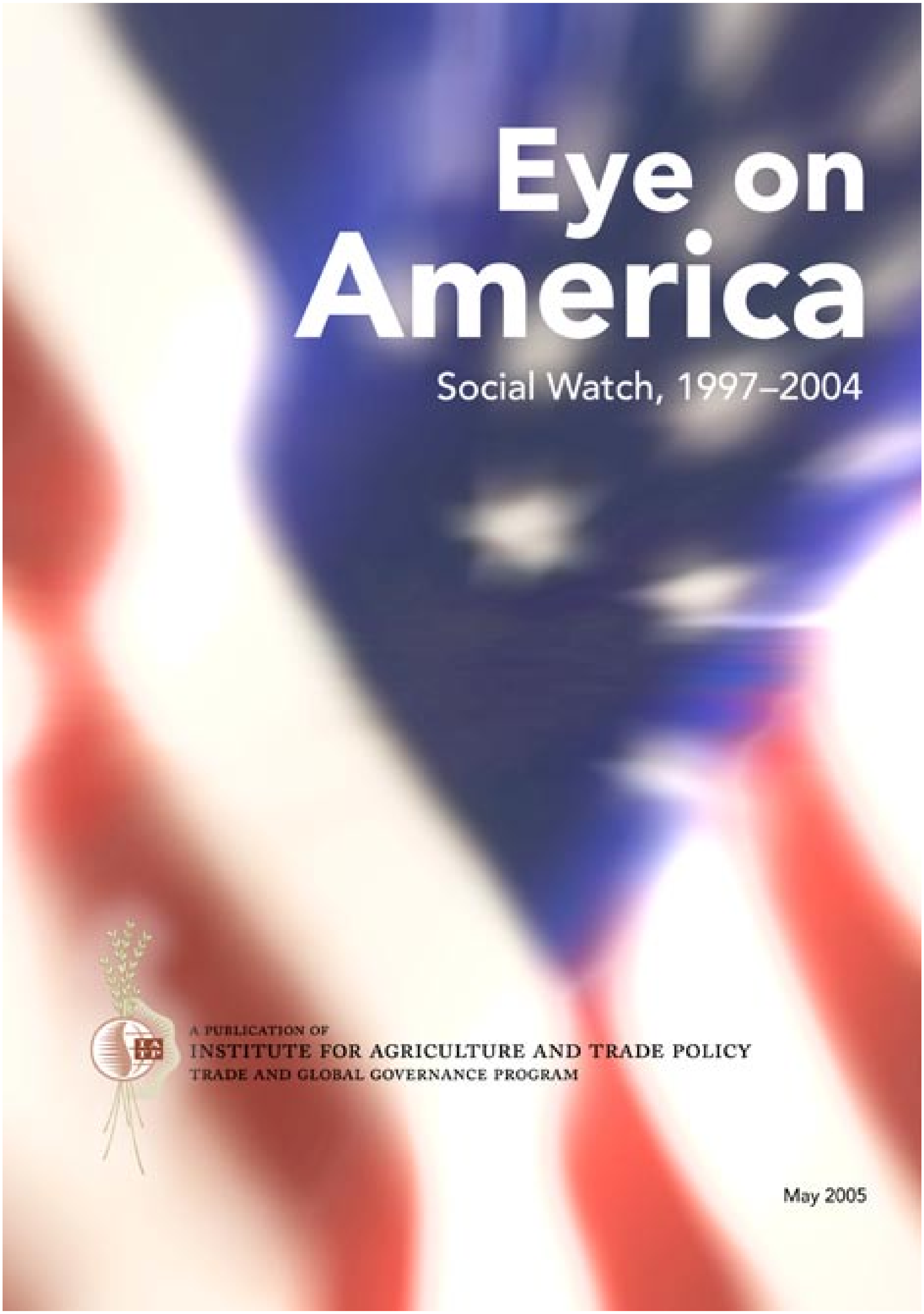

Eye on America

Social Watch, 1997–2004

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ABOUT IATP

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.

2105 First Avenue South
Minneapolis, Minnesota 55404 USA
Tel.: (612) 870-0453
Fax: (612) 870-4846
iatp@iatp.org
iatp.org
tradeobservatory.org

Mark Ritchie, President

ABOUT THIS PUBLICATION

Eye on America: Social Watch 1997–2004

Written by
Sharon Ladin, Sophia Murphy,
Alexandra Spieldoch and Steve Suppan

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By Steve Suppan

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Social Watch and the World Summit on Social Development

This booklet presents the Institute for Agriculture and Trade Policy's (IATP) work thus far for Social Watch, a consortium of nongovernmental organizations from about 50 countries. Social Watch monitors the progress or lack of progress made by the world's governments in the fulfillment of their commitments[1] made in 1995 at the United Nations World Summit on Social Development (WSSD) in Copenhagen. Since then, IATP has reported annually on the United States government's implementation of its commitments, especially regarding the four priorities of poverty, employment, social integration and "an environment that enables social development for all."[2]

WSSD was launched on the 50th anniversary of the founding of the United Nations with a presentation by Mahbub ul Haq, special advisor to the United Nations Development Program (UNDP), and author of the Human Development Report. Ul Haq concluded by stating, "For the last 50 years, the UN has committed itself to the first pillar of global security—to freedom from fear, to territorial security, to peace between nations. Can we now engineer a 'second birth' of the United Nations … a UN committed to the second pillar of human security—to freedom from want, to socio-economic development, to peace within nations. That is our supreme challenge."[3]

To meet the challenge, the UNDP report called for a "world social charter" that took as its models the New Deal in the United States and the Beveridge Plan in the United Kingdom during the 1930s and '40s. The short charter document proposed by UNDP was accompanied by a detailed plan for realization of basic social services in low and middle- income UN member countries.[4] The estimated annual cost for provision of health and nutrition services, reproductive health and population control services, universal primary education, and provision of low-cost water and sanitation services was $30-40 billion in 1993 dollars.[5] By contrast, capital flight from developing countries, tax avoidance and money laundering through tax havens are estimated to cost governments as much as $600 billion a year.[6]

U.S. Social Development Since the WSSD: The War on the War on Poverty

> *We in the United States have come to recognize that it is time to abandon our old model for combating poverty at home based on heavy government intervention through massive bureaucracies. … We cannot succeed if we treat the poor solely as passive recipients of assistance—whether for welfare, food stamps or medical care. We are instead, designing an approach that empowers people to be active partners in the management of their own fates.*[7]
>
> *—U.S. Vice President Al Gore at the Social Summit*

The WSSD "Program of Action" contains a number of provisions that contradict U.S. government policy on social development over the past decade. For example, governments are advised to "Protect basic social programmes and expenditures, in particular those affecting the poor and vulnerable segments of society from budget reductions" (par. 91a). This recommendation is contained in a paragraph on international financial institution structural adjustment programs for developing countries. However, in 1995 the United States began to execute its own structural adjustment under the rubric "end welfare as we know it," a campaign speechwriter's slogan for the presidential campaign of Bill Clinton. The Republican leadership of the U.S. Congress declared that social assistance programs abused the poor and therefore to "help" the poor, Congress would slash the programs. In 1996, President Clinton, facing another election, signed the legislation that had begun as a slogan.

Rather than pursue the Social Summit goal of eradicating poverty, the United States has reduced the number of people receiving food and cash assistance from the government and the amount of assistance received.[8] By March 2001, the "tough love" approach to welfare assistance beneficiary screening in the 1996 "Personal Opportunity and Work Opportunity Reconciliation Act" had resulted in a 50 percent reduction in the number of households and individuals receiving welfare assistance. This means social assistance now reaches less than half the number of people who meet the official definition of poverty. The Bush Administration reauthorization of the act in 2002 sought to further reduce welfare beneficiaries and benefits, e.g., by cutting off benefits if a parent missed an appointment with a welfare case worker.[9] Referring to the so-called "War on Poverty" programs of President Lyndon Johnson in the 1960s, the U.S. government, in the words of an approving Wall Street Journal columnist, is conducting a "War on the War on Poverty."[10]

The reports gathered here chronicle a sharp cutback in food, cash and medical assistance, particularly for the approximately 25 percent of U.S. children born into poor households. There has been no corresponding decrease in poverty, despite the miserly official U.S. definition of poverty that remains fundamentally unreformed since 1963. As noted in our 2004 report for Social Watch, the U.S. National Academy of Sciences concluded that if the government's calculation of who is poor were updated to reflect current costs of living, the income level needed to receive government welfare assistance would increase by 45 percent. This recalculation would add millions to the 34.6 million people who were defined as officially poor and eligible for government assistance in the 2003 U.S. Census.[11]

A newspaper editorial charged that the federal budget bill presented by the Republican congressional leadership for 2006-2010 would "deny health insurance to thousands of poor children, scale back crucial nutrition programs and eliminate child-care subsidies to hundreds of thousands of working poor families—this at a time when the nation's poverty rate is rising—all the while expanding tax cuts for the nation's wealthiest citizens."[12] Over the budget period analyzed, there would be $106 billion in tax cuts on stock and bond market gains that largely benefit the wealthy, while health care programs for the indigent would be cut by $10 billion.[13]

The Bush Administration has reduced the role of the federal government in social development service delivery and distributes taxpayer funds to nongovernmental organizations, particularly to fundamentalist religious organizations, to provide for the poorest citizens the social services that historically have been the responsibility of the state. Given the overall funding cutbacks and inefficiencies in the duplication of social service delivery, it is difficult to imagine near term U.S. government progress in fulfilling WSSD objectives. Indeed, the U.S. political leadership has shown a frightening disregard for the UN system as a whole in recent years. U.S. opposition to United Nations brokered agreements, which has accelerated alarmingly in recent years, is comprehensively documented in IATP's The Treaty Database: U.S. Compliance with Global Treaties.[14]

Absent a significant reversal in U.S. government hostility to social development, the greatest hope for gains in fulfilling WSSD objectives is likely to come from different civil society initiatives. One could dedicate a long essay just to documenting the enormous efforts of private citizens and nongovernmental organizations, such as Second Harvest, a nationwide network of food banks, to feed the unemployed who disappear from government unemployment statistics once they have used up their unemployment benefits. Second Harvest "gave away 1 billion pounds of food in 2000, more than double the amount in 1990. Yet it wasn't enough—many food banks ran empty."[15] Other nongovernmental initiatives provide shelter for the homeless, better schooling and care of the elderly, all obligations of states in fulfillment of the UN Universal Declaration of Human Rights. Another important initiative aims to involve a broad array of U.S. citizens in discussing the U.S. role in the world and the need for international cooperation to reduce poverty and insecurity.[16] Yet these private initiatives cannot replace government social services nor the contribution that the United States has historically made to supporting the social development work of the United Nations.

WSSD Objectives and the Millennium Development Goals

This year's Social Watch report, to which IATP again will contribute, will be released during the United Nations Millennium Summit +5 (M+5), Sept. 14-16, 2005, in New York City. The M+5 will review progress on achieving the Millennium Development Goals (MDGs) agreed in 2000. To some extent the MDGs overlap with the WSSD commitments, so M+5 offers a good opportunity for Social Watch and other civil society organizations to advocate for the fulfillment of WSSD commitments.

Secretary-General Kofi Annan's report for M+5 offers the broad outlines of how to realize "freedom from want" through social development. The report addresses the "implementation challenge" of the MDGs by citing proposed implementation measures drawn from the UN Millennium Project's A Practical Plan to Achieve the Millennium Goals. This plan is based on the work of various task forces that outlined ways and means for fulfilling the MDGs by 2015. For example, the Hunger Task Force estimated that reducing by half the 854 million chronically hungry people in the world would cost "about $8 billion a year for 2005, between $10 and 11 billion a year for 2010-2015, or an average of 60 U.S. cents per month for every person living in a developed country."[17]

Despite the relatively modest cost of achieving this and other MDGs, there is a widespread belief that these targets will not be met. A 2004 poll of a thousand stakeholders from six continents revealed that while 89 percent of those polled believe that it was important to meet the MDGs, only 7 percent thought that the targets were likely to be met.[18] The World Bank and International Monetary Fund, far better financed and politically positioned to mobilize capital and implement policy changes than are other United Nations agencies, have concluded, "on current trends, most MDGs will not be met by most countries."[19] With regards to developed country commitments to finance development programs, the Bank and Fund have noted that, "Progress lags commitments in most areas. This must change and change quickly, to help accelerate progress toward the development goals."[20] Perhaps not surprisingly, one senior Bank economist has advised that the target date for achieving the MDGs should be pushed back from 2015 to 2050, in order that programs to realize the goals be environmentally and economically sustainable in terms of the Bank's definition of sustainable development.[21]

What should be done?

Civil society organizations will advocate for many of the reforms proposed by Secretary-General Annan to the heads of state for the M+5, particularly those that will advance achieving the WSSD goals. As the Secretary-General's report notes, "Civil society organizations have a critical role to play in driving this implementation process forward to 'make poverty history.' Not only is civil society an indispensable partner in delivering services to the poor at the scope required by the Millennium Development Goals, but it can also catalyze action within countries on pressing development concerns, mobilizing broad-based movements and creating grassroots pressure to hold leaders accountable for their commitments."[22]

Ironically, civil society's participation in the M+5 meeting will be very limited—much more so than at any of the other summits of the past decade or more. Ostensibly, this is due to the need for high security, but other possibilities exist. The very limited progress on realizing the MDGs, for example, will be an embarrassment for many heads of state, as will the shift in summit emphasis from human development to military security. Out of the public view, these public officials can avoid discussing past failures and instead focus on future options. Nonetheless, the preparatory meetings for the M+5 and other related events offer important opportunities for civil society organizations to assert their historic role in UN work.

In particular, IATP believes that civil society organizations should work together to develop pubic support for two institutional reforms proposed by the Secretary-General that can help realize both the MDGs and the goals of the WSSD.

