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Poverty and Life Chances: The Conceptualization and Study of the Poor

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INTRODUCTION: POVERTY AMID PLENTY

This chapter is concerned with the theoretical conceptualization of poverty in rich, developed countries and the estimation of its effects on offspring. The difficulties of conceptualizing poverty amid plenty are perhaps best illustrated by a speech given by a member of the Forbes 400 richest Americans, Thomas Monaghan, who himself rose to great wealth from meager origins. 'To me one of the most exciting things in the world is being poor,' he began his lecture. To explain what he meant, Monaghan cited a study that concluded that a family of four could survive on $68 per year back around 1970 (which would make it $256 today). 'Now you're probably wondering how you can live on $68 a year. The first thing you do is go to the Farm Bureau and buy a hundred-pound bag of powdered milk … While you're at the Farm Bureau you buy yourself a bushel of oats or wheat or corn, and you mash that stuff up … And you grow some vegetables and you get a few vitamin pills to supplement your diet. And I think that's exciting.' He went on to talk about how cheaply he lived in a house trailer, calling it 'the greatest living I ever did'. He concluded his speech with a rhetorical appeal: 'Oh gosh,' Monaghan said, 'I'd love to talk to all these people who say they can't get by.'[1]

We could debate the actual numbers – that is, exactly how cheaply someone could survive in the contemporary United States or a similarly developed country – and we could question the hypocrisy of a man worth hundreds of millions of dollars castigating the poor for their implied whining, but that would miss the deeper point that Monaghan raises. Namely, what does it mean to be poor in a country when starvation and death from the elements is rare? This question inevitably leads us to the debate over absolute versus relative measures of poverty. As we will see, Monaghan's reasoning is not that far afield from a long tradition of absolute poverty measurement that has based its calculations on the cost of food.

Since the end of the eighteenth century, many individuals and institutions have tried to come up with the magical perfect *absolute* measure of poverty. This led theorists to attempt to quantify the basic necessities needed to live; more to the point, they tried to define poverty

in terms of food requirements. Specifically, a household fell into poverty if its income fell below the necessary level to purchase food to physically sustain itself.[2] Attempts to establish such a minimal standard started in England in 1795 when the town of Speenhamland 'instituted a relief program that made up the difference between a worker's wage and the cost of bread sufficient to feed him and his family' (Stone, 1994: 85). In 1901, Rowntree attempted to devise a specific measure in York, England when he documented an income level below which the necessities to maintain one's physical efficiency could not be afforded. His approach was institutionalized in the United Kingdom by the Beveridge Report in 1942.

The most famous American rendition of the food-based measurement of poverty status was that of Mollie Orshansky in her 1963 article 'Children of the Poor'. To estimate the poverty line, she used a strategy not unlike that implicit in Monaghan's speech. She took the US Department of Agriculture's recommendations for the minimum amount of healthy food, estimated the cost for a variety of family types (62 in all) and multiplied this figure by a factor of three.[3] Soon, this became the official poverty line of the United States. As such, it has been the definition of poverty that has most frequently served as the straw man against which researchers have suggested alternatives.

Orshansky has been assailed from all sides for the choices she made in 'drawing the line' in the United States. Early criticism revolved around her choice of three as the multiplier. Rose Friedman, for example, argued in 1965 that three was too high since the poor often spent a greater proportion of their income on food during this time period (the actual figure being closer to 60 per cent, according to Friedman). Friedman's estimation lowered the poverty threshold substantially and halved the number of individuals living in poverty at the time. However, Friedman's argument appears flawed because of its circularity: namely, the poor may have been spending more of their resources on food since they were poor. In other words, since food is the most basic necessity of all, we do not know what other necessities the poor may have been forsaking due to the fact that they were spending over half their money to keep themselves fed (such as medical care, adequate shelter, and so on). Alternatively, Alan Haber (1966) argued that Orshansky's survey data from the 1950s overestimated the percentage of family income spent on food in the 1960s, suggesting that it had fallen to one-fourth, as illustrated by the 1960–1 Consumer Expenditure Survey. The percentage of family income spent on food has steadily dropped since this period as well. Now housing makes up a much larger proportion of household budgets.[4]

Another conservative line of argument for change is to adjust what we call total family income. Some analysts have argued that total family income is a weak measure of the consumptive power of the poor since many receive in-kind benefits such as food stamps and Medicaid that raise their standard of living but which are not counted as income. Liberals counter that if we include in-kind benefits for the poor, we should include them for everyone. Thus, private health insurance paid for by employers, subsidized student loans, per student expenditures on public education and even the home mortgage interest deduction should be figured into the distribution of resources, making it even more unequal than it is now. (But, of course, that would not affect absolute poverty measures.)

More recent criticisms have sought to change the Orshansky threshold by de-emphasizing its emphasis on food expenditures as the basis of what are considered 'necessities'. Specifically, some researchers argue that the 'market basket' of necessities has expanded since the early 1960s to include such items as indoor plumbing (which many of the rural poor did not enjoy in the 1950s) and telephones. Today is television a necessity? Working heat and air conditioning? How about a computer? With these concerns in mind, many analysts have argued that it is impossible to adjust the poverty threshold over long periods of time using the inflation rate (Consumer Price Index) but that the poverty measure must be reformulated from scratch every so often since what is a 'necessity' changes from period to period, from society to society (Hobjin, 2002).

