

## **Re-thinking Poverty in a Time of Crisis**

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### **Abstract**

This paper re-conceptualizes poverty from the point of view of structural racialization. I argue that poverty in the 21<sup>st</sup> Century, and particularly in the wake of structural, systemic failures such as that of the subprime lending and foreclosure debacle, must be understood with regards to racialization, interacting institutions, and access to opportunity. To bring about action, we must move public and policy discourse away from individualistic framing. Rather, we must illustrate poverty's structural causations, solutions and impacts. Thinking about poverty in such a robust way means that we must look at the socio-political, institutional, and spatial systems and structures that produce impoverished outcomes. Achieving sustainable poverty reduction in a time of increasing poverty, inequality and economic instability is a monumental challenge.

At the heart of this challenge is a normative vision of an inclusive transformative society— inclusive physically, socially, economically and spiritually. Addressing the economic challenges of the 21<sup>st</sup> century will require us to reframe the discourse on wealth, poverty and assets, and change how we talk about critical policy solutions. Our ability to transform the future of economically marginalized people and communities requires building broad public support for expanding access to opportunity. The paper concludes with an example of a U.S.-based community organizing group re-framing the discussion around inequality to include discussion of structural racism and a new way forward.

### **Introduction: what is poverty?**

The formal definition of poverty is that of a lack or insufficiency of material goods, particularly money. In everyday speech, we refer to a poor person as someone without a job, someone who needs money, perhaps someone without a home. However, many people with jobs experience poverty in the U.S. today. Nearly seventy percent of poor children in 2010 live in families where at least one family member works (CDF 2010, xii). Moreover, a full-time minimum wage job does not even ensure the ability to rent an apartment or much less buy a home. The National Low Income Housing Coalition reported that “in no state can an individual working full-time at the minimum wage afford a two-bedroom apartment for his or her family. In fact, with the exception of 32 Municipios in Puerto Rico, there is no county in the US where even a one-bedroom unit at the FMR [fair market rent] is affordable to someone working full-time at the minimum wage” (DeCrappeo et al. 2010, 6-7).

It is important to recognize that ‘insufficient income’ is devastating enough. However, poverty means more than lack of income. It means lack of wealth, which enables us to withstand intermittent job loss, pay for health emergencies, and help our children with college tuition or a down payment on a first home. It often means racial and economic segregation, and confinement to areas of crime and disinvestment. It can mean illiteracy, civic disenfranchisement, and

painful social isolation. Poverty is thus more than insufficient income. Sen argues that poverty is the deprivation of basic capabilities. At its most basic, it is a lack of capacity to live the life that one has reason to choose. Sen also points out that *where* you are poor matters. Being poor in a rich country can come with a great “capability” handicap, because you may not be able to afford things (such as your own car) that many people depend on to be a productive member of society. Sen also notes that it is not sufficient to focus on the resources that an individual or a community has to determine if society is organized fairly. It may appear that two people have similar resources to command, but what this does not tell us is how these resources can be translated to outcomes (Sen 2009). A woman with the same financial resources as a man will not be able to buy the same quality car because of discrimination and the arrangement of institutions; the woman on average will pay more for a car. The point is that one must be aware of these societal dynamics and adopt appropriate responses.

Gross inequalities, particularly durable and cumulative ones, harm individuals and communities in several ways. First, great numbers of people lose the capacity for self-advancement and civic contribution. In simple terms, people who do not graduate from high school do not become doctors. Their ability to contribute to society as workers and as citizens is likely to be truncated. Second, gross inequalities inflate the need for mobility to a desperate level: people will do anything to get ahead, because the cost of losing is so high. Greater equality, however, makes mobility less salient, because the floor is not as far to fall. The union movement, for example, supported a compression of income and solid middle-class advancement.

Similarly, asset building, both for security and for mobility, is also situational. Community history, economic geography, and policy, for example, all shape the context for asset building. Some assets are important for security, such as savings to protect a family from job loss or illness. This asset keeps the individual or family from falling out of their ‘status quo’ situation. (Many people are familiar with the idea that a three-to-six month cash reserve is a critical “anti-poverty” asset.) Other assets are used to increase social mobility—these assets are invested to improve the life of the asset holder. This might include money for college or investments in equity-producing homes or businesses. These are known as transformative assets. What is important is that we can think of both of these assets—for security and for transformation—in relationship to individuals and their larger community. Individual and community assets become even more important for security and mobility when there is a weak public safety net. If one’s security is partially addressed, for example through universal health care or unemployment insurance, there is less of a need to save for job loss or illness. A community or family that is focused on transformative assets is likely to have anti-poverty assets in place.

Being poor, building assets and building personal and civic capacity is also affected by what type of social policies one’s government has. Free, universal health care assures that even poor people can have a doctor. On the other hand, a lack of health insurance can result in avoidance of care or, if the person does seek care, personal bankruptcy. Asset building can be

shaped by policies that incentivize certain behaviors, such as tax deductions for home ownership, matching funds for individual development accounts, or a robust Earned Income Tax Credit (EITC) program. Institutions and clusters of institutions can be structured to increase or suppress individual and community capacity and assets. The goal is not simply to have people be economically secure, but to be more active members of society. Because poverty results in not being an equal member of society, and because basic human inequalities and depressed freedoms threaten the very fabric of a democracy, working to reduce poverty and build assets is an investment in people, communities, and an enhanced democratic society.

