Recommendation for a United States Policy on Poverty

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Abstract

Poverty is internationally recognized as one of the most serious problems in the modern world, and exists even within the United States. The paper examines the current extent and severity of poverty within the United States, including the accuracy of the methods by which this severity is currently measured by the Census Bureau and the particular demographics most affected by poverty in the present day. The paper then presents a set of nine possible changes in United States public policy which could have various effects to mitigate the increase of poverty, and examines the benefits and shortcomings of each. To conclude, the paper discusses how such policies could be implemented, examines several obstacles to the accomplishment thereof, and discusses how the efficacy of implemented policies could later be evaluated.

I. INTRODUCTION

Poverty is a problem that has plagued every society in the world since time immemorial. There have always been those members of society who, due to accident of birth, bad luck, poor planning, or lack of skills, have found themselves in the underclass of society. These people, unable to care for their own needs and all-too-often deprived of opportunities to improve their lot in life, languish under the burden of problems like starvation, poor medical care, homelessness, and unemployment. And unfortunately, the problem of poverty can even be found in one of the wealthiest, most socially- and technologically-advanced societies in the world: the United States of America.

The federal government of the United States currently uses an official definition of poverty dating back to the 1950s. In 1958, a statistician named Mollie Orshanshky developed this definition while working in the research department of the Social Security Administration. Basing her work on a survey by the Department of Agriculture that stated that the typical American family spent one third of its income on food, Orshanshky defined the poverty line as the minimum amount of money a family needed to make to be able to maintain a subsistence diet. In 1969, the White House adopted this meaning of poverty as the official federal poverty line. The federal government and the U.S. Census Bureau still use this definition today (Cassidy, 2006).

The impact of poverty on American society is enormous. According to the U.S. Census, 15.1% of the population of the United States, or 46.2 million people, was considered to be impoverished (U.S. Census Bureau, 2011). This is the highest number of people in poverty ever to be recorded in the fifty-two years the federal government has been publishing poverty estimates, and it was 0.8%, or 2.6 million people, higher than the estimated rate of poverty one year before (U.S. Census Bureau, 2011). These statistics show that an increasingly large number of Americans are temporarily or chronically unable to maintain a minimal standard of living. To put this in perspective, the population of California, the largest state in the nation, had a population slightly over 37 million in 2010 (U.S. Census Bureau, 2011). That means that there are about six million more impoverished people living in the United States than there are people of any social class living in the entire state of California.

Poverty is recognized internationally as being one of the greatest problems in human society and exists even within the United States. With the recent economic recession, the national poverty rate has steadily increased for the last four years (U.S. Census Bureau, 2011). The United States is perhaps the wealthiest and most advanced nation in the world; it seems preposterous that as many as 46 million of its residents are estimated to have insufficient income to provide adequate food to their households, but that is indeed the case, according to the Census Bureau. The task facing the United States is twofold: first, it must ensure that it is capable of accurately assessing the extent of poverty within its own borders, and second, it must take comprehensive action both to prevent and alleviate poverty among its citizenry.

II. PLAYERS AND ACTORS IN THE PROBLEM OF POVERTY

There are a myriad of groups and organizations involved in the problem of poverty. The people working to address the problem of poverty include both private and government organizations. The federal government has several programs in place to attempt to mitigate the problems presented by poverty. Programs like Temporary Assistance for Needy Families, or TANF, and Medicaid are intended to help families and individuals in need obtain necessities like food, shelter, and health care (U.S. Department of Health and Human Services, 2011). State and local governments also play a big role; for example, the federal government's TANF program works by providing block grants to states to enact their own individual welfare programs (U.S. Department of Health and Human Services, 2011). Local governments play a role in the problem of poverty by running their own charity programs and affecting what jobs are available in the area.

Private organizations play a major role in helping people in poverty. Private organizations, like food banks, homeless shelters, and religious organizations, have historically been some of the most important factors in aiding people in poverty. International organizations such as the United Nations and the World Bank also work diligently to combat the problem of poverty on a global scale, but they are generally uninvolved in combating poverty within the United States or other modernized nations, as it is assumed that affluent nations should be able to fight the problem of poverty on their own.

