

# PROSPERITY AND POVERTY

JOHN PAUL GETTY SAID THAT TO BECOME RICH, "FIRST, YOU MUST GET UP EARLY IN THE MORNING; SECOND, YOU MUST WORK HARD ALL DAY; AND THIRD, YOU MUST STRIKE OIL."

by Gordon Dickey

During a decade of prosperity, many Oregonians have become wealthier, better educated and enjoy expanded health care as the population has grown at twice the U.S. average rate. This prosperity has boosted home values to among the nation's highest. Oregon also leads the nation in welfare reform. In 1994, 44,000 households were on welfare; in 1997 only 19,000 households were; and in 1998 the unemployment rate is historically low.

In contrast, recent reports from the National Center on Budget and Policy Priorities and the Milton S. Eisenhower Foundation's book, *The Millennium Breach*, provide evidence that, though some in our nation are becoming richer, more are becoming poorer.

During the 1980s, child poverty

increased by over 20 percent; today, 25 percent of children age five and younger live in poverty. The U.S. child poverty rate is four times the average for Western European countries.

About 3.5 percent of Americans own 50 percent of the wealth, with racial minorities, women, and children suffering disproportionately.

During the last two business cycles, incomes of the richest one percent in America increased by 20 percent; the poorest fifth decreased by 10 percent.

Since 1980, the number of prison cells tripled, at the same time we reduced housing appropriations for the poor by over 80 percent. Only one in four eligible poor families now receive assisted housing

In Oregon, evidence of a rise in poverty is found at food banks, homeless shelters, and social service agencies.

The Oregon Food Bank served 2.7 million emergency meals to over 401,000 Oregonians at meal sites and/or with food boxes in fiscal 1997-98, an increase of 16,000 from 1996-97.

The Portland One Night Shelter Count of March 1996 revealed that 2,366 persons requested or were turned away from shelters; in March 1997 the number rose

to 2,600, for a 9.8 percent increase in one year.

Women and children comprise 84 percent of Multnomah County's new poor, according to a report at the recent Women's Economic Summit in Portland.

Affordable/assisted housing waiting lists have become so excessive that jurisdictions have stopped taking applications. Of those eligible, 33 percent are served, and those served spend an estimated average of 45 percent of their income on housing.

Portland City Commissioner Jim Francesconi reported the following disproportionate findings on women and ethnic minority poverty to the City Club on May 1, 1998:

- Over 100,000 Portlanders make less than \$15,000 annually; over 50,000 Portland families make less than \$21,000.

- Portland's average wage is \$27,000, compared to \$34,000 in the metropolitan area.

- 47 percent of Portland households have single heads; most are females.

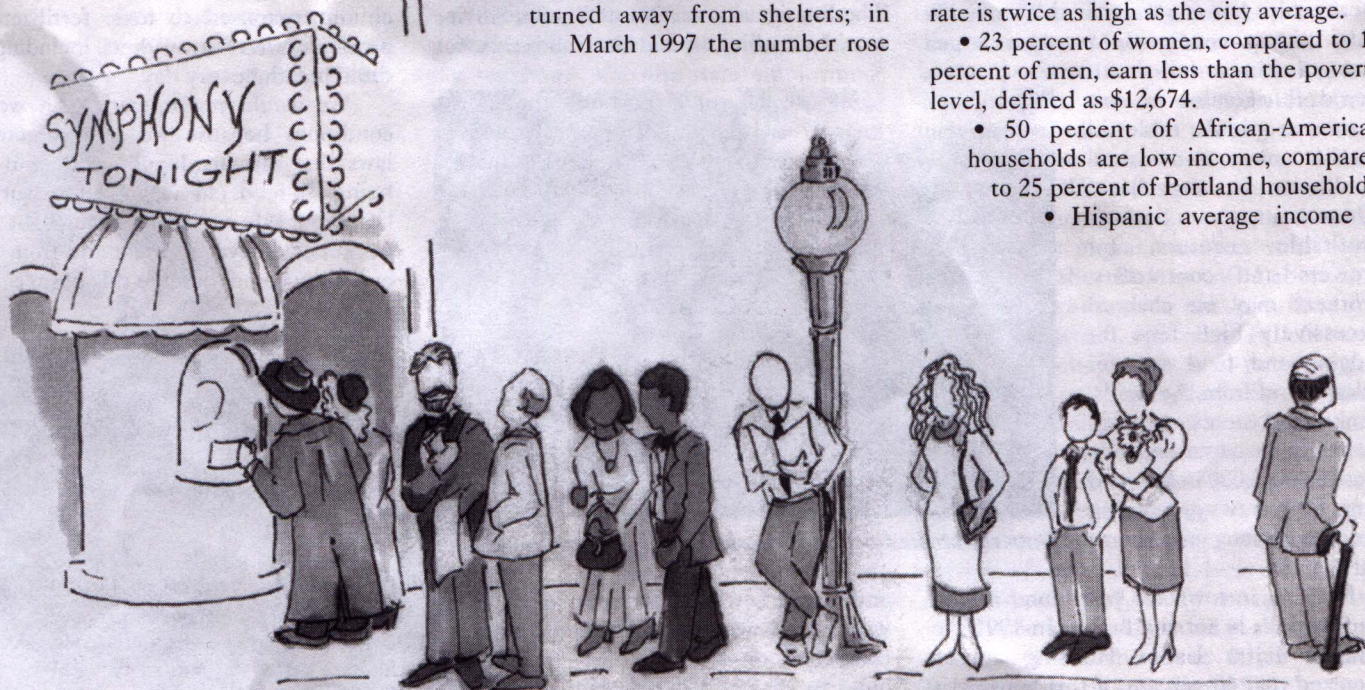
- 70 percent of households in inner Northeast Portland are headed by single females.

