

# The Ledger

Federal Reserve Bank of Boston's Economic Education Newsletter

Spring 2014



## Always With Us:

Recurring Themes in  
the Fight to End Poverty

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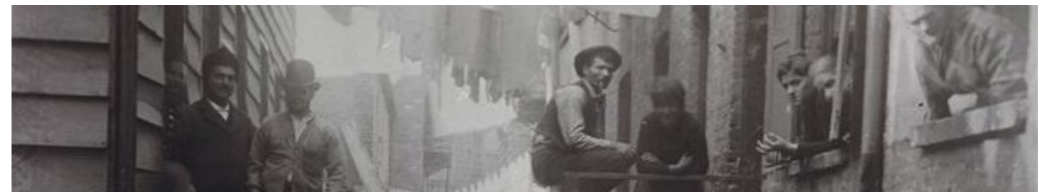
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# EDITOR'S NOTE

Ask a hundred randomly-selected Americans for their ideas on how to end poverty, and you're sure to get a range of opinions:



But overall, the views people hold are likely to reflect either of two broad philosophical outlooks. One emphasizes personal responsibility, self-discipline, and private charity; the other leans more towards government involvement, public funding, and professional expertise. In short, we Americans don't agree on the most effective way to address poverty or, for that matter, on a definition of "need."

That's nothing new, of course. Disagreement over the nature of poverty and the debate over how to address it are both part of a long-running narrative that stretches all the way back to Jamestown.

This issue of *The Ledger* looks at three aspects of that narrative: 1) the recurrence of certain themes in America's response to poverty, 2) the ongoing discussion over how to define and measure poverty, and 3) some of the more notable efforts to document the lives of poor people and raise awareness of poverty.

**A few words of caution:** Don't look for scholarly analysis or policy recommendations in the pages that follow. (I'm not qualified to do the former and not foolhardy enough to attempt the latter.) The goal of this issue is to provide broad, accessible background information that might serve as a basis for further discussion of what has been – and continues to be – a formidable challenge.

**The usual disclaimer:** As always, the opinions expressed herein, do not reflect the official views or positions of the Federal Reserve Bank of Boston or the Federal Reserve System ... even if you agree with every word.

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*The Ledger* is published twice a year as a public service by the Federal Reserve Bank of Boston. The views expressed in *The Ledger* are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System.

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# Always With Us:

## Recurring Themes in the Fight to End Poverty

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Certain themes and threads have run through America's antipoverty efforts since colonial times. This section looks at five of them:

- No Free Rides: The Chronic Concern That Someone is Getting Something for Nothing
- The "Deserving," The "Undeserving," and "The Culture of Dependency"
- Cutting the Rolls
- Personal Responsibility and Bootstraps
- Thrift, Training, and Temperance

### **No Free Rides: The Chronic Concern That Someone Else Is Getting Something for Nothing**

The English settlement at [Jamestown](#) was scarcely two years old in the spring of 1609, and its survival was in doubt. Malaria, typhoid, dysentery, lack of food, and periodic attacks by native tribes had sent a majority of the original colonists to their graves.

Faced with the colony's imminent collapse, Captain John Smith issued an ultimatum to those still alive, many of whom were high-born gentlemen averse to manual labor:

“

Countrymen, the long experience of our late miseries, I hope is sufficient to persuade every one to a present correction of himself, and think not that either my pains, nor the [investors'] purses, will ever maintain you in idleness and sloth. I speak not this to you all, for diverse of you I know deserve both honor and reward, better than is yet here to be had: but the greater part must be more industrious, or starve, how ever you have been heretofore tolerated by the authorities of the Council, from that I have often commanded you. You see now that power rests wholly in myself: you must obey this now for a Law, that he that will not work shall not eat (except by sickness he be disabled) for the labors of thirty or forty honest and industrious men shall not be consumed to maintain an hundred and fifty idle loiterers.

”





*“...he that will not work shall not eat  
(except by sickness he be disabled) ...”*

*Captain John Smith  
Jamestown 1609*

Image courtesy Wikimedia Commons, Public Domain

Although Captain Smith addressed his remarks to a collection of 17th century grandees, he unwittingly established one of the central themes in a long-running disagreement over the most effective way to address poverty in America. Many of the stock phrases are there. Update the language a bit, and you have the makings of a modern-day speech on welfare reform:

“...think not that either my pains, nor the [investors’] purses, will ever maintain you in idleness and sloth.”

“...the greater part must be more industrious, or starve ...”

“...he that will not work shall not eat (except by sickness he be disabled) ...”

“...the labors of thirty or forty honest and industrious men shall not be consumed to maintain an hundred and fifty idle loiterers.”

Never mind that recent historical and archaeological evidence suggests that poor judgment in choosing the colony’s site, ineptitude in dealing with native people, and a series of calamities—drought, severe storms, disease, and a plague of rats that contaminated food stores—may have had as much to do with Jamestown’s near-demise as the colonists’ poor work ethic. The storyline of a strong leader compelling “idle loiterers” to do their share has become so ingrained in the popular imagination that it may be impervious to historical fact.

### **The “Deserving,” The “Undeserving,” and “The Culture of Dependency”**

The fear that “idlers” are getting a free ride has, to varying degrees, affected efforts to address poverty in America. An example is the longstanding preoccupation with determining who among the poor is **“deserving” of concern.**

When John Smith declared “he that will not work shall not eat (except by sickness he be disabled),” he drew the first American distinction between the “deserving” and “undeserving” poor. The “deserving poor” are widows, orphans, the aged, the infirm, and the mentally ill.<sup>1</sup> As for the “undeserving poor” ... officials in colonial Boston set forth a description that left little room for doubt:

“Persons going about in any town or county begging, or persons using subtle craft, juggling, or unlawful games or plays, or feigning themselves to have knowledge in physiognomy, palmistry, or pretending that they can tell destinies, fortunes, or discover where lost or stolen goods may be found, common pipers, fiddlers, runaways, stubborn servants or children, common drunkards, common nightwalkers, pilferers, wanton and lascivious persons, either in speech or behaviour, common railers or brawlers, such as neglect their callings, misspend what they earn, and do not provide for themselves or the support of their families.”<sup>2</sup>

In the early 1700s, Puritan minister Cotton Mather put a divine spin on John Smith’s earlier admonition by stating unequivocally that “for those who indulge themselves in idleness, the express command of God unto us is, that we should let them starve.”<sup>3</sup> Obviously, “those who indulge themselves in idleness” belonged in the “undeserving” column.

By the 1800s, a sizable number of well-born, well-educated reformers were dedicating themselves to improving the lives of poor people. But even they worried that dispensing money or other forms of relief to those who did not work would create a “culture of dependency.” Josephine Shaw Lowell, a founding member of New York’s Charity Organization Society, addressed the Seventeenth Annual Conference of Charities (1892) and declared:

“If the advocates of public relief contend that there should be no stigma attached to its receipt, the answer is that, in that case, the tendency would be toward the condition where the whole people would be ready to accept an income from so-called public funds, and that the resulting loss of energy and industry would be sufficient to plunge any nation into a greater poverty than any now suffers. ...It is not because paupers are primarily more lazy than other people that they will not work for a living if they can be supported without working. If you will consider, you will find that you do not know any one (or, if you do, you regard him or her as a most extraordinary individual) who *works for a living* when it is not necessary, when the living is supplied from some source without any conditions which are dishonorable or irksome.”<sup>4</sup>

In the 20th century, President Franklin D. Roosevelt used the full power of the federal government in an effort to alleviate the poverty and economic hardship

<sup>1</sup> Krawczynski, Keith, *Daily Life in the Colonial City*, Greenwood Press, 2013.

<sup>2</sup> *Ibid*

<sup>3</sup> *Ibid*

<sup>4</sup> *Proceedings of the National Conference of Charities and Corrections, Volume 17, 1892.*

brought on by the Great Depression. But in his 1935 State of the Union Address he also declared that:

“

The lessons of history, confirmed by the evidence immediately before me, show conclusively that continued dependence upon relief induces a spiritual disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. It is inimical to the dictates of a sound policy. It is in violation of the traditions of America. Work must be found for able-bodied but destitute workers.

