Poverty, Inequality, and Welfare

Whether or not the poor will always be with us, as the Bible says, poverty has certainly been a constant feature of all known societies so far. But what exactly do we mean by poverty?

Poverty can be defined as some absolute level of deprivation or it can be defined relative to something else. One absolute standard that might be used is the subsistence level: the minimum of food, shelter, and other necessities required to keep a person alive. But even the notion of subsistence is at least partly relative. What one needs to sustain a healthy life differs depending on whether one lives in a society, like France today, where people typically live past age 70, or a society like eighteenth-century France, where life expectancy was under 30. And even in rich societies today, most people cannot afford all the high-tech medical care that might conceivably extend their lives—and yet it would be odd to say they were living below the subsistence level.

Technological change complicates absolute definitions of poverty. For example, does the absence of an indoor toilet make someone poor? If so, then we would have to conclude that King Henry VIII of England (1491–1547) was poor, because the water closet wasn’t invented until 1596. For some purposes, this sort of absolute standard is useful. It shows one of the ways in which scientific and technological progress has made people’s lives better. But if we wanted to discuss how the problem of poverty was dealt with in sixteenth-century England, we wouldn’t really be concerned about policies designed to help “poor” King Henry. For this and similar questions it makes sense to define poverty in terms of the prevailing level of technology. That is, we don’t consider people poor for lacking what was technologically impossible at the time they lived.

For societies existing today, there have been various proposed measures of absolute poverty. The World Bank suggests that anyone with an income of less than $1 per day in purchasing power parity dollars (PPP) is poor (see Box 12.1); with anything less than this minimal amount, one cannot purchase the basic necessities of a healthy life. Around the world, hundreds of millions of people fall below this level. On the other hand, in the high-income, industrialized countries—Western Europe, the United States, Canada, Japan, Australia, and New Zealand—virtually no one’s income falls below $1 a day. Does this mean that there is no poverty in these industrialized countries? That is the implication of an absolute definition of poverty, but many would argue that poverty in a rich country should be measured in terms of the economic potential of that society, not by a standard that applies equally to rich and poor countries. In 1996, the gross national product per capita of high-income countries was more than
It is not so simple to compare incomes from country to country, because fluctuating exchange rates mean that what a U.S. dollar will buy in, say, Indonesia may vary from day to day. Therefore, analysts use purchasing power parity dollars, units that reflect what it costs to buy a common bundle of goods and services, expressed in some common currency, usually U.S. dollars. To say that someone in Kenya has $3,000 in PPP units means that he or she can buy in Kenya the equivalent of what could be purchased with 3,000 U.S. dollars in the United States.

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$22,000 (PPP), while that of Mozambique was $500 (PPP), less than one-fortieth as much. Low-income countries as a whole had per capita GNPs of $2,100 (PPP), less than a tenth that of the high-income nations. According to advocates of a relative concept of poverty, the fact that even the worst-off Europeans are richer than people in Mozambique does not show that poverty is not a problem in Europe.

Other definitions of absolute poverty consider whether people have specific basic necessities: for example, access to safe drinking water and to sanitary means of disposing of human waste. A considerable fraction of the population in poorer countries lacks one or the other of these. In some rich countries too there are people without these things. In the United States, for example, almost one-sixth of the population does not have access to adequate sanitation facilities.

In general, relative definitions of poverty will characterize as poor those whose income falls below some fraction of the median or mean income of their own society, usually 50 percent of the median, but sometimes 40 or 60 percent. Under this view, as the society as a whole gets richer, the poverty line rises as well.

Conservatives tend to favor absolute measures of poverty. Instead of lamenting the condition of the poor in the United States today, conservatives think we should be celebrating the fact that "most 'poor' Americans today are far better housed, better fed and own more property than was the average U.S. citizen throughout most of [the twentieth] century." The relative notion of poverty, say conservatives, ignores the benefit of overall economic growth. Imagine a society with 20 percent of the population earning less than half of the median income. The (relative) poverty rate is thus 20 percent. If economic growth were to quadruple the incomes of everyone, the poor would have four times as much income as before, but since the median income also grew fourfold, their relative position wouldn’t have changed, and the relative poverty rate would still be 20 percent. On the other hand, if an impoverished society experiences no economic growth over many years, but has a narrow range of incomes, the relative poverty rate would be low and would remain low over time. Yet the people are all miserable.

From the conservative point of view, the use of a relative definition of poverty promotes bad public policy; it encourages governments to redistribute income from rich to poor (for this will lower the poverty rate)—something conservatives believe govern-
ment should not be doing. To the conservative, the most moral and effective way to help those at the bottom is to have a strongly growing economy and to oppose redistributionist schemes.

For liberals, and especially socialists, poverty must be judged relative to the economic wherewithal of a society. Even Adam Smith recognized that poverty is the lack of those necessities that “the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.” A country with limited resources can only do so much to help its least well-off members; that many are lacking the prerequisites of the good life may be unfortunate but unavoidable. On the other hand, when a society can afford to satisfy many human wants, but does not do so, it should be subject to the harshest criticism. For example, the dismally low life expectancy in impoverished Bangladesh is appalling, and the government of Bangladesh should be condemned for not doing more to address the problem. But far more blameworthy are the governments of Hong Kong, one of the world’s richest cities but where the poor live in stacked steel cages, or of the United States which, despite the society’s immense riches,
permits the life expectancy for African American males in central Harlem to be even lower than that of their Bangladeshi counterparts.7

Though there are some basic, unchanging, physical needs of humans, many needs are—in the liberal and socialist view—functions of the society one lives in. Electricity and access to telephones, for example, are not absolute human needs. Yet they have become essential parts of life in advanced industrial society and anyone without them suffers real deprivation. The ability of the human species to survive under adverse conditions is remarkable—during crop failures, people have eaten the bark off trees to keep from starving. But when crops are plentiful, no one should have to eat tree bark. When a society is rich, anyone lacking a reasonable proportion of what the society can provide is poor.

To liberals and socialists, the conservative preference for an absolute poverty standard is part of its effort to obscure the reality of poverty and to minimize the need to do anything about it.

**HOW MANY POOR?**

How we count the poor depends on how we define poverty. The official U.S. poverty line is determined by figuring out what it would cost to provide someone with a nutritionally balanced minimal diet of food and then multiplying by three (since, in a 1955 survey, food constituted about one third of a poor person’s budget). Adjustments are then made based on the number of members of the household. This poverty line is not the same from year to year because the price of food changes. But no account is taken of the changing economic level of the society, and thus it represents an absolute measure.

When the U.S. poverty line was constructed in 1964, it was equivalent to about one half of the median income. Today, the poverty threshold is about 40 percent of U.S. median income—partly because poor families devote more than two thirds of their budget to nonfood items (the cost of housing, in particular, has gone up dramatically as a fraction of household spending). If the poverty line were to be recalculated using present-day consumption patterns (instead of those from 1955) the threshold would be about 50 percent higher than the official figure.8

Table 12.1 shows the percentage of the population in poverty in a variety of industrialized countries around 1990. Poverty is defined seven different ways. The first four columns show four different absolute measures of poverty: $1 per day (the World Bank standard), $7.20 per day (half the U.S. poverty line for a single person), $14.40 per day (the U.S. poverty line), and $18 per day (one and a quarter times the U.S. poverty line). The next three columns show three different relative measures of poverty: 40, 50, and 60 percent of the median income.

