

# **Poverty in an Affluent Nation**

Causes and Solutions to the Problem of Poverty in the United States

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## INTRODUCTION

Poverty remains rampant across the U.S. today and goes ignored by many who have money that could help to alleviate it. This may be because most people look at poverty as a problem of the poor that they should correct, but poverty is a large social issue. Poverty fuels crime, which affects everyone and deteriorates once decent neighborhoods. There are many social issues surrounding poverty that could be eliminated or greatly reduced, were poverty wiped out.

Some people look at poverty as being a solely urban issue, but this is not the case. In 1999 for example, urban areas consistently had lower poverty rates than non-urban areas. Mississippi, which is a predominantly rural state, had the highest state poverty rate at 19.9% (Iceland, 2003, pp.51-52). Poverty is also often seen as a problem that predominantly affects people of color, but in areas like Appalachia white poverty has been widespread for generations (p.52). Only in recent decades has poverty become concentrated within urban areas (p. 54), which has caused many to identify poverty solely with inner cities and the people of color who tend to live there, making it seem as though it is an isolated issue that can be ignored.

Despite the fact that the United States has been one of the world's most affluent countries since the 1950s, the problem of poverty has persisted with little

decline since the 1970s. It is amazing to me that in such a wealthy country poverty has not been greatly reduced. This is partially because consensus cannot be reached on what to do about it, or if anything should be done at all. Different explanations for what causes the phenomenon of poverty are offered from various political viewpoints, while some blame society, others blame the individuals who are poor themselves.

Most American's see poverty as a problem that can be improved through small changes to current policy, while some think that our economic and political systems must be entirely reworked, as poverty is an inherent facet of unregulated capitalism. Though many solutions have been proposed to end the problem of poverty, academics, economists, or politicians cannot agree on one. I will first evaluate the thoughts of conservatives, liberals and radicals. Then I will draw my own conclusions on what causes poverty and how it can be eliminated, or at the very least reduced.

I will discuss poverty's causes and possible solutions in the context of what I define as conservative, liberal, and radical perspectives. It is nearly impossible to succinctly define these terms within the context of U.S. social policy. One cannot expect to cover every possible aspect of how every person who carries one of these labels would respond to all political issues. Nonetheless, to discuss poverty without using these terms would be overly complicated, confusing, and possibly alienating to some readers.

I will begin my examination into poverty in the U.S. by laying out the data that is available on poverty, across time, regions, and ethnic groups. I will also investigate discrepancies in income and wealth. Then I will compare different

beliefs concerning poverty from across the political spectrum, beginning with conservative, moving on the liberal, and then radical. Each political perspective on poverty has flaws, though some have more than others. I will examine these flaws and try to reconcile them in my own recommendations to end poverty. In my final chapter I will explain what I think is necessary to reduce poverty, and why I think it is important that something be done.

The subject of poverty is not currently a widely debated political issue. Many people would prefer not to acknowledge that they could play a part in eliminating such a problem, but choose not to. I would like to bring attention to the important implications of allowing poverty to exist in our society. I would also like to make people realize that poverty is a problem that we can reduce or eliminate if we accept the responsibility to do so and are willing to make minimal sacrifices for the greater good. However, my main goal is to compare different political perspectives on poverty's causes to determine the best future course of policy action.

# **CHAPTER 1**

## **ASSESSING THE PROBLEM: DATA ON POVERTY, INCOME DISTRIBUTION, AND WEALTH**

### ***1) Official Poverty Measures in the United States and Their Flaws***

The two official measures of poverty used by the United States government are poverty thresholds and poverty guidelines. Poverty thresholds are used mainly by the Census Bureau for statistical purposes. Poverty guidelines are a simplified version of poverty thresholds. They are used by government agencies, like the Department of Health and Human Services, to determine eligibility for some federal programs. The poverty guidelines for 2005 established an income of \$9,570 for a single person, \$12,830 for a family of two, \$16,090 for a family of three, \$19,350 for a family of four, and so on. As far as the federal government is concerned, these amounts apply to people living in all 48 continental states, without variation by region (United States Department of Health and Human Services, 2005).

The U.S. poverty guidelines and poverty thresholds are absolute poverty measures, which is somewhat controversial. An absolute poverty measure

remains constant over time, assuming that there is some measurable absolute level of income that is necessary for subsistence, and this is what determines poverty (Iceland, 2003, p.21). Some feel that it would be more appropriate to use a relative poverty measure, which are commonly used in European countries. Relative measures take into account the economic well being of society as a whole and make comparisons based on what is considered enough to provide for a standard of living that allows a person or family to be a fully functioning member of the populace. These measures account for changing social standards and notions of poverty, but such a measure has not been adopted in the U.S. because some believe that poverty should be seen as a definite concept, which does not change over time (pp. 25-26).

In her book *Drawing the Line* (1990), economist Patricia Ruggles details the controversy surrounding poverty measurement in the U.S. There are a number of problems with the U.S. poverty threshold aside from it being an absolute measure. The most obvious issue with the U.S. poverty measure is its age. The current poverty thresholds are determined using a method that was designed in 1965 by Mollie Orshansky, which has not been updated since, except to adjust for inflation. The thresholds are based mainly on food consumption. Orshansky used subsistence level food budgets for different family sizes, which were determined by the Department of Agriculture. She multiplied these food budgets by three based on survey evidence that indicated that food made up one third of an average family's spending (p. 4).

Many social scientists see the current measure as crude and outdated. Alternative measures have been developed and suggested, but as of yet the

government has not adopted a new official measure. Other problems have been observed concerning the current thresholds. Consumption patterns are likely to change across decades. Over time people's needs change, and what they spend the majority of their money on changes as well. Ruggles give the example of today's spending on childcare (p.47).

In the past, when the current standards were developed most all wives stayed at home and worked within the domestic sphere. Today this is not true, and childcare can be a large expense. Changes in this and other expenses have made it so a family no longer spends nearly a third of their income on food. Also, it is problematic to base consumption on that of the poor, as Orshansky did, because the budgets of the poor are constrained, which means that their spending may already be inadequate. Ruggles suggests that researchers come up with some level of spending between that of the poor and the middle class that would represent an amount sufficient to survive healthily (pp. 47-49).

There are also problems with the adjustments for family size and other differences in family needs in the original poverty thresholds. Ruggles points out that the current scale used to adjust for family size can sometimes behave strangely. When going from a two to three person family the poverty level goes up by 23%, but when going from a three to four person family it goes up by 28%. However, studies show that as families get larger less is likely to be spent on each individual. So, in this case the rate of increase should logically go down, but it rises. This pattern continues as families get larger, which demonstrates another imperfection in poverty threshold calculations (pp.65-67).

Ruggles also sees a problem with the U.S. using a different scale, with lower thresholds, to measure elderly poverty. It is argued that this is necessary because the elderly have fewer expenses; mostly they tend to eat less than non-elderly people and are likely to own homes. However, Ruggles argues that the elderly are likely to spend much more on healthcare than the rest of us. Also, they may eat less, but are more likely to have special dietary needs that can be costly, and though they own homes, these are likely to be old, require maintenance, and have high utility costs (pp. 68-69).

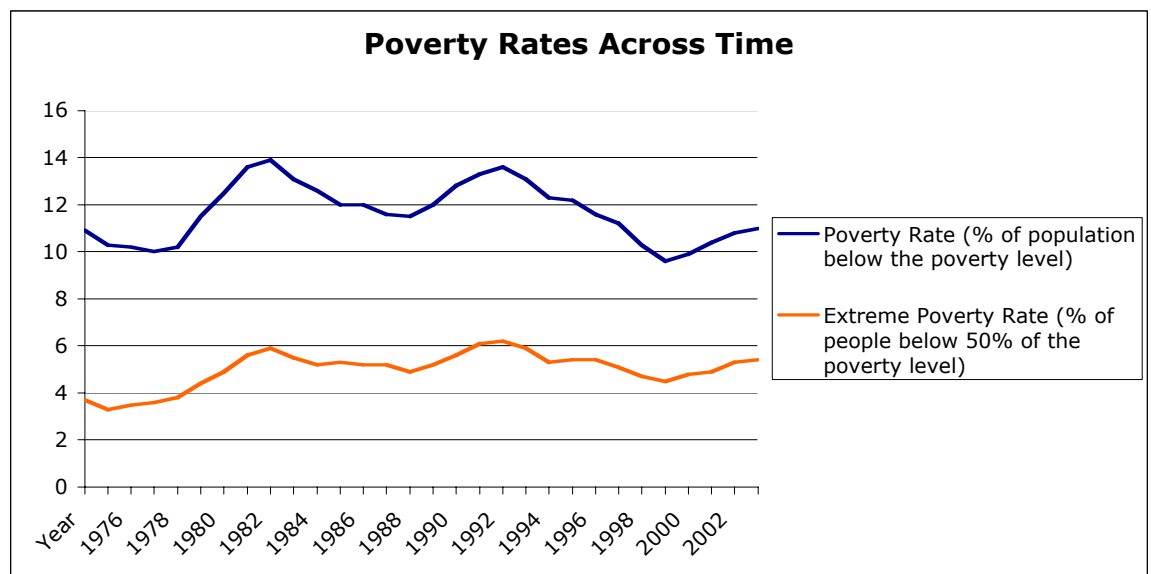
Exactly what should be included as income is a very controversial issue. The current poverty threshold calculation accounts for all cash income that a family receives. This is income before taxes and does not account for non-cash benefits a family may receive. This is partially because in the 1960s the poor were much less likely to owe any taxes than they are now, but today many agree that an after tax income would be more accurate. Also, non-cash transfer programs have expanded a lot since the 1960s. Food stamps did not exist until the 1970s, and spending on Medicare and Medicaid multiplied twelve times between 1970 and 1990. Today, adjusting for transfers and taxes would make the national poverty measure much more precise (pp. 135-136).

The current measure of poverty has many problems and should be revised. Despite its flaws, here I will be using official federal threshold statistics that represent the absolute level of poverty by the U.S.'s formal calculations, for the sake of accuracy, consistency, and clarity. To illustrate how poverty affects the nation I will be comparing poverty and income across time, regions, metropolitan areas, and racial and ethnic groups.



## 2) Poverty Across Time

Though the U.S. poverty rate has fluctuated a lot over the past few decades, it is currently near the same level it was in the mid-1970s, as illustrated in the chart below.



Source: United States Census Bureau. (2005). *Historical Poverty Tables*.

The trends in the poverty rate over the last few decades suggest that reductions in poverty spending through the 1980s and 90s, and most notably in 1996, have done little to affect the poverty rate. Poverty rates did drop in the 1990's, but this was probably because the U.S. economy was doing well. Once the economy went into a slump in 2000 poverty rates rose back up to about the same level they were in the 1970s. Conservatives suggest that if government aid is

reduced, poverty will also be reduced, but there is not clear evidence that this claim is true.

### ***3) Poverty and Income Across Regions***

The Southern and Western U.S. are by far the regions afflicted with the most poverty. In 2002, in the South, 13.8% of the population lived below the poverty level, and in the West this number was 12.4%, compared to 10.9% in the Northeast and 10.3% in the Midwest (United States Census Bureau, 2005, p. 453). It is interesting to compare these figures to the median incomes of each region. In 2002, the median income in the South was \$ 38,471, which was the highest region in the nation, showing that the South has the greatest disparity in incomes of any region. The median incomes for the West and Midwest were \$24,934 and \$24,600 respectively and the Northeast, which has the lowest poverty rate, also has the lowest median income at \$20,809, showing that it has the most minimal economic disparity (p.449).

The issue of urban poverty is often focused on by the media and policy makers because urban poverty tends to be more concentrated, which can lead to problems like high crime rates and increased instance of drug abuse. However, there is actually a slightly higher occurrence of poverty in rural areas. In 2003, 14.2% of the rural population was living in poverty. The urban poverty rate was not far off at 12.1%. There has been a higher rate of rural poverty than urban

since the U.S. began officially measuring poverty in the 1960s. Before the 1990's there was a larger difference in the two percentages, but since rates of poverty declined in both areas due to general economic growth, the rural poverty rate has remained at a lower level than it was in the past (United States Department of Agriculture, 2005).

#### ***4) Poverty and Income Across Racial and Ethnic Groups***

As of 2002, 12.1% of all people were living below the poverty level, but there was great disparity in the representation of different racial and ethnic groups within this percent of the population. Only 10.2% of whites and 10.1% of Asians lived below the poverty level. In contrast, 24.1% of blacks and 21.8% of Hispanics did. (United States Census Bureau, 2005, p. 452). Perhaps the population that is most likely to be poor is non-citizens living within the U.S. As of 2002, 20.7% of this group lived in poverty. People of all races belonging to this group are very likely to live in poverty. Asians are the least likely, only 14.4% of non-citizen Asians lived below the poverty line in 2002. This may seem like a large number, but it is small when compared to all other groups. 22.5% of the white non-citizen population was living in poverty in 2002, along with 20.6% of the Black non-citizen population, and 25.1 % of Hispanic non-citizens (p.453).

Examining median family incomes by racial and ethnic categories also illustrates a great disparity in earnings. In 1999, Asian families had the highest median income at \$59,324 and white families followed closely with a median

income of \$53,356. Hispanic and Black families had very close median incomes being \$34,397, and \$33,255 respectively. Families of two or more races were somewhere in between these four groups with a median income of \$39,432 (p.448). These numbers help to illustrate how poverty rates differ between different racial groups and why this is a concern.

### ***5) Poverty and Income Across Gender and Family Type***

The poverty level for females was at 13.3% in 2002, while in was only 10.9% for males (p. 453). Though both of these percentages went down since 1999, the gap between males and females remained virtually the same, increasing one tenth of a percentage point (pp.451-453). This trend holds true when comparing male and female median incomes. In 2001, the median income for men of all races was \$29,101 and the median income for women of all races was only \$16,614 (p. 450). Despite the fact that women have gained legal equality there is still a substantial income gap between males and females, and more surprisingly this gap remains at all educational levels.

Women who did not complete high school barely make half as much as men at the same educational level. Women who have completed education through the 9<sup>th</sup> to 12<sup>th</sup> grades had a median income of \$10,613 in 2002, whereas men in this group had a median income of \$19,802. On the opposite end of the spectrum, women with a Bachelor's degree or higher level of education have a

median income of \$34,292. Men with these same high levels of education make significantly more, with a median income of \$55,188 (p. 449).

The largest problem caused women's incomes being so much lower than men's is that they are far more likely to be single parents who must support their children on one income. Plus, the women who become single mothers tend to be on the lower end of the educational spectrum, making it even harder for them to adequately support a family. In 2002, female heads of household with no husband had a median income of \$26,423. Single male heads of household made a good deal more than this with a median income of \$37,739. Married couples in which the wife is not in the labor force do not generally make much more than single males. Their median income was \$40,102 in 2002, which is logically less than the median income of married couples in which both husband and wife work, which is \$72,806.

## ***6) Child Poverty***

Children are the age group most likely to be poor. High child poverty rates are closely related to the high occurrence of poverty in households headed by single mothers. These mothers remain single, so they are constrained from working by raising their children. This means all of their children must live in poverty as well. Living in poverty creates many obstacles for children's development. It can negatively affect their educational outcomes, health, and future economic opportunities.

In 2004, 17.3% of all children in the U.S. were living in poverty. Only 9.0% of children in married couple families were poor, while 41.8% of children in female-headed families were in poverty. When the demographic of children being raised by a single female is broken down by race the disparity becomes even more unsettling. In white families headed by a female, 38.1% of children were in poverty, compared to 49.1% of black children in the same family type and 51.8% of Hispanic children (United States Census Bureau, 2005, *People*). It is clear that the children of single mothers have a great risk of being poor. When thinking about policy options it is especially important to consider this portion of the population.

## ***7) Distribution of Wealth***

The inequality of wealth in the U.S. has been increasing since the 1980s. According to United for a Fair Economy (2005), between 1983 and 1998 the total wealth of the bottom 40% of the wealth distribution decreased by 76.3%. During the same period, the wealth of the top 1% of the distribution increased by 42.2%. Many of the poor have no wealth at all, which can cause problems in times of financial crisis. As of 2001, the bottom 50% of the distribution owned only 2.8% of all wealth, while the top 5% had 57.7% (United for a Fair Economy, 2005).

These figures indicate a large and growing gap between the richest and poorest citizens that is likely to have increased even more due to the Bush administration's revisions to the estate tax, which is one of only two taxes on

wealth in the U.S. Inequalities in wealth persist and grow over time because the majority of wealth is passed down from generation to generation as inheritance. As I will explain in more detail later, the estate tax takes some wealth from the inheritance of the rich, diminishing this effect somewhat. However, this tax has been greatly reduced by Bush's modifications.

## ***8) Conclusions***

Poverty is a problem for only a small percentage of the population in the U.S., but it still exists despite the fact that we are one of the world's wealthiest nations. We claim to highly value equality, particularly equality of opportunity, but when looking at statistics surrounding poverty and income it is apparent that personal characteristics like race and gender play a role in a person's economic opportunities. To me, this pattern indicates that poverty will continue to be concentrated among the same groups of people if society is not somehow changed to extend the opportunities enjoyed by a portion of society to everyone. However, there is much conflict on this point. Some believe that we already have equality of opportunity and think that changing policy to try and equalize society would be unfair. Other's opinions vary on to what degree policy must be changed to make society truly economically fair.