The Federal Government must and shall quit this business of relief.<sup>5</sup>

”

Opponents of antipoverty programs still use Roosevelt's quote to bolster their position, but they rarely include the next passage in which he told Congress:

“

We must preserve not only the bodies of the unemployed from destitution but also their self-respect, their self-reliance, and courage and determination. ...

The Federal Government is the only governmental agency with sufficient power and credit to meet this situation. We have assumed this task, and we shall not shrink from it in the future. It is a duty dictated by every intelligent consideration of national policy to ask you to make it possible for the United States to give employment to all of these three-and-a-half million people now on relief, pending their absorption in a rising tide of private employment.<sup>6</sup>

”

Federal efforts to combat poverty intensified during the mid-1960s when President Lyndon Johnson committed the country to a “[War on Poverty](#)” that resulted in the passage of major antipoverty initiatives. Among them were Medicare, Medicaid, an expanded food stamp program, and the Head Start early childhood education program.

But Americans have never had a high tolerance for long conflicts, and the War on Poverty was no exception. The last two decades of the 20th century saw a shift away from major federal antipoverty initiatives.

Ronald Reagan made welfare fraud a high-profile campaign issue during his unsuccessful bid for the presidency in 1976. (The term “welfare queen” entered the political and public discourse at roughly the same time, but there is no evidence that Reagan actually used it in his campaign.) After winning the White House in 1980, President Reagan pursued policies intended to reduce direct federal involvement in antipoverty efforts. His views, and perhaps the prevailing view in America during the 1980s, might have been summed up best in a 1987 remark he made to reporters while walking to the presidential helicopter: “We fought a war on poverty, and poverty won.”

The push for a reduction in federal antipoverty efforts continued into the 1990s and culminated in passage of the [Personal Responsibility and Work Opportunity Reconciliation Act of 1996](#). In signing the legislation, President Clinton declared, “Today we are ending welfare as we know it.” For the time being, those on the personal responsibility/up-by-your-bootstraps side of the philosophical divide wielded greater political influence than those who favored a higher degree of federal involvement and greater public funding.



5 [Franklin D. Roosevelt, State of the Union Address, 1935.](#)

6 [Franklin D. Roosevelt, State of the Union Address, 1935.](#)

## Cutting the Rolls

For as long as there have been public assistance efforts, there have been calls to cut them. The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* is one of the more recent examples, but as Keith Krawczynski notes in *Daily Life in the Colonial City*, people without the means to support themselves in colonial times were often auctioned off to the lowest bidder and placed in private households, where they served as cheap labor. “At times,” writes Krawczynski, “the indigent were treated like unwanted dogs, bandied about from one family to another by councilmen seeking the cheapest terms or by caretakers tired of their charges.”

When even that proved too costly, a number of colonial communities opened almshouses. Also known as poorhouses or workhouses, they were more cost effective, but arguably less humane.<sup>7</sup> Boston’s was among the first, established in 1662 “for the relief of the poor, the aged, and those incapacitated for labor; of many persons who would work, but have not the wherewithal to employ themselves; of many more persons and families, who spend their time in jolliness and tipling, and who suffer their children shamefully to spend their time in the streets, to assist, employ, and correct whom the proposed institution was provided.”<sup>8</sup>

The practice of consigning indigent people to almshouses continued into the 20th century. Nineteenth century reformers considered it a form of protection, a way to separate the “worthy poor” from the “vicious poor.”<sup>9</sup>

## Personal Responsibility and Bootstraps

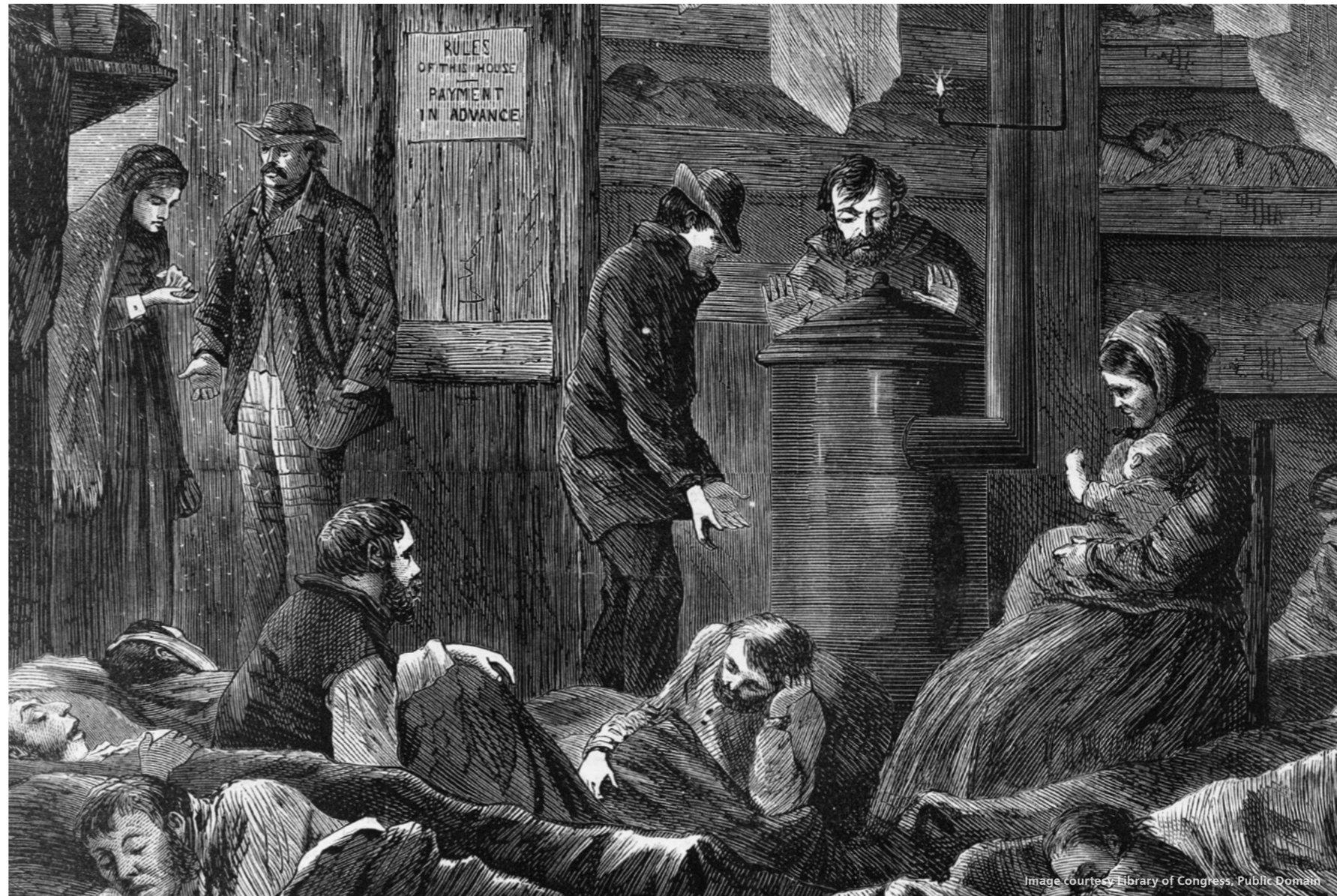
“Personal responsibility” and the perennial call for poor people to “pull themselves up by their bootstraps” are also long-running themes in the history of poverty in America. Both terms have been in widespread use for a long time, in

part because they are broad enough and vague enough to suit the purposes of almost anyone who wants to use them in just about any context.

But for those seeking a clear reference point, Ron Haskins’s 2009 essay—“[The Sequence of Personal Responsibility](#)”—defines personal responsibility as “the willingness to both accept the importance of standards that society establishes for individual behavior and to make strenuous personal efforts to live by those standards.” Mr. Haskins is Co-Director of the Brookings Center on Children and Families, and, as [his bio](#) on the Brookings website notes, “he was instrumental in the 1996 overhaul of national welfare policy.”

