
3 Evaluating Distributive Justice in the United States

*Ill fares the land, to hast'ning ills a prey
Where wealth accumulates and men decay.*

—Oliver Goldsmith, *The Deserted Village* (1770)

Expanding the Welfare State Concept

The English policy analyst Richard Titmuss (1958) looked at welfare from a fresh perspective. In everyday American parlance, “welfare” means public assistance. The definition is narrow and its connotation pejorative. The negative ring is associated mostly with the dependence of welfare on general revenues—on taxes paid by hardworking citizens who themselves are not welfare cases, or do not see themselves as such. In most other advanced industrial societies, however, universal programs erase the invidious split between contributors and recipients.

Titmuss defines social security as occupational welfare. The contributions of workers sustain the system, and for this reason benefits are generally considered to be a right. But in fact, the contributions of younger generations supplement retiree benefits, and Medicare—a program attached to Social Security—is partially funded out of general revenues. In any event, it is the principle of participation, however partial, that exempts Social Security from the lowly status of public “assistance” and that legitimizes it as an entitlement.

By international standards, occupational welfare—particularly the regressive reforms associated with it—and the absence of a national health policy look weak and patchy in the United States. Backers of the American system contend that the negative grade is misleading. The United States looks like an outlier because of its unique form of public/private collaboration. Once contributions from private as well as public sources are factored in, the sum total

of services and cash benefits delivered to Americans matches and sometimes actually surpasses the sustenance and help provided by other welfare states.

Gottschalk (2000) gives a vigorous defense of the hybrid arrangement. In this system, benefits are tied to jobs, not citizenship. Employers administer the private side, with the support of government. The government sets rules and guidelines, and provides incentives and tax breaks to private employers, who in turn offer pensions, health insurance, and disability benefits. These payouts and services are negotiated through labor contracts for about two-thirds of the workforce. The officially public pieces of the welfare state—Social Security, Medicare, and Temporary Assistance for Needy Families (TANF)—fill the gaps that the private sector leaves unattended.

The partnership has always been voluntary for employers, who receive tax breaks for running their programs. The system has never covered all workers, and it is falling apart. Its foundations rest on a stable industrial workplace that is crumbling in postindustrial societies. The partnership was not designed for an economy whose hallmarks are employment mobility and rapid turnover in technology.

A significantly more ample notion of welfare traces its lineage to Titmuss. Welfare consists of any benefits that are not earned through market transactions but instead are given free by the government in the form of incentives, tax cuts, or grants-in-aid. The switch in viewpoints is simple but it has seismic implications for how welfare and its costs are understood. The “passive” loss of established sources of revenue—through tax breaks, for example—affects the account balance of the public treasury just as “active” expenditures on public programs do. Both costs constitute welfare. The drawdowns attributable to incentives and the like, however, are usually hidden from public view. Spending on welfare programs, narrowly construed, is much more visible. Public spending in either form has its defenders. Supply-side theorists favor tax cuts; demand theorists prefer welfare grants.

State-supported higher education is a public benefit given to the middle class. Tuition payments cover only part of the costs of land grant universities, for example. Taxes paid by everyone—even by those who cannot afford tuition payments as well as by those, at the opposite end, who send their children to private universities—go to pay the remainder. Another hidden welfare benefit is the tax deduction for interest paid on mortgages. The larger the mortgage and, as is likely, the more expensive the property, the more substantial the tax break.

In 2000, special tax rebates cost the government over \$55 billion. Corporate welfare—“wealthfare”—encompasses preferential benefits for giant corporations. Twelve corporations with earnings of more than \$12 billion between 1996 and 1998—Texaco, Goodyear, Colgate-Palmolive, and MIC WorldCom, for example—received \$535 million in tax credits or refunds. The oil and gas industries get similar write-offs for depletion of reserves. Mining and timber industries use public lands at nominal fees. Airlines, defense contractors, and commercial agriculture have received, and continue to receive, federal subsidies. Some—the sugar and pharmaceutical industries are prime examples—keep

Table 3.1 The Upside-Down Home Owner Subsidy

People who make the most get the biggest subsidy because they borrow more and are in higher tax brackets.

<i>Income Categories</i>	<i>Percentage Who Claim Deduction</i>	<i>Average Deduction</i>	<i>Average Tax Savings at Marginal Tax Rate</i>
\$10,000–\$25,000	11%	\$432	\$65
\$25,000–\$50,000	33	1,704	256
\$50,000–\$75,000	63	4,028	1,128
\$75,000–\$100,000	81	5,991	1,677
\$100,000–\$200,000	90	8,430	2,163
\$200,000–\$500,000	93	12,845	4,624
\$500,000–\$1 million	91	16,863	6,678
\$1 million to \$5 million	68	21,928	8,684
\$5 million & above	62	25,528	10,109
Average Deduction	27%	\$2,319	N/A

Source: IRS, Statistics of Income for Year 2000.

