

**** SUPPLEMENTAL DISCUSSION ****

Poverty in America

As we've discovered in our Chapter 2 discussions, America is the "richest" country in the world. However, we have not yet conquered the poverty problem. Although Chapter 22 in your textbook offers a good discussion of Global Poverty, it gives very little discussion of Poverty in America. I think it's important for each of you to develop a better understanding of the challenges we face in America today, hence this supplemental discussion. Knowledge of poverty in the US also fits in quite nicely with our Chapter 2 in-class discussion of America's distribution of income.

The Current Statistics

According to the US Census Bureau, 13.2% of the Total US population lived below the poverty line in the year 2008. That translates into 39.8 million people!

Not all demographic groups have the same experience with poverty. In the year 2008, we observed the following:

24.7% of the American black population lived in poverty

23.2% of the American hispanic population lived in poverty

19.0% of the under 18 years of age population lived in poverty

8.6% of the non-hispanic white population lived in poverty

9.7% of the 65 years of age and over population lived in poverty

5.5% of families with two married adults present lived in poverty

28.7% of families with female head of household (no husband present) lived in poverty

14.3% of families in the South lived in poverty (highest for any region of USA)

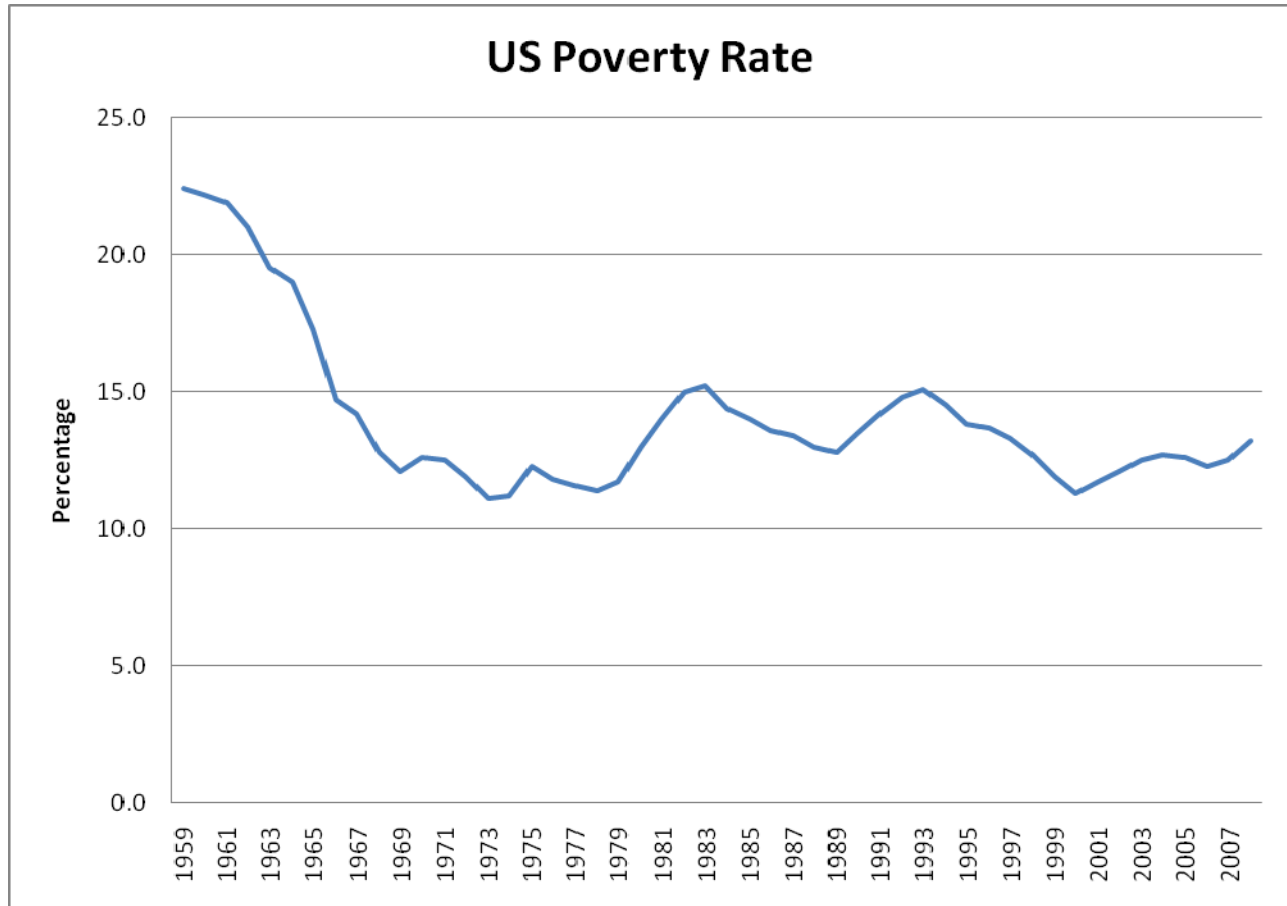
23.5% of people without a high school diploma lived in poverty

4.1% of people with a 4-year college degree or more lived in poverty

If you're interested in learning more about poverty in America, visit the US Census Bureau website at: <http://www.census.gov/hhes/www/poverty/poverty.html>

Time Series Data

How does the national poverty statistic for 2008 compare to that in previous years? The figure below charts the US poverty rate from 1959 to 2008.



The Statistical Poor

How does the US government determine (statistically) who is in poverty? That's a good question! The US Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty and who is not. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. These official poverty thresholds do not vary geographically, but they are updated and correct for the effects of inflation each year using Consumer Price Index (CPI-U).

