# Confronting Poverty
# Discussion Guide

After you have had an opportunity to use the poverty risk calculator, there may be a number of questions and issues that you'd like to discuss or think about further. In order to encourage such thinking, we have developed a discussion guide to explore various topics surrounding American poverty and inequality. The guide is designed for either an individual exploration of these issues or as a means to facilitate a group discussion.

We believe that the poverty risk calculator, together with the discussion guide, are powerful tools that can provide insight into some of the more important dynamics of American poverty and inequality. The intended audience for the calculator and the discussion guide is broad. We anticipate their use by many different groups in order to delve further into the subject of American poverty. Such groups include community organizations, high school classes, religious congregations, social service providers, college students and their professors, policy think tanks, the engaged citizenry, and many others. We have designed this discussion guide to be a window into an initial exploration of American poverty.

## Module 1

# What is poverty, and how might we measure it?

A logical place to begin an exploration of poverty, is by asking "What exactly is poverty?" For many, a lack of income is what immediately comes to mind. Yet the question then becomes, what is "a lack of income?" How little money should one be earning to be considered living in poverty? This question can lead to a lively discussion. For example, in your exploration of poverty, you might begin by considering those things that you feel are absolutely necessary (e.g., housing, food, clothing, etc.), and what it costs in your community to obtain them.

### Official Definition

The official definition of poverty used by the Census Bureau, draws an income line each year, and households falling below that line are considered to be poor. The line itself differs depending on the size of the household—it is lower for smaller sized households and higher for larger sized households. In 2016, the poverty line for a family of four was approximately $24,500. What this translates to on a weekly basis is $471 dollars per week. Keep in mind that this represents poverty at its most opulent level. For instance, the Census Bureau estimates that approximately 45 percent of those living in poverty fall below half of the poverty line. For a household of four, this would be attempting to survive on $236 dollars or less per week. In your group setting, try imagining what it would take to survive on this amount of income.

You will notice in using our calculator that one can assess the likelihood of encountering at least one year below the official poverty line. In addition, you can estimate your chances for encountering what we are calling near poverty (below 150 percent of the poverty line) and extreme poverty (below 50 percent of the poverty line). This provides a range of poverty estimates available to you. The specific poverty threshold levels for different size households, as well as a more detailed description of the technical manner in which poverty is measured, can be found by accessing the Census Bureau's poverty webpage.

### More than Low Income

Yet is poverty simply a matter of low income? This is an important issue to discuss and contemplate as you begin your exploration of poverty. There are those who argue that poverty comprises more than just income. For example, the Nobel prize winning economist, Amartya Sen, argues that poverty translates into "a lack of freedom." In other words, those in poverty are severely confined in terms of the things they can do and accomplish in their lives. In European countries, poverty is routinely referred to as "social exclusion" or "social deprivation." This gets at the idea that those in poverty are often socially and politically disenfranchised. Can you think of other ways in which poverty might shape people's experiences beyond the lack of income? Again, contemplating the human meaning of poverty is an important avenue for beginning to engage with the subject.

### How Estimates are Arrived At

Another issue to consider as you begin to explore the topic of poverty, is how the overall estimates of poverty are arrived at. Each year the Census Bureau surveys a large, representative sample of the entire United States. In that survey, individuals are asked to estimate their total household income from the prior year. Based upon that information, the Census Bureau determines a yearly U.S. poverty rate. These percentages are typically released in an annual report each September. In recent years the Census Bureau has also released the results from what it calls “the supplemental poverty measure” report. This attempts to provide a more refined measure of poverty taken from the same survey information.

However, our poverty risk calculator estimates are based on a different economic and social survey. It is called the Panel Study of Income Dynamics (or PSID), and is the longest running longitudinal data set in the world. It began in 1968 by drawing a representative sample of U.S. households, and has followed them ever since. The PSID also includes children who have gone on to establish their own households. It is thus designed to be representative of the U.S. population in any given year. The great advantage of this data set lies in its longitudinal nature. By following the same individuals over time, we can see what happens to them in terms of a variety of economic and demographic changes. In particular we can measure the likelihood of individuals falling into poverty at some point during their lives. As is the case with the Census Bureau, the PSID asks individuals to recall all of their income sources for the prior year. Based upon this information, we can then determine whether households fell below the poverty line or not.