### **Poverty and inequality are shaped by racial dynamics**

The ability to support policies to reduce poverty and build assets is in turn shaped by different cultural attitudes and narratives of poverty. One could argue that this is partly due to differences in the organization of various nation-states. For example, John Rawls in *Justice as Fairness: A Restatement* differentiates between a “welfare capitalist society,” and a “property-owning democracy.” In a welfare capitalist society, the role of the state is to ensure that no person falls below a decent minimum standard of life. This preserves the order of the state, so that capital can flourish. However, this after-the-fact income redistribution strategy allows for long-term cycles of poverty. And while it protects against starvation, it does not protect against marginalization. In a “property-owning democracy,” on the other hand, the aim is to realize, in and through societal institutions, a fair system of cooperation between citizens regarded as free and equal. Rawls suggests that protection of private property and capital expansion should be in the service of democracy, not the other way around. The Rawlsian role of the state is to support full societal membership (Rawls 2001, sec. IV). I advocate for this Rawlsian conception of a property-owning democracy, in which the focus of the state is not preserving order for the benefit of capital, but supporting full democracy, equity, and justice.<sup>1</sup>

Alberto Alesina and Edward Glaeser argue, in *Fighting Poverty in the US and Europe—A World of Difference*, that American institutions are “ultimately the product of an eighteenth-century constitution, which was crafted by men of property” whereas European constitutions “were often written by representatives of the socialist left, in the wake of labor-led uprisings.” These, however, are not “first causes” of different approaches to poverty, according to Alesina and Glaeser. These institutional differences “are themselves the result of the profoundly different geographies and ethnicities of America and Europe.” European nations are far more homogenous than the U.S; they are smaller, and they have experienced devastating twentieth-century wars on their soil. By contrast, America’s vast geography and diversity allowed for geographic and social mobility and differentiation. The authors argue that this history and the predominant American ideology of self-improvement allowed for the continuation of conservative institutions (Alesina and Glaser 2004, 217-18).

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<sup>1</sup> For a fuller discussion on Rawls and others’ conceptions of societal membership, citizenship, and freedom, please see powell, john a. 2004. “The Needs of Members in a Legitimate Democratic State.” 969.

Jeremy Rifkin, in *The European Dream*, notices this theme, noting that in Europe (until recently), most people, including the poor, were White. The poor in the U.S., however, have been disproportionately people of color, and it has been easier for Americans to interpret poverty as the mark of an “other.” Partly due to this socially salient difference, Rifkin argues, Europeans have a shared sense of “inclusive space” in their embedded communities, whereas Americans locate their security in autonomy, mobility, and privacy, or “exclusive space” (Rifkin 2004). The racialization of poverty plus a cultural emphasis on exclusive space blames and (metaphorically and literally) isolates poor individuals and communities. As Paul Krugman wrote in a February 18, 2008 *New York Times* Op-Ed article, “Living in or near poverty has always been a form of exile, of being cut off from the larger society. But the distance between the poor and the rest of us is much greater than it was 40 years ago...To be poor in American today...is to be an outcast in your own country.” Indeed, Krugman argued in *The Conscience of a Liberal* that the exploitation of racial tensions supported the ascension of modern conservatism. This political movement has also exacerbated economic inequalities: in short, political structural change intervened in market forces to reward the affluent. Krugman argues that “institutions, norms and the political environment matter a lot more for the distribution of income” than any “invisible hand” of the market (2007, 8).

Krugman’s deep concern is with rising inequality over the last 30 years. In a October 20, 2002 *New York Times* article, Krugman notes that 1 percent of families receive about 16% of total pretax income, while median family income has risen only about 0.5% a year—an increase mostly due to wives working longer hours. This astonishing concentration of wealth at the top is why, Krugman argues, the U.S., “for all its economic achievements, has more poverty and lower life expectancy than any other major advanced nation.” Krugman is doubtful that globalization and technological change can themselves account for these massive inequalities. He notes that some economists are now investigating the role of social norms in setting limits to inequality. One hypothesis is that social norms expressed by the New Deal programs supported a large and growing middle class, but these norms fell by the wayside in the 1980s and 1990s, leading to the extreme concentration of wealth at the very top of the income scale. In addition, Christopher Jencks notes that if globalization were indeed the driver of inequalities, we would see increasing inequality across many advanced democracies. However, the Luxembourg Income Study, which tracks how household income is distributed in most wealthy democracies, shows that since the 1970s, inequality has grown in the U.S. and Britain, but hardly changed at all in Canada, France, Germany, and Sweden (Jencks 2005, 132).

All of these thinkers are pointing to a structural approach to understanding poverty and all are finding structural racialization (in both historical and contemporary times) to be key to producing and maintaining poverty. Therefore, any transformational intervention requires that we both re-think and re-frame the concept of poverty, keeping racial processes center stage. In today’s media-driven markets, framing and communications strategies are critical for building support for successful interventions, especially those that significantly shift existing public policy strategies.

