

Poverty in America

A Threat to the Common Good



Catholic Charities 2006 Policy Paper



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Catholic
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1731 King Street • Alexandria, Virginia 22314
(703) 549-1390 • www.catholiccharitiesusa.org

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Executive Summary

Poverty in the United States is a moral and social wound in the soul of our country. It is an ongoing disaster that threatens the health and well-being of our nation. We have the resources, experience, and knowledge to virtually eliminate poverty, especially long-term poverty, but we do not yet have the political will.

As members of Catholic Charities, one of the largest networks of social service providers in the nation, we are deeply troubled by the fact that in recent years the federal government has substantially reduced the resources devoted to assisting those who are impoverished. There has been a conscious and deliberate retreat from our nation's commitment to economic justice for those who are poor. We believe that poverty remains our nation's most serious political blind spot and one of our nation's most profound moral failings.

A Violation of Our Moral and Democratic Values

From a Judeo-Christian perspective, poverty means that the covenant with God has been ruptured. Our relationship with God is not in right order, and the injustice of poverty and extreme inequality cries out for change. Among the moral values that should govern our analysis of poverty are the following: human dignity, the common good, human rights, and the option for the poor.

The tolerance of widespread poverty in our midst undermines our social contract and weakens our democracy. It violates our basic sense of fairness and equity, and it diminishes our legitimacy as a beacon of political values that are admired around the world – freedom, justice, equality, and “liberty and justice for all.”

The Scope and Nature of Poverty in the United States

- 37 million people – about 12.6 percent of the population – live below the official federal poverty level, which in 2006 is \$20,000 for a family of four.
- Poverty rates are highest in central cities and in rural areas.
- Between 2000 and 2004, the number of people living in poverty increased by 5.3 million.
- Poverty rates did not decline, even though the economy as a whole was in a long recovery.
- The current poverty line significantly understates the number of people who are impoverished because of the inadequate methodology used to measure poverty.
- While most poor Americans are white, the percentage of people of color living in poverty is much higher. For example, the poverty rate for non-Hispanic whites is 8 percent, while the rate for African Americans is 24.1 percent, for Hispanics, 21.8 percent, and for Native Americans, 23.2 percent. For children, the poverty rate for whites is 10 percent, while it is 28 percent for Hispanic children, 27 percent for Native American children, and 33 percent for African American children.
- Most of the poor are workers. Nearly two out of three families with incomes below the poverty line include one or more workers.
- Poverty affects many Americans. Almost half of all Americans will have experienced poverty for a year or more at some point in their lives by the time they reach age 60.

Growing Inequality

There is a growing gap between the haves and have-nots in our nation. For example, in 1998 (the latest year for which figures are available) the top 20 percent of the population held 83 percent of the total net wealth in the country while the bottom 80 percent held only 17 percent of the net wealth. Our nation has not seen such extreme inequality since the 1920s.

Successful Policies

We should not overlook the fact that the United States has an important set of basic public structures that work effectively to ameliorate poverty and provide opportunity. The poverty rate for individuals in 2004 would be nearly double if it weren't for these and other successful policies that are in place:

- Social Security, Temporary Assistance for Needy Families (TANF), the Earned Income Tax Credit (EITC), Medicaid, Medicare, and housing assistance
- Minimum wage, civil rights laws, and labor laws

Weaknesses in Current Economic and Social Policies

Despite these successful programs, there are serious weaknesses in our economic and social policies that make our poverty rate much higher than it should be. Compared to other Western industrialized nations, we have one of the highest poverty rates and one of the lowest spending rates in terms of programs aimed at reducing poverty. The weaknesses in our current policies fall into two broad categories:

- Lack of livable wage jobs
- Lack of adequate social welfare policies

Specific Policy Proposals Supported by CCUSA

To combat poverty systematically and effectively, the federal government must implement policy changes to address the current weaknesses in our economic and social policies. These policy changes include steps to:

- 1) Create more livable wage jobs and raise wages, including the minimum wage
- 2) Invest in social policies that support low-income families and individuals
 - Strengthen and protect our nation's nutrition safety net
 - Improve the Temporary Assistance for Needy Families (TANF) program to benefit more families
 - Ensure universal health insurance coverage
 - Improve access to safe and stable child care
 - Support policies that strengthen families
 - Create more affordable housing
 - Improve the Earned Income Tax Credit (EITC) to be more inclusive
 - Improve access to education and training
 - Address the growing wealth disparity

To assist in paying for these policy changes, Catholic Charities USA supports progressive tax policies that will benefit lower and middle income taxpayers while asking those who have more to pay more.

Role of Government

Faith-based groups and the non-profit sector do not have the resources to replace those functions which are the legitimate responsibility of government and the private sector. Catholic Charities USA will not accept the proposition that agencies such as ours should substitute for some of the basic functions of government.

We are committed to expanding our partnerships with other organizations in the private sector, the public sector, and the non-profit world. As members of Catholic Charities, we declare our firm commitment to act boldly in fighting poverty in our nation. *We propose that a major national goal be established to steadily decrease poverty in our nation so that by the year 2020 the rate of poverty will be reduced at least by half.* Only if we work together can we succeed in reaching this goal.

Poverty in America

A Threat to the Common Good

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Introduction

As members of Catholic Charities, one of the nation's largest networks of social service providers, we look out across our country in 2006, and what we see is a shocking and disturbing reality. In one of the richest, most powerful nations on earth, tens of millions of people lack some of the basic material necessities of life. The existence of such widespread poverty amidst such enormous wealth is a moral and social wound in the soul of this country. Even while the economy as a whole prospers, this scourge of poverty is getting worse, and the harm it inflicts on our entire nation continues to grow. The fact that this powerful economy is leaving so many behind is a sign that something in our social and economic system is seriously broken.

Unlike natural disasters such as hurricanes and floods, poverty in the United States is a human-made disaster. It is not a force of nature beyond our control, but rather it is the result of economic, social, and political choices that we Americans have made, both as individuals and as a society.

Catholic Charities members have worked for more than a century to serve those in need and to empower them to build lives of dignity and economic security. This experience has convinced us that poverty is an unnecessary evil, an "unnatural disaster." Ours is a very prosperous nation, and we have the resources, experience, and knowledge to virtually eliminate poverty, especially long-term poverty. Knowing this, we are shocked and angered when every day we see the suffering and pain that poverty imprints on the faces of those we serve.

- We see this suffering in the faces of infants who do not get adequate health care and nutrition and in the faces of children who cannot get quality child care and early childhood education.
- We see it in the faces of people who live in neighborhoods of concentrated poverty and who have limited educational opportunities and little access to jobs that pay livable wages. Tragically, they far too often end up in the criminal justice system.
- We see it in the faces of the working poor who struggle to hold down two and three jobs and still cannot feed their children or find affordable housing. These daily struggles for survival put incredible strains on family life and often contribute to the break up of marriages and families.
- We see it in the vacant eyes of homeless people. Many suffer from mental illness and have no access to mental health services that could help them. Others are veterans who have fought for our freedom. Still others are young families that have fallen through the tattered safety net.

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- We see it in the faces of immigrants and refugees who struggle to leave their homes, cross the border, and make a new life in the United States. Looking only for food for their families and a more dignified life, many die in the deserts they cross or work in exploitive conditions in their attempts to find a new future in a new land.
- We see it in the faces of elderly citizens, especially women, who are dehumanized and demoralized when they have to choose between utilities and food.

What we see is well supported by the numbers presented in census data, independent research studies, and the daily news:

- The number of people who are poor by official government standards is 37 million, a number that is equal to the combined populations of Missouri, Kansas, Oklahoma, Colorado, Nebraska, Iowa, Minnesota, North Dakota, South Dakota, Wyoming, Nevada, Idaho, Utah, and Alaska.¹
- Poverty is not limited to a small minority of our citizens. More than half of all Americans will experience poverty for at least one year during their adult life (ages 20-65).²
- 25 million people in our nation sought help from food banks last year – an increase of 18 percent since 1997.³
- The highest rates of poverty are among children, especially children of color.⁴
- African Americans, Hispanic Americans, and Native Americans are about three times as likely to live in poverty as are whites.⁵
- More than 7 million people living in rural areas are poor – a poverty rate of 17 percent.
- Statistics gathered by Catholic Charities show a steady increase in requests for emergency assistance, food, shelter, and utility assistance.

In response to the growing problem of poverty, this policy paper has been drafted as a statement from Catholic Charities USA and its membership across the nation. The paper's purpose is threefold:

- To educate readers about the facts of poverty, the moral reasoning behind our call to fight poverty, and the specific public policy changes that we support.
- To lift up the issue of poverty in the political arena and in the media.
- To invite others, both in the Catholic community and in the broader society, to join together in a concerted effort to dramatically reduce poverty in our nation.