The US poverty threshold is further criticized because it does not take into account regional variation in the cost of living.[5] Living on 8000 dollars in Mississippi is a lot different than trying to survive on that same income in New York City. Finally, there is the issue of assets and debts. Poverty is measured with respect to income alone. But income only tells part of the financial story for most American families. There is also significant variation in family wealth levels. (Family wealth – also known as assets or net worth – is calculated as total saleable assets minus outstanding debts (at the family/household level); insurance, annuities, received or anticipated social security and other non-fungible assets are not included in this measure.) This variation in net worth – over and above income levels – means that being 'poor' can be a very different economic experience for families with the same income levels. This issue is particularly salient to the study of race, poverty and life chances in America. Currently, the median African American family owns about one-eighth the net worth that the median white family does (Wolff and Leone, 2002). This difference is not explained by income or other demographic characteristics (Oliver and Shapiro, 1995). For example, among families who earned less than 15,000 dollars per year in 1994, the median net worth for white families was 10,000 dollars; the corresponding figure for African American families was zero. More than half the black population in this income bracket has no net worth or is in net debt. Meanwhile, being poor and white typically means living with a 10,000-dollar asset cushion. Income-based measures obscure this difference. There are many potential ways to integrate income and wealth into a poverty measure (such as annuitizing wealth levels and adding them to annual income). However, policy-makers stick to the traditional income-based poverty measure; given that many federal funds are allocated based on the proportion of a state's population that is poor, the Orshansky line has a political inertia that is difficult to alter. Likewise, researchers have only just begun to take into account assets in explaining the impact of poverty on life chances – largely because good measures of family wealth have not been available until fairly recently (as of 1984).[6]

All this criticism leads to the question of whether an adequate *absolute* measure of poverty is ever possible to arrive at. If we strictly define necessities as those goods without which we cannot survive, then by definition there are no poor among the living. Recognizing this, most scholars define necessities as what is required to live *with dignity*. Of course, if what is necessary to live with dignity in a given society is socially defined, then is not every measure of poverty a relative measure? In other words, if what is a necessity is what most of us have then there will always be people who do not have those things in any market-based economy. In other words, the poor will always be with us – but to greater or lesser degrees depending on how unequally income and wealth is distributed. This is one of the ways that wealth creates poverty – by ratcheting up the social definition of necessity. Theorists who are of the view that all poverty is relational have argued for the implementation of *relative* measures of poverty, most frequently operationalized by considering anyone with less than one-half the median income to be poor alternatively, researchers use a cut-off of 40 per cent of the median income (Fuchs, 1967; see also Rainwater, 1974). This sort of measure has become standard in the literature on international comparisons of poverty rate, since it provides an obvious yardstick that is commensurable across nations. However, it really measures income inequality at the bottom half of the distribution.

When using a poverty line set at 40 per cent of the median income of a given country, a comparison of poverty rates among developed nations reveals that the United States is indeed a laggard with respect to the rest of the developed world. Just less than 11 per cent (10.7) of the US population enjoys incomes less than 40 per cent of the median. The next closest country is Australia, with a rate of 7 per cent, Canada at 6.6 per cent and the United Kingdom at 5.7 per cent (Smeeding et al., 2000: Table 2). (If we use the US poverty line and compare countries, we find that Australia and the United Kingdom have higher poverty

rates – 17.6 and 15.7 per cent, respectively, as compared to the 13.6 per cent figure for the US in the mid-1990s; Smeeding et al., 2000: Table 1). What is striking is that all of the countries that are the worst when it comes to relative income distributions are of Anglo origin – following cultural lines rather than geographical ones.

Once we dip into the middle of the pack, we find that there is no obvious pattern to which countries outrank others with respect to their poverty rates on either absolute or relative measures. For instance, in absolute rates, what Gøsta Esping-Anderson (1990) calls corporatist welfare state regimes do worse than social-democratic (or universalist) ones. Using the US standard, France has a poverty rate of 9.9 per cent and Germany 7.3 per cent. The Scandanavian countries do better, with Sweden at 6.3 per cent, Finland 4.8 per cent and Norway at 4.3 per cent. But when we switch to the relative rates, Sweden at 4.6 per cent comes out worse than Germany (4.2) or France (3.2). It should be clear that what income is counted, what conversion rate is used (PPP or exchange rate) and a host of other issues cloud international comparisons, making finely graduated rankings almost meaningless. More important are overall patterns, such as the Anglo countries doing the worst of all.[7]

THE EXPERIENCE OF POVERTY: OUTPUT MEASURES

A newer line of argument coming out of British and Irish scholarship focuses on outputs rather than inputs. Traditional measures classify as poor those who do not have the economic ability to meet basic needs within the behavioral (that is to say, budgeting) expectations of the community. Direct measures of poverty identify individuals or families whose *actual* consumption levels do not meet such basic needs.[8] This distinction carries important implications for the way in which the poor are conceptualized and treated. In some senses, the minimum resource conception treats the poor with more respect than the minimum standard of living measure since it merely sets a resource level that is perceived as adequate and does not make any judgments or assumptions as to how the poor will spend these resources. A standard of living measure distrusts the poor in a certain way since it implies that given a certain amount of resources, the poor may not be efficiently maximizing the acquisition of necessities in the household (*à la* Monaghan). It is also assuming a singular definition of what constitutes a decent standard of living when groups – such as the poor – may differ in what they value.

On the other hand, the minimum standard of living threshold may better measure the reality of life for the poor and is not subject to the vagaries of price and income fluctuations or differential household needs (such as the comparison between an elderly couple and a single mother with a young child illustrates).[9] Some researchers have attempted to resolve this tension between the alternative conceptions of poverty. Stephen Ringen (1988), for example, advocates the use of a combination of income thresholds and a measure of deprivation to measure poverty. The concept is appealing in that people with low incomes but who are not feeling the pinch – on account of generous in kind benefits, asset wealth, etc. – would not be counted as poor. Likewise, those who were 'misers' – that is, those who experienced deprivation despite being able to afford to satisfy their needs – would not be counted among the poor either. Only if a household met the dual criteria of low income and enforced 'lack' of socially defined necessities would Ringen consider them poor.

