
Slides created by Tasneem Yusufali.
We imagine that their sufferings are one thing and our life another.

- Leo Tolstoy
1 in 3 (108 million) get by on $55,000 or less

1 in 9 (38 million) live below the poverty line

1 in 18 (18 million) live in deep poverty
Contents

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Chapter 9  Tear Down the Walls
Chapter 1:
THE KIND OF PROBLEM POVERTY IS
Poverty isn't a **LINE**. It's a **TIGHT KNOT** of social maladies.
Poverty isn't a **LINE. It's a **TIGHT KNOT** of social maladies.**

<table>
<thead>
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<th>Statistic</th>
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<tbody>
<tr>
<td>2.2 MILLION</td>
<td>people in prison</td>
</tr>
<tr>
<td>38%</td>
<td>of impoverished kids witness shootings; 8% above poverty do.</td>
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<tr>
<td>$22.4 BILLION</td>
<td>paid by the poor in fines and fees yearly</td>
</tr>
<tr>
<td>The poorest 1%</td>
<td>live 12.3 YEARS LESS than the richest 1%</td>
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<tr>
<td>64%</td>
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**Sources on the reference slide at the end of this chapter.**
Poverty is **PAIN**

Each month, workers at meat plants sustain an average of **17 SEVERE INJURIES**.

Children in low-income families suffer a greater prevalence of asthma.

**1 IN 4** children living in poverty suffer from untreated cavities.

**8 IN 10** gunshot victims nationwide survive the attack, often forced to live out their days in pain.

Poverty is **INSTABILITY**

The government only provides housing assistance to **1 IN 4** families who need it.

Income volatility, marked by short-term fluctuations in paycheck sizes, has doubled since 1970.

**1 IN 4** poor renting families spend more than **70%** of their income on housing costs.

Each year, Americans face over 3.6 million eviction filings, a number akin to the foreclosure highs of 2010.
Poverty is **THE LOSS OF LIBERTY**

Through a process known as *civil asset forfeiture*, the U.S. government seized over **$2 BILLION** in cars, homes, and other valuables between 2001 and 2013 from people *not charged* with any crime.

Around **2.2 MILLION** people sit in our prisons and jails each day. Another **4.5 MILLION** are on probation or parole. The overwhelming majority of America’s prisoners are very poor.

Poverty measures omit the millions in prisons, jails, psychiatric hospitals, halfway houses, and shelters, understating the true number of poor Americans.
Poverty is **FEELING THREATENED BY YOUR GOVERNMENT**

Municipal regulations empower the police to arrest the homeless for being seen in public, criminalizing abject poverty.

The poor disproportionately incur costs from the state for minor offenses like turnstile jumping or carrying a joint.

Minor violations trap the poor in a cycle of escalating sanctions and debt, where they may face jail not for crimes, but for missed payments or inability to afford bail—the modern equivalent of a debtors’ prison.

1 in 12 people killed by a gun in the United States is killed by a police officer.

3 in 4 Black mothers worry that their children will be brutalized by the police.
Poverty changes how you think and prevents you from realizing your full potential. It shrinks the mental energy you can dedicate to decisions, forcing you to focus on the latest stressor—an overdue gas bill, a lost job—at the expense of everything else.

THE BANDWIDTH TAX

The toll taken on the mental capacity of those affected by economic or other types of scarcity.

Being poor reduces a person’s cognitive capacity more than going a full night without sleep.

When someone is shot dead, the children who live on that block perform much worse on cognitive tests in the days following the murder.
The Census Bureau releases two poverty measures every year that describe who is poor in the U.S.

<table>
<thead>
<tr>
<th><strong>THE OFFICIAL POVERTY MEASURE</strong></th>
<th><strong>THE SUPPLEMENTAL POVERTY MEASURE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What’s the threshold?</strong></td>
<td><strong>3x</strong> the cost of a minimal food budget</td>
</tr>
<tr>
<td><strong>What counts as income?</strong></td>
<td><strong>Only cash</strong>: Salary, child support, Social Security &amp; unemployment insurance</td>
</tr>
<tr>
<td><strong>How is it customized?</strong></td>
<td><strong>Differs by family size. 2022 poverty line for a family of 4: $29.6K</strong></td>
</tr>
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The Census Bureau releases two poverty measures every year that describe who is poor in the U.S.

**THE SUPPLEMENTAL POVERTY MEASURE**
- 2022 SPM threshold for a renting family of 4: $34.5K
- '09: 15.1%
- '10: 14.5%
- '11: 14.5%
- '12: 14.5%
- '13: 14.5%
- '14: 14.5%
- '15: 14.5%
- '16: 14.5%
- '17: 11.7%
- '18: 10.5%
- '19: 10.5%

**THE OFFICIAL POVERTY MEASURE**
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To be a poor man is hard, but to be a poor race in a land of dollars is the very bottom of hardships.

- W.E.B. Du Bois
RACIAL INEQUALITY UNDER THE POVERTY LINE

Black and Hispanic people are disproportionately represented among those in poverty.

Disproportionately represented in poverty

- **Black**
  - % in poverty: 1.8
  - % of population: 0.7

- **Hispanic**
  - % in poverty: 1.5
  - % of population: 0.7

- **Asian**
  - % in poverty: 0.7
  - % of population: 0.7

- **White**
  - % in poverty: 0.7
  - % of population: 0.7

Hispanic children are 22% of the U.S. but 32.8% of its impoverished children.

**WOMEN**

- **Black women**
  - % in poverty: 22.3%
  - % of population: 12.8%

- **White women**
  - % in poverty: 27.1%
  - % of population: 18.1%

- **Asian women**
  - % in poverty: 41.7%
  - % of population: 59.9%

**CHILDREN**

- **Black children**
  - % in poverty: 30.9%
  - % of population: 52.5%

- **Hispanic children**
  - % in poverty: 27.3%
  - % of population: 14.4%

- **White children**
  - % in poverty: 32.8%
  - % of population: 22.0%

© Matthew Desmond, Poverty, by America
The U.S. has the 10th highest poverty rate among 38 OECD countries. The Organisation for Economic Co-operation and Development: A forum with high-income member countries.
Crystal was born prematurely after her mother was attacked, beginning her life in a volatile and unsafe environment.