Drew Westen has recently argued in *The Political Brain* that without strategically framed messages on race that appeal to the conscious mental process, unconscious racist attitudes will prevail (2007, 219-48). [It should be noted that these attitudes are not personal, but social. As Martinot notes (2003, 180), individual prejudice can only exist where there is a social system that acknowledges, sorts and gives meaning to this difference. Prejudice is what the individual does with this social information.] This is problematic because racial bias tends to rest more deeply in the unconscious than in the conscious. According to Westen, research on unconscious networks finds that, “irrespective of what we may feel and believe consciously, most White Americans—including many who hold consciously progressive values and attitudes—harbor negative associations toward people of color” (2007, 236). The challenge is to tell coherent narratives about issues like poverty and access to opportunity that will resonate with a public that is already internally conflicted. However, even if an individual can become de-biased, without corresponding changes in our institutional arrangements and social meaning, such efforts will likely prove ineffective.

Clearly, how we “talk” and how we “think” about poverty are intertwined. UCLA psychology professor Bernard Weiner studied how perceptions of poverty lead to different emotions, and thus, different degrees of willingness to help (2007, 4-5). Weiner identified four primary explanations for poverty: “internal controllable” (i.e., the person is lazy); “internal uncontrollable” (i.e., the individual has a chronic illness that prevents them from work); “external controllable” (i.e. government policy punishes and rewards people differently); and “external uncontrollable” (i.e. fate -- pests destroyed the farmer’s crops). Weiner found that when poor people were perceived as not responsible for their poverty (the internal uncontrollable or external uncontrollable explanations), people felt pity, and were more likely to want to extend help to them. However, if poor people were perceived to be responsible for their own poverty, others felt disgust and distaste and did not want to extend aid (Weiner 2007). It is difficult to be poor in the United States. To be among the “undeserving” poor is to be pushed to the boundary of being despised and experiencing a social death.

Martin Gilens’ work, *Why Americans Hate Welfare*, shows that the emotions people feel towards aid programs are racially charged. Gilens argues that the media representation of African American welfare recipients has led the public to believe, erroneously, that African Americans dominate and exploit the welfare system (1999, 139). Alesina and Glaeser have argued similarly that conservatives have built large coalitions against welfare policies by convincing non-wealthy Whites that redistribution favors minorities, who are assumed to be lazy and non-deserving. Similarly, Rebecca Blank observed that while the mental image of poor families is often that of African Americans in urban neighborhoods of concentrated poverty, only 12% of poor families live in these concentrated poverty tracts. Blank makes two important interventions into the poverty debate. First, she notes that while half of poor people (in absolute numbers) are non-Latino White, Whites are more likely to experience poverty intermittently. African Americans, on the other hand, are more likely to suffer the cumulative effects of prolonged poverty, such as long-term, inadequate health care and lack of access to and

experience in the mainstream labor market. Second, she argues that single-issue policies (such as school reform or welfare reform) do not adequately address the multiple oppressions of poverty, and are therefore rarely effective alone. There must be a systems approach that is transformative. The cultural meaning that society imposes on the poor (and especially the racial other that is poor) makes constructive intervention very difficult on behalf of “those people” (Blank 1997).

Schneider and Ingram make the point that policy decisions send messages not only to the policy “target groups,” but also to the wider population— messages that convey judgments regarding citizenship and self. If you are part of a target group that is positively viewed and politically powerful, your problems are important public problems; if your group is viewed negatively and politically powerless, your problems are your own personal responsibility (Schneider and Ingram 1993). The researchers argue in a related article that policy tools for powerful, positively constructed groups are often capacity building and voluntary, whereas policy tools for powerless and negatively viewed people are coercive and involve sanctions, force, and death (Ingram and Schneider 1993, 82). When beneficial policies *are* directed to negatively perceived groups, they attempt to change the person, rather than attack the structural problems underlying the problem. In addition, governments have to answer why democracies sometimes concentrate wealth and power in the hands of the few. They do this through rationales that try to explain how policies serve the common good. In the U.S., such rationales link positive groups to important public purposes, such as national defense and economic competitiveness (Schneider and Ingram 1993, 334-47).

It is here that the debate on policy solutions must be transformed, and the rationale for poverty alleviation linked to important public purposes, such as full democratic participation. To bring about action, we must move public and policy discourse away from individualistic framing. Rather, we must illustrate poverty’s structural causations, solutions and impacts. We must also make the point that structural marginalization does not just harm the poor. We must emphasize the universal connectivity of all our communities, and illustrate how opportunity isolation for some people and neighborhoods harms entire communities. People will support strategies to expand access to opportunity more than they will support redistributive (welfare) strategies -- which require a shift in dialogue and how we frame policies.