In this vein, many scholars have worked to develop an adequate measure of deprivation. The first step is to define a basket of necessities. For example, one study surveyed residents of Ireland to come up with a list of socially defined necessities (including, for example, a telephone, two pairs of strong shoes, a color television and a dry dwelling) (Callan et al., 1993). The poor are those who are low-income and who lack a certain number of the 20 necessities.[10] While this move towards a deprivation–income combination would seem to eliminate many of the practical problems with input-only

measures of poverty, some theorists want to push further toward a universal set of 'necessities'. These would be constant over time and place and – as such – would facilitate comparisons across very diverse cultures and epochs. The challenge inherent in designing such a poverty measure is no less than defining universal 'goods'.

An early such attempt to operationalize a cross-society, comparable 'universalistic outputs' measure of poverty – moving away from material goods – was the Physical Quality of Life Index (PQLI). Using three basic indicators of the quality of life, in 1979, Morris David Morris (1979) constructed a scale for use in measuring the condition of the world's populations. The components of this scale are: infant mortality, life expectancy at age 12 months and basic literacy. Morris admits that this measure does not capture intangible goods such as freedom or justice; however, Morris suggests that these three are as close as one can arrive to a 'universal' – that is, non-ethnocentric – criterion for well-being. (Human rights, for example, can be defined very differently in one context than another; and freedom is always a matter of negotiation – between yours and mine.) Morris purports that all peoples want their children to live (that is, lower infant mortality) and that all peoples want to live long themselves (that is, life expectancy). Further, he claims, 'even if the desire for literacy *per se* is not widely shared – literacy could serve as a surrogate for (although it does not guarantee) individual capacity for effective social participation' (1979: 3). From these three indicators, he constructs a scale to measure over-time and cross-sectional differences in the quality of life of the world's people.[11] The result is a universal index that allows for comparisons across various societies, sub-populations and cohorts without running into major incomparability issues.[12] The most obvious drawback is the fact that – by definition – individuals or family units do not have a score on the PQLI, only populations do.

Nobel Prize winner Amaryta Sen is among those who would go further than Morris. He shares with Morris the desire to push for a measure that is less solely reliant on the distribution of material goods, but Sen seeks to expand the relevant outcomes well beyond those of the PQLI. The leitmotif that organizes the themes of poverty and deprivation for Sen is the question of freedom – that is, freedom to reach our full potential. Deprivation, in Sen's schema, occurs when we are prevented from reaching our full human capabilities. The task at hand for Sen is to define a basket of 'human capabilities' and then investigate what forces enable or limit those (e.g. Sen, 1995, 1999, 2000). The material distribution of resources is a main – but not sole – element of the distribution of freedom to develop our human capabilities. Wealth makes us free – from, say, having to work, having to stay in one place, having to sell our dearest possessions and so on – but there are other dimensions of freedom as well. Freedom, obviously, has a political dimension. Wealth is less valuable if our voice and our actions are constrained by a totalitarian state. Freedom has basic health dimensions as well. If we do not live long, we enjoy our economic assets less. In short, you have to be alive to be free and to develop your human capabilities. You also have to be relatively absent of crippling disease.

For Sen, financial or material limitations are but one way that capabilities can be deprived. That is, market-based distribution mechanisms (economies) represent one allocation avenue among many. Poverty measures that examine only material inputs or outputs may neglect resource inequity based in the political sphere, for example, or to take another case, within the household (particularly with respect to gender inequities) (e.g. Brannen and Wilson, 1987; Glendinning and Millar, 1987; Jenkins, 1991). For instance, he claims that there has never been a massive famine in a democratically run nation, since elected regimes are responsive to the needs of their populations. Politics matters as much as economics. Or rather, they cannot really be separated from each other.

There is a tension in this discussion between wanting to develop a robust measure of poverty that accounts for all sorts of deprivation, on the one hand, and the fear of losing the analytic focus on specifically *economic* sources of deprivation,

on the other. If we broaden the concept of poverty too widely, we risk making it conceptually and empirically ineffective by conflating a variety of types of deprivation, oppression and domination. For example, is it really worthwhile to talk about political detainees as part of the poverty problem? We may want to keep these forms of 'capabilities' deprivation separate. At the same time, it is not always easy to parse the analytic distinction. Sen and others have shown us how these worlds act and react on each other. This is a tension that will not be resolved here but should serve as grist for sociologists, economists and political scientists for some time to come.

THE EFFECTS OF POVERTY ON CHILDREN'S LIFE CHANCES

Ultimately, the value of a measure of resources (such as a poverty line) is how well it predicts outcomes we care about. There has been much research assessing the association between income in general – and poverty in particular – and health status, political participation, deviant behavior and so on. One area in particular that has been a fruitful focus of research is with respect to the effects of low income on the outcomes of offspring. An intergenerational lens is particularly appealing to researchers for both political and methodological reasons. Politically, children are almost universally seen as members of the 'deserving' poor in the moral discourse on poverty (and welfare). In other words, while it may be debated whether or not a poor adult has reached this social position through ascription (assignment through birth) or achievement (through their own actions), almost by definition it is the case that children who are poor find themselves in this condition through ascriptive forces beyond their control (that is, into which family they happen to be born). Thus, by focusing on the effects of economic resources on children, the current generation of researchers gets away from the rhetorical trap of 'blaming the victim' that plagued (and ultimately dampened) much research on poverty that took place during the 1960s.

Second, children offer a potential methodological solution to the problems of reverse and spurious causation. Namely, if we examine the relationship between, say, poverty and health among the elderly, we are haunted by the question of whether any observed association results from poverty causing (ill) health status; or health status impacting income; or some third factor – say cognitive ability – affecting both. Children – with no earnings of their own – would seem to offer the ideal 'subjects' for examining the effects of poverty on life outcomes since the poverty in which they may find themselves is largely not due to their own choices, abilities and so on.[13] However, while a focus on children may largely solve the reverse causation issues, by itself such a focus does not adequately address the unobserved heterogeneity issue, also known as spurious effects (more on this later).

