

— Introduction —

Taking the Definition of Poverty Seriously

FOR SOME FORTY years now, poverty has been a central and self-conscious concern in American society. The War on Poverty, officially launched in 1964 by President Lyndon B. Johnson, spawned a large research establishment and literature (Johnson 1964). As analysts have dug into this large issue, it has proved fruitful to investigate the special circumstances and dynamics of different groups of the poor, particularly the notably dependent populations of the elderly and children. This book is about the economic well-being of the latter group. It examines American children from a particular perspective, that of their fates in comparison with the fates of children in other rich nations.

For much of the time since the War on Poverty was launched, poverty warriors have proceeded as if this effort were a new enterprise in American society, a project designed to eradicate the vestiges of poverty left after rapid economic growth in the post-World War II period. More recently, however, several excellent historical studies of the way American society has dealt with economic marginality and disadvantages have emphasized the continuity of issues and strategies in the War on Poverty with previous social welfare politics and policy (Ruggles 1990; Katz 1986, 1989; Patterson 1981).

Understanding poverty is, of course, more than a political project, and postwar America's concern about it has deep roots. The recognition, dating from the eighteenth century, that economic growth does not eradicate poverty may be relatively modern, but concern over the impact on society of large classes of poor people predates the development of economic strategies for

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dealing with it. Indeed, poverty has been a subject of concern, debate, moralizing, and controversy throughout written history. Many would say today as in biblical times: “The poor shall never cease out of this land.”

Economic and political strategies counter such fatalism by raising quantifiable questions, such as: How large is the class of the poor? Even though it is a rare society that would assert that it has no poor people, there may still be important differences among societies in how many they include in counting their poor. Surely it is important to count the number of poor people in a society, since we judge societies very differently when we discover that in some there are a great many poor people and in others only a few.

Comparing the situation of American children in low-income families with their counterparts in some other rich countries gives us a powerful perspective on the contexts and patterns of child poverty in the United States in the 1990s. This book examines patterns of child poverty in the United States and in fourteen other countries: twelve are in Western Europe—Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom—and two are the Commonwealth nations of Australia and Canada. The surveys on which our analysis is based are from the Luxembourg Income Study (LIS), a database available to social scientists throughout the world that contains nearly one hundred income surveys (see appendix A). The fourteen countries chosen for comparison are those with surveys we judge to have the most complete and comparable coverage of income sources and demographic variables.

In this introduction, we discuss ways in which we can think about poverty as a characteristic of some people’s life situation. We start, however, by discussing how we came to focus on children.

THE IMPORTANCE OF STUDYING CHILD DEPRIVATION

Families with children—or very often just children and their mothers—have been one dominant focus of writing about poverty and disadvantage in the long history of poverty studies beginning in the nineteenth century (Katz 1986; Skocpol 1992, 1995). The situation of children is one of three perennial concerns in both

scholarly and political literature about poverty. (The other two are the adequacy of unskilled laborers' wages and the economic insecurity of the elderly.) Because children are dependent and vulnerable, it has seemed natural for socially minded people—ministers, charity workers, educators, social and medical professionals, and ordinary citizens—to be concerned about those children who live in families that do not seem to have enough to meet their children's needs. This interest is reinforced by the suspicion that children who are deprived as they grow up will have serious problems as adults and indeed may well make problems for others as they mature. In recent times this concern about the effects in adulthood of growing up poor has burgeoned into a substantial research enterprise (Haveman and Wolfe 1994; Duncan and Brooks-Gunn 1997a, b; Corcoran 2002).

A broad range of public policies has been promoted to respond to the problem of children in poverty in North America and Europe. Family and child policy initiatives have been a standard, if not the most costly, focus of social protection strategies in many countries (Kamerman and Kahn 1995, 1997). Studies to assess the effectiveness of these policies require measurement of the rates of child poverty and the impact on those rates of particular social programs, as well as the impact of the group of family policy programs as a whole. Comparison of poverty rates across countries with varying patterns of wage inequality and varying social programs provides an ideal testing ground for assessing the effectiveness of different policies and the impact of contextual factors on policy effects. This book provides a broad assessment of the success of efforts to combat child poverty in the United States as compared to such initiatives in other rich countries. And it provides a baseline for following the evolution of children's well-being in this new century. This assessment tells us where we stand now and suggests where we could go by examining the situation of children in other countries.