1. Establishing a financing mechanism: "The international community should in 2005 launch an International Finance Facility to support an immediate front-loading of ODA [Official Development Assistance], underpinned by scaled-up commitments to achieving the 0.7 percent ODA target [an MDG target] no later than 2015."[23] While many governments resist pledging the funds needed, there is no question it has been agreed time and again that such financing is vital. Developing countries continue to be severely hampered by inadequate capitalization to undertake essential investment in their economies. While there can and will be much debate about which programs are needed to best achieve each MDG, the best plan in the world cannot work with the current low levels of ODA.

2. Strengthening the Economic and Social Council to play a stronger leadership role: "The Economic and Social Council [ECOSOC] should hold annual ministerial-level assessments of progress towards agreed development goals, particularly the Millennium Development Goals. These assessments could be based on peer reviews of progress reports prepared by member States, with support from United Nations agencies and the regional commissions."[24] In addition to clarifying ECOSOC's mandate and increasing its scope of operations, this proposal opens the process of assessment to NGOs, because ECOSOC "is the only organ of the United Nations explicitly mandated by the Charter to coordinate the activities of the specialized agencies and to consult with nongovernmental organizations."[25]

The engagement of NGOs in an ECOSOC review of progress towards meeting social development targets, supported by an adequate financing mechanism, is fundamental to providing global human security—which is, after all, the foundation of the international community envisioned in the United Nations Charter.

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Implementing the commitments

By Steve Suppan

In an October 1996 statement to the United Nations General Assembly, the U.S. government urged developing countries to follow the free trade, flexible labor market policy guidelines which, it claimed, allowed the U.S. to enjoy "one of the lowest unemployment rates since the early seventies … while inflation has remained in check." These initiatives included an October 1996, increase in the minimum wage for the first time in more than a decade (prior to the increase, the purchasing power of the minimum wage had fallen 30 percent since 1970),[1] pension reform legislation and legislation to allow workers to participate in company health insurance plans for up to a year after they had lost their employment. The statement also recalled the pledge of Hilary Rodham Clinton at WSSD that the U.S. would commit U.S.$100 million over ten years to programs in developing countries that would improve school completion rates for girls and/or functional literacy rates for women. The statement noted that despite U.S. opposition to the July 1996 decision of the United Nations Economic and Social Council to expand the membership of the Commission for Social Development and to schedule annual meetings of the Commission, the U.S. government is committed to realizing the goals of the WSSD.[2]

Nonetheless, the government does not maintain a formal interagency task force to implement its commitments to the WSSD Program of Action. Rather, the U.S. government has responded to United Nations requests for updates on its WSSD follow-up process with special interagency meetings to review these requests, followed by submission of domestic and foreign social development program documents that pertain to the WSSD.[3] Among these documents is a list of U.S. national education and health goals for the year 2000, which are intended to respond to the WSSD "Program of Action," Chapter 2.

Despite the U.S. government's informal approach to WSSD follow-up, Vice President Al Gore clearly articulated the general direction of the government's domestic and foreign social development policy in an address to Summit delegates on March 12, 1995.[4] Vice President Gore stated that *"we in the United States have come to recognize that it is time to abandon our old model for combating poverty at home based on heavy government intervention through massive bureaucracies… We are instead designing an approach that empowers people to be active partners in the management of their own fates."*

Government social development policies

The chief legislation resulting from the new social development policy is the "Personal Responsibility and Work Opportunity Act" (colloquially known as the "Welfare Reform Act."). Signed into law by President Clinton on August 13, 1996, the Welfare Reform Act shifts much of the historic responsibility of the federal government for social development to state governments, nongovernmental organizations and to poor people themselves. Officially, the poor count for 13.8 percent of the U.S. population of about 266 million, according to a federal definition of poverty (discussed below) that has not been fundamentally recalculated since the 1960s.[5]

The abolition of "welfare as we know it," promised by President Bill Clinton during his 1992 presidential campaign, is a turning point, if not the end, of the federal government's commitment to take the lead in funding and administering social development policy in the United States. This commitment emerged with creation of Aid to Families with Dependent Children (AFDC), a cash assistance program for poor families, organized as part of the Social Security Act of 1935. The need for a social development support system was welcomed by the large segment of the U.S. population that suffered the free market failures of the Great Depression. During the past sixty years, welfare programs grew to include food assistance, child care assistance, assistance for the disabled and elderly, and foster care programs.[6] Though welfare programs have never been without critics, the move to abolish "welfare as we know it" began in earnest during the administration of President Ronald Reagan, who publicized instances of welfare program abuse in terms of "welfare queens" getting rich off government handouts.

Most of the policy debate framework about the Welfare Reform Act contended, in the face of massive academic research to the contrary, that income and food purchasing assistance for poor people created a dependence on assistance that perpetuated poverty. Partisans of welfare "reform," by focusing attention on the seven percent of welfare recipients who require assistance for eight years or longer, were able to depict a "culture of dependency " that ignored the 70 percent of recipients who used welfare programs for less than two years. Proponents of welfare "reform" sought to change the behavior of the welfare program participants by, for example, reducing assistance to families if their children are truant from school, and denying additional assistance for children born while the parent(s) is in a welfare program.[7]

However, the Act's major behavior modification solutions to allegedly widespread welfare dependence are measures to induce most aid recipients to work by cutting income and food assistance, limiting the duration of assistance availability, and requiring aid recipients to find jobs, even if these jobs pay less than the value of assistance programs. According to the Congressional Budget Office, the new model of "combating poverty" in the U.S. entails about $55 billion in cuts during the next six years to food and cash assistance programs that serve low-income people.[8] The Urban Institute estimates that by the year 2002, the Welfare Reform Act will result in 2.6 million more people living on incomes below those of federal definitions of poverty.[9] **If Urban Institute calculations prove true, by 2002 about 22.8 percent of the U.S. population will be officially poor.**

Proponents of abandoning, in Vice President Gore's words, "the old model of combating poverty" have argued that nongovernmental organizations should and will assist those to whom welfare "reform" denies assistance. However, as Father Jim Hug of the Center of Concern asked, "how realistic is it to expect private charities, which now, altogether, provide $8 billion annually to the poor to make up for a projected federal cutback of $57 billion in its services to those same poor?"[10] (Estimates differ on how large the total federal budget reductions will be for social development programs. Estimates for anticipated cuts in welfare programs of individual state governments are not yet available.) Citizens may not see promised reductions in their taxes as a result of the savings from the Welfare Reform Act budget cuts, but they will almost certainly see an increase in calls and letters requesting donations to charitable organizations.

Despite sustained lobbying by NGOs, Congress refused to create a program or designate funds to monitor the effects on hunger and poverty of the Act.[11] Hence, unless the new legislation is amended, any accountability for its results will be the responsibility of nongovernmental organizations. The refusal to monitor Welfare Reform Act impacts is hardly a model of the responsible behavior that the Act demands of the poor.

Combating poverty, or combating the poor?

The budget cuts in welfare programs are part of a presidential goal of balancing the federal government's budget by the year 2002. The largest single portion of Welfare Reform Act savings for budget balancing will come from $27.7 billion cuts in food stamp programs from 1997 to 2002.[12] Under these programs, recipients receive coupons which are redeemable in stores for foods defined as healthy by government nutritionists. In Fiscal Year (FY: October 1–September 30) 1995, 26.6 million people, of whom 51 percent were children participated each month in the programs, with an average benefit of $71.30 per month per person. More than 80 percent of benefits are received by households with children. Ninety percent of food stamp households have incomes below the federal definition of poverty.[13]

The full implementation of food stamp cuts will result in a 20 percent reduction in average food stamp benefits, i.e. to 66 cents per meal from 80 cents per meal in 1996 dollars.[14] Many Republicans in Congress had proposed more drastic reductions in food stamp programs, but were frustrated by agribusiness interests who were not willing to lose yet more sales from their prime customer, the federal government.[15]

The Welfare Reform Act was legislated amidst increasing numbers of people in need of food assistance. **In 1991, the number of hungry people in the U.S. was estimated at 30 million, about 12 percent of the population**.[16] More than 45 million people, about one sixth of the U.S. population, received food assistance during part or all of FY 1995.[17] Because those in need of food assistance often use both government programs and the myriad programs of charitable organizations, statistics on food assistance use are sometimes overlapping and/or somewhat contradictory, but the general statistical trends are nonetheless alarming.

The cuts in food stamp assistance will affect children who are often already inadequately nourished. According to the Food Research and Action Center (FRAC), approximately four million U.S. children under 12 years of age go hungry and 9.6 million are at risk of hunger during one or more months of the year. This amounts to 29 percent of all U.S. children under 12 years of age. Catholic Charities USA reported that in 1993 a third of the 5.1 million who received emergency food services from its agencies were children. The Second Harvest National Food Bank released a study that estimates food banks serve some 25 million people annually, 10.4 percent of the U.S. population. About 43 percent of those receiving emergency food were 17 years of age or under.[18]

Unless charitable contributions increase dramatically, nongovernmental organizations will very likely not be able to supply the food denied by the federal food assistance budget cuts. FRAC calculates that the $27.7 billion reduction in federal food stamps will amount to four to five times the value of the food distributed by Second Harvest, the largest food bank network in the U.S. Fifty-two percent of officials responding to a U.S. Conference of Mayor's survey in 1995 said that emergency food assistance facilities in their cities could not keep up with the demand for food assistance. Several sources indicate that millions more U.S.

residents are eligible for federal food assistance programs who don't benefit by it due to insufficient funding for the programs or due to lack of information about eligibility requirements.[19]

Perhaps the most severe single provision of the Welfare Reform Act is that which limits food stamp benefits to three months out of a thirty-six month period for 18 to 50 year old unemployed individuals not caring for minor children. There are no hardship exemptions for those whose search for employment, no matter how well-documented, is fruitless. The Congressional Budget Office estimates that under this provision, in an average month, about one million job-seekers, 40 percent of them women, will be denied food stamp benefits.[20]

The slashing of food stamp benefits to women is at odds with Vice President Gore's address to the WSSD, in which he stated: *"let me emphasize the importance of one cultural trend that can speed the day that we see an end to poverty, an increase in the rights and powers of women."* **One of the rights he did not have in mind was a right to food security**. At the World Food Summit in November 1996, the State Department's Melinda Kimble, head of the official U.S. delegation, stated that the U.S. could not sign on to a right to food security provision of the Summit Declaration of Principles. She said that to support a right to food security would conflict with provisions of the Welfare Reform Act, and would subject the U.S. government to accusations of violating human rights.[21]

Poverty. Prior to the reform

Who will be affected by U.S. social development policy "reform"? According to the U.S. Census Bureau, in 1995 there were 36.4 million people who met the federal definition of poverty, 13.8 percent of the total U.S. population. The percentage of children officially defined as belonging to poor households decreased from 21.8 percent in 1994 to 20.8 percent in 1995.[22] However, this decrease should be viewed in the context of an increase in persons defined as poor in the U.S. from 25 million in 1970 to 39 million in 1993. At the same time, the number of people receiving federal assistance fluctuated but remained more or less constant, so that, for example, while 84 percent of poor children received federal assistance in 1970, only 63 percent did in 1992.[23]

In early 1994, the federal government called a family of three persons poor if it received $11,817 or less annual pre-tax income. (The federal definition of poverty is derived from a 1960s formula based on a 1955 survey of food consumption. Since the cost of food has risen less proportionally than the cost of other basic needs, such as housing, health care and transportation, the current official definition of poverty entails a much lower standard of living than when the formula for defining poverty was first calculated.) Nonetheless, according to the U.S. Congressional *Green Book*, due to varying state government determinations of income and assets, in 1994 in 21 of 50 states, a family of three earning more than half of federally defined poverty incomes was ineligible for Aid to Families with Dependent Children (AFDC), the major income assistance program. In 1994, about five percent of the U.S. population received some AFDC funds, a figure unchanged since 1972.[24] In 1996, two-thirds of the 13 million AFDC recipients were children.[25]

AFDC and food stamps at the median level determined by state governments disbursed $366 in cash and $295 in food stamps per month for a family of three persons in 1994. The total value of these benefits was 69 percent of the income received by a family determined to be poor according to the official definition of poverty. The purchasing power of cash and food stamp assistance benefits for a family of three fell by 27 percent between 1972 and 1993.[26] Beneficiaries who earn other income or do not report other income risk losing their benefits.

Poverty after it

One of fundamental changes in the Welfare Reform Act is that it shifts primary responsibility for social development programs from the federal government to state governments. In the 1960s and 1970s welfare rights advocates sometimes had to fight state governments to get them to disburse, **particularly to African-Americans,** the AFDC funds that states administered according to federal guidelines. In some respects, the Welfare Reform Act is a pre-Civil Rights Era social development policy.

The Act eliminates the AFDC program and converts AFDC monies into Temporary Assistance for Needy Families (TANF) grants for state governments to administer as they see fit and with no incentives to spend more on poor people to adjust for inflation or to an economic recession. Under TANF, there are no guarantees of assistance to poor families, as states may define need however they wish, and establish various definitions of need in different parts of each state. Subject to federal review, states are allowed to withdraw from assistance programs or use up to $40 billion of the block grants for other purposes between 1997 and 2002.[27]

Nobody may receive TANF funds for more than 60 months during his or her lifetime. This time limit, when combined with work requirements for different categories of TANF recipients, pressures them to take jobs that will likely pay less than the value of their former welfare benefits. **This pressure is particularly strong on single mothers with dependent children, who currently account for 22 percent of all U.S. families.**

TANF recipients whose youngest child is more than one year old must do paid or unpaid work after receiving 24 months of TANF benefits. However, states may require recipients to work immediately upon receipt of benefits, as is the case with proposed Minnesota welfare rules for two-parent families. Single-parent families get six months of benefits before the recipient either finds a job or faces a 25-35 percent cut in TANF benefits.[28]

The Welfare Act gradually increases both the state's percentage of TANF recipients and the number of hours they must work, in order for states to receive full TANF funding. **In 1997, 20 percent of single mother families must be working at least 20 hours per week; by 2002, 50 percent must be working at least 30 hours per week**. States will not be required to provide for child care and transportation costs, as mandated by previous work requirements in welfare legislation.

