

Poverty in America: A Handbook (Second Edition)
John Iceland
University of California Press (Berkeley, 2006)

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Brief Summary

Iceland analyzes trends and patterns of poverty in the U.S. There are many misconceptions that stereotype poor individuals as lazy and predominantly black. Poverty is more than an individual failing; it includes structural factors, such as social inequities, income inequality and changes in family structure. Although there are different methods of measuring poverty, some absolute and some relative, Iceland argues for a quasi-relative threshold that incorporates the basic needs standard and the changing standards of living. Understanding the causes of poverty is important since poverty affects the economy, individuals' physical and mental health, and social disorder. Iceland recommends policies that redistribute assets and promote equality of opportunity without worsening inequality.

I. Facts and Findings

A. Methods of Measuring Poverty

Iceland defines poverty as economic or income deprivation (21). Most people agree that the most widely used measure of poverty, the federal poverty threshold, has lost some meaning over time, but there is no real agreement as to what measure is better.

The federal threshold is absolute: it defines an absolute needs standard and does not reflect rising standards of living. It has two components: the poverty thresholds and the definition of family income that is compared to these thresholds. Although it is still useful simply because it has been the most widely accepted standard, it has many flaws. Measuring gross cash income inadequately captures the amount of money people have at their disposal to meet economic needs. It also does not account for expenses

that reduce disposable income such as taxes, transportation costs to and from work and childcare for children of working parents. In addition, the thresholds are outdated. When the thresholds were initially created, food accounted for one-third of a family's budget. Now it accounts for only one-sixth of a family's expenses, but the official threshold does not account for shelter, clothing or geographic differences in costs of living. A technical flaw of the official poverty measure is that it uses the family as the basic unit. However, there is a growing number of individuals who live in nontraditional housing arrangements.

The federal measure is calculated by a multiple of the food budget. Mollie Orshansky of the Social Security Administration developed the poverty thresholds by using the lowest-cost food plan priced by the U.S. Department of Agriculture. Ms. Orshansky determined from the 1955 Household Food Consumption Survey that families of three or more people spent about one-third of their after-tax income on food in that year. She multiplied the costs of the food plan for different family sizes by three to come up with thresholds for those family sizes (22).

A problem with the federal threshold is that although numbers are adjusted for inflation, the method for determining the federal threshold (using a multiple of a basic food budget) has remained the same despite various societal changes. For example, living and spending patterns have changed, including childcare costs, transportation fees, food budgets and housing costs.

The relative measure of poverty is widely used in Europe and defines poverty as a condition of comparative disadvantage. Poverty is relative to a society's current level of economic, social and cultural growth. Setting a threshold at a percentage of the median of household income is the most common form. The relative threshold is up to date with the historical record and changing views of poverty. Most relative measures use the nation as a reference point but standards of living often vary across states and communities. For example, a car may be a luxury in some countries but it may be a necessity to get to work in other countries (25).

The relative rate is determined from the 2001 current population survey data. It equals half the median family sized adjusted family income in 2000. The income is the total after tax family income. The relative measure subtracts taxes but not near-cash benefits like food stamps or housing subsidies.

Iceland believes the 1990 U.S. National Academy of Sciences research panel's quasi-relative measure combining absolute and relative measures is the most useful. It is calculated by determining for a reference family of

2 adults and 2 children a dollar amount for food, clothing, shelter and utilities, and increasing that amount by a percentage to allow for other needs including personal care, household supplies and non-work-related transportation. The NAS measure is quasi-relative because the threshold changes to meet the rising standard of living. It is also adjusted for geographic variations in housing costs in different regions and metropolitan area population sizes. Updates are based on consumption expenditures for food, clothing, shelter and housing, which rise less rapidly than median income.

The advantages of the quasi-relative measure are that it reflects changes in real standards of living. Although the quasi-relative measure is not responsive to changes in consumption patterns of more discretionary items like luxury goods, it takes into account the impact of cash and noncash government benefits in the measure of family income (32).

The current federal measure provides a lower national poverty rate than the NAS measure or the relative measure. In 2000, the federal measure showed a poverty rate of 11.3 percent compared to the NAS rate of 13.8 percent and the relative rate of 17 percent.

B. Characteristics of the Poverty Population

The public's negative stereotypes that most poor people are black and unemployed are not only false but have political consequences too. Although blacks have higher poverty rates than whites, according to the 1994 U.S. Census Bureau blacks made up 27 percent of the poverty population, whereas non-hispanic whites constituted about 48 percent. One reason for this depiction is that the media skews its stories. Most of the photos and stories in U.S. newspapers and magazines depict the poor as jobless and black (38). The reality is that, in 1994, 51 percent of the working-age poor were employed at least part-time (38). Society's negative assumptions have political consequences by furthering opposition to increased taxes to pay for programs such as Medicaid, welfare and section 8 housing.