We speak to two audiences. First, as members of a Catholic organization, we speak to Catholics and devote part of this paper to the scriptural values from the Catholic faith that are relevant to analyzing the social sin that we call poverty.

Secondly, we speak to the broader public and to our own employees and clients, who are of many different faiths and religious beliefs. While we are proud of our identity as a Catholic organization, we recognize the healthy pluralism that is present within our agencies and in the general public. Since many do not share our faith, we emphasize that we have no intention of imposing our religious beliefs on others. Moreover, we are convinced that public discourse about poverty should include an explicit discussion of moral values articulated in a language that is accessible to all. For this reason, a significant part of this statement is devoted to explaining the moral reasoning drawn from Catholic social teaching.

While we bring a unique perspective as one of the nation's largest service providers for individuals and families who are poor, we are not the only, or the first, national Catholic organization to speak out on poverty. We join our voice with that of the Catholic Campaign for Human Development,⁶ which has worked for over three decades to empower people to escape poverty and to educate the public about poverty. We also join with the United States Conference of Catholic Bishops, which has issued numerous statements and pastoral letters that address the issues of poverty, including their most recent statement titled, "A Place at the Table."⁷

This paper is divided into four main sections. Section I explains the moral and religious foundations that inspire our commitment to fight poverty. Section II then describes the harsh reality of poverty and its causes. Section III presents a series of specific policy proposals, while Section IV calls people of good will everywhere to action.



*J*EFF AND SUE HAVE BEEN MARRIED FOR MORE THAN 15 YEARS AND HAVE FIVE CHILDREN. With both his feet amputated, Jeff is unable to work and receives disability supplements. Sue works in any job she can find to cover the expenses that Jeff's disability payments can't meet, but it is never enough. They are living in a rental home without air conditioning, but will need to move soon because the house is not up to code. Jeff and Sue's family members question their ability to raise their children, and the couple often find themselves stressed by having to answer to the state's child protective services. Poverty follows them wherever they go, and it takes a toll on everyone in the family.

I. Poverty as a Moral Issue

Poverty in this nation is an ongoing disaster that threatens the health and well being of our country, which our children will inherit.

As a Christian and Catholic organization, we are offended and frustrated by the fact that the issue of poverty has been largely ignored by our nation's political leaders and by much of the mass media. Poverty has worsened in recent years and now afflicts more than one out of every eight families in the nation. Meanwhile, the federal government has substantially reduced the resources devoted to assisting those who are impoverished, and states have been unable or unmoved to act. There has been a conscious and deliberate retreat from our nation's commitment to economic justice for those who are poor. Poverty remains our nation's most serious political blind spot and one of our nation's most profound moral failings.

A Sacred Covenant

In reflecting on the moral foundations for speaking out on behalf of those who are poor, we recall the sacred covenant that is described in the Scriptures. At the heart of the Scriptures is God's covenant with his people. Through the covenant, God promises to bless his people, but through it, he also calls his people to be a blessing to the nations (Gen. 15, 17).

After God delivers the children of Israel from bondage in Egypt, he reveals an important truth about the covenant: liberation from slavery is a generous gift, but its giving requires the people who receive it to live in a new way. In other words, the covenant is both a gift and an obligation. It challenges the people of God to liberate others as they were liberated, to attend to the cries of the poor as God attended to theirs, and in many other ways to love as they were loved. Fidelity to the covenant is measured in large part by the extent to which the community cares for its most vulnerable members, especially the widow, the stranger, and the orphan. The goal of the covenant is a right relationship with God, others, ourselves, and the environment. The fruit of these right relationships, then, is peace and justice in the world.

In the New Testament, Jesus reveals a new covenant that will bring about a new kingdom. Through his words and actions, through his table fellowship with sinners and outcasts, and through his death and resurrection, he proclaims the gift of life and invites all to repentance and conversion. As the early church receives the new gift of life in the Spirit, they are challenged to be a light for the world and salt to the earth. They are called to be a blessing to the nations and disciples committed to the way of Jesus. By word and example, they are challenged to proclaim a God of life who has overcome death in all its forms, including death as it is experienced in the diminishment of life through poverty, sickness, and any form of exclusion.

Both Jesus' actions and words emphasized strongly the link between faith and love for the poor. Repeatedly, Jesus confounds the authorities by identifying with the poor, the downtrodden, and those on the margins of society. In a parable describing the Last Judgment, Jesus says, "When you did it to the least of these, you did it to me" (Matt. 25). Jesus came with a message of dramatic transformation and reversal of priorities. He called for a radical change of heart and a new commandment of love in which caring for others, especially the poor, was a fundamental sign of fidelity to a relationship with God that was rooted in the covenant.

In our own time, we who are members of Catholic Charities believe that the persistence of widespread poverty in a nation as wealthy as ours is a deep moral failing and a social crisis that weakens our nation. From a Judeo-Christian perspective, it means that the covenant has been ruptured. Our relationship with God is not in right order, and the injustice of poverty and extreme inequality cries out for change.

If we are to renew our covenant with God and create the conditions for the justice that God demands, then the first order of business must be to proclaim loudly to the nation that those who are poor and vulnerable must not be overlooked or dismissed. For we are "one nation under God," and this nation's welfare is threatened now and in the future if we fail to ensure that those in need are fed, cared for, and given every opportunity to succeed and prosper in a way that reflects their fundamental human dignity as creatures made in God's image.

Catholic Social Teaching

To help us think and act justly in the face of poverty, we have not only the challenging messages of the Scriptures, but also the long tradition of Catholic social teaching. This teaching is rooted in the Bible and consists of official church documents over the last century and a half that apply the principles of social justice to the issues of the day. For example, Pope Benedict XVI has said in his first papal encyclical that we who are believers in the God of justice and righteousness "cannot and must not remain on the sidelines in the fight for justice."⁸

Catholic social teaching clearly defines poverty as a moral issue. It asserts that the existence of extreme poverty amidst plenty is a serious violation of moral values and a threat to the good of society. The church's social teaching includes numerous moral principles and themes that are relevant to our discussion of poverty:

Human Dignity and the Common Good. Human dignity is a bedrock principle in Catholic social teaching. Every person is made in God's image and, therefore, has a special dignity that must be protected and honored. Poverty is a fundamental violation of human dignity and also a form of violence against the God who is present in every human person. As Pope Benedict XVI has said, "[W]ithin the community of believers, there can never be room for a poverty that denies anyone what is needed for a dignified life."⁹

As these words suggest, human dignity makes sense only if it is viewed in the context of community, because we are fundamentally social beings, bound together in the human family. If our society is to combat poverty successfully, then we will need a renewed sense of community, a renewed commitment to the common good.

In recent years, papal teaching has discussed the common good in terms of the virtue of solidarity. In his teachings, the late Pope John Paul II emphasized this principle. He described it as a virtue, as "a firm and persevering determination to commit oneself to the common good; that is to say to the good of all ... because we are all really responsible for all."¹⁰ Likewise, in

the New Testament, we hear a similar message when St. Paul reminds us, “We are all members of one body...when one member suffers, we all suffer as one” (1 Cor 12:20-26).

Rights and Responsibilities. Human dignity is protected by basic human rights. Among these are the right to life and the basic necessities of life such as food, shelter, clothing, health care, education, and employment at a livable wage. Included in these fundamental rights is the right to participate in decisions that affect one’s life and one’s future. For those living in poverty, this means that they have a right to participate in the process of their own development.

Catholic social teaching affirms the idea that every right carries with it a set of responsibilities, both on the part of the individual and the community. Thus, for example, all people have a right to health care, but they also have a duty to act responsibly in living a healthy life and caring for the physical and mental well-being of their bodies. They are responsible for their own decisions and actions. At the same time, society has a responsibility to ensure that everyone has access to decent health care, and individuals have a responsibility to contribute to the common good by helping society reach this goal.

As an extension of this teaching on human rights, the church holds that government has a positive moral role in protecting the rights of individuals. Pope John XXIII summarized this idea in the following way:

As for the State, its whole *raison d’être* is the realization of the common good in the temporal order. It cannot, therefore, hold aloof from economic matters. On the contrary, it must do all in its power to promote the production of a sufficient supply of material goods It has also the duty to protect the rights of all its people, and particularly of its weaker members, the workers, women and children.¹¹

A disturbing number of people in our society, who are guided by a philosophy of radical individualism, argue that government has little or no role in alleviating poverty. They say that government intervention is ineffective, and the market should be allowed to operate virtually without restraint because free markets will maximize overall growth. In this view, economic inequality is seen merely as the unfortunate side effect of market forces, and poverty is viewed as primarily the result of individual choices that people make and not the result of faulty structures or policies.