Other population groups directly affected by this federal budget balancing legislation are ones that cannot vote—children and legal immigrants. The Welfare Reform Act affects children by reducing already sub-poverty benefits to their parents and establishing work requirements while cutting funding for child care and providing no subsidy for the public transportation that many poor people need to get to work. The Urban Institute estimates that as a result of the new legislation, the number of children in federally defined poor families will increase by 1.1 million. With 20.8 percent of U.S. children already living in poor families, the U.S. will retain, by a wide margin, the top rank for children living in poverty, as well as remaining the leader in overall poverty, among developed nations.[29]

Legal immigrants, child and adult, will feel the widest financial impact of welfare "reform" of any single group—$22 billion in cuts. (Illegal immigrants are already ineligible for almost all welfare assistance.) Only immigrants determined to be political refugees or asylum seekers will be exempt from the cuts for the first five years of their U.S. residency. Elderly and disabled legal immigrants in particular are unlikely to pass the tests to become U.S. citizens prior to the cut-off of their benefits—for most of them welfare reform will leave them without cash, medical and food assistance for the rest of their lives.[30]

The Welfare Reform Act was publicized as a "states rights" bill that would remove the "massive bureaucracy" cited by Vice President Gore in his WSSD address as an impediment to combating poverty. However, the first signs of the federal government's response to some state's attempts to diminish the harshest effects of "reform" suggest that the federal government will intervene in state matters to ensure that the Act is implemented as it was intended. For example, Olivia Goldsmith, the new assistant secretary of Health and Human Services, has advised Kansas that it cannot spend state dollars on legal immigrants in nursing homes who suffer from Alzheimer's disease and hence are incapable of passing the tests for U.S. citizenship.[31]

Another "model" to combat poverty: the market

Under the old model of government programs to combat poverty, recipients of food and income assistance in most states had the right to decide for themselves when they could afford to leave assistance programs, and give up access to publicly-funded medical care, in order to take a job paying minimum wage ($4.25 per hour in 1995). A minimum-wage job provided slightly more income than the median value of assistance programs but no medical insurance.[32] Under the new model, reduced benefits and time limits to receiving benefits (with hardship exemptions for some categories of recipients) is intended to hasten the decision of aid recipients to join the market-oriented economy.

The unspoken assumption of the new model is that the global economy will create jobs at wage and benefits levels to empower recipients of the Welfare Reform Act programs to become economically self-sufficient. One study estimates that job creation must quadruple to employ the people who will be displaced by the Welfare Reform Act from welfare programs.[33]

Funding for state governments to implement the work requirements of the Welfare Reform Act is projected to be inadequate, according to the Congressional Budget Office. Under so-called "workfare" programs, welfare participants work in return for sub-minimum wage jobs in the public sector or for government-subsidized jobs in the private sector. The provision of the bill which allows states to meet the work requirements by receiving a "caseload reduction credit" for cutting off aid to needy families invites further abuse of poor people in the name of instilling a work ethic in people presumed to lack one.[34]

If the states follow the example of New York City by replacing unionized municipal employees with "workfare" participants, then the states will realize a savings for their budgets, but at the cost of creating more unemployed in need of assistance programs for which there will no longer be a budget. Begun in 1995, New York City's Work Experience Program (WEP), widely praised in the mass media, has put about 100,000 WEP participants to work in public sector jobs, such as cleaning the streets, taking care of City parks, and clerking in municipal offices. While the average City-employed clerical worker's wage is $12.32, not including benefits, WEP workers cost the City only $1.80 per hour, with no benefits, for a 20 hour workfare week. Under New York Governor George Pataki's proposals for further welfare benefit cuts and a required 30 hour workfare week, the City could pay WEP workers just 53 cents an hour.[35]

Unfortunately, the long overdue increase in the minimum wage, cited by the U.S. in its address to the United Nations as an example of the government's commitment to fighting poverty, will not suffice to allow workers and their families to rise above the federally determined definitions of poverty.

Another "model" of social policy for developing countries

The major U.S. social development program for developing countries to emerge from the WSSD is the "New Partnerships Initiative," (NPI) announced by Vice President Gore in Copenhagen. Under NPI, the U.S. Agency for International Development (USAID) would channel 40 percent of its development assistance through nongovernmental organizations (NGOs). NPI, said Vice President Gore, is predicated on the beliefs in "free markets and individual initiative" and in the need for environmentally sustainable economic growth. The three main program orientations of NPI are democratic local governance, NGO empowerment, and small business partnerships between U.S. and developing country businesses, governments, and NGOs.

From March to June 1995, USAID held about 60 consultations and briefings with Agency staff and NGOs, including consultations in May and June at which about 270 representatives of NGOs attended.[36] In July 1995, USAID published a draft of its "Core Report of the New Partnerships Initiative," after a consultation process with more than a hundred Agency and non-USAID participants. The report was endorsed in October 1995 by USAID Administrator Brian J. Atwood, who authorized an Agency wide implementation of NPI by October 1998, preceded by an eight-month "Learning Phase" of pilot projects in eight "Leading Edge Missions " of USAID in Bangladesh, Bulgaria, Guinea, Haiti, Kenya, Philippines, Sri Lanka and Zambia and six "Partner Missions" in Ecuador, Indonesia, Madagascar, Panama, Romania and Russia. "Leading Edge Missions" will be the focus of more intensive NPI activity.[37]

NPI has been launched at a time of decreasing U.S. commitment to foreign aid. Foreign aid was equivalent to about 0.7 percent of the 1994 Gross Domestic Product, the lowest percentage since the beginning of foreign aid programs in 1947. **About 15 percent of this 0.7 percent was dedicated to development aid in 1994, while more than a third went to trade and military assistance.** Foreign aid declined from about $19 billion in 1985 to $15.2 in 1994. However in most regions of the world foreign aid reductions have been far more drastic than these global figures indicate. In 1994, Israel and Egypt received about 47 percent of all foreign aid, thus maintaining their share of aid during the past decade. **Aid to the former Soviet Union has increased dramatically while aid to the rest of the world, particularly to Latin America and Asia, has fallen dramatically**. However, as foreign aid, particularly for development, has contracted, U.S. aid for emergency relief, including delivery of humanitarian aid by the U.S. military, has risen from $187 million in 1989 to more than $1.5 billion in 1994.[38] Critics of foreign aid have used this highly publicized increase in emergency relief to argue that all foreign aid should be cut back further. **The U.S. already distributes less of its GDP in foreign aid than any industrialized country.**

The need to use foreign aid efficiently for social development was underscored at WSSD by Timothy E. Wirth, U.S. Undersecretary of State for Global Affairs: "The days of leaving money on the table in the middle of the night and not seeing where it goes have ended… One of the real successes here [at the WSSD] is that we have everybody now thinking about doing a better job with existing resources rather than always talking about adding more money to the pot."[39] This opinion, however, was not shared by all delegates to the Summit. Juan Somavia, Chile's Ambassador to the United Nations and a principal WSSD organizer, stated "Don't let anybody tell you that there are no resources. The problem is not resources, but priorities."[40] The NPI "Core Report," however, shares Undersecretary Wirth's assessment of the resources available for social development, and notes that "Potentially deep cuts in USAID's budget give these steps [in resource deployments] added urgency."[41]

NPI is part of USAID's "radical reform of its operating systems and processes through organizational re-engineering."[42] "Reengineering " refers to a private sector management strategy[43] (now discredited in some corporate circles) that has been instituted throughout the U.S. federal government, guided by a national commission headed by Vice President Gore. "Re-engineered" corporations are said to be "lean and mean," producing more with fewer personnel, and hence are more "efficient" engines of production.

At the same time as NPI proposes a "reengineering" of its role and that of NGOs in social development, it also has adopted the NGO call of "putting people first," particularly women, in development.[44] The way in which NPI would put "people first" is through a new partnership between governments and civil society. For NPI's planners, "civil society organizes political participation and collective action in the same way that markets organize economic behavior."[45] NPI will make NGO partners in the organization of political behavior in developing countries.

This role for NGOs is not a metaphorical relation to the organization of economic behavior—it is a counterpart to the role of U.S. government and the International Financial Institutions (IFIs) in diminishing governments' economic role in developing countries through IFI Structural Adjustment Programs (SAPs). As the NPI "Core Report" explains, "While bureaucratic reorientation will not be a significant focus of NPI, the international banks are already actively engaged in the modernization of the state in the context of decentralization and increased participation. NPI's strategy will be to coordinate USAID's local empowerment and policy reform efforts with multilateral governance activities."[46] NPI will do at the local level what the IFIs are doing at the national and regional level in developing countries.

At the WSSD, myriad NGOs issued individual and collective statements denouncing SAPs, U.S. trade policy, and the subordination of civil society and democracy to the interests of transnational corporations.[47] Nonetheless, the impoverishment of developing countries, the de-funding and/or dismantling of United Nations programs and international aid programs, and the urgent needs of the local organizations and businesses that NPI targets will provide a ready market for the program among many NGOs and governments. While it is too early to comment on NPI results, the planning documents suggest that the "re-engineering" of USAID will bring "lean and mean" social development.

If U.S. officials are so optimistic, why are citizens so pessimistic?

At a time when the U.S. government has elected to follow corporate models of "downsizing" and "re-engineering" and to reduce its services to its citizens, polls show public support for those services, particularly for social development services. This is particularly so in the case of hunger. When those polled by RSM, Inc. in 1992 were told that half of food stamp recipients are children and 80 percent of food stamp benefits went to families with children, the approval rate for the Food Stamp Program increased from 61 to 81 percent. Furthermore, those polled indicated that they would be willing to dedicate $100 in taxes annually to eradicate hunger. Yet those who approved of the Welfare Reform Act either never read such polls or decided that behavior modification of the poor and balancing the budget were higher priorities than eradicating poverty and hunger in the United States.[48] Given the U.S. government's social development priorities and its poor track in alleviating poverty and hunger in the U.S., other countries may be understandably skeptical about such programs as the New Partnerships Initiative.

The U.S. government likes to depict its country as largely prosperous and happy, worthy of emulation by developing countries. Vice President Gore told WSSD delegates that despite "many tragedies " of the 20th century, *"my country …as always retains its optimistic vision."* This attribution of eternal optimism was scarcely reflected in a poll of U.S. citizens published by *Business Week* almost as he spoke. **Seventy per cent of those polled said that they were gloomy about the future**.[49]

One NGO report was typical of many in noting some objective reasons for the poll's results: "the financial condition of the typical worker continued the long-term deterioration that began in the late 1970s… The combination of falling wages and increased job loss that the blue-collar, non-college educated workforce experienced in the 1980s has now spread to higher-wage, white-collar men and to middle-wage women… the income of the bottom 60 percent of married-couple families lost ground over the 1989-1994 period, driven by declines in husbands' wages that occurred across the bottom 95 percent of these families." The fall in wages occurred during a time (1973-1995) when productivity increased by about 25 percent per hour.[50]

When confronted with statistics showing the economic decline of most U.S. citizens, the U.S. government, Wall Street and the corporate media like to tout the Gross Domestic Product and other leading economic indicators as signs of U.S. macroeconomic health. U.S. officials are not yet ready to follow the lead of the French parliament, the European Parliament, the Treasury of Australia, and the United Nations to analyze whether such indicators are obsolete and misleading guides for setting government policies. Comforted in the belief that such indicators point to a healthy economy, Clinton administration officials, lead by Secretary of Labor Robert Reich, explained that the "economic anxiety " of most Americans would be allayed if they could just get enough training for the new high-wage, high-skill jobs of the global economy.[51]

Unfortunately, to judge by the experience of the past twenty years, there is little hope that increased training alone will reverse the decline in wages and living standards for most U.S. workers. One study noted that since 1973, *"there has been a 50 percent reduction in the share of workers who never attained a high school degree and a doubling of the share of workers with at least a four-year college degree, an increase to 25 percent …The growth in schooling and labor quality outpaces that of hourly compensation in the 1979-1994 period."*[52]

In order to reverse the growing chasm between compensation and productivity, much more is needed than eternally optimistic declarations about the always presumed opportunities and benefits of the global economy. In order to have the political and economic basis for social development in the United States—much less for presuming to export a new model of combating poverty to developing countries—a great deal has to change in how socioeconomic planning is formulated and implemented. On the basis of the evidence reviewed in this report, the United States still is a long way from beginning to produce more equitable and sustainable social development.

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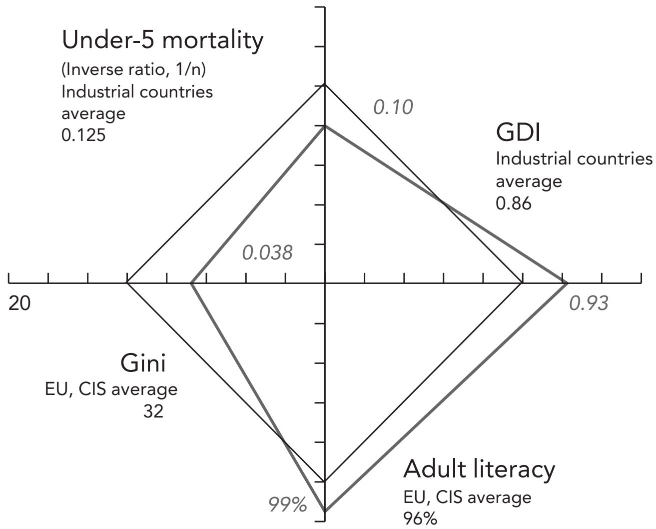
Between cuts and commitments

By Steve Suppan

The United Nations Development Program's Human Development Report 1997, which is less stringent than the U.S. government about defining who is poor, calculated that about 19 percent or some 50m of the U.S. population lives in poverty. Unfortunately, political will for poverty eradication is absent from many present U.S. government policies. Indeed, U.S. fiscal policy suggests a discriminatory animus against the poor. In pursuing reduction of the U.S. federal budget deficit, the U.S. Congress during 1995-1996 concentrated most of the budget reductions in programs that assisted poor people.