Both ordinary citizens' worry over the plight of poor kids and the policy analysts' and politicians' need for better understanding as a guide to policy have been intensified in the last decade by dramatic changes in family forms and relations and in patterns of the life course. As debated by many people, experts and ordinary citizens alike, there have been profound changes over the past

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half-century in the way American family roles, relations, and living arrangements throughout the life course are organized. Parallel changes seem to have occurred in most European societies. Ron J. Lesthaeghe (2002) has recently observed that “Western European and consequently also North American demographic systems of the past were characterized by long celibacy, late marriage and the dominance of the nuclear family. New households were neolocal and could only be established if economic independence was obtained. This ‘Malthusian’ system with ‘prudent marriage’ is an alien form of social organization to other societies and cultures.”

Lesthaeghe goes on to suggest that this system was strengthened by the adoption of family limitation as the key to the first “demographic transition” of declining family size. Now, he argues, we are seeing a second “demographic transition” characterized by “increased divorce, again later marriage but insertion of periods of premarital cohabitation, marked postponement of parenthood, procreation within cohabiting unions, declining remarriage but increasing postmarital cohabitation or other forms of living arrangements, and persistence of sub-replacement fertility.”

These changes, mostly regarded as the result of the preferences and choices of adults, have uncertain effects on children. Our particular concern is with the impact on the economic well-being of children. Continuing studies such as this are necessary if we are to understand the consequences of this second demographic transition (which must also be examined in the context of the evolution of so-called globalization as it affects the economic resources of families in different countries).

SOCIAL AND ECONOMIC CONCEPTS OF POVERTY

A concern with the size of the poverty class leads us to a broader question: What does it mean to be poor in a rich society? More specifically, what does it mean for a family, and particularly its children, to live in a state of poverty within a prosperous society?

To begin to answer these questions, we must look at poverty in the context of its opposite, plenty. As members of modern societies, we use a wide range of goods and services to effect our participation in social relations and to create and sustain our sense

of social identity. The mainstream standard of living defines the “average American”; family resources that fall sufficiently short of the mainstream define deprivation, precarious subsistence, exclusion—in short, poverty. Our common cultural understanding is that we cannot play our social roles or participate meaningfully in our communities without the basic material resources necessary to carry out our activities (Parsons and Smelser 1956; Sen 1992). One way or another, each of us has to “get a living” in order to “have a life.” The roles and activities that define participation are age-graded—child, teenager, young adult, mature adult, senior citizen—but for any one age these common cultural understandings allow people to pass judgment on their own rank and that of others in a continuum from destitution to unseemly affluence, based on what kind of participation they can effect.

In highly stratified societies, the economic resources available to individuals and families vary greatly. As members of these societies, we develop a lively sense of the implications of different levels of resources—that is, we see that experiences of plenty or of deprivation often seem to be critical in determining which other members of society we choose to interact with and the kinds of social participation that are feasible for us. In short, if we do not look at poverty as one aspect of socioeconomic inequality in modern societies, we are missing its essential nature.

Whatever we see from our own perspective—be it the low average income of some regions or nations, the economic deprivation of individuals with low income, or the political challenges encountered by policymakers—any correct study of poverty must proceed from a sociologically grounded understanding of the interpenetration of material and social well-being in modern societies. It must also recognize the particular degree of socioeconomic inequality in the social stratification system of each society.

The definition of poverty adopted by the European Council of Ministers in 1984 reflects such a concept of poverty. The European Union (EU) member countries now ground their approaches to poverty in an understanding of the nature of social stratification in prosperous industrial and postindustrial societies such as their own: “The poor shall be taken to mean persons, families, and groups of persons whose resources (material, cultural, and

societal) are so limited as to exclude them from the minimum acceptable way of life in the member state in which they live" (European Commission 1985).