### **Thinking differently about poverty and institutions**

Rather than subscribing to racist and erroneous narratives, we must frame poverty as an outcome of a structural deficiency—of the interaction of institutions that function effectively to close the doors of opportunity to huge swaths of people. Although individual efforts to rise above poverty matter, poverty must also be understood as reflecting structural disinvestment and marginalization on a global and a local scale. Again, it must be emphasized that this systemic denial to the levers and pathways of opportunity is highly racialized and gendered. For example, the rates for child poverty for Black and Latino children are roughly *double* those of Whites (despite Whites’ greater total numbers) (CDF 2005, 5). Poverty rates are also highest for

families headed by single women (NPC 2008). This structural story must be told with a human face, not just number and figures. The story must be in the end about “us,” not them. In this interrelated interconnected world, there is no “them” in the way the old narrative suggests. This does not mean an end to pluralism, but a new understanding of race and poverty.

Further, U.S. poverty must be located in a web of mutual connection on a global scale. As an example, international female migration has become one of the most prominent features of the latter half of the 20<sup>th</sup> century: women now make up roughly half of the international migration population (UN 2006, iii). The impacts of the increased globalization of people and markets are not fully manifest, but one measure is alarming: the gap between the richest and poorest nations has increased exponentially.<sup>2</sup> Migration patterns affect U.S. domestic policy as well: Soroka et al. argue that there is a link between increasing immigration rates and decreasing social welfare expenditures (2006, 262). Since the 1990s, a number of jurisdictions have made policy changes that deny or delay eligibility for welfare programs to immigrants. Moreover, as immigration levels rise, support increases for conservative political parties (266). In the U.S., welfare policy has come to be increasingly racialized, particularly in regards to African Americans (278-79). Racism has been recast as a neutral, logical aspect of globalization, rather than as historically specific to and embedded in global capitalism.

Unjust exclusions can depress life chances, regardless of individual promise—or even negatively interfere with that promise. The American Association for the Advancement of Science meeting in Boston in February of this year included reports from neuroscientists on the effects of poverty on children. In a February 16, 2008 *Financial Times* article, Clive Cookson argued that children growing up in very poor families with low social status experience unhealthy levels of stress hormones, which impair their neural development.<sup>3</sup> Other recent studies have shown that in high-poverty communities, children have levels of lead in their blood that are nine times above the average (Canfield et al. 2003, 1517-26). High levels of lead are linked to attention deficit disorder and irreversible loss of cognitive functioning (Nigg et al. 2008, 325-31). Poverty and racism can harm children even before birth: According to the CDC National Center for Health Statistics, Black and Hispanic women are more than twice as likely to receive late or no prenatal care as White women are. [Prenatal care prevents low birth weight that may lead to mental disabilities, vision problems, and neuromuscular disorders (Stoll et al. 2004)].

In the United States, we have seen overall mortality rates decline since 1960. However, increasing socio-economic and racial disparities have led to higher mortality rates for children of color. For example, in 1950, a Black child was 1.6 times more likely to die before his or her first birthday than a White child was; in 2002, they were 2.4 times as likely. Poverty depresses adult mental and physical health outcomes as well, and in complex and unexpected ways (Smith and Lardner 2005). Studies have found that vast disparities exist in health care depending on the patient’s gender and skin color -- even among patients with the same insurance plans (Smedley

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<sup>2</sup> The gap in wealth between the richest and poorest nations was 3:1 in 1820, 35:1 in 1950, and 72:1 in 1992.

<sup>3</sup> The biggest negative effects were found on language and memory.

et al. 2003). Krieger and Zierler write, "Even in rich countries like the United States, poor women find themselves without access to health care more often than men from the same social group" (1995, 251-56). As another example, the US National Institutes of Health stated in 2002 that Black women have a lower incidence of breast cancer than White women do, yet they have higher mortality rates from the disease.<sup>4</sup>

These worsening inequalities account for the United States' relatively low health rankings compared with other wealthy democracies. In 2001, the U.S. had the second highest per capita GDP in the world and spent the highest percentage of its GDP on health care. However, the U.S. did not even rank in the top twenty countries measured by life expectancy and infant mortality rates. Across developed nations, the ones with the least internal inequalities are largely the healthiest. Within the U.S., studies show that, for example, metropolitan areas with the least inequality have lower mortality rates than those with more inequality. As shown in a new documentary, *Unnatural Causes: Is Inequality Making Us Sick?*, poor health is associated with high inequality in terms of income, but also with a lack of power and a sense of control.

The multi-faceted systematic oppressions of poverty—dilapidated schools, sporadic health care, stress, exclusion and increased exposure to crime—force us to recognize poverty as more than just a lack of money. Rather than understanding poverty in terms of an "income-to-needs" ratio (the current U.S. policy measure), we must consider poverty as a lack of what Nobel Laureate Economist Sen (2008) characterized as the "Five Freedoms." These freedoms include political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. The UN has already moved away from an income proxy to a "Human Development Index" that takes into account the ability of people to live healthily and safely, to build knowledge, and to access resources.