The second year of the U.S. government's implementation of its commitments to the World Summit on Social Development has been somewhat difficult to analyze, because no copies of submissions to the Commission on Sustainable Development (CSD)[1] have been provided. Nonetheless, social development policy and its implementation in the United States is hotly debated, and new federal legislation continues to be introduced to change that policy and its budgets. The wholesale budget cuts and the massive rule changes of the 1996 "Personal Responsibility and Work Opportunity Act" (colloquially known as the "Welfare Reform Act") are beginning to be implemented. State and local governments and nongovernmental organizations are struggling to cope with the consequences of the federal government's withdrawal from primary responsibility for providing food, medical and cash assistance for poor people.

The New Partnerships Initiative (NPI), a new social development program explicitly designed to cope with budget cuts for U.S. foreign aid, continues to be implemented in the context of a growing awareness of the shortcomings of U.S. international social development policy. A summary of a 1996 U.S. federal government conference to debate the future direction of all U.S. international social development policy concluded that conference *"[p]articipants acknowledged that foreign aid has primarily served U.S. political purposes over the last several decades and that often there has been little demonstration that aid programs have effectively served economic development goals."*[2]



The Equity Diamond: National compared to regional values.

In January 1997, the U.S. Agency for International Development (USAID) published a two-volume NPI Resources Guide, a report of the NPI Learning Team on promoting *"the art and habit of strategic partnering for collective problem-solving at the community level."*[3]

The first volume summarizes the NPI's conceptual framework, capacity building and performance measurement instruments, and its strategic objectives. The second volume details what NPI claims to have accomplished in its primary partnership development targets, the "Leading Edge Missions" (Bangladesh, Bulgaria, Guinea, Haiti, Kenya, Philippines, Sri Lanka, Zambia) and secondary partnership development targets, the "Partner Missions " (Ecuador, Indonesia, Madagascar, Panama, Romania, Russia, South Africa).

The main goal of NPI is *"building strategic partnerships that foster sustainable development among three sets of key actors at the local level—civil society, institutions of democratic governments and the business community"* (Vol. I, page i), NPI continues to emphasize that its programs are guided by *"the Agency's [i.e. USAID] reengineered management systems"* to increase *"program impact at reduced program cost,"* in line with the decline in U.S. foreign aid that produced *"uncertainty and despair"* in USAID. (Vol. I, pages iii-iv and 3). Indeed, Leading Edge Missions (LEM) are regarded as the laboratory of reengineering experiments, e.g. the Bangladesh LEM is a *"reengineering Country Experimental Lab (CEL)."* (Vol. I, page 25)

The NPI "field tested" its analytic framework in the Guinea LEM. In Guinea, one of the successful experiments involved a "strategic partnership" among USAID, the Volunteers in Technical Assistance (VITA, a U.S. private voluntary organization) and PRIDE, a Guinean NGO. *"The principal lesson learned by USAID, VITA and PRIDE through implementing this activity (micro-credit loans to "Guinean Entrepreneurs, of whom 70 percent are women," (II, 27)) is the importance of planning for and managing the transition from a small, personal organization using consensus-based decision making to a larger, highly structured one based on well-defined rules and procedures" (II, 27).* Through USAID work with the World Bank in agricultural development (II, 26), NPI foresees that a larger, more bureaucratized, donor-independent PRIDE will evolve into a new kind of credit union. Lessons, such as that of the Guinean experiment, will be studied for the Agency-wide rollout of NPI.

U.S. social development policy and its consequences in the United States

Despite a U.S. economy that the mainstream media and government officials describe as "robust," "booming" or even the "envy of the world," **the average income of the poorest fifth of U.S. families dropped again in 1996**, according to an analysis of the latest data from the U.S. Bureau of Census. The Center on Budget and Policy Priorities reported that *"[d]espite a drop in the unemployment rate in 1996 and real economic* *growth of 2.8 percent last year, the number and percentage of Americans [sic] living in poverty failed to decline in 1996. At 13.7 percent, the poverty rate for 1996 remains above the 13.1 percent rate for 1989,"* before the start of the recession of the early 1990s. According to a recent analysis of the Census data by the "Luxembourg Income Study," the income disparity between poor and affluent individuals was greater in the United States than in any of the other 14 industrialized countries studied.[4]

The United Nations Development Program's Human Development Report 1997, which is less stringent than the U.S. government about defining who is poor, calculated that about 19 percent or some 50m of the U.S. population lives in poverty. According to the report, the number of people living in poverty in the United States increased by three percent between 1974 and 1994, prior to U.S. federal budget cuts to cash and food assistance for the poor. Noting that poverty has also worsened in Canada, France, Italy, Spain and Denmark, the report notes that *"[g]lobalization is hurting poor people, not just poor countries."*[5] The report suggests that basic social services and investment in pro-poor economic programs could be provided for about 0.5 percent of the total world income and hence, concludes that *"political commitment, not financial resources, is the real obstacle to poverty eradication."*[6]

Unfortunately, such political will for poverty eradication is absent from many present U.S. government policies. Indeed, U.S. fiscal policy suggests a discriminatory animus against the poor. In pursuing reduction of the U.S. federal budget deficit, the U.S. Congress during 1995-1996 concentrated most of the budget reductions in programs that assisted poor people. In federal entitlement programs, which mandate assistance to entire sectors of the population, more than 93 percent of budget reductions came from programs for low-income people. Discretionary funding of programs for low-income people suffered smaller, but still disproportionate, budget cuts.[7]

Due to tax cuts targeted to benefit the most affluent U.S. citizens and corporations, the budget agreement signed by President Clinton in June 1997 will result in greater budget deficits and another round of "belt-tightening," most likely targeted at programs serving low-income people. In fiscal year 1995 alone, tax breaks and uncollected taxes for corporations and the wealthy amounted to about $400 billion.[8] While U.S. Congressional leaders announced in 1997 that they would cut "corporate welfare," i.e. tax payer subsidies to for-profit entities, no cuts have been made nor are they contemplated in pending federal legislation.[9] The budget "savings" from public assistance reductions is estimated to be about $55 billion from 1997 to 2002.[10] Of the budget agreement, a Washington Post editorialist wrote, *"[l]ucrative tax cuts for the already well-off are what this agreement is fundamentally about; they are its driving force… This is a bad budget deal—a sellout—in fiscal and social terms alike, and it is hard to see how it can be retrieved."*[11]

Meanwhile, all across the country, nongovernmental organizations, for-profit firms, and sub-federal governments are attempting to implement, profit from and/or compensate for the provisions of the "Welfare Reform Act" signed into law by President Clinton on August 13, 1996. **While the number of people living in poverty has not diminished, the number of people receiving cash and food assistance has diminished dramatically**. Part of this dramatic decrease is due to the stipulations of the Welfare Reform Act, and part is due to mistakes made by the for-profit contractors employed to implement much of the bureaucratically complex Act.

In Milwaukee, Wisconsin, a city of some 617,000 people, the number of people in public assistance programs declined 25 percent between May 1996 and May 1997, and about 1,800 people per month no longer receive public assistance. Part of Milwaukee's "reforms," carried out even in advance of the Welfare Reform Act, is to privatize assistance delivery. An average of 4,200 families of the city's 12,000 families enrolled in a publicly funded work program lost part of their assistance for violating program rules, which require recipients to prove that they are working. However, because of the complexity of the new system and the inexperience of the companies implementing it, about 36 percent of the assistance reductions were the result of company errors. While, income lost as a result of company errors was eventually restored, the temptation for companies to implement the new system as stringently as possible, to enhance profit, remains. In September, Wisconsin became the first state in the country to eliminate cash assistance for the poor.[12]

U.S. Congressional Republicans are beginning a campaign to eliminate benefits, such as minimum wage and health insurance, for workers in publicly funded work programs. Cutting such benefits would streamline "workfare" programs, which have become such a logistical nightmare to administer that many states are abandoning them.[13] Where "workfare" programs have not been abandoned, "workfare" trainees at sub-minimum wage have replaced low wage workers. For example, in Baltimore, Maryland, 209 public school "custodial trainees," making as little as $1.50 an hour, have displaced contract workers who otherwise would have been required by city law to make a "living wage," i.e. about two dollars higher than the minimum wage of $5.15 per hour. The Economic Policy Institute estimates that the entry of perhaps as many as 4m welfare recipients into "workfare" and low-wage jobs could depress current wage levels by as much as 12 percent.

The state of Texas is seeking bids to administer the welfare system to determine which applicants qualify for medical, food and cash assistance, and to computerize the assistance delivery system. Lockheed, Electronic Data Systems and Andersen Consulting are among the transnational corporations that have submitted bids for the $2 billion multiyear contract. Perhaps as many as 5,000 public service employees will lose their jobs, once the contract is implemented. Although nonprofit organizations can also bid for the contracts, both the requirements of the bidding process and the ability of for-profits to contribute to political campaigns (nonprofit organizations, by law, cannot), all but guarantee that the contracts will go to the for-profit firms. According to public employee union officials, Lockheed sends 30 to 40 lobbyists a day to the Texas legislature, and now employs seven former top officials in the administration of Texas Governor George Bush (the son of the former U.S. President), a fervent advocate of privatization. In May, President Clinton ruled that Texas could not disburse parts of the federal bloc grants to private companies, a ruling that many opponents of privatization expect Texas to ignore. In the meantime, federal legislators from Texas and lobbyists for the transnational corporations are trying to find a way of changing or avoiding the rule.[14]

Despite the vaunted "efficiencies" of privatization, the record of the private service providers has been poor. The U.S. Department of Health and Human Services determined that private service providers of child support systems failed to deliver promised services in 27 states. In May, a California newspaper reported that Lockheed's $260 million computer system for tracking divorced parents owing child support payments in California was on *"the verge of failure."*[15]

And what about the beneficiaries of welfare reform? How are they doing? Wisconsin's Governor Tommy Thompson, who characterized the reduction of welfare benefit recipients *"an amazing success story,"* says that he does not need follow-up stories to know that welfare reform has been a success**. Thompson killed a program to monitor what happened to those who no longer received benefits**. The director of the Employment and Training Institute at the University of Wisconsin at Milwaukee says that the *"state doesn't* *want to know"* what happens to those who are cut from welfare. The Institute has attempted to gather follow-up data, but acknowledge their efforts have been insufficient.[16]

How are the citizens of Mississippi, historically the poorest state with the greatest incidence of poverty and the lowest average welfare benefits at $2100 per family per year, faring under welfare reform? In the five poorest counties of Mississippi, one researcher estimated that there would be one new job for every 254 families who lost their food and cash assistance benefits. To encourage employers to hire former welfare recipients, businesses pay only $1 per hour of the $5.15 per hour minimum wage, with the state of Mississippi paying the remainder for the first six months of each worker's employment. Even so, **only 15 of 1269 participants in a publicly subsidized work program in one county have managed to find and keep their jobs for six months.** To explain the poor results of the work programs thus far, Donald R. Taylor, the official in charge of administering Mississippi's welfare program, said that the result of the failure of past welfare assistance programs was *that "the problems we have stem more from behavioral poverty than from material poverty."*[17]

Food insecurity and hunger

While the supporters of the Welfare Reform Act, including President Bill Clinton, are quick to cite a reduction in welfare assistance recipients as proof that the legislation is a success, the federal government has few benchmarks for measuring the impact of those reductions. Perhaps the most prominent benchmark is the U.S. Department of Agriculture's first ever national survey on food insecurity and hunger, released on September 15th. The USDA, together with the U.S. Bureau of Census, developed a questionnaire *"administered by the Census Bureau interviewers to nearly 45,000 nationally representative households in April 1995."* The overall prevalence of food insecurity in the United States was estimated to be 11.9 percent, or about 11.94m households comprising some 34m people. **About 820,000 households or some 2m people are judged to be suffering severe hunger.** Although the USDA survey details the state of food insecurity and hunger on a state-by-state basis,[18] it may be difficult to use this data as a benchmark for judging the impacts of food assistance cuts under welfare reform, due to the small survey samples in some states. However, the survey does establish a benchmark to readily measure the national impact of food assistance cuts on food insecurity and hunger.

Nongovernmental organizations that have tried to compensate for food assistance cuts have been clear about their inability to make up for the cuts, despite their best efforts and food donations from the private sector. *Second Harvest*, a national food bank network comprising 185 food banks, commissioned a study by Tufts University researchers to assess the impacts of the food assistance budget cuts on its *Second Harvest* programs. **The study stated that *Second Harvest* would have to increase its food gathering, distributing and preparing by 425 percent to compensate for the $27.1 billion loss in food buying power that will have resulted from food assistance budget cuts by the year 2002.** *Second Harvest* currently distributes about 778m pounds of food each year, with an annual increase of about 5 percent in pounds of food distributed.[19] One typical *Second Harvest* program, *From the Wholesaler to the Hungry*, collects unsold fruits and vegetables for redistribution to malnourished people in 52 U.S. cities. Second Harvest is hoping to double the amount of produce redistributed by the year 2000.[20]

The U.S. Department of Agriculture, together with four nonprofit anti-hunger groups, held a National Summit on Gleaning and Food Recovery on September 15-16. Chief among the Summit's goals is by the year 2000 to increase food recovery and distribution by 33 percent from the government's cafeterias, research farms, Department of Defense, and from public-private partnerships. If the Summit reaches its goal, about 450,000 people will be fed each day.[21] If the various initiatives of this Summit are successful, they could reduce by about 22 percent the number of people judged by the USDA survey to be chronically hungry every day in the United States.