Several things are evident from the table. First, a negligible proportion of the populations of any of these countries was poor using the World Bank’s dollar-a-day standard. Thus, compared to the condition of the global poor, almost no one in the industrialized countries is poor. Second, using the relative measures of poverty, the United States had the largest fraction of its population in poverty, but, using the absolute measures, it fared better. This is because the United States was richer than the other
### Table 12.1 Poverty in Various Industrialized Countries, Selected Measures (percent of population)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>$1</th>
<th>$7.20</th>
<th>$14.40</th>
<th>$18</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1989</td>
<td>0.6</td>
<td>2.2</td>
<td>7.8</td>
<td>14.9</td>
<td>7.0</td>
<td>12.9</td>
<td>20.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>1992</td>
<td>0.9</td>
<td>1.6</td>
<td>12.0</td>
<td>26.9</td>
<td>2.6</td>
<td>5.5</td>
<td>11.0</td>
</tr>
<tr>
<td>Canada</td>
<td>1991</td>
<td>0.3</td>
<td>1.3</td>
<td>5.9</td>
<td>10.2</td>
<td>7.0</td>
<td>11.7</td>
<td>17.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>1992</td>
<td>0.8</td>
<td>2.1</td>
<td>7.6</td>
<td>17.0</td>
<td>4.1</td>
<td>7.5</td>
<td>14.9</td>
</tr>
<tr>
<td>Finland</td>
<td>1991</td>
<td>0.1</td>
<td>0.5</td>
<td>3.8</td>
<td>8.3</td>
<td>2.8</td>
<td>6.2</td>
<td>11.5</td>
</tr>
<tr>
<td>France</td>
<td>1984</td>
<td>0.7</td>
<td>2.6</td>
<td>12.0</td>
<td>25.5</td>
<td>4.3</td>
<td>7.5</td>
<td>12.3</td>
</tr>
<tr>
<td>Germany</td>
<td>1989</td>
<td>0.6</td>
<td>3.4</td>
<td>11.5</td>
<td>21.6</td>
<td>5.2</td>
<td>7.5</td>
<td>12.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>1987</td>
<td>0.9</td>
<td>4.6</td>
<td>36.5</td>
<td>51.0</td>
<td>4.4</td>
<td>11.1</td>
<td>20.0</td>
</tr>
<tr>
<td>Italy</td>
<td>1991</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>2.7</td>
<td>6.5</td>
<td>12.6</td>
</tr>
<tr>
<td>Japan</td>
<td>1992</td>
<td>0.2</td>
<td>0.8</td>
<td>3.7</td>
<td>na</td>
<td>6.9</td>
<td>11.8</td>
<td>na</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1985</td>
<td>0.1</td>
<td>0.4</td>
<td>4.3</td>
<td>10.8</td>
<td>1.8</td>
<td>5.4</td>
<td>11.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1991</td>
<td>1.4</td>
<td>3.2</td>
<td>14.4</td>
<td>29.3</td>
<td>4.3</td>
<td>6.7</td>
<td>12.5</td>
</tr>
<tr>
<td>Norway</td>
<td>1991</td>
<td>0.3</td>
<td>1.1</td>
<td>2.6</td>
<td>7.0</td>
<td>2.4</td>
<td>6.6</td>
<td>12.5</td>
</tr>
<tr>
<td>Spain</td>
<td>1990</td>
<td>0.3</td>
<td>3.3</td>
<td>21.1</td>
<td>34.3</td>
<td>5.5</td>
<td>10.4</td>
<td>17.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>1992</td>
<td>0.3</td>
<td>1.7</td>
<td>4.6</td>
<td>7.5</td>
<td>4.2</td>
<td>6.7</td>
<td>12.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1991</td>
<td>0.5</td>
<td>1.9</td>
<td>13.1</td>
<td>23.1</td>
<td>6.7</td>
<td>14.6</td>
<td>22.8</td>
</tr>
<tr>
<td>United States</td>
<td>1994</td>
<td>1.1</td>
<td>4.3</td>
<td>14.1</td>
<td>20.3</td>
<td>13.2</td>
<td>19.1</td>
<td>25.4</td>
</tr>
<tr>
<td>Overall Average</td>
<td></td>
<td>0.6</td>
<td>2.2</td>
<td>10.9</td>
<td>20.5</td>
<td>5.0</td>
<td>9.3</td>
<td>15.4</td>
</tr>
</tbody>
</table>

**Note:** Income represents disposable income, adjusted for household size, after direct taxes and cash transfers from government. Purchasing power parity conversion of real income figures to 1985 U.S. dollars.

na = not available.


countries; its median income was the highest of the countries listed and more than twice that of Ireland. Consider two individuals: someone in Ireland receiving that country’s median income and someone in the United States making just less than half of the U.S. median income. In absolute terms, the American is better off (earning more purchasing power parity dollars per year), but relative to their own societies, the American is poor (less than half the median), while the Irish individual is not.

Another way to compare countries is to ask what the income is of those near the bottom or the top of households by income in each country. (By comparing these incomes to the U.S. median, rather than to each country’s own median income, we are employing an absolute rather than a relative measure.) Table 12.2 indicates in Britain (the United Kingdom) a person at the 10th percentile (someone whose household income is higher than 10 percent of households and lower than 90 percent) earned
Table 12.2  Income in Various Industrialized Countries as Percent of U.S. Median Income, 1997

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Person at 10th Percentile</th>
<th>Person at 50th Percentile</th>
<th>Person at 90th Percentile</th>
<th>Ratio of 90th Percentile to 10th Percentile</th>
<th>Gini Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1994</td>
<td>34</td>
<td>79.0</td>
<td>148</td>
<td>4.35</td>
<td>.311</td>
</tr>
<tr>
<td>Belgium</td>
<td>1996</td>
<td>47</td>
<td>87.3</td>
<td>153</td>
<td>3.26</td>
<td>.255(^a)</td>
</tr>
<tr>
<td>Canada</td>
<td>1994</td>
<td>41</td>
<td>88.7</td>
<td>167</td>
<td>4.07</td>
<td>.285</td>
</tr>
<tr>
<td>Denmark</td>
<td>1995</td>
<td>43</td>
<td>80.9</td>
<td>123</td>
<td>2.86</td>
<td>.263</td>
</tr>
<tr>
<td>Finland</td>
<td>1995</td>
<td>41</td>
<td>79.2</td>
<td>110</td>
<td>2.68</td>
<td>.226</td>
</tr>
<tr>
<td>France</td>
<td>1994</td>
<td>43</td>
<td>79.2</td>
<td>148</td>
<td>3.44</td>
<td>.288</td>
</tr>
<tr>
<td>Germany</td>
<td>1994</td>
<td>44</td>
<td>79.2</td>
<td>139</td>
<td>3.16</td>
<td>.261</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1994</td>
<td>43</td>
<td>79.6</td>
<td>133</td>
<td>3.09</td>
<td>.253</td>
</tr>
<tr>
<td>Norway</td>
<td>1995</td>
<td>50</td>
<td>92.3</td>
<td>143</td>
<td>2.86</td>
<td>.238</td>
</tr>
<tr>
<td>Sweden</td>
<td>1995</td>
<td>40</td>
<td>67.8</td>
<td>103</td>
<td>2.58</td>
<td>.221</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1992</td>
<td>55</td>
<td>98.4</td>
<td>185</td>
<td>3.36</td>
<td>.307</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1995</td>
<td>33</td>
<td>69.2</td>
<td>142</td>
<td>4.30</td>
<td>.344</td>
</tr>
<tr>
<td>United States</td>
<td>1997</td>
<td>39</td>
<td>100.0</td>
<td>209</td>
<td>5.36</td>
<td>.372</td>
</tr>
</tbody>
</table>

Note: Income represents disposable income, adjusted for household size, after direct taxes and cash transfers from government. Purchasing power parity conversion of real income figures to 1997 U.S. dollars.

\(^a\) 1997.


33 percent of the U.S. median income. A Briton at the 90th percentile (with a household income higher than 90 percent of households) earned 142 percent of the U.S. median. And someone in the middle of British incomes (the median, or the 50th percentile) earned 69 percent of the U.S. median. The last two columns present measures of the degree of income inequality in the society. The first gives the ratio of the income of the 90th percentile to the 10th percentile; the higher the ratio, the bigger the disparity between rich and poor. The second gives the Gini index (see Box 12.2). Table 12.2 shows that median income was higher in the United States than in any other country. The top 10 percent (decile) in the United States was also better off in absolute terms than their counterparts in the other countries. However, the bottom tenth in the United States was worse off in absolute terms than the bottom tenth in any of the other countries except Britain and Australia. Income inequality was greatest in the United States. As one study summarized the data, “the wider degree of income inequality found in America offsets its overall wealth to such a degree that low-income Americans have [a] standard of living below those found in almost all other rich nations.”10

We can also examine poverty rates among specific groups, such as children and the elderly. Table 12.3 shows relative poverty rates (less than 50 percent of the median in-
How Many Poor?

The Gini index or Gini coefficient is a measure of income inequality. The index ranges from 0 to 1. A Gini index of 0 means that there is complete equality—everyone has the same income. A Gini index of 1.00 means that there is complete inequality—all the income belongs to a single individual. Unlike measures such as the ratio of the income of the top 10 percent of income units to the bottom 10 percent, the Gini index takes into account inequality throughout the income distribution.

Box 12.2

Gini Index

The Gini index or Gini coefficient is a measure of income inequality. The index ranges from 0 to 1. A Gini index of 0 means that there is complete equality—everyone has the same income. A Gini index of 1.00 means that there is complete inequality—all the income belongs to a single individual. Unlike measures such as the ratio of the income of the top 10 percent of income units to the bottom 10 percent, the Gini index takes into account inequality throughout the income distribution.

The absolute living standards of children are depicted in Table 12.4. Among children at the 90th percentile, U.S. children have the highest income. At the median, U.S. children have less income only than children in Switzerland and Canada. But for the least well off, those at the 10th percentile, U.S. children have less income in absolute terms than the children of every other country listed except Britain.

