

# Hard Times and the Incidence of Poverty

BY ARTHUR W. WRIGHT

**The Terrible Great Recession has yielded falling incomes and rising poverty rates. No state has been spared, though both the severity and the duration of the poverty increases vary widely among states. Connecticut, along with most other northeastern states, has gotten off fairly lightly in absolute terms, but has fared relatively worse than the country as a whole. The data also suggest a longer-term increase in the incidence of poverty within the Nutmeg State, and show that the recession has hit several counties particularly hard.**

## POOR PEOPLE, AND “POVERTY”

Poor people are nothing new. The Christian Bible, written 2,000 years ago, reports Jesus remarking to his disciples, “For ye have the poor always with you...” (Matthew 26:11, King James Version). The first British Poor Law, passed in the late 16th century, codified a clutch of earlier laws about vagrancy and beggars; a second, modernized Poor Law dates from 1834. Most American colonies followed the home-country’s policies towards the poor, as did the successor United States. Present-day “public welfare” programs, which date to the Great Depression of 1929-1937, last underwent reform in 1996 under President Clinton.

But poverty has come to mean more than welfare payments. Poverty became a public policy issue in the late 1950s, and in 1964 the U.S. Government declared war on it. Besides fighting poverty with cash, the Johnson Administration’s War on Poverty attacked its root causes with “community action”—job training, education, civil and voting rights, legal services, etc.—meant to increase opportunities for the poor to climb out of poverty. This war-at-home also greatly expanded the scope of traditional wel-

fare, through (e.g.) the food-stamp, rent subsidy, Medicare and Medicaid programs. Republican presidents poor-mouthed the War on Poverty, and Richard Nixon dismantled its general headquarters, the Office of Economic Opportunity (OEO). But the most popular programs under the OEO lived on to fight another day, scattered among the more traditional federal bureaucracies.

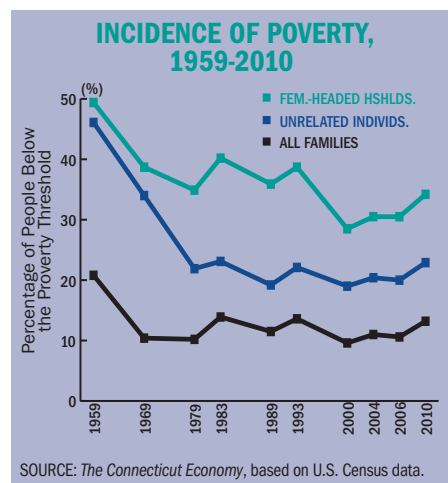
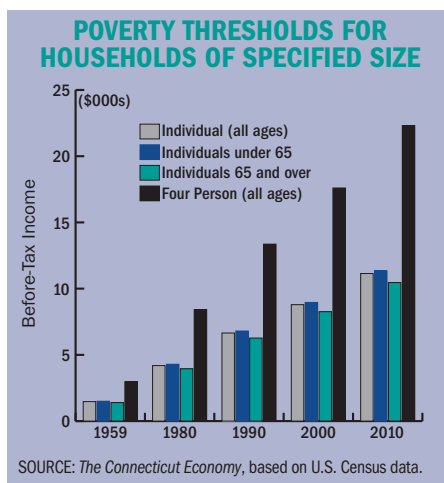
“If you want it bad, you get it bad.”—*Anonymous Bureaucrat*. Needing to define and measure poverty, the OEO borrowed a measure of “income inadequacy” from the Social Security Administration, based on family food costs from a 1955 Food Consumption Survey by the Agriculture Department. Poverty thresholds were set at three times basic food costs, because at that time food accounted for about one-third of a typical family budget. Even though that is no longer true, food-based measures of poverty thresholds are still in use today. (But see the final section, below.)

The federal government currently calculates separate poverty thresholds for 61 different household living arrangements, from an unrelated individual living alone to 9 or more people living together, with over/under-age-65 splits for one-and two-person

households. The bar graph below illustrates the change in the official poverty thresholds, for four sample living units, between 1959 and 2010. Each year’s entry is three times the cost of the standardized basic diet, indexed for CPI inflation.