The Welfare Reform Act targets legal immigrants for deep cuts in all forms of social assistance. However, state governments have restored parts of some forms of assistance, including 13 of 50 states that will be providing some food buying assistance to legal immigrants. For example, the state of Illinois announced on October 23 that it would provide $4.7m in food assistance in 1998 and would spend $5.3m to help legal immigrants become U.S. citizens.[22]

Towards reforming the "reform"

Federal legislation to reduce hunger and restore federal food assistance cut by the Welfare Reform Act has been introduced in the U.S. House of Representatives. The 80 cosponsors of the *"Hunger Has A Cure"* bill (HR-1507) sent a letter to President Clinton in October to urge restoration of cuts in several food assistance programs and to oppose privatization of food stamp and other social service delivery systems.[23] However, such restoration of budget cuts would conflict with House Speaker Newt Gingrich's priorities, announced to the House Budget Committee on October 23rd: *"to reduce the $5.5 trillion accumulated national debt, provide annual cuts in taxes, boost spending for science and technology, and undertake a massive defense build-up to ensure continued U.S. supremacy."*[24]

Given Speaker Gingrich's priorities, its seems unlikely that Congress will budget for legislation to improve the lives of the poor and hungry in the United States any time soon. The ability of the U.S. government to carry out commitments to national or international social development is hindered by the budget and tax cutting priorities of federal officials and their corporate benefactors. Likewise, the potential for economic development to result from U.S. foreign aid programs, such as NPI, seems slight in the near future.

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The poorest among the rich

By Steve Suppan

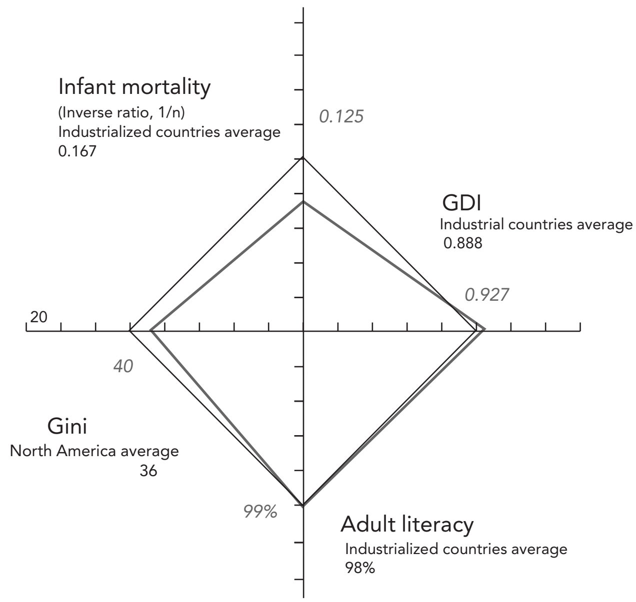
At the World Summit on Social Development, Vice President Al Gore suggested that United States' macroeconomic and social development policies were "models" worth exporting to the rest of the world. He announced the creation of the U.S. Aid for International Development's New Partnerships Initiative (NPI) to export U.S. social development policy to developing countries and stated that NPI would be predicated on "free markets and individual initiative."[1]

The official U.S. consensus that "free market" economic growth leads to social development was restated by President Bill Clinton in his comments on the 1998 U.S. Census Bureau report on income and poverty. The president argued that the report "shows that economic growth continues to raise incomes, lift millions out of poverty, and extend opportunity. It also shows that we have more to do."[2] While the headline writers and editorialists focused on the consensus that "the economy's remarkable performance" alleviated poverty,[3] our focus on other Census Bureau figures will show just how little has been done relative to the enormity of poverty and inequality in the country.

Eradicating poverty

As this report makes clear, the nearly a third of the U.S. population that rises barely above or falls below the federal poverty line within that year, has hardly benefited at all from the economic "boom" described in a September 16th letter to President Clinton from The Business Roundtable, "an association of Chief Executive Officers committed to improving public policy."[4] Regarding the incidence of poverty, the United States continues to be in first place among industrialized nations, according to the latest *Human Development Report* by the UNO.

Why has the "boom" economy done so little to reduce poverty and improve human development indicators in the U.S.? Let us first consider the relation between wages, the low official unemployment rate (not above 5 percent for 13 months running) and the 2.6 percent average annual inflation rate during the past three years. Real wages rose 4.3 percent between January 1993 and January 1998 (this figure excludes agricultural



The Equity Diamond: National compared to regional values. Source: Infant mortality: UNICEF, *The State of the World's Children, 1998;* adult literacy: UNICEF, *The State of the World's Children, 1998;* GDI (gender development index): UNDP, *Human Development Report 1998;* GINI: World Bank, *World Development Indicators 1998.* (The regional average for this indicator was calculated by *Social Watch.*)

workers whose sub-minimum wages would reduce the overall wage increase.) This very modest increase compares poorly, however, to real wages in 1973, when the official unemployment rate was as low as it is now. In January of 1973, average real earnings were 22.6 percent higher than in January 1998. The slight average wage increase during the Clinton Administration has not resulted in inflation because the distribution of that increase has been skewed radically to the top 5 percent of U.S. households that earn 23 times as much as the bottom 20 percent of households.[5]

The United States continues to have the greatest degree of income inequality among the industrialized states, with 49 percent of the national income going to 20 percent of the population in 1996.[6] The accumulation of wealth by a small segment of the population has not resulted in the widespread increase in spending that results in higher inflation. The U.S. economy has "performed remarkably" by creating jobs whose very unequal income distribution has not triggered the inflation that is detrimental to wealth accumulation.

The slight rise in wages and the low official unemployment rate has done little to reduce poverty. On September 24, the U.S. Census Bureau's Current Population Survey (CPS) reported that "the number of poor people in the United States in 1997 was 35.6 million, statistically unchanged from 1996," although the poverty rate declined from 13.7 percent of the U.S. population in 1996 to 13.3 percent in 1997 (with a sampling error margin of 0.3 percent).[7] CPS figures provide a static picture of poverty on an annual average basis.

More pertinent to depicting the more statistically significant struggle of those who fall in and out of poverty in a given year is the Census Bureau's Survey of Income and Program Participation (SIPP). The latest analysis of SIPP data from 1993 to 1994 shows that about 22.3 percent of U.S. residents fell below the federal poverty line for two or more months, resulting in an average monthly poverty rate of about 15.7 percent. During that period, SIPP figures show that "30 percent of the U.S. population were poor for at least two months, but only 5 percent were poor continuously for a period of 24 months," with the median poverty spell at 4.5 months.[8] The same analysis showed that in "1994, 32.4 percent of children were poor for at least 2 months, compared with 18.1 percent of adults 18 to 64 and 13.5 percent of adults 65 or older. The 1994 poverty rate was 40.2 percent for Blacks and 41.8 percent for Hispanics."[9]

SIPP studies on other indicators of social development depict similar struggles to meet basic human needs. One study on health insurance from 1993 to 1996 concluded that "about 29 percent of the population (71.5 million people) lacked health insurance for at least one month" and "one-third of children were without health insurance for at least one month."[10] One explanation to understand why those who survive with incomes just above the government-defined poverty line cannot pay for such basic needs as health care is the difference between what is required to meet basic needs and how the federal government defines poverty. The federal definition of "poverty" is based on research conducted in 1963 and 1964, last revised in 1981.[11]

In 1994, U.S. respondents to the question "what is the smallest amount of money it takes a family of four to get along?" calculated the amount to be about 25 thousand dollars. With this amount, a family could afford an economy food budget, rent a low-cost apartment, operate a ten-year old car and pay for other basic necessities. There would be no money for emergencies, child care, savings, extracurricular activities for children, entertainment or vacation.[12] The 25 thousand dollar minimum budget cited in the survey contrasts with the official average poverty threshold of $15,141 for a family of four in 1994 and $16,400 for a family of four in 1997.[13]

Rather than revise its unrealistically low federal threshold of poverty and the policies that result from such a definition, government policy has been to reduce assistance to those living on incomes below or just above the poverty threshold. On August 22, 1996, President Clinton signed the "Personal Responsibility and Work Opportunity Act of 1996" (colloquially known as the "Welfare Reform Act"). Ironically, welfare reform programs wish to assist residents to meet their basic needs by reducing food, cash and health care benefits, and they offer incentives to induce assistance recipients to move from "welfare to work."

In September 1998, the Administration praised a 3.8 million caseload decrease in delivery of food, cash and health care assistance.[14] Unnoted in this national report was that the state governments implementing the federal welfare reform legislation often required their agencies to decrease the caseload by any means necessary or be replaced by a private company that would cut the number of recipients. For example, in Wisconsin the required one-year caseload decrease was 25 percent.[15] According to a March 1998 report in the *Washington Post*, federal statistics showed 38 percent of those who no longer received welfare assistance were disqualified as recipients for infractions "such as missing an appointment or failing to fill out a form properly."[16]

The Administration claimed that as a result of its social development policy, 1.7 million assistance recipients in 1996 "were working on March 1997." Unmentioned in this report was whether those employed were earning enough so as not to require further assistance. Similarly unmentioned is what happened to those among the 3.8 million caseload reduction who did not find work. As of August 1997, there had been only one national study, by the President's Council of Economic Advisors, to analyze the causes of caseload reduction. The study ascribed 44 percent of the caseload reduction to the above-mentioned economic "improvement," 33 percent to "welfare reform," and 25 percent to "unknown."[17] We know of no national study that has analyzed the fates of those cut from assistance programs.

The Administration has not sought to publicize in a White House press conference the reduction of participants in its Food Stamp programs. In July 1998, the U.S. Department of Agriculture (USDA) announced a decrease of 3 million persons as of May 1998 from May 1997 food stamp participant levels of about 22.5 million persons.[18] If and how those who were disqualified from federally funded food assistance were fed remains to be studied by the government.

The relation between the reduction in food stamp participants and the number of U.S. residents who were hungry before welfare reform also merits study. According to a September 1997 Census Bureau and USDA report based on 1995 survey data, about 11.2 million U.S. residents living in 4.2 million households (4.1 percent of all U.S. households), experienced moderate or severe hunger for one or more months in the previous year. Of that total, 4.2 million children, living in about 2 million households, experienced hunger.[19]

The survey reported that an additional 23.5 million U.S. residents experienced some degree of food security before the reduction of food assistance in the welfare reform legislation. The USDA/Census Bureau survey was based on a Food Research and Action Center survey in 1995 that estimated about 29 percent of U.S. children under the age of 12 lived in families that were hungry and/or food insecure for one or months of the previous year.[20]

What about gender equity?[21]

The United States government continues to fall far short of fulfilling its Social Summit commitment to achieving equality and equity between women and men.[22] **In 1996, for every dollar earned by men, women earned 74 cents.** The number is even lower for ethnic minorities: 63 cents for African American women and 56 cents for Latinas.[23] In 1996, only 1.5 percent of $180 billion of federal contracts went to women-owned businesses.[24] Women in the United States also face discrimination in the provision of health care. **Women of childbearing age (15-44) pay 68 percent more in uninsured health care costs than their male counterparts.**[25]

Monitoring the monitors

Insofar as U.S. Census Bureau data have not confirmed the promises of social development improvement through economic growth or through welfare reform, it is perhaps not surprising that the Bureau too is a target of "reform." The ability of the government to demonstrate that it has made some progress in fulfilling some of its Social Summit commitments was compromised on August 5th 1998, when the U.S. House of Representatives voted 227 to 201 not to fully fund the Bureau for the coming fiscal year. The vote was strictly on party lines, with the Republican majority victorious.[26]

The funding defeat is a symptom of a political dispute. The Republican Party leadership argued that sampling and extrapolation techniques for households missed in the Bureau's door-to-door polling would allow the Democratic Party to manipulate the population basis used to draw up electoral districts. While House Speaker, Republican Newt Gingrich, dismissed the "virtual citizens" counted by sampling techniques, the House leader of the Democratic Party, Richard Gephardt, said that battle over the census was "today's great civil rights issue."[27]

The resolution of the controversy over census funding and techniques has consequences that are more profound than mere electoral consequences. An under-funded census, prevented by law from using modern population sampling techniques, will inhibit analysis of the impacts of U.S. economic and welfare reform strategies. These strategies are being exported to some developing countries in the USAID's "New Partnerships Initiative"[28] in purported fulfillment of U.S. commitments to the Social Summit. If the census is prevented from professionally collecting and analyzing data, it will be more difficult for the U.S. government to demonstrate credibly to developing countries that its economic and social development policies produce results that justify emulation of those policies by other countries.

While the present global financial crisis has prompted some criticism of structural adjustment policies even among advocates of those policies, U.S. welfare reformers have found no reason in Census Bureau statistics to change their policies. A more statistically impoverished and contorted census will give them even less reason to change.

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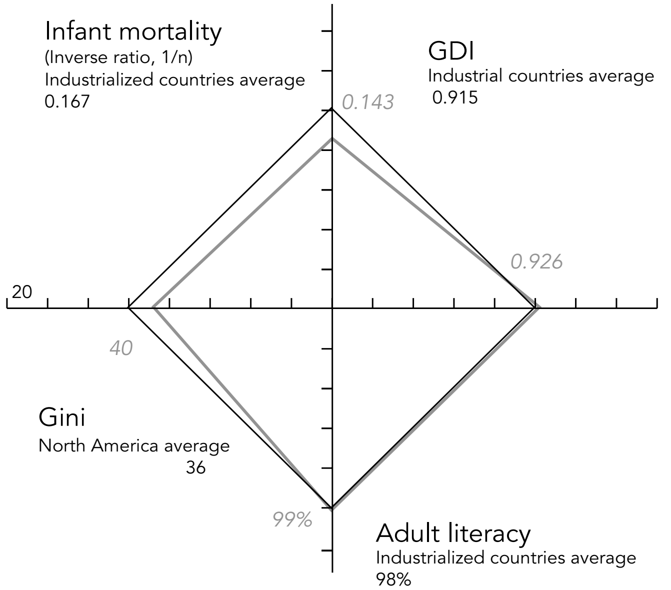
What’s wrong with this picture?

