

Measuring Poverty: Where do we draw the line?

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"The moral test of government is how that government treats those who are in the dawn of life, the children; those who are in the twilight of life, the elderly; and those who are in the shadows of life, the sick, the needy and the handicapped." ¹

Hubert Humphrey expressed a moral line below which our society should not go.

How do we know how well we are doing? Is there a standard?

Could we use the poverty line? How much does it cost to not live in poverty.

It turns out that the definition of poverty is fluid and malleable.

Speenhamland to Workhouses

In 1795, the Berkshire, UK, governing body held a special meeting in Speenhamland, at The Pelican Inn. They were concerned about poverty among agricultural workers. An Order went forth that taxes would be used to "top up" a worker's income based on the number of children in the worker's family and the cost of bread.

This sounds similar to the Coalition of Immokalee Workers (CIW) Fair Food program in which large purchasers of tomatoes pay a penny per pound that goes into a separate fund to make sure tomato pickers receive minimum wage and that health and safety regulations are enforced in the field. This relieves the "growers" of the necessity to pay the workers minimum wage while ensuring the workers have safer working conditions. ²

The Speenhamland plan, relieved employers of having to pay the full cost of their workers. And, it relieved workers of the stresses of going to work while not making enough. This resulted in the rich paying for the poor to eat and enriching

themselves by not paying the working poor the full amount needed to survive. It was just enough to keep the poor from organizing in revolution.

The Speenhamland plan was a system of "outdoor relief" that did not provide a place to stay.

The Speenhamland plan was an emergency measure promulgated to handle sharply inflated costs for bread that exceeded the ability of a worker's budget. In 1834, this plan was replaced with workhouses ("indoor relief") that provided food, shelter and prison-like supervision. Distinctions were made between the "impotent poor" who were physically or mentally unable to work and the "idle poor" who had the capacity to work. ³

Social Security: More than a Pension Plan

In a speech delivered by radio from Social Security Administration Headquarters—Baltimore, Maryland, October 23, 1962, Francis Perkins, the first woman Secretary of Labor, reflected: ⁴

"the roots—the idea that we ought to have a systematic method of taking care of the material needs of the aged—really springs from that deep well of charitableness which resides in the American people, and the efforts and the struggles of charity workers and social workers to handle the problems of people who were growing old and had no adequate means of support. Out of this impulse to be kind to the poor sprang, I suppose, a mulling of ideas about social insurance for the aged. But those people who were doing it didn't know that it was social insurance. They just kept thinking that something definite, something that people could look forward to, would be a great asset and a great assistance to them in their work. Even De Tocqueville, in his memoirs of his visit to America, mentioned he thought was a unique state of mind of the American people: That they were so honestly concerned about their poor and did so much for them personally. It was not an organization; it was not a national action; it was not a State action; it was not Government. It was personal action

that De Tocqueville mentioned as being characteristic of the American people."

Frances Perkins went on to describe the charity and volunteerism of many people who raised money and built places where older people could be helped and live. Then, she described what she experienced:

"Since 1929 we had experienced the short, sudden drop of everything. The total economy had gone to pieces; just shook to pieces under us, beginning, of course, with the stock market crash. A banking crisis followed it. A manufacturing crisis followed it. Everybody felt it. In less than a year it was a terror. ...

"People were so alarmed that all through the rest of 1929, 1930, and 1931, the specter of unemployment—of starvation, of hunger, of the wandering boys, of the broken homes, of the families separated while somebody went out to look for work—stalked everywhere. The unpaid rent, the eviction notices, the furniture and bedding on the sidewalk, the old lady weeping over it, the children crying, the father out looking for a truck to move their belongings himself to his sister's flat or some relative's already overcrowded tenement, or just sitting there bewilderedly waiting for some charity officer to come and move him somewhere. I saw goods stay on the sidewalk in front of the same house with the same children weeping on top of the blankets for 3 days before anybody came to relieve the situation!"