People affected by poverty are just as varied as the groups fighting poverty. People living in poverty can come from all ethnicities and cultures; however, some groups are more affected than others. In 2010, African Americans and Hispanics had estimated poverty rates of 27.4% and 26.6%, respectively, while non-Hispanic Whites had a poverty rate of 9.9% (U.S. Census Bureau, 2011). Single women are also more commonly impoverished than men, and children under the age of 18 have a 22.0% poverty rate (U.S. Census Bureau, 2011). People with disabilities are also more likely to experience poverty. In the year 2010, the rate of poverty among people age 18 to 64 with a disability was 27.9% (U.S. Census Bureau, 2010). Furthermore, many people in poverty come from families with backgrounds of chronic poverty; one study shows that 36% of children born in the bottom income quintile in the United States remain in the bottom income quintile as adults (Isaacs, Sawhill, & Haskins, 2008).

III. SOLUTIONS TO THE PROBLEM OF POVERTY

There is, sadly, no quick-and-easy solution to the problem of poverty. Poverty varies with the economic climate; its causes and extent are not entirely constant, and are greatly affected by events like the current recession. There are, however, many policies that could be enacted, together or separately, to fight poverty. The first step to fighting poverty, however, should probably be to take some action to improve the federal government's working definition of poverty. Then, the impoverished must be given greater power to break themselves free from poverty, as well as greater ability to advocate on their own behalf for anti-poverty legislation. Finally, some method of generating funding for anti-poverty policies must be found; preferably, one that does not tax those who already are in need of financial aid.

The definition of poverty used by the federal government is still the same as the definition proposed by Mollie Orshansky fifty years ago, updated for cost-of-living increases and inflation. In recent years, many political groups have become dissatisfied with this method of defining poverty for a variety of reasons. Firstly, poverty thresholds are based on pre-tax income; they do not take into account tax payments or benefits from government relief programs like food stamps, housing subsidies, or Medicaid. Secondly, poverty thresholds are constant throughout the country. In 2002, the pre-tax-income poverty cutoff for a married couple with two children was $19,806 annually. This might have been enough for subsistence living in rural areas, but in cities like San Francisco or Boston, where rent in working-class neighborhoods could easily exceed one thousand dollars per month, a family could have been above the poverty line but still have less than seven hundred dollars per month for food, clothing, utilities, or similar necessities (Cassidy, 2006). Considering that many impoverished people can be found in urban areas, this shortcoming of the current definition of poverty is a serious one. And thirdly, the current definition of poverty does not distinguish between short-term and long-term deprivation; for example, there is no distinction between a middle-class family that has had a temporary drop in income and must take out a loan or spend its savings to maintain its standard of living and a continually-impoverished working class family (Cassidy, 2006).

Most obstacles to redefining the poverty threshold have been political. For example, many proposed adjustments to the definition of poverty would increase the amount of people considered to be impoverished. If the federal government began to view poverty as a more severe problem, it could result in elevated taxes and increased welfare programs, both of which run contrary to the wishes of many interest groups and segments of the population. Regardless, the U.S. Census Bureau is currently developing a new measure of poverty, called the Supplemental Poverty Measure. Based off of a set of recommendations made by a technical working group representing a variety of federal agencies in 2010, the Supplemental Poverty Measure is a complex statistic that accounts for, among other things, taxes, work expenses, medical costs and location (U.S. Census Bureau, 2011). Its initial estimates, based off of 2010 Census data slightly altered to include unrelated individuals under the age of 15, were published October 2011. By its standards, the poverty rate was 16.0% for 2010 rather than 15.2% (U.S Census Bureau, 2011). Children under 18 had a reduced rate of 18.2% rather than 22.5%, and seniors older than 64 had an elevated rate of 15.9% rather than 9.0% (U.S Census Bureau, 2011). This experimental new measure is the first step in improving the government's ability to accurately identify people in need of aid; however, it is not at present intended to be used to determine eligibility for government programs.

The second step in an effort to eliminate poverty should be to give the poor a stronger political voice. Currently, our politics are controlled almost entirely by the middle and upper classes, with the impoverished having very limited political power or advocacy. Issues such as poverty and homelessness are generally given little weight. For example, which issue has received more attention from the government: the increasingly large number of millions of people who are temporarily or constantly unable to obtain food and shelter, or continuing tax the Bush-era tax breaks for the middle and upper classes? The lack of political power possessed by the impoverished has and will continue to hamstring efforts to eliminate poverty until it is somehow corrected.