It is our conviction that this view is seriously misguided and even dangerous. It clearly runs counter to the substance of Catholic social teaching. While Catholic teaching supports the free market and recognizes its value, it also asserts that there are distinct limits on what the market can and should do. Two of the most serious failings of a totally free market are the following: first, the market is inherently incapable of adequately meeting the needs of those who are poor, and second, the market produces vast inequalities in the distribution of income and wealth. Remedying these serious failings constitutes a public good, a common good, and it requires the involvement of government.

Pope John Paul II has written forcefully on this topic, as in the following passages:

It is the task of the State to provide for the defense and preservation of common goods such as the natural and human environments, which cannot be safeguarded simply by market forces. . . . [T]he State and all of society have the duty of defending those collective goods which, among others, constitute the essential framework for the legitimate pursuit of personal goals on the part of each individual.

[T]here are collective and qualitative needs which cannot be satisfied by market mechanisms. There are important human needs which escape its logic... Certainly the mechanisms of the market offer secure advantages: they help to utilize resources better; they promote the exchange of products; above all they give central place to the person's desires and preferences.... Nevertheless, these mechanisms carry the risk of an "idolatry" of the market, an idolatry which ignores the existence of goods which by their nature are not and cannot be mere commodities.¹²

The dignity of a person who is poor is precisely the kind of good which the market ignores. It is a good that cannot be treated as a mere commodity and must not be left to the unfettered mechanisms of the free market.

One final aspect of the church's teaching on human rights that has direct bearing on the issue of poverty is the teaching on property. This teaching holds that private property is a right, but it is not an absolute right. Like other rights, the right to private property is subordinate to the common good. The rights and interests of others in society, or the welfare of the society as whole, put limits on individual rights. This teaching flows from the principle that the goods of the earth are a gift from God and they were meant for the benefit of all. Therefore, private property carries with it what Pope John Paul II called a "social mortgage," meaning that the goods of the earth are meant not just for one's personal benefit, but also for the good of society.

This long-standing teaching of the church suggests that those who have excess wealth have a special responsibility to contribute to the common good by helping eradicate poverty. In his apostolic letter titled, "A Call to Action," Pope Paul VI put it this way:

In teaching us charity, the Gospel instructs us in the preferential respect due the poor and the special situation they have in society: the more fortunate should renounce some of their rights so as to place their goods more generously at the service of others.¹³

Catholic social thought includes a strong moral critique of extreme inequality in the distribution of wealth and income. This teaching says quite explicitly that it is not morally acceptable for a society to allow extreme inequality in the distribution of goods as long as there are some in the society who do not have the most basic material goods to lead a decent life.

Option for the Poor. Catholic teaching asserts that one of the principal means by which society and the state must defend human dignity is by giving priority to the needs of the poor. Rooted in the Beatitudes, the poverty of Jesus, and his attention to those in need, the "option for the poor"¹⁴ expresses the church's commitment to stand alongside those whom society dismisses as insignificant and to work with them for their integral liberation and human development. The option for the poor permeates all of Catholic social teaching and particularly the writings of John Paul II:

This is an option, or a special form of primacy in the exercise of Christian charity, to which the whole tradition of the church bears witness... [G]iven the world-wide dimension which the social question has assumed, this love of preference for the poor, and the decisions which it inspires... cannot but embrace the immense multitudes of the hungry, the needy, homeless people, those without medical care and, above all, those without hope of a better future.¹⁵

Catholic teaching asserts that one of the principal means by which society and the state must defend human dignity is by giving priority to the needs of the poor.

This principle has strong implications, not only for us as individuals, but also for the institutions and public policies that we create as a society. This point is made clear in the following passage from the U.S. Bishops' pastoral letter on economic justice:

As followers of Christ, we are challenged to make a fundamental “option for the poor” – to speak for the voiceless, to defend the defenseless, to assess life styles, policies, and social institutions in terms of their impact on the poor. This “option for the poor” does not mean pitting one group against another, but rather, strengthening the whole community by assisting those who are the most vulnerable. As Christians, we are called to respond to the needs of all our brothers and sisters, but those with the greatest needs require the greatest response.¹⁶

The need for this preferential option remains today, as the challenges and ordeals of poor people become increasingly invisible to policymakers and average Americans.

Our Democratic Values

This nation has a long political tradition that supports the idea of commonwealth or common good. This tradition has placed great emphasis on the public responsibility that we all share to ensure “liberty and justice for all.” In the preamble to the Constitution, our nation's founding fathers declared their intent to create a government whose purpose was, among other things, to establish justice, to promote the general welfare, and to secure the blessings of liberty for us and for our posterity.

Our nation was established as a “commonwealth.” The very word suggests a form of government that was not an authoritarian state serving the interests of a few, but rather a form of government that serves the common good, the common well-being. This means that, along with the privilege of participating in our democracy, we have a shared responsibility to contribute to the common good. As members of this commonwealth, we share a special obligation to ensure that our fellow citizens do not go hungry and homeless.

The tolerance of widespread poverty in our midst undermines our social contract and weakens our democracy. It violates our basic sense of fairness and equity. It diminishes our legitimacy as a beacon of political values that are admired around the world – “liberty and justice for all.” In 1995, Pope John Paul II spoke at Giants Stadium in New Jersey and he declared:

Quite close to [here] there rises a universally known landmark which stands as an enduring witness to the American tradition of welcoming the stranger, and which tells us something important about the kind of nation America has aspired to be. It is the Statue of Liberty, with its celebrated poem: “Give me your tired, your poor, your huddled masses yearning to breathe free . . . Send these, the homeless, tempest-tossed to me.” Is present-day America becoming less sensitive, less caring towards the poor, the weak, the stranger, and the needy? It must not! . . . If America were to turn in on itself, would this not be the beginning of the end of what constitutes the very essence of the “American experience”?¹⁷

These principles from America's political roots and, even more so, the moral values of Catholic social teaching stand in stark contrast to the extreme individualism of our day. We live in a culture and an economy where “me and mine” takes precedence over “we and ours,” where private interest and private struggle take precedence over social virtues and social commitments, where “you're on your own” takes precedence over “we're in this together.” Our society is increasingly characterized by a radical separation of private life and social life. Far too often,

our culture promotes an ethic of private interest and private struggle to the near exclusion of social virtues and social commitments.

In general, we are witnessing a loss of commitment to the social order, a declining willingness to sacrifice one's immediate selfish interests for the good of the wider society. Therefore, we believe that restoring a healthy commitment to the common good is one of the most significant social tasks of our time. In the words of social ethicist Rev. David Hollenbach, "We need a renewed commitment to the common good – a good that must be there for us all, if it is to be there for any of us." ¹⁸

*G*ail grew up poor. Her alcoholic mother had 11 children. Gail has followed suit – she is a single mother with four children. Without training or proper education, Gail has worked at a variety of low-paying, physically demanding, and sometimes dangerous jobs. She works hard and has small successes every now and then. Her children have grown up surrounded by people with destructive behaviors exacerbated by poverty, and Gail anguishes over her children that have fallen into the same pitfalls. Gail has lived her life without much hope or positive support and struggles to be the best she can be, but the impact of her life experience in poverty keeps her from truly getting up and out. She just doesn't know how.



II. The Reality of Poverty in the United States

According to the most recent official data, nearly 37 million people – about 12.6 percent of the U.S. population – had incomes below the federal government’s poverty line in 2005.¹⁹ Poverty has gotten worse in recent years. Between 2000 and 2005, the number of people living in poverty increased by 5.3 million, rising faster than the overall rate of population increase. Perhaps most disturbing of all is the fact that the rate of extreme poverty (those living at less than half the official poverty level) has risen to an all-time high.²⁰

Defining Poverty

The current official measure of poverty in the United States was established in the 1960s. Unlike many other economic measures which have been modified and improved in recent years, no significant changes have been made to the poverty measure since its adoption.

According to the measure, a family of four is considered poor in 2006 if it has annual income below \$20,000. The current poverty line significantly understates the number of people most Americans would consider poor. When polled on this question, the typical American believes that it takes about \$40,000 for a family of four to survive on just the basic necessities of life in today’s economy. This common sense definition of poverty is more consistent with historical understandings of poverty than the current poverty measure.²¹

Nearly all other industrialized nations have poverty measures that more accurately reflect this common sense measure of poverty by setting the poverty line as a percentage – typically about half – of the income of the typical (median) family. By contrast, the U.S. poverty line is equal to only about 28 percent of median income.²²

A related limitation of the current poverty measure is that it defines poverty in one-dimensional terms as simply a lack of income. But poverty is inescapably multidimensional, involving not only a lack of income, but a lack of other necessities and resources, such as health care, assets, and the ability to participate in decision-making which affects one’s life.