## **CHAPTER 2**

### **THE CONSERVATIVE PERSPECTIVE**



The American conservative perspective cannot be easily defined to represent the views of all those who consider themselves conservative. The authors whose ideas I draw from are generally considered conservative within academic discourse. Simply put, conservatives think poverty is the fault of the poor themselves, and traditionally do not think the poor should be given assistance. In recent decades, conservatives have taken the stance that assistance must be restricted so the poor will be less dependent on the government, but ideally they do not see government intervention as a solution to poverty. In their opinion, the lives of all citizens will improve through economic growth, which will decrease the severity of poverty.

Conservatives more generally believe in limiting the government, so it does not have control over individuals, their property, or the economy. For the most part, conservatives see social policy as a negative thing because they think it is an unnecessary and costly government function. They see any redistribution of income or wealth as unfair to those having some of their money taken from them, regardless of who is more in need of that income.

To these conservative thinkers, inequality is a necessary part of the economy because it promotes competition, which motivates businesses and individuals to participate in economic activity. Some also see poverty as crucial. Conservatives think the consequence of not working is poverty, which will motivate people to work, even if they cannot find ideal jobs. They believe government policy that supports the poor deters people from pursuing jobs, because it allows them to settle for not working and still have some income.

## **1. *Causes of Poverty***

### **1.1) Traditional Microeconomics**

According to the traditional microeconomic view, the amount of money a person can earn is determined by their income from wealth and income from their labor. The individual does not directly control the distribution of wealth and income generated from wealth. How much property a person owns and the market really determine how much income a person can return on their wealth. Property generates income for its owner based on how useful that property is. For example, a landlord charges rent based on location, amount, and quality of land (Case and Fair, 1989, p. 248).

The amount of labor income a person can make depends on their individual decision of whether or not to work and how much they decide to work. Also, in different fields of work there are different wage rates. The distribution of income depends on the field a person works in and how hard he works, if he chooses to work at all (p. 248). Simply, people can choose to work or not, and how financially successful a person is depends on how hard they work. This means that people who choose not to work, or do not work very hard are the people who will be in poverty.

### **1.2) Personal Failure and Government Dependence**

In his book *Wealth and Poverty*, George Gilder (1981) presents a typical conservative political standpoint. He sees poverty as a result of personal failure.

He believes that liberalism is perpetuating the problem by espousing the need for the government to support the poor with benefits. He believes that whenever the government provides the people with free goods, it teaches people that they are not responsible for their own lives, which makes the problem of poverty worse (p. 192). He also thinks that the liberal mindset undermines the progress of blacks and women by trying to provide equal access to jobs through affirmative action. This is a large aspect of his argument, as he focuses mainly on black poverty (pp. 129-133).

According to Gilder, the poor, who are mostly black, cannot be given government handouts and be expected to escape from poverty. In the past, all ethnic groups that have escaped poverty have done so through their own hard work. However, the poor today are expected to somehow be led out of poverty by receiving government money, without developing a strong work ethic. This kind of social mobility is only possible without redistribution (pp. 65-67).

As Gilder sees it, discrimination no longer contributes to poverty, which is illustrated by the success of Japanese and black West Indian immigrants, who are now economically successful (pp. 129-133). Gilder holds that the overrepresentation of minorities and females in the poverty population persists because of increases in single, female-headed families. Liberals see single female poverty as a problem caused by sexism. They use this excuse to expand welfare benefits. Gilder sees this as bad for all of the poor, because it works against black men. Black men need the focus to be put on competitiveness to advance economically, which will help black women by providing them with supportive husbands (p. 135). Policies like Affirmative Action also deter progress because

they mostly benefit the middle class and favor women, ignoring the benefits of natural male aggressiveness. The government is hurting blacks and women by creating a state mandated bias rather than promoting personal achievement and self-reliance (p. 138).

Charles Murray (1994) agrees with Gilder in his work, *Losing Ground*. He believes that in the 1960s the War on Poverty created a change in American political and academic thinking. The first antipoverty policies were passed because the economy had been growing steadily for a decade and economists thought widespread affluence would last. This shift in thinking and in government policy was also fueled by the discovery of structural poverty<sup>1</sup> and the civil rights movement (p. 24). Before this shift in thinking, between World War II and 1962, poverty was not a part of political discourse or scholarly work (p.26). In times of prosperity, poverty was thought of as something that would take care of it self. It was not the problem of society, but of the individuals in poverty.

According to Murray, poverty and unemployment actually increased because of the government policies designed to eradicate them. He, like Gilder, focuses on race as a part of the problem of poverty, highlighting the differences between the unemployment rates of black and white youth in the early 1960s. Murray implies that new government programs designed to help the poor discouraged black youths from joining or staying in the labor force. He points out that in 1963 the unemployment rate of young black men went up and that the

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<sup>1</sup> "'Structural poverty' refers to poverty that is embedded within the nature of the system (or demographics) and will not be eradicated by economic growth. Its eradication, according to proponents of this view of poverty, requires radical surgery" (Murray, 1994, p. 27).

unemployment rate for black men in this age group remained consistently high through the years as they grew older, but this pattern did not follow for white men in the same age group (p 80). It can be deduced that Murray sees a change in attitude to be caused by a change in policy. Black men became less independent because the government offered more support.

Some conservatives, like Lawrence Mead (1986) think that the problem of dependence came about because the government is not authoritative enough towards citizens. Though Mead does not like government aid, he thinks it may be necessary in some cases. For him, the problem is not that people are receiving aid, but that not enough is expected from them in return, which causes individuals to become lazy and be dependent on the government.

According to Mead, most people who do not work can find jobs; these jobs are just not desirable to them. The government should be authoritative in making those dependent on government assistance work. Work cannot be seen as something that needs to be pleasant, as it is an obligation to be a part of greater society. As he sees it, if people on welfare had to work they would accept less desirable jobs to continue receiving welfare, which would teach the poor that work is necessary for acceptance in mainstream society (pp. 69-70). Mead also thinks many poor mothers with young children choose not to work, even though they can find friends or family members to care for their children because low-wage jobs presents too many difficulties (p. 74).

The former secretary of the U.S. Department of Housing and Urban Development, Jack Kemp (1994), also thinks that redistributive policies are what create poverty in America. More specifically, they create and perpetuate the

underclass.<sup>2</sup> As Kemp sees it, U.S. policy has created two distinct economies: the capitalist economy of mainstream society and the socialist economy of the underclass. Since these policies were implemented in the 1960s the socialist economy of the underclass has remained stagnant, despite growth of the mainstream economy in the 1980s (pp.198-199).

Kemp notes that this separate economy was created by several policy changes that the U.S. made. It was produced by imposing a steep progressive tax rate, giving more rewards for welfare and unemployment than for working in a low-wage job, giving people more aid to live in public housing than to buy their own home, helping broken families more than families that are in tact, encouraging spending instead of saving, and as others have mentioned, breaking the link that existed between working and receiving reward (p. 199). Also, Kemp expresses that from his experience the poor do not want to be a part of this separate economy. The underclass wish to be successful in the capitalist economy, but the type of programs the government offers to help them will not allow for this. They do not want to feel trapped by government regulations. They want a chance to have a job and live in an area with a good educational system and no crime (p. 197)

### **1.3) Moral failings and Cultural Heritage**

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<sup>2</sup> As defined by John Iceland (2003), the underclass is "a segment of the population, mainly African Americans in highly segregated inner cities, that suffers social exclusion"(p. 30)

The idea that those in poverty are there because of their moral failings is closely tied in to the idea of government dependence. Kemp expresses that government spending on welfare is not only a problem because it promotes dependence, but it also promotes amoral behavior, such as a woman living with a partner and remaining unmarried so she can still receive benefits (p. 200). According to many conservatives, promiscuity, drug and alcohol abuse, and involvement in crime all come with dependence on the government. Predominantly poor urban neighborhoods are overrun with crime that affects all area residents. Children who grow up in such environments learn to view this behavior as the norm and it becomes a part of their cultural inheritance.

The poorest of the American poor do not work not because there are not jobs for them, but because they adopted a system of self-defeating values, which will likely be passed on to their children (Magnet, 1994, p. 213). According to Magnet the cultural problem of the poor today had two causes: the sexual revolution and sixties counter culture. The purpose of the social movements of the 1960s was honorable, but they had unpredicted consequences. Despite trying to end poverty it became worse, because the new mindset of the majority of Americans allowed for it. For example, the newfound culture-wide celebration of sex and sexuality has made it increasingly difficult to stop 14-year-old girls from becoming pregnant (pp. 214-215).

Magnet also blames this new culture created by the rich, for the problems of alcohol and drug addiction, which tend to make the poor more impoverished. Along with this came reckless spending and consumerism, which the poor also succumbed to. These habits may be easy for the rich to support, but devastating

to those who cannot afford them. Lastly, and worst, new cultural developments taught the poor that their poverty was society's problem. Rather than telling them to work hard and take advantage of new opportunities, it gave them something for nothing. This crisis in American values was not caused by the greed of the rich, but the good intentions of so-called "progressive movements" (p. 216).

### **3.3) The Relationship Between Race, Ethnicity and Economic Development**

In his book *Race and Economics*, conservative economist Thomas Sowell (1975) explains the disproportionately black poverty population as being caused by the different nature of African "immigrants" and other U.S. immigrant groups. Different immigrant groups have played distinct economic roles throughout history. The majority of black Americans have a very different economic history from white or Asian Americans. Most all immigrant groups were poor and were discriminated against. However, the conditions surrounding their immigration have allowed some to assimilate and excel in the mainstream economy, unlike most black Americans.

Black African economic development cannot be compared to that of European immigrants from their time of arrival to the U.S. because the majority were enslaved at their time of arrival and kept economically stagnant. Therefore, Sowell compares the time at which blacks were freed from slavery to the time other immigrants arrived in the U.S. Those blacks that were freed during the period of slavery advanced socially and economically faster than those blacks that remained in slavery until it was abolished (pp. 34-35).



When these blacks were freed or escaped they were usually very poor initially, but like other immigrants their status improved over time. Though it was illegal to educate blacks in the south, many free blacks obtained education from private institutions. During the period of 1820-1860 there were documented cases of freed blacks having estates worth \$10,000-\$40,000. Many freed blacks began work in the as artisans, in restaurants, taverns, tailor shops, and other similar fields. After the abolition of slavery those blacks who had been freed previously became the leadership class of the black population, because they were far more educated, were economically established, and had stable families (pp. 37-41).

Sowell also notes that the economic development of blacks was influenced by the time at which they moved to an urban setting. In general, when arriving in cities all immigrants settle in poor communities, which have high poverty and crime rates, and move away from these communities as they advance economically (p. 45). The relatively late migration to cities of many blacks in comparison to other immigrant groups direct immigration to cities may account for their differing status today. Between the 1940s and 60s a large percentage of blacks migrated from the rural south to northern cities and many have not fully adjusted to living in an urban setting, as much of the black urban population has only been there for two generations (p. 50).

Sowell does not think that political advancements of blacks have contributed to their economic advancement as much as general economic growth. Many European immigrants seem more successful than blacks because they were already accustomed to an urban setting. Also, some immigrant groups advanced more quickly because they were very oriented toward the future. Groups like the

Jews, Japanese, and black West Indians were likely to sacrifice current comfort for hard work to reach success later and attained economic success in the U.S. rather quickly. Unlike these groups, peasant cultures, like blacks after slavery, tend to emphasize the role luck plays in a person's success rather than hard work. He does not think that high black poverty rate can be corrected through social programs, because blacks must naturally develop economically and become accustomed to an urban setting before they can be economically equal to white Americans (pp. 53-54, 144-146).

## ***2. Solutions***

### **2.1) Gilder: Work, Family, Faith and Economic Growth**

George Gilder lists three qualities as absolutely necessary for the reduction of poverty in the United States. On the individual level, a person or group must use these things to escape poverty: work, family and faith. If collectively, the American poor embraced all of these in times of economic growth poverty would be reduced significantly. Gilder's argument is interesting because he focuses on the individual, even in his explanation of how to escape poverty. Other conservative authors focus on the individual as the cause of poverty, but do not really offer a remedy to the problem of laziness on an individual level.

The first quality is rather self-explanatory; the poor must work and work harder than those in classes above them if they ever hope to advance economically. In the past many poor immigrant groups have done this, but at this

time the poor's work effort has been reduced because they receive welfare and other benefits. They do not feel they have to work hard because they are already being paid for not working. The physiological link connecting rewards and hard work must be restored in the minds of the poor (pp. 68-69).

Gilder also sees family as necessary for individuals to escape poverty. He argues that married men work harder than married women, and even harder than female heads of families. This comes from data that is somehow adjusted for childcare responsibilities. Married men also have been shown to work twice as hard as comparably skilled unmarried men. He also claims that men's work effort increases with age, whereas women's decreases. He does not think that a female-headed family can increase income no matter how much education the woman has because women with children do not generally make earning money their main goal. He argues that a married man will "channel his otherwise disruptive male aggressions into his performance as a provider for a wife and children" (p. 69).

Gilder's third tenet necessary for upward mobility is faith. He sees several faiths as necessary for a person to be successful in the capitalist system. Faith that things can improve in the future, faith in mankind, faith that investment will return profit, faith that trade is beneficial, and faith in God. Mainly, a person needs to have faith that if they work hard in the capitalist system they will succeed, so he will not give up when he may encounter challenges to his economic success. This faith is necessary for people to engage in any sort of business with confidence rather than fear of failure, which gives more incentive to work hard (pp. 73-74).

On an economy wide scale, Gilder only sees growth as necessary for poverty to decline. Gilder believes growth is a part of technological progress. He calls it "the replacement of existing plants, equipment, and products with new and better ones" (p. 235). This growth leaves some rich and some poor, and Gilder holds that a successful economy depends on the rich to take risks, make investments, and propel technology (p. 245). As he sees it, for America to experience faster economic growth policy must embrace and support the rich. To him, trends toward "progressive" government programs hurt the economy because they create higher taxes, which hurt total growth and hold the rich back (p. 246).

## **2.2) Murray: The Abolition of Affirmative Action and Government Aid**

Murray's first proposal does not deal with poverty, but with race, which he sees as playing a major role in poverty. He explains that a large problem in the United States is that blacks have always been treated differently than whites (p. 221). In the past blacks were discriminated against, now they are treated differently to give them advantages through programs like Affirmative Action. He thinks these programs had good intentions to make up for historically accumulated disadvantage, but only ended up hurting the poor, especially the black poor. He recommends that all policies in any way designed to give different treatment according to race be rescinded (pp.222-223).

Murray also sees many flaws in the educational system, which, if corrected, would promote greater equality of opportunity. He thinks that the system must be altered to provide better education for the poor without sacrificing

the education of other children. Murray recommends that there be a completely free educational system at all levels, but he does not think this alone will improve the education of the poor, because it will not ensure the quality of all schools. He also sees the need for a voucher system that would allow those poor parents who are motivated to improve their children's education. Next, he suggests that every single course have an entrance test, to guarantee that every student in every course can complete that course if they make an effort to do so. These test would give students a reason to believe they are smart enough to pass a class when they begin it, allowing students who want to learn to do so with a positive attitude (223-226).

In the realm of public assistance, Murray makes a simple recommendation, eliminate all public aid programs for working age individuals, including Food Stamps, Medicaid, AFDC, Unemployment Insurance, housing subsidies, disability insurance and Workers Compensation. This would leave people with no option but work. Murray predicts that the majority of the money no longer going to the government would bolster the private economy, creating jobs for those who no longer receive government support (pp. 227-228).

### **2.3) Mead: Government and Social Obligations**

As Mead sees it, there are certain basic obligations a person must fulfill to be a productive member of society in the United States. These are working to support your family if there are *any* jobs available, contributing all you can to your family, being fluent in speaking and writing English, learning enough skills to be able to work, and abiding by the law. When people are given support from

the government without working they do not fulfill these roles. Like Gilder, he emphasizes that a connection must be established between working and receiving reward (pp. 242-243).

Mead thinks that to end the problem of dependence the government must become authoritative and require work from welfare recipients to re-establish this connection. Specifically he calls for a few changes to the welfare system as it was in 1985. First, he thinks that single mothers should be considered employable when their youngest child is three (it was six). He also recommends that single mothers have to find their own childcare, to give them more responsibility over their children, though welfare would still pay for the expense. He thinks that the application process should be simplified to limit appeals, which would allow less people on welfare. Lastly, Mead thinks that if a person receiving welfare does not comply with the conditions required to receive benefits, the government should stop paying benefits not just to the one member, but to the whole family (p. 145).

These changes would clearly send the message that the government wants people to work, which Mead sees as necessary. If work is required for the maximum number of beneficiaries, more will see it as necessary to get rewards. He also thinks that the staff of WIN offices should have more power to punish recipients themselves, so penalties will come more quickly, be more effective, and be more of a direct threat. This change would make recipients recognize that their employment is a direct concern of the WIN agency and it would make them more willing to divulge information about their employment status to agents. Giving more authority to agents would give the government recognition as having the power to enforce, rather than just the power to establish rules (pp. 145-147).

