

# rethinking american poverty

by mark r. rank

It's a fundamental paradox: in America, the wealthiest country on earth, one also finds the highest rates of poverty in the developed world. Whether we examine children's rates of poverty, poverty among working age adults, poverty within single parent families, or overall rates of poverty, the story is much the same—the United States has exceedingly high levels of impoverishment.

## As a result, half of U.S. children will reside in a household that uses

food stamps at some point during childhood. Life expectancy in Harlem is shorter than in Bangladesh. The bottom 60 percent of the American population currently holds less than 1 percent of the financial wealth in the country. And two thirds of the counties that black children are growing up in are considered high poverty with respect to impoverished neighborhoods.

Although there are several possible explanations for why these conditions exist, the argument developed here is that a major reason has to do with how we as a society have tended to conceptualize the issue of poverty and, based upon this thinking, how we have acted (or better put, failed to act) toward the issue.

The traditional manner of thinking about poverty in the U.S. has viewed impoverishment as largely the result of individual inadequacies and failings. These shortcomings include not working hard enough, failure to acquire sufficient skills, or just making bad decisions. Consequently, the problem of poverty is often seen through a lens of individual pathology. Since individuals are perceived as having brought poverty onto themselves, our collective and societal obligations are seen as limited. The age-old distinction between the deserving versus the undeserving poor reflects this perspective—unless the working-age poor have very good grounds for their poverty, they're deemed largely undeserving of help. Poverty is therefore understood as primarily affecting those who choose not to play by the rules of the game. Ultimately, this perspective reflects and reinforces the myths and ideals of American society: there are economic opportunities for all, individualism and self-reliance are paramount, and hard work is rewarded.

This overall mindset has long influenced both the general public's attitudes toward the poor and much of the policy and academic work analyzing poverty. Nevertheless, it seriously misconstrues the true nature of poverty and fosters a lack of political and social will to address the problem itself. Three major changes are essential for realistically and proactively reframing American impoverishment.

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### poverty affects us all

A first fundamental shift in thinking is the recognition that poverty affects us all. All too often we view poverty as someone else's problem, or think that poverty is confined to certain areas and neighborhoods (such as inner cities or remote rural areas), and that by avoiding such areas we can simply ignore the issue. The notion is "out of sight, out of mind."

Clearly, this perspective is incorrect and intellectually lazy. In one way or another, poverty affects us all. There are at least two ways of thinking about this. The first is that whether we realize it or not, we pay a steep price for our high rates of poverty. As mentioned earlier, the extent and depth of poverty and economic inequality in the U.S. are far greater than in any other Western industrialized country.

As a result, we spend considerably more money than needed on social problems associated with poverty. These include greater health problems, family problems, a less able work force, and so on down a long list. When we speak about homeland security, these are the issues that undermine us and our security as a nation. We wind up paying a tremendous price for quietly allowing so many of our citizens and communities to remain mired in poverty.

### All too often, we view poverty as someone else's problem.

As an example, a study by the economist Harry Holzer and colleagues attempted to quantify the annual monetary cost of childhood poverty in the U.S. They calculated the economic costs that growing up in poverty had for future earnings, risk of engaging in crime, and health quality in later life. Their estimate was that the overall cost of childhood poverty was an eye opening \$500 billion per year—nearly 4 percent of this country's GDP.

The result is that we end up spending much of our tax dollars and resources on the by-products of poverty, assuredly a more expensive approach over the long term than preventing poverty in the first place. In short, each of us pays dearly in a number of ways for letting poverty exist at such levels, but we too often fail to see this connection.

However, there is also a second way of thinking about



poverty as affecting us all. And that comes in considering the chances that an average American will directly encounter poverty at some point during his or her lifetime. As it turns out, the number of Americans who are touched by poverty during adulthood is exceedingly high. My co-author, sociologist Thomas Hirschl, and I have estimated that between the ages of 20 and 75, nearly 60 percent of Americans will experience at least one year below the poverty line and three quarters will experience a year either in or near poverty. Perhaps more surprising is the fact that two thirds of Americans between the ages of 20 and 65 will wind up using a social welfare program such as Food Stamps or Medicaid; 40 percent will use such a program in at least five years scattered throughout their working age adulthood.