In 2000, married couples were less likely to be poor (only 6.9 percent) compared to female-headed households (35.3 percent). Furthermore, individuals living alone had a poverty rate of 18.9 percent and noncitizens also experienced a higher poverty rate.

New longitudinal data shows that a large number of individuals have experienced poverty at one time or another. One study held that one in three Americans were in poverty for at least one year between 1979 and 1991. There is a high volume of movement in and out of poverty, but more than 50 percent of individuals who are poor are stuck in a spell of

poverty that will last ten or more years. Various factors affect the length of time individuals remain poor. During economic recession years, it is more difficult for individuals to escape poverty. In addition, the longer one remains in poverty, the harder it is to escape. Families headed by white men tend to leave poverty more quickly than those headed by black women. A study conducted for fifteen years starting in 1968 found that approximately 30 percent of black children were poor in ten or more years. These black children made up about 90 percent of long-term poor children (49).

Poverty often persists from one generation to another. Approximately one in four individuals who were poor before age 17 were still poor at age 25 to 27. Black individuals have a harder time escaping poverty than any other group. There are many theories that explain the relationship of poverty over time. Social research has provided the strongest support for the economic resources model. This model suggests that parents' lack of money and time hampers their ability to invest in their children's education, limiting the child's ability to find well-paying jobs. Poor parents also face difficulties finding affordable housing in safe neighborhoods with good schools. Therefore, growing up poor is even more closely associated with remaining poor than other factors like neighborhood poverty rates and family structure.

Poverty rates vary across states, cities and counties. Iceland notes higher rates of poverty in different cities and metropolitan areas like Washington D.C. However, there is also a high rate of poverty in rural areas like the Mississippi Delta. Rural poverty differs from other settings because it has persisted for decades and is often extreme in different geographic regions, especially the South. Poor rural individuals are usually spatially isolated from mainstream society, have poor physical infrastructures like schools and lack social support services.

High-poverty neighborhoods are characterized as those where over 40 percent of the population is poor, buildings are dilapidated and vacant units are widespread. Concentrated poverty was most prominent between 1970 and 1990 but declined considerably after 1990 before resurging in the 2000s. Author Paul Jargowsky found that these high-poverty neighborhoods are not as homogeneous as one might think. Many of the residents do not receive public assistance and are employed in low-skill, low-wage jobs. Thus, residents of ghettos "do not constitute a separate 'underclass, hopelessly at odds with the mainstream culture'" (57). Jargowsky found that economic opportunities at the metropolitan level were the most important factor in determining patterns of ghetto poverty, but neighborhood sorting processes like residential segregation also played significant roles (59).

C. Causes of Poverty

Economic processes affect poverty in two ways; economic growth determines increases and decreases in standards of living, and economic inequality affects the distribution of income. The shift in technology, an increased number of people going to school and a growing population have all contributed to economic growth. Despite decreasing inequality throughout most of the twentieth century, inequality rose in the last quarter. There was a decreased need for low -wage workers and a rise in need for college graduates. Service skills jobs replaced manufacturing jobs and were linked with lower wages and poverty. Due to changes in technology, there was a need for engineers and computer savvy individuals but not a high demand for typists. Low- wage workers are also competing with global workers. Low-wage work is frequently outsourced to other countries. In addition, the decline in unions has affected low-wage workers because the working conditions and pay are usually worse where union density is low.

Social stratification occurs where social groups seek to maximize rewards by restricting others' access to resources and opportunities through racial or gender discrimination. Disadvantaged group members (usually minorities) are often excluded from higher paying jobs. Some employers discriminate in hiring practices by using generalizations like race and sex to predict job performance instead of inquiring about an individual's skill. In addition, residential segregation leads to increased racial stereotyping which leads to discrimination in employer hiring practices. Blacks faced a poverty rate of 24.3 percent in 2003 (about double the national rate).

The feminization of poverty is significant because currently only 16 percent of families fit the model of employed father, homemaker mother and children compared to 42 percent of families in 1970. Half of all children will spend some of their childhood with only one parent. More females (elderly and young women) are in poverty because they have fewer resources than men and are more likely to be heads of single-parent families with only one income (26.1 percent in 2003 but only 11.5 percent in 1970). Blacks and Hispanics are more likely to be heads of single-parent households because they are more likely to be out of the labor force, live in low- income neighborhoods, have low levels of education and face labor market discrimination. Although the poverty rate among female headed households declined in the 1990s because of an increase in women's employment and wages, it is still higher than in years past.