#### **2.4) Kemp: Tax Reform and Housing Vouchers**

Kemp's first recommendation is that the capital gains tax be cut to 15% nationally and be eliminated in urban and rural areas of concentrated poverty. These areas would be "Enterprise Zones" where eliminating the capital gains tax would encourage firms to start businesses. Cutting the capital gains tax to 15% everywhere would free up some capital, which businesses would want to invest and could in these poor areas. This change would provide jobs and needed services to the poor. He points out that in the past the number of small businesses that started went up by over 100% when the maximum capital gains tax rate was reduced from 49% to 20%, which created numerous jobs (p. 201).

Not only does Kemp think lowering the capital gains tax is necessary, but he also thinks that the income tax system needs to be reformed to require fewer low-income families to pay taxes. This would increase the income of many poor persons drastically. He also thinks the earned income tax credit should be expended and child care tax credits should be given to further expand poor families incomes. (pp. 201-202).

Aside from taxes, Kemp suggests that resident management programs in public housing be expanded and housing vouchers be greatly increased for the poor. Doing this would promote responsibility and inspire those living in public housing to get their own homes. Increasing vouchers would make owning a home more possible for many of the poor, or at least give them options other than living in public housing. Kemp thinks that having to live in public housing isolates

residents in areas of poverty and makes them feel trapped and hopeless. He also suggests that tax credits on low-income housing be increased, giving the poor more options and responsibility over where they live. Kemp also sees unequal educational systems in different residential areas as a problem. He thinks that magnet school programs, voucher systems, and tax credits toward education should be expanded, so everyone can have the opportunity to send their children to a better school (p. 201-202).

Kemp also thinks that the government should expand funding for services to the homeless, which would be administered by community-based programs. According to his vision, such programs would be well funded enough to provide treatment for mental health problems, drug/alcohol treatment programs, job training, and day care. This would allow many homeless people to recover from the problems that have made them homeless. It would also give them, especially those with children, more opportunities to find employment, which would eventually help them escape homelessness (p. 202).

Kemp's recommendations are interesting, because, he thinks poverty is caused by government dependency, but he still thinks government programs should be expanded. The only thing traditionally conservative about his plan is that he advocates cutting taxes, not only for the poor, but also for business owners. However, unlike other conservatives he does not see government aid as a bad thing he just thinks the government needs to offer the poor help in different ways that will not foster dependence, but promote responsibility.



### ***3. Reflections and Conclusions: Why the Conservatives Do Not Understand Poverty***

The conservative arguments surrounding poverty tend to be very focused on the individual and often ignore the reality of how society functions and affects all of us. They do not look at the problem of why we have poverty, but rather focus on why certain people are poor. Examining why poverty exists may force some conservatives to admit that there are flaws within capitalism that can be corrected through government regulation. They often believe pure laziness is the cause of poverty, and perhaps this is the case for some individuals. However, there are many poor people that would like to work, but cannot, or who do work, but are still poor. Their analysis fails in explaining this type of poverty.

George Gilder (1981) presents a very typical conservative argument, which has many imperfections in its logic. Like most of the conservatives I reviewed, Gilder's main point is that providing the poor with assistance makes them feel as though they no longer have to be responsible for themselves, which causes them to continue to be poor. However, little evidence is ever offered to back up this statement. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act was passed by congress, drastically cutting welfare by giving most of the responsibility to regulate welfare to state governments and limiting the amount of time an individual could receive benefits to five years in his lifetime. At that point the poverty rate did begin to decline slightly, but in 2002 it began to go up again with no change in federal policy

(United States Census Bureau, 2005). There was steady economic growth through the 1990s (United States Department of State, 2006), and as soon as this period of prosperity ended the poverty rate began to rise again.

As the state of the economy as a whole has a lot to do with the nation's standard of living, it must be examined when looking at the poverty rate. The trends in the poverty rate over the 1990s and 2000s coincide very closely with the health of the economy as a whole. This trend indicates that the reduction of aid to the poor in the 1990s had little effect on poverty. Conservatives may claim that this legislation was successful, but this is because they are more concerned with getting the poor to work and reducing government spending than improving the lives of poor Americans. Dependency may be reduced by cutting welfare, but because jobs are unstable and wages are low, poverty itself is not, which also suggests that dependency may not be the real problem of the poor.

Some conservatives contradict themselves when referring to government dependence as a cause of poverty. For example, Jack Kemp (1994) claims that socialist government policy created the American underclass by building "barriers to productive human and social activity and a virtual absence of economic incentive" (p. 198). However, earlier in the same work Kemp claims that the poor people he has seen across the nation "want to live in neighborhoods free from crime and drug abuse, with good jobs and opportunities to own property" (p. 196). He is saying the poor want to get good jobs and move up economically and this indicates that they do have "economic incentive". The problem is not that they have become dependent and do not feel they need jobs, but rather that jobs are not available.

Conservatives are also inclined to make very general arguments that cannot really be proven, or disputed. Gilder and Murray (1994) both blame liberal politics for making poverty worse by doing things like trying to correct for sexism or racism through programs like affirmative action. Both seem to think affirmative action is hurting poor blacks by helping blacks that are already middle class, but I do not see how this has a negative affect. Gilder claims that affirmative action is hurting the poor because it favors women, which does not allow black men to improve themselves so they can become supportive husbands. However, what he is ignoring is that the majority of the poor are women, so affirmative action is most likely helping them, despite the fact that they may not be getting married. In fact, in 1965 when affirmative action was implemented the poverty rate was 15.8% and it has been lower every year since; it is currently 4.8% lower (United States Census Bureau, 2005).

Single mothers are a large focus of conservatives, especially single black women. Gilder argues that family is necessary for individuals to escape poverty by examining how hard married and single men and women work. According to the study he cites, married men work more than twice as hard as married women and twice as hard as single men. He thinks that women's family responsibilities detract from their commitment to work and cause them to earn less, especially single mothers. He concludes that because men have greater earnings to begin with and work harder, marriage is necessary to bring in enough income to escape poverty (p. 69).

Gilder has not taken into account the possibility of single parenthood by a male, or the possibility that any man might have family commitments that would

interfere with his work. He also ignores the reality that many single women would like to be married, but cannot unless they are willing to endure abusive relationships. Also, in citing this study, Gilder clearly does not take into account the value that raising children and working within the home has to society, or acknowledge that such work is labor. Later I will detail the feminist economist view that work in the home is valuable and should be compensated.

Mead (1986) makes the suggestion that many women who are on welfare choose not to work even when they have friends or family members available to care for their children (p. 74). This type of claim is very hard to prove, as there is no way to solidly document whether or not women have friends or family members that could care for their children. It is probably also something that changes very often as friends who are unemployed may find jobs, or family members may move away, causing women relying on friends or family to lose their free childcare services. The statistic Mead cites is from a fifth to half of all welfare recipients in New York City would be considered employable were the possibility for child care from family and friends taken into account (p.74). This is a huge range, showing the inability to prove such a claim accurately.

Another common claim of conservatives is that "amoral" behavior leads to poverty. Jack Kemp claims that government spending on the poor leads to this amoral behavior. As he sees it, offering unmarried women aid encourages them to live with their partners and remain unmarried, so they can still receive benefits (p. 200). However, more recently in their book *Promises I Can Keep* (2005) Kathryn Edin and Maria Kefalas actually took the time to interview over 100 poor women living in poor neighborhoods in and around Philadelphia and found that

they were choosing to have children and not marry for a very different reason. The majority of the women interviewed thought that having children was their contribution to society and something that couldn't be put off, while marriage was something that could wait. To them, marriage requires a relationship to be perfect and needs a lot of consideration. It is viewed as an important goal, but one that can be more easily achieved later in life.

Myron Magnet also thinks that poverty is closely associated with poor moral values. Magnet connects the moral problems of the poor to movements of the 1960s that were meant to better society. The feminist and anti-war movements made both casual sex and drug abuse appear acceptable, first within the middle class and later in poorer communities that could not afford to indulge in such behaviors. According to him these movements created the amoral set of values that cause much of today's poverty (pp. 214-215). This argument is illogical as poverty rates were much higher in the 1950s and early 60s than they have been since, from 1959 to 1961 the poverty rate was over 20% and since 1966 the poverty rate has not gone over around 13% (United States Census Bureau). These figures illustrate that the values created by the movements of the 1960s reduced the poverty level if anything. Plus, they illustrate that the war on poverty, which began in the mid-1960s only decreased poverty, rather than making the problem worse, as conservatives claim.

The conservative scholars reviewed all seem to imply that if the poor wanted to get jobs they could. Murray and Mead are more explicit about this. Murray thinks that if all federal aid programs were eliminated the poor would get jobs because they would have no other choice. They also seem to assume that all

of the poor should be able to get full time jobs that will pay enough to support themselves and their families.

Unfortunately this is not the reality in the U.S., many of the poor who are unemployed express that they would like to have jobs and some of the poor do have jobs. A portion of the poor even has full-time jobs. A large problem of the poor is that many of them can only find very low paying, part time, or seasonal jobs, which do not allow them to rise above the poverty level. Many more who do not have jobs want them, but live in areas with few job opportunities and cannot afford to commute. The conservative argument completely ignores the possibility that the job market in the U.S. is anything but perfect, which is impossible. They assume that there is fairly equal opportunity out there for anyone who wants to get a job, which is simply not true.

The conservatives also overlook the fact that many European countries provide much more extensive help to the poor and have lower poverty rates than the U.S. Living standards are higher in much of Europe, where higher levels of social spending are commonplace. It does not make sense that the poor of these countries would not be affected by dependency in the same way as the poor of the U.S. This fact is very inconvenient to the conservative argument, so they often try to ignore it, or try to make it seem as though U.S. culture somehow makes our poor fundamentally different, but offer no real proof that U.S. social spending affects people any differently than that in other industrialized nations.

## **CHAPTER 3**

### **THE LIBERAL PERSPECTIVE**

As defined here, the perspective of the American liberal is taken from an academic discourse of various theorists who may be considered exemplary of the liberal viewpoint. These liberals feel that there are flaws in our economic and social systems that can be fixed by making government policy changes within the system. The liberal intellectuals whose ideas I have extracted from see the issue of poverty in a prosperous nation that values equality as problematic. From their view poverty is perpetuated by various economic and social institutions, which can be improved through changes in social and educational policy. They see many ways of decreasing poverty and inequality through small changes to current government policy, which would equalize opportunity and offer aid to the poor in finding jobs and in making an adequate wage to support their families.

Liberals see a need to make changes within the political system that will eliminate social problems like racism and sexism. They support programs like affirmative action that aim to promote social equality, which should at the very least make economic inequality more evenly distributed. They also support government efforts to better the living conditions of the working poor, as the American public generally accept the working poor as "deserving". Liberals also

observe that the economy has changed in recent decades to negatively affect the working class, but only see minimal changes to the governmental policy as necessary to correct for these structural flaws.

Typical liberal recommendations promote equality of opportunity in areas like education, which will also lead to more equal opportunities in the job market. Liberals would like to see minor changes made to the tax system that would give the working poor a little more income like expanding the Earned Income Tax Credit. They also call for modifications to be made to the welfare system to more realistically address the needs of those poor who cannot find jobs. Unlike radicals, they do not seek to make major changes in the economic sector, possibly because they are trying to cater to the political beliefs of the "average American" who sees government intervention in the economy as a negative thing.

## ***1. Causes of Poverty***

### **1.1) The Structural Changes of Recent Decades**

Liberal economists Sheldon Danziger and Peter Gottschalk (1995) attribute much of the persistence of poverty today to structural economic changes that took place in the 1970s and 80s. From the 1950s to up until the 1970s most men had jobs that provided benefits and paid enough to support a family on one income. During this period there was general economic growth and the incomes of all workers grew at similar rates. This made it a common belief in the U.S. that



economic growth reduced poverty because it benefited everyone (pp. 1-2).

Unfortunately, this trend soon changed.

In the 1970s economic growth slowed and trends in poverty began to change. Through the 1990s income, wealth, and earnings inequality all increased. The incomes of the richest grew much more quickly than those of other groups during this period, which caused poverty to stay high despite increased average earnings. It also caused the gap between the rich and the middle class to grow (p. 2). The coupling of economic growth and stagnant poverty rates has caused the general population to blame the behavior of the poor for their own hardships in recent decades. As Danziger and Gottschalk see it, the poor have done badly because their opportunities for employment have greatly decreased, not because they lack a strong work ethic (p. 4).

They point out several structural changes that propelled growing economic inequality, one of which is the slow growth of the minimum wage. From 1978 until 1990 the real value of the minimum wage decreased in contrast to inflation, making the minimum wage of the early 90s of far less value than the minimum wage of the 70s, which affected few people, but caused economic hardship for low-wage workers (p. 129).

Declining union membership also had some effect on rising inequality, especially for unskilled workers. Union membership tends to decrease inequality for less educated workers because it raises their wages closer to the national average and by reallocating funds within companies to give a bigger share of earnings to low-wage employees. Much to the disadvantage of low-wage workers, the percent of workers who are in unions has been falling since the 1950s. This

decline has accelerated in recent decades, which has allowed real wages to drop and made benefits harder to obtain (p. 130). The advantages unions secure for workers can take them from a part of the working poor to the lower middle class.

Danziger and Gottschalk point out that the 1970s there was a large increase in the number of wives who were working, as well as an increase in young workers. Growth of the labor force went from 1.7% per year in the 1960s to 2.6% in the 70s. The growing population of workers without experience contributed to increasing inequality. Immigration may have also caused an increase in those looking for low skill employment, especially in states like California and Florida. However, this does not explain continued growing inequality in the 80s, as there was no longer an abundance of young workers and work force growth slowed to 1.6% per year (p. 132).

Danziger and Gottschalk explain that an excess of low-wage workers causes real wages to decrease, as a result of increased competition for available positions. Logically, when wages go down in certain sectors there should be an increase in hiring in those positions, but in the U.S. the opposite happened. During the 1970s and 80s demand for low-wage workers decreased and the demand for high-wage workers was higher than ever (p. 133). Consequently, other factors must have played a role in this demand shift, which were significant in increasing inequality and poverty.

Conservatives like George Gilder (1981), often argue that the persistence of poverty and inequality is a response of the poor to government transfers. According to this view, the increase in government benefits in the 1960s caused the poor to stop working or reduce their hours of work, which caused the average

incomes of the poor to fall. However, Danziger and Gottschalk argue that inequality of earnings increased between the rich and middle class as well as between the rich and poor. On top of this, the value of welfare benefits went up from the 1960s to the mid-70s and fell from then on. After this period of high welfare rates inequality and poverty continued to grow. If these trends were associated with high welfare benefits they should have declined prior to the mid-70s (p. 133-134).

Deindustrialization and globalization both played a part in increasing inequality and poverty, as is indicated by Danziger and Gottschalk.

Deindustrialization forced a lot of workers out of secure industrial jobs. The decline in industrial sector jobs happened in the same time period as men's earnings fell. Wage inequality also increased within industries. This phenomenon was probably caused by higher demand for more educated workers in every industry, which increased disparity between workers with different levels of education.

Globalization played a part in deindustrialization because it allowed businesses to move away from production in the United States to countries with fewer labor regulations. Businesses moved to keep their prices low and compete with foreign companies. This forced low-skill U.S. workers to accept lower wages to compete with workers in other countries, or to lose their jobs. Also, new technology allowed many firms to operate with fewer workers, while many jobs functions were taken over by machines. Manufacturing jobs were once seen as the way an uneducated worker could work up to being middle class, but this was not true once many of these jobs were lost and wages fell in others (pp. 137-140).

As Danziger and Gottschalk see it, technological change did more than play a role in increasing inequality in manufacturing jobs. In the 1980s the rise of computers made the demand for more educated workers increase. These computers and higher skilled workers often took the place of low-skill workers, the computers could perform the jobs of low-skill workers. This change also influenced wages, because there was less demand for low-wage workers their wages dropped. Businesses continued to hire highly skilled workers despite their high costs because it was worth the increase in productivity (p. 141). This would explain why inequality between workers increased in all industries: businesses were all turning to automation to increase productivity, despite its human cost.

Another factor in increasing economic inequality and poverty highlighted by Danziger and Gottschalk was rising instability of earnings. This factor makes it more individuals more likely to be poor at some point in their lives, but not permanently. An increase in earnings instability has become widespread, but it had a greater affect on workers with low educational levels. Increased instability of earnings was largely caused by a massive increase in temporary employment between the 1970s and early-90s. In fact, it increased its size by seven times between 1972 and 1991 (p. 147). The category of temporary help is often thought of as mainly referring to office workers, but as the number of temps in the workforce grew so did the variety of temp positions, which now include a lot of industrial, technical, professional, and medical workers. This probably only had a small affect on wage variability, as the temp industry only accounts for a small percentage of the workforce (pp. 147-148).

## **1.2) The Roles of Gender, Race, and Concentrated Poverty**

In his book, *Poverty in America*, sociologist John Iceland (2003) encapsulates the roles race and gender issues play reproducing poverty. The trend towards more single-parent female-headed households since the 1970s contributed significantly to the persistence of poverty in recent decades (p. 91). These families have only a single income to support multiple dependents, which naturally leads to a lower family income than if there were two earners present. This is also a large part of why poverty remains a disproportionately female problem. The female poverty rate remained 26% higher than the male poverty rate in 2000 (p. 88).