International comparisons are fraught with difficulty and poverty rates are no exception. Data are not always available for the same year for different countries. A more serious problem is that the income figures include cash transfers from the government (such as welfare checks, food stamps, and tax credits), but exclude other kinds of government-provided benefits, such as education, health care, child care, housing subsidies, and so on. Two individuals with equivalent incomes might in fact have different levels of well-being depending on what social programs their governments provide. For example, 1 percent of American children age 0 to 2 are in publicly funded child care, while in France 20 percent are; for children between 3 years old and school age, 14 percent in the United States are in publicly funded child care compared to 95 percent in France. Another problem with these international comparisons is that although direct taxes have been subtracted from the income figures, no account is taken of indirect taxes, such as sales taxes or the Value Added Tax, which is common and significant in Europe.

Estimates suggest that including noncash government benefits would not change the relative ranking of countries’ poverty rates. However, within a single country, how various government benefits ought to be valued in figuring out the poverty rate can be politically contentious. In the United States, conservatives have wanted many benefits to be factored in (which would have the effect of adding to the reported income of the poor and hence of reducing the number of those in poverty). Liberals reply that the poverty line is already far too low. It is below what most Americans consider minimally sufficient, and it inadequately accounts for the growing cost of housing and other needs. The Census Bureau has put forward a number of different definitions of income and, depending on which one is used, anywhere from 10 percent to 23.2 percent of the U.S. population falls below the poverty line.
Chapter 12 / Poverty, Inequality, and Welfare

Table 12.3  Poverty Rates for Total Population, Children, and the Elderly, Various Industrialized Countries (in percent)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>All</th>
<th>Children</th>
<th>Elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1995</td>
<td>10.6</td>
<td>15.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Australia</td>
<td>1994</td>
<td>14.3</td>
<td>15.8</td>
<td>29.4</td>
</tr>
<tr>
<td>Belgium</td>
<td>1997</td>
<td>8.2</td>
<td>7.6</td>
<td>12.4</td>
</tr>
<tr>
<td>Canada</td>
<td>1997</td>
<td>11.9</td>
<td>15.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Denmark</td>
<td>1997</td>
<td>9.2</td>
<td>8.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Finland</td>
<td>1995</td>
<td>5.1</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>France</td>
<td>1994</td>
<td>8.0</td>
<td>7.9</td>
<td>9.8</td>
</tr>
<tr>
<td>Germany</td>
<td>1994</td>
<td>7.5</td>
<td>10.6</td>
<td>7.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>1987</td>
<td>11.1</td>
<td>13.8</td>
<td>14.4</td>
</tr>
<tr>
<td>Israel</td>
<td>1997</td>
<td>13.5</td>
<td>13.3</td>
<td>26.4</td>
</tr>
<tr>
<td>Italy</td>
<td>1995</td>
<td>14.2</td>
<td>20.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1994</td>
<td>3.9</td>
<td>4.5</td>
<td>6.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1994</td>
<td>8.1</td>
<td>8.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Norway</td>
<td>1995</td>
<td>6.9</td>
<td>3.9</td>
<td>14.5</td>
</tr>
<tr>
<td>Poland</td>
<td>1995</td>
<td>11.6</td>
<td>15.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Spain</td>
<td>1990</td>
<td>10.1</td>
<td>12.2</td>
<td>11.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>1995</td>
<td>6.6</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1992</td>
<td>9.3</td>
<td>10.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1995</td>
<td>6.7</td>
<td>6.2</td>
<td>21.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1995</td>
<td>13.4</td>
<td>19.8</td>
<td>13.7</td>
</tr>
<tr>
<td>United States</td>
<td>1997</td>
<td>16.9</td>
<td>22.3</td>
<td>20.7</td>
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<tr>
<td>Simple Average</td>
<td></td>
<td>9.9</td>
<td>11.3</td>
<td>12.1</td>
</tr>
</tbody>
</table>

a The poverty line is defined as 50 percent of the median disposable income (adjusted) in each country.


Using the official U.S. Census Bureau definition of income, about one in seven Americans fell below the poverty line in 1996. A study done a few years earlier gave a feel for the meaning of poverty. A quarter of those below the poverty line in the last four months of 1992 had no telephone in their home; three out of ten had rats, mice, or roaches in their homes; one out of five had a member of the household who didn’t seek needed medical attention; one out of four didn’t see a dentist but needed to go; one out of twelve had their electricity or gas service turned off. In 1996, 15 percent of poor children lived in households where there was sometimes or often “not enough to eat.”

WHY ARE PEOPLE POOR?

Conservatives, liberals, and socialists offer very different explanations for why people are poor. To the conservative, most poverty comes from the personal failings of poor people
Table 12.4  Household Income of Children in Various Industrialized Countries, as Percent of U.S. Median Income for Children, 1997

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>10th Percentile</th>
<th>50th Percentile</th>
<th>90th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1994</td>
<td>36</td>
<td>82</td>
<td>124</td>
</tr>
<tr>
<td>Belgium</td>
<td>1996</td>
<td>44</td>
<td>89</td>
<td>127</td>
</tr>
<tr>
<td>Canada</td>
<td>1994</td>
<td>44</td>
<td>102</td>
<td>156</td>
</tr>
<tr>
<td>Denmark</td>
<td>1995</td>
<td>48</td>
<td>95</td>
<td>114</td>
</tr>
<tr>
<td>Finland</td>
<td>1995</td>
<td>46</td>
<td>82</td>
<td>136</td>
</tr>
<tr>
<td>France</td>
<td>1994</td>
<td>44</td>
<td>87</td>
<td>137</td>
</tr>
<tr>
<td>Germany</td>
<td>1994</td>
<td>40</td>
<td>82</td>
<td>121</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1994</td>
<td>42</td>
<td>82</td>
<td>110</td>
</tr>
<tr>
<td>Norway</td>
<td>1995</td>
<td>55</td>
<td>99</td>
<td>126</td>
</tr>
<tr>
<td>Sweden</td>
<td>1995</td>
<td>48</td>
<td>80</td>
<td>97</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1992</td>
<td>51</td>
<td>108</td>
<td>165</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1995</td>
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<td>70</td>
<td>127</td>
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<tr>
<td>United States</td>
<td>1997</td>
<td>35</td>
<td>100</td>
<td>179</td>
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</tbody>
</table>

Note: Only households with children included. Income represents disposable income, adjusted for household size, after direct taxes and cash transfers from government. Purchasing power parity conversion of real income figures to 1997 U.S. dollars.


and from misguided government programs that aim to end poverty but in fact have the opposite effect. To the liberal, poverty comes primarily from the inability of the capitalist system to provide adequate levels of employment and income without government programs; poverty persists despite antipoverty programs because of inadequate funding and other constraints imposed by conservatives. To the socialist, fully funded antipoverty programs can reduce the worse aspects of poverty, but can never wholly eliminate it so long as we live in a capitalist economy, which requires inequality in order to function.

The Conservative View

Not everyone thrives in a free market economy. In the conservative view, however, those who fail generally have no one to blame but themselves. Of course there are exceptions: a person might lose a limb in an accident or be struck by some debilitating disease—and in cases such as these, the conservative agrees that it is appropriate for the government to provide some support. But most of the time lack of success is caused by an individual’s own failings. Laziness, the inability to defer gratification, drug use, having children out of wedlock, or simple lack of intelligence or skills are character failings that will make you poor. As conservative analyst Charles Murray sums it up: “Some people are better than others. They deserve more of society’s rewards, of which money is only one small part.”17
Some personal failings, such as low intelligence, are difficult for individuals to remedy. But a willingness to work hard is not something beyond the reach of most people. Likewise, avoiding out-of-wedlock childbearing takes no special skill, and, conservatives argue, this is one of the main sources of poverty in the United States today. For example, individuals who live in households headed by a single woman make up 14.5 percent of all Americans, but 37.8 percent of those in poverty. People living in married-couple households have a poverty rate of under 7 percent, while female-headed households have a poverty rate more than five times as high. And the situation is even worse for children. A little less than a quarter of all U.S. children under the age of 18 live in female-headed households, yet more than half of all poor children come from such households. Children in married-couple homes have a poverty rate of about 10 percent; children in female-headed homes have a poverty rate of almost 50 percent.¹⁸

To be sure, not all children who live only with their mothers were born out of wedlock. Some mothers are divorced, separated, or widowed. Conservatives note that failed marriages are often the result of people living for today, or being unwilling to put in the effort that a successful marriage requires. (It is for this reason that conservatives want to make it more difficult to get a divorce and favor legislation permitting “covenant marriages,” where the parties agree beforehand to more stringent requirements for divorce.)¹⁹ In any event, however, four out of ten women who live with their children with no husband present were never married. And nearly three out of five children living with never-married mothers are living below the poverty line, compared to two out of five of those living with divorced or separated mothers.²⁰

Teenage mothers are especially likely to be unmarried. In 1992, 70 percent of all births to mothers aged 15 to 19 were out of wedlock.²¹ It does not take extraordinary ability to avoid having a baby before one is married, finished with school, and financially ready to take on the burdens of parenthood. Those who do not do so are likely to end up in poverty and it will be their own fault, say conservatives.