Gordon M. Fisher, the U.S. Department of Health & Human Services unofficial historian of poverty lines, explained that the drawing of poverty lines is a sociological process that goes beyond just doing the math: ⁵

"Early U.S. poverty lines grew out of a context of conflict during the late nineteenth and early twentieth centuries between two social groups with sharply opposed interests — urban industrial workers (many of them immigrants from southern and eastern Europe) and their families, and factory owners and industrialists who often

violently resisted paying the workers a living wage. Early poverty lines and family budgets were developed not by the workers themselves, but by reformist social workers and others who were trying to improve the wretched living conditions of the industrial workers and their families."

Interestingly, the first American Mr. Fisher found to juxtapose the word "poor" with a specific dollar amount was W.E.B. DuBois in **The Philadelphia Negro** (1899). The first national poverty line was drawn by social worker Robert Hunter in *Poverty* (1904), for the then-average family of five. It was actually two annual income lines: \$460 in the industrial states of the North and \$300 in the South.

Most attempts to draw a poverty line before the Great Depression were based on model budgets that were "lists of goods and services that a family of a specified size and composition would need to live at a designated level of well-being (together with the estimated monthly or annual costs of those goods and services)."

Several books, however, gathered data to see the actual consumption patterns of families of different sizes. In 1913, for example, social worker John Shillady "denounced private charities (run by fellow social workers) for making relief payments at levels well below" the budget-based minimum income standards.

In 1938, reports often supported President Roosevelt's statement: "I see one-third of a nation ill-housed, ill-clad, ill-nourished."

The same amount per family may seem neutral, but is it equal?

Nearing the end of the post-WWII era of the late 1950s and early 1960s, poverty lines were drawn arbitrarily with fixed dollar amounts and without much regard for extenuating circumstances, such as number of mouths-to-feed or changes in the cost-of-living. For example, in 1953, union leader Walter Reuther (who spoke at the 1963 March on Washington for Jobs and Freedom) increased the amount under discussion to \$3,000, per family, per year.

During the Eisenhower administration, officials tended to toss around lower numbers, such as \$1,000 - \$1,500/year.

In 1958, John Kenneth Galbraith published **The Affluent Society** in which he proffered a low number yet provided a description that would tend to produce a higher and perhaps more fluid number:

"People are poverty-stricken when their income, even if adequate for survival, falls markedly behind that of the community. Then they cannot have what the larger community regards as the minimum necessary for decency; and they cannot wholly escape, therefore, the judgment of the larger community that they are indecent. They are degraded for, in the literal sense, they live outside the grades or categories which the community regards as acceptable."

Is there more to life than basic necessity?

Co-incidental with the shift away from the Republican imposition of austerity budgets on poor people to the Democratic concern for human needs, "poverty" became "popular" with the publication of books such as Robert Lampman (1959), Michael Harrington (**The Other America**, 1962), Leon Keyserling's Conference on Economic Progress (1962), and Gabriel Kolko (1962).

These values were reflected in the global politics of the era. On October 14, 1960, in a campaign stop in Ann Arbor, Michigan, to a small crowd gathered in front of the Student Union, Democratic nominee for the presidency, Jack Kennedy, unveiled the Peace Corps.

The University asked him to return as President in 1964 to give the commencement address to the graduating class in football stadium, the "Big House." The invitation was open and LBJ accepted. That was one place he revealed plans for The Great Society. ⁶

About that time, the President's Council of Economic Advisers set a poverty line of \$3,000 for families and \$1,500 for unrelated individuals.

The Great Society did not just spring forth from the wishful thinking of the President. LBJ was the first president from the South since the Civil War. He was aware of the adverse effects of poverty, having grown up at a time when his father was out of favor with Texas' political machine, as vividly described by Robert Caro in his multi-volume biography of LBJ.

Johnson was careful, cautious and crafty. He put together coalitions. In the Senate, he was a master of counting votes and getting enough consensus to pass bills. As President, he gathered men (yes, mostly men) around him who were not necessarily a "team of rivals," yet were not potted plants sitting around waiting to make the president look good:⁷

"the architects of LBJ's Great Society considered and rejected calls for a reverse income tax and other forms of wealth redistribution that would, in the words of an ad hoc committee of left-wing intellectuals that advocated a more aggressive program, furnish 'every family with an adequate income as a matter of right.'"