In the past, men have controlled women's access to earnings and the effects of this remain today. Men continue to be paid more than women for comparable employment because societal standards have been set by what women could do in the past. Work that has traditionally been considered women's (child care, housekeeping, nursing, etc.) often offers significantly lower pay than jobs in fields dominated by men. Increased female participation in the labor force has caused women's earnings to rise, which lowered the gender wage gap, but this has had little effect on the gender poverty gap. This is most likely perpetuated by single motherhood and the high percentage of women employed in the lowest paying professions (Lichenwalter, 2005, pp. 86-87).

On top of an already unacceptable difference in earnings, women who have to support families on their own must choose between not working and finding a way to pay for childcare. Plus, many single-mothers do not receive any

support from the absent parent and only have one low-income with which to support their families. However, as Frances Fox Piven (2002) points out, since Clinton's reforms creating TANF there has not been much of a choice between working and caring for children. Women are forced to work and not care for their children, or risk losing support. This policy blames poverty on single mothers and has reduced welfare recipient's chances to escape poverty (pp.37-38).

The problem of single-parent households also intersects with racial issues. Conservatives evoke "welfare dependency" as if it is an addiction that erodes moral and family values; Piven sees a powerful message being sent that speaks of promiscuity and laziness, which is very specifically Female and black (p.37). This may be because blacks and Hispanics are much more likely to be in female-headed families. Close to 40% of both of these groups lived in such families in 2000, while only 22.9% of whites did (Iceland, pp. 88-93).

In discussion of the American underclass single mothers frequently come up, but the absent poor fathers of these children are often ignored. Rebecca Blank (1997) discusses this issue in her book *It Takes a Nation*. She calls attention to the fact that the social consequences of the birth of children out-of-wedlock are as much the fault of the absent fathers as the single mothers. However, there is no data specifically collected on these men, as it is not known who many of them even are. So, Blank uses low-skill, low-income, unmarried men to analyze this groups behavior, as many poor absent fathers probably fall into this group (p. 43).

In the mid 1990s a greater proportion of men in this group were in prison, on probation, or parole, than were unemployed. 11% of all men between 18 and 34 were under the supervision of the judicial system in one of these ways and

37% of black men. These numbers have increased in recent years because many states drug-sentencing laws have been made more severe. (pp 43-44). This is a behavioral issue that has great implications on a large percentage of the poor population. The problem of criminal activity is by no means a problem of all poor people, but it may be part of the larger issue of the disappearance of well-paid jobs for low-skill workers. Not only can many men in prison not pay child support, but they will also have a harder time getting jobs in the future if they are ever to try to be financially responsible for their children (pp. 43-44).

The problem of poverty is often looked at as part of a racial problem. This is because in the U.S. today, poverty still continues to coincide disproportionately with race. In 2000, the poverty rate for blacks was 22.1%, whereas it was 11.3% for whites (p. 81). Racial neighborhood segregation persists as a result of legal and illegal discrimination in the past, but Iceland suggests it mostly remains because class discrimination became rampant when blacks were already economically disadvantaged in comparison to whites. This does not mean to imply that racial discrimination has been eliminated, but that discrimination based on class has become a larger issue because it is harder to prove and legally regulate (pp. 81-83).

Today in the U.S. poverty has also come to be identified with urban areas. Iceland points out that concentrated poverty<sup>3</sup> is a problem that has greatly increased in recent decades. According to Iceland, the number of people living in high poverty areas close to doubled between 1970 and 1990. High poverty areas

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<sup>3</sup> Iceland defines areas of concentrated poverty as those where 40% or more of the population is poor (p. 54).

have grown in recent decades because of discriminatory governmental policies, the deindustrialization of cities, and the flight of rich and middle class city residents to suburbs. Concentrated poverty worsens many of the poor's problems. The employment rate for men over 16 living in concentrated poverty is only 46%, compared to 17% across all urban areas and single females head over half of families in areas of concentrated poverty. However, contrary to popular perceptions, the majority of people in these areas are employed and do not receive government assistance (pp. 54-57). The concentration of poverty in urban areas has isolated the poor from general society making them feel as though they no longer have any economic mobility.

Growing concentrated poverty disproportionately effected blacks because they already made up a large part of the urban poor and lived in segregated neighborhoods. Many middle class blacks move to suburbs as their economic conditions improve, leaving the poor in black neighborhoods with few economic opportunities (p. 58). Hispanics are also disproportionately represented in these areas; because their urban population increased quickly in the 70s and 80s when concentrated poverty was also growing (p. 56). These two populations are further disadvantaged by this phenomenon, as are single mothers of all races. These women have a hard time finding flexible employment and affordable childcare in all areas, but the task becomes more difficult when they live in an area that has been cut off from many resources. Concentrated rural poverty is also widespread and in contrast, receives little scholarly attention. This makes it seem as though it is not an issue, but all aspects of poverty must be dealt with to evaluate it fully.



### **1.3) The *Savage Inequalities* of Public Education**

A large structural problem, which is contributed to by concentrated poverty, is the inequality within the American educational system. Inequality is perpetuated through generations by having an educational system in which funding is directly tied to locality, because class housing segregation remains prevalent. Liberal education advocates have long seen education as a possible equalizer of opportunity and possibly outcomes (Bowles and Gintis, 1976, p. 21). The large discrepancies between schools in poor and affluent areas are most apparent when examining urban schools and schools compared to those in nearby suburbs. These two very different types of schools also often reflect the issue of race and poverty, poorer schools being almost all black and rich suburban schools predominantly white. This is one of the reasons that race continues to be tied to class status. Jonathan Kozol (1992) very clearly illustrates the extremes of this discrepancy in his book *Savage Inequalities*.

In the late 1980s and early-90s Kozol visited several schools in urban areas across the U.S. and found most were very obviously segregated. The poor schools tended to be predominantly black or Latino, and suburban schools never had a significant number of minority students. An example of the funding disparity between these schools can be seen in New York City where average per-pupil spending in 1987 was \$5,500 compared to \$11,000 in nearby suburbs. The highest spending district in the state spent about \$15,000 per pupil (pp. 83-84). In poorer schools multiple classes often have to share one room. These schools also often have far too few textbooks, no music or art programs, science labs so out

dated they cannot be used without endangering the students, tiny libraries with no encyclopedias, and no schoolyard or athletic facilities (pp. 86-90, 139-141). While suburban schools feature amenities like hardwood flooring in the auditorium, comfortable student lounges, and private carrels in which students can study in the library (pp.124-125).

When Kozol brought the issue of racial segregation to school administrators it was generally dismissed as a problem that had been eliminated by *Brown v. Board of Education* (pp. 2-3). Though this supreme court decision succeed in integrating schools in the southern U.S., it has done little to help the rest of the country, where segregation based on class lines is easily achieved by the system of funding through district property taxes. The current system still works to keep the rich advantaged and the poor uneducated, and without mean to escape poverty. The rich often make claims on their freedom to give their children a better education, but thinking of freedom in a solely economic sense hardly provides for an entirely free society. The freedom of poor children is overlooked. These children are never given the same opportunities as rich children, and because of this can never really compete in a free economic system (p. 207).

Kozol brings up the interesting political question of freedom versus equality, which is the root of much conflict over taxation and social policy in the U.S. today. There is a constant tension between these two values in American thought and political ideology. Some believe that a person does not have freedom without a totally free economy that gives them complete control over their private property and equality comes from every person have equal property rights.

Others see some regulation of property as necessary to ensure equality of opportunity, which allows people to be free and equal.

## ***2. Solutions***

### **2.1) Danziger and Gottschalk: Reducing Inequality for All**

Liberal intellectuals offer numerous possible policy changes to the various problems that contribute to poverty in the U.S. today. Danziger and Gottschalk make some very specific policy recommendations, which would be somewhat costly, but would probably reduce poverty to some extent, as well as benefiting the working and middle classes. They recommend programs that will reward work, create new employment opportunities, and help support single parents. There are several ways Danziger and Gottschalk propose that we reward the working poor. Their first recommendation is expanding the Earned Income Tax Credit (EITC). The EITC continues to have support from both republicans and democrats because it benefits only those who work, married or single and with or without children without increasing expenses for businesses (p.158). For the 2006 tax year a single person with two or more children can be making a maximum of \$36,348 (\$38,348 for a married couple) to receive the EITC and can receive a maximum of \$4,536 (U.S. Internal Revenue Service, 2005).<sup>4</sup>

Danziger and Gottschalk recommended that the EITC be expanded for childless workers. They suggest a maximum credit of \$1,000 for married couples

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<sup>4</sup> When Danziger and Gottschalk were writing they cited the maximum income as being \$28,524 in 1996, with a maximum benefit of \$3,560 (pp. 159-160)

making from \$5,000 to \$9,000 a year, with the maximum earnings for receiving the credit being \$17,000 (pp.161-162). Since they came up with this plan the EITC has been expanded some. In 2006 childless couples can make up to \$14,120 and receive up to \$412 in credit (U.S. Internal Revenue Service, 2005). This income remains substantially lower and the EITC receivable substantially less than Danziger and Gottschalk saw necessary a decade ago.

Danziger and Gottschalk also recommend that the nonrefundable Dependent Care Credit (DCC) be made refundable. The DCC allows taxpayers to collect tax credit for childcare costs that are necessary for them to be employed. The DCC is nonrefundable, so it can only be used to go towards paying taxes owed. Consequently, it does little to help the working poor because they tend not to owe any taxes. In 1994 the majority of the credit claimed went to middle and high-income families who had greater taxes to pay and could use all or most of the credit (p. 163). Currently, the maximum value of the DCC is \$3,000 for one child and \$6,000 for two (U.S. Internal Revenue Service, 2005).<sup>5</sup> For an income below \$10,000 a single parent family does not owe federal income tax, so the DCC would not benefit such a family at all (p. 163).

Childcare is a substantial expense for many of the working poor. Single mothers with low education levels can usually only get low paying jobs, which often do not provide enough for child care along with other expenses, so these mothers simply do not work. It is estimated that making the DCC refundable would have helped an additional 1.1 million families pay for child care in 1994,

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<sup>5</sup> Danziger and Gottschalk reference the 1994 maximum, which is \$2,400 for one child and \$4,800 for two (p.163)

which would have allowed more single parents to be employed. However, Danziger and Gottschalk see the rate paid for the DCC as still being too low compared to daycare expenses, which are likely to be over \$4,000 a year for two young children. They suggest that the rates be raised to a maximum of \$3,000 for one child and \$6,000 for two (pp.164-165), which is the current rate, but given ten years inflation they would probably recommend a higher rate for today.

Aside from federal measures Danziger and Gottschalk would like to see state governments play a role in relieving the tax burden of the working poor. Refundable tax credits would benefit the working poor and help to make work more appealing to the poor than welfare. It would be appropriate for states to offer tax credits to the poor for two main reasons. States make get a lot of their tax revenue from sales taxes, which tend to effect low-income families disproportionately to high income ones. Also, the federal government does not require the working poor to pay taxes, while many states still require people living below the poverty line to pay a portion of their meager income in taxes (p. 166).

Danziger and Gottschalk also see creating more employment opportunities for the poor as imperative in reducing poverty and inequality. The ideal way this could be done would be through Public Service Employment (PSE). The government can create their own jobs if there are not enough openings in the private sector for low wageworkers. In the 1980s the Regan administration attacked PSE for not raising the future incomes of those who participated enough to be worth the investment. However, Danziger and Gottschalk see any potential increase in future earnings of low wage workers as beneficial (pp. 168-169).

PSE programs are expensive and should be used only as a last resort to offer minimum wage jobs for unskilled workers. For this reason, it is not only future returns that are important, but also the money they are making to support themselves and their families while they are employed by the government and the work experience they are getting. Danziger and Gottschalk think anyone willing to work to support him or herself deserves an opportunity to do so. The number of people who they can provide with employment should measure the success of such programs, not how much it raises future incomes (pp. 169-170).

Previous attempts at providing PSE have failed for a couple of reasons. The first is that private firms and state governments who were given money to provide workers with PSE gradually replaced workers from their own payroll with those that were paid for by the government, so there ended up being about the same number of jobs as there were to start with. Secondly, if those with PSE jobs produce useful goods they will end up competing with those already produced by a private industry and displace those in other jobs. For a PSE program to work it must produce only goods that are not already produced by private firms. If the federal government had more control over PSE it could be run in a way that would not displace other workers (p.170).

More specifically, Danziger and Gottschalk propose a two-part plan. They would like the summer employment program for urban youth to be expanded, which would not displace any permanent jobs, but it would offer minimum-wage employment to youths who need work experience to help them get jobs in the future. They would also like to offer jobs at 10-15% below minimum wage. This way, workers would have some income, but would continue to seek permanent

employment in the private sector because it would pay more because it would be more desirable (pp.171-173).

Danziger and Gottschalk's final recommendation is that the child support system be expanded to provide more economic security for all single parents. Many single mothers cannot afford childcare and therefore, cannot work. In 1995, merely 60% of non-custodial parents were required to pay child support by law. About a quarter of these did not pay at all and only half paid all of what they were required. To remedy this, child support should be extended to all single parents, obligations to pay child support should be better enforced, and the government should supplement child support by paying extra to single parents whose former partners have very low or no incomes. This way no one would have to support their children on only one income and many single mothers and their children would be given more equal footing in society (pp. 174-175).

## **2.2) Lichtenwalter: Restructuring Welfare to Reduce the Poverty Gender Gap**

The current welfare system's TANF legislation does little to close the poverty gender gap according to sociologist Sara Lichtenwalter. By requiring recipients to work, offering low benefits, and limiting the time these benefits can be received, gender occupational segregation is only being re-enforced (Lichtenwalter, 2005, p.90). Because women are disproportionately represented in the poverty population, they are disproportionately forced into low-wage jobs in order to receive welfare benefits and these positions continue to be feminized.

Lichtenwalter also notes that these women are often not given enough government support toward getting affordable childcare, even though they cannot stay home and care for their children. New programs are also being proposed to work with welfare that are intended to promote "family values" and preserve the institution of marriage, but these force poor women to stay in abusive relationships out of guilt and for the economic security (p.90-91).

According to Linchtenwalter the best method to get women out of poverty would be to promote an above poverty level minimum wage, as 61% of minimum wage workers are female (p.91). Another possibility would be for the government to place greater value on specific female dominated occupations. As indicated by Lichenwalter's findings, care work is one of the most underpaid fields. Raising the value of such work would raise the value of women's work in many occupations. State subsidies could be used to provide care workers with additional support, which would place greater value on the work of women and men in this field (p. 92).

She also recommends that family leave policies be expanded, allowing all workers to take time from work to care for their children or other ill dependents and that labor unions be strengthened. This would bring up the wages of all low-wage workers. These suggestions would benefit all low-wage workers, while helping to equalize the value of women's work. Lichtenwatler notes that raising the status of all low-wage jobs should be a national priority because growing economic inequality has hurt everyone (p. 92). Like Danziger and Gottschalk, Linchenwalter focuses on improving conditions for low-wage workers. Though this is important, other changes are necessary to reduce poverty. The mindset of



Americans needs to change to accept unemployment and poverty are not always the fault of the individual and as our economy is, full employment is not possible.

### **2.3) Kozol: Reducing Educational Inequality**

In Kozol's view, the inequality in the U.S. educational system is largely caused by the failure of state governments to follow the foundation program for educational funding as it was designed. As it should function, local property taxes should raise funds for schools in the area, but because the property is worth less in poor neighborhoods, the state should provide additional funds for these districts to bring their funding level close to equal to that of the richest districts. Were states to follow this model, it would provide a rough equality of funding, which would solve many problems that poor school districts face. Kozol notes that most states set the foundation level<sup>6</sup> at far below the richest districts level of funding, instead using a level that will provide a minimum level of subsistence funding for poorer schools (p.208).

In recent years, Vermont and Michigan have both made reforms to their tax system to fund schools more equally. In 1993 the Michigan state legislature decided funding schools through property taxes was unfair. They then passed a constitutional amendment, which substituted property tax funding with new statewide property tax, sales, liquor and cigarette taxes, and real estate conveyance taxes. This new system raised the states share of educational funding to 80% from only 37% (Spigel, 2000).

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<sup>6</sup> The level of funding that the state will elevate a poor school's funding to equal.

In 1997 the Vermont Supreme Court ruled that funding schools through property taxes was unconstitutional because it did not provide every student with equal educational opportunities (*CNN*, 1997). The state then replaced local property taxes with a special state wide tax that came from either a persons property or income, which is decided by a persons annual household income and they kind of property they own (Spigel, 2000). So far, his new system has been shown to significantly reduce inequality of educational outcomes (Kinney, 2001). This approach to change differs from the previous authors' examined, because it aims to make a change for the entire population. Providing equal educational opportunity now would be a big step in the direction of reducing inequality of opportunity in the future, or at the very least, it would help to prevent class status from being passed on through generations.

#### **2.4) Blank: A Three-Tier Welfare System, Preparing Teens for the Future, and Helping Areas of Urban Poverty**

Blank makes many suggestions similar to those of Danziger and Gottschalk. She too calls for a refundable DCC, expansion of the EITC, assured child support payments (at least for the poor), and more effective job placement and training programs for those who cannot find work (pp. 260-273). However, she also has some recommendations on how to make our welfare system more effective, how to motivate teens to be successful later in life, and how to develop areas of concentrated urban poverty.