The research tradition on poverty and child outcomes is vast and cannot be done justice in the brief space here (see, e.g., Hauser, 1994). That said, this literature is perhaps best summarized in a cumulative, life-course framework over childhood (see Bronfenbrenner, 1979). Starting with birth, much research has shown that low income and its covariates such as low maternal education and minority racial status lead to a greater risk for delivering a low birthweight baby, due to both prematurity and intrauterine growth retardation (Cramer, 1995; Gortmaker, 1979; Starfield et al., 1991; Stockwell et al., 1995). This higher incidence of low birth weight among the poor population partially, but not completely, accounts for the higher infant mortality rates among this group (Cramer, 1995; Gortmaker, 1979; Tresserras et al., 1992). If children survive the first year of life, those from lower SES families face increased risks of childhood mortality, primarily due to increased chance of accidental death (Mare, 1982; Wise et al., 1985).[14] Aside from increased mortality rates, children from poor families suffer from other developmental risks as well (Egbuonu and Starfield, 1982; Wise and Meyers, 1988). For instance, there is an inverse relationship between child blood lead levels and SES (Brody et al., 1994; Klerman and Parker, 1990; Mahaffey et al., 1982; Quah et al., 1982).

Likewise, Sanders Korenman and Jane Miller (1997) showed that poor children are more likely to exhibit low height-for-age (stunting) or low weight-for-height (wasting), two reliable indicators of nutritional status which, in turn, predict other health outcomes.[15] Others have shown an effect of poverty on children's number of bed days and school absences (McGaughey et al., 1991), on acute illnesses (Starfield, 1991) and on chronic conditions such as asthma (Ernst et al., 1995).

In addition to physical health problems, children from poor families tend to enjoy worse mental health and display more behavioral problems than their non-poor counterparts, particularly when poverty is long-term (Campbell, 1995; McLeod and Shanahan, 1993). Poverty may also affect cognitive development. For example, a number of researchers have found that income is correlated with child cognitive indicators such as the Peabody Individual Achievement Tests and the Peabody Picture Vocabulary Test (Chase-Lansdale et al., 1997; Duncan et al., 1994; Korenman et al., 1995).[16] Judith Smith and her colleagues found that between the ages of 3 and 8, relatively small increases in income can lead to substantial changes in intellectual skills. A one-unit increase in the ratio of a family's income to a family's need was associated with a 3–3.7 point increase in measures of verbal and math ability in this study (Smith et al., 1997). At young ages, children in poverty are also much more likely than children who are not in poverty to exhibit behavioral problems in the forms of aggression, tantrums, anxiety and moodiness. At older ages, after entrance into school, children in poverty begin to show further disorders in the forms of learning and attention problems and school disengagement.[17] Of course, however, these income differences were not randomly assigned.

Furthermore, much of this research has been done on US and British populations – where we have already seen relative income inequality to be at its worst in the developed world – so it is not clear whether these effects would persist in societies where income inequality is less pronounced and where more basic services – such as housing and childcare – have been decommodified. One way to ask about the impact of poverty on offspring in a cross-national perspective is to look at intergenerational earnings elasticities. In a meta-analysis Gary Solon (2002) finds that here too the United States does among the worst of all, having the lowest degree of income mobility across generations; to be fair, however, most of the data from European countries have only respondents who are young and/or use only single-year measures of income. For instance, using the German Socio-Economic Panel, Kenneth A. Couch and Thomas A. Dunn (1997) find a father–son elasticity of a multi-year income measure of only 0.11.[18] (Though, using later waves of the same dataset, Johannes Wiegand (1997) puts the German figure at 0.34.) The next lowest estimates of 0.13 come from Sweden – from Swedish income tax records (three-year averages for both fathers and sons) – and from analysis of the Finnish census data (a three-year average for the sons and two-year average for the fathers) (Solon, 2002).[19] The highest estimate of 0.57 comes from the British National Child Development Survey, where the respondents (children) were 33 years of age. (It used a single-year earnings measure for fathers and only a predicted earnings measure for the sons, based on education and social class). The data for the United States, using multiple year income measures for both fathers and sons, is upward of 0.40 (Solon, 2002). In this framework, a low father–son correlation coefficient might suggest that poverty is less damaging in that country; or it might not, since income–health gradients have been found in all countries (though flatter in nations with less income inequality).

Explanations for these various income gradients can roughly be divided into three camps. First, some researchers focus on the *material deprivations* that low SES induces, such as poor nutrition, lack of adequate medical care or unsafe environments (e.g. Callan et al., 1993; Mack and Lansley, 1985; McGregor and Borooah, 1992; Ringen, 1987, 1988). Take the case of food – the most basic necessity of all (along with water). Studies of severe famine in the Netherlands during the Second World War have found that consuming fewer than 1000 calories per day results in dramatic reductions

in pregnancy weight gain and infant birth size (Lumey and Van Poppel, 1994; Smith, 1947; Stein et al., 1975). This association between caloric intake and health displays a very clear relationship between access to resources and the biological condition of health and approaches a causal relationship since the famine was an exogenous shock to Dutch society. In a contemporary US context, however, results from nutritional studies yield far weaker results. Studies of diet in the United States have found that, while poverty increases reported difficultly in affording food, quality of diet itself does not affect birthweight (Rogers et al., 1998; Widga and Lewis, 1999). That said, studies examining the effects of improved nutrition obtained through participation in the Supplemental Food Program for Women, Infants and Children (WIC) have revealed somewhat larger effects. WIC benefits have been found to reduce low birthweight rates by up to 25 per cent and very low birthweight rates by up to 44 per cent (Avruch and Cackley, 1995). But, at the same time, because WIC provides social services beyond supplemental food, part of these WIC effects may be the result of factors independent of nutrition. Severe malnutrition is clearly not healthy – as data from the Dutch famine study suggests – but malnutrition also does not appear to be a widespread mechanism connecting economic impoverishment with poor outcomes in the contemporary United States and like societies. However, research in this tradition has gone beyond basic needs such as nutrition to show that low-income households do experience other forms of material deprivation, which may explain part of the effect of income on child cognitive outcomes (Mayer, 1997). For instance, some work has shown that poor children are less likely to have educational toys or books in the household, and such items are positively associated with healthy cognitive development (Duncan et al., 1994; Smith et al., 1997; Zill, 1988; Zill et al., 1991). It is hard to imagine, however, that toys and books explain a very large share of the effect of low income on children.