One of the best ways to correct the lack of political power possessed by the poor while simultaneously providing them with the means to find opportunities to escape poverty would be to provide them with a better education. Most public schools in America are largely funded by local property taxes. Because poor neighborhoods bring in little income with their property taxes, they have less funding for their schools. This creates a cycle of sorts, in which people from poor neighborhoods receive low-quality education leading to low-paying jobs, which results in their property not being worth very much, meaning less funding for the local school, and so on. In order to correct this cycle of poverty, funding for school districts must be shifted primarily to the state level. If state governments provide funding to all school districts based on the number of students attending the school, making adjustments where necessary for students with disabilities or other special educational needs, schools in low-income areas would be greatly improved. This would enable people in poverty to gain the education they need to both pursue better jobs to move out of poverty and advocate on the behalf of those still in poverty.

Finally, once these obstacles to an effective policy on poverty are removed, the nation must dedicate more political and financial power to the fight against poverty. There are several ways to do this. Firstly, because poverty is such a broad problem, any strategy in addressing it must be very adaptive and responsive to the differing circumstances in different parts of the nation. For this reason, most of the responsibility for addressing poverty should remain with state and local governments, as they are best able to create programs suited to the specific needs of their populations. The federal TANF program already operates by giving block grants to states to create their own welfare programs; continuing this strategy, with additional government funding and attention, seems prudent. Because TANF currently only helps impoverished families while they are in the depths of poverty, the federal government might also do well to expand the program to include transitional stages of aid, so that families can be steadily and safely weaned off of TANF support rather than immediately taken off all at once. However, the federal government must maintain strong oversight and regulation of states' usage of their grants to prevent corruption or simple incompetence. Otherwise, the states' programs will be ineffectual anyways.

One step that can be taken at the federal level is to raise the minimum wage to the poverty threshold. Currently, working at minimum wage is insufficient to elevate an individual out of poverty, and minimum wage becomes even more insufficient when trying to support a family. This fact greatly hampers the ability of impoverished people to raise themselves out of poverty. For example, and despite common myths that people can only be poor if they choose not to work, the U.S. Census Bureau found that 10.7 million people in poverty in 2010 had been employed that year; 2.6 million of them were employed full-time without any periods of unemployment the entire year (U.S. Census Bureau, 2011). If the federal government raised minimum wage to the poverty threshold, it could greatly reduce poverty. One common issue with raising the minimum wage, however, is that it increases unemployment. However, as suggested in the 2005 study, “Minimum Wage and Poverty”, the unemployment-increasing effect of a higher minimum wage can be circumvented if the demand for workers is made more inelastic (Kanbur, 2005). In layman’s terms, the negative effects of an increase in minimum wage can be reduced by discouraging or preventing corporations from outsourcing jobs to other nations. If corporations are encouraged to keep their jobs in the United States, they will not be as easily able to lay off workers because of increases in minimum wage. Fortunately, the federal government already treats the reduction of outsourcing as a high priority. State-run programs providing assistance to the unemployed will further mitigate the effects of any increase in unemployment, making an increase in minimum wage a viable course of action.

Lastly, the federal government must act to ensure the well-being of those who are either temporarily or permanently unable to work. Children under the age of eighteen and people with disabilities are two segments of the population which are at very high risk of poverty, but they are also two segments of the population which are often unable to work to keep themselves out of poverty. Labor laws prevent children below the age of fourteen from working at all, and the Fair Labor Standards Act makes it permissible for employers to pay workers with disabilities less than the minimum wage.

However, the reduced ability of these individuals to work does not diminish their need for a decent standard of living.

The well-being of these disadvantaged groups must be protected for a comprehensive assault on poverty. This protection would take the form of federal laws requiring and providing funding for states to organize programs like subsidized day care and state-funded orphanages or systems of foster care. These programs, especially the subsidized day care, will improve the well-being of families nationwide, not only the impoverished. Subsidized day care will make it much safer and easier for both parents in a family to take jobs if needed, which will enable families in dire economic straits to pull themselves out of poverty more easily.

In addition, instead of allowing employers to pay people with disabilities less than minimum wage and thereby prevent them from earning their way out of poverty, minimum wage should be enforced for all workers regardless of disability. States should provide compensation to private employers who can demonstrate that their profits have been negatively impacted by paying a worker with a disability the same amount as a worker who can perform at full efficiency. This system would not unduly burden workers with disabilities like the current system does, nor would it shift the burden onto private businesses. It would, however, increase state expenditures, and therefore require a corresponding increase in revenue.