But not entirely their fault. In the conservative view, liberalism bears some of the responsibility for promoting the personal traits that lead people into poverty. Liberal social values have glorified pleasure-seeking for its own sake, denigrated the virtue of hard work, and undermined the family. In 1960, 5 percent of all births in the United States were to unmarried women, but by 1992, 30 percent of all births were out of wedlock.²²

The problem has not just been liberal values, according to the conservatives, but liberal programs as well. George Gilder argues, for example, that unemployment compensation promotes unemployment (because the government will support a laid-off worker with an unemployment check, he or she feels no need to accept a job that is any less desirable than that held previously) and disability insurance promotes disability (by encouraging employees to magnify minor complaints into reportable disabilities and slight disabilities into a permanent inability to work).²³ Minimum wage laws, too, in the conservative view, have harmful effects, by increasing unemployment. The legislated minimum wage was unchanged from 1938 to 1950, but Congress then began to enact increases. The result was that Black teenage unemployment skyrocketed, never once in the next three decades being as low as it had been in the recession year of 1949.²⁴
Why Are People Poor?

But it is the welfare system that has drawn conservatives’ greatest criticism. The word “welfare” literally means “well-being,” but in the contemporary United States it has come to refer to government programs for the poor, especially Aid to Families with Dependent Children (AFDC). This program, which paid cash benefits to poor (usually female-headed) families, was what was popularly known as welfare, until 1996, when it was replaced with another program called Temporary Assistance to Needy Families (TANF).25

Welfare, wrote former Secretary of Education William J. Bennett, “pays people to act in socially irresponsible ways”—it “subsidizes illegitimacy and undermines the work ethic.”26 Irving Kristol asked almost 30 years ago,

how many White middle-class families would survive if mother and children were guaranteed the father’s income (or more) without the father’s presence? And how many White middle-class fathers would, under these circumstances, persist at their not-always-interesting jobs?27

Senator Russell Long of Louisiana may have been overly crude when he referred to welfare mothers as “brood mares” who stay home to produce more children at public expense,28 but conservatives agree that the welfare system presents people with a perverse set of incentives: “Have an illegitimate baby and the taxpayers will guarantee you cash, food stamps, and medical care, plus a host of other benefits.”29 Encouraging this sort of freeloading results in “babies having babies,” condemning mother and child to a lifetime of poverty and offering little incentive to break the pattern of dependency and destitution. According to conservatives, rather than helping to alleviate poverty, government poverty programs have had the paradoxical consequence of increasing poverty.

The Liberal View

The personal failings that conservatives see as causing poverty are, in the liberal view, the symptoms of poverty rather than its cause. The actual cause is the lack of sufficient jobs paying a decent wage. This problem is exacerbated by discrimination in the job market; liberals estimate, for example, that women receive $4,205 less per year than they would get if they were paid as much as men with comparable qualifications.30 And where conservatives blame welfare and other programs for making poverty worse, liberals argue that it is welfare’s inadequacy that is the problem.

Liberals begin by pointing out that conservatives have exaggerated the facts. It is true that most births to teenagers are out of wedlock, but most of these births are to 18- and 19-year-olds, hardly a case of babies having babies. Fewer than one-third of all the out-of-wedlock births in the United States in 1992 were to women under the age of 20.31 Moreover, where conservatives see welfare mothers doing nothing but procreating, the fact is that the average woman on welfare has 1.8 children, fewer than the average mother living in a married-couple household.32

Liberals contend that AFDC did not cause teenagers to have children out of wedlock. They support their claim with two types of evidence. First, international comparisons show that those countries that provide the least generous support for single mothers—like the United States—are precisely those that have the highest rate of
single motherhood. All industrialized countries, including the United States, have cut their welfare programs in recent years; nevertheless, the rate of out-of-wedlock births has increased. In Britain, the slashing of welfare has led to the greatest increase in single motherhood. Second, within the United States welfare benefits have varied widely from state to state, yet there was no pattern showing that states with more generous welfare provision had higher rates of nonmarital births. Mississippi had the lowest AFDC benefits of any state—$96 per month for a mother and child—but it has the highest rate of single-parent families in the country. When New Jersey introduced a “family cap” policy—denying any additional welfare payment for a child born while the mother was already on welfare—the birth rates were unaffected. Although the real value of welfare benefits (that is, after correcting for inflation) declined steadily from 1970 to 1996 (see Table 12.5), the rate of out-of-wedlock births grew.

There is no doubt that teenage single mothers tend to be poor. But, liberals argue, it is not their single motherhood that made them poor. By and large, these women were poor before they got pregnant. Kristin Luker notes that although putting off parenthood would be worthwhile for a poor teenager, in fact her life chances would not be very different either way. Poor women “realistically know that postponing their first birth is unlikely to lead to a partnership in a good law firm.” Teenage parents “are not middle-class people who have become poor simply because they have had a baby; rather, they have become teenage parents because they were poor to begin with.”

### Table 12.5 Average Aid to Families with Dependent Children Payments, Selected Years

<table>
<thead>
<tr>
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<tr>
<td>in current dollars</td>
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<td>210</td>
<td>274</td>
<td>339</td>
<td>389</td>
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<td>374</td>
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<tr>
<td>in constant 1996 dollars</td>
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<td>533</td>
<td>495</td>
<td>470</td>
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<td>374</td>
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<tr>
<td>Average monthly benefit per person</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>in current dollars</td>
<td>46</td>
<td>63</td>
<td>94</td>
<td>116</td>
<td>135</td>
<td>134</td>
<td>134</td>
</tr>
<tr>
<td>in constant 1996 dollars</td>
<td>189</td>
<td>189</td>
<td>183</td>
<td>169</td>
<td>163</td>
<td>142</td>
<td>134</td>
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</table>

*a Covers 50 States and the District of Columbia. AFDC benefit amounts have not been reduced by child support enforcement collections.

*b Constant dollars represent the current dollar value corrected for inflation. For example, the $178 average monthly benefit received per family in 1970 (line 1) could purchase in that year the same as $734 could purchase in 1996 (line 2). The constant dollar numbers were calculated using the consumer price index for all urban consumers.

Why do poor young women have babies? Part of the answer, liberals suggest, is
the lack of good sex education and the diminished access to abortion in the United
States, under pressure from conservatives. But the main liberal explanation for
teenage childbearing is the lack of prospects for poor young women. With their futures
so bleak, having children seems like the one meaningful thing in their lives. Studies
show that increased economic opportunity discourages nonmarital childbearing.

Why don’t poor young women wait until they’re married? At one time a man
with a minimum wage job could support a family. But this is no longer possible. In
1995 a married couple with two children needed more than $15,455 to be above the
poverty threshold while a full-time minimum wage job paid an annual income of
$8,840, a little over half as much. In 1997, the minimum wage was increased to $5.15
an hour, which comes to $10,712 a year, still well below the poverty line. Even if the
wife worked full-time as well, once the costs of childcare (typically $2,600 for poor
families with preschoolers), transportation, and work clothes were added, the family
would not be able to meet its basic needs without government support.

So marriage hardly offers young women a ticket out of poverty. And marriage has
certain drawbacks. Teen mothers are less likely to drop out of school if they are unmar-
rried (probably because there is less pressure on them to assume the role of a wife), and
they are more likely to get support from their own mothers.

The important point to liberals is that in countries where the government pro-
vides generous support to parents—such as Sweden—out-of-wedlock births are not
the social problem they are in the United States. Poverty in the United States is
carried not by family patterns but by the lack of jobs that pay a decent wage and by
the lack of social supports (such as child care) that allow people to acquire such jobs.
In 1950, the minimum wage in the United States was equal to 54 percent of the av-
erage hourly earnings of production workers in manufacturing. By 1994, it was
equal to only 35 percent. After correcting for inflation, the U.S. minimum wage was
lower in 1997 than it was in the 1960s and 1970s. In general, countries with the
highest rates of poverty tend to have more of their full-time workers earning low
wages.