Blank thinks that public assistance should be modified to be a three-tier system. The first tier would be an evaluation process. Anyone who applies to receive assistance would have to meet with an evaluator first. This evaluator would decide if the person needs assistance and if so, if they would move on to tier two or tier three. They can also provide a person with short-term assistance to meet specific needs before they are officially in either other tier if they deem it as necessary. This would include things like helping people in need find affordable housing, helping people find transportation if they need it to work, or directing people to other services they may be eligible for. If possible, they help them avoid having to move on to another tier. The evaluator is the most important person in the system and should be skilled at their job (pp. 255-256).

The second and third tiers are where people will receive cash support. The second tier would be for people who are employable. This tier would provide assistance in finding a job and job training for those with little work experience or education. It will also provide cash support, but only to those actively searching for a job or be employed. Participation in tier two would be temporary. The third tier would provide long term cash support to people with jobs that do not pay near enough to support their entire family and those who are unemployable for the time being. These people might be addicted to drugs and going through treatment, have mental or other health problems, or have young children with health problems. The third tier would only be necessary for a very small portion of the poverty population (pp. 257-258).

States would establish guidelines for eligibility, so evaluators would not have complete control over who was given assistance. Blank's plan is meant to

give states d structure on which to base more specific guidelines. She wants to emphasize that assistance should be flexible to for different levels of poverty, which would allow fluidity for claimants whose position changed (p.259).

Aside from this new way of setting up welfare programs, Blank sees that youth must be better prepared for the workforce to improve their chances at economic advancement. We can help adults, but it is much more effective to help teenagers who do not already have volatile employment histories. She also suggests educational programs be implemented that would prevent teenagers from quitting school or becoming pregnant. She thinks it is important that these issues be addressed before the late teen years, when it may be too late (pp. 279-280).

Blank also advocates school-to-work programs for students who know they do not plan on attending college to establish clear rules and goals for students, while closely linking learning to real life situations. Programs like this are connected to real workplaces and employers, who will want to hire students, which makes it easier for students to get jobs after completion of the program. Aside from this, Blank sees that the problem of teen parenthood must be addressed more. Parents, teachers, and peers, should emphasize the difficulties of raising children and the importance of education. She knows that there is no way to guarantee that parents and communities get involved with teens in this way, but thinks to end poverty it is important that all Americans realize the role they can play in reducing poverty and become active (pp. 281-283).

Blank also emphasizes the importance of individuals being involved in improving America's ghetto neighborhoods. In areas where much of the population is in poverty for long periods individuals suffer, as well as the

neighborhood as a whole. The government places a lot of importance on assistance to individuals, but dose little for communities. Privately run community organizations (which often have some public funding) are very important to Blank's vision for change. Such organizations tend to be more successful because they develop locally and know the needs of the area. They also enjoy support from people in the neighborhood. The leaders of these programs also see potential and strengths within the community, whereas outsiders often only see a community that has a lot of problems. The best development projects are collaborative efforts that bring together several community groups including businesses, churches, school parent organizations, non-profits and more. Such a faction may be necessary because there are so many different factors working against a neighborhood of concentrated poverty(pp. 285-288).

Blank asserts that government programs alone cannot fix these areas, but sufficient public funding to programs through grants and loans is very important. She also thinks neighborhoods must be dealt with in order to improve education. Even if schools are improved, the environment children grow up in can still have a negative effect on their educational development. Ghetto neighborhoods have deteriorated too much over time to be fixed through only one facet of the community (pp. 288-289).

Blank's contribution is important because she sees a need for change not only in policy, but also in the attitude and actions of people towards each other. She points out the need for all citizens to be more involved, which is necessary if anything is to be done about poverty. This would require Americans to develop a more collectivist mindset. If the majority of people in the U.S. could see that

what benefits the community also benefits individuals as part of that community the problem of poverty may go away on its own.

### ***3. Reflections and Conclusions: The Political Restrictions Imposed on Liberal Thought***

Poverty is a very large problem that cannot be fixed with one simple solution. The liberal thinkers reviewed see many causes and offer various solutions to solve the many different social issues that contribute to poverty. I think all of these solutions seem very sound and are meant to be appealing to politicians and voters in the U.S. today. However, while reading their works I often got the feeling that many of these thinkers are holding back and not suggesting changes they would really like to be made, but changes that they think could be made by politicians with little persuasion.

All of the liberal thinkers reviewed found that many economic and social forces influenced inequality and poverty. Combined these have a major impact on poverty enduring as a problem in the United States. They think the fact that both the poor and middle class lost economic stability shows that individual work ethic has little to do with the problem of poverty. However, some like Danziger and Gottshalk do not analyze why poverty and inequality exist as much as why poverty has not declined since the 1960s, though the economy has grown. Danziger and Gottschalk do not express what they think the root of the problem is, which must be examined if poverty is to be meaningfully reduced.

Danziger and Gottschalk and Litchenwalter all work very hard to emphasize that their policy changes would mainly benefit workers. They want to get across the point that their programs would benefit a lot more people than just those who are technically considered poor and that the people who would benefit would be "productive" members of society. I see this as a move to appease conservative policy makers. They emphasize the role of work so conservatives will not think that their recommendations would promote dependency. Many of the poor have jobs that simply do not pay enough; others may not be able to find a job because they cannot afford transportation, but the majority of the poor want to work. Focusing on dependency makes it seem as though it is the main issue.

The goal of all of these thinkers is to reach something resembling equality of opportunity, because, unlike conservatives, they see that this does not exist in the U.S. today. However, even if all of the recommended changes to policy were implemented, I still do not think we would have equality of opportunity. I agree with Blank that more than policy really needs to be changed if we expect to improve the quality of life of the poor. Slightly raising incomes by providing a bigger EITC or a refundable DCC will be helpful in bringing some out of poverty, as will improving education in the areas where they live, but the problems of crime, housing segregation and living in inadequate housing are more difficult for the government to address.

What really needs to be changed is the mindset of the majority of Americans who think poverty is not their problem. If poverty were not so easy for many people to ignore I am sure it would be less prevalent. Poverty hurts all people, even those not living in it. More people must be willing to be personally

involved in its elimination either through giving their time or money. However, this is not something that can be easily achieved and I do not think it will necessarily happen unless it goes along with larger structural changes than liberals are willing to ask for.

Also, in focusing on equality of opportunities, for the poor, for minorities, or for women, they are ignoring the larger problem. Even if everyone had equal opportunities, larger structural problems, like low-wages, insufficient healthcare, and unemployment would still exist. If these problems are not corrected some people will always be poor due to unemployment, or inadequate wages. Were we to achieve equality of opportunities those who were poor may not be disproportionately female, or from minority groups. This would be an improvement, but the same number of people would remain poor. Liberals are much more focused on eliminating social than economic inequalities, which causes their solutions to poverty to fall short.

A major issue for me, which liberals tend to ignore, is the accelerated accumulation of wealth towards the top of the economic distribution. Certain families and people have great advantages in life only because someone before them could afford the luxury of saving money. The poor have difficulty escaping poverty because they cannot do this. When you are paid barely enough to buy the commodities necessary to survive, saving money is the last thing there is to worry about. The working poor need to be given more compensation, not only to compete with those with greater incomes than their own, but also greater wealth.



## **CHAPTER 4**

### **THE RADICAL PERSPECTIVE**

It is difficult to define what the typical radical view on poverty is in the U.S. today, as there is a wide range of beliefs that could be considered "radical". The radical authors who I have drawn from feel that the capitalist system makes poverty inevitable and the economy must be much more heavily regulated to eliminate or meaningfully reduce poverty. Ideas on how this can be accomplished vary greatly, from drastic redistribution of income, to redistribution of assets to allow the poor to accumulate wealth, to the reallocation of resources to provide for poor communities. For these radicals, poverty cannot be wiped out without severely changing the way society thinks about the economy and deals with regulating it.

Initially, when defining a radical perspective on an economic phenomenon, such as poverty one would think that what was considered radical would revolve around the acceptance or rejection of capitalism. A truly radical

stance would reject the idea that the problem of poverty can be cured within the capitalist system and look to a different sort of economic system, such as communism to ensure a fair economy for all. However, within the political discourse of the U.S. today it is very difficult to find anyone subscribing to such a belief.

A laissez-faire ideology has dominated political discourse through many periods of the U.S. history. As a result, government interference with private property has become a very sensitive issue. This ideology has lead capitalism to be the generally accepted economic system in the U.S., and even the most prominent radical views no longer completely challenge the economic system. This rightward shift has made it difficult to determine whether views should be considered liberal or radical. Policy changes recommended by radicals tend to have a more drastic effect on the economy and businesses.

Current American radical views express the idea that there are major flaws in the capitalist system, like poverty, but these flaws can be corrected through drastic changes in national, or local governmental, or economic policies. For example, they recommended implementing policies like a living wage, or a wealth tax, both of which would have an affect on costs to businesses and those who hold the majority of the nations wealth. These are not simply small modifications of already accepted policy in the U.S., unlike many liberal recommendations.

Many radical thinkers do not focus on poverty their primary issue, but rather that vast inequality exists in the U.S., more so than any other industrialized nation. All of the policies they recommend would work to decrease this

inequality, which they see as excessive. They do not necessarily see all inequality as a bad thing, but they think less inequality should exist in the U.S. More specifically on the issue of poverty, many of these radicals feel that a nation as wealthy as the U.S. can function well economically without anyone living in poverty. If the distribution of income and wealth in the U.S. were more equal the economy those at the bottom of the distribution would have greater social mobility allowing them to escape poverty permanently.

## ***1. Causes of Poverty***

### **1.1) Imbalanced Distribution of Wealth**

According to economist Edward Wolff (Top Heavy, 2002) the uneven distribution of wealth in the U.S. contributes greatly to poverty. The gap between the rich and the poor has been growing since the 1980s and by the beginning of the twenty first century it had grown larger than it had been anytime since 1929. Wealth continues to grow for those at the top of the wealth distribution, the financial wealth of many at the bottom actually decreased from 1983 to 1998. The distribution of wealth between races also grew worse in these years. The average wealth of white families was 5.3 times the average wealth of black families in 1983 and grew to 5.5 times the average wealth of black families by 1998 (p. 2-3).

Wolff sees wealth inequality as an important indicator that is often ignored. Family wealth, like income, is an important source of a family's well

being. Some assets are beneficial in daily life, like a home, or a car, which can fulfill needs. If two families have the same income, but one of them does not own a home, or a car, the two families will experience very different levels of well-being. Wealth also offers security. It can allow a family to sustain their current standard of living even if they lose a substantial amount of income. Also, having great amounts of wealth can give individuals social and economic influence in politics, making democratic representation an imperfect system (pp.5-6). Wealth disparity has greatly contributed to producing generational poverty because wealth inequality has always been far more considerable than income inequality. Through history, a quarter of all wealth has generally been held by the wealthiest 1% of people (p. 37).

In *Assets for the Poor* sociologist Thomas Shapiro (2001) explains how, over time, the accumulation of assets has been unfairly manipulated by state and federal policies. Policies like the Homestead Acts gave American families hundreds of thousands of dollars to buy homes and farms and after the Korean War and WWII, the G.I. Bill provided for the secondary education of 8 million veterans and gave almost 10 million veterans loans to start businesses and buy homes. However, black Americans were largely excluded from benefiting from the Homestead Acts and many black veterans eligible for the G.I. Bill were denied access to educational institutions. Financial inheritance available because of these policies caused inequalities, which still foster racial inequality (p. 14-16).

Shapiro found that if the average black household had the same income as the average white household there would still be a \$25,794 gap in financial assets. Also, less than one third of whites have no financial assets or are in debt, while

over two thirds of black Americans are in this situation (p.17). This helps to explain much higher poverty rates for blacks. Almost 80% of black families would not be able to support themselves at poverty level consumption for three months if they lost their income, which is true for half as many whites (p. 18).

In *Top Heavy*, Wolff (2002) compares wealth disparity in the U.S. with that of two other industrialized nations, the U.K. and Sweden. In the U.K. there was a drastic decline in wealth inequality between 1923 and 1974, and wealth inequality continued to decline slowly between 1974 and 1994. Sweden had a similar pattern from the 1920s to the 1970s, but wealth inequality remained the same from then until the mid-1980s, when it began to increase sharply into the early 1990s. The pattern of changing wealth inequality in the U.S. was similar only in that all it experiences overall reductions in inequality until the 1970s, but the U.S. had the greatest increase after that period (p. 33-34). Here, wealth inequality is higher than in France, Germany, Canada, Japan, the U.K. and Sweden (p.36). It is interesting that a country that cites equality as one of its core values is actually one of the most unequal in the world economically.

Currently, the U.S. has two methods of taxing wealth, the estate tax and the capital gains tax. The estate tax goes into effect when a person dies. The value of all of their belongings, their entire estate, is taxed. This also takes into account gifts, which are assets that were voluntarily given to the individual who has died. As of the beginning of 2006, individuals are exempt from being taxed on estates worth up to \$1,000,000. Anything above that is taxed at a rate determined by the amount, starting at 37%. Only about 2% of people who die every year pay the estate tax.

The capital gains tax comes from the amount of money that is gained on the selling of a product, the difference between the price at which the product is purchased and the price at which it is sold. Value can be added to the purchase price of the product if it is improved over time, like a home that has been expanded through construction (pp. 42-44). Wolff sees rising wealth inequality in the U.S. as a sign that we are not taxing wealth heavily enough (p. 67), which only contributes to the poor staying poor and the rich getting richer.

Wolff and Shapiro clearly illustrate the importance of wealth in the lives of Americans and how it disproportionately it is distributed. It is apparent that wealth plays a role in racial poverty differentials and in keeping those who are rich wealthy for generations without having to work as some who are living in poverty, but did not inherit any assets. It is also interesting to see that the U.S. has a greater disparity in wealth in comparison to other countries. This suggests that our economy does not extend the equal opportunities that we boast, and more government regulation, like that of many European countries, is in order.

## **1.2) Family Structure and the Capacity for Earning**

Radical Economists Randy Albelda and Chris Tilly (1990) contend that because of the limitations placed on single mothers by society, many of them can never have an adequate earnings capacity in our economy. Even if many of the poor do work, they may not be able to work full time because they have no childcare. Gender, age, and the number of children a person has all have an effect on their income. Single females with children and the elderly both have very

limited earning ability (p.36) Conservatives blame the problems of poor single mothers on the fact that they are not married and are dependent government programs. Contrary to this belief, Albelda and Tilly found that from the period of 1973 to 1979 the work effort of single mothers increased, despite an increase in assistance from the government. Though welfare programs were cut throughout the 1980s, they found that single mother's work effort actually decreased from 1979 to 1987. This leads them to the conclusion that it is not dependency, but the labor market that determines people's earnings. Many families simply lack the time and access to good jobs to earn an above poverty wage (p. 75).

Albelda and Tilly found that, after adjusting income to take family size into account, single mothers have less than a third the earnings capacity of a couple with children, and less than half that of a single father. The only group that has less earning capacity than single mothers is the elderly (p.74). However, the elderly have a much lower poverty rate because the government provides them with much larger amounts of assistance (p. 75).

The majority of the poor in the U.S. and around the world are female. Feminist economists see the way the labor market punishes single mothers (and all women) as problematic and correctable. Feminist economists acknowledge that within capitalism women are often caregivers, this influences how women are treated in the labor market. Women give birth to children, and are therefore seen as the natural caretakers of children. As a result their economic position is affected negatively, which is reflected in the poor pay the women (and men) in care giving jobs receive (Albelda, 2002, p. 32)

Though it is true that more women are unemployed than men, this is only partially explains a higher female poverty rate. The difference in unemployment is only an indication that women occupy a very different role in the labor market than men. Through history, women's economic opportunities have been restricted by their role as caregivers and their dependence on men. Mothers are much more likely than fathers to take jobs where they can work fewer hours to spend time caring for their children. Laws give greater benefits to women who are in traditional married families, or assume that women are going to be able to care for their children and support their families. Unemployment insurance, for example, is only available to people who work full-time hours in many states. This law makes it impossible for women to work only part time so they can care for their children to support their families if they happen to lose their job (pp. 32-33).

Feminist theorists recognize "housework" as a valuable form of work and a necessary component of the capitalist economy. Housework and care giving are necessary to society, so many feminists feel women should be compensated for performing such duties (p. 33). While some women who do such work are compensated through support from their husbands, many women are not this lucky and must either do both housework and hold a job, or only work in their home uncompensated and live in poverty. According to Albelda, feminist economists see the laws surrounding divorce, child support, unemployment, and welfare as reinforcing the social roles of men and women, which forces a disproportionate number of women and their children into poverty. These laws will not allow women to work as caregivers for their families, despite the fact that



doing so can provide a valuable service to the community, by allowing them to raise children who will contribute positively to society (pp. 33-34).