(In billions)

Employer health insurance contributions	\$106.7
Mortgage interest deduction	\$62.6
Pension plan contributions	\$59.4
401(k) plan contributions	\$56.7
State and local tax deduction	\$49.5
Accelerated depreciation of machinery and equipment	\$46.8
Charitable contribution deduction	\$27.4
Capital gains on investments	\$27.3
State and local bond interest exclusion	\$26.0
Child tax credit	\$24.3
State and local property tax deduction	\$20.9
Capital gains on home sales	\$21.7
Interest exclusion on life insurance savings	\$20.5
Individual retirement account contributions	\$19.8
Retiree Social Security benefits exclusion	\$19.6

Figure 3.1 Federal Government Major Tax Breaks

Source: U.S. budget for fiscal 2005.

Table 3.2 Middle Class Pays So the Rich Can Pay Less

<i>Income Category (in thousands)</i>	<i>Share of Alternative Minimum Tax</i>	
	<i>2003</i>	<i>2010</i>
\$30–\$50	0.2%	1.1%
\$50–\$75	1.2	7.2
\$75–\$100	2.1	14.0
\$100–\$200	15.9	36.3
\$200–\$500	43.0	30.7
\$500–\$1,000	13.8	4.2
\$1,000 or more	22.5	6.0

Source: Tax Policy Center.

prices high with the help of tariffs that reduce competition (Barlett & Steele, 2002; “Corporate Welfare Runs Amok,” 2005; Johnston, 2003).

In short, the ampler definition of welfare includes the targeted distribution of unearned income from public funds. The process takes two basic forms: One involves directly distributing governmental payments and services. The other exempts citizens from contributing to the treasury in several specific ways—mortgage deductions, for example, or corporate write-offs and the like. By this definition, the United States has a plainly regressive system of redistribution. The country has a welfare state that reserves many of its benefits for the comfortable and the very well to do.

The alternative minimum tax (AMT) was originally designed in 1969 as a way to prevent wealthy Americans from using deductions, shelters, depreciation allowances, and a variety of other loopholes to pay ridiculously low taxes or, in some cases, no taxes whatsoever. This should have made the tax code more progressive. Since then, however, inflation creep has caused the AMT to fall most heavily on the middle and upper-middle tax brackets, as shown in Table 3.2, with proportionately less stringent penalties imposed on the true upper crust.

Dimensions of Distributive Justice

The second chapter gave an overview of a variety of philosophical approaches to social justice within the context of liberal democracies. How can these theories be used as standards of evaluation? A fair approach is to select the theories that are in accord with “the American way”—in other

words, that give priority to freedom—as the criteria by which to assess the operations of welfare in the United States. The theories of Novick, Gewirth, and Rawls generally fill this bill. But Novick does not consider welfare to be a legitimate function of government at all, and Gewirth's principle of "generic consistency in human relations" has yet to be cast in operational terms. This leaves us with Rawls's theory as a standard for evaluating the American welfare state.

Rawls defines basic goods as those that all members of society should have access to. They are "basic" because they are essential to survival—*food, shelter, and health*—as defined by the standards of a particular society.

Remember that while freedom is Rawls's primary principle, the difference and the equal opportunity principles set some conditions or boundaries on it. The *difference principle* requires that *the rewards of citizens in higher positions be reflected in benefits for the less advantaged*. The equal opportunity principle requires *open access to available positions* on the part of all. In postindustrial societies, this corresponds very closely to access to educational opportunities.

Rawls does not call for equality in the sense of equality of results. But he does propose that economic and social institutions guarantee access to basic goods and education as preconditions of equal opportunity. He attributes to government a role in avoiding dysfunctional inequalities, through *taxes, incentives, and regulations*.

It is from this perspective that we will examine the extent to which the United States has used welfare policies to curb or undo inequality. Rawls's ideas about distributive justice shape our assessment of the operations of the American welfare state.

How Does the United States Rate on Distributive Justice?

Basic Rights: Food, Shelter, and Health

Hunger

In the early 1960s, Michael Harrington's documentation of widespread hunger in the United States shocked the nation. Hunger was so extensive in certain areas that it reached levels comparable to conditions in the most destitute parts of the Third World. Great improvements have been made since then. The Food Stamps program became one of the most successful of federal initiatives. Can it be said that hunger has now been eliminated in the United States? Apparently not.