Conservatives, of course, have consistently fought against the minimum wage law,
arguing that it increases unemployment. But in fact, note liberals, studies of the im-
 pact of the minimum wage (as opposed to theoretical predictions) show that it has not
had the dire effects conservatives predicted. In fact, the higher wages of workers overall
have generated more economic demand, in turn creating more jobs for the economy as
a whole. As for the unemployment rate of African American teens, one has to con-
sider the quality of the employment. In 1930, Blacks had lower unemployment than
Whites, but this didn’t show that they were better off, most worked as subsistence
farmers or maids, putting in inadequate hours, and barely surviving. Virtually all of
the decline in Black teenage employment from 1950 to 1970 was caused by the mech-
anism of Southern agriculture, which drove millions of poor Black farm laborers
from their jobs. Because the minimum wage law did not apply to farm workers at all
until 1966 and in 1967 two out of three farm workers still weren’t covered, the mini-
um wage could not have been a major culprit in what happened.
Conservatives point to drug addiction as another source of poverty for which individuals have only themselves to blame. But liberals argue that the causality works in the opposite direction. Poor women are less likely than rich women to try illegal drugs, but poor women are more likely to get addicted because they “often do not have the hope for a better life that can motivate an individual to quit. And when they are motivated, they often do not have access to treatment.” Studies show that substance abuse treatment programs can work, and work best when housing and jobs are provided along with the treatment. Ironically, however, conservatives continually push to cut funding for treatment.

Welfare promotes laziness, say the conservatives, claiming that the introduction of social welfare programs in the 1960s contributed to the decline in the labor force participation rate of Black men. Liberals note, however, that if this cause-and-effect explanation were correct, then one would expect it to hold true for Black women, who were eligible for AFDC, but in fact Black women’s labor force participation rate increased substantially between 1960 and 1994.

If innate laziness were the cause of poverty and the reason people went on to welfare, then changes in the local labor market wouldn’t have any effect on the welfare rolls. The evidence indicates, however, that when labor market conditions improve—that is, when the unemployment rate goes down and when wages increase—the length of time that people are on welfare drops. More generally, the poverty and unemployment rates vary from year to year, sometimes substantially. Surely these fluctuations could not be the result of changes in inbred laziness.

Nor is it plausible as conservatives claim that poverty programs are the cause of poverty. Cross-national comparisons show that countries with higher levels of social spending on the nonelderly tend to have lower poverty rates, both overall and for children. To the liberal, poverty is the result not of poverty programs but of inadequate poverty programs.

The Socialist View

Where the liberal sees poverty as one of the rough edges of capitalism that appropriate government programs can fix, the socialist views poverty and inequality as fundamental characteristics of a capitalist system.

Poverty, according to the socialist, is extremely functional for the capitalist class—the small group of people who own and control the economic institutions and dominate the political system. The capitalist class depends for its wealth on having other people work for them. There are various means by which people can be induced to work. Force, such as under slavery, is generally no longer permissible. Alternatively, the work could be made intrinsically appealing, by allowing all those who work to participate equally in decision making and creative endeavor. But capitalists are not willing to share their absolute control over the workplace. Another option would be to give workers huge salaries. But every dollar paid to employees is a dollar lost to employers.

There is one other way to get people to work, and that is to make them afraid of the consequences of not doing so; what they must fear is not the slave owners’ lash, but the prospect of a life of poverty and misery. It is in the capitalists’ interest, then, that there be poor people as a constant reminder of the fate that awaits those who do not exert themselves on behalf of the rich. And it is also in the interest of capitalists
that government policies not help the poor too much. In seventeenth-century England, commentators remarked that “It is only hunger which can spur and goad [the poor] on to labor.” Nowadays capitalist governments don’t usually let people starve to death, but to make the condition of the poor anything but grim would reduce the incentive for work.

Poverty is especially useful to capitalism for making sure that the most undesirable jobs—those that are dirty, dangerous, and demeaning—get done. As Herbert Gans noted 25 years ago, “poverty functions to provide a low-wage labor pool that is willing—or rather, unable to be unwilling—to perform dirty work at low cost.” In some southern states of the United States, welfare payments were cut during the summer months when the poor were needed to work in the fields. And in 1969 a Georgia representative declared, “I find many people can’t get domestic help. Couldn’t domestics be taken off welfare?”

Unemployment also benefits the capitalist class. By the law of supply and demand, when there are many unemployed, wages are low. It is hard for employees to strike for better conditions when there is a large pool of workers desperate for jobs. Likewise, even if everyone is employed, an abundance of jobs paying poverty wages will tend to depress the wages of all employees. The better-paid employees are not in a very strong bargaining position to improve their situation, given that so many are eager to replace them. “[T]he greatest aid to efficiency of labor,” explained the corrupt utilities magnate Samuel Insull, “is a long line of men waiting at the gate.”

To the socialist, the claim that the poor are lazy is an especially pernicious charge. Almost half (48.9 percent) of the officially poor aged 18 to 64 worked for wages in 1996, and 12 percent worked full-time year-round. And if one used a more reasonable definition of poverty (socialists consider the official poverty line absurdly low), the working poor would be an even larger fraction of those adults in poverty. Many of those who are not working full-time are underemployed, meaning that they are working part-time or part-year even though they want full-time, year-round work. As for those on welfare, socialist feminists noted that many of the women who received AFDC are recent divorcees, often from middle-class marriages, who need welfare while they re-group, find child care, and attempt to enter the job market. Some are wives in flight from
abusive husbands, temporarily homeless and traumatized. Most are already victims of a job market that specializes in offering women work that is episodic or part-time and that pays far less than the penurious “poverty level” calculated by the federal government. These women, who somehow manage to raise their children single-handedly and piece together a living on Burger King-level jobs and social welfare crumbs are— with all due respect to the stressed-out yuppies of media fame— among the hardest-working people in America.57

A study done by the Institute for Women’s Policy Research found that 43 percent of welfare mothers worked for substantial periods and an additional 30 percent were looking for work.58

DEALING WITH POVERTY

For centuries, governments have enacted some form of poor relief, motivated by humanitarian concern as well as a desire to stem widespread destitution that might threaten the social order. In the 1880s, German Chancellor Otto von Bismarck instituted a social security system, hoping to undercut support for the Social Democratic Party. Other European countries, pressured by strong labor movements, soon followed suit, and by 1915 most European nations had some sort of social insurance program.

These days, welfare programs include social security (government benefits paid to the elderly), unemployment insurance (government benefits paid to those laid off from their jobs), disability insurance (government benefits paid to the blind and others unable to work), government health insurance, public education, child care, maternity benefits (and, in some countries in recent years, paternity benefits), minimum wage laws, government-mandated vacation time, limits on the length of the work day, and support for the poor. Governments that instituted most of these programs became known as “welfare states” because they were providing for the welfare—the well-being—of their citizens.

Social welfare programs have been of two types: means-tested and non-means-tested. Means-tested programs are those where benefits are provided to people below a certain “means”; that is, below a certain income or asset level. In the United States, food stamps, Pell grants (need-based college funds), and Medicaid (health insurance for low-income individuals) are examples of means-tested programs. Non-means-tested programs are those where benefits are provided to people regardless of income, for example, social security (paid to all of retirement age), workers’ compensation (paid to those injured on the job), and Medicare (health insurance for the elderly). Liberals note with regret that the use of the term welfare to refer to those few programs focused specifically on the poor, like Aid to Families with Dependent Children, and the term welfare state to refer to government programs in general designed to help the population, has allowed the unpopularity of the former to undermine broad public support for the latter.59

In the United States, the welfare state never developed to the extent that it did in Europe, especially in Scandinavia. The United States is the only major industrialized nation without a program of national health care. In European countries either law or collective bargaining agreements provide for at least four weeks of paid vacation for
Dealing with Poverty

every employee, compared to 16 days in practice (not mandated) in the United States. Canada, France, Germany, Britain, the Netherlands, and Sweden all have paid maternity leave funded by the government (for periods of time varying from 12 weeks to 12 months); the United States is one of the few rich countries in the world without a national policy requiring paid maternity leave. But even in the United States, laissez-faire capitalism has given way to government programs designed to “promote the general welfare” (in the words of the Preamble to the U.S. Constitution).

Most U.S. social welfare programs got their start in the era of the Great Depression as part of President Franklin D. Roosevelt’s “New Deal.” Massive unemployment and impoverishment threatened to radicalize the population. Even some members of the rich concluded that they would have to make some concessions in order to preserve the system. As tycoon Joseph P. Kennedy (father of President John F. Kennedy) put it, “I would be willing to part with half of what I had if I could be sure of keeping, under law and order, the other half.” In 1935, Congress passed the Social Security Act which included old age insurance, disability assistance, unemployment compensation, and aid to dependent children. All of these programs were welfare in the sense of giving recipients more in benefits than they put into the system. Social security, for example, was funded by contributions from both employer and employee, so most workers got back more than they put in.

