

# Poverty Amid Affluence

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# Recent Trends

- Median income of American households is \$46,326
- GDP for the U.S. is \$9 trillion, one of the wealthiest nations
- The gap between the rich and poor has been widening, particularly since the turn of the century
- Currently, there are 37 million people living in poverty
- Rates of poverty for non-Hispanic whites rose
- Currently there are about 160 billionaires and about 2 million millionaires
- 1.2 billion people around the world subsist on less than a dollar a day
- Growing disparities between rich and poor throughout the world have direct effects on the poor in the U.S. because many jobs are exported overseas where poor will work for almost any wage

# The Haves and Have-Nots

- The affluent live longer, can afford best medical care, the finest education, can influence politicians to promote their interests and shape government policies
- The poor have a lower quality of life, but also inequality in education health care, police protection, job opportunities, legal justice and housing
- Poor are more frequently subject to mental illness and suffer more serious illnesses
- Life expectancy of the poor is below national average

# The Rich

- Federal Reserve Board estimates that 1% of all households hold over 1/3 of all personal wealth
- Wealthiest 20% of households receive almost 50% of income
- Rich pay higher taxes because:
  - 1. Benefit more from the economic system and can afford to pay more
  - 2. Have a greater investment and should pay more to maintain it
  - 3. Redistribution is fair in a democratic society
- **Welfare state**-a nation in which a significant proportion of the GDP is taken by the state to provide minimal social welfare for the poor, the aged, the disabled and others who would not be able to survive under conditions of market competition

# The Rich

- There are many legal ways for the rich to avoid paying taxes
  - Can get tax reductions for mortgage interest payments
  - Purchase real estate
  - Tax-free investments that aren't available to less well-off
  - Municipal bond income (\$5,000) doesn't have to be reported on taxes
- **Wealthfare**-the opportunities provided by government that enable rich to become richer; subsidies for the rich
- Government rescues of corporation (railroads, banks), owners of substantial portions of the corporations' capital are most likely to benefit
- Corporations are paying less and less in taxes (pg. 188)

# The Poor

- The U.S. has the means to alleviate poverty but has policies that make the situation worse
- Situation of the working poor is worse because of technological advances that eliminate some jobs, globalization, reluctance of middle and upper classes to share wealth and the attitude of Americans about poverty
- Of 37 million people living below poverty line in 2005:
  - 13 million were children
  - 3.5 million were 65 years old
  - Millions were female heads of households with no male support or were ill, disabled or going to school
  - The rest worked full-time or part-time during the previous year

# The Poor

- **Working Poor**-people with full-time jobs whose wages are insufficient to raise their incomes above the official poverty line
  - Spent at least 27 weeks in the labor force
  - 5.6 million workers were working at wages so low they still were below poverty line
  - Recently, poverty rates of working poor have been increasing
- **Severely poor**-those below half the poverty level
  - Rate of severely poor at a 32 year high
  - Increased by 26% between 2000 and 2005
  - Now make up 43% of all those below poverty line (1975-30%)
  - Many of working poor descending into ranks of severely poor

# Poverty and Social Class

- **Social Stratification**-a pattern in which individuals and groups are assigned to different positions in the social order with varying amounts of access to the desirable things in society
- **Class stratification**-the stratification of individuals and groups according to their access to various occupations, income, and skills
  - A social class has the same degree of economic well-being
- **Lumpenproletariat**-term used by Karl Marx to refer to the segment of the poor in a capitalist society who are not part of the labor force but are on the margins of the society, often subsisting through criminal or black-market activities
  - Marx believed the lumpenproletariat would expand become more dangerous to the stability of capitalist societies

# Poverty and Social Class

- Max Weber-Critical of Marxian perspective
- Accepted most of Marx's analysis, but did not believe capitalism would inevitably cause the expansion of lumpenproletariat
- Subjective and objective dimensions of social class
  - Objective-income, wealth
  - Subjective-when people identify themselves with a certain class
- Institutions started in the 1930s-1960s gave most Americans access to the 'standard package' of goods and services
  - Home, car, etc...
- Recently, those trends have reversed for many as the gap between rich and poor widens

# Nature of Poverty

- The poor generally don't have enough money to buy things that are considered necessary and desirable
- The poverty line-2005 for a family of 4-\$19,350
  - Currently poverty line for family of 4 is \$22,050
  - Poor families must spend 1/3 of their income on food
  - Currently there are 44 million below poverty line, or 1 in 7 Americans
- Measures of poverty are difficult because costs of living in some parts of the country are higher or lower than in others