Consequently, although those in poverty and welfare recipients are routinely vilified and portrayed as members of “marginalized groups” on the fringes of society, most of us will find ourselves below the poverty line and using a social safety net program at some point. After all, during the course of a lifetime, any number of unexpected, detrimental things can happen—job loss, family break ups, or the development of a major health problem. In addition, recent research has shown that this life course risk of poverty and economic instability has been rising since the 1990s. More and more families, including middle class ones, are experiencing greater income volatility, greater instability in the labor market, and a lack of benefits such as health and unemployment insurance. Jobs are no longer as stable as they once were, health care benefits are harder to get, and the safety

net has weakened over time.

A first shift in thinking therefore asks the question, “Who is at risk of poverty and its consequences?” The answer is: virtually all of us. As a result, each of us has a vested interest in and an imperative for reducing poverty in the U.S.

### structural failings

A second critical change in thinking is a recognition that American poverty is largely the result of failings at the economic and political levels, rather than at the individual level. In the past, we’ve emphasized individual inadequacies as the major reason for poverty; that is, people aren’t motivated enough, aren’t working hard enough, have failed to acquire enough skills and education, or have just made bad decisions. These behaviors and attributes are seen as leading people into poverty and keeping them there. And in fact, we tend to confront most social problems in this country as individual pathologies.

In contrast to this perspective, the basic problem lies in a shortage of viable opportunities for all Americans. Certainly, particular individual shortcomings, such as the lack of education or skills, help explain who is more likely to be left out in the competition to locate and secure good opportunities, but they cannot explain why there’s 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 of us out of poverty.

The most obvious example is in the mismatch between the number of decent paying jobs and the pool of labor in search of those jobs. Over the past 30 years, the U.S. economy has been producing more and more low-paying jobs, part-time jobs, and jobs without benefits (it's estimated that approximately one third of all jobs are low-paying—less than \$11.50 an hour). And of course, beyond those in low-paying jobs, there are millions of unemployed Americans at any point in time. During the recent economic downturn, six to seven people have been competing for every single job opening. Coupled with the country's lack of universal coverage for child care, health care, and affordable housing, this situation leaves an increasing number of families economically vulnerable.

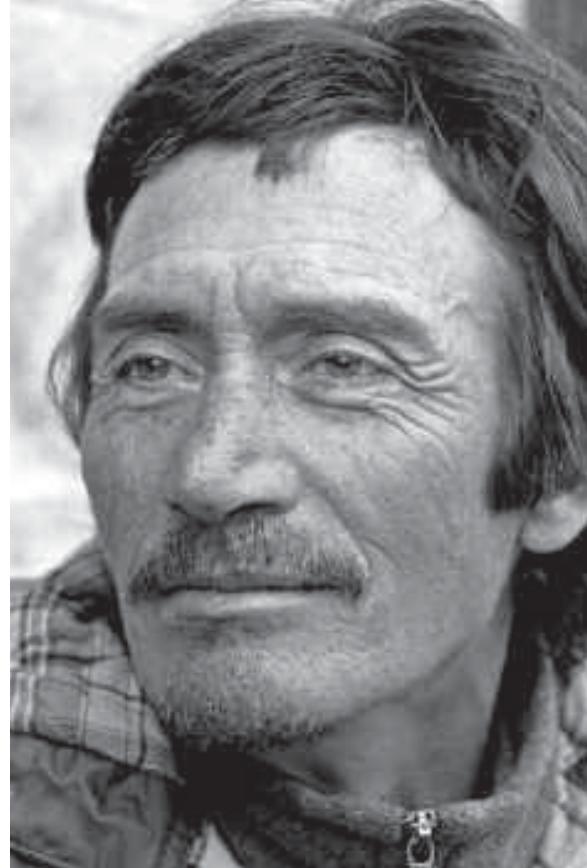
In class, I often use the analogy of musical chairs to help students recognize this disconnect. Picture a game with ten players, but only eight chairs. When the music stops, who's most likely to be left standing? It will be those who are at a disadvantage in terms of competing for the available chairs (less agility, reduced speed, a bad position when the music stops, and so on). However, given that the game is structured in a way such that two players are *bound* to lose, these individual attributes only explain who loses, not why there are losers in the first place. Ultimately, there are simply not enough chairs for those playing the game.