Mouths to Feed

Into this milieu came a long-time civil servant, Mollie Orshansky, who used a mouths-to-feed approach based on the cost of food extrapolated out as a percentage of income to determine the amount of money needed by families of different sizes.⁸

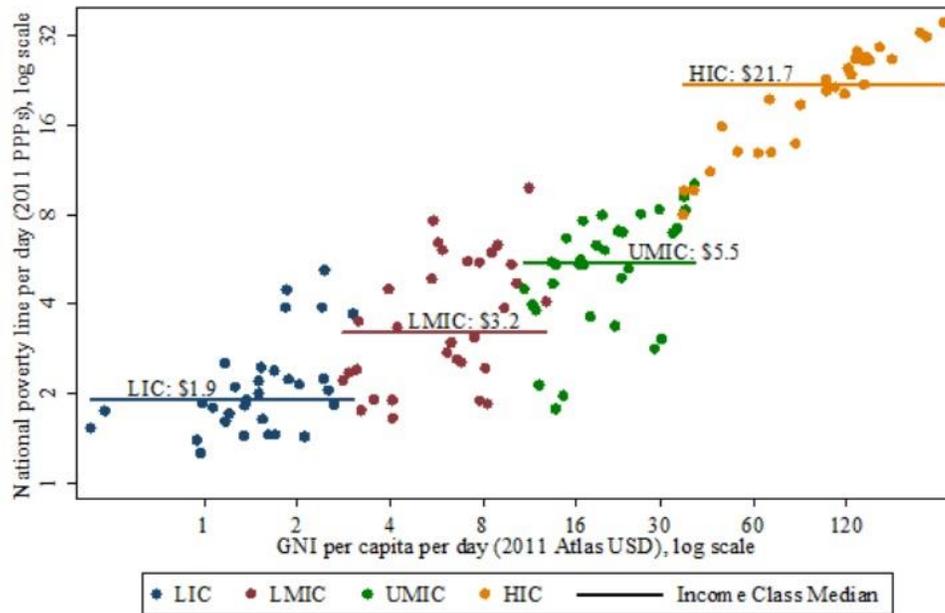
Toward a Global War on Poverty

Today, the World Bank lends money to countries and imposes austerity plans when the country cannot repay its debt.

Despite its use of large infrastructure projects to leverage desperate countries into the World Bank's plans, on a micro-level it studies poverty and promotes plans for minimum wages by recognizing family goals such as getting a job, which they call "capabilities."

Different "baskets of goods and services in different countries (or at different times)" may come together to give someone the capability of getting a job. So, a "poverty line that is absolute in the space of capabilities may very well turn out to be relative in the space of commodities (and thus incomes)." ⁹

Figure 1: National poverty lines increase with national income



Source: based on data from Jolliffe and Prydz (2016)

The cost of escaping poverty varies with the development of a country's economy. Out of 115 countries, there are the following:

- 33 low income countries, with a median poverty line of \$1.91 per person per day,
- 32 lower middle income countries, with a median poverty line of \$3.21,
- 32 upper middle income countries, with a median poverty line of \$5.48,
- 29 high-income countries, with a median line of \$21.70/day.

