

The Causes of Poverty: Thinking Critically about a Key Economic Issue

Josh Otlin

From the first day of my economics course, I work hard to explain to students what they are not going to learn about in my class. There will not be a stock-market competition; we will not learn how to read a balance sheet; and we will not start our own business. This causes some confusion. Many students sign up for my class expecting to learn about entrepreneurship, investing, and finance. All of these topics are worth our students' time, but in social studies, economics means something very different from what it does in business studies. Business education helps students become business leaders; social studies education helps students become socially responsible citizens.

Economics is a central part of civic education. Students need to know about the Constitution and the party system, but active citizenship in the twenty-first century requires much more than our standard civics courses offer. Economic issues dominate public policy debates ranging from Social Security to immigration to international security. If our students cannot evaluate economic arguments, they can do little but watch democracy from the sidelines or step into the fray partially blindfolded. Consider the following: an 18-year-old voter hears a candidate make an argument for carbon trading, and she tries to determine if the argument is a good one. She needs to use economic reasoning to predict the short-term and long-term consequences for the U.S. and global economy and environment. She must apply ethical reasoning to evaluate the moral implications of the policy, and she needs to employ political reasoning to estimate the policy's likely impacts on international relations. Helping students

develop proficiency in this type of decision making is challenging, exciting, and critically important.

The first step is teaching students the nature of arguments about economic issues. In arguments about economic policies, both of the opposing sides cite data and graphs and use technical jargon in support of their views. While these create an impression of scientific objectivity, students need to understand that arguments about economic issues are based on interpretations of data, and that different analysts can reach different judgments about those data. These judgments and interpretations are often subjective and rooted in political beliefs. I start teaching students about these arguments with an introductory lesson on poverty and welfare (I use two 90-minute blocks for the lesson).

I choose to begin with poverty for a few reasons. First, the topic is provocative and engaging. Most students are interested in poverty and welfare due to the stigma attached to both. Second,

a lesson exploring statistics on poverty provides a good opportunity to think critically about data, because measuring poverty is fraught with technical and political problems. In addition, the data on poverty is relatively easy to understand for students unfamiliar or uncomfortable with quantitative analysis. The data's accessibility helps to build students' confidence, while the shortcomings of the data bring real complexity to the topic. Lastly, arguments over poverty and welfare are emotional and political. This helps students grasp the subjective and political dimension of arguments about economic issues.

Figure 1. "Barometer" Statements

1. People are poor because of personal mistakes and failures.
2. Racial prejudice and discrimination causes poverty in the U.S.
3. Welfare has good intentions but bad consequences.
4. People have a right to food, shelter, basic healthcare, and education.

The lesson begins with a "barometer" activity where students stand at various points on a spectrum to indicate their agreement or disagreement with various



Hudson, Massachusetts, high school students analyze two competing arguments on poverty and welfare in their introductory economics course.

statements about welfare and poverty (Figure 1, pg. 75). A barometer activity gets my students out of their chairs and talking to one another, and provides me with some early indications of student attitudes and prior knowledge. We debrief by talking about the origins of students' positions and by identifying the core areas of disagreement. I explain to students that our study of poverty will not resolve the debate, but it will help them be more informed, critical decision makers.

Next, two teachers (I find a colleague who has a prep block) perform a dramatic reading of two short scripts on poverty and welfare (Box on pp. 77). A skilled adult reader helps highlight the emotional nature of the arguments. One argues that poverty is the result of exploitation and that welfare is a right. The other argues that poverty is a result of individual failure and that welfare produces more harm than good. The

Table 1. 2007 Poverty Guidelines of the Department of Health and Human Services

Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,210	\$12,270	\$11,750
2	\$13,690	\$17,120	\$15,750
3	\$17,170	\$21,470	\$19,750
4	\$20,650	\$25,820	\$23,750
5	\$24,130	\$30,170	\$27,750
6	\$27,610	\$34,520	\$31,750
7	\$31,090	\$38,870	\$35,750
8	\$34,570	\$43,220	\$39,750
For each additional person, add	\$3,480	\$4,350	\$4,000

Source: *Federal Register* 72, no. 15, January 24, 2007, pp. 3147-3148. Accessed on January 23, 2008, from aspe.hhs.gov/poverty/07poverty.shtml

arguments are relatively simple and polarizing so that students can more easily compare them.