According to a 2004 report from the U.S. Department of Agriculture, more than 12 million American families (11.2 percent of all households)

struggle, not always successfully, to feed themselves. At some time during the year, these households do not have enough money or other resources to get enough food for all their members. The estimate is that some 3.9 million Americans go hungry at some point in the year. Others get emergency relief from food programs, community food pantries, and emergency kitchens. The Center for an Urban Future found that, in New York, 550,000 families—fully a quarter of all working families in the state (more than half of them formed by married couples)—had incomes too low to cover basic needs (Fisher, Colton, Kleiman, & Schimble, 2004; Herbert, 2003).

Homelessness

Persistent homelessness is the most direct indicator of the failure to provide shelter to all. Conceivably, given the existence of public and private shelters, the threat to survival might be minimal. But the inference would be quite out of line with Rawls's theory, which defines "survival" in terms of the concrete requirements for integration in a particular society. Homelessness is a condition—a status—that spills over into other areas: getting a job, attending school, avoiding undue risks to health and security, and maintaining a minimum level of privacy and stability.

The McKinney Act of 1987 is the only piece of legislation addressing this social problem. None of the multiple revisions of the act—in 1988, 1990, 1992, and 1998—have generated enough resources for emergency allocations for shelters and transitional housing. Furthermore, the different versions all turn a blind eye to underlying causes.

Since the end of the 1980s, debate has raged over how to count the homeless. Estimates range from over 3 million to a low of 125,000. Several definitional problems enter into these huge discrepancies: Who exactly is to be considered homeless? What are the statistics to be used for? How is homelessness measured, once it is defined? And how exactly is the information to be collected? How do you enumerate a population whose "places of residence" are nebulous at best (Corday & Piton, 1991)?

The National Law Center on Homelessness and Poverty (2004) released a count in 2004. The Center's report indicated that at any given time, there were about 840,000 homeless. Over a year, there are between 2.5 and 3.5 million, of whom 1.35 million are children. A survey of 605 cities conducted by the U.S. Conference of Mayors (2002) shows that the time people remain homeless has lengthened. Requests for shelter went up by an average of 13 percent in 2003, with the result that more homeless were turned away for lack of space.

A representative national sample of homeless people using services provides more background information on the homeless. Table 3.3 gives some of the findings from a study fielded in the late 1990s (Burt, 2002).

Table 3.3 Basic Demographic Characteristics of Current Homeless Clients (in Percentages)

	Age		
	<i>All</i>	<i>Men/children</i>	<i>Women/children</i>
Race	25–40	35–44	25–34
W	41	58	34
B	40	32	45
Prior Residence			
Central cities	71	64	70
Marital Status			
Married	9	63	15
Single	48	15	46
Education			
Less than high school	38	54	53
High school	34	25	20
Present Spell			
Homeless for more than 6 months	30	37	22
Prior spells homeless	49	56	49
Partner/spouse	10	74	18
House emergency	63	83	81
Causes of Homelessness			
No rent money	15	33	20
Job loss	14	6	—
House violence	4	—	18
Work past month	44	39	27
Food stamps	37	59	74
Hunger*	40	37	40
No medical insurance or Medicaid	55	61	27

*Some days in past month without food

Source: Reprinted from Martha R. Burt. Homeless Families, Singles, and Others: Findings from the 1996 National Survey of the Homeless Assistance Providers and Clients, in *Housing Policy Debate*, 12(4), pp. 737–780. © 2001 Fannie Mae Foundation, Washington DC. Used with permission.

Data on place of origin and racial breakdown—the proportion of African Americans and those originating from the inner cities—are clear tip-offs to how homelessness afflicts the most destitute. Even so, a third of the homeless have completed high school, and 44 percent have worked during the previous month. These characteristics suggest a modicum of stability among at least some of the homeless population.

Still, in another one-third of the cases, homelessness was attributable to the loss of work or the failure to pay rent. Access to health and food was very poor, the frequency of spells of homelessness was high, and their duration was protracted. Education among the homeless with children was lower than for the whole sample, and so was their labor force participation while homeless.

There are clear differences between homeless men and women with children. Men are four times more likely than women to be accompanied by their spouses or partners, and they are over three times *less* likely to have access to health care.

The homeless with children have greater access to emergency housing and Food Stamps than others. Yet they report levels of hunger similar to those experienced by those without children. Finally, the causes of homelessness are different for males and females with children. Failure to meet rent payments drove over one-third of the men into homelessness, while domestic abuse was a major cause for 18 percent of the women.