By contrast, writings about poverty in the United States tend not to focus so sharply on social exclusion but rather on the characteristics of the poor themselves. As Michael Katz (1989) argues, Americans have always been deeply preoccupied with the distinction between the undeserving and the deserving poor. (This concern has also been characteristic of Britain and its Anglo-Saxon Commonwealth nations.) In the United States the struggle to define the poor in these terms has been centered most recently in the welfare reform controversy, which has resulted in the abolition of the program Aid to Families with Dependent Children (AFDC). The undeserving-deserving dichotomy has now produced a welfare program, Temporary Assistance for Needy Families (TANF), whose premise was characterized by Senator Daniel P. Moynihan (1996, C7) at its passage as the idea that "the behavior of certain adults can be changed by making the lives of their children as wretched as possible."

The various U.S. wars on poverty, unlike those of some continental European countries, have usually targeted the situation of the very worst-off in society; American policymakers have long been more troubled by the situation of the lower class than by the broader situation of the working class (Korpi 1980). This concern has reinforced the emphasis in U.S. social welfare programs on developing means-tested mechanisms for meeting income needs rather than on ensuring social security. Historically Americans have seemed to find the individual problems of those who are "unable or unwilling to work" more compelling than the economic problems of unemployment, underemployment, and low wages.

Within this orientation, two perspectives contend in American characterizations of poverty. One sees economic status—that is, people's command over goods and services (Ruggles 1990; Citro and Michael 1995)—as the defining and sufficient indicator of being poor. The other perspective is more broadly concerned with people's socioeconomic situation. It was the latter kind of sociological concern that dominated the elite interest in poverty

in the 1960s and launched the War on Poverty. Michael Harrington's *The Other America: Poverty in the United States*, first published in 1962, is generally credited with putting poverty on the agenda of the administration of President John F. Kennedy. Harrington combined his own experience as a writer about the American working class with much sociological research during the 1950s on the inner city, juvenile delinquency, and slums. For Harrington (1962, 18), there was

a language of the poor, a psychology of the poor, a worldview of the poor. To be impoverished is to be an internal alien, to grow up in a culture that is radically different from the one that dominates society. . . . [The poor] need an American Dickens to record the smell and texture and quality of their lives. The cycles and trends, the massive forces, must be seen as affecting persons who talk and think differently.

As the War on Poverty progressed, the definition of both the nature of poverty and the goals of the War narrowed from this broad socioeconomic description of the poor to one centered on individuals' command over goods and services. To some extent such narrowing is inevitable when efforts to count the poor are undertaken. Nevertheless, it remains a perennial source of debate about poverty: Do we take the social or the strictly economic view of poverty? And however we answer that question, we must then ask another: Do we define poverty as an absolute condition or, especially in prosperous societies, a relative one?

When the Kennedy administration began to plan the War on Poverty in the early 1960s, government statisticians needed a standard by which to count the poor. The official U.S. poverty line, often called the Orshansky index after the government economist who developed it, grew out of this need (Orshansky 1965; see Fisher 1992). At its core was a definition of the minimum food budget required by a family. Given a minimum food budget, a minimum income was calculated that would provide this food budget and, by assumption, a minimum subsistence level of other necessary goods and services. This official poverty line is a so-called absolute poverty line: it refers to a particular basket of goods that just barely meets the needs of an individual or family, and because need is not assumed to change over time, the bas-

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ket does not change, although its price must be adjusted for changes in costs. On the face of it, at least from a historical perspective, this assumption is ludicrous—the subsistence basket of today would have been regarded as one of plenty a century ago. The government statisticians involved in poverty analysis certainly expected that the official line would be updated from time to time. In the end, however, because of the potential political and budgetary impacts of a changing poverty line, each effort to increase the line to take into account rising standards of living was rejected by the government (see Fisher 1992, 1995). After an exhaustive review of the decades of discussion of poverty measurement in the federal government, Gordon Fisher (1995, 76) concluded:

In addition, the fact that proposals to raise the poverty thresholds in real terms were rejected—leaving in place an official poverty line that had been made absolute—tended to serve as a further barrier to retention of the knowledge of the income elasticity of the poverty line. When the current official poverty line—the only poverty line that more and more people had ever been aware of—was made absolute, and remained so, it became more difficult for many people to realize (and less likely that they would investigate history to find out) that the basic pattern both in this country and in other countries is for poverty lines to rise in real terms as the real income of the general population rises.