## RECESSIONS AND POVERTY RATES

As the line graph below illustrates, nation-wide poverty rates—the number of people at or below an applicable poverty threshold, divided by the total people in that cohort—dropped significantly during the 1960s; the War on Poverty (aided by vigorous economic growth) seemed to work. As we moved into the 1980s, poverty rates began to track recessions more closely, though with lags. The graph shows four different 5-year periods surrounding recessions—those of 1980/early 1980s, the early 1990s, the early 2000s, and the late 2000s—during which poverty rates edged up at the beginning of a recession, but peaked after the recession was officially over. In the most recent recession, which began at the end of 2007, the poverty rate for all families bumped up by 0.7 points (or 6.5%) during the first year, 2008. But by 2010—a year after the official end of the recession—the figure had soared



to 13.2%, more than one-fifth higher than in 2007. And the jury is still out on what the rate for 2011 will be.

Turning to state data on poverty rates, the top half of the table below, covering New England and the Mid-Atlantic States, is where we find most of the states with lower overall rates than the nation as a whole (negative entries in the rightmost column). An exception is New York; the anomaly traces to the very high rates found in three of the counties that make up New York City: Bronx and Kings (Brooklyn), and to a lesser extent New York (Manhattan). Among midwestern states, Wisconsin is the only one to routinely post lower poverty rates than Massachusetts, though not so low as those in Connecticut and New Hampshire.

Within New England the laggards are Maine and (especially surprising) Rhode Island. After a mild start—the Ocean State’s poverty rate actually declined in 2007 as the Great Recession approached—Rhode Island’s economy tanked, pushing up its poverty rate by one-third between 2007 and 2008, and yet higher since then.

Of the other northeastern states shown in the table, Connecticut, Massachusetts and New Hampshire have seen their poverty rates ebb somewhat after the initial recession bump. Vermont, New Jersey and Pennsylvania suffered steadily rising poverty rates through 2010.

Connecticut’s poverty rate is systematically lower than that of Massachusetts. The prime reason is probably our lack of a large city like Boston. The same factor likely accounts for New Hampshire’s stellar first-place showing in the region. And a very large share of Rhode Island’s population lives in the city of Providence.

Outside the northeast, in the nation’s capital (D.C.) the Great Recession has undone most of the gains in fighting poverty achieved during the 1990s. The southwestern states along the border with Mexico have lost substantial ground during the recession. California, another border state but

also with two large cities, has taken it on the chin, to the tune of a 1/3 increase in the poverty rate since 2006. So have southern states; the three hardest hit are shown in the table.

### REGIONS WITHIN CONNECTICUT

Since the early 1990s, the U.S. Census Bureau has been developing and expanding work on estimating poverty rates for sub-state areas under the Small Area Income and Poverty Estimates, or SAIPE. County-level data from SAIPE permit us to analyze poverty rates in the Nutmeg State at the county level, going back to 1989 (but only through 2009, not 2010, at this point). Caveat: while based on the same definition of poverty, the data are based on different surveys from those

cited earlier, and so are not directly comparable.

As the bar graph and table on page 5 show, Fairfield County (which includes the Gold Coast), took the heaviest relative hit, a 21% increase, over 2006-2009, followed by New Haven and New London Counties. Middlesex County actually saw its poverty rate *decline* from 2006 to 2009. Hartford and Windham Counties, routinely among the highest-poverty counties, had the smallest increases during 2006-2009. Talk about hitting someone when he’s down: Another high-poverty county, New Haven, saw the second highest relative increase. The data also show that Connecticut’s SAIPE poverty rate statewide rose by more than 12% in 2006-2009, compared with only 7.5% for the nation.

