

The New Poverty Measure

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I think everyone who gets to know young kids knows the look of total disbelief you get when you offer them a quarter (or even worse a dime) and suggest they get some candy. The look of "you've got to be kidding" on a five year-old's face is something to treasure because it's the first recognition that adults don't know everything and can say and do stupid things, particularly when candy bars cost a dollar or more.

So I'm thinking of establishing a new game show for policy makers who determine the federal poverty line called "Are You Smarter than a Five Year Old." To their credit, new leadership at the U.S. Commerce Department has begun the process of revising the poverty standard, established 50 years ago, which cut off millions of America's poor from needed support.

Simply put, the existing standard was based on a calculation of multiplying the cost of food by three and then adding cost of living increases over time. When food was the principal expense for families, it worked. But in the past 20 years or more, the real costs of survival for poor families shifted to include housing, clothing, and utilities. Whether a family is at or below the poverty line - currently about \$18,300 for a family of three - has enormous significance in terms of their eligibility for everything from food stamps to Medicaid to welfare. The failure to adjust the rate to reflect the new realities of 2010 have left many, particularly the working poor, steadily losing ground.

There can't be any question that the reason the poverty line hasn't been adjusted has more to do with politics, race, and power than any objective investigation of actual costs. It is no accident that the original measure was created during the Johnson administration at the very height of the war on poverty. The image of the dysfunctional welfare poor has dominated the political discourse almost to the present. In that discussion, the main focus has been on reducing rather than increasing access to benefits.

I don't think it's any accident that the Obama administration, under the leadership of Undersecretary of Commerce Dr. Rebecca Blank, is finally reopening the question of how we should calculate poverty in the United States. This follows a new measurement of poverty calculated by Mark K. Levitan, director of poverty research for the Center for Economic Opportunity. The new federal poverty rates will be released next year. There can't be any question that the depth of the current recession has changed certain political fundamentals even if we all haven't realized it yet.

In periods of relatively low unemployment, say 5 percent, arguments that we should do everything to incentivize individuals to take any job they can get rather than receive public benefits resonated with all sorts of constituencies across the political spectrum. This was made even easier by the total lack of political power of the welfare poor. We may now be looking back with fondness at 5 percent unemployment for a long time to come. A significant number of economists are suggesting very high levels of unemployment - exceeding 7 percent - through 2015. For those of us looking for political stability in the nation, that spells trouble because for those with college and high level skills the economic recovery should be relatively swift, but for those without them, of all races, it will be grim.

In a recent article by Robert Reich in the *Wall Street Journal* (4/12/10), Reich alluded to the fact that in the current recession those with college degrees have only a 5 percent unemployment rate, while it is 10.5 percent for those with only a high school education and 15.6 percent for those with less than high school.

What does this have to do with calculating the poverty line? In my view, we have to prepare for a future where a very large number of Americans - not just those in urban areas or of color - are going to be part of the long term unemployed. It's essential to provide some adequate safety net for these individuals as we go through what's going to be a major setback for many Americans who saw a way into the middle class as their right, even if they lacked education. I see their growing anger and desperation as a major threat to civil society. We should join the Commerce Secretary in getting ready for a very different economic and political landscape even as the recession abates for the well-educated. Forget the notion of giveaways to welfare queens and welcome safety net supports to the bitter and chronically unemployed and underemployed members of formerly blue collar America.