Thinking about poverty in such a robust way means that we must look at the socio-political, institutional, and spatial systems and structures that produce impoverished outcomes. What are the primary impediments to capacity building and political power? What mechanisms can help eradicate poverty by altering the structural arrangements producing disparate outcomes? The impoverished (or those who are structurally marginalized) lack wealth and the access to power, influence and choice which wealth provides, at both the individual and collective level. The goal should be making structures work for marginalized populations, changing their relationship to wealth and power (thus producing more choice). Sوسان Abadian highlights the critical role of institutions to social cohesion and health in work. Abadian is quoted in "Trails of Tears, and Hope" about writing on collective trauma, noting that events that damage "vital reparative institutions," such as a community's child rearing, educational, and spiritual institutions, are particularly devastating (Lambert 2008, 39-45).

The importance of institutions—and of the ability to create and rearrange these institutions—is underscored by legal professor and theorist Roberto Mangabeira Unger. Unger argues that in any democracy, an individual must have the power to both participate and dissent.

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<sup>4</sup> For more information on the topic of gender inequality in health care, see also Zierler, S. and N. Krieger. 1997. "Reframing women's risk: social inequalities and HIV infection," *Annual Review of Public Health*. 18: 401-36.



We could include in our definition of poverty a denial of these basic abilities. Unger also argues that our current political institutions are not broad or innovative enough to organize contemporary life in a way that is compatible with a vision of anchoring economic growth in “a great broadening of opportunity” (2005, 9). Similar to Rawls’ distinctions between a welfare capitalist society and a property-owning democracy, Unger argues that on a global scale, free trade should be a means to a pluralism of democracies, not an end in itself (137). Global multi-lateral institutions should support “the emergence of difference” and institutional experimentation (141). While Americans developed from a revolutionary spirit, Unger argues, they have become afraid to experiment, have become too enamored of self-reliance (at the expense of community), and have frozen the interplay between institutions and ideals (144). For Unger, this lack of imagination of an alternative way of doing things is particularly true of the “Left.” Unger’s emphasis on the need to reorganize inter-institutional arrangements is the mark of a transformational (as opposed to a transactional) way of thinking.

I advocate for poverty reduction strategies that are guided by a transformational paradigm. Transformative thinking requires creativity, vision, and persistence. Transformative approaches restructure the very institutions and inter-institutional relationships that result in inequalities. Transformative solutions are those that produce sustainable, significant changes in our society. While it might be overwhelming to consider the various factors that contribute to poverty and the myriad of measures needed to reduce it, we must remain aware of their interrelatedness and know that incremental changes can fit into larger transformative schemes. If we focus on a small cluster of interactions, we can foster changes across different domains. With an eye towards restructuring all areas into communities of opportunity, we can begin with smaller, strategic interventions. These initial interventions can bring various groups to the table to define a shared vision of success (a transformational, inclusive one); mobilize energy around important issues; build trust among diverse people and organizations; and show that change can indeed happen.

One of the key roadblocks to transformative community is closing us off from one another, at both an individual and community level, by race. We must begin to re-define the self away from being in isolated opposition to an “other,” toward being in relation to that other. This helps make the link between individual and community well-being. If “you” are a part of “me,” then “you” are not expendable. Then-Senator Barack Obama spoke of this extended self on the campaign trail when he remarked:

I can no more disown him [Rev. Jeremiah Wright] than I can disown the black community. I can no more disown him than I can my white grandmother—a woman who helped raise me, a woman who sacrificed again and again for me, a woman who loves me as much as she loves anything in this world, but a woman who once confessed her fear of black men who passed by her on the street, and who on more than one occasion has uttered racial or ethnic stereotypes that made me cringe. These people are a part of me. And they are a part of America, this country that I love. (Obama 2008)

Although President Obama was speaking literally about his family, he was also speaking metaphorically: how different communities and perspectives exist in this country and are related to one another. Racial segregation was historically legislated into the very fabric of our communities, and its legacy continues to undermine our individual and communal capacities to elevate our neighborhoods and ourselves.

Achieving sustainable poverty reduction in a time of increasing poverty, inequality and economic instability is a monumental challenge. At the heart of this challenge is a normative vision of an inclusive transformative society—inclusive physically, socially, economically and spiritually. Sen writes, “It is not so much a matter of having exact rules about how precisely we ought to behave, as of recognizing the relevance of our shared humanity in making the choices we face” (1999, 283). This project becomes one about the entire society, but with a focus on the marginal. Although we are often enamored of a rugged individualism, perhaps a *healthy* individualism—one in which the individual is nurtured by a sustainable, robust and diverse community—is a better indicator of a healthy society. Investments can and must be transformational, not transactional: they must interrupt a dynamic of disinvestment, isolation and structural violence to reconnect people to opportunity and to one another. For example, we must intentionally structure schools to avoid racial isolation and concentrated poverty, which depress democratic citizenship and reduce academic achievement. We need to prepare our students to be citizens and workers in an evolving, interconnected, pluralistic world where learning will be a life-long engagement. At the same time, we must intentionally structure housing to be affordable and accessible to good schools, jobs, public transportation, high quality childcare, preventative health care, and civic organizations. We must empower and connect local organizations that represent and advance the interests of residents.