In his essay he argues that:

“Personal responsibility also means that when individuals fail to meet expected standards, they do not look around for some factor outside themselves to blame. The demise of personal responsibility occurs when individuals blame their family, their peers, their economic circumstances, or their society for their own failure to meet standards. The three areas of personal decisionmaking in which the nation’s youth and young adults most need to learn and practice personal responsibility are education, sexual behavior and marriage, and work.”



7 Krawczynski, Keith, *Daily Life in the Colonial City*, Greenwood Press, 2013.

8 [http://www.cityofboston.gov/Images\\_Documents/Guide%20to%20the%20Almshouse%20records\\_tcm3-30021.pdf](http://www.cityofboston.gov/Images_Documents/Guide%20to%20the%20Almshouse%20records_tcm3-30021.pdf)

9 *Ibid*

Again, this is not a recently emerged philosophical position. The focus on personal responsibility “marks more than a turn away from the War on Poverty,” writes Joel Schwartz in *Fighting Poverty with Virtue*. “It also marks a return to the antipoverty strategy of the moral reformers of the 19th century.”<sup>10</sup>

A strong sense of morality guided the efforts of 19th century reformers. Although they did not necessarily agree on specifics, they were nearly unanimous in the belief that improving the character of poor people was one of the keys to alleviating poverty. Many of their overall beliefs and principles found expression in the popular writings of [Horatio Alger](#).

Hardly anyone mentions Horatio Alger these days. Contemporary critics either scorn or ignore his work. Yet Horatio Alger (1832–1899) was once among America’s most popular and influential writers, winning considerable fame as the author of “boys’ fiction.” His books sold millions of copies and profoundly influenced popular American thought during the 50-year period following the Civil War. The term “Horatio Alger story” was synonymous with “American success story.”

Alger’s writing — a mixture of fable and self-help — reinforced the widely-held 19th century belief that poverty was no barrier to success in America’s fluid society, and any American boy, no matter how poor, could rise in the world and achieve success through hard work and clean living. Each of his stories followed the same rags-to-riches formula: A poor boy eager for financial success has to overcome a particular weakness or form of temptation and triumph over a villainous rich man and/or the villainous rich man’s malign son. Invariably, the hero prevails through hard work, courage, strength of character, and good fortune, with good fortune often coming in the form of help from a benevolent businessman who tells a young protagonist something along the lines of “I hope, my lad, you will prosper and rise in the world. You know in this free

country poverty is no bar to a man’s advancement.”

Although Alger’s popularity has long since faded, many of the beliefs expressed in his stories continue to have an impact on present-day policy discussions and public opinion. A sizable number of Americans continue to believe that personal responsibility, hard work, and virtuous living are viable stand-alone substitutes for government-funded antipoverty initiatives. More than a third of the respondents in a [2013 NBC News/Wall Street Journal poll](#) agreed that “too much welfare” and a “lack of work ethic” are chiefly responsible for persistent poverty.

Yet in a [2012 survey conducted by the Pew Research Center](#), 55 percent of the respondents said they or a member of their household had received benefits from one of six major federal entitlements programs, including Social Security, Medicare, Medicaid, welfare, unemployment benefits, or the Supplemental Nutrition Assistance Program (also known as food stamps).

So, here’s the question: At a time when [income inequality is rising](#) and [upward mobility seems to have stalled](#), why do Horatio Alger’s 19th century views still hold such sway?

Part of the answer may be that the personal responsibility “thread” is tightly woven into America’s rags-to-riches narrative, and that narrative is entwined with how we see ourselves. If we were to acknowledge that, despite our best efforts, poverty is a condition that can carry over from one generation to the next, then we also might have to consider the possibility that: a) hard work and tenacity might not be enough to overcome any obstacle, and/or b) ours is a society in which class boundaries are more rigid than we would like to believe.



Image courtesy Library of Congress, Public Domain



10 Schwartz, Joel, *Fighting Poverty with Virtue*, Indiana University Press, 2000.



# Thrift, Training, and Temperance



Stephen Pimpare, author of *A People's History of Poverty in America*, poses an interesting question: “What happens if instead of asking ‘How has policy changed over time?’ we invert our analysis and ask the question ‘How has the experience of being poor and in need changed over time?’” One of the consequences of doing that, he contends, is:

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“ Among other things, instead of comforting ourselves with a relatively progressive story, a forward-moving story, an evolutionary story, that no matter how bad things may be at any given moment in time, they have in fact gotten better, what I argue is in fact the constants, the consistency of that experience of poverty over the course of American history has changed much less than we might like to believe.<sup>11</sup>

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” The same might also be said of the policies and plans for alleviating poverty. Many have been around, in one guise or another, since the early 1800s and have tended to emphasize thrift, training, and temperance.

In *Fighting Poverty with Virtue*, Joel Schwartz notes that 19th century reformers stressed the need to help poor people by:

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“ [E]nabling them to help themselves, specifically by inculcating and encouraging the poor to practice the virtues of diligence, sobriety, and thrift (alternatively, by pressing them to avoid what can be thought of as the three “I’s” – indolence, intemperance, and improvidence). To mitigate poverty, then, the poor needed to work and earn, to avoid drinking (which both made workers less employable and cost them money that could have been spent on more essential goods), and to spend within their means and if possible to save.<sup>12</sup>

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” To a certain extent that still holds true. The vocabulary may have changed, the degree of moral judgment may have moderated, and the overt sense of mission may have waned, but the underlying sentiment seems to have remained fairly constant. The emphasis in contemporary antipoverty efforts still seems to be on teaching, convincing, or coercing poor people to: a) make better financial decisions (thrift), b) lead more virtuous lives and exhibit greater self-discipline (temperance), c) stay in school (training), or d) some combination of the three.

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<sup>11</sup> Pimpare, Stephen, *A People's History of Poverty in America*, The New Press, 2008.

<sup>12</sup> Schwartz, Joel, *Fighting Poverty with Virtue*, Indiana University Press, 2000.

## Encouraging Thrift

The financial crisis of the early 21st century prompted an effort by the Department of the Treasury to “assist the American people in understanding financial matters and making informed financial decisions, and thereby contribute to financial stability”—particularly in low- and moderate-income communities. In addition, nonprofit organizations, government agencies, and financial institutions have been working to encourage people in low- and moderate-income households to save for specific purposes such as buying a house or financing education expenses through individual development accounts and matched savings programs.

Helping people to make better-informed financial decisions and encouraging thrift are worthwhile goals, but they are not new ones. Thrift Institutions—mutual savings banks and savings and loan associations—represented a 19th century innovation intended to encourage saving and make credit available to lower-income people.

In 1810, the Reverend Henry Duncan established the world’s first mutual savings bank in Scotland, the Savings and Friendly Society, for the benefit of his parishioners. Six years later, Reverend Duncan’s idea took root in the United States when the Philadelphia Savings Fund Society and the Provident Institution for Savings (Boston) began to accept deposits. By 1860, Massachusetts alone had 89 mutual savings banks, which held over \$45 million worth of savings deposits in more than 230,000 open accounts.

The mutual savings bank movement had definite moral underpinnings. Most mutual savings banks were founded and managed by people with a mission—public-spirited citizens of means who understood the ways of finance and were eager to help the “lower classes.”

“The greatest good,” wrote the Secretary of Boston’s Provident Institution for Savings “is in affording the humble journeymen, coachmen, chamber-maids, and all kinds of domestic servants, and inferior artisans, who constitute two-thirds of our population, a secure disposal of their little earnings, which would otherwise be squandered.”

Few, if any, mutual savings banks were concerned with making a profit because they were *mutually* owned by their depositors (as opposed to being owned by stockholders or other private investors). In fact, an officer of the Savings Bank of Baltimore proudly noted that his bank did not “take over \$500 at any time, for any person. ... We have several instances of women, who, during the summer, deposited a dollar per week. This is the most desirable kind of depositor, for all this is saved from luxury and dress.”