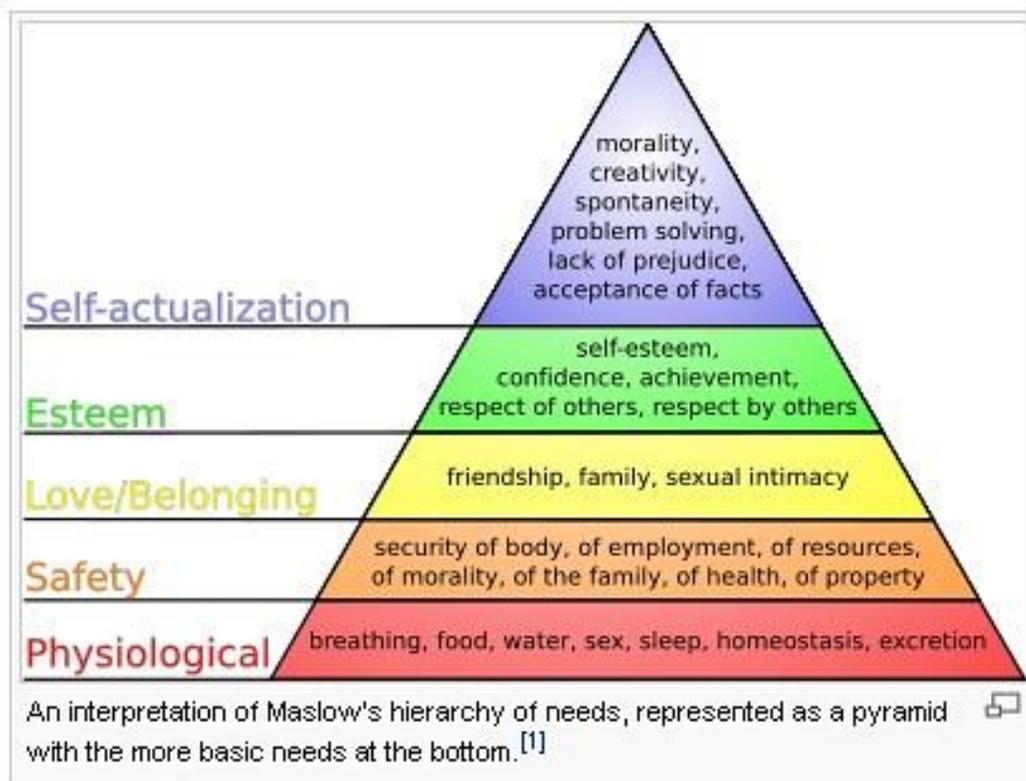
Just to emphasize, that is PER DAY.

Maslow's Hierarchy of Needs

Personally, I think Maslow had a good idea. As leader of a country, the President can figure out how spiritual the voters want the country to be and set the capabilities from mere subsistence to total inner satisfaction.

Though, the higher the pyramid goes, the more inverted it may become with greater inner satisfaction allowing for greater ability to "ignore" outward attraction of material goods once needs are met for basic survival.

Yet, perhaps, Maslow's hierarchy of needs also demonstrates the importance of a living wage that can support peoples' higher needs.



1. Hubert Horatio Humphrey (<https://newsatjama.jama.com/2012/09/20/jama-forum-the-role-of-government-to-help-the-people-who-need-our-help-the-most/>)
2. Coalition of Immokalee Workers' Fair Food Program (<https://www.fairfoodprogram.org/>)
3. Workhouses (<https://www.bl.uk/romantics-and-victorians/articles/oliver-twist-and-the-workhouse>. For a virtual tour of workhouses, see <https://londonist.com/2014/04/punished-for-being-poor-londons-forgotten-workhouses>.)

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4. Francis Perkins on Social Security (<https://socialwelfare.library.vcu.edu/recent/page/67/>)
 5. Gordon M. Fisher , “FROM HUNTER TO ORSHANSKY: AN OVERVIEW OF (UNOFFICIAL) POVERTY LINES IN THE UNITED STATES FROM 1904 TO 1965 — SUMMARY” (<https://aspe.hhs.gov/hunter-orshansky-overview-unofficial-poverty-lines-united-states-1904-1965-%E2%80%94-summary>)
 - 6 . LBJ revealed The Great Society at the University of Michigan commencement Address, (<https://bentley.umich.edu/features/the-great-society-and-michigan>).
 - 7 Joshua Zeitz, “What Everyone Gets Wrong About LBJ’s Great Society. It wasn't some radical left-wing pipedream. It was moderate; and it worked.” Politico, 2018 (<https://www.politico.com/magazine/story/2018/01/28/lbj-great-society-josh-zeitz-book-216538>)
 8. *GORDON M. FISHER*, “THE DEVELOPMENT AND HISTORY OF THE POVERTY THRESHOLDS” (<https://www.ssa.gov/history/fisheronpoverty.html>)
 9. FRANCISCO FERREIRA and CAROLINA SÁNCHEZ-PÁRAMO, World Bank Blogs, “A richer array of international poverty lines” (<http://blogs.worldbank.org/developmenttalk/richer-array-international-poverty-lines>)