### **1.3) A Lack of Radical Political Power**

According to sociologist Edward Royce, in the 1970s American businesses shifted their strategies to gain greater political power over the working class to boost low profits. They became very aggressive with regard to union activity, were very antagonistic in negotiating with workers in general, lowered wages, and cut benefits. They also denied workers any share in business gains, and eliminated many full-time positions replacing them with part-time or temporary ones, making workers more disposable. American businesses have continued implementing these strategies since the 70s to increase profits at the expense of the well-being of low wage workers. This has lead to big business garnering more economic, political, and cultural influence than labor unions. As Royce says, "The 'owners of capital' by virtue of this power shift, 'have triumphed over those who work for a living'" (p. 8).

There are several disparities currently existing in the U.S. that illustrate the validity of Royce's argument. One is the disparity between profits and wages. Even though profits have been increasing, wages have continued to decrease and have reached record lows in recent years. Similarly, productivity per worker has been increasing, while wages are decreasing, which means that workers are producing more and receiving less in return. Royce calls this the productivity-pay disparity. He also observes that recent business strategies have caused the

disparity between the pay of supervisors and workers to increase. Though there was already a disparity between supervisor and worker pay, there has been a large shift in reducing the pay of workers and increasing that of supervisors. The pay of corporate executives has also increased greatly while the pay of workers has decreased. In 1979 a CEO made 42 times what the typical factory worker made, but by 1998 this had jumped to a CEO making 419 times a worker's pay (pp. 8-9).

Royce's theory that a shift in power from labor to corporations explains the lack of opportunities currently available for low-wage workers. Wages have more to do with power dynamics in the workplace than skill or the actual value labor. This shift in power must be reversed if inequality and poverty are to be decreased. Corporations have used their economic and political influence to exploit workers to a much greater degree in recent years, and they are the ones at fault for the poor conditions faced by the working class. Without social, political, or economic power necessary the poor must continue to suffer in their current economic condition (pp. 9-10).

In many Western European countries labor parties have substantial power, unlike in the U.S. Socialist and communist parties gained wide spread support in Europe, but largely failed to do so in the U.S. In their book *Fighting Poverty in the U.S. and Europe* (2004), political scientist Alberto Alesina and economist Edward Glaeser illustrate several reasons why this development was different in these different industrialized nations. A part of the reason the U.S. developed differently is its vast size and regionally varying modes of production. In its early development the labor movement did little to reach agricultural areas of the south. Also, it was difficult for labor organizations to mount national strikes that would

alarm the whole country, unlike in small European countries. On top of this, during America's early development there was plenty of available land westward. This allowed the poor of eastern cities to easily leave and determining their own economic fate, rather than having to collectively fight for a better one (p. 107).

Alesina and Glaeser also see the ethnic diversity of the U.S. as playing a negative role in establishing a viable radical political power. This is because diversity is easily used to pit workers against each other in competing for jobs, rather than bringing them together to fight to improve conditions for all workers. Lastly, the U.S. is a huge military power, which meant that during the formative years of the labor movement strikers always had a large organized governmental force to face that was not afraid to use force (pp. 107-108).

#### **1.4) Marxist Theory of Poverty**

Marxism presents what I would consider the traditional radical analysis of poverty. Marx gave multiple explanations of why poverty is an inherent problem in capitalism. First, technological development causes unemployment to increase and is a necessary aspect of capitalism. Second, capitalism is naturally unstable and will always produce periodic crises, which will cause worse bouts of unemployment and poverty. Also, Marx saw an inverse relationship between profits and wages, which suggests that if wages get too high profits will not be high enough to sustain the economy. He saw these aspects of capitalism as uncontrollable, but he was writing before the time of Keynesian government

intervention in capitalism. However, modern Marxists still see government intervention as somewhat futile.

According to Marx (1976), as technology advances, productivity increases and fewer workers are needed to produce the same amount of goods, so the demand for labor goes down, and unemployment increases. This phenomenon occurs because what Marx refers to as the constant composition of capital grows faster than the variable composition of capital. In other words, because fewer people can produce more, the amount of capital invested in machinery and raw materials (the constant composition of capital) grows faster than the amount of capital invested in human labor (the variable composition of capital). Therefore, as total capital invested in production increases the proportion, which is invested in, labor decreases (pp. 781-782).

Capitalism also creates an ever-increasing workforce, and one that is growing more quickly than the variable composition of capital. This means that capitalism always produces more workers than it can utilize and there will always be workers who are unemployed, either from losing their jobs, or simply never being taken into the working population. Marx refers to these surplus workers as an "industrial reserve army," which he thinks will exist as long as capitalism does (pp. 782-784). Also, as long as this reserve of workers exists capitalists have control over their workers, because they are easily replaceable. So, the greater the unemployment rate, the more over worked and under paid those who are working will become. As long as there is unemployment, capitalists will have more power than workers and will be able to keep wages low (p. 789).

The constant rate at which the ratio of these compositions of capital is increasing, which Marx refers to as the value composition of capital, also relates to the volatility of the capitalist system. A central point in Marx's theory is that profit is produced by labor. Human labor is a special commodity because aside from the value paid for the commodity, labor produces surplus-value, which goes to capitalists. The ratio of the rate of surplus-value to the rate of the value composition of capital is what determines profit. That is, the rate of the value produced by labor to the rate at which capital is invested in production (Marx, 1967, p. 211).

Marx's theory says that this ratio tends to increase as technology advances, which means profits will inevitably fall, eventually leading to recession until the rate of profit can be restored. (p. 213). Recessions trigger higher unemployment rates and higher poverty levels. Today, even increasing profits may not eliminate these in the U.S., as companies have begun finding cheaper labor in other countries to increase profits.

In Marx's theory, there is also a complicated relationship between wages and profits. Profits are effected by surplus value, which is reduced by higher wages. So, if wages increase profits fall, which also causes investment to go down. Less investment leads to fewer jobs being created. This interaction puts an upper limit on wages within a successful economy. Marx would argue that as long as capitalism exists, this sort of instability will continue, which makes permanently, eliminating unemployment or poverty, or drastically reducing impossible.

## ***2. Solutions***

### **2.1) Wolff: Direct Taxation of Wealth**

In *Top Heavy*, Wolff presents three possible methods of directly taxing wealth. He sees a system that taxes wealth and income as more fair and thinks the country would benefit from placing a relatively small burden on richer families and individuals. Using the same wealth taxation system as Germany, the U.S. could have collected \$67.5 billion more in taxes in 1989, whereas using the Swiss wealth tax the U.S. would have raised \$38.0 billion. Using the Swedish system the U.S. could have raised an additional \$328.7 billion in that same year, which would increase total revenues by 74%. Using the Swiss or German model would affect few people negatively and still raise tax revenues, whereas the Swedish system would have a much more drastic effect (pp. 52-53).

Implementing a wealth tax would probably disproportionately affect older people who tend to have larger wealth holdings and lower or no income shifting some of the greater tax burden away from younger households with few assets and higher incomes. The Swedish wealth tax system is highly progressive in relation to income placing a much greater burden on higher income families and none on those who are poor, whereas the German and Swiss systems are somewhat constant across different incomes. All three systems are progressive in relation to wealth. In all systems wealth taxation does not start until a family has accumulated a certain amount of wealth (pp. 53-55).

Wolff thinks that if the U.S. wants to alleviate the increasing wealth inequality of recent decades, the government must impose a direct tax on wealth. Doing this might help to make up for the income tax system becoming less progressive in the 1980s. Many other countries tax wealth and these countries have much less economic inequality. However, Wolff does not think the results of his simulated wealth tax, using the German, Swiss, or Swedish method have enough of an impact on the distribution of wealth to correct the current inequality in the U.S. alone (pp. 67-68). Other policies must be adopted in conjunction with the wealth tax to have an impact on the severe level of inequality in the U.S.

## **2.2) Finley: Redefining and Redistributing Political Power**

In her article *The Faces of Dignity* (2003), Susan Finley details a new example for social change that is being pioneered by a group of homeless people in Portland, Oregon. Dignity Village is a village made up of tents and other shelters. It was organized by homeless people seeking to reject the way charities generally respond to poverty by creating a self-governing movement. These homeless people took the initiative to create a camping community where they could live. At first it was opposed by the city and they were forced to move multiple times. Then, they staged a public protest that received a lot of media attention and raised public support for the homeless campers. Finally, the city allowed the campers to set up Dignity Village on city land. The city also had to concede that they were dealing with homelessness in an inadequate way. The

village functions as a representative democracy with 12 elected board members who hold weekly public meetings (pp. 509-510).

Finley sees Dignity Village as a model for a way in which poor citizens can dramatically transform their own circumstances. Their model allows the poor to be independent and maintain their self-respect because they participate in the process by caring for each other. The intention and government of Dignity Village closely resemble that of the Zapatista movement in Mexico. The Zapatista's aim is to allow a variety of concerns to be met by a democracy, including those of the extremely poor. Finley quotes the Zapatista's leader. He states that their purpose "is not to seize power on behalf of the people - rather it is to create a space in which people can define their own power" (p. 520). Dignity Village was not initially intended to bring about a sort of cultural revolution, as the Zapatista movement was; rather, it came about to meet the needs of a group of poor, homeless people. Those who live there are just trying to create a space where anyone can feel empowered and seek happiness (pp. 519-521).

Despite their economic disadvantage, the residents of Dignity village have been able to amass the necessary support to have political power. If more of those who are left at a disadvantage by the economy were to come together across the country poor, unemployed and low wage workers may gain a voice in political battles over issues that personally affect them. However, as noted earlier in the section, because of a lack of radical political power, there are many obstacles to the poor obtaining this power on a larger scale. The business interests of large corporations currently take precedence in politics and it would probably take a massive movement to reverse the current trend.



### **2.3) Power and Albelda and Tilly: Compensation for Labor in the Home**

Feminist economist Marilyn Power (2004) believes that the term "social provisioning" is a more accurate way of describing economic activity to promote women's economic equality. As she describes it, "'Social provisioning' is a phrase that draws attention away from pecuniary pursuits and individual competition and toward notions of sustenance, cooperation, and support" (p. 6). This definition of work allows women's economic activity to be viewed more generally and include labor within the home that is not traditionally viewed as economic because it does not revolve around self-interest (pp 6-7).

The welfare system in the U.S. has never been generous to single mothers raising children and after the 1996 Personal Responsibility and Work Opportunity Act, it made it even more difficult for mothers to care for their children. The purpose of the act was to end "dependency" of mothers, while encouraging work and marriage. However, it has been observed that single mothers working low wage jobs and their children face greater hardships than those on welfare. These women face an unstable job market that does not offer high enough wages to support a family. To Power, the concept of "dependency" cannot be applied to mother's raising children. From a social provisionist standpoint, mothers are doing labor, which should be paid and are dependent on themselves (pp. 8-9).

Power thinks that poverty policy should take care labor into consideration as a valuable and necessary part of the economy. She thinks that it would be more positive for society not to require people who bear the exclusive

responsibility of parenting to work full time, because this means their parenting will suffer. Welfare should focus on the well being of poor mothers and their children as a measure of successful economic activity. Women should not be expected or forced to marry for their or their children's economic well-being. This places a higher value on marriage than parenting and interferes with a woman's right to live as an independent being who can make her own decisions (pp. 9-10).

Correspondingly, in their work *Glass Ceilings and Bottomless Pits* Randy Albelda and Chris Tilly (1997) think that welfare reform needs to evolve because families have changed. It is not always a possibility to have a parent working and a caregiver who stays at home full time. According to them, reforms must be made that will effect families by providing better childcare and higher wage jobs. Their policy recommendations are borrowed from western European countries and are aimed at supporting all families, not just poor single mothers (p. 147).

Albelda and Tilly recommend several programs to give greater support to women and children. First, they suggest that the government provide for full time childcare, which to them, does not only mean paying for the childcare of working parents, but also providing parents who work full time caring for their children with financial support. Like Power, they see caring for children as an important contribution of society. They also believe that care within the family is the most stable option for children. Finding affordable childcare that is safe and high quality can be impossible for single mothers with low wage jobs and getting off of welfare. Women who support children should be adequately compensated for their work, and families should be provided with greater assistance to pay for childcare. Some countries in Europe have free childcare for toddlers and give

families allowances for the number of children they have, funding care at home (pp. 150-151).

Furthermore among other recommendations, Albelda and Tilly suggest that the government should do more to allow workers flexibility. They think the government should provide businesses with incentives to have family friendly policies, like allowing sick leave to be used when children are ill, which would allow more women to better care for their children. Studies have shown that when businesses take employee's family needs into consideration they can reduce absences and increase customer response time. They also see it as important to provide workers with a living wage and to require equal pay for comparable work. Since women and men are often in different sectors of the workforce, would be necessary to reduce gender inequality in different fields (pp. 151-153).

#### **2.4) Bell and Wray: Reaching Full Employment**

Stephanie Bell and Randall Wray (2004) of the Levy Economics Institute emphasize inadequate job creation policy as the major failure of the war on poverty. Conservatives often ignore the fact that there are not enough jobs available for everyone in the U.S. to work. Without jobs available the poor cannot be expected to support themselves and must rely on the government. They analyze Hyman Minsky's assessment, from the time the war on poverty began and then contribute their own up to date ideas.

Bell and Wray think the war on poverty had little effect on the poverty rate because it did not promote employment, because it is an important factor in

reducing poverty. In 2002, both families with no worker and families with a part time or seasonal worker had poverty rates of around 25%, whereas families with a full time worker had a poverty rate of only 3%. They argue that this shows the importance of available full time jobs in avoiding poverty (pp. 14-15).

Minsky did not think the war on poverty would work, because he saw unemployment as the major cause of poverty that president Johnson's Economic Opportunity Act did not address. He did not think that only providing workers with training and work incentives would do anything, because unemployment would remain inherent in the capitalist system if nothing were done explicitly, to combat it. Minsky thought both a lack of well paid jobs and a lack of full time year round jobs were problems for the majority of poor Americans (pp. 10-11).

Minsky did think a welfare system was necessary for those who could not work (children, the elderly, the disabled, etc.), and he thought this system needed to be greatly expanded and provide these people with enough money to live. He also thought that it was important that the government provided preschool programs, because education at an early age is crucial to the development of a child and is necessary for children to become productive workers. However, most importantly, Minsky thought that those who could work should be able to find jobs and it is necessary for the government to set up a job program that provided people with livable wages (pp. 11-12).

Bell and Wray agree with Minsky that moving towards full employment is necessary to make a long-term difference in the poverty rate. Achieving full employment would shift the distribution of income downward, making it slightly less lopsided by eliminating those who have no income. To do this, Minsky

thought the government should become the employer of last resort by starting a program that would guarantee a job for anyone who wanted to work. This program would set the price of unskilled labor and be able to adjust to accommodate the number of workers in need of jobs at a given time. This program would reduce poverty, increase the earnings of families, and increase production. Minsky thought that this would bring the unemployment rate down to 2.5% (pp. 20-22).

According to Bell and Wray's calculations, if this plan were to have been implemented in 2002 the unemployment rate would have fallen from 5.8-2.5%. This decrease of 3.3% would have raised the GDP about 10%, a \$1.038 trillion increase. To produce this much more the government would only have to spend a little more than \$100 billion, which is a small fraction of the amount the GDP would increase. However, this is only accounting for those who were technically considered a part of the labor force. There are also many frustrated workers who have given up looking for jobs and are no longer considered in the unemployment rate. Bell and Wray imagine this would lead to a further reduction in unemployment and even more growth in production (p. 22).

## **2.5) Tilly and Pollin: Providing all American's with a Living Wage**

Of all the possible radical solutions, the implementation of a living wage nationally is probably the most likely to reduce poverty, as it has already made advances in cities around the country. However, it may not be successful without the aid of some other solutions already mentioned. Economist Chris Tilly (2001)

is one of many who have taken an interest in the potential of such a movement to grow. Grassroots living wage campaigns have won victories in city governments across the nation, which reflects the amount of public concern surrounding fairness for workers in the U.S. economy. However, there is much business opposition to paying low-wage workers a living wage, as it does increase costs. Some also argue that providing a living wage to more people will increase taxes and prices of goods (pp. 36-37).

Tilly points out that so far, studies show that the living wage in Baltimore, which was the first city to adopt a living wage ordinance, only increased business costs by 1% after the first two years it was implemented. There are several reasons for this; one being that the law affects very few workers. Nationally, only an average of 1000 workers have been effected in each locality that has adopted a living wage law and these are not small towns. The nations biggest cities, like Los Angeles and New York have passes living wage laws, but still not many people are effected because only workers making the lowest wages are helped by these laws. Unfortunately, another part of the reason that costs have not increased much is that businesses may be cutting corners to produce lower quality goods, raising prices for consumers, or simply not following the new laws, as most labor rights laws are not sufficiently enforced (p. 37).

In Tilly's opinion, living wage laws must be strengthened and more must be asked of businesses for the movement to be successful in reducing the official poverty rate. Whereas the first living wage laws were for smaller amounts like \$7.50 an hour, more recent ones have been at much as \$12, Tilly would like to see more cities head in this direction. He also sees a lot of potential in living wage

coalitions making agreements with large private companies, especially non-profits, like private universities, which are often under social pressure to improve their labor practices. He also sees the potential for state and federal legislation, however he does not think this could work unless the living wage becomes more widespread in smaller municipalities, because it must have local support if it is to be enforced at all (pp. 37-39).