Mutual savings banks were not equally popular in every region of the United States. In fact, the idea never quite caught on outside the Northeast. Professor Weldon Welfling offered the following explanation for their limited geographic appeal:

“As the West was being settled there was no pre-existing class of gentlemen with the sense of civic responsibilities that was held by the wealthier merchants of Philadelphia, Boston, Baltimore, and New York. The influence of gentlemen Quakers and Puritans was not predominant in the pioneer settlements, nor indeed was there a “lower class” dependent upon the wealthier for employment or for assistance when the employment was lacking.<sup>13</sup>

In other regions, savings and loan associations (S&Ls) helped wage earners become homeowners. People banded together, formed an association, and regularly deposited their savings. Members of the early S&Ls usually shared a common affiliation, often working at the same occupation or living in the same neighborhood.

Most members of America’s first S&L, the Oxford Provident Society (1831), worked in the textile trades and lived in Frankford, Pennsylvania. Many wanted to build or buy their own houses, but few were able to borrow money from conventional banks, which were primarily interested in commercial customers.

With no place else to turn, the textile workers and a few civic-minded citizens devised a system to create their own source of mortgage funding. Each member paid an initial fee of \$5 and deposited \$3 a month thereafter. Any member who missed 12 consecutive monthly payments could be expelled from the Society. (The 13 trustees who ran the Society were also subject to certain penalties: 25 cents for missing a scheduled meeting and 25 cents for attending a meeting in a state of intoxication.)

As the pool of savings grew, members of the Society were allowed to bid for mortgage funds. Records show that the Oxford Society’s first homebuilding loan went to Mr. Comly Rich, who borrowed \$375 and paid a \$10 premium for the loan. (The premium took the place of interest.)

13 Welfling, Weldon, *Mutual Savings Banks; The Evolution of a Financial Intermediary*, Press of Case Western University, 1968.

## Providing Emergency Credit

Providing alternatives to “payday lending” is another contemporary antipoverty effort rooted in the 19th century. [Payday loans](#) — small, short-term, high-rate loans provided by check cashers, finance companies, and others — are targeted to low-income people in need of money for emergency expenses. Because the cost of using payday loans can be quite steep, a number of agencies and organizations have been trying to offer consumers alternatives. But one alternative has been in existence for more than a century: credit unions.

During the 19th and early 20th centuries, factory hands and salaried workers were expected to pay cash for whatever they needed, even in the case of a medical crisis or other emergency. Yet all too often, loan sharks and other unscrupulous lenders were the only source of emergency or personal credit.

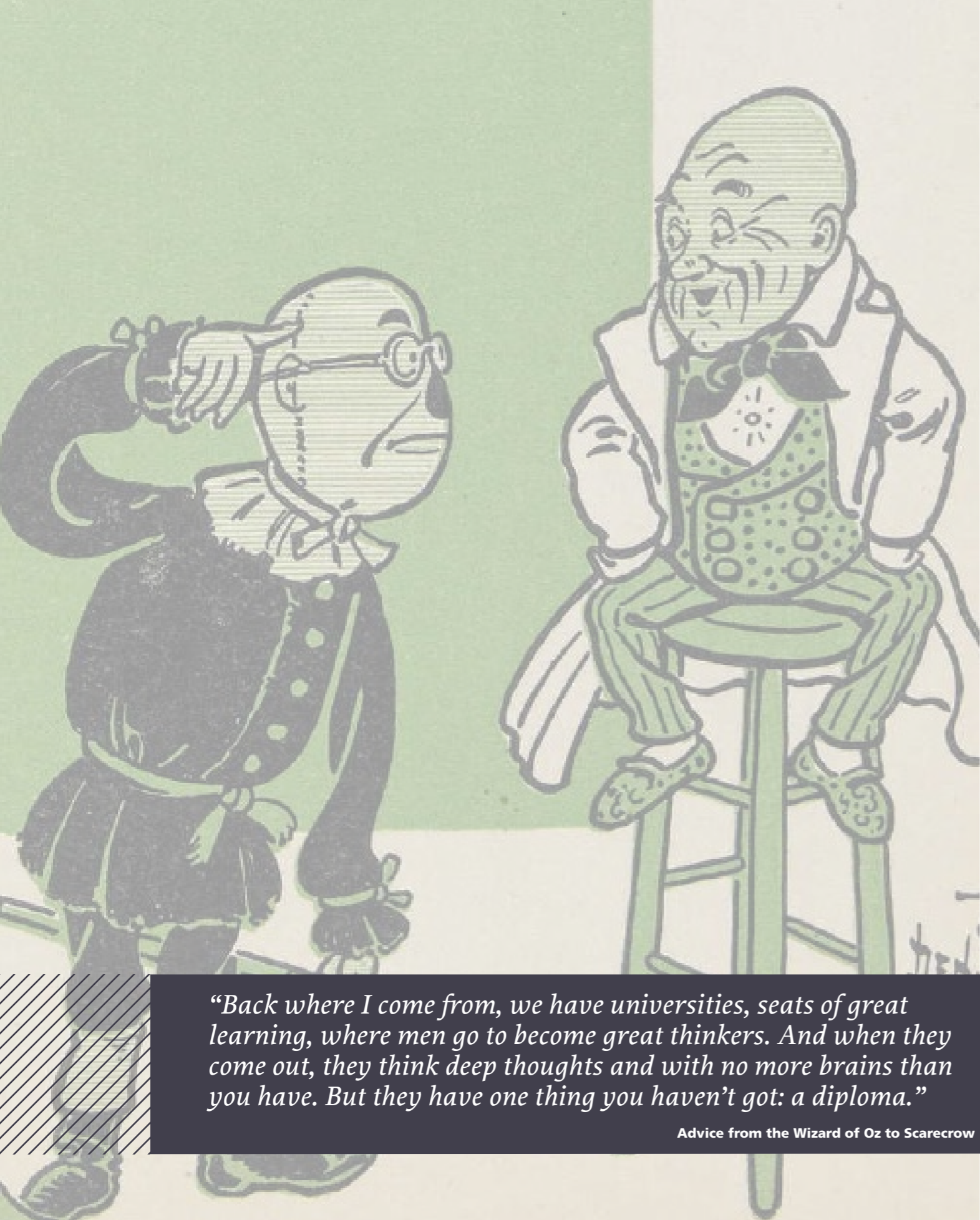
Credit unions offered a way for people in need to pool their funds and create an alternative source of inexpensive credit. Most were founded by people who shared the same workplace, lived in the same neighborhood, or belonged to the same house of worship. The first American credit union opened in New Hampshire in 1908, and Massachusetts adopted credit union legislation the following year.

Boston department store owner Edward A. Filene was an early proponent. He took the position that credit unions benefited employers as well as employees “because instead of having his workmen harassed by loan agents, the employer gets workmen, who, if they have to borrow in some emergency, borrow among the men with whom they are working and who help them get on their feet and get steady.”

Another early credit union supporter was Massachusetts governor David I. Walsh, who observed that “credit unions would be more of a benefit to the masses of people than even the savings banks and the cooperative societies, for every banking door in the Commonwealth is barred to the man who wants to borrow \$25 without security. That’s the greatest thing about this movement; it reaches a class the banks cannot reach. It will help all.”



Image courtesy Taber Andrew Bain via Flickr, Creative Commons Attribution



*“Back where I come from, we have universities, seats of great learning, where men go to become great thinkers. And when they come out, they think deep thoughts and with no more brains than you have. But they have one thing you haven’t got: a diploma.”*

Advice from the Wizard of Oz to Scarecrow

## Training

Americans have an abiding belief in the power of education to serve as a vehicle for upward mobility—a way to transcend the circumstances of one’s birth.

A sidewalk tile on Boston’s School Street commemorates the 1635 founding of Boston Latin, America’s first public school, and as far back as 1830 Horace Mann advocated universal public education funded by local taxes. Today, the biggest expenditure in almost any municipal budget is funding for education, and parents pay a premium for certain addresses in order to live in a “good” school district. That’s how strongly we value education.