**INCIDENCE OF POVERTY, SELECTED STATES AND YEARS, 2000-2010.**  
(PERCENTAGE OF ALL PEOPLE BELOW THE POVERTY THRESHOLD)

	2000	2006	2007	2008	2009	2010	2010
U.S.	11.3	12.3	12.5	13.2	14.3	15.1	State minus U.S.
<b>NEW ENGLAND</b>							
<i>Connecticut</i>	7.7	8.0	8.9	8.1	8.4	8.3	-7.0
<i>Maine</i>	10.1	10.2	10.9	12.0	11.4	12.5	-2.8
<i>Massachusetts</i>	9.8	12.0	11.2	11.3	10.8	10.6	-4.7
<i>New Hampshire</i>	4.5	5.4	5.8	7.0	7.8	6.6	-8.7
<i>Rhode Island</i>	10.2	10.5	9.5	12.7	13.0	13.6	-1.7
<i>Vermont</i>	10.0	7.8	9.9	9.0	9.4	10.8	-4.5
<b>MID-ATLANTIC</b>							
<i>New Jersey</i>	7.3	8.8	8.7	9.2	9.3	10.7	-4.6
<i>New York</i>	13.9	14.0	14.5	14.2	15.8	16.0	0.7
<i>Pennsylvania</i>	8.6	11.3	10.4	11.0	11.1	12.2	-3.1
<b>MISCELLANEOUS</b>							
<i>California</i>	12.7	12.2	12.7	14.6	15.3	16.3	1.0
<i>D.C.</i>	15.2	18.3	18.0	16.5	17.9	19.9	4.6
<i>Wisconsin</i>	9.3	10.1	11.0	9.8	10.8	9.9	-5.4
<b>MEXICAN BORDER</b>							
<i>Arizona</i>	11.7	14.4	14.3	18.0	21.2	18.6	3.3
<i>New Mexico</i>	17.5	16.9	14.0	19.3	19.3	18.6	3.3
<i>Texas</i>	15.5	16.4	16.5	15.9	17.3	18.4	3.1
<b>SOUTH</b>							
<i>Georgia</i>	12.1	12.6	13.6	15.5	18.4	18.7	3.4
<i>Louisiana</i>	17.2	17.0	16.1	18.2	14.3	21.6	6.3
<i>Mississippi</i>	14.9	20.6	22.6	18.1	23.1	22.7	7.4

SOURCE: *The Connecticut Economy*, based on U.S. Census data.

Longer-term (or secular) trends in county poverty rates differ quite a bit from the recession pattern. Connecticut is one of the highest-income states, and among the lowest by poverty rate, but (as the table below shows), the ratio of the 2006 statewide SAIPE poverty rate to that for 1989 was 1.1857—a nearly 19% increase—compared with only 3.9% for the nation as a whole. Poverty rates in Litchfield and Tolland Counties—both low-poverty regions—rose by 42.9% and 40.5% over that period, and Middlesex County was not far behind. New London County, on the other hand, saw its poverty rate decline a bit over 1989-2006. The obvious explanation might be that building two world-class casinos there in the 1990s more than offset the secular downdraft besetting the state. The recent signing of Massachusetts’ new casino law will almost certainly undercut New London County’s advantage.

### A BETTER MEASURE—BUT AT WHAT COST?

Critics of the poverty measures based on the cost of 1955 food budgets have long pointed to omitted costs (e.g., housing and taxes) and benefits (e.g., food stamps, school lunches, and housing subsidies). Governmental and private re-estimates of poverty over the years scored points but did not persuade the Census Bureau to change the way it measures poverty thresholds.