By Sharon Ladin

Few analysts doubt that the economic transformation taking place in the country has created enormous opportunities for those in a position to take advantage of them and has brought greater material benefits to the average consumer than was thought possible twenty years ago. But the longest economic expansion in U.S. history has not, thus far, brought greater equality of opportunity or increased social integration. Unlike during previous periods of expansion, in this period the widening gap between rich and poor has further divided the nation by thinning the ranks of the middle class and limiting the social mobility of lower income wage earners. Despite many positive economic indicators, U.S. society has moved backwards in the last decades of the twentieth century regarding some of the key social objectives of the Copenhagen Declaration.

Unemployment is down, wages are up, and the number of families in state welfare programs has been declining since new social welfare legislation came into effect in 1996. The media, for the most part, insistently promotes this “happy story,” but as one well-known analyst said, this is a story which “begs to be disentangled.”[1] Volunteers and nongovernmental agencies are working overtime in food banks and homeless shelters across the country, and almost two million people are in prisons and detention centers. Government social policies may have done less to eradicate poverty than to render it invisible.

Nearly a third of the U.S. population in 1998 was near or below the federal poverty line.[2] One per cent of the U.S. population now controls over a third of the wealth, and the next ten per cent controls another third, so it is not surprising that the poor and the near. poor do not have much visibility. Even less visible is the subpopulation referred to since the 1960s as the “underclass,” which is composed of households that have been persistently poor for decades.



The Equity Diamond: National compared to regional values. Source: Infant mortality: UNICEF, *The State of the World's Children, 1998;* adult literacy: UNICEF, *The State of the World's Children, 1998;* GDI (gender development index): UNDP, *Human Development Report 1998;* GINI: World Bank, *World Development Indicators 1998.* (The regional average for this indicator was calculated by *Social Watch.*)

The underclass

The U.S. crime rate has been falling for the past seven years.[3] The Clinton administration and law enforcement experts argue that this demonstrates the success of tough crime policies. The crime rate is also falling, however, because "we're incarcerating an entire generation of people."[4] A tendency to use the criminal justice system as a substitute for social problem-solving has contributed to an eightfold increase since the 1960s in the number of black men in U.S. prisons. According to the U.S. Justice Department, by the year 2000 about one in 10 black men will be in prison, a statistic with major social implications, because prisoners don't have jobs, pay taxes, or care for their children at home. And because many states bar felons from voting, at least one in 7 black men will have lost the right to vote."[5]

An updated study, from one first commissioned by President Lyndon Johnson in 1968, concluded recently that misguided hard. line social policies, such as harsh prison sentences for nonviolent drug offenders, have "come at the expense of long-term solutions such as early intervention programs for troubled youth, job training and drug rehabilitation programs."[6]

Despite falling crime rates, white criminality has increased over the past decade and become more violent.[7] It is no longer possible, if it ever was, to view the social implications of a disaffected underclass as a "black" or minority problem. The proportion of young black males who have dropped out of the labor market is still higher than it is for white youth, but since 1990 the proportional increase is concentrated among white teenagers.[8] High demand for both skilled and unskilled workers has not affected the increases in U.S. youth who are dropping out of the workforce. Increasing income inequality and perceived lack of social mobility may lead to greater social disruption in the next decades than the persistence of poverty itself.

Welfare reform

The Personal Responsibility and Work Opportunity Reconciliation Act signed into law by President Clinton in August 1996 has been labeled by Republican Congressional leaders and others as "one of the most successful pieces of social legislation in American history."[9] As its name suggests, the Act was intended to end the cycle of poverty and dependency that many feel has promoted the disintegration of the basic values of work and family over several generations of welfare recipients. The new legislation transferred responsibility for alleviating poverty from the federal government to individual states.[10]

Under the new welfare provisions, states must pay for any expenditure above a fixed amount they receive from the federal government. Moreover, if states cut benefits or limit eligibility they are generally able to keep any federal money they save. Critics contend that this has negatively affected single mothers and contributed to the establishment of inadequate, highly restrictive welfare to work programs.[11]

The evidence is inconclusive at this point. Studies indicate that some states have managed to design programs that provide legitimate job training for parents and protect families at the same time. Many others have established programs that result in great hardship and even violate basic human rights.[12] One of the most egregious violations has to do with forcing young women out of college and into work programs that do not lead to skilled employment. Problems like this have been denounced often enough to justify the claim that welfare .reform. has simply moved people off the welfare roles and out of sight. but not out of poverty.

In May of 1999 the director of the White House Domestic Policy Council said that "there has definitely been a dramatic increase in the number of single parents entering the work force over the past five years."[13] This is more good news that needs disentangling, because a significant percentage of the people who leave welfare for work earn wages that are well below the poverty line.

Peter Edelman, who resigned as Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services to protest the 1996 welfare law, says ." the real issue isn't welfare. It's poverty. And it's not just poverty, it's the situation of millions of people who don't earn enough to support their families. In fact, approximately two million people in the U.S. work full time and still can't get their families out of poverty."

Watchdog groups such as the Children's Defense Fund (CDF) insist that the working poor need affordable child care, transportation, food aid and job training so that they can move up to better paying jobs. To move people out of poverty and into the mainstream, "[w]e have to make sure that work pays."[13]

Making children a priority

The number of extremely poor children in single mother families—the group most affected by the 1996 welfare reform—increased 26 percent between 1996 and 1997,[15] an increase attributed mainly to the loss of food stamps, child care, training and other work supports. A government population survey for 1997 indicated that 11.3 million children under the age of 18 did not have health insurance, the largest number ever reported by the U.S. Census Bureau.[16] Children without dependable access to health care are susceptible to various hindrances, such as undiagnosed problems with vision, hearing or the like, that make them 25 percent more likely to miss school than children who have health insurance.[17] The many hazards of child poverty can result in lifelong economic and social consequences that are far more expensive than a strong public investment in early intervention programs that protect children and promote their physical and intellectual development.

Education and equal opportunity

A "tightening nexus between education, equal opportunity, and worrisome levels of poverty"[18] characterizes the U.S. economy. The wages of less educated workers have declined sharply in the U.S. since the late 1970s, and in the future, "those on the wrong side of the educational divide will find it harder to climb from low income to high income."[19]

Roughly half of all U.S. seventeen year olds read below a 9th grade (secondary school begins at grade 9 or 10) level. Inconsistencies in economic and social policy resulting in insufficient investment in the education and training of the educationally disadvantaged need to be addressed urgently. Violations of the right to education and the right to work, which includes training, have lifetime as well as intergenerational economic and social consequences. Like welfare, public education is a state responsibility in the U.S., although it should be an urgent national priority.

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Eroding commitments to end poverty

By Sophia Murphy

Economic expansion continued in the last five years, absolute poverty rates dropped (marginally) and unemployment remained low (at about 4 percent). Nonetheless, five years after Beijing and Copenhagen, the U.S. has little to boast about. What has it done with its wealth? Has it "integrated goals and targets for combating poverty into overall economic and social policies and planning…?"

The answer is "no." The 2000 Presidential election stimulated some serious discussion of social policies, but the Bush administration now in power is not interested in combating poverty. The $1.6 trillion in tax cuts sought by the Bush administration over the next ten years will reduce already inadequate investment in social and health programs. The Bush budget increases military spending by $14.2 billion to a total $310.5 billion.

The U.S. Census Bureau announced recently that it favors the Republican Party's contention that only census returns should be used to count the population. This is despite the proven under-count that results from this approach—particularly of poor and minority Americans—and the existence of well-established, more accurate statistical methods. The result will be ten more years of under-funding for federal programs that provide a social safety net and political disenfranchisement through misallocated electoral districts.

Tax cuts proposals

On March 1, 2001, the U.S. House Ways and Means Committee approved the core of President Bush's tax cut plan.[1] The committee approved the legislation with no public testimony and before approval of the overall national budget. This plan marks a clear departure from recent tax reform proposals, which tried to reduce the burden of tax on lower and middle-income earners and had the support of both political parties. Instead, Bush's plan focuses almost all the benefits of the tax cut on the richest one percent of the population.

The last such radical tax cut, under the Reagan administration in 1981, resulted in huge government budget deficits in the late 1980s and early 1990s. The Clinton administration reduced this deficit with the help of $56 billion in cuts to food and cash assistance to the poorest U.S. citizens, under the so-called "welfare reform" legislation in 1996.

President Bush's proposal focuses on income tax reduction, but people living in poverty pay more payroll than income taxes. Payroll taxes include Social Security (for retirement) and unemployment insurance. The plan does nothing to relieve this tax burden on low-income earners. The Center on Budget and Policy Priorities calculates that a single mother with two children working fulltime and earning $22,000 a year would receive no tax relief at all under the plan.[2] Eliminating her income tax makes no difference, as she is already effectively exempt from paying it.

The rich and the poor

According to government numbers, .American households experienced another year of strong, broadly shared income growth in 1999, and poverty fell sharply. But income inequality remains historically high, annual earnings of full-time workers grew more slowly than in recent years and family hours of work continue to expand."[3]

Poverty rates fell from 12.7 percent in 1998 to 11.8 percent in 1999 and the income gap between middle and lower-income earners closed to some extent.[4] Income at the top level, however, grew more rapidly than at the bottom, ensuring that income inequality persisted. At the same time, middle-income households are working longer hours to maintain their income level. Middle-income, married-couple families with children, headed by someone aged 25 to 54, worked an average of 33 more hours per week in 1999 as compared to 1998.[5]

The poverty rate for African-Americans in 1999 was 23.6 percent—about three times that of non-Hispanic Whites. African-Americans, together with American Indians, the Inuit of Alaska and Hispanics, suffer poverty at a much higher rate than non-Hispanic Whites and other minorities.

Unemployment is low, but wages are also low. Finding a job that pays enough to stay above the poverty line is difficult. Despite the proven benefits of increasing the minimum wage, particularly for working women who are disproportionately represented at the low end of the income scale, U.S. Congress is unwilling to raise (the very low) minimum wage. In a joint analysis of the results of the 2000 Population Census, the Economic Policy Institute and the Center on Budget and Policy Priorities found that the incomes of the highest paid 20 percent of workers had increased significantly over the past 20 years, while those of the poorest fifth of the population had declined in many states.[6]

Proposals to address poverty and inequality include raising the minimum wage, strengthening unemployment insurance and reforming regressive tax systems. Unfortunately, President Bush's proposed tax cuts promise to create new deficits that will eliminate budgets needed to implement U.S. commitments to the Social Summit, except, perhaps, in the area of education.

Copenhagen and Beijing follow-up

The U.S. government is politically indifferent to commitments made in Copenhagen and Beijing. The statement by Donna Shalala, Secretary for Health and Human Services and leader of the U.S. delegation to the

World Summit for Social Development Review Conference in Geneva, gave no indication of the scope and ambition of the governments. commitments in Copenhagen against poverty and for equity.[7] The U.S. government never created a mechanism to follow-up the commitments it made in Copenhagen. For much of the past five years, there has been no dedicated focal point in government to monitor implementation. No effort was made before the Geneva meeting to assess with civil society the implementation of commitments to date.

For Beijing + 5, the effort was a little better. A series of meetings was organized around the country and, in answering the UN questionnaire on implementation of the Beijing Platform for Action, the United States was able to point to some important initiatives and new spending priorities that reflect a stronger concern for women's issues.[8] The Clinton administration appointed more women than ever to top-level cabinet, executive and judicial positions.

An NGO report on U.S. implementation of the Beijing Platform published by the Women's Environment and Development Organization (WEDO) shows that, while more women are working than ever before, they work in jobs that do not pay enough to support their families.[9] This situation has worsened in the last five years. Women in the United States still earn only 76 percent of what men earn, on average. At this rate (it was 59 percent in 1963), it will take more than 50 years to reach parity! According to the Economic Policy Institute, the gender wage gap widened by 1 percent in 1999 over 1998.

The less generous donor of Official Development Assistance

The United States remains the least generous ODA donor as a percentage of its GNP.[10] In 1999, it gave 0.10 percent, constant with 1998 levels. As before, the largest part of spending on overseas projects was for military expenditures. In 2000, the U.S. Congress allocated $435 million for debt relief—some $200 million short of the goal set by Clinton in his statement to the G-8 meeting in Cologne. The U.S. spent only 0.5 percent of its bilateral ODA on basic education and 1.6 percent on basic health programs in 1998.

.Africa Growth and Opportunity Act.

In May 2000, the United States passed the .Africa Growth and Opportunity Act. into law. This Act, celebrated by its proponents as a great victory, found little enthusiasm in the U.S. and African NGO community.

The legislation was presented as a move away from aid to trade, and as a way to "bring Africa into the world economy." But even if one assumes that development will follow international trade and investment, the Act falls short. Products of vital interest to some African countries but sensitive to political pressure in the United States, such as sugar, were excluded. Measures to remove tariffs on textile exports to the U.S. require that the raw materials originate in the U.S., undermining efforts to build an integrated textile industry in Africa and ignoring the benefits that new markets for cotton and other materials grown on the continent could bring.

The Act also builds in considerable conditionalities, many of them in areas that are heavily contested by African governments in other arenas, including the World Trade Organization.[11] For example, countries that enter into trade agreements with the U.S. under this Act will have to eliminate barriers to U.S. trade and investment, including granting U.S. firms equal treatment with African firms. Barriers to imports from the U.S. have to be removed.[12] As the experience of implementing the Uruguay Round Agreements has shown, there is every danger that such liberalization, without consideration of development needs in

Africa, will only increase imports to the continent, further jeopardizing the livelihoods and productive capacities of some of the poorest people in the world.

Conclusion

Unless there is a political shift toward greater internationalism and a renewal of the spirit that marked the anti-poverty and civil rights initiatives of the 1960s, it is difficult to see how the United States will fulfill even the spirit of its Copenhagen and Beijing commitments. The struggle continues.