A second paradigm, often called the *parenting stress hypothesis*, sees low income, variable employment, a lack of cultural resources and a feeling of inferiority from relative social class comparisons as exacerbating household stress levels which, in turn, lead to detrimental parenting practices such as yelling, shouting and hitting, which are not conducive to healthy child development (Conger et al., 1992, 1994; Elder et al., 1995; Hanson et al., 1997; Hashima and Amato, 1994; Lempers et al., 1989; McLeod and Shanahan, 1993; Whitbeck et al., 1991). Further, care for low-income children generally involves fewer positive interactions between the child and the caregiver and less opportunity for play (Howes and Olenick, 1986; Howes and Stewart, 1987; Phillips et al., 1987). Research suggests that parents living in poverty are more likely than parents in better conditions to display punitive behaviors – such as shouting, yelling, slapping – and less likely to display love and warmth through behaviors like cuddling and hugging (Conger et al., 1992, 1994; Elder et al., 1995). A great deal of evidence has connected such parenting practices to low IQ scores and to behavioral disorders (Conger et al., 1994).[20]

What is notable about these two theories of the effects of poverty on children is how individualistic and behavioralist they are. Poverty, it seems, can either cause a family not to have enough material resources, or it can cause the parents stress, which in turn leads to bad parenting practices. Either way, the causal arrow runs from the social condition of deprivation (either absolute in the first case, or relative *and* absolute in the second), through the conditions of the home and the behavior of the parents and only then to the child. Parents are where the buck stops – either by not providing the resources their children need or through bad parenting practices. The bottom line is that poverty works through the family environment, so the family is ultimately responsible for mediating its impact on children. Put another way, poor heroic parents could blunt the deleterious effects by being savvy enough to provide a stimulating educational environment in the home on the cheap, or by not letting financial stress get between their children and themselves. The direct impact of relative income on children – mediated by peer groups, community conditions and society-wide institutions such as the mass media – are not possible to

consider within this framework. Of course, it is a lot easier – methodologically speaking – to look for mediating pathways within the household, rather than through wider social contexts (more on this later).

Given this ideological frame, it is not surprising that a third theory asserts that it is not poverty, lack of non-monetary resources or relative inequality that is so detrimental to child development as much as it is the fact that poor parents differ from higher-income parents (Mayer, 1997). Scholars in the *no effect* camp assert that the association between SES and child developmental outcomes is largely spurious. They claim that the same parental characteristics that lead to low income, education and occupational prestige also lead to detrimental developmental outcomes for offspring. These unmeasured characteristics may range from parenting styles to aspirations to genetic endowments. This last paradigm – though generally considered significantly more conservative than the former two – shares most of the same aspects of the 'material deprivation' and 'parenting stress' hypotheses. Namely, it is a causal (or rather non-causal) story about parents. The difference boils down to the fact that the material deprivation and parenting stress models optimistically believe that mediating factors can be measured and therefore manipulated, while the 'no effect' camp is more sanguine on ever explaining the unexplained variance between poor and non-poor families on child outcomes. This difference has, of course, enormous political and policy implications and thus is the focus of the ensuing section.

SLOUCHING TOWARD CAUSATION …

The causal pathways that I outlined above for the material deprivation and parental stress hypotheses could be altered without reducing the feasibility of the paradigms. For instance, rather than a lack of income leading to poor parenting practices and such parental characteristics then leading to a child's low educational attainment, it could alternatively be the case that parental characteristics are leading to low income *as well as to* a child's low educational attainment. Let us say a parent is particularly short-tempered; we could imagine that this tendency would make it hard for this parent to keep a job, while also having negative consequences on his or her child's development. In this case, it is non-economic characteristics that are leading to economic circumstances, not the other way around. We may be dealing here with a case of reverse causation: because certain non-economic characteristics tend to be accompanied by certain economic characteristics, it can be difficult to tell whether income is leading to non-economic characteristics (like temperament and parenting techniques) or whether such non-economic characteristics are leading to income levels. Of course, the order which these different elements follow essentially determines what (income or non-economic characteristics) is in a position to determine children's outcomes.

This potential role of non-economic characteristics in explaining the association between poverty and children's outcomes has been most thoroughly explored by Susan Mayer (1997) in her book *What Money Can't Buy: Family Income and Children's Life Chances.* In this book, Mayer takes several steps to untangle the effects of parental income from parental characteristics. To begin with, she compares the effects of different sources of income on children's outcomes. Parents may get money from several different sources – earnings, government transfers, etc. – and Mayer assumes that each of these different sources of income are associated with parental characteristics to differing degrees. For instance, earnings and welfare payments are likely oppositely associated with education. Focusing on the effects of unearned income on kid's outcomes, Mayer compares the effects of parents' welfare receipts (which are strongly associated with parental characteristics) to other forms of unearned income (which are so diverse as to be only weakly associated with parental characteristics). If income helps children, a dollar from welfare should be as valuable as a dollar from other sources of unearned income. Such a uniform

effect does not appear to be the case, however. The effect of other forms of unearned income (that is, not welfare) is smaller than the effect of total income. Thus, it seems that parental characteristics may be significantly bound up in the effects of income.