Correcting Conventional Wisdom

Conventional wisdom has it that poverty is something that happens to “poor people” who are different from mainstream society in terms of behaviors, characteristics, and various other factors. This conventional wisdom also holds that the poor spend most of their lives in poverty, have little or no connection to the labor market, and are dependent on public assistance as their primary source of income. These commonly held beliefs, however, are not consistent with fundamental facts regarding the nature of poverty.

- *Poverty affects many Americans.* Almost half of all Americans will have experienced poverty for a year or more at some point in their lives by the time they reach age 60.²³ Of these, about a half will have lived in poverty at various points for a total of four years or more.
- *Most of the poor are workers.* Nearly two out of three families with incomes below the poverty line include one or more workers. Only about 3 percent of individuals receive more than half of their annual income from Temporary Assistance for Needy Families (TANF) income supplements, Food Stamps, and Supplemental Security Income (SSI).
- *Most poor Americans are white.* Almost half of all people living in poverty – about 47 percent – are white and non-Hispanic. However, African Americans and Hispanics are much more likely to live in poverty than other population groups.²⁴ For example, while the poverty rate for non-Hispanic whites is 8 percent, the rate for African Americans is 24.1 percent, for Hispanics, 21.8 percent, and for Native Americans, 23.2 percent.²⁵ For children, the poverty rate for whites is 10 percent, while it is 28 percent for Hispanic children, 27 percent for Native American children, and 33 percent for African American children. The number of Hispanics living in poverty is now about the same as the number of African Americans living in poverty.

The many misconceptions about the nature of poverty in the United States reinforce the commonly held view that poverty is due to the failures and deficiencies of individuals, rather than the failures of structures that we put in place through the economic and political choices we make as a nation. While it is true that individual choices and behaviors do influence one's chances of living in poverty, these individual behaviors are far outweighed by the structures and policies that shape the life opportunities of people who are poor. Moreover, in many cases, it is these structures and policies that are the cause of the individual behaviors exhibited by people in long-term poverty.

The United States stands in stark contrast to other Western industrialized nations in two important respects – it is much wealthier than other nations, and it has a far greater share of its population living in poverty. Our low standing on this measure, when compared to other nations, is not due to a lack of individual work effort on the part of Americans with low incomes. In fact, Americans in general and low-income Americans more specifically are more likely to work and work longer hours than individuals in other Western industrialized nations. Instead, our high rate of poverty is due in large part to our failure as a nation to adopt public policies that ensure that workers, and those who are unable to work, are assured a sufficient income to meet their basic needs.

Many Americans have been fortunate enough never to have lived in poverty. Nevertheless, we have all been hurt by poverty. It harms individuals, families, and our nation as a whole. To permit poverty to exist and even increase in our midst is a choice. It is an act that diminishes our nation and our nation's families in multiple and interconnected ways. For example, roughly half of all African American children under the age of 6 live in poverty. More often than not, this means inadequate health care, diminished brain development, lack of readiness for school, and a lifetime of reduced opportunities for full human development. Poverty, in effect, condemns millions of children to a life that prevents them from reaching their full human potential.

Poverty is also extremely harmful to family life, one of the most basic foundations of our culture and society. When parents have to work two or three jobs, when they worry each month about putting food on the table, keeping a roof over their heads, and keeping the utilities turned on, when they worry because they don't have health insurance, and when they must move frequently in search of better opportunities, then it is no surprise that marriage and family life suffer.

The many misconceptions about the nature of poverty in the United States reinforce the commonly held view that poverty is due to the failures and deficiencies of individuals, rather than the failures of structures that we put in place.

Concentrated Poverty

It is important to note that much of the most extreme poverty in the United States is concentrated in specific geographical areas such as the urban cores of major cities. These areas of concentrated poverty are the result of decades of policies that confined the impoverished, especially poor black households, to these economically isolated areas. For example, the federal government often located public housing in segregated inner-city neighborhoods. It subsidized metropolitan sprawl and failed to create affordable housing for minorities and low-income families in rapidly developing suburbs.²⁶

A report by the Brookings Institute points out the severe negative impacts of this kind of poverty:

A large body of research has demonstrated that concentrated poverty exacts multiple costs on individuals and society. These costs come in the form of: reduced private-sector investment and local job opportunities; increased prices for the poor; higher levels of crime; negative impacts on mental and physical health; low-quality neighborhood schools; and heavy burdens on local governments that induce out-migration of middle-class households. Together, these factors combine to limit the life chances and quality of life available to residents of high-poverty neighborhoods.²⁷

Living in neighborhoods of concentrated poverty significantly increases the rate of teenage pregnancy. Being a teenage single parent, in turn, dramatically increases one's likelihood of living in poverty and staying in poverty. Thus, the vicious cycle continues.

The existence of concentrated poverty is especially destructive and dehumanizing for people of color, who are more likely than whites to be segregated in urban communities where the rates of poverty are very high. This reality points to the deep and complex interrelationship between the issues of poverty and race in our nation. These issues are so intertwined that it is impossible to fully separate them. Racism, in both its individual and institutional forms, is a cause of poverty and at the same time an additional barrier for people of color seeking to escape poverty. Although we cannot fully analyze the racial dimensions of poverty in this paper, we want to emphasize how profoundly important it is for our nation to address racism at the same time that it works to alleviate poverty.

Growing Inequality

Finally, we cannot overlook an issue that is both a cause and a consequence of poverty – the widening gap between the haves and have-nots in our nation. The overall picture of our economy is one in which those at the top are making substantial gains, those in the middle are treading water, and those at the bottom are sinking. For example, in 1998 (the latest year for which figures are available) the top 20 percent of the population held 83 percent of the total net wealth in the country, while the bottom 80 percent held only 17 percent of the net wealth. Our nation has not seen such extreme inequality since the 1920s.

Even more troubling is the fact that the gap is growing at rates that historically are almost unprecedented. Between 1983 and 1998, the top 20 percent of the population received 91 percent of the total gain in net wealth that occurred in the nation during that period. During the same timeframe, the bottom 40 percent of households saw their net worth fall from \$4,700 in 1983 to \$1,100 in 1998.²⁸

Interrelated with the growing gap between haves and have-nots is a stark racial disparity in wealth holdings. For example, between 1998 and 2001, wealth for white households grew

by 20 percent, but it declined by 2 percent among African American households. The rate of homeownership for African American and Hispanic households is less than two-thirds the rate for white households. Roughly one-third of Hispanic and African American households in 2001 had no net wealth – that is, their debts were as large or larger than their net assets.²⁹ These data point to the fact that low-income people, especially people of color, have a very difficult time accumulating economic assets that can serve as a foundation for long-term economic security.

Successful Policies

We should not overlook the fact that the United States has an important set of basic public structures that work effectively to ameliorate poverty and provide opportunity. These include:

- Public programs that address income inadequacy and living standards, such as Social Security, Temporary Assistance for Needy Families (TANF), the Earned Income Tax Credit, Medicaid, Medicare, and housing assistance;
- Policies related to the conditions of work, such as the minimum wage, civil rights laws, and laws giving workers the right to form unions and collectively bargain with employers;
- Policies and programs designed to improve access to higher education and job training, including the Pell Grant program and the Workforce Investment Act; and
- Policies designed to promote savings and homeownership.

Such policies have done much to improve living standards in the United States. For example, programs such as Social Security, Medicare, Medicaid, and SSI have resulted in dramatically lower rates of poverty and considerable improvements in the longevity and the quality of life of our nation's elderly and disabled. Labor market reforms carried out in the wake of the Great Depression as well as initiatives like the GI Bill, which expanded educational opportunities to millions of Americans, helped create a broad middle class and assured that workers shared in economic growth and productivity gains in the decades following World War II. Furthermore, according to data from the Census Bureau, the poverty rate for individuals in 2004 would nearly double if it weren't for the income security programs that we have in place.³⁰

It also is important to recognize that social policy in the United States is not limited to public programs for those with low-incomes and broad-based public programs such as Social Security. The United States also has an array of benefits provided through private entities, typically employers, which are publicly subsidized. In fact, the two largest expenditures in the federal tax code – exclusions of employer-sponsored health insurance and employer pension contributions and plan earnings from taxable income – fall into this category. Together, these two benefits cost about \$200 billion, about the same as the cost of the Medicare program.