I then lead the students in classifying

different parts of the first argument as either normative or positive. I tell the students that positive claims describe how things are and how they came to be

Poverty and Welfare: Opposing Views

Evan

Greed, exploitation, and discrimination cause poverty in the U.S. Business owners pay their employees as little as possible for their hard work, so little that working adults often fall into poverty. Business owners argue that no one forces employees to take low wage jobs; individuals seek out these jobs and are usually grateful to have them. This is true, but people seek out these jobs because they are desperate to survive. Rich business owners could pay their workers substantially more, but they choose to pay themselves huge salaries so they can buy another vacation home, another luxury car, or another fancy watch. Rich business owners like poverty because a pool of poor workers means a steady supply of desperate people willing to work for whatever businesses are paying, regardless of how unfair those wages are. Businesses have an obligation to pay workers enough to keep them out of poverty.

It is undeniable that these business owners, and the wealthy as a group, are disproportionately white, while the poor are disproportionately people of color. People of color face an uphill battle against prejudice and discrimination when looking for good jobs and are at a considerable disadvantage in our competitive society. The differences in poverty rates by race are the result of discrimination and unequal opportunity.

Poverty in the U.S. involves true suffering and indignity. Poor people are always one illness or accident away from complete desperation. They are forced to live day-to-day, meal-to-meal, often unsure if they will have a roof over their heads and food on their plates next week. This vulnerability causes intense stress, ultimately leading to hopelessness. As a result, social problems, including domestic abuse, drug and alcohol addiction, and crime, are widespread among the poor. The negative consequences of these problems are not limited to the poor; everyone in society pays the costs.

The government exists to make sure its citizens enjoy a good life and to promote justice. As a result, the government has a direct responsibility to make sure that all citizens, not just some, enjoy a decent standard of living. Refusing to intervene in the blatant exploitation of the working class is completely unjust.

No one wants to be poor, and no one wants to be the object of charity. More importantly, no one wants to go hungry, cold, or sick because he or she cannot afford the necessities of life. Welfare allows exploited individuals to provide for their basic needs while they try to escape poverty. While small numbers of individuals abuse the welfare system, it is absurd to suggest that abuse is widespread. To take away help that millions of Americans need and deserve because a few abuse that help is inhumane. In the richest society in the world, people have a fundamental right to food, shelter, healthcare, education, and the security of knowing that their basic needs will be met if they cannot support themselves.

Barbara

A failure of individual responsibility is the cause of poverty in the U.S. For over 200 years, poor people from all over the world have flocked to the U.S. because of its incredible opportunities for personal advancement. In the U.S., hard work is rewarded and ordinary people can enjoy a high quality life; there is no other possible explanation for why so many people from all over the world, for so long, have desperately sought entry into the U.S. Individuals fall into poverty in the U.S. because they lack the willingness to work hard, exercise self-discipline, and improve themselves.

It is fundamentally wrong to blame business owners for poverty; in fact, business owners take on great risk to start up businesses that provide people with the jobs they need to sustain themselves and lead a good life. The wealth of business owners is a fair reward for their hard work and willingness to take risks. Anyone in the U.S. can start their own business; many try, and few succeed. We should thank those who succeed for providing the rest of us with the opportunity to work. Businesses have a duty to treat their workers fairly, and fair treatment is paying workers a wage that they voluntarily accept when they take the job.

It is wrong to see inequality as the product of racial discrimination. The U.S. has a long and tragic history of racial discrimination, and fortunately, that history is in our past. While there are individuals who certainly hold prejudices, the U.S. in the twenty-first century is arguably the most tolerant society in the world with incredible opportunities for all people regardless of their race. Differences in poverty rates by race are the result of cultural problems within communities of color, not discrimination.

While poverty in the U.S. is certainly not desirable, it needs to be put into some perspective. The vast majority of poor people in the U.S. enjoy decent housing, an ample diet, access to good quality emergency health care, free education for their children, and the comfort and convenience of modern appliances. It is hard to be overly concerned for the poor American who enjoys a big dinner cooked in a microwave while sitting in front of a TV watching shows on cable.

The government exists to protect our freedom and promote justice. As a result, the last thing the government should do is restrict our freedom to enjoy the money we earn by our hard work. Taking money from those who earn it to give to people who refuse to work hard enough to support themselves is clearly wrong.

Welfare is well intentioned, but like so many well-intentioned policies, it produces more harm than good. Welfare permits people to continue the irresponsible behavior that made them poor in the first place by enabling them not to work, or not work enough, to support themselves. In fact, welfare gives people a reason not to work or invest in education: why work hard to support yourself or invest in your education when you can count on your fellow citizens to support you? In the richest society in the world, every child is provided with a free education, every adult is free to move about the country to seek jobs wherever they are available or start their own business. Paying people not to work, or not work hard enough, is harmful to welfare recipients and society as a whole.