To further sort out the effects of income and parental characteristics, Mayer takes advantage of the role of temporal ordering in causality. For a factor to cause an outcome, the factor must generally occur temporally prior to that outcome. Any statistical effect of a supposedly causal factor that is found after the outcome has already taken place cannot possibly be playing a causal role in the outcome. Using such logic, Mayer compares the effects of parental income before an event, like a teenager having a baby or dropping out of high school, with the effect of parental income after the event. If the effect of income after the event is sizable, it may be assumed that there are significant underlying factors in this measure. Mayer does, indeed, find that 'post-event income' is a strong predictor of children's outcomes, and argues that income effects on children's outcomes may be acting simply as a proxy for unmeasured parental traits.

Mayer further tests some of the more popular theories about income and parental traits – first, by comparing how rich and poor parents spend their money. Mayer finds that high-income parents tend to spend their excess income on larger homes, cars and eating out more often – all items and practices which likely have little effect on children's outcomes. (However, this is questionable since things like a large house may send subtle messages to children about values and status.) On the other hand, the material items that are widely believed to facilitate child development and improve outcomes, such as books and visits to a museum, Mayer finds are only weakly related to income. So, rich and poor children appear about equally likely to have the amenities that are believed to be important to outcomes. Mayer suggests this is likely because these items cost so little that their distribution depends more on parental tastes than actual income. Next, Mayer considers the effect of income on parents' psychological well-being, testing the hypothesis that poverty leads to bad parenting via stress. Mayer finds very little support for this hypothesis, though, and documents only a weak relationship between parents' income and how they interact with their children. Thus, it also does not appear that income appreciably influences children's outcomes through its influence on parents' psychological well-being or their parenting practices. Mayer is quick to note, however, that her findings are only meaningful once children's basic material needs are satisfied. In other words, she interprets her results to mean that once a certain income threshold is passed, characteristics of the parents become more important than anything additional money can buy.

Mayer's book has received a great deal of attention and casts serious doubts on much of the prior research documenting the importance of income on children's outcomes. In fact, if explaining poverty without 'blaming the victim' was the rallying cry for researchers in the 1960s and 1970s, accounting for unobserved characteristics of rich and poor folks is the major challenge to researchers in the first decade of the twenty-first century.

It should be noted, however, that even in a work as sophisticated as hers we encounter potential sources of bias. Specifically, some of Mayer's techniques may bias the effects of income in the opposite direction from traditional analysis – that is, toward no effect of income *per se*. For example, when considering the comparison of different sources of parental income, we must wonder what is included in the category of 'parents' other unearned income'. Mayer is talking about the following: inheritance, profit from investments, gifts and other windfalls. These sources of income are associated with very atypical events and, therefore, may be related to other changes – such as death of a relative – which may have negative impacts on children. The one source of income here that would seem the most pure of other relevant changes – investment income – is really moot for the poor since they get almost none of their income from this source. This potential role of wealth also means that if income is non-linear in its effects (as Mayer herself argues when saying that her results are only meaningful when basic needs are satisfied), the

income changes that are reflected in the effects of 'parents' other unearned income' are largely among the already well-off, where they should matter less anyway.

Additionally, Mayer's comparison of the effects of income before and after an event, as well as her analyses of parents' spending habits and stress levels, could be interpreted as support for traditional arguments of economic causation. That is, what Mayer calls spurious effects of income could be indirect effects of income. We cannot be certain that parental characteristics independent of income at one point in time are indeed truly separate from prior economic conditions. That is, parents' 'non-economic' characteristics may in fact be related to prior socio-economic conditions that Mayer is unable to measure. If this is, indeed, the case, we may encounter patterns of economic causation that simply span a very long period of time.[21]

Consider, for instance, explanations of differences between rich and poor children that focus on the so-called 'culture of poverty'. Some authors posit that because of relative position at the bottom of the social hierarchy poor parents develop norms that are problematic in terms of larger society.[22] If generations of irregular employment and discrimination result in street skills seeming more valuable than academic skills, parents will be more likely to encourage their children to acquire street skills than to study or stay in school. A simpler account would alternatively state that parents act as role models not in behaviors as much as in delineating the possible and probable in terms of status attainment. That is, parents who experience a lack of upward socio-economic mobility – no matter their values or parenting practices – may send an implicit message that achievement and attainment are impossible. These differences in values and messages are definitely not economic. Yet, they are so closely associated with economic conditions that to consider them apart from income is foolish. Mayer's data do not allow her to consider such possibilities and, thus, the divisions that she draws between economic and non-economic factors may not be entirely definitive.

While Mayer has been assailing 'traditional' poverty research for confusing correlation with causation, much of the research community has been moving right ahead and addressing larger contextual spheres of economic inequality. Earlier I mentioned that much of the research on the impact of poverty on the health, well-being and life chances of children had a parental or household focus with respect to mediating mechanisms. In other words, causation (or lack thereof) was presumed to run through the family unit. Recently, however, some researchers have been arguing that economic inequality at an aggregate level – such as the neighborhood, state or nation – plays an important role in the well-being of children and populations more generally. This line of research has two distinct strands worth mentioning.