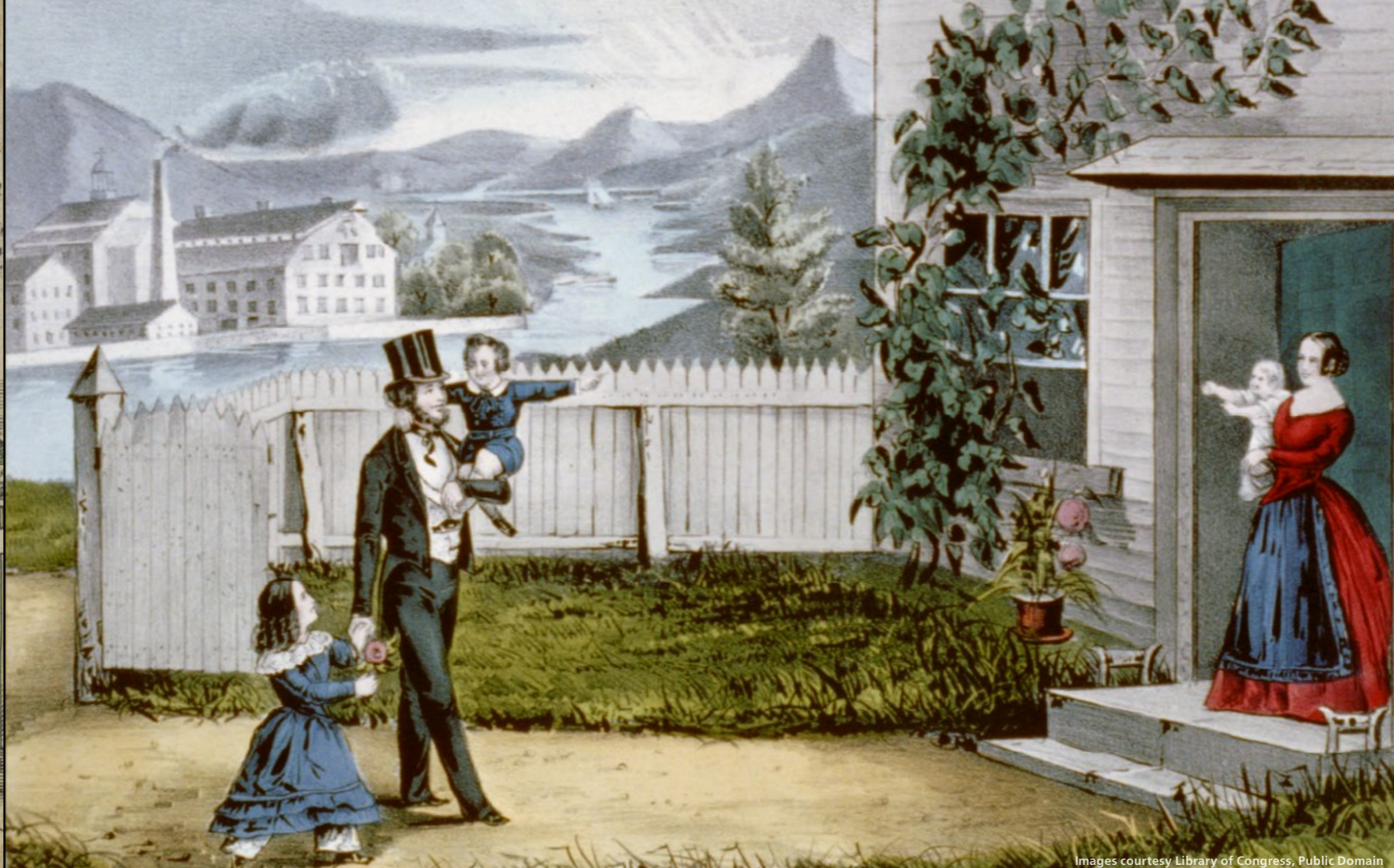
Our belief in the value of higher education stretches back at least to the 1860s when Congress passed the Morrill Act, which helped to establish more than 70 “land grant colleges,” some of which are now among the world’s most renowned institutions of higher learning. And 80 years later, the Servicemen’s Readjustment Act of 1944—better known as the G.I. Bill of Rights—opened college campuses to an even broader student population. The G.I. Bill’s generous education benefits provided returning World War II veterans with an opportunity to improve their lives through higher education. As a result, college enrollment increased sharply and campuses expanded to meet the demand. Few measures, public or private, have done as much to reinforce the relationship between education and the prospects for a better life.

Little wonder, then, that so many people—parents, policy experts, politicians—maintain a strong belief that “in the 21st century, one of the best antipoverty programs is a world-class education.”<sup>14</sup>

But what if we’ve moved into a world where some of our old assumptions no longer hold true? What if, instead of being a vehicle out of poverty, education has become a gate—a barrier to upward mobility? What if the inability to purchase credentials in the education marketplace keeps poor people out of jobs for which they might otherwise be qualified? What if the inability to finance higher education, even a two-year certificate program—now consigns poor people to a lifetime of low-wage service jobs? Or, even worse, what if they acquire the necessary credentials after going deeply into debt and still end up in a low-wage service job?

Just asking.

14 [President Barack Obama, State of the Union Address, January 27, 2010.](#)



Images courtesy Library of Congress, Public Domain

## Temperance

Attempts to alleviate poverty by encouraging or coercing men to consume less alcohol—an effort otherwise known as the temperance movement—gained momentum in the 1800s shortly after the Industrial Revolution reached America. The nature of work was changing rapidly, and as Joel Schwartz notes in *Fighting Poverty with Virtue*, “industrialization and the mechanization of agriculture increased the demand for workers who were efficient and reliable—in other words, sober.” And since most of the opportunities for those workers were in urban areas, people abandoned the countryside in large numbers.

Lured by city lights and the prospect of earning steady cash wages, migrants packed themselves into

city neighborhoods that lacked even the most basic infrastructure to handle such an influx. All too often, the combination of squalid overcrowding, relative poverty, and alcohol led to predictable results: Troubling increases in “wife-beating, family desertion, and assaults, as well as heightened government expenditures to support drunkards and their families.”<sup>15</sup>

Many antipoverty reformers responded by urging moderation or an outright ban on the sale and consumption of alcohol. Organizations such as the Women’s Christian Temperance Union and the [Anti-Saloon League](#) gained and wielded considerable political influence during the late 1800s and early 1900s.

In 1917, Congress quickly approved the 18th Amendment, which prohibited the manufacture,

sale, transport, import, or export of “intoxicating liquors.” It took just 13 months for three-quarters of the states to ratify the amendment, and in October 1919 Congress passed the [Volstead Act](#), which created a legal mechanism for enforcing [Prohibition](#). (An interesting side note: If the 16th Amendment had not created a federal income tax in 1913, Prohibition might never have happened, because taxes on liquor were a primary source of government revenue.)

Although Prohibition ended in 1933, temperance continues to have an impact on antipoverty policy, but the emphasis is now on drugs rather than alcohol. Provisions of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* [gave states the authority to require drug testing](#) of people who apply