There should not be noticeable negative affects to businesses or consumers until more substantial wage increases have taken effect, but eventually some people will have to pay for the improvement in quality of life to low-wage workers. This will probably come in the form of higher taxes, prices, or increased worker productivity through increased technology, which will cost some workers jobs. In Tilly's opinion, fairness to all workers is worth the costs. He explains that if low-wage workers are paid more, then higher earning workers who consume more goods will absorb the costs. This economic flux will spread money out more equally throughout the economy and reverse the increased inequality cause by tax cuts and privatization in the 1980s and 90s. He also recommends that the government start job creation programs to go along with the living wage, so lost jobs will be restored (p.38).

If a nationwide living wage movement were built it would bring together unions and community and religious organizations in support of equality and justice, as it has on a local level. This would provide enough support to actually make sure living wage laws get enforced. It would also strengthen unions, which have been deteriorating since the 1950s, and provide a broader base of support for other progressive movements. Current living wage movements have attempted to

win adequate incomes for those who cannot work for wages and those who can only work part time, such as single mothers with young children. So far, this has been difficult as the living wage movement is built around the notion of hard work, and the general public does not recognize personal care giving and housework as a part of this. Tilly hopes that if the movement were to gain national public support, this too could be accomplished on the ground of equality and justice for all people (pp. 38-39, 48).

Economist Robert Pollin has carefully examined the effects that living wage laws have had in around 90 municipalities where they have been enacted across the U.S. The biggest problem in implementing living wage laws is their potential cost. There are several ways that firms could diffuse the cost increase of paying their low wage workers a living wage. Critics worry that these additional costs could cause jobs to be lost, businesses to relocate, or city budgets to be strained. Tilly dismisses these saying that economic fairness is worth the cost, but Pollin examines how affected firms are handling budget issues. (pp.13-14).

Pollin examined studies of the effects of living wage ordinances on several cities that have already implemented them, including Los Angeles, New Orleans, Boston, and others. He found that in these cities the negative consequences of requiring a living wage (only for city contracted firms in most cases) were nominal. The bulk of affected businesses had cost increases of only 1-2%, so it was only necessary for them to make very small changes. It was not necessary for them to lay off workers, move their business or increase cost to cities. The benefits of living wage ordinances are concentrated among a small number of low waged workers that are greatly in need of money to support them. However, it is



easy for businesses to spread out cost so it will only have a very slight effect on businesses, consumers, city spending, and taxpayers, which will not do them any harm. Even in cases when businesses have larger costs, they did not generally have a hard time paying for them through redistribution within the firm, because increases in price and productivity, which did not have a drastic effect on consumers or workers. In some cities, such as Hartford businesses did pass on their increased costs to the city government in the form of higher contracting prices, but this did not occur in all cities and the cost increases were minimal (pp. 34-35).

Pollin is fairly cautious in his argument in contrast to Tilly and does not address the willingness of Americans to pay to improve the lives of others. The major obstacle that Pollin sees in this research and in passing living wage laws is defining the living wage. In the cities he reviewed, the required wage raises that were from 19% to 87% above the current minimum wage in the area. There is a large range of what is considered enough to be a living wage according to different calculations. Pollin estimates that at some point, if set too high, the living wage would have a substantial negative effect on the area in which it is implemented. He thinks it is necessary to weigh the benefits and possible negative effects before setting a wage too high (p. 35).

### ***3) Reflections and Conclusions: The Political Difficulties Facing the Radical Argument***

Radical authors recognize the large structural economic problems that contribute to poverty in the U.S. They see that many of those who are poor are hardworking people and many more would like to be if they could only find jobs. Far fewer people would be in poverty in the U.S. if a higher value were placed on low-skill labor. Such labor is necessary to society and those who perform it should be compensated enough to support themselves. These radical intellectuals make some attempt to tailor ideas that would reduce poverty and promote inequality to be acceptable to U.S. standards, but do not compromise the high value they place on egalitarianism. Though this is problematic from a political standpoint, I think it is probably the only way to make a significant change in the poverty level and reduce the increasing inequality of the preceding decades.

If combined, these radical policies could drastically reduce the number of people living in poverty in the U.S. and help to reverse the increasing inequality of the past few decades. These changes could bring about an economic and cultural climate more like that of the 1960s when there was a much large middle class and less of a disparity between the highest and lowest wage earners. A direct tax on wealth and a more progressive income tax could be used to help fund a government full employment program and provide compensation for mothers working within the home. Compensating women for their labor in the home would probably also bring up the wages in the care giving industry, as many of these jobs are currently undervalued.

Hypothetically, if everyone is working productively and everyone is being compensated with enough to survive, poverty would be eliminated. In the event that the living wage campaign were successful on a national level and there was

full employment (including women's labor in the home as employment) the only people who would be poor would be those who refused to work. In such a situation, the conservative idea that the poor are poor because they lack a work ethic would be true.

However, considering the current political climate in the U.S. it is very unlikely that this is a possibility. A dominantly conservative federal government is unlikely to increase taxes or spending on domestic social policy. It would undoubtedly be argued that adopting these radical policies would make drastic changes to the economy and it cannot be assured that it will remain stable. It is true that it is impossible to predict how the economy will react to such changes without enacting them. It is also true that the impact of these policies may not be clear until they are enacted, but we can look to similar policies that are currently in place. Research by Pollin and others has shown that paying a living wage has minimal cost to businesses and the communities in which these policies have been enacted. Also, we can look to the European countries that do have direct taxation of wealth to see how this policy might change our economy.

Paying for labor in the home and full employment are somewhat more challenging to support because they cannot be observed. It could be argued that this is what our current welfare system does, however this is not viewed as pay for labor so much as a handout. For such a policy to be successful the mindset of American's might have to change to see this labor as valuable to society. Full employment, logically would push up wages because there would be a smaller supply of labor. It could also create greater job stability, because less of a reserve of unemployed workers makes labor more valuable and harder to come by.

However, neither of these policies can be observed directly and we would be taking a chance in adopting them.

The biggest problem with radical policy is that it is considered "radical". Being outside the realm of current mainstream politics, it is unlikely that any of these policies will be enacted. Much spending on domestic social policy has been cut in recent decades and the needs of the poor have largely been ignored. I see very little likelihood of reducing poverty in any meaningful way without challenging the accepted political culture in the U.S. and these radical thinkers may be the only ones who realize the depth of problems concerning inequality in the U.S. economy.

## **CHAPTER 5**

### **HOW AND WHY WE MUST REDUCE POVERTY AND INEQUALITY**

After examining the works of scholars from across the political spectrum I have come to my own conclusions on what I think causes poverty and how this problem must be viewed by us as a nation, to be able to solve it. The conservative

standpoint overlooks or ignores much of the evidence presented by social scientists. These thinkers often make broad claims with little evidence to support them. Liberals and radicals look at the distribution of income, wealth, and the state of the labor market in a much more realistic and complete way. The scholars on this end of the political spectrum offer many solutions; many of which could do a lot to reduce poverty drastically if they were combined.

### ***1) The Problems of Past Attempts to Reduce Poverty Through Policy***

In recent decades poverty itself has largely been ignored in political debate. The focus of the national poverty policy debate has become welfare. The main questions and reforms have focused on the dependence welfare may cause, and the fact that this dependence according to the conservative view, worsens poverty. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act was passed. Republicans have hailed this act as a success, because it greatly reduced the number of people on welfare and welfare spending, and also given states more responsibility in regulating their own welfare systems, however they tend not to address the issue of poverty.

There are many factors that affect the poverty level and over the years increasing or decreasing welfare spending has had very little effect, though it has remained the U.S.'s main response to poverty. I deduce that this is because the amount of income provided to the poor through welfare is only really enough to survive, not enough to help them change their lifestyle much, which could be

beneficial in finding employment. Welfare is not so much a program designed to reduce poverty as to alleviate the suffering of the poor. Providing the poor with welfare does not address the heart of the issue of poverty; there are not enough jobs for everyone and not all jobs pay well enough for people to survive.

In a 2005 study, economists at U.C. Davis, Hilary Hoynes, Marianne Page and Ann Stevens, compared different economic influences to see the effect they had on poverty in the U.S. They found that the best predictor of changes in the poverty rate was changes in the labor market. They found that the changes in wage distribution play a large role in explaining changes in the poverty rate across time from the years of 1967-2004. They also found that wage inequality plays a very large role in determining poverty rates, especially when there is greater inequality towards the bottom of the wage distribution (pp. 22-23).

Hoynes, Page, and Stevens also tested to see the impact that government transfer programs and tax refunds had on the poverty rate. When examining these they found that most had very little effect on poverty, except the EITC, which provided 4.9 million people with enough extra income to lift them out of poverty in 2002. They tested for changes in welfare spending per person over time, and found little correlation between fluctuation in spending and the poverty rate, though they do note that the programs continue to improve the well being of the poor. As programs they simply do not help people get out of poverty (pp. 26-30).

While providing the poor with government benefits may be necessary to their survival, it is not improving their situation. To truly reduce poverty the government must play a more active role in regulating the workings of the lower

half of the economic structure. Both wage levels and unemployment play a big role in the poverty rate. If the government were to more actively regulate these aspects of the economy correctly poverty rates could be reduced. Promoting higher wages and lower employment levels is crucial in reducing poverty.

## ***2) The Current Economic and Political Structures in the U.S.***

### ***Intensify Poverty and Inequality***

Some economic inequality may be desirable, but the current level of inequality in the U.S. is neither reasonable nor necessary. The income and wealth of those at the top of the economic ladder grew greatly in the 1980s and 90s while the middle and lower classes were left behind. Looking at the pay of CEOs shows this disparity. In the U.S, the average CEO pay peaked in 2000, at 525 times the pay of the average worker. Since then it has gone down to 301 times the pay of the average worker in 2003 (United for a Fair Economy, 2005). Still, this is modest progress considering U.S. CEOs continue to make three times as much as British CEOs and four times as much as their German counterparts (Sklar, 2003). The economy functioned in the 1980s when CEOs made much less and the German and British economies also function well. It is clear that this kind of inequality of incomes is not necessary for capitalism to survive. Not only is the disparity of incomes much greater in the U.S. than in other industrialized nations, so are the disparity of wealth and the percentage of the population in poverty.

Unlike other industrialized nations the U.S. does little to regulate our economy or to provide important services, like healthcare, to those who cannot afford them. Conservative thinkers argue that inequality is necessary because it promotes competition and gives incentive to work hard. I am not going to dispute that point. Rather, I argue that if inequality is necessary, it is not necessary for it to be at the extreme levels it is in the U.S. All this inequality does is allow our rich to collect wealth that they are likely to pass on to future generations, and our poor to suffer and have nothing to give their family members, who will in turn, remain poor. We are only perpetuating a cycle of inequality by allowing social mobility to be further stifled with every preceding generation.

It may seem as though I am arguing that there is no room for the poor to advance in the U.S., but this is not true. Though there is social mobility in the U.S., it allows for very little movement. The poor are free to move up to being near poor, and probably later when they are befallen with illness or laid off, back to being poor again. The middle class may have more mobility, but the middle class has been shrinking as inequality has been rising and more money has been concentrated among the very rich.

### ***3) Necessary Policy Modifications to Reduce Poverty in the U.S.***

#### **3.1) Reevaluating the Poverty Threshold**

The first necessary step to fighting poverty is making sure the national measure of poverty accurately depicts the level at which people cannot physically



support themselves and their families. The current poverty measure is outdated, inaccurate, and does not truly represent the portion of the population that cannot support itself economically. Mollie Orshansky developed the current national poverty threshold in the 1960s based on consumption survey data produced by the Department of Agriculture (Ruggles, 1990, p.4). Even if the method Orshansky used to come up with this measure was sound, it is unquestionable that the research on consumption needs to be updated. The only changes made to this measure have been in adjusting for inflation, but this does not account for the fact that people's needs change over time, or that surveys in the 1960s were probably much less accurate than those we could conduct today to more accurately determine what is necessary for bare subsistence.

As discussed in earlier chapters, there is a great deal of conflict surrounding what type of poverty measure we should use. Some think that a relative poverty measure would more accurately depict poverty in relation to the standards of greater society. However, for simplicity and to minimize conflict over the objectivity or subjectivity of poverty I recommend keeping an absolute poverty measure, but making several adjustments to our current approach. I agree with Patricia Ruggles, that at the very least, the methods used to determine subsistence consumption and an adequate family budget need to be updated and should continue to be updated regularly in the future (pp. 164-165). In 1990, she estimated that the poverty level would be at least 50% higher if the cost of basic needs were recalculated (p.167).

Ruggles also thinks more factors than just how much a person earns must be taken into account when calculating income. She recommends, like measuring

for poverty using after tax income, including "cashlike" transfers in income, and measuring income more often to better portray who is in poverty at any given time. Many people may be in poverty for a period, but not a whole year, so they will not be included in an annual measurement (p. 171). I agree that all of these modifications would make for a more accurate measure of the income that people really have at their disposal.

Outside of the realm of income, Ruggles recognizes that assets must also be taken into account when determining a family's well being. If two families have the same income, but one owns a home and the other does not the one that does not is much less economically stable. She thinks that even just surveying the assets of low-income families would be helpful, as it would allow us to accurately determine the severity of family's poverty and how great their needs are (p. 172). I agree that assets are a very big part of a family or individuals economic security. Wealth is an important aspect of economic status that is often ignored in the U.S.

### **3.2) Equalizing the Educational System**

Conservatives like to think that in the U.S. everyone has equal opportunities. This is simply not true when people in poor communities do not have access to the education or jobs that people in wealthier communities do. It is most unfair that children just starting out in their lives are automatically disadvantaged because of the economic status of their parents. Some children in poor communities do well in school, graduate and possibly even go to college. However, they are much less likely than middle class or rich children to

accomplish these goals because they face many more challenges at home and in school, as shown earlier in my of summary Jonathan Kozol's work.

To prevent this blatant denial of opportunity to poor children the U.S. needs to recognize that our current system of funding schools through local property taxes from their area is inadequate. It would be more appropriate to pool income taxes at a state or federal level and divide them equally per pupil at all public schools. Other possibilities would be to nationally institute a program like those mentioned earlier, which are currently used in Michigan or Vermont, where the majority of taxes used to fund schools do not come from property, but a combination of sources. Any funding that would be distributed equally and provide poor students with a fair opportunity to receive the same education as everyone else would be an improvement.

### **3.3) Promoting Full Employment**

An important component in ending poverty would be promoting full employment. If there were to be full employment, and everyone were to make a living wage, everyone would be able to survive without the fear that they may lose their job and not be able to support themselves the next month. Marxists may not think that this is a viable option, as they believe that unemployment is an inherent and necessary part of capitalism, which cannot be eliminated. I do not completely disagree, but in the context of policies that could work to eliminate poverty in the U.S., at this point in history, I think attempting to eliminate unemployment would be an important component. We may not be able to totally

eliminate unemployment or poverty within capitalism, but I think we can reduce both. As discussed earlier, the government could become an employer of last resort, in order to accomplish this goal.

To do this the government would have to set up an employment program. Such a program would provide people who wanted to work but could not find jobs in the private sector with government employment. The government could create low-skill positions, and perhaps pay slightly less than private firms would be required to, which would encourage seeking employment with private companies. Also, I should emphasize that these jobs would not simply be make-work that accomplished nothing. There are plenty of useful services that the government could provide. One example of a way to provide jobs that would be very useful to everyone would be in the area maintenance and construction of roads, transit systems, parks, and other publicly owned properties. A program like this may be costly, but could be funded by adjustments to our current tax system and would provide us with valuable services and help to reduce poverty.

### **3.4) Instituting the Living Wage on a National Level**

I think paying workers a living wage would be a very logical step towards making our economy more just for everyone. It is common sense that if a person has a full time job he should be able to support himself and his family. However, this is often not the case in the U.S. where a large part of the poverty population works and a portion of these people work full time, despite conservative's insinuation that the poor are poor because they are lazy. Establishing a national

living wage would ensure that all people who worked would make enough to support themselves. This wage would be based on the new set of poverty guidelines I recommended earlier, as the current measurement significantly underestimates the income necessary to survive and be secure.

Paying workers a living wage would be good for businesses, contrary to what they might believe. Higher wages will create better living conditions for workers, which will raise morale and in turn, productivity. The cost of wage increases would be at most a 10% increase in total costs, which may be offset by more productive workers (Pollin and Luce, 1998, p. 164). There is a possibility that firms could have little or no increase in costs if high paid executives, like the CEOs mentioned earlier, were willing to have a very small fraction of their pay cut. Robert Pollin and Stephanie Luce recommend a modest 6.7% cut in wages to the richest 20% of households, which would have little affect on the lifestyles of the richer workers and bring huge improvement to those of the poor (p. 168).

Pollin and Luce suggest the government increase growth through expansionary policies to allow for growth similar to that of the 1960s when the real value of the minimum wage peaked. They recommend that the government invest in public needs, such as education, public transportation, welfare, and health. These investments would have social and economic benefits and they would promote consumption. Pollin and Luce also endorse expanding taxation to fund their proposals, similar to the funding methods I will propose later (p. 183).

