

# The American poverty trap

## DOES POVERTY MATTER?

In view of the ongoing presidential campaign in the United States, it is clear that the human factor has been placed at the centre of the political debate. Recognition that a healthy and strong economy should be reflected in people's quality of life and respond to their expectations is a key issue to the platform of Democratic candidate Barack Obama and is also stated as a frequent concern for Republican John McCain.

Poverty, health coverage, and low income are intertwined, thus becoming visible concerns to a large number of voters who believe that federal government intervention is necessary to promote personal well-being. Official figures show that, by 2006, 36.5 million Americans were living in poverty. The US Census Bureau categorizes poverty by combining objective measurements of before-tax income with the amount of money needed to meet an agreed-upon minimal standard of living, resulting in a current threshold of \$21,027 for a family of four. Many experts consider this criterion inaccurate, as it only includes cash income and cash welfare benefits, leaving out such things as food stamps, education, training, medical care, and public housing. Despite these criticisms, it is important to realize that American government agencies remain the most reliable sources for poverty data.

In a demographic universe of 301 million people, 12.3 percent of Americans face poverty, and this average has been oscillating over the last three decades, between 11.1 percent in 1973 and a peak at 15.2 percent in 1983. The dimension of deprivation can be perceived by focusing on particular groups, with children, women, and senior adults being the most vulnerable. In 2005, children under 18 represented 17.6 percent of the poor, compared with people between the ages of 18 and 64 (11.1 percent) and those 65 years and older (10.1 percent). According to UNICEF, the

BY SILVIA NÚÑEZ GARCÍA

Silvia Núñez García is Academic Secretary of the Center for Research on North America at Universidad Nacional Autónoma de México.

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United States ranks 20th among the world's richest countries in terms of providing for its children's well-being, while Canada is ranked 12th.

In the United States there were 7.7 million families in poverty in 2006. Female-headed families outnumbered all others with an average of 28.3 percent, while male householders with no wife present constituted 13.2 percent, and married couples accounted for 4.9 percent of the total. Persistent poverty in real numbers for the same year among racial and ethnic minorities placed Hispanics at the top of the list with 9.2 million; closely followed by African Americans with 9.0 million; and followed next by Asian Americans with 1.3 million. Translating these figures into percentages, the rate of non-Hispanic whites in poverty (8.2 percent) was much lower than that

for African Americans (24.3 percent) or Asian Americans (10.3 percent).

Other factors such as geographical location and region also have an impact on people's lives. In metropolitan areas, there's a heavy contrast between suburbs and inner cities, with 9.1 percent and 16.1 percent poverty rates, respectively. In rural areas poverty figures are 15.2 percent. According to the US Census Bureau, the South continues to have the highest proportion of people in poverty (13.8 percent), while the West was the only region in which poverty decreased in the last year (from 12.6 percent in 2005 to 11.6 percent in 2006).

## WELFARE IN PUBLIC POLICY

In 1996, President Bill Clinton signed the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA), with the aim of transforming a 60-year-old welfare system originally created in 1935. Surrounded by myths such as "welfare recipients are idle and don't want to work," or "welfare encourages people to stay poor," the former system was based on a federal direct subsidy for children and needy families. In contrast, PRWORA shifted responsibility from the federal government to the states, giving them the power to establish eligibility criteria.

Welfare recipients today are forced to find work within two years and face many restrictions. For example, these restrictions include the refusal of welfare subsidies to unmarried parents under the age of 18, unless they can prove they live with an adult and have not dropped out of school. Although these changes have been celebrated by US policy-makers who focus on enforcing "workfare" as the primary means of income support for the poor, their implementation takes place in a global economy characterized by technological innovations, deindustrialization, trade competition, and the decline of unions.

The amount of federal funds spent on anti-poverty programs has been rising

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consistently since 1970. Starting at 4.3 percent, and growing to 9.1 percent in 1990, it reached a record 16.3 percent in 2004. Ironically, in that same year, the US Department of Health and Human Services acknowledged that the country's welfare caseloads decreased over 50 percent. The current policy regime has been considered a success from a neo-liberal standpoint. Nevertheless, it has forced its recipients to exercise an enormous pressure on institutions such as community-based organizations looking for the "support of last resort." According to Michael Reisch, from the University of Michigan, School of Social Work, the fact that PRWORA increases competition for unskilled jobs and drives down the wage scale has become a sensitive issue. Not surprisingly, 25 percent of American workers today are making less than \$8.70 an hour, and even working full time year-round is not enough to escape poverty for a family of four. In contrast, data from the Census Bureau show that the real median household income per year is \$48,201.

It is important to point out that the federal minimum wage has practically stagnated in the last decade, going from \$5.15 in 1997 to \$5.85 in 2007 for all covered, non-exempt workers. There is also a subminimum wage of \$4.25 per hour, for employees under 20 years old during their first 90 consecutive days of employment. The experience of poverty is not homogeneous in America. Aside

from the "working poor," there are those categorized as "underclass" who experience chronic deprivation. This particular group confronts the crudest consequences of an individual-focused ideology, because they not only are characterized as ill-equipped in education and working skills, but are culturally stigmatized. Among them are those experiencing homelessness or addiction (the National Alliance to End Homelessness reported a point-in-time estimate of 744,313 homeless people in January 2005).

### A COMPARATIVE PERSPECTIVE

The particular circumstances of the United States help demonstrate that economic affluence does not necessarily result in people's well-being. By looking at data from the United Nation's Human Development Index (HDI) and the Human Poverty Index (HPI-2), it is possible to find out where and how the American dream meets other realities. The HDI measures life expectancy, education, and income. The combination of these factors placed the United States no. 8 among 177 countries during 2004, and no. 12 in the latest report. Meanwhile, Canada is currently no. 4. Reviewing the standards of the HPI-2 that apply to OECD countries reveals that the United States ranks 17th, while Canada occupies the 8th place. The unemployment rate in 2006 for the United States within OECD countries was 4.6 percent of the workforce. This variable is particularly interesting because Canada appeared worse off with 6.3 percent.

Examining income inequality shows the concrete dimension of social mobility within a country's economic structure. According to the HDI, the share of income of the poorest 10 percent of the US population in the year 2000 was 1.9 percent, while 29.9 percent of the country's income belonged to the richest 10 percent (General Inequality Index 40.8). In Canada, the proportion of income for the poorest 10 percent and richest 10 percent was 2.6 and 32.6, respectively (General Inequality Index 24.8).

### FINAL COMMENT

Although America's founding myth of a land of unlimited opportunities still remains a key element of the political rhetoric, the consequences of the globalization model that the United States has struggled to impose on others are now being felt at home. On the basis of greed and a self-pretentious attitude, the traditional scheme of promoting war in order to reinvigorate the US domestic economy has proven to be ineffective. In such a fragile scenario, many Americans are showing frustration and disenchantment.

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This is precisely what Barack Obama is particularly profiting from, through an unprecedented campaign. Poverty and politics do not exist independent from one another, and it is only with an active citizenry that we can expect things will change for the better. Whatever the end of the story will be, we hope that the 2008 election will reinvigorate America's democracy. 🍁

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