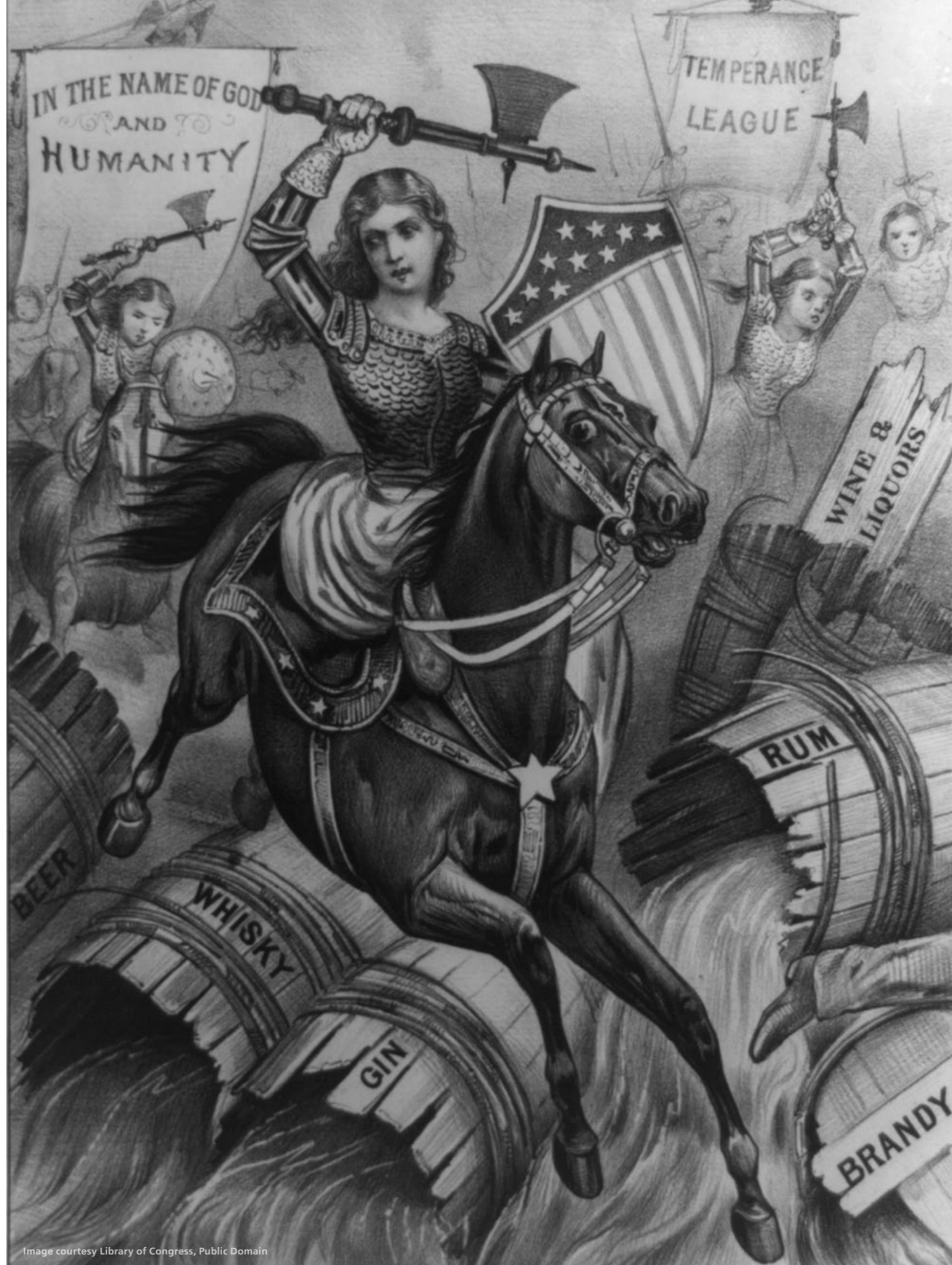
for or receive public assistance benefits. As of early 2014, nine states had passed legislation regarding drug testing or screening of public assistance applicants or recipients, and at least 24 states had proposed similar measures.

Unlike earlier efforts to discourage or ban alcohol consumption, the antidrug temperance movement of the late 20th and early 21st century has led to unintended consequences for people living in or on the edge of poverty. Chief among these has been a [sharp rise in the number of people imprisoned for drug-related offenses](#), a trend that has contributed to the United States having the highest incarceration rate in the industrialized world.

According to the [Sentencing Project](#), an advocacy group for sentencing reform, “At the Federal level, prisoners incarcerated on a drug charge comprise half of the prison population, while the number of drug offenders in state prisons has increased thirteen-fold since 1980. Most of these people are not high-level actors in the drug trade, and most have no prior criminal record for a violent offense.”

Left unsaid is the impact such policies have on efforts to alleviate poverty. Every dollar spent on incarceration or enforcement is a dollar that might otherwise go to improve education, housing, nutrition, and health care. Every person sent to prison for a nonviolent drug offense adds one more person to the rolls of ex-offenders who will have difficulty finding a job.

**Note to readers:** For insight into the complexities of confronting drug use and treating addiction, take a few minutes to listen to this radio report: [Recovering Addict Receives Unexpected Help](#) produced by National Public Radio affiliate WBUR (Boston).



# Presidents on Poverty

Americans have never completely agreed on the most effective way to combat poverty, and our level of engagement has varied with the times. Need examples? Here are a few excerpts from presidential speeches on poverty. Your task: Match the excerpt with the appropriate president.

Match each quote with a president and write the letter next to the speaker's portrait...



Herbert Hoover



Gerald Ford



Franklin D. Roosevelt



Jimmy Carter



Harry Truman



Ronald Reagan



Dwight D. Eisenhower



George H.W. Bush



John F. Kennedy



Bill Clinton



Lyndon B. Johnson



George W. Bush



Richard Nixon



Barack Obama

A

"Given a chance to go forward with the policies of the last eight years, we shall soon, with the help of God, be in sight of the day when poverty will be banished from this nation."

"Economic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body—the producers and consumers themselves."

B

"This social security measure gives at least some protection to thirty millions of our citizens who will reap direct benefits through unemployment compensation, through old-age pensions and through increased services for the protection of children and the prevention of ill health."

"We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age."

C

"Today, we are ending welfare as we know it, but I hope this day will be remembered not for what it ended, but for what it began."

"While far from perfect, this legislation provides an historic opportunity to end welfare as we know it and transform our broken welfare system by promoting the fundamental values of work, responsibility, and family."

D

"In this society, we are conservative about the values and principles which we cherish; but we are forward-looking in protecting those values and principles and in extending their benefits. We have rejected the discredited theory that the fortunes of the Nation should be in the hands of a privileged few. We have abandoned the "trickle-down" concept of national prosperity. Instead, we believe that our economic system should rest on a democratic foundation and that wealth should be created for the benefit of all.

The American people have decided that poverty is just as wasteful and just as unnecessary as preventable disease. We have pledged our common resources to help one another in the hazards and struggles of individual life. We believe that no unfair prejudice or artificial distinction should bar any citizen of the United States of America from an education, or from good health, or from a job that he is capable of performing."

E

"Every gun that is made, every warship launched, every rocket fired signifies in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children. This is not a way of life at all in any true sense."

F

"I call my philosophy and approach compassionate conservatism. It is compassionate to actively help our fellow citizens in need. It is conservative to insist on responsibility and results. And with this hopeful approach, we will make a difference in people's lives."

G

"If a free society cannot help the many who are poor, it cannot save the few who are rich."

H

"This administration today, here and now, declares unconditional war on poverty in America. I urge this Congress and all Americans to join with me in that effort."

"Unfortunately, many Americans live on the outskirts of hope—some because of their poverty, and some because of their color, and all too many because of both. Our task is to help replace their despair with opportunity."

I

"We face an urban crisis, a social crisis—and at the same time, a crisis of confidence in the capacity of government to do its job.

A third of a century of centralizing power and responsibility in Washington has produced a bureaucratic monstrosity, cumbersome, unresponsive, ineffective.

A third of a century of social experiment has left us a legacy of entrenched programs that have outlived their time or outgrown their purposes.

A third of a century of unprecedented growth and change has strained our institutions, and raised serious questions about whether they are still adequate to the times.

It is no accident, therefore, that we find increasing skepticism—and not only among our young people, but among citizens everywhere—about the continuing capacity of government to master the challenges we face.

Nowhere has the failure of government been more tragically apparent than in its efforts to help the poor and especially in its system of public welfare."

J

"A government big enough to give you everything you want is a government big enough to take from you everything you have."

K

"The measure of a society is found in how they treat their weakest and most helpless citizens."

L

"The size of the federal budget is not an appropriate barometer of social conscience or charitable concern."

M

"The fact is prosperity has a purpose. It is to allow us to pursue 'the better angels,' to give us time to think and grow. Prosperity with a purpose means taking your idealism and making it concrete by certain acts of goodness. It means helping a child from an unhappy home learn how to read—and I thank my wife Barbara for all her work in literacy. It means teaching troubled children through your presence that there's such a thing as reliable love. Some would say it's soft and insufficiently tough to care about these things. But where is it written that we must act as if we do not care, as if we are not moved?

Well I am moved. I want a kinder, gentler nation."

N

"In the 21st century, one of the best anti-poverty programs is a world-class education."

# Measuring Poverty: *Who is poor?*

Before the 1800s—back before government, nonprofit foundations, and think tanks began to involve themselves in large-scale antipoverty initiatives—there was little interest in measuring poverty, mainly because there was no real need for measurement. For most of human history religious organizations, local politicians, and the landed gentry dispensed small amounts of largesse to those who were lucky enough to gain favor or notice.