The official poverty line has played a more central role in policy analysis in this country than in other countries. Most countries do, however, count low-income groups by using some kind of a poverty line, even if it is an implicit one. But no other country has adhered to the same poverty line for four decades; most update their standard annually or every few years. A few countries, such as Sweden and Canada, define a minimum income standard—known as the existence minimum—then link various social benefits to that line. Researchers can quantify the poor by counting those below the level of the existence minimum. More recently, the European Community has begun to count on a regular basis the population below a relative poverty line defined as half (or sometimes 60 percent) of the median after-tax income. In the United Kingdom and Germany, researchers have counted the poor by using the minimum income standards implicit in social assistance benefit levels.

SOCIAL MEASUREMENT OF POVERTY

Although the U.S. official poverty line is considered an absolute one, in fact no one has ever argued that it is unchangeable. It is understood that there is a historic component to the definition of a minimum standard of living; for instance, the U.S. poverty line would obviously be a line of affluence in many other parts of the world. Even so, some argue that it is possible to establish, for the time being, an absolute standard, and that it is unnecessary to adjust the poverty line regularly for increases (or decreases) in average incomes. At the core of the definition of an absolute poverty line such as the Orshansky index, however, is a hazily recognized contradiction—poverty is actually relative, but for now we will define it as unchanging in real terms (see also Smeeding, Rainwater, and Burtless 2001).

The more experience countries have with absolute poverty definitions, the more obvious becomes the absurdity of the rationale for them. Not surprisingly, attempts have been made to revise poverty lines so as to avoid this underlying absurdity. Any such effort requires that poverty lines be adjusted to reflect changes in living standards—an approach that has been exhaustively pursued, for example, by a committee of the U.S. National Research Council (Citro and Michael 1995).

The debate on the merits of absolute versus relative definitions of poverty has obscured the more fundamental difference between economic and social definitions of poverty. An economic measure of poverty determines the income needed to provide a minimum level of consumption of goods and services and implicitly assigns a given level of utility or satisfaction to the output of consumption. Researchers taking this approach make no effort to measure utility or satisfaction directly; after all, doing so would bring up subjective factors with no recognized relevance to the public policy issues involved.

A social measure of poverty is concerned ultimately not with consumption but with social activities and participation. Researchers with this orientation do not look at the problem of poverty in relatively affluent societies as one of low consumption per se but focus instead on the social and personal consequences of

poor individuals' inability to consume at more than an extremely modest level. Without a requisite level of goods and services, individuals cannot act and participate as full members of their society, and it is this participation in social activities that confers utility, not consumption. While such a view is mainly identified with sociological (and anthropological) traditions, a few economists have adopted its insights by focusing on consumption as an intermediate activity—that is, as an input to social activities that in turn confer utility (Duesenberry 1949; Lancaster 1971; Sen 1992).

Denton Vaughan (1993, 22–23) provides an excellent description of the social meaning of poverty in contemporary societies:

In the complex, largely urban, and industrial and service societies of the post-World War II United States, Canada, and Western Europe, the poverty problem stems from the existence of substantial population subgroups whose members lack the material resources required to perform—except with the greatest difficulty—roles in the central societal domains of family, work, and citizenship as defined by the mainstream members of society and as generally accepted by members of the low income groups themselves. [Members] have a relatively well-developed sense of the material resources associated with different levels in the material status hierarchy. It is this sense that permits the individual to judge the difference between a good salary and a poor one, a nice car and a bare bones econo-box, or a decent apartment and a slum tenement, and more generally to assess his or her location in the overall stratification system.

As Vaughan makes clear, we identify someone as poor by not only looking at social conditions but taking into account related social identities and meanings—those associated with both the poor person and, even more, the other members of society who hold that person responsible for his own social position. Such an identification is thus often said to be a subjective exercise on the part of the social scientist, one that involves making a value judgment. Amartya Sen (1981, 17) has responded to this charge in a very direct way:

The view that “poverty is a value judgment” has recently been presented forcefully by many authors. . . . The exercise [of defining poverty] would, then, seem to be primarily a subjective one, unleashing one’s personal morals on the statistics of deprivation. I would like to argue against this approach. . . . There is a difference between saying that the exercise *is itself* a prescriptive one and saying that the exercise must *take note* of the

prescriptions made by members of the community. To describe a prevailing prescription is an act of description, not prescription. For the person studying and measuring poverty, the conventions of society are matters of fact (what *are* the contemporary standards?), and not issues of morality or of subjective search.