On the next page, I have printed the poverty thresholds for year 2008.

Size of Family Unit	Related Children Under 18 Years								
	None	One	Two	Three	Four	Five	Six	Seven	Eight +
One person	\$11,201								
Two persons	\$14,417	\$14,840							
Three persons	\$16,841	\$17,330	\$17,346						
Four persons	\$22,207	\$22,570	\$21,834	\$21,910					
Five persons	\$26,781	\$27,170	\$26,338	\$25,694	\$25,301				
Six persons	\$30,803	\$30,925	\$30,288	\$29,667	\$28,769	\$28,230			
Seven persons	\$35,442	\$35,664	\$34,901	\$34,369	\$33,379	\$32,223	\$30,955		
Eight persons	\$39,640	\$39,990	\$39,270	\$38,639	\$37,744	\$36,608	\$35,426	\$35,125	
Nine persons Plus	\$47,684	\$47,915	\$47,278	\$46,743	\$45,864	\$44,656	\$43,563	\$43,292	\$41,624

For example, in year 2008, a single individual is considered to be in poverty if he earns/receives \$11,201 or less.

A family of 4 (2 adults, 2 children) is considered to be in poverty if it earns/receives \$21,834 or less.

A family of 3 (1 adult, 2 children) is considered to be in poverty if it earns/receives \$17,346 or less.

A family of 6 (2 adults, 4 children) is considered to be in poverty if it earns/receives \$28,769 or less.

What income sources are included in the measurement of poverty?

This official poverty definition uses money income before taxes and does not include capital gains (or losses) or noncash benefits (such as public housing, Medicaid, and food stamps). Money income consists of: earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources.

Some cautions with interpreting these statistics

Although the thresholds in some sense reflect family needs, they are intended for use as a statistical yardstick, not as a complete description of what people and families need to live. Many government aid programs use a different poverty measure, or will use a multiple of these official poverty measures. For example, the Medicaid Program might allow participation for family that earns/receives income that is 1.5 times above the relevant poverty threshold. So for a single mom with two children under 18, the relevant poverty threshold is \$17,346 of annual income or less. This single mom could earn up to $\$17,346 * 1.5 = \$26,019$ of annual income and STILL be eligible to participate in the Medicaid Program.

Where did the poverty thresholds originally come from?

Poverty thresholds were originally developed in 1963 – 1964 by Mollie Orshansky of the Social Security Administration. She used data from the U.S. Department of Agriculture food budgets designed for families under economic stress and data about what portion of their income families spent on food. If you'd like to know more of the details regarding this historical development, explore the following link: <http://www.census.gov/hhes/www/povmeas/papers/orshansky.html>

Now, some interesting “food for thought” on the poverty issue.....

What does it REALLY mean to be statistically poor in America today? According to a recent report published by the Heritage Foundation, the average “poor” person has a standard of living far higher than the public might imagine.

According to data taken from several US Census Bureau reports, the Heritage Foundation claims that:

Approximately 46% of poor household in America actually OWN their own home (so they have gotten a loan from a bank or other financial institution, purchased a home, and are repaying that loan over time)

On average, this is a 3 bedroom house with 1.5 baths, a garage, and a porch or patio.

Only 6% of poor households are “overcrowded”

Over 2/3 of poor households have more than 2 rooms per person.

Nearly 75% of poor households own a car, nearly 30% of poor households own two or more

Approximately 97% of poor households have at least one color television

78% have a VCR or DVD player

62% have cable or satellite TV service

More of these interesting statistics are discussed in “Understanding Poverty in America” by Robert E. Rector and Kirk A. Johnson. Online access to this research is available at:

<http://www.heritage.org/research/welfare/bg1713.cfm>

The Heritage Foundation concludes the following:

“Overall, the typical American defined as poor by the government has a car, air conditioning in the home, a refrigerator, a stove, a clothes washer and dryer, and a microwave. He has two color televisions with cable or satellite reception, a VCR or DVD player, and a stereo. He is able to obtain medical care. His home is in good repair and is not overcrowded. By his own report, his family is not hungry, and he had sufficient funds in the last year to meet his family’s essential needs. While this individual’s life is not opulent, it is equally far from the popular images of dire poverty conveyed by the press, liberal activists and politicians.”

Furthermore, we need to understand that the living conditions of the average poor person in America SHOULD NOT BE taken as representative of ALL of the nation’s poor individuals and families. Certainly, there is a wide range of living conditions among the poor. Although 25% of the poor report having cell phones, a full 10% of the poor have no phone at all. Roughly 30% of poor household DO report experiencing at least one material hardship, such as overcrowding in the home, temporary hunger, or difficulty getting medical care.

Strategies for Poverty Elimination

The “GOOD NEWS” is that much of America’s poverty should be relatively easy to reduce/eliminate. According to the Census Bureau, approximately 60% of the poor (who are aged 18 and up) do not currently work. It’s hard to climb out of poverty if you earn NO INCOME! An individual who works at a job for the current federal minimum wage of \$7.25 per hour (such jobs require minimal amounts of skill and formal education) for 2000 hours a year (40 hours per week, 50 weeks out of the year) would earn \$14,500 pre-tax. That income is sufficient to get a single person, a two adult household, and almost a single parent with one child household above the current poverty line. In a household with two working adults, that income would be sufficient to keep a 2 adult and 4 child household above the poverty line.

According to the Census Bureau, 40% of the poor (who are aged 18 and up) do currently work, but are still statistically poor. This is likely due to: (a) not working full-time on a job, (b) frequently being “in-between” jobs, or (c) total household income being too low relative to household size.