First, a substantial literature on 'neighborhood effects' has largely grown out of William Julius Wilson's book *The Truly Disadvantaged*. In this 1987 book, which was partly a response to conservative arguments about the existence of an urban underclass made by pundits such as journalist Ken Auletta in a 1981 *New Yorker* article.[23] Wilson argues that the mobility of jobs and wealthy urban residents to suburban communities has led to a situation in which the urban poor are more socially isolated than they have ever been. Additional researchers have come along to document both the exodus of jobs from urban America and the increased segregation of the urban poor. These facts are generally not contested (e.g. Jargowsky, 1997). Rather, the question that this book and the larger underclass debate pose is whether the greater spatial concentration of the poor has an effect of its own – net of the individual level circumstances in which poor families find themselves. Hence the question of whether 'neighborhood effects' exist.[24] This is a growing literature; however, it is a research tradition that is plagued by the same kind of unobserved heterogeneity that Mayer takes note of at the family level. In some senses, the problem of selection bias may be even worse at the community level thanks to the very trend that Wilson identifies: self-selection out of poor urban neighborhoods. That is, given the substantial

amount of residential mobility that occurs in and out of neighborhoods, it is not clear whether the impact of 'per cent poor' in a neighborhood on child (or adult) outcomes such as school performance, delinquency and crime is a result of social contagion and environmental conditions in poor neighborhoods, or simply the social sorting process that takes place when families move (or do not move). In other words, 'per cent poor' and other such community-level measures may merely be acting as proxies for unobserved characteristics of the individual families who live there and not actually picking up some ecological-level trait. Even semi-experimental assessments of programs like Moving to Opportunity (MTO) – in which public housing residents were 'scattered' into neighborhoods of varying socioeconomic circumstances – are plagued by issues of selection bias since it is somewhat voluntary who participates and since there are major issues of contagion between 'treatment' and 'control' groups.

A second potential pitfall for community-level research on poverty relates to aggregation bias when effects of income at the family level are non-linear.[25] Namely, if the effects of income are non-linear at the individual or family level (as they should be), aggregate measures may generate spurious correlations if they are not properly linked back to family units. This latter issue is much more tractable than the former issue of selection bias, as it only requires researchers to shun aggregate correlations for multi-level models. However, current researchers should be aware of this potential hazard to inference.

CONCLUSIONS

There is much research to do with respect to poverty in rich countries (and the policies that affect the poor). This chapter has focused on two research strands among many: (1) the conceptualization measurement of poverty and (2) the impact of poverty on the life chances of offspring. There are major challenges to both these research traditions. Researchers who wish to conduct robust research and assessment of poverty over time or across place must come up with viable measurements that really get at what we mean by the term 'poverty' in diverse settings. Researchers who wish to investigate claims about the impact of household (or community) poverty on the outcomes of children or adults must grapple with issues of selection bias if they are going to be taken seriously in the scientific and public debates around this important issue. Whether it be through natural experiments, instrumental variables, family and community fixed effects models, or some other innovative statistical approach, researchers who wish to make claims about the effects of poverty must go beyond traditional regression models to have their claims taken seriously in a social and political environment where it is presumed that the poor – and not poverty – are responsible for their own reproduction.

This chapter has not done justice to wide swathes of the sociological research tradition on poverty. I have also not reviewed the illustrious tradition of community, ethnographic studies of the poor, extending all the way back to the Chicago School of the early twentieth century onward through global ethnographies of the twenty-first. This kind of qualitative research does much of the legwork in generating the casual stories to undergird the statistical associations that the quantitative poverty researchers document. These two intellectual traditions must be in constant dialogue – each moving toward the other – in order to solidify the foundation of our knowledge about economic inequality and deprivation in rich countries.

NOTES

1 For the text of the speech see *Harpers* (August 1990), p. 22.

2 Such a conception fits very well with Karl Marx's notion of the physical reproduction of labor.

3 She based this multiplier on results from the Consumer Expenditure Survey of the mid-1950s, which estimated that families spent – on average – 35 per cent of their household budgets on food.

4 Some scholars have called for replacing food with housing as the basis for need calculations since housing

now makes up the largest proportion of household budgets. See Ruggles: (1990) for a discussion.

5 There is, indeed, a fair amount of evidence that suggests that the US federal poverty measure is somewhat crude. Living technically above the poverty line may not necessarily imply that one has access to the resources one needs to live with dignity. Families categorized as near-poor generally have incomes between 100 and 185 per cent of the poverty line, yet, despite their incomes, frequently have trouble making ends meet. Further, because the near-poor are generally ineligible for many government programs, they may be in even more dire straights than the officially poor – again, despite their higher incomes – when trying to provide food, shelter and medical care. For example, in many states Medicaid is available only to those families with incomes below 133 per cent of the poverty line, leaving women and children with low incomes that are just above the 133 per cent cut off without access to health care (Ku et al., 1999; Stevens, 1974).

At the same time, we can also note problems of heterogeneity even among those who fall below the poverty line. Evidence suggests that poverty comes in several varieties, and the single measure that accompanies the question of basic necessities may simply be unable to capture such diversity. To begin with, there is significant variation in the duration of poverty, so that some individuals fall into poverty because of a temporary spell of economic deprivation – often resulting from divorce or unemployment – while others, particularly minorities, may be poor for longer periods of time with little upward mobility over the life course. There is also significant variation in the severity of poverty. In 1999 7 per cent of children lived in extreme poverty – meaning they lived in families with incomes below 50 per cent of the poverty line (in 1999, the extreme poverty line was $6145 for a family of three) (Child Poverty Fact Sheet, 2001).

While the transitory poor and those above the extreme poverty line far outnumber the consistently poor and the extremely poor, this inequality in representation is more than made up for by the implications of duration and severity (Duncan and Rodgers, 1988). Those who are persistently poor and those who are extremely poor are at significantly higher risk for many adverse outcomes, compared to those who are transiently poor, not extremely poor, and non-poor. For instance, children who experience prolonged spells of poverty or severe poverty show larger deficits in cognitive ability and socio-emotional development than children who only experience less severe poverty or poverty for a short period of time. (For a discussion of poverty and children's outcomes see Aber et al., 1997; Duncan and Brooks-Gunn, 1997; Duncan et al., 1998; Smith and Dixon, 1995).