### **3.5) Universal Health and Child Care**

I have yet to discuss the importance of healthcare, and have only briefly touched upon providing affordable childcare. Federally provided health care and child care would be beneficial to most everyone in the U.S. and it would take a huge strain off of poor families, especially single mothers who would like to work, but must care for their children. The U.S. is the only industrialized nation that does not provide its citizens with universal health coverage. Many industrialized nations also provide childcare through a national system. However, for some reason the U.S. provides neither of these basic services.

Even without the other policies I have discussed, providing universal healthcare would afford the poor in the U.S. much greater stability. Today, unlike when union membership was more prevalent, very few low-skill, low pay jobs provide healthcare benefits. Some people can get healthcare coverage through Medicaid, but not all low-income people qualify and many of those who do not qualify cannot necessarily afford to pay for their own medical care. This statement is especially true in the case a person has a medical condition that stops them from working.

Currently, a health emergency can be devastating for a person in or near poverty and can put them in debt for a very long time, making it even harder for them to move up economically. Also, a low-income person with chronic health issues may have to go for long periods of time without treatment. This can worsen health problems and cause people to miss work, which may make it difficult for a person with health issues to keep a job. Universal healthcare would not only help the poor, but also many middle class people who do not have adequate health coverage. It would also make it so businesses that do provide

healthcare would not have to spend as much on providing benefits and could spend their money in some other productive way, possibly in the form of higher wages.

A national childcare system would also do a lot to alleviate the hardships of the poor, especially single mothers. It is often a challenge for single mothers to find jobs and care for their children, or work and find affordable care for their children, as childcare costs can add up to several thousand dollars a year. Providing childcare would allow more single mothers who would like to work the opportunity to do so, and absolve the government from having to pay them welfare, which would actually save money. Supplying childcare to everyone would benefit many middle class people as well. Even people making decent incomes can find the cost of childcare to be a huge burden, which could be avoided were it provided for everyone and funded by taxes.

According to the American Sociological Association (2002), in the U.S. free childcare is only provided to the very poor, and because of this, free care is often sub par, which negatively affects poor children. Several European countries provide free or heavily subsidized childcare to their citizens. In France, free childcare is open to everyone and is meant to provide children with early education. Almost all parents of 3-5 year olds take advantage of this and enroll their children. In Denmark, free care is available as well, although it is less of an educational program. Denmark's free care is primarily in place to assist working parents. Though these childcare programs are expensive and come with the cost of higher taxes, in places like France providing such programs is considered a social obligation. We could follow the example of these European countries. The

American mindset that individuals should be provide for themselves is largely responsible for the lack of social programs, like child and health care in the U.S.

### **3.6) Compensation for Labor Within the Home**

Another venue for increasing employment and raising wages would come from valuing childcare work within the home as employment. As discussed earlier in my chapter on radical ideas, raising children is valuable to society and should be treated as such. Stay at home wives with working husbands are effectively paid for their labor by their spouse. Single mothers who wish to work raising their children, rather than being a part of the traditional labor force, should be afforded similar support. Like any other labor, they should be compensated with a living wage.

This compensation should be restricted to single parents who choose not to participate in the mainstream labor force, those whose spouse is temporarily unemployed, or those whose spouse does not make a wage adequate to support their whole family. In all such cases enough would be paid to support the whole family at, or slightly above, the level of the newly established poverty level. In the case where the spouse is employed, their salary would be taken into account as a part of the income necessary to live above the poverty level. Limiting this compensation to low-income families would reduce its impact as a feminist policy that would promote the value of work within the home. However, such a limit would also make it less expensive and would insure that the government was not spending money to support work within homes that already have substantial



financial means, gearing it more towards being a poverty policy supported by feminist ideology.

Essentially, such a policy would be reversing recent trends and greatly expanding the welfare system. However, I think the most important part of this change is that Americans begin to recognize child rearing as labor and see the policy as people being paid for work, not getting a government handout. The U.S. would be paying for a labor that is viewed as valuable. The government would also be investing in the well being of future generations. Paying for work within the home and providing universal childcare will allow women to choose if they want to work in the private sector or devote their lives to raising their children.

Like many of my suggestions, accepting this requires a major shift in thought. Even professional care giving work is currently undervalued, and care giving within the home is not thought of as valuable labor by most. However, I think most people would agree that raising children well is an important part of ensuring a prosperous future for society. Paying mother's to raise their children would allow them to do a better job and it would be likely to bring up the wages of outer care giving work in the private sector. This too would be an added expense for the government, but another, which could easily be accounted for in an affluent nation such as ours.

### **3.7) Necessary Funding to Support Greater Equality**

Wealth inequality in the U.S. is by far the greatest economic inequality. The lack of an ability to accumulate assets is a major reason why the poor remain

poor while the rich can continue to make more money by getting returns on investments that may be generations old. In a 1998 study Edward Wolff found that the top 1% of the population owns 38.1% of all the nations wealth and the top 10% owns 71%. The bottom 90% of the country is left with 29% of all assets (Wolff, 2000). This system hardly allows for equal opportunities for those born with nothing.

After analyzing the wealth systems of Switzerland, Germany, and Sweden, Wolff (2002) concludes that if the U.S. adopted a wealth tax similar to the minimally intrusive one of Switzerland, which would only tax wealth over \$100,00. Few people would be negatively affected to a noticeable extent. If this tax had been implemented in 1989, tax revenues of \$38 billion would have been raised (p. 53). Making this change in policy would do at least a little to equalize the tremendous disparity of wealth in the U.S. and produce tax revenues that could be used to fund poverty programs, and possibly universal health and child care, which would benefit everyone.

Aside from the wealth tax, the U.S. could fund these policies by making income taxes generally more progressive. A very basic first step in this modification would be to repeal the tax cuts that have been made by President Bush, including those on income and the estate tax. The estate tax was already a tax primarily on the rich and the cuts Bush made to income taxes primarily benefited the rich. If Bush's tax cuts stay in place according to the current plan, by 2010, 52% of tax cuts will benefit the wealthiest 1% of the population (Citizens for Tax Justice, 2002). These figures illustrate just how unnecessary these cuts are and how little they benefit the majority of Americans. The U.S. tax system

was much more progressive in the 1940s and 50s and this could certainly be restored today.

Looking past possible tax raises that could bring in more financial support, the government could reallocate a lot of their resources if there were a shift in national priorities. The U.S. puts a large amount of their resources into spending on the military, which many consider unnecessary. A portion of this funding could be diverted to spending on these new social programs as well, considering we currently spend far more than other nations on the military. We have more than enough military power for our own defense, and were this what our military were being used for we could afford to cut back on forces.

I understand that my policy recommendations could be rather costly and implementing a wealth tax and making income taxes more progressive would place a larger tax burden on the rich. However, I agree with Tilly's assessment in my chapter on radical views; those of us who are well-off enough to have to pay for such programs should be willing to pay for reduced poverty and increased equality. As a society that places a great deal of value on fairness and equality, those with more should be willing to pay the necessary costs to help their fellow citizens. For this to happen, and for most all of my proposals to be accepted, more people would have to recognize how harmful increasing economic inequality has become to both lower and middle class workers. More Americans would need to accept the duty to look after and care about other Americans. Today, many people act as though they are troubled by the poverty faced by some in our nation, but few do anything about it. The overwhelmingly prevalent

mindset that poverty is not everyone's problem needs to be changed if we expect anything to be done.

#### ***4) The Necessity for a Leftward Political Shift***

##### **4.1) Subsiding Barriers to Change**

According to the views of Alesina and Glaeser, many parts of American society must be changed for the far left to garner a substantial amount of political power. As mentioned earlier, Royce thinks a major cause of increasing inequality and poverty and deteriorating conditions for American workers has been a shift in political power towards the interests of businesses. Perhaps this shift would not have occurred had the American labor movement been as powerful and politically influential as those of Western Europe. It is necessary that the American Left gain more political power to accomplish policy changes that will reverse the increasing inequality of the past few decades.

To gain such power, the poor and working class must overcome the difficulties mentioned by Alesina and Glaeser to form a unified political movement that promotes their interests. To do this the working class and poor must first discover the power they could potentially have, were they to overlook racial, ethnic, and gender differences that have caused internal class conflict throughout history. At this time, because national communication and travel has become very accessible and simple, mounting such a campaign on a national level could easily be accomplished if unified movements were to form in major cities.

Another formerly daunting barrier to social movements was U.S. military power, but today this poses much less of a threat. It is unlikely that military force would be used to stop strikes and riots as it once did. The majority of the population would probably be angered today if soldiers were to use force against civilians, which would only help to strengthen a far left political movement.

#### **4.2) Apathy and Acceptance**

As mentioned in section 3, many Americans claim to be concerned with poverty in this country, but few act on these concerns. It seems to me that the majority of people who claim to care about such issues remain unwilling to devote time to such a cause, or pay for poverty programs through increased taxes. A general attitude that nothing can be done about the current system also seems to keep many Americans from actively taking a part in politics. I think many individuals who identify farther to the left politically have become frustrated with not being heard, especially since in the years since the election of President Bush. However, I believe that if all of these people were to participate in a unified movement devoted to ending poverty, discrimination and regaining workers rights, among other issues, a powerful political force could be amassed. The largest problem facing the inception of such a force is finding a unifying cause.

In all honesty, I do not foresee enough support being amassed in the near future for such a movement to take hold in the U.S., at least not one large enough to make the kind of changes I have suggested. Though the U.S. economy has been doing poorly in recent years and President Bush's approval rating has been

low, the general public is not discontent enough to do anything drastic. I think the only event that might bring together enough people on the left to change the general political climate would be a major economic crash. It is logical that in a time of economic hardship the populace would see the flaws within capitalism and the instability the market creates. Were such a crash to occur, I do think there is a possibility for a unified movement towards power for unskilled workers, as many of the past barriers to such a movement are no longer a problem.

### ***5) The Importance of Reducing Poverty and Inequality***

Conservatives have argued that inequality, and even poverty, are necessary for capitalism to function. As I have said earlier, I do not necessarily see some level of inequality as a bad thing, but the levels of inequality in the U.S. have gotten out of control in the past few decades. Inequality may spur competition, but the danger of falling into poverty is not necessary to motivate people to work hard. From my own experience I believe that the majority of people are motivated to do well in life. If it were true that the threat of poverty was necessary to get people to work, then the majority of very rich children would probably sit around their houses and do nothing until their parents died. In reality this does not happen often. Many people accept that they should work and support themselves, even if it is not essential for them to do so.

Chris Tilly (2004) also has problems with this theory. He does not think it is well thought out, and presents several facts in opposition, showing that less

inequality is actually good for the economy. He found that countries with more equally distributed incomes grow faster, as well as countries with more equally distributed land. He also found that countries with less ethnic diversity grow faster, and he attributes this to an absence of inequalities based on ethnicity. Also, when workers are given more rights growth tends to be faster (p. 26)

Perhaps these patterns help to explain why the U.S. economy has been somewhat stagnant since the 1970's, at which time workers rights began decreasing and economic inequality began increasing. In fact, the U.S.'s "golden age" during the 1950s and 60s not only marked unprecedented economic growth, it was also the time in our history with the greatest economic equality, largest middle class, and when the most rights were extended to workers.

Tilly also explains why he thinks some resist redistribution, despite its positive effects. Of course, redistribution does ask the wealthy to make sacrifices, which is generally unlikely without force. Though they would share in increased growth, it is difficult for the rich to see past losing some of what they already have. Tilly thinks that because of this, once a country is rather unequal the rich will work to keep it unequal through political influence. He gives the example of ensuring that education funding is kept low for the poor, because without education it is difficult to challenge the current system (pp. 26-27).

After decades of growing inequality, this pattern has taken hold in the U.S. In recent years policy has been aimed to benefit the rich and deny the poor access to many needed services. Tax cuts have predominately benefited the rich and have caused cuts in spending on childcare, education, and government aid programs. Republicans have intentionally tried to prevent the poor and minorities

from voting. Tilly anticipates these new policies will slow growth and the economy will continue to be stagnant (p.31).

From the evidence Tilly presents, it is apparent that unregulated inequality is neither necessary, nor good for the economy. Many current U.S. policy decisions have been fueled by greed. Conservatives cover up this motivation by making it appear as if this inequality benefits us in some way, but that is simply not the case. Observing our own recent economic history can show us the benefits of a more egalitarian income and wealth distribution.

## ***6) Possible Criticisms of my Analysis***

It is likely that my analysis of the causes and solutions to poverty will be heavily criticized. I am sure that many issues that I have already addressed will come up, such as, the amount of funding necessary to run such programs, the degree to which ending poverty is necessary or the governments responsibility, and the possible negative consequences of my recommendations on the economy. I have addressed the issues of funding through the wealth tax, more progressive income taxes, and a shifting of a portion of the government's excessive military spending. These changes will provide funding, but the major issue in that the majority of Americans see the benefits of investing in social policy.

Possible negative effects on the economy are difficult to predict for policies that have not yet been implemented. However, the majority of the policies I propose are currently in practice. Most European countries use a



relative poverty threshold providing for a much higher standard of living than ours and still have lower poverty rates. Universal childcare is provided by some European nations, either for everyone, or those who cannot afford private childcare and they continue to sustain standards of living comparable to that of the U.S. Universal healthcare is provided by virtually all industrialized nations and has been for decades. The main problem that some more socialistic European nations face is high rates of unemployment. However, all of them do not have this problem and it is not clear that it is caused by government policy. Also, if we were to promote full employment through government programs this problem may be taken care of.

Living wage campaigns have been successful in implementing the living wage in major cities across the nation, where workers for firms with city contracts must be paid a regionally determined living wage. Studies have shown that these regulations have been successful in raising wages with only minimal negative effects. Equalizing the educational system would not increase educational costs; it would just shift where funds came from. This policy change would not have economic effects so much as having social effects by making opportunities more equal. Some of the rich may see this as unfair, because it takes away some of their children's advantage, but it would probably have few negative effects. Promoting full employment is something the government has done in the past, for example in the 1930s and 40s, to help ease the economic burden on working families during the great depression.

The major recommendation for which I cannot cite evidence is providing compensation for labor within the home. Paying for this labor would be rather

costly and would have to be highly regulated to assure it was not taken advantage of. However, it would eliminate a lot of the poverty population while allowing mothers to choose work or child rearing. This recommendation, combined with universal childcare and equal education would help to assure American children are raised well and grow up to be productive adults. Currently children have the highest poverty rate and this would prevent that. It is worth the cost of attempting this as it could benefit our country in the future.

As for the necessity of ending poverty, it is something that would be beneficial for large portion of the population. Poverty is a problem that will not be eliminated by the market without government intervention, which seems to be our only option. I think the advantages that ending poverty would bring are great enough that the government should intervene to benefit all citizens. Higher employment levels and higher wages for the lowest paying jobs would be likely to benefit the next few wage brackets in increase as well. Eliminating poverty would bring an end to the majority of crime, improve neighborhoods, and generally improve health.

Some may argue that controlling the market in the ways I have suggested takes away freedom, but this suggestion is only true if freedom is viewed solely as economic, and solely as something the rich can have access to. The rich, who have a lot of control over government decisions, are in many cases restricting the opportunities the poor and middle class to ensure their own continued economic well being. If those people at the bottom of the economic distribution do not have the resources to make their desired choices in life we cannot say that Americans genuinely have freedom.

More radical thinkers may criticize me as being too optimistic about capitalism. Marxists, for example do not believe that poverty can be eliminated within the framework of a capitalist system. They see features such as unemployment and economic instability as inevitable without a complete economic transformation. Marxists also believe that there is an inverse relationship between wages and profits, meaning that if workers began being paid a living wage profits would fall. However, I am focusing on ways to reduce poverty within the current capitalist system of the U.S. I do not think that we can fix all of the flaws of capitalism, but I do think it can be made more stable if the government plays a more active role in regulating the economy to promote equality. I also believe that the tradeoff of greater equity is worth some decline in profits, which benefit only those wealthy enough to invest.

### ***7) Questions Remaining to be Answered***

Poverty is an enormous and complex issue and with time constraints there is no way I could have evaluated every aspect of this. I would like to have more thoroughly evaluated the effectiveness of the War on Poverty as well as the Personal Responsibility and Work Reconciliation Act of 1996, as these have been the two largest changes in poverty policy in recent decades. I would like to investigate for myself how both of these policy changes effected poverty, as opposed to other factors, like economic growth, unemployment, and union membership rates.

I would also like to closely examine the American political ideology of the conflict between the ideals of equality and freedom. I would like to understand how the history of this conflict has played out to negatively affect the labor movement and the formation of a strong socialist party. The U.S.'s fixation on economic freedom has prevented us from developing a collectivist mentality, unlike many countries in Europe, where paying higher taxes is seen as a necessary obligation to provide support for fellow citizens in need.

Along similar lines, I would like to compare the different cultural and political values held by American's and Europeans today. I think understanding the current differences would be helpful in finding a way to change the American mindset. Also, I'd like to look into the different potential influences on the public in these places. The media plays a large role in forming public opinion. I think the media's depiction of the poor in the U.S., especially the black poor, has had a negative influence on how many Americans view the poor. I would like to see if and how the European media treat poverty differently.

Lastly, there is the most controversial of my policy recommendations, providing a living wage to those working within the home. If it were feasible for me to do so, I would like to devise a way to ensure if this option would be economically feasible. I think implementing such a policy would be economically beneficial. I would like to prove that this policy could be successfully implemented in the U.S.

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