Growing up in a household marked by domestic violence and drug use, Crystal was exposed to severe instability and emotional turmoil from a young age.

She experienced sexual abuse and neglect, further aggravating her emotional and psychological trauma.

Crystal was placed in foster care, introducing her to a life of constant change and uncertainty, and often lacking emotional support and stability.
**Adolescence**

Behavioral Issues and Assault Charges

Conflict with other girls while living in group homes led to fights and assault charges for Crystal.

---

**Early Adulthood**

Housing Challenges and Eviction

Faced with an assault charge that barred her from low-income housing and enduring her first eviction, Crystal struggled to secure stable and affordable housing.

---

**Teens**

Deteriorating Health and Support Systems

At 16, Crystal stopped going to school. Her unstable life with numerous foster homes led to comfort eating and sleep apnea. She was diagnosed with bipolar disorder, post-traumatic stress disorder, reactive attachment disorder, and borderline intellectual functioning.

---

**Adulthood**

Loss of SSI Benefits & Homelessness

As an adult, Crystal was no longer eligible for Supplemental Security Income. Without this critical financial lifeline, she was pushed further into poverty and, eventually, homelessness.
Behavioral Issues and Assault Charges
Conflict with other girls while living in group homes led to fights and assault charges for Crystal.

Adolescence

Early Adulthood
Housing Challenges and Eviction
Faced with an assault charge that barred her from low-income housing and enduring her first eviction, Crystal struggled to secure stable and affordable housing.

Loss of SSI Benefits & Homelessness
As an adult, Crystal was no longer eligible for Supplemental Security Income. Without this critical financial lifeline, she was pushed further into poverty and homelessness.

Adulthood

WHAT DOES CRYSTAL’S STORY TEACH US ABOUT WHAT POVERTY IS?

Teens
Deteriorating Health and Support Systems
At 16, Crystal stopped going to school. Her unstable life with numerous foster homes led to comfort eating, weight gain, and sleep apnea. She was diagnosed with bipolar disorder, post-traumatic stress disorder, reactive attachment disorder, and borderline intellectual functioning.

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Reflect & Discuss

Chapter 1: The Kind of Problem Poverty Is

1. What is poverty? How can we define it beyond just looking at income?

2. How do you think race worsens the impact of poverty? How can people and communities tackle these long-standing inequalities?

3. How does the exclusion of people in jails, psychiatric wards, and homeless shelters from poverty statistics affect your perception of the true scope of poverty?
How do you think poverty affects children whose families have been poor for many generations?

How does poverty influence people's self-esteem, self-worth, and their overall sense of identity and belonging within society?

If poverty is a “relentless piling on of problems,” how does it affect an individual's daily life and mental well-being? How does the day of a financially-stable person look different from the day of a person living in poverty?
- 2.2 million people in prison
- 38% of impoverished kids witness shootings
- $22.4 billion paid by the poor in fines and fees: Page 73
- The poorest 1% live 12.3 years less than the top 1%
- 64% in jail lived in poverty pre-imprisonment
- 66.5% of bankruptcies are due to medical bills
- Cost deters 89% with addiction from seeking treatment
- The federal minimum wage hasn’t changed since 2009
- 90% more homeless students since 2008
- 30 million uninsured
- 3.6 million eviction filings each year: Page 15
- 2.5 million children enrolled in districts without libraries
- 600K people homeless each night
- 45 million cannot access traditional loans
- Black households face double the poverty rate of white: Page 22
- 15X higher likelihood of felony charge for those in poverty
- Half of all new jobs eliminated within the first year: Page 16
- Due to cost, 24% in poverty skip medication
- Higher infant mortality rate for less educated mothers
- 5.3 million living on less that $4 per day: Page 18
- Most poor renters spend over 50% income on housing: Page 15
- 36% of workers are in the gig economy
- The U.S. is short 7 million affordable rentals
- Gun death risk is 20X higher in poorest areas
REFERENCES

Chapter 1


5. Select icons in this chapter are courtesy of The Noun Project.
Chapter 2: WHY HAVEN’T WE MADE MORE PROGRESS?
The poverty rate has remained fairly flat in 40 years.

Take a guess: Are we now stingier, more generous, or stagnant with antipoverty spending?

Supplemental Poverty Measure

14.6%

13%

$1,015

$ per person on means-tested programs:

(2009 dollars)

Poverty Rate

10.5%

11.7%

Aid based on income and financial need

© Matthew Desmond, Poverty, by America
$1,015

Poverty Rate
10.5%

13%

Supplemental Poverty Measure
1980

14.6%

237% increase

$3,419

11.7%

10.5%

$ per person on means-tested programs:
(2009 dollars)

Aid based on income and financial need

1980

2019

Page 27

© Matthew Desmond, Poverty, by America
The past success of antipoverty spending hinged on robust unions; their decline now undermines antipoverty effectiveness.

GREAT SOCIETY & WAR ON POVERTY

Transformative programs aimed at eradicating poverty nationwide

- Medicare & Medicaid Act of 1965
- Food Stamp Act of 1964
- Economic Opportunity Act of 1964
- Job Corps
- Head Start
- Food Stamp Act of 1964

Union Density (% workers in unions)

Antipoverty Spending

Poverty Rate

1960 2020

© Matthew Desmond, Poverty, by America
Why haven't we made more progress?

In the last half century, the states with the most immigration have unchanged or reduced poverty.

<table>
<thead>
<tr>
<th></th>
<th>California</th>
<th>Texas</th>
<th>Florida</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970 Immigration Rate (%)</td>
<td>0.7%</td>
<td>5.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>2019 Immigration Rate (%)</td>
<td>0.7%</td>
<td>5.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>1970 Poverty Rate (%)</td>
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</tr>
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Single parents in the United States fare much worse than those in other rich countries. The U.S. falls behind other wealthy countries in:

- Paid Parental Leave
- Minimum Wage Standards
- Affordable Childcare
- Reproductive Health Choices

The U.S. ranks 4th in single-parent household poverty among 35 OECD nations.

© Matthew Desmond, Poverty, by America
The US welfare system is a leaky bucket.

**TANF**

Temporary Assistance for Needy Families: A federal cash welfare program for low-income households.

In 2020, for every TANF dollar budgeted, **only 22 cents** directly reached poor families.