6 Making this difference in wealth levels all the more significant is the fact that Conley (1999) has found that family (parental) wealth is a strong predictor of teenage and young adult outcomes ranging from teenage premarital childbearing to educational attainment to welfare dependency to filial wealth accumulation. In many cases, when parental wealth is taken into account, black–white differences are eliminated or even flip direction. While parental wealth is just beginning to become taken into consideration in intergenerational studies, it has been neglected in the race, Socio-economic status (SES) and child outcomes literature.

7 For a discussion of this see Iceland (2003).

8 Adrian Atkinson (1987) makes a similar distinction between measures of a minimum level of resources versus a minimum standard of living.

9 In fact, in the UK Patrick McGregor and Vani Borooah (1992) find that two substantially different sets of people are identified as poor depending on what conception is used.

10 Their list of 20 is based on the work of Joanna Mack and Stewart Lansley (1985), who sought to develop a deprivation scale.

11 His scale is much simpler than earlier versions which were developed by the Organization for Economic Co-operation and Development (OECD), the United Nations and the United Nations Research Institute for Social Development (UNRISD), but which later floundered under the political weight of their own complexity.

12 Even with these relatively straightforward measures, there is a degree of cultural difference in how they are measured. Take infant mortality, for instance. The World Health Organization has defined a live birth as a product of conception that shows signs of life irrespective of its gestational age. However, there is dramatic variation in the clinical practices of classification. Most US states use the WHO definition or something close to it. By contrast, a birth can be recorded up to 48 hours after the time of delivery in France. As a result, many infants who die before registration (when infant mortality rates are highest) may be recorded as a stillbirth. Likewise, in Japan, infants less than 22 weeks of gestation or with congenital abnormalities are reported as stillbirths regardless of the presence of signs of life. These examples are meant to show how difficult it is to come up with even the most basic measures that will be 'universal' across time, place and culture.

13 I say 'largely' since there is a literature in economics which examines the impact of children on their parents' income. For an example with respect to child health see, e.g., Rosenzweig and Wolpin (1988).

14 These increased risks may be compounded by the more limited access to health services on the part of this population (Newacheck and Halfon, 1986; Perrin et al., 1989; St Peter et al., 1992).

15 On the effects of nutritional status see Elo and Preston, 1992; Martorell and Ho, 1984; Miller et al., 1989.

16 For a general summary see Aber et al., 1997; Duncan and Brooks-Gunn, 1997.

17 For a review see Aber et al., 1997.

18 Their corresponding figure for the United States (using the Panel Study of Income Dynamics) is only 0.13. Solon (2002) comments that these low figures are likely to result from the unusually young ages of the samples.

19 The Swedish estimate comes from Osterberg (2000); the Finnish result is from Osterbacka (2001).

20 While the stress paradigm has received a great deal of attention and a fair amount of empirical support – particularly with respect to health status – it has also been criticized for

detracting attention from the primary factor of these models: social position. Bruce Link has argued that 'research on the biological consequences of stress … is seen as an exciting new development [and] … in general, interest has followed the most recent step in the progression toward disease outcomes, while concern with the earlier foci has dissipated' (Link and Phelan, 1995). In other words, as new developments have emerged, researchers have paid more attention to the biological specifics of stress and less attention to the question of why social position is so strongly related to stress in the first place. Offering an alternative to the stress paradigm, Link has proposed the fundamental cause hypothesis. Similar to the stress hypothesis, the fundamental cause hypothesis suggests that relative social positions (e.g. income levels) have inherent qualities that may promote or hinder health and child development. Rather than pointing to inherent levels of stress, however, Link suggests that social positions provide people with resources like knowledge, money, power and prestige that can be used to obtain health resources: 'As new risk factors become apparent, people of higher socioeconomic status are more favorably situated to know about the risks and have the resources that allow them to engage in protective efforts to avoid them' (Link and Phelan, 1995: 86). For example, some authors have suggested that around the 1960s, when evidence of the risks of smoking began to emerge, a new class pattern developed in these behaviors. There is no evidence that, prior to the 1960s, rates of smoking were higher among lower socioeconomic groups. However, during the 1960s individuals of higher socioeconomic status were more likely to quit smoking and current research finds strong socioeconomic gradients in smoking behavior (Ernster, 1988; Norton et al., 1988). In other words, wealthier people learned about the heath risks of smoking more quickly than poorer people and could then mobilize resources to more effectively change their behavior. The same dynamic may hold with respect to parenting. In other words, income may be acting as a proxy for position in a social hierarchy.

21 Other research uses a technique similar to her 'before and after' approach called sibling fixed effects models, which compares family income at various times in siblings' childhoods to determine if and when it matters – net of family characteristics that remain constant (such as genes and the like). One notable study does indeed find an effect of income early in childhood using some of the same data that Mayer uses (the PSID): see, Duncan et al., 1998.

22 For discussion of the literature see Mayer, 1997: 50.

23 Wilson was also responding to Charles Murray's 1984 book, *Losing Ground*, which argued that the persistent plight of the poor was partly a result of aid to the poor. In other words, an expanding welfare system, Murray argued, has caused a rise in economic dependency and a concomitant change in the culture of urban poverty.

24 Some important articles in this tradition include Brooks-Gunn et al. (1993); Crane (1991); Garner and Raudenbush (1991); Sampson and Groves (1989).

25 This criticism has been made most vocally at the literature on income inequality and health. For the view that income inequality is related to health status of adults and children see, e.g., A. Deaton (2001); Friscella and Franks (1997); Kennedy et al. (1996, 1998); Lochner (1999); Soobader and LeClere (1999); Wilkinson (1992).

For the view that it is a statistical artifact of aggregation bias see, e.g., Gravelle (1998) and Mellor and Milyo (2001).

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