Access to Housing

The demand for housing on the part of low-income families greatly exceeds the supply. Spatial mismatching between affordable housing and the location of job opportunities compounds the crisis for working families. Seventy percent of poor employed adults and children who live in rentals face high costs and location problems (Sard & Waller, 2002). Rents correspond to about half of their income, and these families typically live in substandard apartments in rundown buildings, in unsafe neighborhoods. Only one-quarter of these families are eligible for direct assistance (Swartz & Miller, 2002).

There are 4.2 million low-income renters receiving assistance through public housing and Section 8. Roughly 1.3 million are tenants in public housing, 1.6 million use Section 8 vouchers to find housing in the private market, and 1.3 million live in privately owned but subsidized properties (project-based Section 8). TANF emergency housing assistance is limited to 5 years over a lifetime (O'Dell, 2004). According to the National Low Income Housing Coalition (2002), the minimum national median salary needed to afford a two-bedroom housing unit in 2002 was \$15.21 per hour; this is the “housing wage.” Table 3.4 shows the discrepancy between rental costs and the incomes of many working families in California.

Table 3.4 The Housing Wage

<i>Hourly Wages (40-hour week) Needed to Afford a Dwelling</i>				
	<i>Number of bedrooms</i>			
	<i>zero</i>	<i>one</i>	<i>two</i>	<i>three</i>
<i>California</i>	\$13.35	\$15.69	\$19.69*	\$27.00
*fair market rent: \$1,024				
<i>Wages in California</i>				
	<i>Hourly</i>	<i>Annual income</i>	<i>Percent of income for 2 bedrooms</i>	
<i>Minimum Wage</i>	\$6.75	\$14,040	87.5%	
<i>Poverty Wage (federal)</i>	\$8.85	\$18,408	66.8	
<i>Median Wage</i>	\$14.72	\$30,619	40.1	
<i>Family Wage</i>	\$18.64	\$38,771	31.7	

- A single earner at minimum or poverty level (e.g., a single mother or couple with two to three very young children) cannot afford the rent.
- A single median wage earner with two children can afford the apartment by sacrificing other necessities.
- Two earners with at least one having a median wage can afford the apartment.

Source: National Low Income Housing Coalition (2004, press release). Based on an unpublished paper for community scholars by Limor Bar-Cohen (2002). <http://www/NILHC.org>.

In 2005, according to a study conducted by the National Low Income Housing Coalition, a full-time worker at minimum wage could not afford a one-room apartment *anywhere in the United States* (Pelletiere, Wardrip, & Crowley, 2005).

Health Care

Previous chapters laid out the private/public system of health care in the United States. Public programs such as Medicare, Medicaid, and the State Child Health Insurance Program (SCHIP) cover the elderly and disabled, the medically indigent, and children, respectively. For the working population, voluntary, publicly subsidized programs run by employers may offer health benefits.

Recent statistics showing a growing percentage of families without health insurance testify to the weakness of the system. Forty-five million Americans—15.6 percent of the population—lack health insurance. This number is nearly twice the population of Canada. Sixty percent of the uninsured are full-time workers, and 16 percent are part-time (DeNavas-Walt, Proctor, & Mills, 2004; Jost, 2003). (See Figure 3.2.)

The health care deficit persists because individuals do not meet the criteria for public health programs, or because they cannot pay the growing cost of premiums and co-payments of work-related health programs, or because they do not have on-the-job health benefits and are unable to pay the typical annual premium for family coverage—about \$9,068. Health insurance premiums have grown faster than wages, as Figure 3.2 shows.

The United States spends a higher fraction—15 percent—of its gross domestic product on health than other OECD (Organization for Economic Co-operation and Development) countries—\$5,440 on a per capita basis. The jump in health costs between 1997 and 2002 affected all OECD countries, but it was accentuated in the United States, at about 2.3 percent, as compared to other nations offering universal coverage, where it was about 1.7 percent. A comparison between the United States, the United Kingdom, and Canada, shown in Table 3.5, highlights the close association between access to care and income in the United States (Jost, 2003, p. 215).

Lawrence Jacobs and James Morone edited a volume entitled *Healthy, Wealthy, and Fair* (2005), in which they launch a forceful criticism of