$36.1 billion instead spent on:

- Work training
- Marriage counseling
- Abstinence-only sex education
- Anti-abortion pregnancy centers
- Private school
- Fitness camps
- Anti-drug classes

$7.1 billion in direct cash to poor families

In 1996, Bill Clinton transformed welfare into a block grant that gave states considerable freedom in deciding how to distribute the money.

In 2021, state governments held around **$6 billion** in unspent welfare funds.

**cbpp.org**: Search “TANF” to learn more.
The Myth of the “Success Sequence”

Young people are advised to avoid poverty in America through three steps, but it’s not so simple.

1. Graduate from high school

2. Obtain a full-time job

3. Have children after marriage

- Black Americans who followed the success sequence were less likely to escape poverty than whites who did the same.
- There are more poor people who followed all three rules than there are who broke all three.
- Childcare costs prevent single parents from full-time employment.
- The step responsible for nearly all the “success” is securing a full-time job.
Chapter 2: Why Haven’t We Made More Progress?

1. Considering the increase in anti-poverty spending in recent decades, what are the systemic issues that prevent this financial aid from effectively reducing poverty? What is behind our lack of progress?

2. Reflect on the distribution of TANF funds for non-essential programs. What does this reveal about the priorities of state governments, and how does it impact the fight against poverty?

3. Given the advancements in medicine and technology, why do you think welfare benefits haven’t significantly alleviated poverty? Does progress in one sector automatically translate to progress in social issues like poverty?
4. What misconceptions about immigrants and poverty in the United States does the chapter address? How do these misconceptions hinder progress in combating poverty?

5. Reflecting on your own community, can you identify examples where government aid might not be directly reaching those in need?

6. The notion that single parenthood leads to poverty is challenged by international comparisons. What factors might explain the unique situation in the United States, and how should policy respond?
Chapter 3:

HOW WE UNDERCUT WORKERS
**HOW WE UNDERCUT WORKERS**

What do we deny workers when we deny them living wages? Happiness, health — life itself.

### Prison Wages

<table>
<thead>
<tr>
<th></th>
<th>Federal</th>
<th>Livable</th>
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<tbody>
<tr>
<td>Prison (avg.)</td>
<td>$7.25</td>
<td>$25</td>
</tr>
<tr>
<td>$0.14</td>
<td></td>
<td></td>
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</tbody>
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### CEO Pay Discrepancy

- **1965:** $25
- **2019:** $7.25

**21x avg. worker pay**

### Undocumented Workers

- More than a third are paid below minimum wage

### Stagnant Wages

- **Productivity:** Up 74.4%
- **Hourly pay:** Up 9.2%

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Why Aren't Workers Earning Their Worth?

Wages Up, Jobs Down?

The best evidence shows that minimum wage increases have little to no impact on job growth.

Globalization? Tech?

Belgium, Canada, Italy, and many other rich countries haven’t experienced the kind of wage stagnation and surge in income inequality the US has.

Insufficient Education?

The share of poverty jobs has risen even for those with a college education.

Job Growth

Job Loss

Less Precise Studies

More Precise Studies

No impact on jobs

In 2020, a third of workers aged 25-64 with college degrees earned below the nation’s median income.
Our grandparents had careers. Our parents had jobs. We complete tasks. That’s been the story of the American working class and working poor, anyway.

- (paraphrasing) Gerald Davis

**HOW COMPANIES ENGINEER POVERTY**

**CONTRACT WORK**
Temporary employment without long-term employer commitments or benefits

- Employees endure lower wages & fewer promotion chances.
- Temp agencies compete over who can offer cheapest labor.

- Tech companies save up to $100K per job each year.

**GIG JOBS**
Short-term tasks paid per project, often facilitated by apps

- Gig workers are often **INELIGIBLE** for:
  - Vacation Time
  - Overtime
  - Health Insurance
  - Sick Days
  - Minimum Wage
  - Worker’s Compensation

**ALGORITHMS**

- **Unpredictable Scheduling**
  41% of early-career U.S. hourly workers receive schedules with less than a week’s notice due to just-in-time scheduling practices

- **Constant Monitoring**
  Algorithmic monitoring of even keystrokes and motion can be used to dock pay for “breaks,” including using the bathroom.
HOW COMPANIES ENGINEER POVERTY

Our grandparents had careers. Our parents had jobs. We complete tasks. That’s been the story of the American working class and working poor, anyway.

- (paraphrasing) Gerald Davis

UNION BUSTING

The efforts by employers to prevent employees from joining labor unions to protect their rights

A 2019 report charged 42% of employers with violating federal law during union campaigns. 1 in 3 cases involved illegal retaliatory firing.

Employers spent $433 MILLION on “union avoidance” consultants in 2021.

LOBBYING

Companies influence policymakers to limit labor protections, often prioritizing profits over well-being

In 2022, AMAZON, META & COMCAST spent more than all labor unions combined

$3.5 BILLION spent by corporations

$52 MILLION spent by unions

opensecrets.org  A campaign finance and lobbying database
A union is an organization of workers formed to negotiate collectively with employers over wages, benefits, and working conditions.

- **1866**: National Labor Union Founded
  - America’s first labor federation pushed for an eight-hour workday and better conditions.

- **1935**: Wagner Act
  - Legitimized unions and boosted labor through collective bargaining protections.

- **1947**: Taft-Hartley Act
  - Curbed union powers and enabled right-to-work laws, diminishing union influence.

- **1955**: AFL-CIO Merger
  - United diverse labor factions and amplified their collective negotiating strength and political impact in the U.S.

- **1981**: PATCO Strike and Firing
  - President Reagan’s firing of 11,000 striking air traffic controllers marked a decline in federal support for unions.

- **2018**: Janus v. AFSCME
  - Cut public union funds by ending mandatory fees from non-members.
African Americans and the Labor Movement

Unions' discrimination against Black workers undermined their own mission to advocate for workers' rights.

- National Labor Union Founded
- Wagner Act
- Taft-Hartley Act
- AFL-CIO Merger
- PATCO Strike and Firing
- Janus v. AFSCME

1949 Red Hand Incident: Union members in Philadelphia protest plant integration with racist pamphlets

A 1964 study found that 30% of unions had policies that discriminated against minority workers

Eugene Debs, leader of the American Railway Union, fails to get union members to accept Black railroaders during the Pullman strike

The American Federation of Labor did not integrate until 1955.
Poverty remains stagnant because today's weakened unions can't protect workers like they once did.
FADING UNIONS AND WIDENING WAGE GAPS

Unions’ declining power over 7 decades has led to wage stagnation and growing inequality.