In your discussions and thinking about poverty, it is important to keep in mind that all of the poverty data we have, whether from the Census Bureau or the PSID, is based upon survey information. As a result, there is always the chance that individuals will make mistakes in their ability to recall their sources of income. Nevertheless, it is the best that we can do in terms of being able to estimate the prevalence of poverty in the United States. Can you think of any other ways that we could derive an overall estimate of the extent of poverty? ★

## Module 2

# Have you or someone you know experienced poverty?

This may be a very difficult question to engage with. Therefore, it's important to explore why such a discussion is so difficult. One reason, in our opinion, is the overall perception of poverty that is held by the general public. Survey research has shown that much of the population tends to explain the existence of poverty as a result of individual failure and blame.

### Blame and Stigma

The argument goes something like this. America is a land of plentiful opportunities, with those opportunities available to all. So long as one works hard, he or she should be able to accomplish much in a lifetime. In addition, by working hard and applying oneself, anyone wanting to avoid poverty can do so. Therefore, for those who find themselves impoverished, they have no one but themselves to blame. From this perspective, poverty results from laziness, making poor decisions, counterproductive attitudes, lack of skills, and so on.

Now ask yourself or pose to your group, "Are you aware of this perspective?" "Is this one of the reasons why discussing your personal experiences with poverty (if you have them) might be so troubling?" "Does it feel like failure if you've encountered economic distress?" If you answered, yes, you're not alone. We would argue that these attitudes are precisely one of the reasons why addressing poverty in the United States is so difficult.

It turns out that there is considerable stigma and disgrace surrounding the poverty stricken. Sociological research has shown that when a group is stigmatized, the general public often disassociates itself from that group. The result is that no one claims any allegiance to the stigmatized group, allowing the prevailing viewpoint to continue unchallenged.

### The Role of the Calculator

We would argue that the poverty risk calculator helps to confront this perspective. As you explore the different sets of probabilities, you will discover that for many different population groups (but certainly not all) the odds of experiencing poverty in the future are far from trivial. This can be a powerful source of information. It allows one to recognize that they are not alone.

A pertinent quote that touches upon this is from Aston Applewhite who writes, "We need something like the women's movement, which made people aware that things they thought were their own personal problems—like being perceived as incompetent or being paid less—actually were widely shared political problems that required collective action."

Such is the case with poverty. Too often we fall into the trap of framing a social problem as being solely within the purview of the individual. Yet as discussed in other modules, poverty is largely about the loss of jobs, health emergencies, inadequate schools, low wages, and many, many more societal and economic factors. It turns out that collective action is necessary in order to deal with these broader forces.

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Another on-point quote, this time from the sociologist C. Wright Mills, describes unemployment,

*When, in a city of 100,000, only one man is unemployed, that is his personal trouble, and for its relief we properly look to the character of the man, his skills, and his immediate opportunities. But when in a nation of 50 million employed, 15 million men are unemployed, that is an issue, and we may not hope to find its solution within the range of opportunities open to any one individual. The very structure of opportunities has collapsed. Both the correct statement of the problem and the range of possible solutions require us to consider the economic and political institutions of the society, and not merely the personal situation and character of a scatter of individuals.*

Returning back to the topic of personal experience with poverty, it may be important to reflect on the circumstances which have led to poverty. To what extent were these circumstances under your control? In your group discussion, try delving into the subject of how much control we're actually able to exert over the course of our lives. To what extent do luck and chance effect life outcomes? In our *Chasing the American Dream* book we devote a chapter to the twists of fate that can profoundly shape the direction of one's life.

Furthermore, can you imagine falling into poverty in the future? What might be some of the circumstances and conditions that could throw you into poverty? How likely do you think it is that these might occur? These are important questions to ask yourself and/or to pose within your group. ★

## Module 3

# What are the realities versus the myths of poverty?

Having discussed and given some thought to the attitudes and stigma that often surrounds the impoverished (in Module 2), what are some of the additional myths and realities of American poverty? Much of our research has addressed these myths. In fact, few topics in America have more myths and stereotypes surrounding them than that of poverty. From the current wave of political rhetoric to your average Joe or Jane on the street, American poverty has been heavily laden with misconceptions. These include the notion that poverty affects a relatively small number of Americans, that the poor are impoverished for years at a time, that most of those in poverty live in inner cities, that too much welfare assistance is provided, and that poverty is ultimately the result of not working hard enough. Although pervasive, each assumption is flat out wrong.