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Welfare begins to end as recession grows

By Steve Suppan

Now that economic recession in the United States has been officially recognized, there are few defenders of the optimistic state and federal government income projections that were used in 2000-2001 to justify tax cuts that largely benefit the wealthy. One analyst noted, "[t]he way for these selective tax cuts was cleared not just with forecasts that made no allowance for contingencies, but with creative accounting worthy of Enron."[1]

With the disappearance of projected budget surpluses have come calls for budget cutbacks that will disproportionately affect already under-funded social programs. The national government can rely on deficit spending to fund its budget deficits, including a massive military build-up for the "war on terrorism." However, U.S. state governments, which are the main providers of social welfare services, are prevented by their constitutions from borrowing to fund programs. This prohibition against state borrowing means that social program budgets will likely be cut. Once again, the U.S. government has failed to give priority to fulfilling World Social Summit on Development (WSSD) commitments.

The poverty of official poverty data

Technical capacity for data collection and interpretation limits the ability of some governments to evaluate the effects of their policies. In the United States, however, technical capacity is less of a limitation than are outdated statistical definitions of poverty that impede analysis, and hence realistic policy formulation, to reduce poverty and related social problems.

In September 2001, the U.S. Census Bureau announced that from a sample survey of 50,000 households, it had determined that the "poverty rate in 2000 had dropped to 11.3 percent [of the U.S. population] … not statistically different from the record low of 11.1 percent set in 1973."[2] The poverty threshold for a family of four was set a $17,603.[3] Supporters of 1996 U.S. "welfare to work" legislation, which reduced the number of government food and cash assistance recipients, greeted the Census announcement as proof that "welfare to work" programs reduced poverty. However, federal poverty thresholds are calculated according to a food budget-based formula that has not substantially changed since 1965.[4] As one critic of the U.S. official definition of poverty noted, "[w]hile the price of food has actually gone down over the past fifty years, poor families now have to spend larger portions of their budget on housing and child care."[5]

The inadequacy of federal poverty thresholds to reflect the after tax income required to pay for basic needs can be measured by the disparity between government unemployment insurance payment levels and the income required to pay basic costs for food, housing, health care, child care, transportation, heat and other basic necessities. For example, one study determined that current federal unemployment insurance "replaced only 33 percent of an average worker's lost earning." [6] The same study calculated that the basic monthly budget for two parents with two children under the age of twelve in the town of St. Cloud, Minnesota in 2001 was $2,674. In annual terms that would be $32,088 after tax income,[7] about $14,485 above the federal poverty threshold for such a family. A May 2001 study by the Congressional Budget Office determined that the average annual after tax income for the bottom fifth of U.S. households in 1997 was $10,800. For the middle fifth, it was $37,200, just $5,112 above what was calculated to meet basic needs in 2001.[8]

What to pay for: food, heat or health care insurance?

The five-year lifetime limit on cash assistance to poor families and individuals mandated in the 1996 legislation was approved in the midst of macroeconomic prosperity. Now, in the words of a New York Times headline, "As Welfare Comes to an End, So Do the Jobs." These were the jobs that were to have enabled poor people to depend no longer on government assistance.[9] The recession has been particularly harsh on women with children. From October 2001 to November 2001, the unemployment rate of female heads of households went from 6.9 percent to 8.3 percent, a 20 percent increase.[10] Children in these households form a large part of the 7 percent of U.S. children that receive federal food and cash assistance. According to outdated federal poverty standards, about 16 percent of children are poor.[11]

According to a report by Second Harvest, the largest emergency food assistance network in the United States, 45 percent of the 23 million emergency food recipients it served last year "had to choose between buying food and paying for utilities or heat."[12] In addition to the aforementioned increase in use of non-governmental food assistance programs, participation in the government's Food Stamp Program (FSP) increased 8 percent from October 2000 to October 2001. Food stamps are government-funded vouchers to pay for basic foods. Tougher FSP eligibility requirements caused a drop of 40 percent or more in FSP participation in five U.S. states since the 1996 welfare legislation.[14] Many former FSP participants now get mostly church-based food assistance.

Low household income was the chief reason that 39 million U.S. residents could not pay for health care insurance in 2000, according to U.S. Census Bureau data. In 1991, 14.1 percent of U.S. citizens had no health care insurance at any point in the year. After nine years of unprecedented economic expansion in the United States, in 2000 14 percent lacked insurance.[14] Legislation to extend health care insurance to more U.S. residents is deadlocked in Congressional budget debates.

Bush Administration fiscal policy and its social program impacts

President George W. Bush's first budget address called for a $1.6 trillion tax cut that was greeted by loud applause.[15] Some of the applause came from those who sought tax cuts for their corporate clients. Critics, however, feared that the Bush tax cut would repeat the result of President Ronald Reagan's 1981 tax plan, making "it structurally impossible to find money for domestic social programs," in the words of Reagan's budget director.[16] In June, Congress approved a $1.35 trillion tax cut over ten years, just four months before the government recognized that the United States had been in an economic recession since March 2001. There is now a national debate about the implementation of the tax cut. The results of this debate will affect the policies and budget for fulfilling WSSD commitments.[17]

Against the evidence of leading economic indicators that pointed to a deepening recession before September 11th, apologists for U.S. economic policy, such as Federal Reserve Chairman Alan Greenspan and former Treasury Secretary Robert Rubin, argued that the economic consequences of the September 11 attacks interrupted a burgeoning recovery from the current recession.[18] Budget constraints, partly resulting from the economic impact of the September 11 attacks, are being used to justify a continuation or even cutting of already inadequate food and cash assistance programs.[19] Yet some advocates of cutbacks in assistance to the poor, argue that a $202 billion program of tax reductions and tax subsidies for upper income individuals and corporations will help the United States recover from the September 11 attacks.[20]

An economic stimulus bill approved by the House of Representatives will send 41 percent of the $202 billion to the top 1 percent of U.S. income earners and 6 percent to the bottom 60 percent.[21] The bill includes a provision, sought by lobbyists for 15 years, to repeal the Alternative Minimum Tax (AMT) for corporations. According to an analysis by Public Citizen, if the bill is approved by the Senate and signed into law by President George Bush, sixteen companies will receive about $7.5 billion in tax rebates. From 1992 to 2002, those companies spent a mere $45.7 million to influence legislation.[22]

U.S. foreign policy impacts on social welfare[23]

The pugnacious unilateralism on major foreign policy questions of the Bush Administration's first nine months in office, e.g., on global warming, changed to a tactically necessary U.S. multilateralism following the September 11 attacks. In recognition of the need for United Nations support for the "war on terrorism," the U.S. Congress voted shortly after September 11 to pay "$582 million in back dues, long owed the UN."[24] Whether U.S. " a la carte multilateralism," in the words of the State Department's Richard Haass,[25] will support UN programs to meet WSSD commitments cannot be predicted with confidence.

Prior to September 11, shifts in public attitudes on foreign aid indicated a better political climate for increasing U.S. foreign aid. Opinion polls in 2001 on U.S. public attitudes on foreign aid show that "overwhelming majorities" support "efforts to alleviate hunger and poverty—much more so than for foreign aid overall."[26] In 1995, 64 percent of those polled favored foreign aid cuts. But in 2001, only 40 percent supported such cuts (the margin of polling error was +/-3.5-4 percent).[27] In 2001, when pollsters asked respondents to estimate "how much of the federal budget was devoted to foreign aid, the median estimate was 20 percent of the budget— 20 times the actual amount, which was just under 1 percent. Only 5 percent of respondents estimated an amount of 1 percent or less."[28] To date there has been no political leadership to turn this popular support for foreign aid into budget allocations.

The Global Development Alliance (GDA), the U.S. Agency for International Development's (USAID) new "business model," is limited to coordinating, facilitating and networking with private sector and "third sector" (NGOs, unions, churches, etc.) to fulfill USAID's foreign assistance mandate. The GDA Secretariat was officially launched on 26 November 2001 as a "technical resource unit which catalyses and supports alliance creation and operation." [29] Sample alliances include The Global Alliance for Vaccines and Immunization, Chocolate/Coffee Production and Distribution Alliances, U.S.-Asia Environmental Partnership, Public-Private Agricultural Research Programs (e.g., Monsanto Company and the Kenyan Agricultural Research Institute), and TechnoServe Alliances for Rural Economic Growth (e.g., Cargill's assistance to "develop competitive oilseed businesses in southern Africa"). Because of the heterogeneity and private/public character of many GDA programs, GDA results, like those of past USAID "partnership" programs, will be difficult for Social Watch to verify and analyze in terms of meeting WSSD commitments.

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Service industry deregulation

Corporate crime and tougher disciplines on the poor

By Steve Suppan

Although criminal activity within the private service industries has been an important factor in the current recession, the service industry continues to form the basis for the U.S. negotiating position on the General Agreement on Trade in Services. These industries continue to target public service assets for takeover and to globalize their practices, even as new details of scandal emerge daily. President Bush's plan for assisting the poorest in the U.S. imposes a range of tough new regulations that require welfare assistance beneficiaries to work more in exchange for fewer benefits.

Corporate deregulation and crime

Since the last Social Watch report, there have been almost daily reports in the U.S. press about the criminal indictment of, or civil penalties or administrative law rulings against one or more of the corporate advisors to GATS. The market share captured by lawbreakers and rule violators in financial services, energy services, telecommunications, etc, is huge. Even larger were their "misstated" profits during the 1990s, brought to light by the collapse of Enron and other firms.

"Over the past six years, Business Week reports, investors have lost $200 billion as a result of 783 audit failures at firms that overstated profits, and such incidents doubled from 1997 to 2000."[1] The guilty pleas, alleged crimes, the bankruptcies and federal rule violations run such a wide gamut that no less a services liberalization proponent than the Brookings Institution has tried to calculate the cost to stock market wealth of the crisis in corporate governance. Still to be calculated are the costs to employees, customers, taxpayers, retirees, governments and those who have lost their jobs in the United States due to corporate malfeasance. And this is to say nothing of the transnational impacts of misreporting the alleged benefits of corporate deregulation in fueling World Bank privatizations in the 1990s.

No governance crisis here

Despite the dubious provenance of much corporate advice to U.S. trade negotiators on GATS, there has been no public discussion about the "trade policy governance crisis" among those who promote service liberalization and corporate self-regulation. The summary of the U.S. proposal for GATS still advocates global "commercial presence" that restricts government regulation with "least burdensome" to trade criteria. Many of the major firms advocating such disciplines have had service creation and delivery practices which, abetted by government deregulation, did much to bring about the current U.S. economic recession. For example, of the financial service industry, William Greider has written, "[t]he merger of commercial banks and Wall Street investment houses, ratified by Congress in 1999 and legalizing the new financial conglomerates like Citigroup and J.P. Morgan Chase, has already produced the very scandals of self-dealing and swindled investors that lead to the legal separation of these two realms seventy years ago in the Glass-Steagall Act."[2]

Yet there are no legislative proposals that would prevent the kind of business practices certified by banks, accounting firms and lawyers in their dealings with Enron, Global Crossing, WorldCom and others as "legal" and "normal." Beyond supporting new laws and initiating investigations to prosecute the crime that is most difficult to prove—fraud—the Bush Administration has not yet been able to overcome its antipathy to enforcing government regulation on corporations. The U.S. administration even attempted to weaken non-binding language on corporate accountability in the Political Declaration of the World Summit on Sustainable Development. Resistance to reform is particularly fierce in the financial services industry, where noncompliance with federal conflict-of-interest rules has been facilitated by chronic underfunding by Congress of the Securities and Exchange Commission (SEC) and other regulatory authorities, in response to industry pressure. Firms are desperately seeking to strike deals with the SEC to avoid a fundamental restructuring of the financial services industry.

Instead of reforming services liberalization disciplines and objectives, trade negotiators are seeking to "lock in" advantages for their services industry clients. At the same time, they are ignoring the negotiators' equivalent of corporate due diligence, contained in the GATS requirement in Article XIX,[3] for an "assessment of trade in services in overall terms and on a sectoral basis."3 Apparently, the negotiating strategy is to "lock in" new GATS disciplines irreversibly before the extent and causes of the financial rot becomes a matter of public record in lawsuit filings.

Inflexibility towards the poor

Not all service industry deregulation, of course, has had criminal consequences. Indeed, proponents of government deregulation continue to see regulation as a threat to prosperity: "The only significant current threat to continued deregulation is a consequence of the Enron collapse—the threat of increasing regulation of accounting, corporate governance, and securities."[4] This ideology maintains a strong grip on the U.S. government. This is not in itself criminal, but it has deepened the economic hardship facing millions of Americans. For example, Federal Reserve Chairman Alan Greenspan's refusal to discipline stock market volatility and speculation by toughening investor borrowing requirements, was deeply harmful to the economy.

The return of stock indexes to 1998 price levels seriously eroded many retirement savings, and has contributed to an increase in unemployment, estimated in August 2002 at 5.7 percent of the work force. This understates the extent of the problem, however, because government unemployment data are based primarily on those who file with the government for unemployment benefits. Due to cutbacks in unemployment insurance, the number of workers who exhaust their benefits before they can find work has doubled in the last two years.[5] The increase in unemployment and consequent decrease in consumption has had severe consequences for state governments that responded to corporate lobbyists by cutting taxes by $35 billion from 1993-1999. The 50 U.S. state governments now find themselves without sufficient reserves to supply basic public services during a recession.

Not since the tax cuts of the Reagan Administration have state governments been in such bad financial shape. "State fiscal conditions, already in decline prior to the September 11 attacks, are rapidly approaching a state of crisis. According to the National Conference of State Legislatures, revenues in 43 states are below estimates and 36 states have already planned or implemented cuts in public services."[6] Yet these programs—providing food, cash, health care and child care programs to low-income people—are among the most efficient means to ensure consumption, to foster state economic activity and to reduce economic volatility. On the other hand, "trickle down" approaches, such as cutting taxes to high-income people and corporations, are very inefficient at generating economic activity, especially among low-income people.