### **An Unequal Recession**

If we consider poverty as situational, and as reflecting a depressed ability to participate in American society, this recession is unfortunately not just maintaining, but exacerbating that depressed ability for marginalized people and communities, often at a steep rate. The brunt of unemployment, layoffs, social service and education budget cuts, foreclosures, and bankruptcies has been borne by groups already marginalized by the mainstream economy. The economic crisis is exacerbating long-standing challenges facing many marginalized communities. In an April 20, 2009 *New York Times* Op-Ed, Bob Herbert describes the increases in child poverty, homelessness, and temporary relief indicate that children across the U.S. are experiencing as “a quiet disaster.”<sup>5</sup> A June 11, 2009 article in *USA Today* by Peter Eisler and Elizabeth Weise states that free and reduced lunch participation increased sharply in 2009 across the nation, with 46 states experiencing increasing free and reduced lunch participation. Median family income is expected to drop for all families, but especially for single female-headed households.

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<sup>5</sup> Herbert is quoting Dr. Irwin Redlener, president of the Children’s Health Fund in New York.  
[http://www.usatoday.com/news/education/2009-06-10-student-lunches\\_N.htm](http://www.usatoday.com/news/education/2009-06-10-student-lunches_N.htm)

In particular, the racial impacts of the recession and housing crisis have been extreme. One in five children were living in poverty in 2008, and poverty rates for children of color are climbing above 40% in some states (CDF 2008, 5-6). According to the Bureau of Labor Statistics, January 2010 unemployment figures showed a decline in national unemployment figures, but continued growth in unemployment for people of color. White unemployment started to decrease, but Black unemployment rates continued to rise. Latino unemployment rates decreased slightly, but remained very high. Employment for Black youth (ages 16 to 19) is 43.8%, nearly twice the rate found for White youth, whose unemployment rate hit 23.5% (BLS 2010, Table A-2 and Table A-3). Nearly half of all subprime loans went to African American and Latino borrowers, even though many qualified for prime loans. African American and Latino homeowners are expected to lose \$164–\$213 billion in assets due to the housing crisis (Rivera et al. 2008).

A significant portion of ARRA (otherwise known as the stimulus bill) was dedicated to offsetting state budget shortfalls, many of which could have resulted in drastic cuts to critical services for marginalized populations. ARRA cuts to critical services that would have further harmed vulnerable populations. However, more fiscal peril is on the horizon. While the Recovery Act will provide more than \$100 billion to offset state budget deficits in 2010 and 2011, even with this funding States are expecting another \$267 billion in additional budget deficits for 2010 and 2011 (Law, Johnson, and McNichol 2010).

### **The housing crisis continues**

Neighborhoods and communities are also being reshaped by the detrimental impacts of the housing crisis and recession. This impact is magnified in many communities of color, which had faced a number of challenges already, such as high poverty, disinvestment or vacant properties prior to the foreclosure epidemic. The foreclosure crisis is producing widespread vacant properties, which can poison the health of the entire community (Kraut 1999). The growth in vacant properties is further dragging down property values, creating blight and safety risks and in some cases spiraling stable neighborhoods into a permanent state of distress. For people of color and others isolated in these neighborhoods, the crisis is creating widespread burdens, ensnaring all residents, even those who are not facing foreclosure (Simon 2008; Gavin 2007; Kraut 1999; Spelman 1993, 481-95; Taylor and Harrell 1996).

The federal response has largely triaged the economic damage wrought by the crisis without yet addressing its underlying causes. Over half a century ago, a vast expansion of American homeownership, led by New Deal legislation, was limited largely to all-white neighborhoods in suburban, new housing stock—underwriting criteria devalued or refused to insure integrated, minority, or old housing stock neighborhood (powell and Graham 2002). These racially discriminatory federal guidelines were then absorbed into private market practices. Refusing to extend credit to low-income communities of color became known as “redlining” due to the red lines drawn on property maps that indicated “hazardous” (no loan)

areas. Although *de jure* racial segregation in lending is no longer legal, the patterns and practices of discrimination in housing markets persisted into the 21<sup>st</sup> century.<sup>6</sup>

With little residential or commercial lending from mainstream banking institutions for decades, isolated communities of color suffered from high-cost credit institutions that had little competition: payday lenders, rent-to-own, check cashing, and most recently, subprime home loans. Without competitive credit institutions, families lacked information about options, making them primary targets for subprime lending. Present-day subprime mortgage brokers targeted these communities not out of personal racial animosity, but because these neighborhoods were starved of prime credit entirely, or because families were “equity rich but cash poor,” with paid-off homes but unmet credit needs (such as college tuition or medical expenses)—a condition that drove subprime refinancing growth (Stegman, Freeman and Paik 2007, 29-30). Termed “reverse redlining,” the targeting of credit-starved neighborhoods is and was possible because prior redlining had isolated these communities from mainstream banking and lending. Mortgage brokers themselves created some of the “demand” for subprime mortgages—a December 3, 2007 *Wall Street Journal* article by Rick Brooks and Ruth Simon suggested that in 2005, 55% of people with subprime mortgages had credit scores high enough to qualify for conventional loans; in 2006, this figure rose to 61%. Meanwhile, no federal regulatory agency was explicitly tasked with consumer protection, and those that could have intervened in systemic risky behavior failed to do so.