### Poverty is Widespread

First, the percentage of the population who directly encounter poverty is exceedingly high. For example, our earlier work has found that nearly 60 percent of Americans between the ages of 20 and 75 will encounter at least one year below the poverty line. In our *Chasing the American Dream* book we found that if we combine welfare use, near poverty, and unemployment, four out of five Americans between 25 and 60 will encounter one or more of these events. In addition, one half of all American children will at some point during their childhood reside in a household that uses food stamps for a period of time.

Contrary to popular opinion, poverty is a mainstream event experienced by the majority of Americans. For most of us, the question is not if we will experience poverty, but rather when we will encounter poverty.

### Time Spent in Poverty is Relatively Short

Although poverty strikes a majority of the population, the length of time in poverty is relatively short. The standard image of the poor has been that of an entrenched underclass who are impoverished for years at a time. While this captures a small and important slice of poverty, it is also a highly misleading picture of the more widespread and dynamic nature of American poverty. The typical pattern is that individuals experience poverty for a year or two, get above the poverty line for an extended period of time, and then perhaps encounter another spell at some later point. Events such as losing a job, having work hours cut back, families splitting up, or developing a serious medical problem all have the potential to throw households into poverty. The condition of poverty is one in which many Americans will move in and out of at least several times during their lives.

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## Poverty is Widely Dispersed

Just as poverty is widely dispersed with respect to time, it is also widely dispersed with respect to place. Only approximately 10 percent of those in poverty live in extremely poor urban neighborhoods. Households in poverty can be found throughout a variety of urban and suburban landscapes, as well as in small towns and communities across rural America. This dispersion of poverty has been increasing over the past 20 years, particularly within suburban areas.

Along with the image of inner city poverty, there is also a widespread perception that most individuals in poverty are nonwhite. According to the latest Census Bureau numbers, two thirds of those below the poverty line identified themselves as white. This percentage has held steady over the past several decades. Nevertheless, it is also quite true that if you are nonwhite, your risk of poverty is much higher than that for whites.

## Welfare Assistance is Minimal

What about the generous assistance we provide to the poor? Contrary to political rhetoric, the American social safety net is extremely weak and filled with gaping holes. Furthermore, it has become even weaker over the past 40 years due to various welfare reform and budget cutting measures. We currently expend among the fewest resources within the industrialized countries in terms of pulling families out of poverty and protecting them from falling into poverty. In addition, the U.S. is one of the few developed nations that does not provide universal health care, affordable child care, or reasonably priced low income housing.

The result is a poverty rate approximately twice that of the European average. 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. For the many who find themselves in poverty, they are often shocked at how little assistance the government actually provides to help them through tough times.

## Mainstream Beliefs

Finally, as we discussed in Module 2, the most common explanation for poverty has emphasized a lack of motivation, the failure to work hard enough, and poor decision-making in life. Yet research has consistently found that the behaviors and attitudes of those in poverty basically mirror mainstream America. Likewise, the vast majority of the poor have worked extensively in the past and will continue to do so in the future.

These then are some of the more prominent myths and realities of American poverty. Can you think of other myths and stereotypes that surround the issue of poverty? What about the emotionally charged issue of welfare and welfare recipients? Discuss in your group to what extent these stereotypes are based in empirical fact. Why do they continue to persist?

In conclusion, rather than individual shortcomings, poverty is ultimately the result of failings at the economic and political levels. This suggests that the solutions to poverty are to be found in what is important for the health of any family—having a job that pays a decent wage, having the support of good health care and child care, and having access to a first rate education. Yet these policies will only become a reality when we begin to truly understand that poverty is an issue of us, rather than an issue of them. ★

Module

4

# What is the logic behind statistical probability?

The poverty risk calculator is based upon the notion of statistical probability. And in fact, virtually all social science and medical research is based on this concept. The core idea is that by knowing key characteristics about an individual (as opposed to knowing nothing at all about them), we are able to make a more accurate estimate regarding the likelihood of an event occurring.

## Example of Statistical Probability

A classic example of this would be predicting the probability of having a heart attack in the future. Cardiologists use a statistical formula to determine your 10 year risk of having a heart attack based upon factors such as cholesterol, blood pressure, family history, weight, age, gender, and smoking history. By factoring in these variables, your doctor can give you a more targeted estimate of having a heart attack in the next 10 years.