Declining unionization effectively reduced the median hourly wage by $1.56 from 1979 to 2017, costing a full-time, year-round worker $3,250 annually.

The U.S. has the 5th lowest union membership rate among 31 OECD countries.

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How We All Contribute to Exploitation

The Stock Market

- Our direct and indirect investments influence labor prices.

When a Company Raises Wages

- Stocks Fall: Traders punish a perceived threat to profit

Addiction to Convenience

- Our reliance on certain companies fuels a cycle of worker exploitation.

Amazon warehouse turnover rate: 150%

- 1 in 7 gig workers earned under the federal minimum wage ($7.25).

Vehicle and fuel costs take 30% of Uber drivers' earnings.

Amazon workers had double the serious injury rate of peers in 2021.

Income volatility is a major reported stressor for gig workers.

Through many indirect means, most Americans are shareholders who benefit from low labor costs:

- 401(k) retirement plans
- College savings (529) plans
- Universities with large endowments
- Bank savings accounts

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1. This chapter points out the limited upward mobility and low wages in the U.S. compared to other countries. How does this challenge the narrative of capitalism as a system that rewards hard work and merit?

2. Reflect on the power imbalance between corporations and workers mentioned in this chapter. Can capitalism be reformed to better serve the working poor, or is an alternative economic system necessary to address these disparities?

3. Considering the historical context provided in this chapter, can you think of any potential risks of strong unions that could harm the economy and workforce diversity?
4. Have you ever benefited from a system or service that you wouldn't personally want to work in due to its conditions?

5. How do you relate the shift from "careers" to "tasks" in America with what you've seen in your personal, familial, or community experiences? And in what ways do dwindling union memberships touch upon your or your acquaintances' work situations?

6. How might our daily conveniences like ordering online or hailing a ride, coupled with our investment strategies, feed into worker exploitation?
Chapter 3

REFERENCES


Chapter 3

REFERENCES

14. Select icons in this chapter are courtesy of The Noun Project.
Chapter 4:

HOW WE FORCE THE POOR TO PAY MORE
Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.

- James Baldwin

Renters in poor and predominantly Black neighborhoods pay more relative to property value.

Housing Exploitation

When rental costs greatly exceed the property's value

% inadequate units:
- Incomplete bathrooms
- No running water
- No electricity

Landlords in poor areas make double the profit of those in affluent ones.
Some landlords use eviction as a business strategy.

The **TOP 100** evicting buildings account for **40%** of evictions in cities like Tucson, AZ, and Fayetteville, NC.

Some landlords use eviction as a business strategy.

Banks deny less profitable small-dollar loans, creating "mortgage deserts."

Only **23%** of homes **under $100K** were financed with a mortgage.

Research shows that in 50 years, there has been:

- **No decline** in anti-Black discrimination in mortgage cost.
- **Little decline** in anti-Black discrimination in loan denial.
Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.

- James Baldwin

**FINANCE**

Banks and predatory lenders levy high fees and unfavorable rates on those least able to afford them.

$61 MILLION in fees are collected from low-income Americans each day.
THE HIGH PRICE OF LOW BALANCES

OVERDRAFT FEES
- Charges banks impose when an account balance falls below zero

Average fee: $33.58
9% of account holders with an average balance of LESS THAN $350 pay

$11 billion each year

PAYDAY LENDING
- Short-term loans with high interest rates that trap vulnerable borrowers

Average customer’s income: $30K
The average borrower pays $520 in fees to borrow $350...
...and remains in debt for 5 MONTHS.

$9.8 billion each year

CHECK CASHING
- Services that charge unbanked people high fees to process checks

Unbanked mostly due to minimum balance requirements

8% of Black households
6% of Hispanic households
1% of white households

Fees up to 10% of the check’s value

$1.6 billion each year

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Chapter 4: How We Force the Poor to Pay More

1. Explore the psychological impact on a family making difficult housing choices under pressure. How might such stress affect one's capacity for making 'sensible choices'?

2. Analyze the role of credit scores in perpetuating poverty. How does this system disadvantage the poor, and what alternative methods could be used to assess financial responsibility?

3. Discuss the role of payday loan companies and the high fees associated with their services. How do these practices trap people in poverty, and what can be done to offer fairer lending options?
4. Have you ever felt, like many, "forced to choose the best bad option"? How did that situation come about, and what was the result?

5. What's your reaction to the finding that landlords in poor neighborhoods make more profit than those in richer areas?

6. Have you ever wondered why people in impoverished areas don't just move to better places? How does the provided context challenge or support your beliefs?

7. Reflect on any personal biases or stereotypes you might hold about individuals who use services like payday loans and check cashing. How can you challenge these biases?
REFERENCES

Chapter 4

1. https://www.jchs.harvard.edu/blog/housing-inadequacy-remains-a-problem-for-the-lowest-income-renters

2. Select icons in this chapter are courtesy of The Noun Project.
Chapter 5: HOW WE RELY ON WELFARE
A TAX BREAK IS SOMETHING AKIN TO A GOVERNMENT CHECK

Tax breaks are the government's way of spending by not collecting.

**TAX SUBSIDIES**
- Reductions in owed tax amount
- Boost household income
- Contribute to federal deficit
- Target specific groups
- Forgone federal revenue
- Benefits skew toward the rich

**WELFARE**
- Government aid for basic needs
- Boosts household income
- Contributes to federal deficit
- Targets specific groups
- Direct federal expenditures
- Supports the poor

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A TAX BREAK IS SOMETHING AKIN TO A GOVERNMENT CHECK

We give the most to families who have plenty already, and this starves antipoverty programs.

The United States spent $1.8 TRILLION on tax breaks in 2021.

The United States spent $600 BILLION on means-tested benefits in 2021.
529 PLANS: COLLEGE SAVINGS FOR THE RICH

A 529 plan is a tax-advantaged savings account for future education expenses, offering tax-free growth and withdrawals.