D. Why does Poverty remain so high?

Three factors affect trends in poverty: income growth, economic inequality and changes in family structure. If income increases, then poverty declines. Economic inequality can lower the positive impact of income growth if lower income workers do not enjoy the benefits of the growth. In addition, more female-headed households may mean more poverty because these families are more economically vulnerable.

Across all time periods, however, the association between trends in poverty and family structure changes has tended to be smaller than those between poverty and income growth and economic inequality. Although there is still feminization of poverty, more women are going to professional schools and are making more money. However, some are still experiencing gender discrimination in the workforce.

II. Recommendations and Implications

Iceland argues that the quasi-relative measure should be the official measure of poverty. The current, federal measure only says that if you cannot meet the basic needs, you are poor. It does not address the relative aspect in that people's beliefs about the money needed to live within society rises as overall standards of living rise. Although Iceland does not completely discount the absolute standard, he argues that one way to keep the absolute standard is to modify it by adjusting poverty thresholds every generation or as needed. He believes that a fixed absolute line over a period of time becomes arbitrary and meaningless (144). He feels that the quasi-relative model is a better alternative since the poverty line increases with inflation-adjusted spending on basic goods.

In addition, Iceland believes that an economic system needs to moderate inequality in order to maintain popular support and legitimacy (74). Income inequality results from economic systems that encourage the accumulation of money and assets in one segment of society at the expense of another. As Marx preached, business owners thrive on having cheap labor to maximize their profits. This, in turn, causes disruption in the labor market. Iceland stresses the fact that despite the rise in standards of living throughout the United States in the 1900s, inequality and racial/gender discrimination is still occurring.

Iceland further emphasizes that racial prejudice promotes further economic inequality, especially among those who oversee economic institutions (147). He believes that Americans accept a certain amount of income inequality as part of the economic system, but at the same time they also support some of the income support structures of the modern welfare state, including Social Security and Medicare. These programs

are effective in reducing poverty and providing some economic security to individuals (especially the middle class). In 1996, social insurance programs (Social security, federal pensions and unemployment insurance) had the biggest impact in lifting 31 percent of the pretransfer poor out of poverty (131). He believes that furthering the goals of democracy and equal opportunity, building shared institutions like schools that benefit all individuals and supporting social insurance programs like Medicare and Social Security are all significant ways to reduce poverty in the United States. In addition, it is important that individuals enjoying high standards of living understand the sources and nature of poverty because poverty fuels conflict, which, in turn, affects the nation as a whole.

Analysis / Critique

Iceland makes a strong case for the quasi-relative model. It is practical. Poverty changes during different periods of time and differs around the world. The absolute poverty measure gets the lowest poverty rate compared to the other measures. It does not seem reasonable to use a measure that does not account for rises in standards of living. How can the official poverty rate not count expenses like food and transportation that will lower people's disposable income?

The book is well-structured in that it precisely lays out what will be addressed in each chapter. The chapters are well-organized and relevant, and Iceland does not go off on tangents. Initially Iceland spells out his arguments, but then he provides extensive research studies and references various books to support his views. The visual images, including charts and graphs, help to further illustrate Iceland's arguments. He also describes advantages and disadvantages for each supporting argument. Moreover, Iceland also provides some historical background on poverty, which transitions effectively into his description on current poverty concerns and poverty rates.

Iceland took a book that could have been mostly figures, trends and facts and transformed it into a distinct argument (namely promoting the use of the quasi-relative measure). He also took poverty (an issue that some would say only affects a select group of individuals) and emphasized its national and global importance. Many people think that if they are not poor themselves, they should have no concern for poverty. However, Iceland states that poverty often leads to social disarray which can affect everyone. Hence, understanding poverty and grasping the social insurance programs that help reduce poverty are critical in not only lowering poverty rates but also preventing social disorder.

Although Iceland provides a lot of support for his personal arguments, some of the information is a little outdated since many of the figures are from 1996. As he mentions, some of the poverty figures for the 1990s and 2000s are not completely known at this time, but it would be helpful to compare the figures from the late twentieth century to the early years of the twenty-first century. Similarly, although the articles he references are informative, they are also from the 1990s. It would be interesting to see if journalists' perspectives have changed. Furthermore, Iceland references foreign nations' poverty rates and compares them to the United State's poverty rate. However, he does not go into much detail. Providing more concrete examples would give a better understanding as to how the United States fits in the global market with regard to poverty.