For example, those who have high cholesterol and blood pressure, a family history of early heart disease, are overweight, older, male, and have smoked during their entire adulthood, are much more likely to experience a heart attack in the future than someone who does not have these characteristics. Let us suppose that such an individual (person A) has a ten year risk of 15 percent, while their counterpart who does not have these characteristics (person B), has a risk of 5 percent. What does this mean?

One interpretation would be that if we were to draw from the general population a random sample of 100 individuals with the characteristics of person A, we would find that approximately 15 of those individuals would have a heart attack in the next 10 years. Likewise, if we did the same thing and drew 100 individuals with the characteristics of person B, we would find that approximately 5 of those individuals would have a heart attack in the next 10 years. Thus, the likelihood of having a heart attack is increased threefold for individuals with the characteristics of person A as compared to individuals with the characteristics of person B.

However, as you can also see, although individuals with person A's characteristics are at a much great risk of experiencing a heart attack, the vast majority of them will not. Likewise, although the risk of having a heart attack is much lower for individuals with person B's characteristics, a few of them will have such an attack.

Thus, what is being predicted are differences in the overall odds of an event occurring, as well as the changes in those odds depending on changes in the set of background characteristics. These models cannot definitely say that if you have a certain combination of these characteristics, then the event will occur - only that the odds are increased or decreased over time.

## Poverty Probabilities and Time

So it is with poverty. We are able to take a select number of background factors, and based upon your responses to those factors, estimate a prediction in terms of a 5, 10, and 15 year risk of poverty. These predictions are grounded in several hundred thousand cases taken from the PSID data set between 1968 and 2013. During this period of time, we're able to observe what happens to individuals with respect to their risk of poverty. Assuming that these patterns hold for the future, we are able to make an estimate regarding your personal chances of experiencing poverty based upon your age, race, gender, marital status, and education.

Another element to keep in mind is that of time. As one projects out across longer time periods, the likelihood of an event occurring increases. For example, as we extend out to 15 years, there is a greater chance that a detrimental event will occur (e.g., losing a job, a health emergency, families splitting up) that can throw you into poverty. Indeed, in our earlier work we found that a majority of Americans would experience poverty when we looked over a 55 year period.

Yet in spite of this, it's frequently the case that when we're asked to estimate the likelihood of an event occurring, we often fail to appreciate the long-term horizon. This results in our underestimating the probability of a particular event happening, which partially explains why so many people believe that poverty will never happen to them.

In using the risk calculator, you can observe how your risk of poverty increases as you project out from 5 to 10 to 15 years in the future. Were we to extend the time dimension out further, the risk would continue to rise. However, it is also true that the rate of increase in the risk of poverty generally slows down considerably after the 15 year mark. In other words, if poverty hasn't happened within the 15 year window, it becomes less likely that it will happen. ★

## Module

5

# Why are the five background factors so important?

As you explore and use the poverty risk calculator, you will quickly discover that the five background characteristics you are asked to select, make a significant difference in shaping the likelihood of experiencing poverty. These factors include education, race, gender, marital status, and age. In general, those with less education, who are nonwhite, female, not married, and in their 20's and 30's (or 60's and 70's), have higher odds of experiencing poverty than those with more education, who are white, male, married, and in their 40's and 50's. These demographic patterns have been consistent across a wide variety of studies and data sets.

### Illustration

To illustrate, the risk calculator estimates that the five year probability of experiencing poverty (below 100 percent of the poverty line) for those with 12 years of education or less, who are also nonwhite, female, not married, and between the ages of 25 to 29, is 73.7 percent. For those with more than 12 years of education, who are white, male, married, and between the ages of 45 to 49, the figure is 2.2 percent. We can see, therefore, a huge difference in the likelihood of facing poverty depending on the combination of characteristics that you select.

One thing to note is that each of these characteristics is important in and of themselves. In other words, they each have a significant effect upon the chances of poverty independent of the other factors. You can easily observe this by comparing two individuals who are identical except on one of the five factors. By doing this, you can examine how the risk of poverty varies depending on changes in the variable that you're interested in. In combination, these factors are particularly profound in affecting the risk of poverty.