<table>
<thead>
<tr>
<th>COURSE NAME</th>
<th>INFO</th>
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<tbody>
<tr>
<td>SOC 529</td>
<td><strong>Inequality Amplified</strong> Through Rich Handouts</td>
</tr>
<tr>
<td>ECON 529</td>
<td><strong>Fiscal Implications and Government Costs</strong></td>
</tr>
<tr>
<td>POL 529</td>
<td><strong>The Dynamics of Wealth and Policy</strong></td>
</tr>
</tbody>
</table>

**LOPSIDED BENEFITS**
70% of benefits from 529 plans go to families with more than $200K in household income.

**BILLIONS IN LOST REVENUE**
Forgone federal revenue from 529 tax benefits expected to double to **$4.1 billion** by 2027.

**BACKLASH TO POLICY REFORM**
Obama swiftly withdrew a 2015 plan to tax 529 earnings after severe political backlash.
WE HAVE A LOOPSIDED WELFARE STATE

When it comes to government aid, the scales tip toward the rich.

Total tax breaks in 2021: $1.8 TRILLION

Homeowner subsidies: $193 BILLION

Mortgage deductions: AVG. 30-YEAR TERM

Spending on means-tested programs: $600 BILLION

Direct housing assistance: $53 BILLION

Lifetime limit on cash welfare: 5 YEARS

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WE HAVE A LOPSIDED WELFARE STATE

When it comes to government aid, the scales tip toward the rich.

The richest American families receive almost **40% MORE** in government subsidies than the poorest.
The subtle ways that aid favors the affluent

**TAXING DISPARITY**

The progressive federal tax is canceled out by other, regressive taxes, leveling our overall tax rate.

**PROGRESSIVE TAX**

- A tax rate that increases as taxable income increases

**REGRESSIVE TAX**

- Taxes that force the poor to pay a larger share of their earnings

Sales taxes consume a larger percentage of poor families’ limited income compared to the wealthy.

Capital gains are taxed at a lower rate than wages.

**PROGRAM VISIBILITY**

A less “visible” tax break is fundamentally the same as a government aid—both boost household income.

- Public Housing
- Food Stamps
- Cash Welfare
- Mortgage interest deductions
- 529 Saving Plans
- Employer-sponsored healthcare

More delayed and opaque forms of government aid tend to exclude the poor while substantially aiding the wealthy, who can capitalize on them due to higher tax obligations.
SETTING WELFARE MISCONCEPTIONS STRAIGHT

WELFARE ENCOURAGES UNEMPLOYMENT?

Employment didn’t rise after COVID-19 aid cuts

<table>
<thead>
<tr>
<th>Unemployment Rate (August 2021)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>States that stopped benefits</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>States that kept benefits</td>
<td>5.2%</td>
<td></td>
</tr>
</tbody>
</table>

THE MIDDLE-CLASS PAYS THE PRICE?

The average middle-class family receives **$7,100 MORE** in government aid than it pays in federal taxes.
## Setting Welfare Misconceptions Straight

### Welfare Breeds Dependence?

Poor families pass over billions in aid each year.

- **Earned Income Tax Credit (EITC)**
  - $17.3 Billion
- **Tax relief for low-income workers**
  - $13.4 Billion
- **Food Stamps**
  - $62.2 Billion
- **Government Health Insurance**
  - $9.9 Billion
- **Unemployment Insurance**
  - $38.9 Billion
- **Supplemental Security Income (SSI)**

### Welfare Recipients Waste Money?

Families receiving means-tested government assistance spend a **larger share** of their income on...

- Basic necessities

**Total aid left on the table**

- $142 Billion
The expanded Child Tax Credit functions like guaranteed income for households with kids.

2020 - 2021
The expanded Child Tax Credit, unemployment assistance and stimulus checks caused a **46% DECREASE** in child poverty in 6 months.

**CHILD POVERTY RATE:** 5.2%

Jan 2022
The end of monthly payments caused a **41% INCREASE** in child poverty in 1 month.

Dec 2021
Monthly expanded Child Tax Credit payments **end**
The Brief Easing of Child Poverty

From lagging among the world's poorest in addressing child poverty, pandemic-era policies catapulted the U.S. to rank alongside the world's richest in reducing child poverty.

% reduction in relative child poverty rates due to taxes and income transfers in the U.S. vs. other countries

United States 2019

United States 2021

Poor Countries

Wealthy Countries

Ref. 3

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Our tax policies default to favoring the wealthy.

"Taxes should hurt." - President Reagan

Corporate lobbyists and many lawmakers prefer to keep tax filing costly and painful.

Payroll taxes take a larger percentage from low-income workers' earnings.

Homeowners can deduct mortgage interest from taxable income, reducing their tax liability.

How we collect taxes and give benefits matters. Flip the delivery system to prioritize the most vulnerable.

File taxes automatically, ensuring citizens pay what they owe and receive benefits owed to them.

Automatically cut payroll taxes for low-income workers.

Instead of a one-time deduction, mail a monthly check; make benefits for the wealthy an opt-in choice.

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Reflect on the idea that tax breaks are similar to government benefits. How does this challenge your perception of government assistance? Have you ever considered homeowner subsidies, student loans, and tax breaks as forms of welfare? Why or why not?

Reflecting on the early days of the pandemic, how did you perceive the financial struggles of others around you? Did it change your perspective on poverty and unemployment?

How do you feel knowing that swift government action during the pandemic led to a significant decrease in child poverty?
Chapter 5: How We Rely on Welfare

4. Have you ever found yourself agreeing with the sentiment that generous unemployment benefits could discourage people from working? Why or why not?

5. Reflect on the concept of being dependent on the state vs. being dependent on employers. How do you see the balance between these dependencies in your own life?

6. Think about anecdotes or stories you’ve heard about people on welfare. How have these shaped your beliefs, and how do they compare to the actual data presented?