### **The new financial inequalities**

It is important to note that the growth of unfair and unequal credit grew alongside not only the banking and finance modernization of the late 20<sup>th</sup> century, but also a four-decade widening of income and wealth inequality.<sup>7</sup> This divergence has created a relatively small group of

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<sup>6</sup> For overviews of various challenges in housing policy, see Galster, G. 1998. "Residential segregation in American cities: A contrary review." *Population Research and Policy Review* 7(2): 93-112; Galster, G. and E. Godfrey. 2005. "By Words and Deeds: Racial Steering by Real Estate Agents in the US in 2000." *Journal of the American Planning Association* 71(3): 251-68; Powell, J. 2003. "Opportunity-Based Housing." *Journal of Affordable Housing and Community Development Law* 12: 188; Roisman, F. W. 1997-1998. "Mandates Unsatisfied: The Low Income Housing Tax Credit Program and the Civil Rights Laws." *University of Miami Law Review* (52): 1011-50; Turner, M. A., S. L. Ross, et al. 2002. *Discrimination In Metropolitan Housing Markets: National Results From Phase I HDS 2000*, U.S. Department of Housing and Urban Development; Yinger, J. 1998. "Housing Discrimination is Still Worth Worrying About." *Housing Policy Debate* 9(4): 893-927. For an overview of structural racism, see “A Report to the U.N. Committee for the Elimination of Racial Discrimination on the occasion of its review of the Periodic Report of the United States of America.” 2008. <http://www2.ohchr.org/english/bodies/cerd/docs/ngos/usa/USHRN2.doc>.

<sup>7</sup> The Children’s Defense Fund notes: “On average [over the last 30 years], the income of the top 20 percent of households was about 15 times greater than that of the households in the bottom 20 percent—the widest gap on record based on an analysis of U.S. Census Bureau figures.” Children’s Defense Fund. 2005. *The State of America’s Children* 2005. Page 4. Back in 2002, economist Paul Krugman reported that 1 percent of families receive about 16% of total pretax income, while median family income has risen only about 0.5% a year – an increase mostly due to wives working longer hours. Krugman argued that this astonishing concentration of wealth at the top is why the U.S. has more poverty and lower life expectancy than any other major advanced nation. Krugman, Paul. 2002. “For Richer.” Op-Ed column in *The New York Times* on 10/20/2002. See also James Lardner and David A. Smith, ed. 2005. *Inequality Matters: The Growing Economic Divide in America and Its Poisonous Consequences*. New York: The Free Press.

extremely affluent people who are offered the best and most robust financial services, and a huge (and growing) group of unbanked and underbanked families with intermittent or low-income jobs and few assets. In short, many more people in the U.S. saw their incomes stagnate or decline while costs continued to rise—and their demands for credit grew. This pattern has racialized contours: over half of all African American households and over 4 in 10 Latino households are either unbanked or underbanked (FDIC 2009). These are the primary clients for alternative services, such as check-cashing, money orders, money remittances, and payday loans. The majority of payday loan customers are banked (payday clients must have a checking account) but earning under \$50,000; African Americans and military families are overrepresented. These families are unable to meet increasingly expensive education, health care, and housing costs, and thus are increasingly in need of credit. In fact, the FDIC’s recent study on unbanked and underbanked<sup>8</sup> households reported that “[n]ot having enough money to feel they need an account is the most common reason why unbanked households are not participating in the mainstream financial system” (2009, 4). The study also reveals that people of color are far more likely to be unbanked and underbanked: for example, African Americans are seven times more likely to be unbanked than Whites.<sup>9</sup> As with many of the challenges facing our society, marginalized communities—racial and ethnic populations and the disadvantaged—are disproportionately burdened. These new challenges should embolden our efforts to address poverty and promote access to opportunity in the U.S. and across the world.

What is occurring today is that many communities are losing ground in absolute and relative terms in assets. Indeed, asset security and mobility are advanced or undermined differently for marginalized groups in times of both growth *and* recession. Because some people start from ‘farther behind’ the average, even relative gains may not equal absolute gains. For example, from 1994 to 2000, widely considered very good economic times for African Americans, white family incomes grew about 17 percent. African Americans family incomes grew over this period at an even stronger rate, 24 percent. However, the result of the relative gain was that African Americans’ median family income in 2000 finally equaled the median family income level in the United States in 1965 (Stoll 2004). Therefore, there must be a consideration of the need for transformative assets—assets that help lift families beyond their own income stream and achievements, such as homeownership and inheritances—for marginalized communities traditionally excluded from these assets (Shapiro 2004). Perhaps not surprisingly, a report from the St. Louis Federal Reserve indicated that expansions close the

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<sup>8</sup> Underbanked households have a checking or savings account but rely on alternative financial services (“AFS”) such as non-bank money orders and non-bank check cashing, pawn shops, payday loans, rent-to-own agreements (“RTOs”), and refund anticipation loans (“RALs”). The study reported that the two most frequently used AFS products are non-bank money orders and check-cashing. 2009. *FDIC National Survey of Unbanked and Underbanked Households*.