The critical mistake that's been made in the past is that we've equated the question of who loses at the game with the question of why the game inevitably produces losers. They are, in fact, distinct and separate questions. So while characteristics such as deficiencies in skills or education or being in a single parent family help to explain who's at a heightened risk of encountering poverty, the fact that poverty exists in the first place results not from these characteristics, but from a failure of the economic and political structures to provide enough decent opportunities and supports for the whole of society.

By focusing solely upon individual characteristics, we can shuffle people up or down in terms of their likelihood to land a job with good earnings, but when there aren't enough of these jobs to go around, somebody will still end up in poverty. We're playing a large-scale version of musical chairs.

The recognition of this dynamic represents a fundamental shift in thinking from the past. It helps explain why the social policies of the last three decades have been largely ineffective in reducing poverty rates. We've spent our attention and resources on altering players' incentives and disincentives through various welfare reform measures, or, in a very limited way, upgrading their skills and ability to compete with various job training programs, but we've left the structure of the game untouched.

Overall rates of poverty do go up and down, but primarily as a result of changes on the structural level (that is, increases



or decreases in the number of available opportunities—the "chairs"). In particular, the performance of the economy has been historically important, since, when the economy is expanding, more opportunities are available for the competing pool of labor and their families. The reverse occurs when the economy slows down, as we saw in the 2000s and the economic collapse that began in 2008. To attribute the rise of poverty over the past ten years to individual inadequacies or lowered

**Between the ages of 20 and 75, nearly 60 percent of Americans will experience at least one year below the poverty line.**

motivation is absurd. Rather, the increase in poverty has everything to do with deteriorating economic conditions, particularly in the last few years.

Likewise, changes in various social supports and the social safety net affect how well families are able to avoid poverty. When such supports were increased by the War on Poverty initiatives of the 1960s and buoyed by a strong economy, poverty rates declined significantly. Likewise, when Social Security benefits were expanded during the 1960s and 1970s, poverty rates

among the elderly dropped sharply. Conversely, when social supports have been eroded, as in the case of children's programs over the past 30 years, rates of poverty among those relying on such services have gone up.

The recognition of poverty as a structural failing also makes it clear why the U.S. has such high rates of poverty when compared to other Western countries. It's not that Americans are less motivated or less skilled than those in other countries, but that our economy has been producing millions of low-wage jobs and our social policies have done relatively little to economically support families compared to other industrialized countries.

From this perspective, one key to addressing poverty is to increase the labor market opportunities and social supports available to American households. We must shift our thinking to recognize the fundamental distinction between who loses at the game and why the game produces losers in the first place.

### the moral ground

Let's turn to the third shift in thinking that's needed to create a more realistic and proactive approach toward poverty. And that is the moral ground on which we view poverty in America must change. In the past, our moral perspective has been rooted in the ethos of individual blame, with a resulting general acceptance of the status quo. In other words, since people bring it upon themselves, poverty's their problem, not mine.

But poverty is a moral problem. It represents an injustice of a substantial magnitude. Severe deprivation and hardship have been documented in countless studies—not to mention millions of human lives. And, as argued earlier, a large portion of this poverty is the result of failings at the structural rather than the individual level, which places much of the responsibility for poverty beyond the poor.