The states' budget crisis will be exacerbated by the massive Bush Administration tax cut, passed in June 2001 legislation, that will start to cut federal revenue distributions to states this year and accelerate thereafter— unless repealed. Successful service industry lobbying against taxes on most services has also hurt state revenue, since the average state depends on sales taxes for about 40 percent of their revenue.

On 26 February 2002, the Bush Administration revealed its plans for reauthorizing the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. The 1996 welfare law required parents to work in order to receive welfare benefits from state programs, but the reduction in state welfare caseloads decreased the number of beneficiaries under "workfare" programs to 6.5 percent of total welfare recipients. The Bush plan will require 70 percent of state beneficiaries, largely single mothers with children, to work 40 hours a week for wages that are unlikely to cover the increased cost of childcare. The Bush plan will continue to enforce tough welfare compliance rules, cutting off benefits to families if a parent misses an appointment with a welfare caseload worker. While the Bush Administration demands "flexibility" in corporate regulation and the ability of government managers to hire and fire, it is quite inflexible when dealing with the poorest U.S. citizens, residents and immigrants.

The "tough love" approach to poverty in the 1996 welfare law dropped the overall welfare caseload by 50 percent between 1996 and March 2001.[7] However, a government report submitted to Congress on 3 June 2002 showed that only a third of the drop was due to families earning enough to rise above the (very low) federal poverty thresholds.[8] Other reasons for the caseload decrease included the disqualification of recipients because of rule violations and caseworkers failing to inform the poor of available benefits. According to a 1999 study, a further 20 percent of the caseload had simply "disappeared."[9] For those who remained on welfare programs, by January 2000, cash and food assistance benefits "for a typical family of three [i.e. a mother and two children] had fallen to less than half the poverty guideline in all but six states."[10] These benefits are likely to fall further as a result of state budget crises and the tighter Bush Administration restrictions on benefits.

A human rights budgetary perspective

As the official number of poor increases, states have been given greater responsibility, but fewer resources to supply basic services to the poor. Attempts to privatize public services targeted to help the poor have been limited by lack of interest from the private sector: the services are not lucrative enough. The last two decades have seen an erosion of public sector employment as federal, state and municipal governments grant private contractors the more profitable service investment opportunities, such as transportation to and from wealthy suburbs, while leaving less lucrative markets to be serviced by the public sector. Even firms with multiple federal rule violations, poor performance records and criminal convictions are allowed to bid to take over public assets!

Privatization has been sold to government managers as a way to reduce costs associated with better wages, health benefits and pensions for public sector workers, particularly for those without college degrees, when compared to private sector workers in the same categories. One study has shown that "for women without college degrees, occupations "at risk" for privatization constitute 63.9 percent of their public sector jobs, such as health care and child care workers, food service employees, and clerical and administrative staff."[11] Privatizing these modestly paid public sector jobs and withdrawing their health and pension benefits might save money short term in service delivery, but push workers closer to the poverty line in private sector jobs without benefits. According to 1998 government figures, about 69 percent of public sector jobs had health insurance, compared to 47 percent in the private sector.[12] Just one health emergency could push such newly privatized workers into poverty. The U.S. Census Bureau reported on 30 September 2002 that "an estimated 14.6 percent of Americans—41.2 million—went [health] uninsured in 2001, up from an upwardly revised 14.2 percent or 39.8 million in 2000."

In contrast to the twenty-year old drive to privatize the delivery of potentially lucrative public services, there is a new and small movement to analyze the delivery of public services from a human rights perspective. In an August 2002 report, the United Nations High Commissioner for Human Rights warned that the liberalization of trade in services proposed in GATS could make it impossible for governments to fulfill their human rights obligations in the delivery of public services. High Commissioner Mary Robinson urged the WTO Secretariat and members to honor the GATS commitment in Article XIX.3 for an assessment of liberalization impacts in services and to "allow the maximum flexibility to developing countries to withdraw liberalization commitments."[13]

There is no indication that major WTO trading powers intend to honor the GATS rule for assessment prior to demanding commitments. However, there are other human rights initiatives on public service delivery that may have better prospects of success, at least at the state and municipal level of government. One approach has been to analyze government budgets in terms of the governments' obligations to comply with human rights commitments. The advocates of bringing a human rights framework to budget formulation and analysis are well aware of opposition to their project, particularly that of "U.S. exceptionalism," i.e. the doctrine that laws applying to all other governments do not apply to the United States. Nonetheless, it is hoped that if a human rights framework can be adopted in budgets of those countries that have ratified the United Nations Covenant on Economic, Social and Cultural Rights, such adoption might have a civilizing effect on the U.S. government.

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The poor are poorer and more insecure

By Steve Suppan
with Alexandra Spieldoch

In the United States, the concept of human security is often subsumed under that of "national security." The country has the highest degree of human insecurity among industrialized nations. For all the government's talk of national security, U.S. citizens have rarely felt less secure.

The national security context of human security

In the United States, the concept of human security is often subsumed under that of "national security," following the assumption that protection of "national interests" confers human security upon the inhabitants of a nation. The dominant U.S. paradigm of national security largely excludes policies and programs whose implementation might achieve sustainable human security in the United States.

One benchmark document for evaluating the status of human security in the United States is the September 2002 publication of "The National Security Strategy of the United States of America." The cover letter to this Strategy, written by President George W Bush, begins: "The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise."[1] It is this vision of the twentieth century that the Strategy would presume to defend in the twenty-first. The initiatives proposed in the Strategy are guided by the justification that "[t]he events of September 11, 2001, fundamentally changed the context for relations between the United States and other main centers of global power and opened vast, new opportunities."[2]

In December, a special advisory commission to the Bush administration warned that the commission "has serious concerns about the current state of homeland security efforts along the full spectrum, from awareness to recovery."[3] Despite the numerous government initiatives taken in the name of 9/11,[4] a September 2003 poll by the Program on International Policy Attitudes (PIPA) finds that 76 percent of U.S. citizens feel no more secure as a result of the "war on terrorism." The PIPA poll states "[a] very strong majority believes that reactions to U.S. foreign policy in the Islamic world are creating conditions that make it easier for terrorist groups to grow."[5]

PIPA polling on terrorism prevention and prosecution legislation known as the U.S. Patriot Act revealed that "Eight in ten think that American citizens detained under suspicion of being part of a terrorist group should have the right to meet with a lawyer and three in four are not aware that, with the U.S. Patriot Act, this is not the case." Despite extensive criticism of the U.S. Patriot Act and the refusal of U.S. Department of Justice officials to explain how it has been used, the Bush administration has proposed further legislation, dubbed Patriot II, to "further untie the hands of our law enforcement officials."[6] One proposed bill would "compel testimony without probable cause of a crime, without a connection to a foreign power, and without prior review by a judge or jury" and would prevent the recipient of an order to testify from informing anyone of having received the order.[7] In response to widespread criticism of Patriot I, II and the U.S. denial of due legal process to the 9/11 suspects detained at a U.S. military facility in Guantánamo, Cuba, Attorney General John Ashcroft has responded with a Website (www.lifeandliberty.gov) and gone on a speaking tour to hand-picked supportive audiences.

Human security: the budget

Given the National Security Strategy emphasis on "free enterprise," it is not surprising that the Bush administration would both analyze human security and deliver government services for human security under a "free enterprise" model. In response to the Bush administration plan for a third consecutive year of tax cuts that are largely for the wealthy and for corporations, eight Nobel laureates and a hundred other eminent economists wrote in an open letter that the plan's "purpose is a permanent change in the tax structure and not the creation of jobs and growth in the near-term… Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's project chronic deficits. This fiscal deterioration will reduce the capacity of the government to finance Social Security and Medicare benefits as well as investments in schools, health, infrastructure, and basic research."[8] Nobel Prize winner Daniel McFadden characterized the Bush budget as a "weapon of mass destruction aimed at middle-income households."[9]

A June 2003 analysis of Congressional Budget Office data by Citizens for Tax Justice finds that "one out of every three dollars the federal government spends this year outside of the self-funded Social Security system will be paid for by borrowing. This will be the highest share of deficit-financed spending since World War II." (By contrast, the Clinton administration borrowed 6 percent of what it spent.) The Bush administration and its putatively fiscal "conservatives" in Congress are seeking tax cuts that will "saddle our children with an additional $10 trillion in debt just ten years from now."[10] This debt will further decrease the already weakened ability of state and local governments to deliver basic human services in health, education and public safety.

Sheltering corporate criminals

Nevertheless, the U.S. Congress continues to dole out corporate tax subsidies and tax shelters, so that "this year corporate taxes as a percent of U.S. profits will fall to well under 15 percent—probably only about a third of the statutory corporate rate of 35 percent."[11] Indeed, even corporate criminals, such as WorldCom/MCI, continue to seek billions of dollars of tax relief from the U.S. Treasury.

Although during the Bush administration "jobs have not fallen for so long" since the federal government began keeping payroll statistics in 1939, with 2.4 million payroll jobs lost since March 2001, the Congress has not seen fit to extend the duration of federal unemployment benefits. Many of the unemployed lost their jobs due to corporate "outsourcing" and a shift in production and services abroad. The Congressional Budget Office estimates that the ten-year cost of extending current corporate tax breaks will be $2.1 trillion. In contrast, the Congress has refused to extend benefits for the unemployed, who currently lose their benefits after 26 weeks of unemployment. This is in spite of the fact that the federal unemployment insurance trust fund contains $20 billion, more than enough to extend benefits to the growing number of long-term unemployed.

Disguising human insecurity

Mounting indicators of human insecurity have been masked by growth in the Gross Domestic Product (GDP) that is publicized as evidence of a recovery. However, some of the factors driving GDP growth are unsustainable. For example, consumer debt, rather than rising incomes, has fueled consumer spending and the GDP. "In the second quarter of 2003, household debt increased at an 11.5 percent annual rate, the largest increase in 15 years, according to the Federal Reserve. Total household debt is now nearly $9 trillion and has grown by over 50 percent from 5 years ago." As one might expect during a period of long-term unemployment and falling wages, "in fiscal year 2003, non-business bankruptcy filings totaled 1,625,813—the highest on record, and up 98 percent from 1994."[12]

Another factor that has masked the degree of insecurity is the federal monetary policy to keep interest rates low, allowing homeowners to borrow against their mortgages. The low interest rates for homes derive from the monetary policies of the Federal Reserve Bank, which during the Bush Administration has cut interest rates in "both in nominal and inflation adjusted terms (more) than it did during comparable periods in all but one of the preceding 12 four-year presidential terms since 1953."[13] The easy credit facilitated by low interest rates for homes cushioned the impact of the recession for homeowners and helped to fuel GDP growth even as household debt had skyrocketed to 82.6 percent of GDP by June 2003. Maintenance of this fragile financial architecture depends on the continued capitalization of the U.S. economy by foreign investors at a rate of $2 billion a day. If foreign investors decide that there are more remunerative, or safer, markets in which to invest, the architecture risks collapse.

Another factor driving GDP growth "was an unusually large increase in defense spending."[14] However, the 45 percent annual rate increase, the highest since 1945, has not gone to a U.S. industrial economy that produces high paying jobs, as in past wars, but to contractors such as Halliburton that have subcontracted "support services" to the U.S. military with cheap U.S. and foreign labor. A thorough investigation of the ongoing accounting and service delivery scandals related to the war in Iraq may reveal just how few and how much the few benefit financially from the "war on terrorism."

War on poverty or war on the poor?

Any analysis of U.S. government action on poverty and its effects should begin with an acknowledgement of the refusal of the government to modernize the statistical definition of poverty. The current poverty threshold formula is almost unchanged from its first incarnation forty years ago. The National Academy of Sciences estimated that a poverty formula updated to reflect current patterns of consumption and costs would increase the threshold by up to 45 percent. A higher threshold would mean that the government would have to acknowledge a far higher poverty rate than the official poverty rate of 12.1 percent, or 34.6 million of the U.S. population. And the already poor are getting poorer. According to U.S. Census data of September 2003, "the average amount by which the incomes of those who are poor fall below the poverty line was greater in 2002 than any year on record, with these data going back to 1979."[15]

The 1996 legislation to "end welfare as we know it" has resulted in steep reductions in all forms of federal and state assistance to the poor, and particularly to the children of the poorest families in the United States. Children in families below 50 percent of the federal poverty line (e.g. about $18,000 of pre-tax income for a family of four) that received cash assistance fell from 59 percent in 1996 to 31 percent in 2000. There was a similar decline in the portion of children in very poor families that received federal food assistance through the food stamp program.

Gender and race impacts of human insecurity

The fallout of reduced federal funds to those living in poverty has gender and race implications, not least because women and ethnic minority groups comprise the highest percentage of the poor in the United States. In 2002, single women-headed households comprised half of the families living in poverty. The Institute for Women's Policy Research highlights some disturbing trends since the "welfare to work" legislation was enacted. In addition to the major decline in services to children, adult welfare recipients are receiving less health insurance than before the implementation of welfare reform. As a result of one "welfare to work" program, single mothers work more than single fathers yet receive less pay and struggle to receive education and healthcare benefits. The Center on Budget and Policy Priorities reports that the disparities in health coverage among different races and classes are substantial. Almost twice as many Asian and African Americans as white, non-Hispanic Americans lack health insurance. For Latinos, it is three times as many. Immigrant populations are increasingly vulnerable and almost half of non-citizens go uninsured.[16]

Conclusion

Macroeconomic indicators of growth not withstanding, most economic and social indicators show the United States to have the highest degree of human insecurity among industrialized countries. The intensified attacks on welfare programs have contributed to a 9 million increase in U.S. residents without any form of health care insurance—a total conservatively estimated at 43 million—while the remainder of the population has endured double-digit increases in health care costs for each of the last three years. For all the government's talk of national security, U.S. citizens have rarely felt less secure.

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INSTITUTE FOR AGRICULTURE AND TRADE POLICY
2105 FIRST AVENUE SOUTH
MINNEAPOLIS, MINNESOTA 55404 USA

IATP.ORG