U N I T E D S T A T E S

R E P O R T

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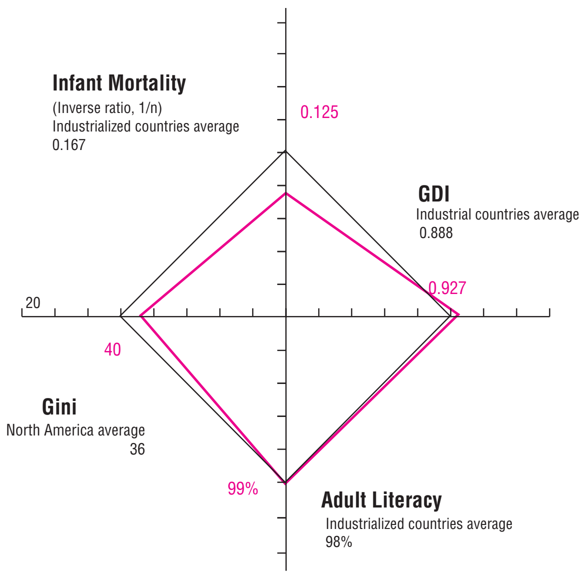
THE POOREST AMONG THE RICH



The Equity Diamond: National values in terracotta compared to regional ones in blue.
Source: **Infant mortality:** UNICEF, *The State of the World's Children,1998*; **Adult literacy:** UNICEF, *The State of the World's Children, 1998*; **GDI** (Gender Development index): UNDP, *Human Development Report 1998*; **GINI**: World Bank, *World Development indicators 1998*. (The regional average for this indicator was calculated by *Social Watch*).

At the World Summit on Social Development, Vice President Al Gore suggested that United States' macro–economic and social development policies were «models» worth exporting to the rest of the world. He announced the creation of the US Aid for International Development's New Partnerships Initiative (NPI) to export US social development policy to developing countries and stated that NPI would be predicated on «free markets and individual initiative».[1]

The official US consensus that «free market» economic growth leads to social development was restated by President Bill Clinton in his comments on the 1998 US Census Bureau report on income and poverty. The president argued that the report «shows that economic growth continues to raise incomes, lift millions out of poverty, and extend opportunity. It also shows that we have more to do.»[2] While the headline writers and editorialists focused on the consensus that «the economy's remarkable performance» alleviated poverty,[3] our focus on other Census Bureau figures will show just how little has been done relative to the enormity of poverty and inequality in the country.

ERADICATING POVERTY

As this report makes clear, **the nearly a third of the US population that rises barely above or falls below the federal poverty line within that year, has hardly benefited at all from the economic «boom»** described in a September 16th letter to President Clinton from The Business Roundtable, «an association of Chief Executive Officers committed to improving public policy.»[4] Regarding the incidence of poverty, the United States continues to be in first place among industrialised nations, according to the latest *Human Development Report* by the UNO.

Why has the «boom» economy done so little to reduce poverty and improve human development indicators in the US? Let

1 «Remarks of Vice President Al Gore to the World Summit on Social Development», 12 March 1995.
2 «Remarks by the President on Income and Poverty Report». The White House, 24 September 1998.
3 Eg, Jacob M. Schlesinger. «Finally, US median income approaches old heights». *Wall Street Journal*, 25 September 1998.
4 Letter from The Business Roundtable to «the President and the leadership of the House and Senate», September 16, 1998. <http://www.Brtable.org>

us first consider the relation between wages, the low official unemployment rate (not above 5% for 13 months running) and the 2.6% average annual inflation rate during the past three years. Real wages rose 4.3% between January 1993 and January 1998 (this figure excludes agricultural workers whose sub–minimum wages would reduce the overall wage increase.) This very modest increase compares poorly, however, to real wages in 1973, when the official unemployment rate was as low as it is now. In January of 1973, average real earnings were 22.6% higher than in January 1998. The slight average wage increase during the Clinton Administration has not resulted in inflation because the distribution of that increase has been skewed radically to the top 5% of US households that earn 23 times as much as the bottom 20% of households.[5]

The United States continues to have the greatest degree of income inequality among the industrialised states, with 49% of the national income going to 20% of the population in 1996.[6] The accumulation of wealth by a small segment of the population has not resulted in the widespread increase in spending that results in higher inflation. The US economy has «performed remarkably» by creating jobs whose very unequal income distribution has not triggered the inflation that is detrimental to wealth accumulation.

The slight rise in wages and the low official unemployment rate has done little to reduce poverty. On September 24, the US Census Bureau's Current Population Survey (CPS) reported that «the number of poor people in the United States in 1997 was 35.6 million, statistically unchanged from 1996», although the poverty rate declined from 13.7% of the US population in 1996 to 13.3% in 1997 (with a sampling error margin of 0.3%).[7] CPS figures provide a static picture of poverty on an annual average basis.