World War II lifted the United States out of the Depression and the postwar 1950s were boom years for the U.S. economy. Many Americans, however, were left out of the growing abundance. In 1963, socialist writer Michael Harrington wrote The Other America, documenting the continuing poverty in the land of plenty. In 1964, the administration of liberal president Lyndon B. Johnson launched what he called a “War on Poverty,” committing the country to eliminate poverty from its midst. Social spending grew rapidly, but then its growth slowed in subsequent decades as conservatives gained political strength. Inequality of wealth and income grew substantially between the 1970s and the 1990s.

Conservative Solutions for Poverty

Conservatives observe that many of those called poor are not really poor at all. As one conservative analyst noted in 1990,

... there are some 22,000 “poor” households that own heated swimming pools or Jacuzzis. Thirty-eight percent of the persons whom the Census Bureau identifies as poor own their own homes; 62 percent of poor households own a car; 14 percent own two or more cars. Nearly half of all poor households have air-conditioning; and 31 percent have microwave ovens.

Material poverty, claim conservatives, is not such a serious matter. After all, “[m]ost American adults living today had a parent or grandparent who was ‘poor’ by current government standards, when adjusted for inflation.” Yet these individuals had middle-class values and were able to transmit those values to their children.

On the other hand, many of today’s poor experience “behavioral poverty”—a hostility to work and marriage—that is far more harmful than the material poverty of the
past. This negative culture of dependency is a result not of material deprivation but of the very government programs allegedly designed to help eradicate poverty, and it is passed on from generation to generation (see Table 12.6).

The welfare system is rife with fraud. One study found that of 214 women who collected AFDC in various cities around the country, 213 of them cheated. Even without fraud, welfare recipients live pretty well, according to conservatives. A study by the Cato Institute showed that the “value of the full package of welfare benefits for a typical recipient in each of the 50 states and the District of Columbia exceeds the poverty level” and often exceeds the after-tax income of someone who’s working.

For conservatives, cutting and even eliminating welfare payments entirely would be socially beneficial. No longer would able-bodied adults have an incentive to avoid work. They may not be able to find the job of their dreams, but “beggars can’t be choosers.” Some conservatives believe that the private sector can provide all the necessary jobs to put everyone to work if only people looked hard enough. Other conservatives assert that the jobs are there if only people obtained the necessary skills. And still other conservatives are willing to have the government provide jobs—workfare—for people, but only on condition that the jobs are unattractive and the pay low—preferably under the minimum wage. While it might seem worthwhile to support the poor while they attend college or get job training, conservatives believe that getting people to work must be the top priority.

What about those who cannot work? Conservatives do not oppose disability benefits. What about those who encounter some temporary hard luck? Conservatives are not opposed to government benefits paid for a short period of time. But it is essential that reliance on such government generosity be limited and not become a pattern. Thus, conservatives favor provisions such as those in the 1996 U.S. welfare reform act—the “Personal Responsibility and Work Opportunity Reconciliation Act of 1996”—that place a five-year lifetime limit on welfare benefits and restrict food stamps to three months out of every three years for unemployed adults under age 50 who are not raising children.

What about those who will not work? Conservatives do not believe that hard-working taxpayers should have to support those who choose not to work. But they do

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Table 12.6 Intergenerational Transmission of Welfare Dependency

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</table>

Dealing with Poverty

acknowledge that the children of the poor should not have to suffer due to the recalcitrance of their parents. Some conservatives have proposed placing the children of poor unmarried teenagers in orphanages, as a way to help these offspring of unfit parents.69 Others suggest that private charities can care for those removed from the public dole, noting that before 1935 over half of all provision for the poor came from private charity, compared to less than 1 percent now.70

Are conservatives indifferent to the suffering of the poor? On the contrary, conservatives argue that there is “no lack of compassion” in their position, “but a presumption of respect.” People from all walks of life are capable of investing in themselves—acquiring the skills they need, putting in the work effort—if only we would “get out of their way.”71

Liberals begin by reminding us that antipoverty programs have worked. The infant mortality rate, for example, dropped by 50 percent during the first 15 years after Medicaid was introduced. For men over 65, the mortality rate had actually risen slightly in the decade before Medicare, but declined over the next ten years. Food stamps have reduced malnutrition, housing subsidies have improved the quality of poor people’s housing,72 and, significantly, from 1960 to 1972, the U.S. poverty rate was cut in half. In 1996 there were 30 million poor in the United States, but without government programs there would have been almost 60 million; among the elderly, government programs cut the poverty rate from 50 percent to less than 10 percent.73

These calculations, of course, use the official U.S. poverty rate which liberals claim is set too low. Using the 50 percent of the median income measure for poverty (see Table 12.7), we see that in all industrialized countries government programs have reduced poverty, dramatically in some countries where the welfare state is most advanced, but only moderately in the United States. Thus, government antipoverty efforts can help, but—liberals would insist—there is much room for improvement, particularly in the United States.74

Liberals also challenge the policy implications of the Cato study referred to previously. If antipoverty programs brought people out of poverty—which liberals deny75—this would be good; in fact, that is precisely what antipoverty programs ought to do. And if antipoverty programs gave those on welfare as much as those who worked at minimum wage jobs—which liberals deny is usually the case, but agree happens in some cases—then the solution is not to cut welfare benefits, as Cato urges, but to increase the minimum wage and other benefits for the working poor.

Consider a single mother on welfare. If she were to get a job, she would have substantial costs that she did not have on welfare: most importantly child care, but also transportation and work clothes. Say she earns $6.00 an hour and pays $3.00 an hour for child care. At 40 hours a week, 52 weeks a year, she’ll net $6,240 a year, hardly enough for anyone to survive on, let alone a family.76

If we are serious about wanting to move people to work—as the liberal agrees we ought to be—then we need to make work pay. We can accomplish this by raising the minimum wage to a liveable level, increasing the Earned Income Tax Credit (a tax
Table 12.7 Poverty Ratesa Before and After Government Programs, Selected Countries (BG=Before Government Programs, b AG=After Government Programs, b PR=Percent Reductionc)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>BG</th>
<th>AG</th>
<th>PR</th>
<th>BG</th>
<th>AG</th>
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<th>PR</th>
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<td>90.2</td>
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<td>11.3</td>
<td>83.8</td>
<td>19.5</td>
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<td>64.7</td>
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<tr>
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<td>19.1</td>
<td>10.1</td>
<td>48.3</td>
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a Poverty is measured at 50 percent median disposable personal income for individuals adjusted for household size.
b Direct taxes, cash transfers, and near-cash benefits (food stamps, housing allowances, and other similar benefits denominated in cash) but excluding benefits for health care, education, or most housing subsidies.
c $100 \times (1-\frac{AG}{BG})$.
d Adults aged 65 and over.

Table 12.7 Poverty Rates Before and After Government Programs, Selected Countries (BG=Before Government Programs, AG=After Government Programs, PR=Percent Reduction)

Conservatives are quite right that most people on welfare cheat, but liberals believe they do so because they have little alternative. Even when they supplement their income, welfare recipients struggle to get by. The one mother out of 214 who didn’t cheat in the study cited previously “failed to feed her son so often that her neighbors considered reporting her for neglect.”

Furthermore, why single out the poor for cheating? Countless Americans cheat on their taxes. The IRS estimates that in 1992 individual tax cheats cost the government more than $93 billion and corporate tax cheats cost another $33 billion; these tax cheats cost the government more than the total amount spent in 1992 on AFDC and all other cash aid for the poor, food stamps and other food benefit programs, and low-income housing benefits.\(^7\)

Liberals were not uncritical supporters of the AFDC welfare system, nor did they oppose reforming that system. But they did worry that the welfare reform act passed by the U.S. Congress in 1996 would cause dire consequences. Peter Edelman, an official who resigned from the Clinton administration in protest over the law, predicted that the result would be “more malnutrition and more crime, increased infant mortality, and increased drug and alcohol abuse” and “increased family violence and abuse against children and women, and a consequent significant spillover of the problem into the already overloaded child-welfare system and battered-women’s shelters.”\(^8\)

Over five years, the welfare rolls dropped significantly, and many conservatives pointed to this as proof that their welfare reform worked. The worst liberal fears were not borne out, but liberals were far from ready to declare the program a success. They noted that much of the decline in the welfare caseload was due to the booming economy, not to welfare reform.\(^8\) In any event, however, liberals argued that the crucial issue is not caseload reduction, but poverty reduction. There was some gain in this regard, but much of that gain also could be attributed to the most sustained economic growth in decades.