Researchers on this topic have found that once these private social benefits are taken into account, overall social expenditures in the United States are not that different from the level of such expenditures in other nations. However, the much greater emphasis on private social benefits in the United States also means that these benefits are less equitably distributed. Political scientist Jacob Hacker notes that “because most private benefits are provided as an emolument of employment, they are more generous and prevalent among higher-income workers – the very Americans who need them least. . . . Moreover, the means by which these benefits tend to be subsidized skews them even more toward the upper end of the income scale.”³¹ One striking example of a private social benefit that is skewed toward the more well-to-do is the mortgage interest deduction. Over half of the \$76 billion spent in 2006 on this benefit will go to the top 12 percent of households.³²

***E**PHRAIM WAS RAISED IN POVERTY BY HIS SINGLE MOTHER. She provided the stability in his life, but when she passed away when Ephraim was 15, he dropped out of high school, got involved with drugs and alcohol, and rebelled against authority figures. He was repeatedly arrested and served time on several occasions. Homeless, alone, and addicted, he slept in subways and abandoned buildings, went in and out of shelters, and failed in treatment programs. Then he found Catholic Charities Housing Office in Albany, NY, which provided him with a place to stay while supportive case managers worked with him in changing his life. Today, Ephraim is a different person. He completed 20 weeks of culinary training, found a job, won custody of his baby girl, and got a car through the Wheels to Work program. He has stayed sober for nearly four years and is determined to give his daughter a better life than he had.*



Weaknesses in Current Economic and Social Policies

Despite these successful programs, there are serious weaknesses in our economic and social policies, weaknesses which make our poverty rate much higher than it should be. Moreover, many policies have not kept pace with changing economic conditions, including globalization, the decline of the manufacturing sector, the rise of the service sector, and the shift to an information economy.

Lack of livable wage jobs. Currently some seven million Americans are unemployed and actively seeking work. Millions more are working full-time in jobs that do not pay enough to raise them above the poverty line. An individual working full-time at minimum wage will earn only \$10,712 a year. If he or she is supporting a family of four, his or her earnings equal only 54 percent of the federal poverty level.

About one in four full time jobs in the United States is “low-paid.” That is, these jobs pay less than two-thirds of median earnings in the nation.³³ Most other countries with advanced economies have a much larger proportion of middle and upper-wage jobs than the United States.

A common response to concerns about the disproportionate share of low-wage jobs in the United States is that our economy provides greater opportunities for advancement than other comparable nations. This is another misconception that isn’t supported by the evidence. While most families do not remain in poverty for extended periods of time, this doesn’t mean that they are able to move steadily up the income ladder.

For example, a study by researchers at the Federal Reserve Bank in Boston tracked families’ incomes over a 10-year period.³⁴ The researchers found that among families with incomes that put them in the bottom fifth of the income distribution, slightly more than half remained there after 10 years, and about a quarter had moved up, but only to the second fifth. Among families who started out in the second fifth, about a quarter had dropped to the bottom fifth over the 10-year period.

Furthermore, recent research finds that there is actually less income mobility in the United States than in many other comparable nations. For example, Canada, France, and the nations of Scandinavia have significantly more income mobility than the United States, and income mobility in Britain is about the same as in the United States.³⁵

Lack of adequate social welfare policies. While social policies ameliorate poverty for many Americans, they also do much less than similar policies in other well-off nations, primarily because our anti-poverty programs are smaller and less well funded. As the following chart shows, there is a direct correlation between poverty rates and social expenditures in Western industrialized nations. In general, higher poverty rates are associated with low levels of public expenditures.

This chart compares selected developed nations in terms of how successful they are in reducing poverty by means of social spending. The United States has both the highest poverty rate and the lowest rate of success in reducing poverty

Country	Poverty Rates Before Govt. Assistance	Poverty Rates After Govt. Assistance	Reduction Factor (percentage)
Canada (1994)	29	10	66
Finland (1995)	33	4	88
France (1994)	39	8	79
Germany (1994)	29	7	76
Netherlands (1994)	30	7	77
Norway (1995)	27	4	85
Sweden	36	3	92
United Kingdom (1995)	38	13	66
United States (1994)	29	18	38

Comparative Analysis of Governmental Effectiveness in Reducing Poverty³⁶

The United States has one of the highest poverty rates and one of the lowest levels of public social spending. In recent years, despite the rising number of people who are poor, the federal government and many state governments have implemented cuts in social spending for the poor. We find this trend to be unwise in economic and social terms and indefensible in moral terms.

A major limitation of American social policies is their patchwork and categorical nature. For example, many of the 46.6 million Americans now without health insurance are ineligible for Medicare and Medicaid. Similarly, even though millions of Americans meet the eligibility requirements for programs like child care and housing assistance, they are not all able to receive assistance because funding levels are inadequate.

As noted above, the problem isn't necessarily that the United States spends too little overall on social expenditures – but rather that the United States spends too much on private social expenditures that disproportionately benefit those who are most well-off and too little on public social expenditures that are designed to ameliorate inequality and promote the common good.

Finally, some have argued that social spending has a negative impact on economic growth and productivity. This view is not supported by the evidence. In an exhaustive study, economist Peter Lindert concluded that increases in social spending that occurred throughout the industrialized West in the twentieth century had no negative impact on economic growth. Moreover, many forms of social spending, including public education and health care, clearly have a positive impact on growth because they increase workers' productivity and longevity.

In recent years, despite the rising number of people who are poor, the federal government and many state governments have implemented cuts in social spending for the poor.

III. Specific Policy Proposals

This section summarizes the specific policy changes that we think are necessary to combat poverty systematically and effectively. We propose the following changes: 1) Creating more livable wage jobs and raising the wages of existing low-paid jobs, and 2) Investing more of our common wealth in social welfare policies for low-income people.

Creating Good Jobs and Raising Wages

In recent years, despite increases in the overall productivity of the workforce, wages for most workers have been stagnant or falling in real terms. For several decades before 1980, productivity growth and compensation rose together – in other words, American workers were more productive and they shared equitably in the gains from their productivity. Since 1980, workers have continued to become more productive, but they generally have not shared in the gains from their increased productivity.

The economy and the labor market are often viewed as “forces of nature.” In reality, they are fundamentally shaped by public decisions. These decisions should promote two essential goals – a full employment economy where jobs are available for all job seekers and a “just wage.” As the encyclical “*Laborem Exercens*” explains, “The opposite of a just and right situation ... is unemployment, that is to say, the lack of work for those who are capable of it” and “a just wage is the concrete means of verifying the justice of the whole socioeconomic system.”³⁸

The last time the United States came close to having a full employment economy was in the late 1990s when the unemployment rate fell to 4 percent. This level of unemployment led to increases in real wages for low-income wage earners for the first time in many years.

Policies related to wages also play a fundamental role in promoting a “just wage.” The minimum wage has not been increased since 1997 and its buying power is currently at a 51-year low. Congress should increase the minimum wage by at least two dollars an hour. To guard against future erosions, the minimum wage should be automatically increased to keep pace with inflation in the same manner as Social Security benefits.

While raising the minimum wage is important, much more needs to be done in the long run to increase wages of low-income workers. We applaud the diverse efforts around the country to promote “living wages” by means of legislation and also to promote the general principle of livable wages by means of education and advocacy involving both the private and public sectors.

Finally, declining union membership has played an important role in the failure of wages to keep pace with inflation for low- and middle-income workers. Between 1973 and 2003, union membership in the United States dropped by almost half, going from 24 percent to 12.9

percent. At the same time, recent research provides a vivid example by contrasting unionized employees who earned significantly more than non-unionized employees. For people of color and women workers, the union impact is even greater. Women workers who are union members earn nearly \$9,000 a year more than their non-union counterparts. For African American workers, the union differential is also about \$9,000, and for Hispanic workers the yearly advantage is more than \$11,000.³⁹ Legislation should be passed in Congress to reform the nation's labor laws and provide greater protections to workers who seek to form a union.⁴⁰

Invest in Social Programs for Low-Income People

The federal government and state governments should invest in social policies that provide security and opportunity to low-income families and individuals. These policies fall into four major categories:

- Protecting families from economic risks
- Strengthening families
- Promoting life-long learning
- Promoting long-term economic security and asset building

Protect Working Families from Economic Risks

The principle source of income for virtually all American families is wage or salary work.⁴¹ As a result, they need protection against risks that can take them out of the workforce and end or reduce their income from work. These risks include age and incapacity, involuntary unemployment, and employment in work that does not provide an adequate income. As noted above, the United States has successful programs – particularly Social Security, the Earned Income Tax Credit, and nutritional assistance programs – that do much to protect against some of the risks to income security. However, much more needs to be done to improve existing income support programs to ensure that they provide adequate protection to all workers in light of current economic circumstances.