The question that naturally comes to mind is, why are these attributes so important? In your group, posing this question can lead to a lively discussion. Use this as an opportunity to explore the various explanations for why poverty exists in the United States. In the next module (Module 6) we will explore the deeper reasons behind poverty, but here we focus on the importance of these five factors.

As a way of getting at this question, let us ask what each of these factors have in common? We would argue that they all increase or decrease the vulnerability of individuals vis-a-vis the labor market. Each of these characteristics exerts an influence on how well individuals are able to compete in the labor market with respect to generating income.

### Education

Perhaps the most obvious example of this is education. Countless studies have shown that those with greater education are able to land higher paying jobs. They are more competitive in the job market, and are therefore able to locate and find better quality jobs. On the other hand, those with less education are often not as competitive in the labor market, and therefore find themselves in lower paying and less stable work. The result is that fewer years of education is associated with higher rates of poverty.

## Age

The risk of poverty with respect to age follows a U shape pattern. Younger age adults, as well as older age adults, are generally more at risk of poverty than those in their 40's and 50's. Again, the reason for this has to do with the labor market. Those in their 40's and 50's are often in their prime income earning years. Such individuals have generally built up a set of skills and experiences that makes them desirable from an employer's perspective. On the other hand, younger age adults are often entering the job market on the lower rungs, while older aged adults are contemplating or have retired. In both situations, individuals are likely to be earning less than those in middle adulthood.

## Marital Status

Marital status is also strongly related to the risk of poverty. Again, a primary reason for this has to do with the labor market. Those who are married, frequently have two wage earners in the job market, resulting in potentially higher overall income than households with only one wage earner. In addition, female headed households are at a particularly high risk of living in poverty.

## Race and Gender

Finally, race and gender both affect the likelihood of experiencing poverty. Structural discrimination in the labor market has resulted in nonwhites and women being paid less than their white and male counterparts. Substantial research has shown that patterns of wage and job discrimination have existed in the U.S. labor market for many years on the basis of race and gender. The result is that nonwhites and women with the same characteristics as whites and men tend to earn less at their jobs, resulting in greater chances of impoverishment.

Can you think of other important factors that may be related to the risk of poverty? Do these additional factors also influence an individual's ability to compete in the labor market?

Ultimately, the five factors included in the risk calculator are powerful predictors of an individual's chances of encountering poverty. They each affect an individual's ability to compete effectively in the labor market. However, we would argue that they are not the ultimate cause of poverty. ★

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. ★

# Module 7

# How important is hard work for avoiding poverty?

The phrase, "Pull yourself up by your own bootstraps" is one that is embedded in the American lexicon. As we have discussed in earlier modules, this is often the predominant mind set when it comes to explaining poverty. There is a widespread belief that with hard work and effort, anyone can avoid falling into poverty. In your group, ask yourselves, to what extent do you feel that hard work is sufficient for achieving economic success?

## The Role of Motivation and Hard Work

In our research, we have given considerable thought to the role that motivation and hard work plays in getting ahead. In the course of writing *Chasing the American Dream*, we talked with dozens of people from many walks of life around this topic. Our overall conclusion is that hard work is a necessary but not a sufficient condition for getting ahead. In other words, hard work and effort are generally important ingredients for reaching one's goals in life, but they do not guarantee success in and of themselves.

We can think about this relationship in the following way. It is difficult to imagine individuals doing well in life without a decent amount of effort and work. Even for those born into wealth, hard work and motivation are generally required for reaching one's goals. And for those starting with much less, hard work and initiative would appear to be essential.

On the other hand, we have talked with many people who have worked very hard throughout their adult lives, but have struggled to achieve economic success. During the course of a year, we interviewed women and men who have worked extremely hard but nevertheless found themselves in poverty or close to poverty.

## A Hard Working Example

We asked one such woman who was interviewed for our *Chasing the American Dream* book about how the general notion of the American Dream stacked up against the economic realities that she had seen.

*I think for most people it's sort of a Horatio Alger's thing of going from rags to riches. That anybody through their own hard work can pull themselves up in this country. But I think a whole lot of people have worked really hard and not been able to pull themselves up.*

*My dad worked really, really hard. And the only reason he had $10,000 in the bank when he died is because his brother died and left him some. And then his house sold for a little over $20,000. And this is from a guy who worked his tail off his whole life long. He had paid employment until after age 80 despite his physical disabilities. So, hard work doesn't necessarily get you ahead. I know that.*

We then asked her, "How does this experience affect your sense of fairness?"