Along those same lines, the Supplemental Security Income (SSI) program, a federal welfare program that is a component of Social Security (though not funded by the same taxes), should be revised to encourage people with disabilities to work if they are able. Currently, the program works on an all-or-nothing basis; it helps only individuals who are legally blind or disabled to the point that they are "unable to engage in substantial gainful activity" and who have an annual income of $8,088 or less ($12,132 if married) (Social Security Administration, 2012). While this program may aid individuals who are indeed completely unable to work, there are some individuals whose disability may be severe enough to qualify for the program but who have managed to work in certain jobs anyways. These individuals, if they choose to work, immediately lose the benefits that provide for their needed medical treatment if their income passes the cut-off point, and it is very possible that their income may still not be high enough to pay for their treatment without support. They are then left with no option but to remain unemployed, a serious flaw in the current program. The better alternative, then, is to provide SSI benefits on a graded scale, giving reduced payments to people who succeed in becoming employed to provide for needed health care. Many disabilities exist which require expensive treatment but do not totally preclude the possibility of being gainfully employed; individuals with disabilities must not be made to choose between treatment and employment.

With that in mind, the enormous financial cost that these policies will undoubtedly carry with them must be addressed. One idea for financing these policies to combat poverty is to implement a luxury tax, which would impose a heavy sales tax on items classified as luxuries. Though luxury taxes have been used in the past, this luxury tax would be much broader and would likely have to be much heavier. This luxury tax could operate based on lists of specific items or it could simply apply to any items costing more than a certain threshold, say, $20,000. If a federal luxury tax, somewhere around 10% or 15% or so, was placed on all items costing more than $20,000, it could bring in great amounts of revenue for the federal government. If this tax seems unreasonable, consider this: this luxury tax would be paying for aid to families who cannot provide themselves with adequate food, shelter, or other necessities by taking additional money from those who are purchasing nonessential items that cost more money than a family below the poverty threshold makes in a year. The luxury tax, as well as other federal taxes, would be used to pay for grants to states to supplement the revenue generated by state governments, helping states to implement the policies discussed above. Unfortunately, it is unlikely that a luxury tax alone would be able to finance the war on poverty. As such, these policies would likely need to be implemented slowly over time, and supported with money coming both from the luxury tax and from the taxes federal and state governments already have in place.

IV. POLICY STATEMENT

The United States has both the ability and the obligation to institute a comprehensive war on poverty. As one of the wealthiest and most advanced nations in the world, there is no excuse for the United States' disregard for the poverty, homelessness, and starvation within its own borders. Furthermore, it is the responsibility of the United States as one of the foremost members of the global community to spearhead the global effort against poverty. Therefore, the United States should institute a national anti-poverty policy along the lines of the following nine-part plan:

First, it must place more emphasis on and allocate additional funding if needed to the U.S. Census Bureau's search for an updated, more accurate federal measure of poverty. An improved ability to assess poverty will increase the effectiveness of federal anti-poverty programs.

Second, it must improve public education for children in general and particularly for the poor by requiring states to fund school districts based on the number of students attending them. The method of funding schools predominantly with local property taxes promotes inequality and hinders efforts by the impoverished to improve their socioeconomic class through education.

Third, it must greatly increase the funding provided to states to institute welfare programs, whether through TANF or through other programs. It must also increase correspondingly the federal government's level of oversight over state welfare programs, to ensure that the increased funding is put to good use.

Fourth, it must require and provide adequate funding for states to establish systems of subsidized day care, foster care, and state-run orphanages.

Fifth, it must increase the minimum wage to the poverty threshold, to ensure that those who can find work are able to pull themselves out of poverty.

Sixth, it must abolish Section 14(c) of the Fair Labor Standards Act, which allows employers to pay workers with disabilities less than minimum wage. Instead, it must require states to compensate employers who can demonstrate that their profits have been reduced by paying a worker with a disability minimum wage.

Seventh, it must continue to take steps to discourage or prevent American businesses from outsourcing to foreign nations, in order to sustain a viable job market within national borders.

Eighth, it must revise the Supplemental Security Income program to provide diminished support to people with disabilities who are able to become employed and surpass the current limits on income and property, in order to provide for their needed medical treatment and enable them to continue working.

Ninth, it must establish a heavy federal luxury tax, in order to assist in the financing of the preceding points of this plan.

