



“Summary of article by Sheldon Danziger, Sandra Danziger, and Jonathan Stern: The American Paradox: High Income and High Child Poverty” in Frontier Issues in Economic Thought, Volume 5: The Political Economy of Inequality. Island Press: Washington DC, 2000. pp. 351-354

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High child poverty rates are a persistent feature in American life. In 1997, 21.9 percent of all America's children were living in poverty. This article discusses the economic and social factors that are contributing to this trend and outlines an anti-poverty agenda that could reverse it.

Economic Factors

Between the late 1940s and the early 1970s, the economic factors that affect children's wellbeing: moved in a direction that tended to be beneficial to the poor (and their children). Since then, the movement has generally been in the opposite direction.

Median family incomes grew by about 40 percent between 1949 and 1959 and by another 40 percent between 1959 and 1969. During each of those decades, poverty for all persons declined by about 10 percentage points. Since 1973 however, mean family incomes stagnated. In 1992 the median family income was only 2 percent above the 1969 level and poverty was higher.

Another major contributor to the rise in child poverty is the increasing percentage of men who do not earn enough to support a family of four at the poverty line (\$16400 in 1997). The percentage of men below this level fell sharply from 1949 to 1969, but climbed somewhat from 1969 to 1989. For non-Hispanic white men aged 25-54, the proportion earning below the family poverty line was 40 percent in 1949, 12 percent in 1969, and 20 percent in 1989. The levels were higher but the trends were similar for blacks and Hispanics.

Children's poverty did not decline as rapidly as a result of shrinking male earnings because of the increasing earnings of wives and declining family size. Only one fifth of married women with children were in the labor force in 1950, in 1992 the figure is about two thirds. In 1973 the poverty rate for children living in married couple families was 7.2 percent and rose by 1 percentage point by 1989. However, poverty would have risen by an additional 3 percentage points if wives hadn't increased their contribution to family income.

Government transfers targeted toward children are also on the decline. Between 1978 and 1987 federal funds for children declined by 4 percent. Since 1973 the average cash benefit from the government for poor families from all programs has been declining rapidly as well: from \$10,000 to \$7,500 in 1992 for male headed families; from \$9,000 to \$5,000 in 1992 for female-headed families.

Poor families not only receive government benefits; they also pay taxes, especially state and local income and sales taxes. A four person family with earnings equal to the poverty line paid 1.3 percent of its earnings in personal taxes in 1975, and 10.4 percent in 1986. However, the Tax Reform Act of 1986 eliminated federal income taxes for most poor families children, subsequent expansions of the Earned Income Tax in 1990 and 1993 meant that by 1996 some poor families with children received large enough tax credits to raise their net incomes above the poverty line.

Family Structure, Family Size, Child Poverty

In addition to changes in the economy, children's wellbeing is also affected by changes in family structure. The most dramatic change has been the rising percentage of children living in mother only families. The highest child poverty rates today are for children living in single mother families, their remained as high as the rate for all children in the 1940s.

Child poverty has always been much lower in two parent families than in single mother families. Thus the shift in family structure was poverty increasing. However, child poverty rates today would be much higher in the absence of two poverty-reducing trends -the decline in the number of children per woman and the increase in women's education.

The Consequences of Poverty

Child poverty is associated with both familial and economic hardship. By virtually every measure, poor children in the United States fare worse than their counterparts in other industrialized nations.

The infant mortality rate has been falling in the US for decades but not as rapidly as in other developed nations. In the early 1950s, the US ranked sixth among twenty developed nations, but in the late 1980s it ranked last. Within the US there is also great variation across groups and states. African Americans have a rate that is usually twice as whites. Among whites, infant mortality rates are as low as 7.0 (per 1,000 births) in Massachusetts and Minnesota, among blacks the rate is as high as 25.0 in Washington, DC, Detroit, and Philadelphia.

Child health has improved for US children but not relative to other industrialized nations. The US ranks fifth to seventh among seven developed nations on child death rates due to accidents or injuries and fourth or fifth on child deaths from medical causes. Poor children are more likely to suffer from asthma and bronchitis, inadequate nutrition, physical growth retardation, mental and emotional problems, cognitive and intellectual delays, and so forth. Regarding school achievement and attainment, poor children are more apt to have low grades, poor school attendance, negative attitudes towards school, and higher drop out rates.

Adolescent child bearing is more common in the US than in other developed nations. This is due to higher US poverty rates, part of it is due to a poor family planning system. In 1991, the US adolescent birth rate, 62 per 1,000, was twice that of the next highest country, the United Kingdom. Between 1970 and 1991 the birth rate to unmarried 15-19 year olds in the US doubled from 22 to 45 per 1,000.

Reducing Poverty in America

A pro-child policy in the United States should be an anti-poverty one. Such an agenda should be built on the assumptions that parents need to take greater responsibility for children and the public sector must offer greater employment and educational opportunities to enable the poor to attain higher incomes. The current attack on the welfare state will only exacerbate poverty and inequality. The following efforts could raise the current incomes of poor families and the endowments that children will later bring to the labor market:

- 1) **Income Supplements.** Policies that add to the earnings of the working poor and that provide work for the non-working poor are in dire need. The public sector should secure that every family has at least one full-time earner of the minimum wage. These families could then escape poverty via income supplements that subsidize their access to child care and medical care. Such efforts could build on or expand the Earned Income Tax Credit, the Dependent Care Credit, and the Child Support Assurance system. In addition, the minimum wage should be raised at least every five years.
- 2) **Employment Opportunities.** The demand for low-skilled workers should be increased by establishing low wage jobs to all poor adults. This could be achieved through a revitalized Public Service Employment program.
- 3) **Direct Services.** Four areas of direct service programs could be expanded to improve child outcomes: prenatal care, Medicaid, and the Special Supplemental Food Program for Women, Infants, and Children (WIC); and Head Start and other school-readiness programs. Despite the proven effectiveness of these programs, in the early 1990s WIC reached less than two-thirds of those who were eligible, and Head Start and related efforts reached only about half of the eligible population, in large part due to lack of funding.

Conclusion

Spending cuts and welfare reform enacted by Congress in the mid 1990s are likely to raise the future costs associated with child poverty. The US has lost some of the gains made in the 1950s and 1960s and slipping behind the progress of the other developed nations. The policies advocated in this paper could reduce child poverty and could be financed by modest increases in tax rates in high income families who have gained so much during the economic booms of the 1980s and 1990s. In contrast, the policies that reinforced the status quo will subject yet another generation to lives of unrealized potential.