

### Module

# 8

## Why is poverty higher in the U.S. than in other countries?

Having discussed some of the structural impediments that lead to poverty (Module 6), we are in a much better position to understand why poverty is so much higher in the U.S. than in other industrialized countries. Regardless of how poverty is measured, the United States is at the high end when it comes to poverty and inequality. Whether we look at children's rates of poverty, poverty among working age adults, or poverty among single parent families, the story is the same. The U.S. has far and away the highest rates of poverty in the developed world. In addition, the extent of U.S. income and wealth inequality also tends to be extreme when compared to other industrialized countries.

### A Failure of Policy

The question that arises is why is this so? Surely it is not because Americans fail to work hard. In fact, studies have shown that Americans tend to be at the top internationally in terms of the average number of hours worked per week. Rather, we would argue that in contrast to many other countries, the United States has failed to provide the kinds of policies and programs that are designed to prevent or reduce poverty. As the sociologist David Brady writes, "Societies make collective choices about how to divide their resources. These choices are acted upon in the organizations and states that govern the societies, and then become institutionalized through the welfare states. Where poverty is low, equality has been institutionalized. Where poverty is widespread, as most visibly demonstrated by the United States, there has been a failure to institutionalize equality."

In other words, those countries that are proactive in terms of ensuring that few families will fall below a minimum floor level, generally have much lower rates of poverty than those countries that take a more laissez-faire approach. Social policy can make a significant difference in reducing the extent of poverty across countries. Programs that are targeted to reduce inequalities and poverty, generally result in lower rates of poverty.

### A Minimum Safety Net

Despite the popular rhetoric about vast amounts of tax dollars being spent on public assistance, the American welfare state, and particularly its social safety net, can be more accurately described in minimalist terms. Compared to other Western industrialized countries, the United States devotes far fewer resources to programs aimed at assisting the economically vulnerable. In fact, the U.S. allocates a smaller proportion of its GDP to social welfare programs than virtually any other industrialized country. As a result, the United States has often been described as being a "reluctant welfare state." The political scientist Charles Noble writes, "The U.S. welfare state is striking precisely because it is so limited in scope and ambition."

In contrast, most European countries and Canada provide a wide range of social insurance programs that largely prevent families from falling into poverty. These include substantial family or children's allowances, which are designed to transfer cash assistance to families with children. In addition, unemployment assistance is far more generous in these countries than in the United States. Furthermore, universal health coverage is routinely provided, along with considerable support for child care.

The result of these social policy differences is that they substantially reduce the extent of poverty in Europe and Canada, while American social policy exerts only a small impact upon poverty reduction. As economist Rebecca Blank notes, “The national choice in the United States to provide relatively less generous transfers to low-income families has meant higher relative poverty rates in the country. While low-income families in the United States work more than in many other countries, they are not able to make up for lower governmental income support relative to their European counterparts.”

An interesting question to discuss and consider is why the U.S. devotes so little of its resources towards combating poverty? Specifically, why does the political will to address poverty appear lacking? Does it have to do with our belief in rugged individualism? What about the fact that America is diverse in terms of race and ethnicity? How might this work against fighting poverty? Do the poor constitute an important political force? Why or why not? These and many other questions can be discussed and thought about in seeking to understand our public policy response to poverty. ★