simply not enough viable opportunities for all Americans. While it is certainly true that particular individual shortcomings, such as the lack of education or skills, helps to explain who is more likely to be left out in the competition to locate and secure good opportunities, it cannot explain why there is a shortage of such opportunities in the first place. In order to answer that question, we must turn to the inability of the economic and political structures to provide the supports and opportunities necessary to lift all Americans out of poverty.

The most obvious example of this is the mismatch between the number of decent paying jobs versus the pool of labor in search of such jobs. Over the past 40 years, the U.S. economy has been producing more and more low-paying jobs, part-time jobs, and jobs that are lacking in benefits. It is estimated that between one quarter and one third of all jobs today in the United States are low-paying.

And of course, beyond these low-paying jobs, there are millions of Americans that are unemployed at any point in time. In addition, there are millions of people who are working part-time but want to be working full-time, while some Americans have given up looking for work or have looked only sporadically because they feel that there simply aren't jobs available for them. If we include all of these individuals, we would get a rate of unemployment and underemployment of well over 10 percent of the population.

The U.S. has also failed to offer the types of universal coverage for child care, health care, and affordable housing that most other developed countries routinely provide. The result of all this is an increasing number of families at risk of economic vulnerability and poverty.

Musical Chairs

One way that we have tried to illustrate this situation is through the analogy of musical chairs. Picture a game of musical chairs in which there are ten players but only eight chairs available at any point in time. Who is more likely to lose out at this game?

Those more likely to lose out will tend to have characteristics that put them at a disadvantage in terms of competing for the available chairs (such as less agility, not as much speed, a bad position when the music stops, and so on). We can point to these reasons for why the two individuals lost out in the game.

However, given that the game is structured in a way such that two players are bound to lose, these individual attributes only explain who in particular loses out, not why there are losers in the first place. Ultimately, those two people have lost out because there were not enough chairs for everyone who was playing the game.

The critical mistake that has been made in the past is that we have equated the question of who loses out at the game, with the question of why the game produces losers in the first place. They are, in fact, distinct and separate questions.

So although characteristics such as deficiencies in skills or education, or being in a single parent family, help to explain who in the population is at a heightened risk of encountering poverty, the fact that poverty exists in the first place results not from these characteristics, but rather from a failure of the economic and political structures to provide enough decent opportunities and supports in society. By focusing solely upon individual characteristics, such as education, we can shuffle people up or down in terms of their being more likely to land a job with good earnings, but we are still going to have somebody lose out if there aren't enough decent paying jobs to go around. In short, we are playing a large scale version of musical chairs in which there are many more players than there are chairs.

A Shift in Thinking

The recognition of this dynamic represents a fundamental shift in thinking from the past. It helps to explain why the social policies of the last four decades have been largely ineffective in reducing the rates of poverty. We have focused our attention and resources on either altering the incentives and disincentives for those playing the game through various welfare reform measures, or in a very limited way, upgrading their skills and ability to compete in the game through various job training programs, while at the same time we've left the structure of the game untouched. No matter how much job training is provided, if there aren't enough jobs at the end of the line, you're not going to be successful.

When the overall rates of poverty do in fact go up or down, they do so primarily as a result of changes on the structural level that increase or decrease the number of available chairs. In particular, the performance of the economy has been historically important. Why? Because when the economy is expanding, more opportunities (or chairs in this analogy) are available for the competing pool of labor and their families. The reverse occurs when the economy slows down and contracts.

Likewise, changes in various social supports and the social safety net will make a difference in terms of how well families are able to avoid poverty or near poverty. When such supports were increased through the War on Poverty initiatives in the 1960's, poverty rates declined. Likewise, when Social Security benefits were expanded during the 1960's and 1970's, the elderly's poverty rates sharply declined. Conversely, when social supports have been weakened and eroded, as in the case of children's programs over the past 40 years, their rates of poverty have gone up.

The recognition of poverty as a structural failing also makes it quite clear why the United States has such high rates of poverty compared to other Western countries. These rates have nothing to do with Americans being less motivated or less skilled than those in other countries, but with the fact that our economy has been producing millions of low wage jobs in the face of global competition and that our social policies have done relatively little to economically support families compared to other industrialized countries.

From this perspective then, one of the keys to addressing poverty is to increase the labor market opportunities and social supports available to American households. Consequently, an important shift in thinking is to recognize the fundamental distinction between understanding who loses out at the game, versus understanding how and why the game produces losers in the first place. ★