- Northeast Portland's unemployment rate is twice as high as the city average.

- 23 percent of women, compared to 14 percent of men, earn less than the poverty level, defined as \$12,674.

- 50 percent of African-American households are low income, compared to 25 percent of Portland households.

- Hispanic average income is



# POVERTY IN OREGON

\$11,000 (52 percent of the average); Southeast Asian is \$13,000 (60 percent of the average).

- The Native American poverty rate is 32 percent, three times the national average.

- Since 1989 the number of jobs increased in metropolitan Portland suburbs by 100,000; over 10,000 jobs were lost in inner city neighborhoods.

Janice Peltzer, Executive Director of St. Vincent de Paul Emergency Services, reports, "Our public support is down this year because most people think things are better for everyone." Amy Stork at the Oregon Food Bank calls the phenomenon, "The invisibility of today's poverty; out of sight, out of mind." The Food Bank's spring appeal donations were down 17 percent this year.

According to poverty advocates, two-thirds of families in poverty include a working adult. Most are single working mothers, highly motivated to care for their families. Yet they often work at low paying jobs with high turnover rates, part time or seasonal jobs, and jobs with little or no training. "The life of the working poor is like a house of cards," according to Earl Shorris in *New American Blues*. "Take away one card, such as transportation, and the whole house falls." Affordable housing and affordable child care also must be available before employment will end poverty.

A report commissioned by the Oregon Center for Public Policy from ECO-Northwest, a consulting firm, concludes that Oregon's economy and welfare policies have failed to move Oregonians out of poverty as effectively as they have

reduced welfare caseloads. (See page 9)

At the national level, former U.S. Secretary of Labor Ray Marshall points out that accurately counting the homeless, legal and illegal immigrants, refugees, the physically and mentally challenged, and those removed from the employment compensation roles, would result in an unemployment rate far higher than the official rate. Michael Katz, in *The Undeserving Poor*, states that the number of poor, officially reported as 38 million in 1992 is actually closer to 53 million.

African Americans, Latinos, immigrants, the young and the poor are hard to find and seldom vote for the G.O.P. Because census numbers determine legislature apportionment and the drawing of district lines, Republicans have little reason to want them counted. This explains the current dispute over the year 2000 Census methodology.

This "uncounting" carries heavy political weight. According to a series in the *Oregonian*, "Toiling in the Promised Land", "Every summer, 150,000 migrant workers come to Oregon, many of them to work in the state's \$80 million-a-year berry industry." They may earn as little as \$3 an hour at some Willamette Valley berry farms, whose unscrupulous owners lobbied unsuccessfully against the \$6.00 minimum wage. Mahatma Gandhi's maxim deserves attention: "There is enough for everyone's need, but not enough for everyone's greed."

In order to profile accurately the effects of poverty on Oregon's minority populations, the Oregon Health Division utilizes morbidity and mortality studies. Every case of death for Oregon's

minorities has preventable risk factors. Among the most salient are smoking, poor dietary habits, lack of exercise, alcohol use, and stress. It is believed that the number of excess deaths among minority groups can be substantially reduced through culturally-appropriate community health education about these lifestyle issues, adherence to medical regimens, and increased availability and use of preventive services. Plainly more challenging, however, is improving the level of household income, an often important predictor of morbidity and mortality. (Oregon Health Trends, Center for Health Statistics, July, 1996.)

Tufts University's Center On Hunger and Poverty reported recently that only eight states made changes to help the poor become self-supporting; in other states, new welfare policies threaten to make those in poverty even poorer. Oregon, unfortunately, is not improving the lives of poor families, and most of our welfare reforms are disinvesting in the poor. In Oregon and the nation today, people are getting up early in the morning and working hard all day, but not enough are sharing in the new-found wealth.