One assessment found that 69 percent of the women participating in Connecticut’s welfare reform program, “Jobs First,” were working compared to 58 percent of a control group. The incomes of the Jobs First women rose modestly, yet most were still below the poverty line. On related measures of economic well-being there was little improvement. More Jobs First mothers (26 percent) had to cut the size of meals at home “because they could not afford more food” than did mothers in the control group (14 percent).\(^8\)

A 1999 national survey by the Urban Institute found that nearly a quarter of those who left welfare between 1997 and 1999 were back on welfare and another eighth had no connection to work or welfare.\(^8\) Of the welfare leavers, almost half had been unable at some point in the previous year to pay mortgage, rent, or utility bills and almost a fifth of these had to move in with other people for at least a little while.\(^8\)

According to liberals, even this mixed record is likely to get worse, for two reasons. First, the five-year time limit on receiving welfare ended in most states in 2001 and 2002; thus, the most needy individuals are just now finding themselves without social supports.\(^8\) Second, the expanding U.S. economy of the late 1990s fell into a recession; in April 2002, unemployment reached its highest level in eight years. Welfare was always supposed to be a social safety net, so the fact that it could be seriously cut back in good times without causing severe hardship did not mean that it wasn’t essential in bad times. As one liberal analyst put it, “Welfare reform terminated the cash safety net. This may have been acceptable when the economy was booming. It is not now.”\(^8\)

As noted, liberals do not oppose welfare reform, but in their view it needs to be real welfare reform, where the goal is reducing poverty, which means making sure that there are decent jobs available and adequate support services. Instead, under conservative prodding, the United States has been trying for welfare reform on the cheap. Thus,
even though those who leave welfare are legally still eligible for Medicaid and food stamps, states have made it difficult for people to actually obtain these benefits. And funding for child care and other services needed to assure that welfare reform actually improves people’s lives remains woefully inadequate.87

But don’t government programs promote a sense of dependency that gets passed on from generation to generation? Liberals point out first that four out of five daughters of mothers with high welfare dependency do not end up themselves highly dependent on welfare (see Table 12.6). More significantly, however, liberals maintain that much of the observed correlation in AFDC participation across generations was a result of the fact that poverty is passed on from generation to generation.88

Dependency, liberals agree, harms one’s self-respect. But it is hard to imagine someone’s self-respect being boosted by having to patronize soup kitchens and homeless shelters, by having to turn to prostitution to make ends meet, by having to put up with an abusive boyfriend, or by being unable to provide for one’s children. For this is the real scandal of conservative welfare reform: the children who pay the price. For all the conservative talk about family values, it is precisely families—and children, their most vulnerable members—who will suffer most from the conservatives’ savaging of the welfare system.

According to liberals, ideally everyone should have a decent job. But the private market alone cannot guarantee this. The government needs to assure a livable minimum wage and provide the support services that allow people to take advantage of job opportunities. The government also must furnish a safety net for those whom the system leaves behind. And the government is needed also to render a host of other social welfare programs, such as health care and retirement benefits. The private market is capable of remarkable accomplishments, but the well-being of the population requires government programs as well.

**Socialist Solutions for Poverty**

The long-run socialist solution for poverty is—simply—socialism. In a society where all have roughly equal incomes, no one will be poor. For the short run, socialists agree with much of the liberal analysis, but consider it inadequate.

First, socialists criticize the way that the terms dependency and welfare are applied only to the poor. If one asks, for example, which suburban county in the United States (excluding the Washington, DC area and Cape Canaveral) receives the greatest subsidy from the federal government—that is, which county has the highest level of dependency—the answer was not some bleak area of Appalachia, but well-to-do Cobb County, Georgia, long represented in Congress by conservative Newt Gingrich, a preeminent foe of welfare programs. The dependency is not in the form of welfare checks or food stamps, but primarily military contracts for Lockheed-Martin and a nearby airbase. Cobb County residents get $9,878 per capita from the federal government, about $4,000 more than residents of such centers of dependency as New York City.89 Yet one never heard Gingrich rise on the House floor to denounce the threat to the entrepreneurial spirit from the sort of dependency on government largesse common in his district.
Consider other government handouts: the mortgage-interest tax deduction gave each middle- and upper-income taxpayer the equivalent of $1,527 in 1991; the deductability of real estate taxes gave affluent taxpayers another $409. That corporate health benefits are not subject to tax provides further subsidy to the well-off. And corporations receive government subsidies of at least $50 billion a year. Yet complaints about the loss of self-respect caused by getting something for nothing invariably focus on the poor single mother receiving AFDC (or its successor, TANF)—even though government benefits provided to the “have-nots” cost the Treasury far less than those given to the “haves.”

In contemporary discourse, dependence is synonymous with receiving welfare, and independence is taken to mean being engaged in wage work. But historically dependence meant working for someone else, and only those who were rich enough not to have to work were considered independent. As Christopher Jencks has remarked,

Almost all mothers depend on someone for money: their husband, their employer, their parents, their boyfriend, or the government. All are in some sense “dependent” as a result. But it is far from obvious that depending on the government has significantly worse psychological effects than depending on anyone else. The elderly certainly don’t complain about it much.

If dependency crushes the human spirit—as socialists agree that it does—then low-wage, alienating work can be just as destructive of that spirit as an AFDC check. Barbara Ehrenreich and Frances Fox Piven note that conservatives worry that if welfare paid enough to allow people to avoid abject misery, who would “fry our burgers, sweep our offices, and change our bedpans? People might begin to believe that they are worth something more than the current, subpoverty minimum wage. . . .” But this, they argue, is exactly what we should be aiming for. If welfare gave the poor enough to live decently, the private sector would no longer be able to get away with wages that leave people in poverty. “Wages would rise, and pretty soon the work ethic would begin to make sense as something other than a bludgeon with which to beat up on the down-and-out.”

Capitalism has always imposed all sorts of restrictions on recipients of public assistance as a way of “regulating the poor,” and it has sought to make welfare as demeaning and detestable as possible in order to guarantee a supply of cheap labor. In nineteenth-century Britain the poor were placed in workhouses, which officials hoped to make as much like prisons as possible. The object, one administrator explained, “is to establish therein a discipline so severe and repulsive as to make them a terror to the poor and prevent them from entering.” And today so-called welfare reform has much the same purpose. After passage of the 1996 welfare reform bill, welfare recipients who were forced into government workfare jobs were being paid less than $3 an hour in many states, and 89 cents an hour in Mississippi, until President Clinton finally extended the minimum wage to cover workfare. But in any event the influx of low-wage workers into the market has led to the displacement of some of the working poor and has generally served to keep wages depressed and unionization rates low—and thus keeping dignity low as well.
So-called welfare reform creates another form of dependency: that of mothers on abusive men. Studies show that a substantial fraction of women on welfare have been driven there by domestic violence. By denying these women the independence of a government check, welfare reform will force many of them to become dependent on abusive men.\(^98\) Furthermore, welfare reform that tries to move mothers into the work force implies that taking care of children is not work itself. As Bessie Moore, a welfare rights activist, proposed in 1972:

> If the government was smart, it would start calling AFDC “Day and Night Care,” create a new agency, pay us a decent wage for the service work we are now doing, and say that the welfare crisis has been solved because welfare mothers have been put to work.\(^99\)

Socialists do not assume that taking care of children is women’s natural role, but they note that getting paid for it is no worse for the woman’s spirit than taking a low-wage job. What makes welfare psychologically debilitating are the degrading conditions that welfare recipients are forced to endure and the stigma that society attaches to it. Consider the example of Denmark where the Social Democrats introduced a policy in 1993 that gave everyone in the work force the right to one year’s paid leave from the labor market in order to get adult education, to take care of small children, or simply to have a sabbatical year. There are no demeaning conditions attached and no stigma— and, incidentally, Denmark’s productivity has grown twice as fast as that of the United States since 1973.\(^100\)

But Denmark is still a capitalist country, and there are limits, in the socialist view, as to what can be achieved under capitalism. Only when all the key economic institutions and decisions are controlled democratically—that is, under socialism—can there truly be an end to poverty and inequality.

### Equality and Inequality

The term equality can mean many different things. One meaning of equality is that everyone is given an equal chance to succeed. This is referred to as equality of opportunity. Another meaning is that everyone ends up with roughly equal circumstances. This is referred to as equality of outcomes or equality of results.

Libertarian conservative Robert Nozick argues that society has no obligation to provide either equality of opportunity or equality of results. There are, says Nozick, two ways to attempt to provide people with equal opportunity. First, we could worsen the situation of more favored individuals, so that their opportunities are as limited as those of unfavored people. Few, however, would advocate such a policy. Alternatively, we could improve the situation of the less fortunate, but this would cost the well-off in higher taxes. In Nozick’s view, both methods of achieving equal opportunity are unjustified because they involve taking from the fortunate.\(^101\)

Another conservative position is summed up by Charles Murray with the words, “Billions for equal opportunity, not one cent for equal outcome.”\(^102\) That is, he is will-
ing to have the government expend resources to make sure that everyone has a *fair chance* to succeed, but nothing to *assure* that everyone will succeed.

