

Study Corner

Case 3.3 Poverty in America

As a Result of the Economic Crisis and recession of 2008–09—the most serious economic meltdown since the Great Depression of the 1930s—an additional four million Americans have fallen into poverty. Altogether, over 49 nearly million adults now live below the poverty line, officially defined as an income below \$11,139 for a single adult or less than \$22,314 for a family of four. * Nearly fifty years after President Lyndon Johnson declared “war on poverty,” 15.9 percent of our fellow citizens, many of them children, continue to live in penury. That's about one out of every six people. Even before the current economic collapse, the average American adult had a 60 percent chance of living at least one year below the poverty line and a 33 percent chance of experiencing dire poverty. *

Poverty is particularly hard on children. Among other things, it mars their brain development. This is not just a result of poor nutrition or exposure to environmental toxins, as one might expect. Rather, researchers have found that children growing up in very poor families experience unhealthy levels of stress hormones that impair memory and language acquisition. * Still, many people think that those described as “poor” in the United States are pretty well-off by world standards. The truth is, in life expectancy, twenty-year-old U.S. males rank thirty-sixth among the world's nations, and twenty-year-old U.S. females rank twenty-first. Our infant mortality rate is worse than that in twenty-one other Western nations. Beijing's infant mortality rate, for instance, is lower than New York City's. In fact, if our infant mortality rate were as good as Cuba's, we would save an additional 2,212 babies each year. If it were as good as Singapore's, we'd save 18,900 babies. *

Furthermore, millions of Americans endure hunger. According to the U.S. Department of Agriculture, 14.5 percent of U.S. households lack “food security,” and in 6.4 million American households one or more persons go hungry during the year. * In addition, one out of every four Americans lives in substandard housing, and in most cities a visitor is likely to see people roaming the streets in tattered clothing, picking their food out of garbage cans, and sleeping in doorways or in makeshift shacks and abandoned cars. Contrary to the popular perception that the homeless consist mostly of young men with drug, alcohol, or mental-health problems, the majority are simply jobless individuals or families who cannot afford housing. Reliable figures are hard to come by, but probably between 700,000 and 800,000 Americans are homeless on any given night and between 2.5 and 3.5 million people are homeless sometime during the year. *

People in different walks of life and in different circumstances experience poverty. Many others live on the edge of poverty and are in continual danger of falling into it through illness, job loss, or other misfortune. In the United States today, the “working poor”—those who work full-time

but do not earn enough to pull themselves and their families out of poverty—number 28 million.

★ They represent a higher percentage of the workforce than in the 1970s as well-paid unionized manufacturing jobs have been replaced by nonunion service jobs. ★ At \$7.25 per hour, the minimum wage is less in real terms than it was in the 1960s and 70s. Someone working 40 hours a week, every week, for that wage cannot raise his or her family out of poverty. In fact, according to an advocacy group, a minimum-wage earner can afford to pay rent and utilities on a one-bedroom apartment in only four counties in the whole country. ★

Many poor people are unable to work and depend on outside assistance, but living decently on welfare has always been difficult, if not impossible. The old system of AFDC (Aid to Families with Dependent Children) was popular when it was created in 1935 and most AFDC recipients were widows. But by the 1990s, fewer than 2 percent of recipients were widows and most had never been married to their child's other parent. ★ Public support for the program ebbed as many Americans came to believe that AFDC discouraged its recipients from marrying and from working. As a result, benefits grew even stingier. By the time AFDC came to an end in 1996, welfare benefits had fallen, in real terms, to 51 percent of what they had been in 1971.