- *Strengthen and Protect Our Nation's Nutrition Safety Net.* While food provision already constitutes nearly 44 percent of the total services provided by Catholic Charities agencies, the need for nutrition assistance across the country continues to rise. Many of the families and individuals in need of food assistance include the working poor who struggle to make ends meet. The federal nutrition assistance programs deliver essential food assistance to one in five Americans. Low-income individuals, families, children, and seniors need these programs to lead productive lives. To ensure the health and well-being of those who experience food insecurity, our nation should protect and strengthen the federal food and nutrition programs, including the Food Stamp program, the school meals programs, the WIC program, and the range of other food assistance programs that address hunger in communities across the country.
- *Improve the Temporary Assistance for Needy Families (TANF) program.* Welfare reform – a set of policy changes that includes the 1993 expansion of the Earned Income Tax Credit, increases in funding for child care, the 1996 increase in the minimum wage, and the replacement of AFDC with the TANF program – is now more than a decade old. In the 1990s, there were substantial increases in single-parent employment and reductions in poverty. Employment rates have remained relatively high since then, but poverty has increased significantly over the last five years, suggesting that many parents remain in low-wage jobs that do not provide enough income to support their families.

At the same time, too many TANF eligible parents continue to go without the supports to help lift them out of poverty. The TANF program provides monthly income supplements that could help lift working families above the poverty line, but fewer than one in three poor children currently receive temporary assistance. This is due in part to the fact that many states limit TANF income supplements to families with extremely low incomes. TANF should focus not only on providing temporary assistance to unemployed families in need, but also on lifting families out of poverty for good by providing ongoing work supports, increased access to services that strengthen families' well-being, and greater opportunities for education and training.

- ***Ensure adequate health care for all Americans.*** Some 46.6 million Americans lack health insurance. Despite this fact, the United States spends much more on health care per capita than other developed countries that provide coverage for all of their people. Every person has a basic right to adequate health care, a right that flows from and protects the human dignity with which every human being is endowed. To make this right a reality, we support the establishment of national health coverage for all Americans. Such a program should ensure an adequate level of health care for all Americans and include parity for mental health services.
- ***Improve access to safe and stable child care.*** Every child deserves quality child care and the early education they need to get a strong start in life. They also need to be safe and secure when their parents are working. For many low-income families, access to child care determines the choice between work and training, on one hand, and a lifetime of poverty on the other. Unfortunately, federal child care funding continues to be insufficient to meet the needs of working families, and even fewer families gain access to quality child care. The federal government should provide adequate child care funding to allow more low-income parents to place their children in safe, nurturing learning environments while they are working or going to school.
- ***Improve the Earned Income Tax Credit (EITC) to be more inclusive.*** The EITC is a critical support program that provides a strong incentive to work and helps lift million of children out of poverty. The EITC has been enhanced by a number of states through state-EITC programs that provide additional benefits to the federal program. While the federal EITC averages \$2,100 for families with children, it is extremely limited for adults without children and for non-custodial parents.⁴² In addition, low-income workers under the age of 25 are completely ineligible for the EITC, even though they have among the highest unemployment and poverty rates of workers. Expanding the benefits of EITC to non-custodial parents and other young adult workers could reduce poverty and hardship and help “make work pay” for all Americans.
- ***Reform unemployment insurance.*** Unemployment insurance provides most low-wage workers with limited protection against the risks of unemployment. Researchers at the Urban Institute recently concluded that unemployment insurance “plays a relatively small role in reducing poverty and slowing the rise of poverty during labor market downturns.”⁴³ The Unemployment Insurance program should be strengthened to provide greater protection against the economic loss that low-income workers experience as a result of unemployment.

Support Policies that Strengthen Families and Marriage

The Catholic community has consistently affirmed the vital importance of strong family life as a foundation for raising children. Children clearly do better economically and emotionally when raised by two parents in a stable, healthy marriage.

- *Extend Services, Benefits, and Training to Low-Income Men.* For decades, federal policies have not provided sufficient support to low-income men to help more of them become part of a stable family unit. We encourage the federal government to enhance and support programs that strengthen two-parent families. This includes providing support to programs that help young men develop the skills necessary to become better fathers. Such fatherhood programs should also include workforce development and other incentives for men to fully participate in the lives of their children.
- *Create More Affordable Housing.* The importance of stable housing to the health and well-being of a family cannot be overstated. Children living in owned or affordable rented homes consistently fare better on health, developmental, and academic variables than their precariously housed peers. The conditions imposed by poverty and homelessness unsettle families and place children at risk for a multitude of unhealthy outcomes. In response to America's affordable housing crisis, we advocate for federal housing policies that ensure each community has access to all the tools and funding necessary to create a seamless continuum of housing options for families and individuals. This includes among other things: increased funding for all HUD rental and subsidized housing programs; full support for programs aimed at increasing home ownership; and the establishment of an affordable housing fund to provide federal funds to develop, rehabilitate, or preserve units of housing for low-income families.
- *Improve the Child Tax Credit.* The child tax credit provides nearly \$50 billion in subsidies to families with children. This makes it the largest federal cash assistance program for children, but most of its benefits do not go to low-income families. The current credit provides \$1,000 per child. Like the EITC, it is refundable, but current law excludes families with income under \$11,000. As a result millions of children are excluded from the credit, and this exclusion falls disproportionately on Hispanics and African Americans – 19 percent of Hispanics and 28 percent of African Americans receive no credit because their income is too low, compared to only 9 percent of whites. The child tax credit should be extended to all low-income families with children.
- *Improve protection and care of abused, neglected, and abandoned children and youth.* Almost 875,000 children were determined to be victims of child abuse and neglect in 2004, and more than 500,000 were in foster care on any given day. States remain the principal child welfare public authority, but the federal government has become an increasingly central partner in supporting the states, public and private agencies, families, and individuals as they care for vulnerable and at-risk children and youth. Catholic Charities agencies across the country provide an array of child welfare services – children under 18 make up 29 percent of the number of clients served. While a number of federal programs contribute to the intervention and prevention of child abuse and neglect, the systems supported by these programs have historically been fragmented and inadequate to meeting the needs of many vulnerable children, youth, and families. Efforts are required to sustain and expand the current levels of services and to create a full continuum of appropriate and timely services, to provide adequate support for individual and family caregivers and the agencies that provide care, and to ensure a well-qualified and sustainable workforce to carry out this vital work.

Promote Life-Long Learning

Education and skills training are essential to the long-term success of our nation's youths and adults. It is a fundamental part of creating a competitive workforce and a strong economy that benefits all. Education is not only necessary for economic advancement, but it also has wide-ranging social benefits that promote the common good.

- *Expand Access to Quality “Pre-K” education.* Research has shown that investing in early education for pre-school age children can make a lasting difference in children's lives, including increased high school graduation rates, reductions in adult criminal activity, and increased employment and incomes.⁴⁴ Economists at the Federal Reserve Bank have used this research to estimate that the “social returns” of quality preschool far exceed the costs of providing it. Yet, millions of low-income children do not have access to early education. Head Start only serves about half of eligible preschool-age children, while Early Head Start serves less than three percent of eligible infants and toddlers. Programs like Head Start should be expanded to ensure that all eligible children have access to quality early education.
- *Ensure Access to Post Secondary Education and Job Training.* Education and training improve the odds of advancement for low-wage workers and are an absolutely necessary part of a larger strategy to fight poverty and build an economy that works for all. Yet despite the increasing importance of education and skills in today's economy and in the economy of the future, relatively little has been done in recent years by the federal government to increase access to higher education and job training. In fact, federal investments in workforce education and training have been declining for many years.⁴⁵ The education policy of this country should ensure that all adults have access to higher education or job training. This will require increased funding for programs that provide better opportunities for low-income students to access higher education as well as increased federal investment in job training and workforce programs to increase the skills development of underemployed and low-income job seekers.

Promote Long-Term Economic Security

A critical part of reducing poverty for more Americans is to help families develop strategies for long-term economic security. This not only involves reforms to the nation's social welfare and workforce systems, it also involves creating other opportunities for families to build assets and achieve the American dream.