*Well it makes me mad that things are not fair and that we don't value hard work. And, in fact, one of the surest indicators for how hard you'll have to work is your income. The people with lower incomes will have to work harder from a standpoint of backbreaking physical labor.*

*You know, I make a lot more money than Elaine Nelson from my church. But she mops floors down at St. Peters Hospital and changes sheets and makes sure that the operating room is sanitary so that people can go home without a staph infection. Her work is really essential, but she's only making like $9 or $10 an hour to do that kind of work. And I take her to places to get help with her utilities and take her to the food pantry at my church now and then 'cause she doesn't have a car. And she's faced an eviction so many times since I've known her.*

*And to me, that's just so unfair that a person that does really important work that cares for our community... You know, having a safe, clean hospital is a very important thing. Why don't we reward that adequately? It makes me really mad.*

## Hard Work May Not Be Enough

What this woman and many like her discussed in our interviews relates to the fact that there are simply not enough decent-paying jobs to support all Americans. In an earlier module (Module 6) we relied on the analogy of musical chairs to illustrate the mismatch between the number of individuals in need of a decent paying job versus the limited number and availability of such jobs. The result is that for some Americans, no matter how hard they work, they still may not be able to get ahead economically.

Do you agree that hard work is a necessary but not a sufficient condition for getting ahead? Can you point to examples of people you know that would confirm this? Are there cases where hard work may not be important in getting ahead? How is this accomplished? Overall, how important is motivation and determination in avoiding poverty? These are some of the questions that are important to consider. ★

# 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. ★

## Module

## 9

# Why is it important to reduce poverty?

This is a vital question to address, and one that is often ignored. Obviously poverty exacts a heavy toll upon those who fall within its grasp. For example, one of the most consistent findings in epidemiology is that the quality of an individual's health is negatively affected by lower socioeconomic status, particularly impoverishment. Poverty is associated with a host of health risks, including elevated rates of heart disease, diabetes, hypertension, cancer, infant mortality, mental illness, undernutrition, lead poisoning, asthma, and dental problems.

### Shorter Life Expectancy

The result is a death rate for the poverty-stricken between the ages of 25 and 64 that is approximately three times higher than that for the affluent within the same age range, and a life expectancy that is considerably shorter. For example, Americans in the top 5 percent of the income distribution can expect to live approximately 9 years longer than those in the bottom 10 percent. As health expert Nancy Leidenfrost writes in her review of the literature, "Health disparities between the poor and those with higher incomes are almost universal for all dimensions of health."

However, what we have failed to recognize is that poverty also places enormous economic, social, and psychological costs on the nonpoor as well. These costs affect us both individually and as a nation, although we have been slow to recognize them. Too often the attitude has been, "I don't see how I'm affected, so why worry about it?"

### Poverty Affects Us All

Yet the issues that many Americans are in fact deeply concerned about, such as crime, access to and affordability of health care, race relations, and worker productivity, to name but a few, are directly affected and exacerbated by the condition of poverty. As a result, the general public winds up paying a heavy price for allowing poverty to walk in our midst. A report by the Children's Defense Fund on the costs of childhood poverty makes this strikingly clear,

*The children who suffer poverty's effects are not its only victims. When children do not succeed as adults, all of society pays the price: businesses are able to find fewer good workers, consumers pay more for their goods, hospitals and health insurers spend more treating preventable illnesses, teachers spend more time on remediation and special education, private citizens feel less safe on the streets, governors hire more prison guards, mayors must pay to shelter homeless families, judges must hear more criminal, domestic, and other cases, taxpayers pay for problems that could have been prevented, fire and medical workers must respond to emergencies that never should have happened, and funeral directors must bury children who never should have died.*

When we speak of homeland security, these are the issues that truly undermine us and our security as a nation.

### Quantifying the Costs

There have been several attempts to quantify the cost of poverty in terms of a monetary amount. However, the ability to estimate the magnitude of the costs surrounding an issue such as poverty is exceedingly complex. Nevertheless, in one study conducted nearly 10 years ago, researchers calculated the costs of childhood poverty with respect to increased health care costs, increased costs in crime, and costs associated with reduced productivity and economic output. The authors estimated that the overall economic costs of childhood poverty in the U.S. totaled approximately

500 billion dollars a year, or nearly 4 percent of the nation's annual gross domestic product or GDP. In a recent reanalysis of the costs of childhood poverty, we have put a revised annual price tag of just under 1 trillion dollars.