With Sen, we would suggest that the first task of the poverty researcher is to discover the contemporary social standard of what constitutes poverty. However imprecise, that standard is every bit as much a social fact as a kinship relation or a political party preference, and like the myriad other social facts we use each day to orient ourselves in our societies, it can be determined by standard social science methods. The researcher can discover with more or less precision how small an income is perceived as so low that any individual or family bringing in such an amount should be regarded as poor—and therefore *is* poor in the sense of being unable to participate in ordinary societal activities. In attempting to determine contemporary standards for defining poverty, the researcher can construct, in effect, a societal poverty line—a line not to be confused with a government’s explicit or tacit poverty line.

THE PLAN OF THIS BOOK

An overview of U.S. child poverty compared with child poverty in the fourteen other rich countries for which we have the most comparable data is presented in chapter 1. To sample a broader range of the comparison possibilities, chapter 1 also briefly discusses poverty rates among twenty-five other rich and not-so-rich nations. Chapter 2 analyzes the impact of income inequality on the child poverty rates of different countries. An obvious question with respect to poverty statistics is the effect of population characteristics, the subject of chapter 3. A brief foray into longitudinal analysis is the focus of chapter 4, which supplements chapter 2’s analysis of income inequality by examining how long children live in poverty in the United States and in Germany. (Comparable data were available for these two countries only.)

In chapter 5, we introduce the subject that is central to the remainder of part I: income packaging and the role of different forms of income in alleviating child poverty. Chapter 6 focuses

on the role of income packaging in accounting for the poverty rates of children in two-parent families, and chapter 7 considers income packaging in single-mother families. Finally, chapter 8 explores some of the implications of our findings for public policy in the United States.

We develop in part II the evidence and rationale for the choices we have made to answer the question: What *are* the contemporary standards for measuring poverty? In much poverty research, these choices are quickly passed over by using conventional definitions whose rationales either have never been explicated or are lost in the haze of earlier times. For example, virtually all of the vast literature on poverty in the United States uses the rough-and-ready statistical construct of the official poverty line without establishing a clear conceptual underpinning in sociology or economics or social science generally. We have attempted in part II to avoid this shortcoming ourselves by setting out the rationales for our measurement choices and describing their grounding in empirical social science and theory.

The most crucial of a number of choices we had to make was defining a poverty line. Three kinds of decisions went into drawing this line for each country, the first two of which are addressed in chapter 9. What definition of income should we use? Money income before tax or after tax? Should we include cashlike resources like food stamps or free rent? What about services provided to family members at no or reduced cost, such as health care? The second choice we faced was deciding finally how to assess the minimum level of living and draw the societal poverty line. We review the evidence that conceptions of poverty as relative to mainstream affluence have not changed significantly over the twentieth century.

Chapter 10 looks at the third question we had to answer: What is the effect of family composition on the level of living? How, if at all, is a family's income to be adjusted for differences in the material resources it needs and the societal activities in which it engages as a function of its composition—that is, its size, the number of adults, the number of children, and the ages of all its members? This adjustment to income is called equivalent income—after the adjustment, families are considered to have incomes that are *equivalent* in purchasing power.

Chapter 11 is concerned with one last factor in determining contemporary standards of poverty: the difference it makes if we take local communities rather than nations as the social unit within which a poor living standard is defined. Practical considerations forced us to use a national poverty line for this study, and we consider that a shortcoming of the study (and practically all others). In this chapter, we explore what difference a definition of community at the subnational level can make.

The authors hope that together these substantive and methodological excursions will help the reader to gain a fuller understanding of how economic inequality in the United States impacts families with children and what exact patterns of income acquisition account for the high and rising American child poverty rate over the past few decades—a rate that stands in contrast to the much lower and more stable rates in most of the rich countries with which we compare the United States. This analysis provides an empirical grounding for the consideration of policies to make it easier for working parents to earn a decent living while raising their children—policies such as parental leave, childcare support, increased income supports for working poor families, and a more socially oriented education policy. In fact, we conclude that America has high child poverty because we choose to have it—not because we cannot do anything about it. Other nations make different choices and get different results. In contrast to the Bush administration’s rhetoric, we choose to leave a large fraction of America’s children behind and the comparative analyses we present here inform us by how much.