This nine-part plan outlines the basics of what a federal policy on poverty should include in order to most-effectively combat the major social problem of poverty. It includes both reactive steps, or steps taken to aid those already in poverty, and proactive steps, or steps taken to prevent people from falling into poverty. Given time, improvements in education for all citizens and the increase of opportunity for the poor should help to decrease the prevalence of chronic poverty. Ultimately, the goal of this policy is to lay the foundation for the final elimination of poverty within the United States.

V. IMPLEMENTATION

There is one glaring flaw in this policy: it will be extravagantly expensive. Because of our nation’s current recession and enormous deficit, this policy will almost certainly have to be implemented in parts, with gradual increases in welfare funding and the minimum wage and piecemeal implementation of the other legal changes included in the policy. Even so, this policy would require a drastic increase in revenue; an increase which many would say is necessary even without the added costs of a war on poverty. It is likely that the luxury tax proposed in the policy will not be enough to finance it, in which case other forms of taxes, like income taxes, will have to be increased. If these taxes are not increased, the policy will have to be implemented so gradually that the “war on poverty” will be slowed to a crawl and thereby rendered rather ineffectual.

If the policy could find the funding it needed, most if not all of it would be implemented through Congress. It is possible, however, that Section 14(c) of the Fair Labor Standards Act could be challenged through a case presented to the Supreme Court; it could then be struck down as unconstitutional. Certain parts of this anti-poverty policy, however, such as the federal government requiring states to finance schools based on the size of their student bodies, represent an unprecedented level of federal interference in areas that have traditionally been regulated by the states. As such, this policy could be challenged on Constitutional grounds. If the policy was submitted to judicial review, it could likely establish a credible claim to Constitutionality by citing Supreme Court cases like *Helvering v. Davis*, which established the Constitutionality of some of President Franklin Roosevelt's social welfare programs (Helvering v. Davis, 1937). If President Obama's health care policy survives its judicial review, it may also be a source of credibility for federal anti-poverty policies. Still, the radical nature of this anti-poverty policy makes judicial review a very likely possibility. The threat of being struck down in court will be a strong obstacle to this policy's implementation.

The last obstacle to this policy's implementation would simply be the acquisition of public support. As mentioned previously, the concerns of the impoverished are generally a very low priority of the majority of the nation. The current political climate certainly pays little attention to the poor, despite their increasing numbers. This is both because the poor have historically been unable to effectively organize themselves to advocate for their needs and because the nation is currently, as usual, very caught up in tending to the needs and wants of the middle and upper classes. Serious efforts will need to be made to organize advocacy groups for the poor, bring their needs to the attention of public officials, and win over the populace at large. It will be even harder to transform the general support of the public into a willingness to be taxed for the sake of helping the impoverished; taxation tends to put a damper on the spirit of charity. This obstacle to implementing strong anti-poverty policies is both one of the simplest and one of the most difficult to overcome, as there is no sure-fire way to gain the favor of the people.

VI. EVALUATION AND CONCLUSION

This policy, if implemented, could be evaluated in a variety of ways. Firstly, its overall success could be quite simply evaluated by looking at the rate of change of the national poverty rate. If the annual increase in the national poverty rate is found to be smaller in the first few years after the policy is implemented, or if the national poverty rate begins to decrease after the policy is implemented, the policy could easily be said to have been an overall success. Other, more specific parts of the policy could also be evaluated individually. For example, the success of the subsidized day care program could be in part evaluated by observing changes in the rate of poverty among children. The success of the changes in public education could be evaluated by standardized tests (though there is an increasing controversy within the field of education as to whether such tests are really accurate measures of success, but for now that's irrelevant). And the success of the luxury tax could be quite simply measured in a cost-benefits analysis comparing the amount of revenue being generated with the amount of public unhappiness being generated by the new tax.

Poverty is an enormous issue in both the global community and our own nation. Despite an avowed commitment to fight poverty, the United States has not strongly acted to correct this problem within its own borders. As America hesitates to commit resources to a war on poverty, the number of people unable to provide themselves and their families with food, shelter, utilities, and other essentials that ought to be commonplace in a nation as wealthy and advanced as our own is growing at an alarming rate. A strong, comprehensive plan to eliminate poverty within our nation is entirely feasible. However, it would be difficult to implement, highly expensive, and likely unpopular with those not suffering from poverty. On the whole, though, this policy would trade something of relatively small value, namely, money, for something of inestimable value: the well-being of the long-ignored impoverished of America, and America's vindication of its avowed status as the exemplar of modern civilization.

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