Suffice it to say that poverty exacts a high toll upon both the poor and the nonpoor in our country. In your thinking and discussions of poverty, what are some of the other reasons that may be important for reducing poverty? One line of thinking is to explore and consider the concepts of social justice and fairness with respect to poverty. Is the condition of poverty just? Why or why not? What about childhood poverty or poverty amongst the elderly? Is impoverishment among these groups fair? Should Americans who work full-time still be mired in poverty? Why or why not? There are many approaches to thinking about why reducing poverty is important. ★

Module

10

# What can be done to alleviate poverty?

Our last module covers a topic that serves to conclude the discussion guide. In thinking about what can be done to alleviate poverty, there are at least two ways to address this question. The first is to take a look at what you as an individual can do to reduce your own chances of experiencing poverty. The second is to focus on what can we do as a nation to reduce the overall extent of poverty in this country.

## Individual Strategies

With respect to the first question, one thing that is absolutely clear from the research is that those with greater human capital (e.g., education, skills, training, etc.) tend to be more competitive in the labor market, and as a result, will run a lower risk of experiencing poverty. As we discussed in Module 5, this helps to explain why the five factors in the poverty risk calculator are so important. Individuals possessing more education, skills, and training are typically more competitive when it comes to landing higher paying jobs. Consequently, one way to reduce your individual chances of experiencing poverty is to increase your amount of human capital. By doing so, you will make yourself more attractive to employers, resulting in a reduced risk of unemployment or working at a lower paying job, which in turn results in a lower probability of poverty.

A second individual way for individuals to cope with poverty is by being financially prepared when economic shocks occur. As we have discussed in previous modules, during a prolonged stretch of time any number of economic ups and downs may occur to individuals and families. It is quite likely that at some point you may experience one or more of these setbacks. These could include losing a job, families splitting up, health emergencies, or other events that can lead to economic turmoil. When economic insecurity strikes, do you have enough savings and accumulated economic assets to carry you through such difficult times?

It turns out that many of us have had difficulty with respect to our savings behavior. For example, a recent study from the Federal Reserve found that 46 percent of Americans did not have enough money saved to cover a 400 dollar emergency expense. Other research has shown that a majority of the population do not have enough liquid assets to keep them above the poverty line for three months should they lose their main source of income.

Consequently, saving a portion of your paycheck can become an important insurance strategy for dealing with that rainy day. Putting aside a set amount of income each month results in some degree of economic security should the need arise.

## Policy Strategies

A second way to think about alleviating poverty is to examine what can be done on a policy level to reduce the number of households that are poor. To go back to our earlier musical chairs analogy (Module 6), how can we restructure the game such that there are more opportunities and supports for those who are playing the game?

There are at least four broad strategies that can be employed to reduce poverty on a national, state, and local level. First, there is a need to create enough adequately paying jobs that can support individuals and families above the poverty line. This includes initiatives such as raising the minimum wage to a living wage, increasing the Earned Income Tax Credit, and stimulating the creation of good quality jobs.

Second, it is important to increase the accessibility of key social and public goods. These include quality education (both at the primary and secondary level, as well as at the post-secondary level), health care, affordable housing, and child care.

Third, policies that encourage the building of assets, particularly for those of modest means, is vital. Likewise, building the assets and resources of lower income communities is important.

Finally, providing a strong and effective social safety net is critical in addressing poverty on a national, state, or local level. This would include a range of programs and supports designed to allow families to get back on their feet when economic turmoil strikes.

Can you think of other policies and strategies that would be effective in reducing the overall U.S. rates of poverty? What about individual behaviors and actions that might reduce the risk of poverty?

There are many ways to begin to take action in confronting poverty. For example, continue to learn about poverty and share your newfound knowledge with others. Consider getting involved in your community with those organizations that are assisting low-income families. Mobilize a group of your friends and acquaintances to begin to consider the ways in which you might stand up to poverty and injustice. Make your voices heard to legislators and policy makers in your community, state capital, and Washington D.C. Ultimately, the change begins with each of us. As Margaret Mead once said, “Never doubt that a small group of committed citizens can change the world. Indeed, it is the only thing that ever has.” ★