In December 1997, Health and Human Services Secretary Donna Shalala stated, "The whole point of this [welfare reform] is to eliminate poverty in the United States, not just get people off welfare." Systematic changes in tax policies, a higher minimum

*Continued on page 29*



Theresa Johnson

## Pareto's Parade

Continued from page 18

example, have little money, it's unlikely you will vacation this spring on a Caribbean cruise or on a Hawaiian beach. Most likely, if you have a spring vacation, you will spend it home, perhaps doing chores around the house. If you have plenty of money for groceries, you can choose between steak and hamburger. If you have little money, hamburger is your limit.

Some people romanticize poverty, in country music songs, about poor-but-honest farmers, cowboys, coal miners and truck drivers, holding such people up as examples for the rest of us to follow. This is because poverty is not so much about values as it is about things. Wealth is measured in things. "He who dies with the most toys wins." To some degree, that is true; one's accumulation of things is in part a measure of the person by many. However, most of us will never be rich. We will remain relatively poor, as will our descendants.

From Moses to Jesus and beyond, we are counseled to help the poor in various ways, from outright gifts to providing them the means to lift themselves out of poverty. The Communists thought they could do away with poverty by doing away with wealth. Instead, the wealth was redistributed in the same proportion. Some reactionaries believe that by helping the wealthy become wealthier, more will trickle down to the poor. That has not proven true either in the American experiment, or in the British experiment.

Vilfredo Pareto's principle—that 20 percent of any population will control 80 percent of its wealth—seems to hold true. Mother Theresa made it her business to help "the poorest of the poor," people literally plucked from the gutters of Calcutta, where they had lain down to die. A bit of the wealth Mother Theresa had extracted from those willing to give it was redistributed to these poor in the form of food, clothing and medical care, making them not so poor as those still lying in the gutters.

Economists say that wealth is created by the addition of value to a thing or a service. A rough diamond when cut and polished increases its value by many times. Transporting a thing from the place where it is made to the place where it is consumed increases its value. If a population can be put on the path of wealth-building by the establishment of transport, or fabrication plants, or means of communication, an opportunity to create wealth is at least possible.

Within the population, however, Pareto's principle will continue to hold. When Lyndon Johnson launched the War on Poverty, many newspapers published an editorial cartoon by Bill Mauldin which showed two hillbillies with rifles hiding behind a hill. The caption read, "Johnson declares war on poverty." One hillbilly is saying to the other, "He'll know he's been in a helluva fight."

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## Prosperity and Poverty in Oregon

Continued from page 17

wage, increased medical coverage for the working poor, safe and cost-sensitive child care and affordable housing initiatives are needed to give the poor a fair shake. Cutting military budgets and reducing corporate welfare may be essential to achieving these reforms.

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## Shanghai and the Lottery

Continued from page 25

The savings bond, which has fallen into disuse, embodies the idea that small savers, by using hard work and frugality could also help fund development (and wartime efforts) for the good of the country and of themselves. With a small amount of money (twelve dollars or more), the saver could invest it and double that small savings amount within a specified number of years. Additional bonds could be purchased at anytime. The rates of return are modest, but unlike the lottery, a savings bond allows for a future amount that is guaranteed. Accounting for bearer bonds would be much simpler than accounting for thousands of tiny savings accounts, thus reducing the transaction costs that prevent banks from catering to these small savers. The final beauty of the whole system is that it would be voluntary, just as the present state lottery system.

To make the bonds even more attractive, one could combine a lottery feature into the savings program. Special numbers on the certificate could be "winners," thus encouraging savings by the poor and working class even more by adding an element of excitement or fantasy and increasing the net revenues to the state. This hybrid system would be a win-win situation for everyone. Such a savings bond plan would assure a low-cost provision of funds to finance state capital improvement and development projects. It would also provide a guarantee of some future income for those who save, primarily the poor and working class. It would not feed the gambling addictions of a few and would not further impoverish the poor and working class. It would not feed the creeping corruption that seems to follow gambling but could instill positive work values.

Furthermore, a portion of revenues derived from the poor and working class could be invested in the problems of poverty, drug and alcohol treatment, day-care, micro-loan programs, assistance services for intermediate and emergency needs, and, most especially, provision of health care. These sorts of human "development" projects are of far greater importance to the health of the state than an odd, little trade office in Shanghai.

Michelle Howard, an associate editor of *Oregon's Future*, taught economics at Willamette University, wrote the weekly "Business Sense" column for the *Valley Business Weekly*, as well as children's books and erotic short stories. She was the editor for this forum on poverty. Michelle was murdered in Salem in October, 1998.