★ With annual cash allowances for a family on AFDC ranging from \$1,416 in Mississippi to \$6,780 in New York, even in the most generous states stipends were never enough to allow a family to escape from poverty. ★

In 1996 Congress replaced AFDC with TANF (Temporary Assistance to Needy Families). Under the new system, the entitlement of poor people to support has been replaced by block grants to the states to run their own welfare programs. The grants are limited to a certain amount of money; if they run out, the states are not required to make additional expenditures. Welfare recipients are required to work for pay or to enroll in training programs, and financial support is limited to a lifetime maximum of five years. This shift in policy has been controversial. Since the TANF system began, the number of people receiving welfare benefits has declined, but experts disagree about the reasons: Is it a growing economy offering more opportunities, the success of the new approach in encouraging welfare recipients to make themselves employable, or simply people who are not able to take care of themselves being denied support? ★ Even now, with soaring unemployment and the worst economic crisis in decades, the number of people receiving assistance remains near a forty-year low. ★

One thing that is clear is the large number of women living in poverty. This includes women with inadequate income following divorce, widowhood, or retirement, as well as women raising children alone. Wage discrimination against women is one factor. Women who work full-time, year-round earn only about two-thirds of what men earn. And millions of women hold full-time jobs that pay wages near or below the poverty line.

Women's responsibilities for child rearing are another important factor. Despite many changes in recent years, women continue to have primary responsibility in this area. When marriages break up, mothers typically take custody and bear the major financial burden. Fewer than half the women raising children alone are awarded child support, and fewer than half of those entitled to it receive the full amount. Of family households headed by women, 38.4 percent have incomes below \$25,000 and 21 percent have incomes below \$15,000. ★ Not only do

households headed by women earn only half the median income of all households, but also their overall net worth is two-thirds less. *

Most poor people in our nation—about two-thirds of them—are white, but blacks are about two and a half times more likely to be poor. Whereas one out of every ten white Americans is poor, one of every four African Americans and one out of every five Hispanics live below the poverty line. Many members of these minority communities have succeeded in moving up the economic ladder, but the overall picture is disheartening. African-American family income, to pick just one statistic, is only 62.8 percent that of white family income. *

Although it is doubtful that there is more social mobility in the United States than in Europe, what is certainly clear is that Americans believe that they have plenty of it. In line with that belief, 71 percent of them, but only 40 percent of Europeans, think that the poor have a good chance to escape their plight. * Americans figure that the poor can push their way out of poverty on their own because they typically assume that one's success or failure is largely determined by factors within one's own control. * Americans, even poor Americans, favor individualistic explanations of poverty (such as lack of effort or ability, deficient morals, poor work habits) over structural explanations (such as inadequate schooling, low wages, lack of jobs), whereas Europeans favor structural explanations of poverty over individualistic explanations. * They tend to see the poor as unfortunate rather than as personally responsible for their condition. Seventy percent of Germans, for example, express the belief that people are poor because of imperfections in society, not their own laziness, whereas 70 percent of Americans hold the opposite view. * Because of that belief and because the majority of Americans believe that redistribution favors racial minorities (an idea they tend to dislike), they support the present political system, which assists those at the socioeconomic bottom far less than European governments do. * As a result, you are twice as likely to be poor if you live in the United States than if you live in Western Europe. *

Discussion Questions

1. Does the existence of poverty imply that our socioeconomic system is unjust? Does the concentration of poverty in certain groups make it more unjust than it would be otherwise?
2. What are the causes of poverty? Are they structural or individual? How is one's answer to this question likely to affect one's view of the justice or injustice of poverty?
3. What moral obligation, if any, do we have individually and as a society to reduce poverty? What steps could be taken? What role should business play?
4. How would a utilitarian view the facts about poverty? What are the implications for our society of the concept of the declining utility of money?

5. How would a libertarian like Nozick view poverty in the United States? How plausible do you find the libertarian's preference for private charity over public assistance?
6. How would our economy be assessed from the point of view of Rawls's difference principle? Can it be plausibly maintained that, despite poverty, our system works to “the greatest expected benefit of the least advantaged”? Is this an appropriate standard?

Chapter 3: Justice and Economic Distribution: Case 3.3 Poverty in America

Book Title: Business Ethics

Printed By: Judith Riggs (jriggs@monroecollege.edu)

© 2014, 2011, 2008 Wadsworth,

© 2017 Cengage Learning Inc. All rights reserved. No part of this work may be reproduced or used in any form or by any means - graphic, electronic, or mechanical, or in any other manner - without the written permission of the copyright holder.