Assuring equality of results is not only *morally* wrong in the conservative view, it is also *practically* wrong. When we reward successful entrepreneurs with higher incomes, then all of society benefits, for without their risk taking we wouldn’t have any of the inventions that make all of our lives more comfortable. If people were given the same rewards, regardless of the risks taken or the effort expended, they would rationally conclude that because there is no relation between how hard they work and what they get, they should put in minimal effort at best. And this would harm all of society.

Liberals take the view that society has a moral obligation to make sure that everyone has certain minimal conditions of life. Liberals would agree with the U.S. Catholic Bishops’ Pastoral Message of 1986 on “Economic Justice for All”: “That so many people are poor in a nation as rich as ours is a social and moral scandal that we cannot ignore.” While not calling for perfect equality of wealth or income, the Bishops declared that “the fulfillment of the basic needs of the poor is of the highest priority” and must “come before the fulfillment of desires for luxury consumer goods, for profits not conducive to the common good, and for unnecessary military hardware.” Welfare programs “should provide recipients with adequate levels of support,” covering “basic needs in food, clothing, shelter, health care, and other essentials.”

In the liberal view, conservative claims of equality of opportunity are bogus without government programs to help eliminate poverty. This is why liberals support increased funding for education (so that not just the rich have the opportunity to better themselves), public libraries (so the poor will have an equal opportunity to read books), poverty programs (so that the children of the poor have real equal opportunity in their lives—regardless of how deserving their parents may have been), and so on.

While criticizing conservatives for not promoting real equality of opportunity, liberals do not agree with the socialist position favoring equality of results. The capitalist system, which liberals would regulate but not abolish, does require differential rewards to provide incentives. Many liberals support the view of political philosopher John Rawls who argues that inequalities are justified to the extent that they “result in compensating benefits for everyone, and in particular for the least advantaged members of society.”

The socialist would disagree with Rawls, and argue instead for a society in which everyone was basically equal—in terms of opportunity and results. In fact, socialists believe that equality of opportunity and equality of results are interdependent. Say two people, X and Y, have equal opportunity and they each start a business. If there is no equality of results (that is, if there are winners and losers) then one of them may succeed and one may fail—perhaps X was smarter than Y, or more diligent, or just luckier. Whatever the reason, assume X strikes it rich and Y goes bankrupt. Now X and Y each have children. X’s child has every advantage in life, while Y’s child, who grows up in poverty, has every disadvantage. Even with many liberal social programs, the life chances of the two children will not be the same (because as long as there are families, parents will be able to pass on some of their advantages to their children), which means that the children do not have equal opportunity. Thus, a society with equal opportunity
for the current generation will, in the absence of equality of results, not provide equality of opportunity to the next generation.

Of course, equality of results need not mean precise equality. Socialists believe that where possible people with greater needs should get more, and that people might trade off leisure time for income. But the basic principle is that no one is entitled to more than others simply because what he or she does is more valued by the market.

For the socialist, equality itself is something of value. Consider two hypothetical societies. In the first, everyone makes $50,000. In the second, Blacks make $55,000 and Whites make $60,000. Since even the least advantaged have higher incomes in the second than in the first, in Rawlsian terms the inequality in the second society seems justified and the second society seems preferable. But it is doubtful that a Black person would actually prefer society two. Well-being cannot be measured simply by looking at income. Being treated as a second-class citizen in itself makes one feel worse off. And even if the basis for the income differential were not skin color, but some other genetic characteristic (say intelligence or physical prowess) the mere fact that people are being treated unequally makes the society less desirable. Human solidarity, community, self-esteem, a sense of empowerment, and political participation—all these are more difficult to achieve without equality. Everyone in an egalitarian society is thus richer because of the equality, and everyone in an unequal society is poorer.

Some countries experienced tremendous economic booms in the late 1990s, but at the same time there was profound impoverishment from New York City to Silicon Valley to rural China. How we assess these developments depends on how we view the issue of inequality and our attitudes towards poverty.
Family Caps

Typically a family’s welfare benefits are based on a number of factors, including the size of the family. Thus, the cash benefit given to a family of four is larger than that given to a family of two. The logic here is straightforward: the more family members there are, the greater the financial need of the family. Some U.S. states, however—23 in the year 2000—have imposed “family caps,” that cap or limit the amount of the benefit received if a child is born when the family is already on welfare. In 19 states, no additional cash benefit is paid at all following the birth of an additional child. (For example, in Arizona a family of two gets a maximum monthly grant of $275 and a family of three gets $347; but because of the family cap, if a family of two has an additional child while already on welfare, it still receives $275.) Two states have a partial family cap, permitting an increase in benefits with the birth of a child, but less than the amount the family would have received had the child been born before the family enrolled in assistance. And in two states, family size is not a factor at all in determining the amount of the welfare benefit.

States’ family cap laws have various exemptions. In 18 states, the cap is waived if the additional birth is the result of rape or incest; in 20 states, it is waived if the birth occurs within ten months of the family’s initial receipt of assistance; four states provide vouchers for items such as food or diapers in place of the foregone cash benefit.

It is estimated that in 20 reporting family cap states in 2000, about 9 percent of TANF families—or about 108,000 families—were affected by family caps, receiving an average of 20 percent less in cash benefits than they would have otherwise. (About an eighth of these affected families had a second child born under the family cap and the amount of money they lost was higher, between 21 percent and 38 percent, depending on the state.) Family cap laws only applied to cash benefits; children in capped households were still eligible for Medicaid and food stamps.

Advocates of family caps argue that such laws make good public policy for at least three reasons. First, they help to address the serious problem of out-of-wedlock births. Without family caps, women on welfare have a strong financial incentive to bear more children—for each additional child, the government gives them more money. The family cap eliminates this incentive. Second, if our goal is to reduce dependency and move people from welfare to work, paying poor women to have more children is counterproductive. And third, from both a moral and fiscal point of view, taxpayers should not be subsidizing some women’s irresponsible behavior.

Opponents of family caps consider these laws unjust and unwise. In an effort to punish women on welfare for behavior of which we don’t approve, family caps actually hurt innocent children. However irresponsibly a mother may have acted, surely the child is not to blame; yet the reduced family benefit means that the child will not be adequately supported—at even the low levels welfare had previously provided. To critics, poor women have children for the same reasons other women do—do middle-class families have children to obtain the per-child tax deduction? The poor have as much right to bear children as anyone else. Opponents also note that family caps provide an incentive for poor women who get pregnant to have abortions.

Existing research does not allow any firm conclusions regarding the impact of family cap policies on the rate of out-of-wedlock births, abortions, or the welfare caseload.

Questions
Are family cap laws good public policy? Are they fair? Would the answers to these questions change if future social science research showed that family caps reduced the number of births by unmarried women? What if they led to an increase in the number of abortions?
STUDY QUESTIONS

1. What is the difference between absolute and relative definitions of poverty? Give an example of each. What are the political implications of the two different definitions?

2. What is the Gini index? What do different values of the index mean?

3. What is meant by the term “means-tested”? Give an example of a program that is means-tested and one that is not.

4. Among wealthy nations, how would you summarize the pattern of poverty?

5. How do conservatives, liberals, and socialists differ on the question of why people are poor?

6. What is AFDC? What is TANF?

7. What is the conservative's view of public assistance programs? What social policies does the conservative recommend to deal with the problem of poverty?

8. How does the socialist address the complaint that welfare causes dependency on the government?

9. A liberal might say the following: “Life is like a race. The conservative wouldn’t require that everyone start at the same starting line and the socialist wouldn’t bother to see who won and who lost.” What does the liberal mean by this?

10. According to the socialist, why is equality of results necessary in order to have equality of opportunity?

NOTES

1. Deuteronomy 15:11; Matthew 26:11.


Notes


22. Ibid., pp. 40–41 (table 5).


39. Luker, *Dubious Conceptions*, pp. 155–156, 185. Luker notes that conclusive data are not available.


91. Estimates vary. The free-market Cato Institute put the figure at $86 billion; the Democratic Leadership Council’s Progressive Policy Institute estimated $53 billion (Robert D. Hershey, Jr., “A Hard Look at Corporate Welfare,” NYT, 7 Mar. 1995, pp. D1–D2). Socialists consider both figures serious understatements, ignoring, for example, the military budget which they consider essentially a corporate subsidy.


**ADDITIONAL SOURCES**


Joint Center for Poverty Research, Northwestern University/University of Chicago: http://www.jcpr.org/.


The Urban Institute: [http://www.urban.org/](http://www.urban.org/).