Table 2. **People and Families in Poverty by Selected Characteristics, 2006**

% Below Poverty Level in 2006

People 12.3%		Families 9.8%	
By Race and Hispanic Origin		By Type of Family	
White	10.3	Married-couple	4.9
Black	24.3	Female householder, no husband present	28.3
Hispanic origin (any race)	20.6	Male householder, no wife present	13.2
By Age			
Under 18 years	17.4		
18 to 64 years	10.8		
65 years and older	9.4		
By Region			
Northeast	11.5		
Midwest	11.2		
South	13.8		
West	11.6		

Source: Carmen DeNavas-Walt, Bernadette D. Proctor and Jessica Smith, *Income, Poverty and Health Insurance Coverage in the United States: 2006* (Washington, D.C.: U.S. Census Bureau Current Population Reports, 2007): 12. This publication can be viewed at www.census.gov/prod/2007pubs/p60-233.pdf

Table 3. **Poverty Rate, Selected Years, 1959–2006**

Year	% of Persons Below Poverty Level
2006	12.3
2000	11.3
1995	13.8
1990	13.5
1985	14.0
1980	13.0
1975	12.3
1970	12.6
1965	17.3
1959	22.4

Source: Carmen DeNavas-Walt, Bernadette D. Proctor and Jessica Smith, *Income, Poverty and Health Insurance Coverage in the United States: 2006* (Washington, D.C.: U.S. Census Bureau Current Population Reports, 2007): 44. This publication can be viewed at www.census.gov/prod/2007pubs/p60-233.pdf

that way; normative claims describe how things should be. Students then work with partners to classify the different parts of the second argument. We review as a class to make sure everyone is on the same page before we proceed.

In the next exercise, students use data to try to evaluate the positive claims in each argument. Each student receives a packet of charts and tables (Tables 1-4 include samples of these). I organize students into groups and assign a chart or table (or portion of a table) to each. They consider the data in light of the positive claims made in the two arguments and determine if the data supports the claims, undermines the claims, or raises further questions about the claims. Student groups present to the class, and I lead the discussion. This debriefing provides opportunities to talk about the technical and political challenges inherent in measurement. Ultimately, I try to help my students understand that while positive economics seeks to employ a scientific approach to understanding society, there are substantial obstacles to doing so satisfactorily.

We then move onto a review of the normative claims. Students count off and are randomly assigned one of the normative claims to consider. They write a journal entry reacting to the claim and then join their peers who reflected on the same claim, discuss their reactions, and then present a summary of their discussion to the class. The debrief provides an opportunity to help students see that disagreements about economic issues can be based on differences in core values.

The lesson starts to wrap up by analyzing the opportunity costs of overly simplistic choices regarding welfare programs—fund them or do not fund them. In the review, I reinforce the idea that economic problem solving requires choosing between one or more options with benefits, or, that “choosing is refusing.” By this point in the lesson, students perceive benefits to each alternative, thus making the choice more complex and real.

Table 4. **Inequality in Household Income in the U.S., 1979-2005**
(A comparison of the average after-tax income received by different households)

Income Category	1979	2005	% Change, 1979-2005	Change in dollars, 1979-2005
Lowest fifth	\$14,400	\$15,300	6%	\$900
Second fifth	\$29,100	\$33,700	16%	\$4,600
Middle fifth	\$41,500	\$50,200	21%	\$8,700
Fourth fifth	\$54,300	\$70,300	29%	\$16,000
Top fifth	\$95,700	\$172,200	80%	\$76,500
Top 1 percent	\$326,400	\$1,071,500	228%	\$745,100


Source: Arloc Sherman, "Income Inequality Hits Record Levels, New CBO Data Show" (Washington, D.C.: Center on Budget and Policy Priorities, 2007). Accessed on January 31, 2008 at the website of the Center on Budget and Policy Priorities, www.cbpp.org/12-14-07inc.htm. The table incorporates information published by the Congressional Budget Office on effective federal tax rates.

The lesson concludes with a journal-pair-share on how students' ideas about economics have evolved over the course of this exercise. One of my students, who previously took a course in economics in our business department, recently wrote,

What I have learned in the past two days is the complexity of issues that economists face. It is not just how much money is in circulation or inflation rates. Economists face an array of issues involving ethical problems. I have learned that even in economics there are some questions that have no answers, or at least ones that are extremely hard to answer.

With this conceptual foundation in place, my students are ready to

engage in a semester of challenging, meaningful, critical thinking about economics.

The simple process of identifying positive and normative claims is an indispensable skill for evaluating arguments. It helps to provide a clear entry-point into an intimidating intellectual task. Testing positive claims against data, with a critical eye towards the statistics, and testing normative claims against our own moral code is well within reach of high school students. This approach to economics education fosters the skills required for independent, ethical decision making. This is the cornerstone of socially responsible citizenship. 

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