7. Reflect on the government programs or tax benefits you or your family have benefited from. How do they compare to the benefits received by less and more privileged groups?
Chapter 5

REFERENCES


4. Select icons in this chapter are courtesy of The Noun Project.
Chapter 6:

HOW WE BUY OPPORTUNITY
HOW TAX POLICY HAS PADDED POCKETS

Caused 70% cut in Dept. of Housing and Urban Development funding

Tax Reform Act of 1986
Lowered corporate and capital gains tax rates, and halved top individual tax rates

Economic Growth and Tax Relief Reconciliation Act of 2001
Jobs and Growth Tax Relief Reconciliation Act of 2003
Estate tax phase-out favored rich
Lowered taxes on dividends and capital gains

Tax Cuts and Jobs Act of 2017
Will reduce public investment by an estimated $1.9 TRILLION by 2027
Private fortunes have outpaced the public purse, slowly choking public investments.

Over the last 50 years:
- Personal incomes are up **317%**
- Taxes have only increased **252%**

Government spending as a percentage of the economy:
- **22%** in 1995
- **17.6%** in 2021

- **114%** Income increase in Montana
- **112%** Income increase in Oregon
- **54%** Public education spending increase
- **37%** Public education spending increase

3 decades
In the wake of the civil rights era, white Americans began voting according to their perceived racial interests rather than their economic ones.

When public schools were ordered to integrate, white parents retreated into private schools or decamped to the suburbs.

... in 2022,

- 38% of Atlanta’s population is white
- 16% of Atlanta’s public school students are white

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As the rich come to rely on private enterprises, they withdraw support from public institutions.

Disinvestment in public institutions

Creation of replacement private enterprises

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Zoning laws govern what kinds of properties can be built in a community, controlling who gets in and who does not.

On roughly 75% of residential land, it is illegal to build anything except single-family detached houses.

Only 12% of residential land in the median large American city is permitted for apartment dwellers.
Racial zoning took the new name of "density zoning" after the 1968 outlawing of segregation:

- "R-1 white district"
- "R-2 colored district"
- "R-1 dwelling house district"
- "R-2 apartment house district"

The law does not prohibit class-based discrimination, which tends to harm racial minorities more. This results in de facto racial discrimination.

How do such rules achieve segregation even though explicit exclusion based on race is illegal?

- Minimum lot size requirements
- Single residence per lot reqs.
- Minimum square footage reqs.
- Costly building codes
- Building height limits

Housing likely explains more than 30% of the Black-white racial wealth gap.

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Perhaps we are not so polarized after all. Maybe above a certain income level, we are all segregationists.

A survey found that **conservative renters** were more likely to support a proposal to build nearby affordable housing than **liberal homeowners**.
Zoning meetings are public forums where officials and residents discuss land-use rules.

In affluent areas, they can be used to exclude lower-income individuals:

@WaluigiSoap: The quotes above are selections from hours of footage documenting zoning meetings across NYC.
We have to stop spending so much on the rich. This is what it is to be truly fiscally responsible.

**WE HAVE ENOUGH MONEY TO ABOLISH POVERTY**

Tax Evasion at the Top of the Income Distribution: Theory and Evidence

From a policy perspective, our results highlight that there is substantial evasion at the top which requires administrative resources to detect and deter. We estimate that 36% of federal income taxes unpaid are owed by the top 1% and that collecting all unpaid federal income tax from this group would increase federal revenues by about $175 billion annually.

$177 billion to lift everyone above the poverty line

Needs $10K to come out of poverty

$7K

$18K

$11K

$4K

$15K

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Reflecting on the withdrawal of many white families from public spaces after the Civil Rights legislation of the 1960s, in what ways might you or your community perpetuate divisions between public and private spheres today?

Why do you think the American middle and upper classes harbor a sentiment of "fret and worry" despite their relative wealth?

The concept of “private opulence and public squalor” suggests that the wealthy often disengage from public services. Can you identify instances in your own life where you or your family might have chosen private over public options? What were the motivations behind those choices?
4. How do you reconcile wanting the best for your family (like good schools and neighborhoods) with the broader need for socio-economic integration and opportunity for all?

5. *Poverty, by America* suggests that "sharing opportunity does not mean that everyone wins." Do you agree or disagree with this statement? How can society strive for more equitable distribution of resources without diminishing opportunities for others?

6. Reflect on the statement: “Those who have benefitted from the nation’s excesses will have to take less so that others may share in the bounty.” In what ways can you make choices that better balance personal advantage with shared community prosperity?


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Chapter 7:

INVEST IN ENDING POVERTY
How can states improve uptake rates?

Roughly a third of Californians who qualify for food stamps don’t use them.

Evidence shows that confusing programs turn low-income Americans away.

100%

Easy Applications
- Reduce text
- Use readable fonts
- Enroll automatically

Application Assistance
Benefits specialists can help fill out paperwork and collect documents.

Outreach & Reminders
Drive program awareness via mailers, email, advertisements, and phone calls.

Reduce Asset Tests
Rigorous requirements deter candidates from applying, fearing disqualification.
**OUR UNSEEN ROLE IN EXPLOITATION**

**Homeowners** benefit from tax breaks and increasing scarcity using zoning restrictions.

**Consumers** demand efficiency at any cost and invest in an exploitative stock market.

**Bank account holders** enjoy free checking accounts subsidized by overdraft fees.

**Landlords**

**Corporations**

**Check Cashers Payday Lenders**
HOLD A MIRROR TO YOUR INSTITUTIONS

Push for progress by confronting established practices at home.

Is your university adequately supporting first-generation and underrepresented students?

Are staff being compensated fairly?

Is your campus contributing to gentrification?

Does your school have an endowment that funds exploitative corporations?

Does your bank fund payday lenders?

Does it charge exorbitant overdraft fees?

Does your employer institute unnecessary barriers to entry?

Do they encourage unpaid labor?

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MAKE PERMANENT INCREASES TO THE CHILD TAX CREDIT

This program led to a historic 46% poverty reduction without affecting employment.

- The 2021 expanded Child Tax Credit, now expired, benefited many more families, even those with very low incomes.

Low family income left **27 million** kids without full Child Tax Credit benefits before 2021, and it's happening again.

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual SPM Child Poverty Rate</th>
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<tbody>
<tr>
<td>2020</td>
<td>9.7%</td>
</tr>
<tr>
<td>2021</td>
<td>5.2%</td>
</tr>
<tr>
<td>2022</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

- $ amount increased per child
- Full credit even if no income
- Payments monthly, not yearly
- Higher phase-out thresholds

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PROVIDE MORE RENTAL ASSISTANCE

Rental assistance helps low-income families with housing while tax breaks further enrich already wealthy homeowners.