- *Address the Growing Wealth Disparity.* The United States provides substantial subsidies for savings through the tax code. One way to make incentives for savings more universal and progressive would be to provide each generation of children with a “start-in-life” asset account at birth. We also encourage the federal government to support other innovative saving plans such as Individual Development Accounts to help more low- and moderate-income families save for the future.
- *Reduce the Cost of Living for Low-Income Consumers.* According to a recent study by scholars at the Brookings Institution, “lower income families tend to pay more for the exact same consumer product than families with higher incomes.” For example, some 4.5 million lower income households pay higher than average amounts for auto loans and almost as many pay more than average for their mortgages.⁴⁶ And even more pay higher prices for other necessities like food and insurance. The fees and interest rates charged by high-priced fringe businesses that prey on low-income consumers should be limited. In addition, families should have access to the financial education they need to manage their money effectively and avoid bad deals.

***D**UANE, WHEELCHAIR BOUND AND DIABETIC, called Catholic Social Services in Fall River, MA, in tears because he and his wife, JoAnn, were homeless. She had lost her job and when they couldn't pay rent, they lost their home. Duane's disability supplements were paying for a motel, but the money was running out, and they would soon be out on the streets. Duane's medications were also running low and he was desperate. Catholic Social Services swung into action, securing an affordable apartment for the couple and helping out with the first month's rent. They also helped furnish the apartment with donated goods, arranged medical care for Duane, and helped the couple apply for food stamps. Now in a stable situation, Duane and JoAnn are more hopeful about the future and JoAnn is looking for a new job.*



IV. Call to Action

We spoke earlier about the importance of covenant in the Christian tradition. The demand that God makes of us in this covenant is that we establish and maintain right relationships and right order in the community. Poverty reflects a serious rupturing of right order in our society. It is a reality that cries out for a return to justice or right order. It is a social sin that demands a collective change of heart and a change in the social policies and economic structures that are the root causes of poverty.

Therefore, as members of Catholic Charities, we declare our firm commitment to act boldly in fighting poverty in our nation. We propose that a major national goal be established to steadily decrease poverty in our nation so that by the year 2020 the rate of poverty will be reduced at least by half.

We know that this goal will require major social change, but we also know that it is possible in a nation as wealthy as ours. Our faith tells us that if we desire a right relationship with God then we must commit ourselves to this effort. We must begin with a conversion of heart that includes a renewed commitment to work with the poor and to empower them to become agents of their own development. It includes a renewed passion for speaking out on behalf of changing the economic and social policies that cause poverty and a renewed courage in calling on our political leaders to alleviate poverty across the nation.

The change of heart and the change of structures that we are calling for must begin with the realization that we are all diminished as a result of poverty. In untold and unseen ways, poverty harms our nation economically, socially, and morally. Deep down, most Americans realize that widespread economic insecurity and poverty are fundamentally at odds with our most basic democratic values and with the Judeo-Christian commitment to justice for all, especially for those who are poor and disadvantaged. Moreover, we are confident that most citizens are willing to act, both individually and collectively, to attack poverty at its roots.

A Nation without Poverty

Our Christian faith leads us to be people of hope. We believe in the ultimate goodness of human beings and in their innate potential for human development and growth. We see hope in the goodness and courage of people whom we serve and in the dedication and commitment of all Americans who seek to eradicate poverty from our midst.

We invite all people of good will to envision a nation without widespread poverty, to imagine an economy that produces decent jobs at livable wages for all who can work. This would unleash an enormous amount of human and economic potential.

Think, too, what it would be like to have a comprehensive set of national and state policies that educated all of the nation's youth in such a way that they were prepared for the knowledge-based economy of the future. Imagine a society where all families were economically secure, at least at a basic level – where they did not have to choose between food and shelter, between having the phone cut off or going without a prescription for an asthmatic child. Think of a society in which all of us were covered by health insurance and where we were assured the opportunity to grow old without economic deprivation.

Then calculate the money we would save due to fewer high-school dropouts, fewer teen pregnancies, higher levels of educational achievement, higher employment and earnings, less welfare dependency, fewer drug addictions, less crisis health care, less crime, and lower prison costs. The savings would be truly enormous. As just one example, consider the research done by the Federal Reserve Board in Minneapolis. A lead researcher there estimates that for every dollar invested today in early childhood education, we will save \$6 to \$8 over the next 50 years. That's an annual rate of return of over 16 percent.

This picture of the future is not a pipe dream. It is a real possibility. It can be done if we have the moral and political will to act together according to our deepest values and in our collective self interest. Creating this kind of future is both the right thing to do and the smart thing to do.

Partnerships

Any effort to reduce poverty will require us to listen carefully to the experiences of a wide range of fellow citizens with expertise beyond our reach, including low-income families, policy experts, and businesses. Thus, we are heartened by the growing consensus among religious groups about the need to work together in the struggle against poverty. As Catholic Charities members, we have a real opportunity to build or expand our partnerships with other organizations in the private sector, the public sector, and the non-profit world. We must seize this opportunity to act together in renewing the common good and attacking poverty at its very roots.

We are also encouraged by the fact that many business leaders are coming to the realization that if we continue to ignore poverty and racial and economic disparities, then the costs to our economy and our democracy will be massive and even catastrophic. They realize that our nation cannot sustain a prosperous economy if we do not have an educated and skilled workforce to fill the jobs of the future. Nor can we sustain a stable democracy if growing numbers of people are struggling for survival and the gap between rich and poor continues to grow on a path toward historically unprecedented levels. Business and other community leaders are seeing that, on a purely cost-benefit basis, it is far wiser to invest now to solve these problems rather than wait and pay the much greater accumulated costs later.

Role of Government

While we know that we must expand our own commitments as social service agencies, we also know that faith-based groups and the non-profit sector do not have the resources to replace those functions which are the legitimate responsibility of government and the private sector. We simply will not accept the proposition that agencies such as ours should substitute for some of the basic functions of government. This is wrong in principle and totally unrealistic in practical terms.

We believe that government has a positive moral function. Catholic social teaching tells us that one of government's central responsibilities is to ensure that no one goes without the basic material necessities of life. These basic necessities are moral rights, and it is ultimately

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the government that has the responsibility to protect these rights. Like all human institutions, government is imperfect and needs to be continually improved and reformed. Despite its imperfections, however, government is the instrument of our collective will as a society. It is the means by which we achieve together those things we cannot achieve alone. Reducing poverty is one of those goals which require the active involvement of government, for no other institution has the capacity or the scale necessary to attack poverty in a comprehensive way.

Therefore, we are willing and anxious to partner with government at all levels in helping to fulfill this responsibility of combating poverty. We share in this responsibility, and we believe that we have a moral mandate to lift up those who are tied down by the bonds of poverty. However, we simply cannot fulfill this mandate if the government does not do its part in providing the necessary funding for social programs for the poor.

Our Catholic Charities agencies have the ability to deliver a wide range of services in poor neighborhoods across the nation. Still, it is the government that has the primary and ultimate responsibility to ensure that there is adequate funding for these services. While we have raised hundreds of millions of dollars in charitable contributions and we are committed to doing even more, we simply do not have the capacity and resources required to alleviate poverty across this nation. Therefore, we call on government, which does have the capacity and resources, to do its part.

New Revenue

Although we believe that spending money to fight poverty is a great investment and will save money in the long run, we also know that it will require new and expanded revenues in the short term. One source of these revenues is to restructure some social welfare programs so that the benefits do not go to individuals and families who are financially well-off and do not need government subsidies.

Given the unprecedented budget deficits that the federal government has produced and is now experiencing, we believe that there is a clear need for more revenue. Today, a median family of four enjoys an income tax burden lower than at any time since 1957.⁴⁷ The taxes on America's wealthiest families and on businesses have been reduced dramatically in the last 25 years. We suggest that progressive tax policies be instituted that will benefit lower and middle income taxpayers, while asking those who are more wealthy to pay more—to bear more of the responsibility for alleviating poverty and investing in the future of this country. Such a policy is fully consistent with the teaching of the U.S. Catholic bishops, who have asserted that “the tax system should be structured according to the principle of progressivity, so that those with relatively greater financial resources pay a higher rate of taxation.”⁴⁸ The experience of the 1990s and other historical periods have demonstrated that such tax increases do not have a negative impact on the economy as a whole.

It is upper income families who have prospered most during the last 25 years, partly with the assistance of government services. They have benefited greatly from the freedom and opportunities that have been available to them through the nation's economy and through our political democracy. Therefore it is only fair and just to ask these same families to bear a greater share of the responsibility for the costs of fighting poverty. By doing so, they will help to make some of these same freedoms and opportunities available to those who are impoverished.

