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Baltimore's high poverty rate reflects government policies, individual actions

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The persistence of poverty in Baltimore is disturbing. It is even more so when one looks deeper into the official data.

The 2010 American Community Survey (ACS) estimates that 25.6 percent of Baltimore's population "for whom poverty status is determined" (602,129 people) are in poverty, as measured by pre-tax income relative to the poverty threshold used by the U.S. Census Bureau. For example, if a two-person family's pre-tax money income is less than $14,218, it is considered poor; the corresponding figure for a family of four is $22,314.

However, the 25.6 percent figure doesn't tell the whole story about Baltimore's poverty.

If one looks at the ACS for families, one finds that 28 percent of Baltimore families with children under 18 are living below the poverty level. That figure rises to an astonishing 40.6 percent for female-headed families with no father present. Is it surprising that poverty persists in Baltimore?

Poverty is often blamed on high taxes, onerous regulations, barriers to occupational entry and other economic factors. But poverty is also affected by people's choices. For individuals who wait to have children, get married and stay married, obtain more education, and stay out of jail, poverty rates diminish greatly.

The poverty rate for married-couple families with related children under 18 in Baltimore is only 7.4 percent (7.5 percent for whites and 6.8 percent for blacks). Educational status is also important: Female-headed households with less than a high school degree have a poverty rate of 44.1 percent; the rate is 11 percent for those with a college degree.

With many dysfunctional families, a culture of crime, and public schools that are frequently ineffective and sometimes dangerous, the cards are stacked against poor people trying to escape poverty in Baltimore.

Government policies can influence one's choices and the level of responsibility one takes. The growth of the welfare state has eroded personal responsibility and made the poor more dependent. After spending billions on welfare programs since President Lyndon Johnson announced the War on Poverty, the U.S. poverty rate is still about the same as in 1966 (14.7 percent). How can that be?

One answer is that the official poverty statistics mismeasure the actual extent of poverty. The U.S. Census Bureau measures only pre-tax money income and ignores noncash transfer payments in the form of Medicaid (by far the largest welfare program), food stamps, children's health insurance, and child nutrition and health. If those in-kind transfers were included, the official poverty rate would decrease substantially.

Nevertheless, as Charles Murray pointed out in his landmark book "Losing Ground" (1984), even if all transfers were included as income and brought many people above the poverty thresholds, "latent poverty" would remain. That is, if welfare payments were taken away, people would return to poverty. Welfare alone cannot create wealth. Economic growth is the only sure way to reduce dependence and poverty.

Just look at China. Since 1978, when it began its march toward the market, China has achieved the world's highest sustained rate of economic growth and allowed several hundred million people to lift themselves out of absolute poverty.

Counting noncash benefits of those living in poverty in Baltimore would reduce "poverty" but not free people from welfare. A huge underclass has captured politicians for their cause of maintaining and increasing transfers rather than limiting the size and scope of government to make people more responsible and foster economic growth.

No one could say that the poor in Baltimore today are less well-off materially than 50 or 100 years ago. Indeed, if one looks at personal consumption expenditures — a better measure of one's living standard than pre-tax money income — one finds that official figures significantly overstate the extent of poverty.

Data from the U.S. Bureau of Labor Statistics show that in 2009, consumer expenditures for the lowest fifth of income earners were more than twice as high as before-tax income (which includes cash transfers and food stamps). Average annual consumption expenditures were $21,611 for the lowest quintile, while income was $9,846.

This disparity is due to underreporting of income, outside financial assistance, loans and other factors. If poverty is better measured by one's consumption rather than income, then Baltimore's 25 percent poverty rate is misleading.

Most "poor" households now have a TV, air conditioning, enough food and medical care. Many have Internet access and a cell phone (subsidized by the federal government). What they don't have is a safe environment, two parents and choice in education.

If latent poverty is to be reduced, Baltimore needs to address the problem of how to improve economic development. Part of that problem lies in heavy taxes on capital, but part also lies in the rise of government welfare and the decline in morality.

The bulk of Baltimore's budget is spent on public safety (crime reduction) and education. Government failure is evident in those areas — taxpayers are not getting their money's worth. Rather than spending more on welfare, perhaps it's time to think about how to reduce latent poverty and make people more responsible for their choices.