# Who Are the Poor?

- Single-parent families
  - 30.5% of female-headed families were below the poverty threshold
  - Declining subsidies for poor children and their mothers
- Safety nets-U.S. leads affluent nations in proportion of its children it allows to live in poverty
  - U.S.-social welfare policies lift 17% of children out of poverty
  - Canada-60% lifted out of poverty
  - France-70% lifted out of poverty
  - Child care a major obstacle for single mothers who want to work in U.S.
- Paternal involvement enforced by the 1996 welfare act
  - Demands financial support, but where unable to pay, men are not able to substitute child care or transportation instead

# Who Are the Poor?

- Minority Groups

- Whites are largest group among poor, but minorities overrepresented
- Proportion of minorities working low-wage, low-status jobs higher than compared to whites
- Minorities face low wages, discrimination, and educational deficits
- A family of three supported by the federal minimum wage of \$7.25/hour would still fall below the poverty threshold
- Minority schools often in worse shape than primarily nonminority schools
- Lack of quality education hurts minorities harder than it does whites because of discrimination (pg. 198)

# Who Are the Poor?

- Rural Areas
- 1/5 of poor people live in poor areas, 1/3 in suburban areas
- People in rural areas have lower incomes, higher poverty rates, higher unemployment, lower educational attainment than those living in metropolitan areas
- Poor areas (Mississippi delta, Appalachia, southwest) have experienced steady declines in status, accompanied by infant mortality, family dissolution, out-migration of the younger, better-educated, and malnutrition
- Many poor people move to urban areas to seek out better work opportunities, but are hit with higher living expenses, unsanitary health conditions, and high transportation costs
- Demand for unskilled work has declined drastically

# Who Are the Poor?

- The Dependent Poor
- Those who must turn to public assistance, often pictured as lazy, dishonest
- Many have disabilities, 1 million poor children receive Supplemental Security Income (SSI) because of disabilities
  - More likely to be chronically ill or disabled because of environmental risks or deficient nutrition or health care
- Working poor-families in which  $\frac{3}{4}$  of their income is derived from work
  - Have limited skills, incomes fall below poverty level
- Event Poverty
- If illness, marital discord, medical bills, natural disaster, or another birth, could plunge family below poverty line

# Who Are the Poor?

- Immigration and poverty
- 25% of the increase in poverty since the early 1970s has been among immigrants and their children
- Largest immigrant groups today include poor people from Mexico, Central America, and the Caribbean
- What is the impact of immigration on the U.S. economy?
  - Vast majority of Americans enjoying healthier economy due to increased supply of labor and lower prices
  - Low wage immigrant labor lowered wages of high-school dropouts by about 5%
- First generation immigrants experience higher rates of poverty than non-immigrants

# Concomitants of Poverty

- Accompanying circumstances that occur with poverty
- Health Care
- For people whose employers do not provide health insurance, the leading cause of poverty is catastrophic illness and medical bills
- The less income, the more likely people will report their health as fair or poor (pg. 204)
- Even with Medicare and Medicaid, coverage is often inadequate
- 29% of American children lacked health insurance in 2005

# Concomitants of Poverty

- Education
- On average, poor children get fewer years of schooling, less chance of graduating high school, much less likely to go to college
- More likely to have overcrowded classrooms, inexperienced teachers, and receive little individual attention
- Preschool-Can counter the effects of poverty
  - Children who attended preschool had higher intelligence scores at age 6, less likely to need special education, less likely to be held back, less likely to drop out, less likely to be classified as delinquents

# Concomitants of Poverty

- Housing and Homelessness
- Poor more likely to live in housing that is overcrowded, infested, needs major repairs, has inadequate plumbing and heating
- Isolated both economically and racially
- Racial segregation can increase as middle classes leave the city
- 1.35 million children (2% of the total) are homeless
- Majority of the homeless had worked for pay previous month

# Concomitants of Poverty

- Justice
- Poor people likely to get longer sentences
- Poor children who commit crimes more likely to be sent to a correctional institution
- Public defenders and court-appointed lawyers may not have financial resources or time required for extended investigations

# Explanations of Persistent Poverty

- Structural Explanations
- Incorporate both functionalist and conflict elements
- They attribute poverty to the functioning of the dominant institutions of society (markets, corporations). When the major social structures change, conflicts arise as large numbers of people attempt to adjust
- Marx's structural explanation would say that workers are threatened by efforts of capitalists to find cheaper forms of labor, to automate their processes, or move the factory all-together

# Explanations of Persistent Poverty

- Cultural Explanations
- Based on the interactionist perspective
- Emphasize a “culture of poverty,” which includes new norms, values and aspirations
- Long spells of poverty can have long-term consequences for children and grandchildren-William Julius Wilson
- The culture of poverty perspective is highly controversial
  - “The poor” are a highly diverse group of people
  - Some are poor for generations, others periodically
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