Catholic Charities' Commitment

As Catholic Charities agencies, we will do our part in helping to eliminate poverty in our midst. Our organizational actions will include the following:

- Because we know that poverty is a systemic problem and requires a systemic response, we pledge ourselves to attack the structural roots of poverty by advocating in Washington, DC, and state capitals for the policy changes that are outlined in this paper.
- We commit ourselves to speaking out in the public square to generate a greater public understanding of poverty and its causes. We will also use our resources to educate selected audiences and the general public about how poverty affects every member of our national community and why it is in our interest to aggressively work to solve this challenge.
- We will continue to provide a wide variety of social services for individuals and families who are poor. We will strive to model this delivery of service on the principles of human dignity and empowerment. To do this we will recognize in each individual his or her unique human dignity. We will enable our clients to actively participate in and share in the responsibility for addressing the issues that brought them to our doors.

Conclusion

Few leaders in our nation's history have been as astute and courageous in speaking about economic and social justice as Dr. Martin Luther King, Jr. He had a unique way of calling for action against poverty and inequality by combining the best of our nation's political ideals and the best of our religious and moral values. We close this paper with a prayer that all might hear and heed the words of Dr. King:

We are called to play the Good Samaritan on life's roadside; but that will be only an initial act. One day the whole Jericho road must be transformed so that men and women will not be beaten and robbed as they make their journey through life. True compassion is more than flinging a coin to a beggar; it understands that an edifice which produces beggars needs restructuring. A true revolution of values will soon look uneasily on this nation's glaring contrast of poverty and wealth.⁴⁹

*H*OMELESS, UNEMPLOYED, AND A SINGLE MOTHER OF TWO SMALL CHILDREN, Kalisha was in a dire situation when she sought help from Catholic Charities in Trenton, New Jersey. The agency offered her a subsidized apartment in its transitional housing program, and she eagerly seized the opportunity for stability. While staying there, Kalisha earned a license to drive a school bus. She soon got a job and her own apartment, but she found that even working full time, she could not earn enough to support her family. Thankfully, a job at Catholic Charities became available, and Kalisha, who was eager to help others as she had been helped, applied and got the job. Everyday is still a struggle to make ends meet, but with a better paying job, she is able to feed and house her family.



End Notes

- 1 Calculation based on U.S. Census data, 2004.
- 2 Mark Rank. *One Nation, Underprivileged*. (New York: Oxford University Press, 2005) 93.
- 3 America's Second Harvest Network, *Hunger in America, 2006*.
- 4 U.S. Census data, 2005.
- 5 *Idem*.
- 6 The Catholic Campaign for Human Development has a wealth of information about poverty on their Web site entitled "Poverty in America" at <http://www.usccb.org/cchd/povertyusa/index.htm>.
- 7 The U.S. Conference of Catholic Bishops' statement on poverty is titled, "A Place at the Table," and is available at <http://www.usccb.org/sdwp/placeatthetable/index.htm>.
- 8 *Ibid*, #28.
- 9 Pope Benedict XVI, "God Is Love," 2005, 20.
- 10 Pope John Paul II, "On Social Concerns," 1987, 38.
- 11 Pope John XXIII, "Mother and Teacher," 1961, 20
- 12 Pope John Paul II, "The Hundredth Year," 1991, 40.
- 13 Pope Paul VI, "A Call to Action," 1971, 23.
- 14 The phrase "option for the poor" originated in Latin America and has been adopted by the U.S. bishops and by many in other nations to express the preferential, but not exclusive, love and attention that must be given to those who are poor, powerless, or marginalized in other ways.
- 15 Pope John Paul II, "On Social Concerns," 42.
- 16 United States Conference of Catholic Bishops, "Economic Justice for All." (Washington, D.C., 1986) 16.
- 17 Pope John Paul II, Homily at Giants Stadium, October, 1995.
- 18 Hollenbach, S.J., Rev. David, 1999 Vincentian Chair of Social Justice Lecture, presented at St. John's University, 1999.
- 19 U.S. Census data, 2005.
- 20 *Idem*.
- 21 See data based on the Family Economic Self-sufficiency Standard Project; <http://www.sixstrategies.org/about/about.cfm>.
- 22 Median household income for a family of four in 2003 was \$65,093 while the poverty threshold for a family of four was \$18,400 in that same year.
- 23 Rank, 93.
- 24 A notable trend in recent years is the extent to which Hispanics make up a growing share of people living in poverty. In fact, the number of Hispanics living in poverty in the United States is now about the same as the number of African Americans living in poverty. The increase in the number of Hispanics living in poverty is due to the overall growth of Hispanics in the population.
- 25 U.S. Census Bureau, 2005.
- 26 Alan Berube and Bruce Katz, "Katrina's Window: Confronting Concentrated Poverty across America," (Washington, D.C.: The Brookings Institute, 2005).
- 27 *Idem*.
- 28 Thomas Shapiro and Edward Wolff, eds. "Recent Trends in Wealth Ownership, from 1983 to 1998" in *Assets for the Poor: The Benefits of Spreading Asset Ownership*. (New York: Russell Sage Foundation, 2005) 34-73.
- 29 Wolff, Edward N., "Changes in Household Wealth in the 1980s and 1990s in the U.S.," (New York: The Levy Economics Institute and New York University, 2004).
- 30 See "The Effects of Government Taxes and Transfers on Income and Poverty: 2004, Census Bureau, February 2005, <http://www.census.gov/hhes/www/poverty/effect2004/effectofgovtandt2004.pdf>. These programs do much more to reduce poverty among the elderly than among non-elderly adults and children. Before taking income from public programs into account, the number of children below the poverty line in 2004 (14.8 million) was not that different from the number of persons age 65 or over below the poverty line (14.5 million). However, income from public programs lifts about 12 million of these elderly individuals above the poverty line compared to about 5 million of these children.
- 31 Jacob S. Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (Cambridge: Cambridge University Press, 2002).
- 32 See Bruce Lowenstein, "Who Needs the Mortgage-Interest Deduction?" *The New York Times*, March 5, 2006.

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- 33 OECD data.
- 34 Katherine Bradbury and Jane Katz, "Are Lifetime Incomes Growing More Unequal? Looking at New Evidence on Family Income Mobility," *Regional Review*, Federal Reserve Bank of Boston, Q4, 2002.
- 35 See David Leonhardt, "A Closer Look at Income Mobility," *The New York Times*, May 15, 2005, <http://www.nytimes.com/pages/national/class>.
- 36 See Rank, 61. Note that although the data in this chart is from a decade ago, the poverty rate in the United States in 2006 is roughly the same as it was in the mid-1990s. Also, the source of this data is a Luxembourg study that used an international measure of poverty in order to be able to compare nations appropriately.
- 37 Peter H. Lindert, *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*, (Cambridge: Cambridge University Press, 2004).
- 38 Pope John Paul II, "Laborem Exercens," 1981, 18.
- 39 See http://www.seiu.org/faqs/faq_howcanaunionhelp.cfm
- 40 In their pastoral letter, "Economic Justice for All," the U.S. bishops make clear the teaching of the church on the right to organize a union. They write on page 104, "The Church fully supports the right of workers to form unions or other associations to secure their rights to fair wages and working conditions. This is a specific application of the more general right to associate. In the words of Pope John Paul II, 'The experience of history teaches that organizations of this type are an indispensable element of social life, especially in modern industrial societies.'"
- 41 Michael J. Graetz and Jerry L. Mashaw, *True Security: Rethinking American Social Insurance* (New Haven: Yale University Press, 1999), 69.
- 42 The credit for workers not raising children averages about \$220; this credit is available only to workers with incomes of less than about \$11,750 (less than \$13,750 for a married couple without children).
- 43 Similarly, in a report titled *Unemployment Insurance: Role as Safety Net for Low-Wage Workers is Limited*, the federal Government Accountability Office (GAO) noted that in the 1990s low-wage workers were twice as likely to be unemployed, but less than half as likely to receive unemployment insurance.
- 44 See Robert G. Lynch, *Exceptional Returns*, (Washington, D.C.: Economic Policy Institute, 2004), 9-17.
- 45 See Robin Spence and Brendan Kiel, "Skilling the American Workforce "On the Cheap": Ongoing Shortfalls in Federal Funding for Workforce Development," The Workforce Alliance, 2003.
- 46 From *Poverty, Opportunity: Putting the Market to Work for Lower Income Families*, (Washington, D.C.: The Brookings Institution, 2006), http://www.brookings.edu/metro/pubs/20060718_PovOp.pdf.
- 47 Douthat, Ross and Reihan Salam, "The Party of Sam's Club," *The Weekly Standard*, Volume 11, Issue 9.
- 48 United States Conference of Catholic Bishops, "Economic Justice for All," 202.
- 49 King, Dr. Martin Luther. "Where Do We Go from Here?" Annual Report Delivered at the 11th Convention of the Southern Christian Leadership Conference, August 16, 1967, Atlanta, Georgia.