EMERGENCY RENTAL ASSISTANCE: $46 BILLION

- A federal initiative to help low-income renters avoid eviction during COVID-19

Renters that received rental assistance reported:

- Better mental health
- Less rental debt
- More access to healthcare

Ref. 3

MORTGAGE INTEREST DEDUCTIONS: $30 BILLION

Only 0.01% of savings reach the poorest; over 50% benefit the wealthy.

- $20k annual family income
- < $200k annual family income

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Fix our Missshapen Safety Net

There are countless ways to deepen our investments in economic opportunity and safety.

Collect the **$175 billion** in unpaid federal income taxes owed by the top 1%.

Fund the IRS to track down unpaid federal income taxes totaling **$1 trillion**.

Mandate a **25%** profit tax regardless of the country a U.S. company is registered in.

Bump the top marginal tax rate back up. **70% in 1975, 37% in 2023**.

Raise **$30 billion** by winding down the mortgage interest deduction.

Raise **$64.7 billion** by increasing the max. earnings taxable for Social Security.

Raise **$37.3 billion** by taxing capital gains and dividends the same as income.

Collect the unpaid federal income taxes owed by the top 1%.

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1. What role do you think shame and public perception play in the reluctance of individuals to claim benefits? How can society combat the stigma attached to these aids?

2. The chapter provides a dollar amount of $177 billion to abolish poverty. Do you think that simply throwing money at the issue is the solution, or are there deeper, systemic changes needed to truly address poverty?

3. This chapter suggests several solutions to raise funds for eradicating poverty. Which solutions resonate with you, and why? Are there any you disagree with?
4. Reflecting on the government's response during the COVID-19 pandemic, do you believe that the measures taken to alleviate poverty were sufficient?

5. What do you think about programs like Emergency Rental Assistance and the Expanded Child Tax Credit?

6. Think of recent movies and TV shows like *Parasite*, *Chef*, *White Lotus*, and *Succession*. What insights do they offer about inequality? Can you think of other media that shed light on the topic of poverty and our role in perpetuating it?


4. Select icons in this chapter are courtesy of The Noun Project.
Chapter 8:
EMPOWER THE POOR
WHAT CAN WE DO TO FIGHT WORKER EXPLOITATION?

**POLICY**

In 80+ countries, laws mandate periodic review of minimum wages, usually annually or biennially.

In approximately 100 countries, the central government sets minimum wages after worker and employer groups are consulted.

Strengthen worker protections by regulating anti-union consultants and limiting corporate lobbying.

**PERSONALLY**

Boycott businesses that have unfair labor practices. These resources can help:
- bcorporation.net
- donegood.co
- betterworldshopper.org

Examine your university's endowment and speak out against investments in exploitative companies.

Vote for representatives who stand for labor rights.

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WHAT CAN WE DO TO FIGHT WORKER EXPLOITATION?

SECTORAL BARGAINING: Uniting Industries for Fair Wages

Workers across an industry **elect** representatives

Ensures a democratic voice

Reps **negotiate** with employers and government

**Multi-stakeholder input yields fair, stable agreements**

Parties **agree** on wages, hours, and benefits

**Standardizes fair worker treatment industry-wide**

Agreement gets periodic **review**

Ensures terms evolve with market shifts
WHAT CAN WE DO TO FIGHT WORKER EXPLOITATION?

SECTORAL BARGAINING: Uniting Industries for Fair Wages

U.S. unions typically negotiate with single employers rather than sectors, though sectoral bargaining exists in some industries.

Building and Construction Trades Council
BCTC unions, like the United Brotherhood of Carpenters and Joiners, negotiate wage and work standards with employers.

United Mine Workers of America
Sets sector-wide wage and work standards with coal industry associations, impacting many mining companies.

International Brotherhood of Teamsters
Sets employment terms for almost the entire trucking industry through the National Master Freight Agreement.
WHAT HAPPENS WHEN WE RAISE THE MINIMUM WAGE?

Higher wages dramatically improve health and well-being.

The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis

A $1 minimum wage hike could cut yearly adolescent births by 5,000.

Minimum Wages and Racial Inequality

Improved minimum wage policy reduces racial income disparities.

Money matters: Does the minimum wage affect child maltreatment rates?

Increasing the minimum wage leads to fewer child maltreatment reports.

Estimating Potential Reductions in Premature Mortality in New York City From Raising the Minimum Wage to $15

A higher minimum wage could have prevented 2,800 to 5,500 early NYC deaths, or 4-8% of the total.

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BREAK THE CYCLE OF FINANCIAL DECEIT

LEND FAIRLY

16 states prohibit payday loans or cap interest rates, saving their low-income residents $3.5 BILLION annually. Page 150

EXPAND ACCESS TO GOOD CREDIT

The USPS or Federal Reserve could issue low-interest, small-dollar loans.

END OVERDRAFT FEES

ALTERNATIVES

- Decline transactions
- Allow grace periods
- Offer small-dollar, 1% interest loans

In the United Kingdom, overdraft fees are 1/10TH of what they are in the United States. Page 149
**HOW CAN WE LEVEL THE LIVING FIELD?**

**FINANCE FAIRLY**

- Guarantee mortgages to low-income families.

The 502 Direct Loan Program for low-income families in rural areas has moved over **2 MILLION** families into their own homes.

- For lowest income levels, can cover the down payment
- Low interest rates
- Includes eligibility for loans and grants to help with repairs

**COMMONING**

- Housing emphasizing community input, collective decisions, and shared ownership

**STABILITY**

- No unfair rent hikes or eviction threats

**AFFORDABILITY**

- Units often at below-market rates

**SUPPORT**

- Resource pooling trims individual expenses

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Chapter 8: Empower the Poor

1. What does empowerment mean to you, and how can society actively work to empower those living in poverty?

2. What is your stance on the regulation of banks and payday loan companies? Have you or someone you know ever relied on such financial services? How might that experience inform your views on the need for reforms? What alternative credit systems can be established to help those in need without plunging them further into debt?

3. Can you think of a time when collective negotiation would have benefited you or someone you know in the workplace? How would sectoral bargaining have potentially changed that situation?
4. Reflect on your personal boundaries and limits when it comes to paying more for ethically produced goods and services. How do you prioritize your values in your consumption choices?