More pertinent to depicting the more statistically significant struggle of those who fall in and out of poverty in a given year is the Census Bureau's Survey of Income and Program Participation (SIPP). The latest analysis of SIPP data from 1993 to 1994 shows that about 22.3% of US residents fell below the federal poverty line for two or more months, resulting in an average monthly poverty rate of about 15.7%. During that period, SIPP figures show that «30% of the US population were poor for at least two months, but only 5% were poor continuously for a period of 24 months», with the median poverty spell at 4.5 months.[8] The same analysis showed that in «1994, 32.4% of children were poor for at least 2 months, compared with 18.1% of adults 18 to 64 and 13.5% of adults 65 or older. The 1994 poverty rate was 40.2 % for Blacks and 41.8% for Hispanics.»[9]

SIPP studies on other indicators of social development depict similar struggles to meet basic human needs. One study on health insurance from 1993 to 1996 concluded that «about 29% of the population (71.5 million people) lacked health insurance for at least one month» and «one–third of children were without health insurance for at least one month.»[10] One explanation to understand why those who survive with incomes just above the government–defined poverty line cannot pay for such basic needs as health care is the difference between what is required to meet basic needs and how the federal government defines poverty. The federal definition of «poverty» is based on research conducted in 1963 and 1964, last revised in 1981.[11]

In 1994, US respondents to the question «what is the smallest amount of money it takes a family of four to get along?» calculated the amount to be about 25 thousand dollars. With this amount, a family could afford an economy food budget, rent a low–cost apartment, operate a ten–year old car and pay for other basic necessities. There would be no money for emergencies, child care, savings, extra–curricular activities for children, entertainment or vacation.[12] **The 25 thousand dollar minimum budget cited in the survey contrasts with the official average poverty threshold of USD 15,141 for a family of four in 1994 and USD 16,400 for a family of four in 1997.**[13]

Rather than revise its unrealistically low federal threshold of poverty and the policies that result from such a definition, government policy has been to reduce assistance to those living on incomes below or just above the poverty threshold. On August 22, 1996, President Clinton signed the «Personal Responsibility and Work Opportunity Act of 1996» (colloquially known as the «Welfare Reform Act»). Ironically, welfare reform programs wish to assist residents to meet their basic needs by reducing food, cash and health care benefits, and they offer incentives to induce assistance recipients to move from «welfare to work».

In September 1998, the Administration praised a 3.8 million caseload decrease in delivery of food, cash and health care assistance.[14] Unnoted in this national report was that the state governments implementing the federal welfare reform legislation often

5 Arthur MacEwan. «Dr. Dollar». *Dollars and Sense*, May/June 1998.
6 «Poverty rate fails to decline as income growth in 1996 favors the affluent». Center on Budget and Policy Priorities, 14 October 1997. <http://www.cbpp.org/povday97.htm>
7 «Poverty rate down, household income up—both return to 1989 pre–recession levels» Census Bureau Reports. US Census Bureau. 24 September 1998. <http://www.census.gov/Press–Release/cb98–175.html>
8 Mary Naifeh. «Trap door? Revolving door? Or both?: Dynamics of economic well–being, poverty 1993–1994», US Census Bureau, Current Population Reports, 8 July 1998, p.3.
9 *Ibid.,* p.5.
10 «Nearly 3 in 10 US residents experience health insurance interruption», Census Bureau Reports. US Census Bureau, 15 September 1998. <http://www.census.gov/Press–Release/cb98–166.html>
11 *Ibid.,* xiv, for further discussion of alternative federal definitions of poverty.
12 John Schwarz. «The adequate wage». *WHY*, Fall–Winter 1997, p.22.
13 Joseph Dalaker and Mary Naifeh. «Poverty in the United States: 1997». US Census Bureau, 24 September 1997, p.A–3.
14 «Clinton–Gore accomplishments reforming welfare». 28 September 1998. <http://www.whitehouse.gov/WH/Welfare/Accomp.html>.

required their agencies to decrease the caseload by any means necessary or be replaced by a private company that would cut the number of recipients. For example, in Wisconsin the required one–year caseload decrease was 25%.[15] According to a March 1998 report in the *Washington Post*, federal statistics showed 38% of those who no longer received welfare assistance were disqualified as recipients for infractions «such as missing an appointment or failing to fill out a form properly.»[16]

The Administration claimed that as a result of its social development policy, 1.7 million assistance recipients in 1996 «were working on March 1997.» Unmentioned in this report was whether those employed were earning enough so as not to require further assistance. Similarly unmentioned is what happened to those among the 3.8 million caseload reduction who did not find work. As of August 1997, there had been only one national study, by the President's Council of Economic Advisors, to analyse the causes of caseload reduction. The study ascribed 44% of the caseload reduction to the above–mentioned economic «improvement», 33% to «welfare reform», and 25% to «unknown».[17] **We know of no national study that has analysed the fates of those cut from assistance programs.**

The Administration has not sought to publicise in a White House press conference the reduction of participants in its Food Stamp programmes. In July 1998, the US Department of Agriculture (USDA) announced a decrease of 3 million persons as of May 1998 from May 1997 food stamp participant levels of about 22.5 million persons.[18] If and how those who were disqualified from federally funded food assistance were fed remains to be studied by the government.