Even the charitable efforts of 19th century antipoverty reformers were smaller-scale local operations that mostly provided meals, clothing, and other forms of aid

directly to needy people in a defined area. Donors to those charities rarely required more than a rough tally of meals served or people helped.

In 1869 Massachusetts established the first labor statistics bureau with a goal of using government statistics to help improve the lives of working class families. And in 1900, the English chocolatier and social researcher [Benjamin Seebohm Rowntree](#) published *Poverty: A Study in Town Life*, based on statistical research he had undertaken in York. But for the most part, efforts to define and measure poverty did not gain momentum until the 1930s, when the federal

government engaged in large-scale relief efforts aimed at easing the effects of the Great Depression, and then later in the 1960s, when President Lyndon Johnson declared war on poverty.

## You Know You're Poor If ...

Some call it the “poverty line,” others refer to it as the “poverty threshold.” In either case, there is general agreement that [Mollie Orshansky](#), a statistician at the Social Security Administration, [developed the federal government's first widely used measure of poverty](#).

This is how it happened:

By 1963, Orshansky was working for the Social Security Administration – the agency that oversees many social safety net programs – and was assigned to report on “poverty as it affects children.” But her team had no good measure of what constituted poverty – so Orshansky decided to develop her own.

She used a 1955 Department of Agriculture report which found that families of three or more spent about one third of their after-tax income on food. So, to calculate a poverty line Orshansky decided to multiply a low-income household's food budget by three, figuring that if a family was tightening its belt, it would cut all expenses by about the same amount, proportionately.

For the food budget itself, Orshansky used the Department of Agriculture's “economy food plan.” It was the cheapest of four plans developed by the Department of Agriculture, and was designed to reflect what a family living for a short period of time on a severely constrained budget might need to get by. In 1962, it allotted \$18.60 a week for a family of four with two school-aged children—or \$143.47 in today's

dollars. It was even less costly than two other “low cost” plans the department had developed, and, as a [1962 report](#) explained, “relie[d] heavily on the cereals, dry beans, peas, and nuts and potato groups, and on the selection of the less expensive items in each of the 11 food groups.” It was only for “emergency use,” and not intended to constitute a family's diet over the long-term. In a 1965 article, Orshansky said her threshold, dependent on this budget, should be used to measure when a family had “inadequate” funds, not adequate funds.

Her new standard came at a fortuitous time. The Johnson administration had declared a “war on poverty,” and public agencies needed a way to measure the extent of the problem. In 1965, the Office of Economic Opportunity adopted Orshansky's thresholds as their poverty cut-off, and in 1969, her thresholds were made the government's official definition of poverty.

Excerpt from: <http://billmoyers.com/2013/09/18/why-is-the-federal-poverty-line-so-low/>





## The Poverty Rate and the Supplemental Poverty Measure, New England and the U.S., 2012

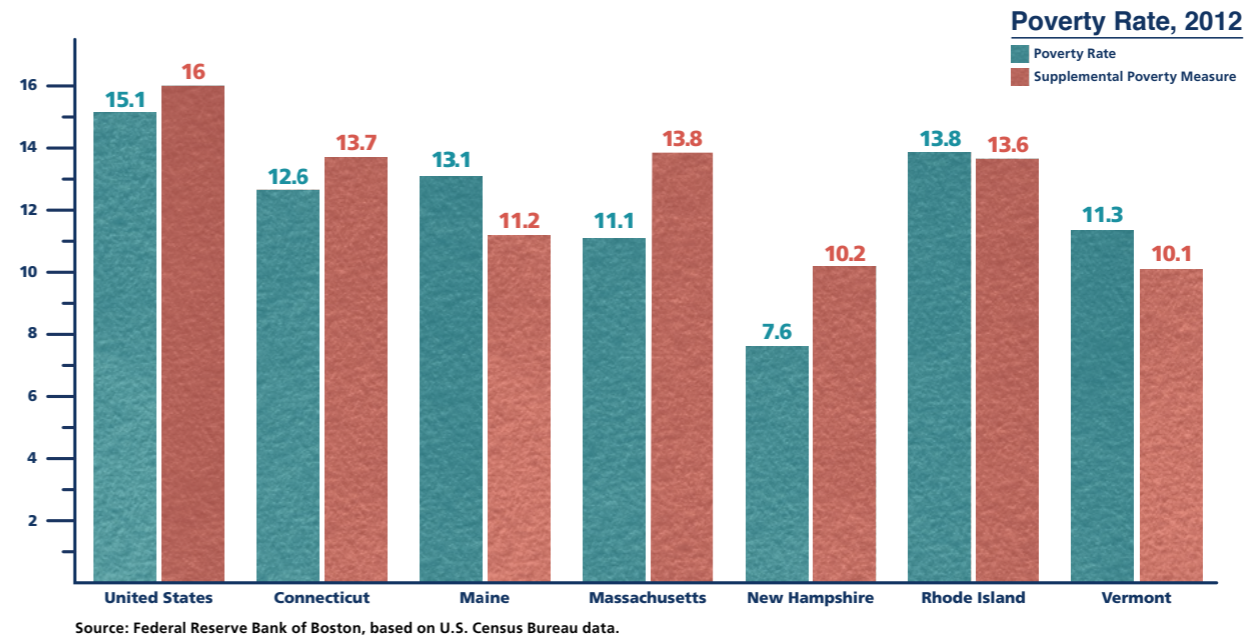
Aside from updates for inflation, the federal poverty threshold has changed little since the 1960s, and that has been a point of contention. The most frequent criticism is that the federal poverty threshold counts only cash income and does not take into account programs intended to counter the effects of poverty programs such as the Supplemental Nutrition Assistance Program (SNAP) or the Earned Income Tax Credit.

Even Orshansky herself had **reservations**. “The best that can be said about the measure,” she once wrote, “is that at a time when it seemed useful, it was there.”<sup>16</sup>

In addition to the federal poverty threshold, there are federal poverty guidelines. The Federal Poverty Guidelines (Federal Poverty Levels, FPL) are the official measure of the minimum income needed to meet the basic needs of individuals and families. The amounts are often used to set eligibility and benefits for public programs. But numerous studies have documented that the FPL is an outdated and inaccurate reflection of the actual incomes families need. It is also a poor metric to identify the economic needs of custodial grandparents.<sup>17</sup> A detailed explanation of the difference between the threshold and guidelines is available [here](#).

The Supplemental Poverty Measure (SPM) was developed to address FPL shortcomings, but being based on current spending, it doesn’t necessarily measure actual need. It includes people who spend only \$100 on food per month, but that amount may represent food insecurity. A better way to measure economic security is to capture the actual costs associated with basic needs, such as shelter, food, health care, and transportation.<sup>18</sup>

Despite acknowledged shortcomings, proposals to change the federal poverty threshold and other federal poverty measures have run up against political pushback and disagreements over how to define poverty. The following online resources provide clear,



concise summaries of the complexities involved ... and they spare us the danger of navigating those particular political and ideological shoals:

### **How the Census Bureau Measures Poverty**

U.S. Census Bureau

<https://www.census.gov/hhes/www/poverty/about/overview/measure.html>

### **How is poverty measured in the United States?**

Institute for Research on Poverty, University of Wisconsin-Madison

<http://www.irp.wisc.edu/faqs/faq2.htm>

### **Why is the federal poverty line so far off?**

John Light, Moyers & Company

<http://billmoyers.com/2013/09/18/why-is-the-federal-poverty-line-so-low/>

### **Measuring Poverty in the United States**

Nancy K. Cauthen and Sarah Fass, National Center for Children in Poverty, Columbia University

[http://www.nccp.org/publications/pub\\_825.html](http://www.nccp.org/publications/pub_825.html)

### **What’s the Best Way to Measure Poverty: Income or Consumption?**

Matthew Philips, Freakonomics blog

<http://freakonomics.com/2011/09/14/whats-the-best-way-to-measure-poverty-income-or-consumption/>

### **The Mismeasure of Poverty**

Sheldon H. Danziger, *The New York Times*, September 17, 2013

<http://www.nytimes.com/2013/09/18/opinion/the-mismeasure-of-poverty.html>

### **Communities & Banking**

A quarterly magazine from the Federal Reserve Bank of Boston, **Communities & Banking** offers insightful articles on a variety of topics that affect the lives and fortunes of low- and moderate-income people.