5. Why do you think the sub-minimum wage for certain workers, like servers, persists in some areas despite criticisms? What do you foresee as potential challenges or benefits to scrapping the sub-minimum wage and increasing the federal minimum wage?

6. How does the "commoning" model challenge traditional concepts of property and housing? What are the potential benefits and drawbacks of such a model based on the examples provided?
REFERENCES

Chapter 8


4. Select icons in this chapter are courtesy of The Noun Project.
Chapter 9:

TEAR DOWN THE WALLS
END EXCLUSIONARY ZONING

While exclusionary zoning makes it illegal to develop affordable housing, inclusionary zoning makes it illegal not to.

Tax relief for developers that include affordable housing in their blueprints

Density bonuses: Permit extra development volume in exchange for affordable unit allocation.

Lower property taxes and fund public services in communities that welcome low-income families.

Cut off federal funding to jurisdictions with exclusionary zoning.

This idea came from Republican Senator George Romney as the 1970 Department of Housing and Urban Development Secretary under Nixon.
END EXCLUSIONARY ZONING

New Jersey is leading the way by mandating inclusionary housing.

The NJ Supreme Court has prohibited exclusionary zoning.

All municipalities are required to provide their “fair share” of affordable housing.

If they fail to do so, the courts can make them by redrawing zoning lines.

340 towns have broken ground on thousands of affordable housing developments.

Developers bid eagerly on more profitable multifamily complexes, requiring no state or federal funding.

NJ property values remain among the highest in the nation and schools rank first.
Opposing segregation is essential to poverty abolitionism.

The voices of young people eager to embrace diversity in their schools and support affordable housing are vital in zoning meetings.

BUILD IT.

This community’s long-standing tradition of segregation stops with me. I refuse to deny other children opportunities my children enjoy by living here.
THE IMPACT OF INCLUSIVE EDUCATION AND HOUSING

By deconcentrating poverty in schools and communities, integration blunts its sting.

Children of the Dream: Why School Integration Works

Long-term studies since the 1960s show well-funded, integrated schools boost student success.

Report: Montgomery County’s attempt to narrow student performance gap is ‘largely ineffective’

Students from poor families at low-poverty schools outperformed peers at well-funded high-poverty schools.

The Impacts of Neighborhoods on Intergenerational Mobility

Areas with higher rates of upward mobility tend to have less segregation by income and race.

Moved to Opportunity: The Long-Run Effects of Public Housing Demolition on Children

Low-income students who relocate to less disadvantaged neighborhoods earn more, have lower dropout rates, and fewer arrests.
RECOGNIZE SCARCITY DIVERSION TACTICS

Manufactured scarcity empowers and justifies racism.

Scarcity Diversion Playbook

1. Allow elites to hoard money and land.
2. Pretend this arrangement is natural and unavoidable.
3. Use scarce leftovers to address poverty caused by hoarding.
4. Fail.
5. Claim it’s the best we can do.

HOARD

- Six Reasons to Keep Capital Gains Tax Rates Low
- Fatal Flaw in Estate and Wealth Taxation
- Tax on Wealth Is Counterproductive

DENY

- The Case Against the Child Tax Credit
- Cut the Earned Income Tax Credit
- The Case against a $15 Federal Minimum Wage:
- Rent Control: An Old, Bad Idea That Won’t Go Away
- Inclusionary Zoning Makes Housing Less Affordable

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Chapter 9: Tear Down the Walls

1. Think about the neighborhood you grew up in. How economically and racially diverse was it, and how might that have influenced your early perceptions of poverty and affluence?

2. Given the evidence about the benefits of moving poor families to better neighborhoods, how might the simple act of relocation address systemic issues of poverty?

3. Poverty, by America argues that affluent families may need to make sacrifices to end segregation. What might these sacrifices look like, and how can we cultivate a more collective sense of responsibility?
4. Have you ever considered how zoning and housing policies in your own community might affect who gets to live there and who doesn’t? If you were in a position to decide, would you support inclusionary housing policies like New Jersey's in your neighborhood?

5. Public housing has both negative and positive examples. Is there public housing in your community? What is its reputation?

6. Imagine you're a developer tasked with integrating affordable housing units into a luxury project due to mandated housing policies like those in New Jersey. How would you approach potential resistance from prospective wealthier buyers, and what would you say to ease their concerns?
Chapter 9: Tear Down the Walls

7. How did the infrastructure and resources of your childhood community (schools, parks, libraries) compare to others’? Do you think you had more or fewer opportunities based on the neighborhood's socioeconomic status?

8. How has your childhood neighborhood evolved over the years? Are there more walls or barriers now, or have some been dismantled? How do you feel about those changes?

9. Were you exposed to families from various economic backgrounds where you grew up? How did this exposure (or lack thereof) influence your understanding and interactions with people from different socioeconomic backgrounds now?
REFERENCES

Chapter 9


REFERENCES

Chapter 9

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**BECOME A POVERTY ABOLITIONIST**

- **Conduct a poverty audit**, examining the ways you are connected to the problem—and the solution.

- **Support policies that disrupt poverty** instead of ones that accommodate it.

- **Withdraw support** from corporations that exploit their workers.

- **Reject a scarcity mindset** and recognize the nation’s bounty.

- **Welcome affordable housing** developments in your community.

- **Join an antipoverty organization** working to eliminate poverty.

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Search for antipoverty organizations in your area & nationwide.

Join the Fight

Poverty will be abolished in America only when a mass movement demands it so. Today, such a movement stirs.

Get Involved
Poverty isn't a **LINE**. It's a **TIGHT KNOT** of social maladies.
Poverty isn’t a **LINE**. It’s a **TIGHT KNOT** of social maladies.

INVEST

in families by rebalancing the safety net.

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Poverty isn't a **LINE**. It's a **TIGHT KNOT** of social maladies.

**EMPOWER**
The poor by reining in exploitation.

**INVEST**
in families by rebalancing the safety net.

© Matthew Desmond, *Poverty, by America*
Poverty isn't a **LINE.** It's a **TIGHT KNOT** of social maladies.

**EMPOWER**

the poor by reining in exploitation.

**BUILD**

inclusive and open communities.

**INVEST**

in families by rebalancing the safety net.

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