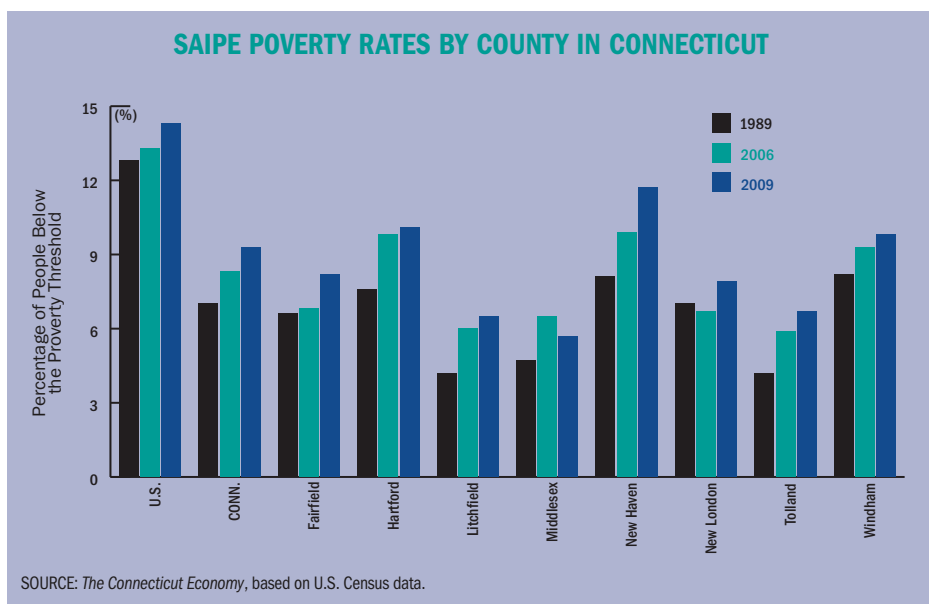
The central reason has always been cost: not just to the Census Bureau for implementing changes, but to the myriad users of poverty guidelines (derived from the thresholds) who use them to allocate funds or authorize programs.

In November 2011, Census issued a report (in its P-60 series, number 241) by Kathleen Short detailing a “Supplemental Poverty Measure” (or SPM) as applied to 2009 and 2010 data. Using sub-samples of data from the Current Population Survey, Annual Social and Economic Supplement (ASEC), Short and her colleagues laid out the effects on poverty rates, according to the existing or “official” definition, of taking into account eleven different new factors. In the aggregate, the official national poverty rate of 15.2% in 2010 became 16.0% under the SPM—a relative increase of 5.3%. Compared with the official poverty rate, the SPM rate was higher for the preponderance of demographic “cuts” that Census makes, most notably among the elderly (ages 65+), the foreign-born (whether or not they were citizens), and those residing in the West Census region. But the SPM rate was markedly lower among young people (<18 years old), African-Americans, renters, residents of rural areas, and those with public-only health insurance.

Short’s data do not extend down to the state level, and (given her discussion of the costs of doing so compared

with the dim prospects for increased funding in the near- to intermediate-term) it is unlikely that state, let alone county data, using the SPM will soon be available. It is not even clear that Census will be able to report aggregate national SPM poverty data for other past years or into the future.

In the meantime, the official definition of poverty is built into an ongoing data base, feeding existing analytical programs, and (subject to the useful caveats to be found in Short’s report) the measures and interpretation of official poverty data are not wildly different from those found for 2009 and 2010 using the SPM. So perfect it isn’t, but the official measure of poverty can still be a useful tool for government anti-poverty efforts, for understanding how poverty is geographically distributed, and for how it evolves as recessions come and (we hope) go or as demographic changes occur.



	RECESSION: 2009/2006:	SECULAR: 2006/1989:
<i>U.S.</i>	1.0752	1.0391
<i>Connecticut</i>	1.1205	1.1857
<i>Fairfield</i>	1.2059	1.0303
<i>Hartford</i>	1.0306	1.2895
<i>Litchfield</i>	1.0833	1.4286
<i>Middlesex</i>	0.8769	1.3830
<i>New Haven</i>	1.1808	1.2222
<i>New London</i>	1.1791	0.9571
<i>Tolland</i>	1.1356	1.4048
<i>Windham</i>	1.0538	1.1341

SOURCE: *The Connecticut Economy*, based on U.S. Census data.  
 Note: Each entry is the ratio of the SAIPE poverty rate for the first year to that of the second year.