<sup>9</sup> Minorities more likely to be unbanked include blacks (an estimated 21.7 percent of black households are unbanked), Hispanics (19.3 percent), and American Indian/Alaskans (15.6 percent). Racial groups less likely to be unbanked are Asians (3.5 percent) and whites (3.3 percent). 2009. *FDIC National Survey of Unbanked and Underbanked Households*.

racial disparity gaps more slowly than recessions widen it.<sup>10</sup> In fact, research on the current recession's disparate effects among African Americans, Whites, and Latinos shows that people of color, often more reliant on asset stability (income streams) are hurt worse not only by employment declines, but in the loss of *potential employment* they would have experienced, were the economy to keep expanding. In other words, because people of color in one sense have more 'potential' to grow their asset stability (enter the workforce) because they have traditionally been underrepresented, that potential is more easily crushed during times of recession.

**Conclusion: where do we go from here?**

Addressing the economic challenges of the 21<sup>st</sup> century will require us to reframe the discourse on wealth, poverty and assets, and change how we talk about critical policy solutions. Our ability to transform the future of economically marginalized people and communities requires building broad public support for expanding access to opportunity.

Recently, The Kirwan Institute for the Study of Race and Ethnicity partnered with ISIAAH, a faith-based organizing collaborative in Minnesota. ISIAAH understood the importance of Kirwan's maps, statistics, and research in telling the story of opportunity. The way that Kirwan talks about, thinks about, and acts on opportunity is premised upon this concept of multi-layered, situational, and cumulative opportunity structures. And Kirwan's analysis of opportunity takes situational processes like racialization, classism, and gender discrimination very seriously, which was important to ISIAAH's core organizing message. ISIAAH organizers wanted to foreground structural barriers to opportunity. In some cases the academic language, maps and statistics can be overwhelming, or distancing. Therefore, ISIAAH started grounding its informational meetings in personal stories—the stories of their members, told to each other. At one event, we gathered stories from people with permission to share them. These stories help frame the organizing field guide.

They illustrate situational and generational opportunity, in real people's lives:

Karen, St. Paul, MN: "My grandpa owned a business that did very well. When my parents married around World War II, my dad started his father's business in California. He got a GI loan for housing, worked hard, and built a good business there. Property values in California increased more than 100% and my parents and grandparents made money from their land, housing, and the business. When my grandparents died, I inherited money and passed it on to my sons so they could go to college debt-free. My parents paid for my schooling and I was able to do the same for my kids."

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<sup>10</sup>For example, between 1972 and 2000, for each year of recession, it took three years of expansion for the racial unemployment gap to return to its pre-recession level. For black women, it took four years of expansion to make up for each year of recession. Wall, Howard J. 2003 "Recessions, Expansions and Black Employment." *The Regional Economist*. St. Louis Federal Reserve.

Cheryl, St. Paul, MN: “When I graduated from college I found it hard to start a career. I was only able to find temporary or part-time jobs. People stereotyped me as a young woman and would not take me seriously. I was turned down for some jobs with Christian organizations because I was a woman. In addition, my mother had cancer and my father had to spend his resources for medical bills, instead of my graduate school. I finally obtained a Stafford loan but couldn’t afford a computer and IT services, fell behind, lost financial aid, dropped out. I still want to go back.”

Arline, St. Paul, MN: “When I was 7, my parents started looking for a new place to live on the city’s North side. We toured an apartment that we all liked. The nearest supermarket was only a block away, and my dad had to take only one bus to get to work. My parents told the landlord we wanted to rent it. Shortly after we got home, our phone rang and mom picked it up. It was the landlord from the new apartment. He told my mother he was sorry, but that he had made a mistake, and the apartment wasn’t for rent anymore...I realized from what mom and dad were saying that the landlord didn’t really want to rent it to us because we were not white.” (Olinger et al. 2010, 7)

As the ISALAH organizers reflected in the field guide,

We have found that by connecting to their own family histories and life stories, individuals can truly see how their lives have been shaped by the ways in which our communities are built and governed. When people can articulate how doors of opportunity have been opened or closed in their own lives by policies and institutions, it is not a big leap to understand how social structures can affect people of various races differently and create inequities on a wide scale. Understanding structural racialization is one of the first steps on the path to creating healthy communities. (8)

We must continue to partner with our allies to bring about change in the way that we see and act on the world to advance opportunity for all. We must consider the structural arrangements that deny access to opportunity, wealth and power for marginalized groups, while limiting opportunity for the non-poor as well. Instead of focusing on welfare models of poverty reduction, we must take into account the critical structural arrangements that produce poverty and increase anxiety and stress in the middle class. Finally, we must act more deliberately and strategically to locate the precise interventions and leverage points needed to expand opportunity for all. Our growing economic insecurity presents one of the greatest challenges to the future of our communities and our nation. Only a society, which allows for true membership can be a truly

functioning and representative democracy. By assuring access to opportunity for marginalized groups, we expand opportunity for all.

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