The relation between the reduction in food stamp participants and the number of US residents who were hungry before welfare reform also merits study. According to a September 1997 Census Bureau and USDA report based on 1995 survey data, about 11.2 million US residents living in 4.2 million households (4.1% of all US households), experienced moderate or severe hunger for one or more months in the previous year. Of that total, 4.2 million children, living in about 2 million households, experienced hunger.[19]

The survey reported that an additional 23.5 million US residents experienced some degree of food security before the reduction of food assistance in the welfare reform legislation. The USDA/Census Bureau survey was based on a Food Research and Action Center survey in 1995 that estimated about 29% of US children under the age of 12 lived in families that were hungry and/or food insecure for one or months of the previous year.[20]

WHAT ABOUT GENDER EQUITY?[21]

The United States government continues to fall far short of fulfilling its Social Summit commitment to achieving equality and equity between women and men.[22] **In 1996, for every dollar earned by men, women earned 74 cents.** The number is even lower for ethnic minorities: 63 cents for African American women and 56 cents for Latinas.[23] In 1996, only 1.5% of USD 180 billion of federal contracts went to women–owned businesses.[24] Women in the United States also face discrimination in the provision of health care. **Women of childbearing age (15–44) pay 68% more in uninsured health care costs than their male counterparts.**[25]

MONITORING THE MONITORS

Insofar as US Census Bureau data have not confirmed the promises of social development improvement through economic growth or through welfare reform, it is perhaps not surprising that the Bureau too is a target of «reform». The ability of the government to demonstrate that it has made some progress in fulfilling some of its Social Summit commitments was compromised on August 5th 1998, when the US House of Representatives voted 227 to 201 not to fully fund the Bureau for the coming fiscal year. The vote was strictly on party lines, with the Republican majority victorious.[26]

15 DeMause. «The Turner Diaries». *In These Times*, 9 August 1998.
16 DeMause. «Same old welfare stories». *In These Times*, 12 July 1998.
17 *Ibid.,* p.25.
18 «Food stamp program participation hits new low for 1990s». Food Action and Research Center <http://www.frac.org> September 1998.
19 *Ibid.*
20 «Recent studies on hunger in the United States». Food Action and Research Center. <http://www.frac.org> May 1998.
21 Robin Levi, Advocacy Director of the Women's Institute for Leadership Development for Human Rights contributed information concerning fulfilment of World Summit on Social Development commitment 5 on gender equity.
22 Population Reference Bureau, Inc. «What the 1990 census tells us about women: 1990». All of citations on women were pulled from materials compiled by the Center for Policy Alternatives in: «America's Economic Agenda: Women's Voices for Solutions». <http://www.cpfa.org> September 1998. Recent reductions in the social safety net have hit women the hardest.
23 US Bureau of Labor Statistics, February 1997.
24 American City Business. 1996. Analysis of distribution of federal procurement dollars.
25 National Family Planning and Reproductive Health Association. 1997. «Why Americans need the equity in Prescription Insurance and Coverage Act» Fact Sheet.
26 Juliet Eilperin. «House rejects full census funding, setting up clash with Clinton». *Washington Post*, 6 August 1998.

The funding defeat is a symptom of a political dispute. The Republican Party leadership argued that sampling and extrapolation techniques for households missed in the Bureau's door–to–door polling would allow the Democratic Party to manipulate the population basis used to draw up electoral districts. While House Speaker, Republican Newt Gingrich, dismissed the «virtual citizens» counted by sampling techniques, the House leader of the Democratic Party, Richard Gephardt, said that battle over the census was «today's great civil rights issue.»[27]

The resolution of the controversy over census funding and techniques has consequences that are more profound than mere electoral consequences. An under–funded census, prevented by law from using modern population sampling techniques, will inhibit analysis of the impacts of US economic and welfare reform strategies. These strategies are being exported to some developing countries in the USAID's «New Partnerships Initiative»[28] in purported fulfilment of US commitments to the Social Summit. If the census is prevented from professionally collecting and analysing data, it will be more difficult for the US government to demonstrate credibly to developing countries that its economic and social development policies produce results that justify emulation of those policies by other countries.

While the present global financial crisis has prompted some criticism of structural adjustment policies even among advocates of those policies, US welfare reformers have found no reason in Census Bureau statistics to change their policies. A more statistically impoverished and contorted census will give them even less reason to change.

- IATP – The Institute for Agriculture and Trade Policy was founded in 1986 as a non–profit, non–governmental organization and works in different areas such as: Agriculture and Environment (including a growing program in Sustainable Forests); Agriculture, Food Security and Trade Policy; Fair Trade (including Head-Waters International, a for–profit coffee trading company wholly owned by the Institute); Communications; and Administration. The Institute works to develop and promote policies and management tools for family farms and economically and ecologically sustainable communities.

27 *Ibid.*
28 For a description of the «Welfare Reform Act» and the «New Partnerships Initiative», see Steve Suppan. «United States». *Social Watch Nº 1* (1997), 242–248.