16 “Mollie Orshansky, Statistician, Dies at 91,” *The New York Times*, April 17, 2007.

17 *Measuring Poverty: A New Approach*, C. Citro and R. Michaels, eds. (Washington, DC: National Academies Press, 1995); and D.I. Padilla-Frausto and S.P. Wallace, “The Federal Poverty Level Does Not Meet the Data Needs of the California Legislature” (policy brief, UCLA Center for Health Policy Research, Los Angeles, 2012),

18 U.S. Census Supplemental Poverty Measure, <http://www.census.gov/hhes/povmeas/>

# Documenting Poverty

There are also a variety of alternative measures that seek to evaluate well-being rather than trying to define poverty:

**The Genuine Progress Indicator (GPI)** focuses on “the quality of life we create not only for ourselves but for everyone with whom we share the planet” by measuring factors such as crime and family breakdown, household and volunteer work, income distribution, and pollution.

**The Human Development Index (HDI)** offers a global perspective on the question of how well people are living. Devised by the United Nations in the 1990s, the HDI is a composite of three different indicators: (1) life expectancy at birth, (2) education as measured by a combination of school enrollment and adult literacy, and (3) standard of living as measured by a variation on GDP per capita that adjusts for price differences between countries (purchasing power parity in U.S. dollars).

**Index of Social Health** is “a broad-based gauge of the social well-being of the nation, similar in concept to the Dow Jones Average or the Gross Domestic Product.” Published annually since 1987, the index uses government data for 16 social indicators to create profiles and rankings for all 50 states. In 2008, Minnesota ranked number one with a score of 75 out of 100, and New Mexico finished at the bottom with a score of 26.8.

**The Elder Economic Security Standard Index** is an evidence-based measure of economic security that reflects the current actual cost of basic needs at the county level for retired adults age 65 and over, who receive no public assistance. The index was developed by Wider Opportunities for Women and the University of Massachusetts, Boston, Gerontology Institute to address the failings of the FPL for older adults. The UCLA Center for Health Policy Research and the Insight Center for Community Economic Development adapted the index and calculated it for California. As of September 2011, California law requires Area Agencies on Aging to use the index for program and planning purposes.

Collecting data is an important tool in the overall effort to understand and alleviate poverty, but as columnist Mark Shields likes to say, “Numbers don’t bleed.” Maybe that is why some of the most effective vehicles for raising awareness of poverty and sparking action to address it have combined compelling narrative with powerful visuals. Here are five:

## *How the Other Half Lives*, Jacob Riis, 1890

More than a century before anyone expressed concern for the 99 percent, Jacob Riis created an eye-opening account of “how the other half lives.” Riis used the skills he had acquired working as a police reporter, combined with the relatively new technology of flash photography, to create a late 19th century account of life in the squalid slums of New York.

## *Photographs of the Un-rich and the Un-famous: Lewis Hine*

Lewis Hine (1874-1940) photographed people whose lives were a constant struggle to make ends meet: children who spent 12-hour days inside factory walls, newsies who lived on the streets and survived by their wits, immigrants who tried their best to make sense of a strange new land, and hundreds or even thousands of men and women who worked long hours for short money. Hine’s images truly are haunting; once you see them, they stay with you for life. (See also: [http://digitalgallery.nypl.org/nypldigital/explore/dgexplore.cfm?col\\_id=175](http://digitalgallery.nypl.org/nypldigital/explore/dgexplore.cfm?col_id=175).)

## *Let Us Now Praise Famous Men*, James Agee and Walker Evans, 1941

James Agee was the writer, Walker Evans the photographer. *Fortune* magazine brought them together in 1936 for an eight-week assignment to document the lives of sharecropping families in rural Alabama. Their work formed the basis for *Let Us Now Praise Famous Men* published in 1941. To read Agee’s prose and look upon Evans’s images is to gain an inkling of what it must mean to face each day with little hope and even less money.



Image by Jacob Riis, courtesy Library of Congress, Public Domain

## *CBS News Harvest of Shame*, 1960

Back before they decided that “reality” meant putting various groups of narcissistic adults in front of a TV camera, the networks did some pretty good reporting on issues related to poverty. *Harvest of Shame* was one of the standouts. The 55-minute CBS News documentary focused on the plight of migrant workers, who, in the words of CBS correspondent Edward R. Murrow, were “the forgotten people; the under-educated; the under-fed.”

The program aired on the day after Thanksgiving 1960, in an effort “to shock the consciousness of the nation.” Hard to imagine that would happen today. (See also: <http://billmoyers.com/2013/07/19/watch-edward-r-murrows-harvest-of-shame/> and <http://www.cbsnews.com/news/harvest-of-shame-50-years-later/>.)

## *Paycheck to Paycheck*, HBO, 2014

If you are thinking that all the good reporting on poverty took place back in some golden age that never was, you should set aside an hour of your life to watch *Paycheck to Paycheck: The Life and Times of Katrina Gilbert*. Produced in association with The Shriver Report: A Woman’s Nation Pushes Back from the Brink, it follows a “single Tennessee mom through her day-to-day life, as she works full time as a certified nurse’s assistant but has to choose between paying for her medication and finalizing her divorce.” And if you can’t watch the show, here’s an alternative suggestion: Try spending a week or two living on \$9.49 an hour.

# Issues ... But No Answers

Broad questions kept popping up while I was working on this issue of *The Ledger*. They didn't come from any particular philosophical, political, or ideological direction. They just kept circling back into my head during walks home from the train station at the end of each day.

Are they the major questions regarding poverty? Maybe not. Do they have answers? None that I could come up with. Which is why I'm hoping you will share your thoughts.

[robert.jabaily@bos.frb.org](mailto:robert.jabaily@bos.frb.org)

## Question One:

***How effective can antipoverty initiatives be in an economy characterized by insecurity in the labor market and wage stagnation?***

Shipping jobs offshore in large numbers created a labor surplus, and technology added to that surplus, especially in the types of jobs that once offered low-income people an entryway into the middle class. On top of that, the balance between labor and management has skewed so far in management's favor that many workers just keep their heads down and try to cope as best they can because they know there's a large pool of job-seekers—both here and in other countries—willing to take their place. Given all that, what hope is there that antipoverty measures can do anything more than provide temporary, short-term relief?

## Question Two:

***Are degrees the new bootstraps?***

Most of the people who make public policy are well-educated holders of many degrees. Education has been their path to success, so maybe it's only natural that they should believe so strongly in the power of education, particularly higher education, to have a similar effect on others.

But what if we've moved into a world where some of our old assumptions no longer hold true? What if, instead of being a vehicle out of poverty, education has become a gate—a barrier to upward mobility? What if the inability to purchase credentials in the education marketplace keeps poor people out of jobs for which they might otherwise be qualified? What if the inability to finance higher education, even a two-year certificate program—now consigns poor people to a lifetime of low-wage service jobs? Or, even worse, what if they acquire the necessary credentials after going deeply into debt and still end up in low-wage service jobs?

Follow-up Question: Some policy experts say there is a mismatch between the available jobs and the skill level of potential employees. But even if that's true, how long will it be before many of those jobs are performed by machines or lower-wage workers in other countries?

## Question Three:

***Do large multinationals, many of which started as American companies, still care if there is a strong American middle class? If not, what are the implications for low-income Americans who aspire to middle class status?***

In 1914, Henry Ford introduced a plan to pay autoworkers \$5 a day, nearly double the rate that most had been earning. His rationale was that higher wages would reduce turnover, increase productivity, and put workers in a better position to buy a Ford car.

But in the current American economy, higher productivity has not led to higher wages. In fact wages for U.S. production workers have been fairly stagnant for the past 30 or 40 years. And large multinationals have focused increasingly on the rapidly growing number of middle class consumers in developing countries. It's enough to make one wonder if companies still care as much about the buying power of American consumers. And if they don't, what does that mean for low-income Americans who aspire to become middle class ... or for moderate-income Americans struggling to remain middle class?