## There's a fundamental distinction between who loses at the game and why the game produces losers in the first place.

However, what makes this injustice particularly grievous is the stark contrast between the wealth, abundance, and resources of America and its levels of destitution. Something is seriously wrong when we find that, in a country with the most abundant resources in the world, there are children without enough to eat, families who cannot afford health care, and people sleeping on the streets for lack of shelter.

It should also be noted that the gap between extreme prosperity and vulnerability has never been wider. The venerable economist Paul Samuelson, writing in the first edition of his introductory economics textbook in 1948, observed that if we were to make an income pyramid out of a child's play blocks, with each layer representing \$1,000 of income, the peak would



be somewhat higher than the Eiffel Tower, but almost all of us would be within several yards of the ground. By the time of Samuelson's 2001 edition of the textbook, most of us would still be within several yards of the ground, but the Eiffel Tower would now have to be replaced with Mount Everest to represent those at the top.

Or consider the distance between the average worker's salary and the average CEO's salary. In 1980, the average CEO of a major corporation earned around 42 times the pay of the average worker. Today, it is well over 400 times. Adding insult to injury, during the past 30 years, an increasing number of companies have demanded concessions from their workers, including pay cuts and the elimination of health benefits in order to keep their labor costs down, while those at the top have prospered beyond any sense of decency.

Patterns of wealth accumulation have become even more skewed. The top one percent of the U.S. population currently owns 42 percent of the country's entire financial wealth, while the bottom 60 percent of Americans are in possession of less than 1 percent. And while all of these trends have been emerging, our social policies have continued to give more to the well-to-do and less to the economically vulnerable, with the argument that these policies help all Americans through "trickle down economics."

A new way of thinking recognizes this as a moral outrage. Injustice, rather than blame, becomes the moral compass with which to view poverty amidst abundance. The magnitude of



such injustice constitutes a strong impetus for change. It signals that a wrong is being committed and cries out for a remedy. A shift in thinking is premised upon the idea that social change is essential for addressing the injustices of poverty.

This is in sharp contrast with the old way of thinking, in which the moral focus is upon individual blame. Such thinking simply reinforces the status quo by letting us do little while poverty rates climb. The perspective of injustice exhorts us to actively engage and confront poverty, rather than comfortably settling for widespread impoverishment.

In his last book, *Where Do We Go from Here: Chaos or Community?*, the Rev. Dr. Martin Luther King, Jr. wrote, "A true revolution of value will soon cause us to question the fairness and justice of many of our past and present policies. We are called to play the Good Samaritan on life's roadside; but that will be only an initial act. One day the whole Jericho road must be transformed so that men and women will not be beaten and robbed as they make their journey through life. True compassion is more than flinging a coin to a beggar; it understands that an edifice that produces beggars needs restructuring. A true revolution of values will soon look uneasily on the glaring contrast of poverty and wealth." This revolution of values must begin with a fundamental shift in how American society understands, and ultimately acts toward, the poverty in which so many of our citizens live. These are the building blocks on which to challenge and confront the paradox of poverty amidst plenty.

#### recommended resources

Alberto Alesina and Edward L. Glaeser. *Fighting Poverty in the US and Europe: A World of Difference* (Oxford University Press, 2004). A comparison of the differing approaches taken in the U.S. and Europe to addressing poverty.

David Brady. *Rich Democracies, Poor People: How Politics Explain Poverty* (Oxford University Press, 2009). Demonstrates that the extent of poverty across countries is largely the result of variations in social policies and programs.

Jacob S. Hacker. *The Great Risk Shift: The New Economic Insecurity and the Decline of the American Dream* (Oxford University Press, 2008). Ties Americans' increasing economic vulnerability over the last 30 years to the shifting of economic risk from government and employers to individuals and families.

Alice O'Connor. *Poverty Knowledge: Social Science, Social Policy, and the Poor in Twentieth-century U.S. History* (Princeton University Press, 2001). Argues that U.S. poverty research has shifted from a focus on structural causes to an over-emphasis upon individual behavior and personal characteristics as the reasons for poverty.

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