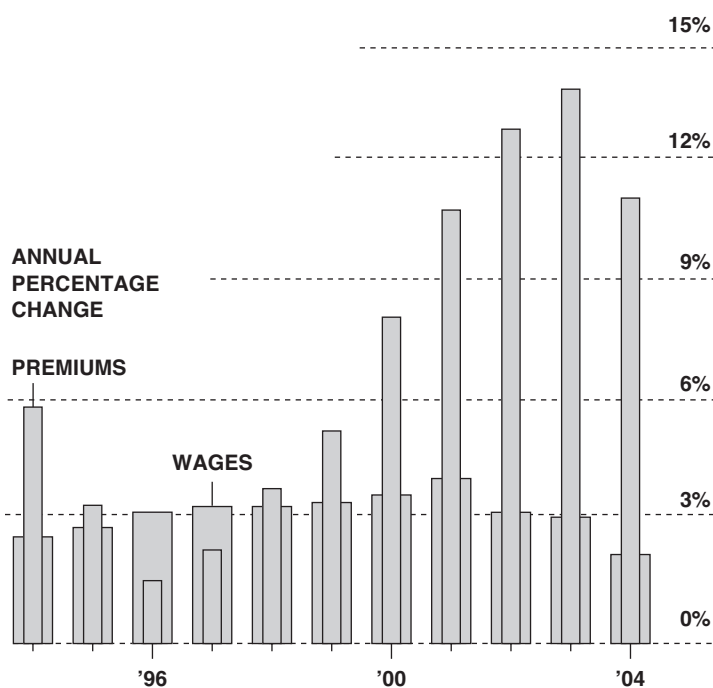


Figure 3.2 Health Insurance Premiums and Wages: 1995–2004

Source: Findings from the Kaiser/Hewitt 2004 Survey on Retiree Health Benefits #7194. This information was reprinted with permission of the Henry J. Kaiser Family Foundation, a nonprofit, independent national health care philanthropy and is not associated with Kaiser Permanente or Kaiser Industries.

Table 3.5 Responses Regarding Negative Health Decisions Due to Cost (%)

	<i>Canada</i>	<i>UK</i>	<i>USA</i>
Did not fill prescriptions	13%	7%	26%
Did not get medical care	5	3	26
Did not get tests/follow-up	6	2	22
Did not get dental care	26	19	35
Had problems paying medical bills	7	3	21

Source: Adapted from Jost (2003, p. 215). Based on the 2001 international policy survey by the Commonwealth Fund/Harvard Harris.

American policy regarding the right of access to health. They compare outcomes across nations as well as within the United States.

The life expectancy of American females at birth ranks 17th, and males rank 20th, among the industrialized OECD countries; the country ranks last among the 13 wealthiest nations on overall infant mortality, low birth weight, and life expectancy for babies and infants. People die younger in Harlem than in Bangladesh. The leading causes are unrelenting stress, cardiovascular disease, cancer, and untreated medical conditions among the poor—not murder and drug overdoses, often played up by the media. Jacobs and Morone (2005) quote a recent report by the Institute of Medicine that blames gaps in insurance coverage for 17,000 preventable deaths a year. Health bills, they point out, are the major cause of personal bankruptcy filings.

Jacobs and Morone credit SCHIP for permitting Medicaid to reach 20 million children and the Robert Wood Johnson Foundation for being instrumental in inducing state governments to place health clinics directly in schools. The Earned Income Tax Credit (EITC) is responsible for lifting millions of low-income workers and their children out of poverty. In doing so, the tax credit has improved their chances of access to health care. In spite of these steps forward, however, Jacobs and Morone conclude that a universal program, as provided by other postindustrial societies, is needed to grant all Americans the right to health care.

Educational Opportunities

Economic participation is tightly linked to education in postindustrial societies where technological development proceeds at a breakneck pace. According to Rawls's equal opportunity principle, the level and distribution of education are critical.

The United States has been an educational pioneer. It became the first country to require 12 years of formal schooling—the K–12 formula. The GI

Bill that came in the wake of World War II made the United States the first nation to provide widespread college education. School integration during the 1950s was a crucial step toward equal opportunity. The Great Society reforms of 1965 extended federal mandates regarding education in order to help poor performers and the children of deprived families. Twenty years later, evaluations showed progress in high school graduation rates—from 56 to 74 percent of all 17-year-olds; a reduction was also apparent in the white–black gap in dropout rates among 16- to 25-year-olds—from 13.2/27.9 to 12.2/14.9 percent, respectively (Jencks, 1991).

Equal access to education is still unfinished business. While rapid progress in forging a large middle class by upgrading education is a source of pride, the overall statistics conceal the fact that a significant portion of the population, especially in the inner cities, is losing ground (Wilson, 1991). OECD data (2003) on public education helps to delineate the strengths and weaknesses of the educational system in the United States at the beginning of the twenty-first century. (See Table 3.6.)

Among OECD countries, the United States—in absolute numbers, not as a proportion of the GNP—spends the most for public higher education and is nearly at the top in expenditures on primary and secondary education. In addition, teacher contact hours at every level are higher than in other countries.

However, the teacher–student ratio is below the median, and so are the mean scores on science tests taken at age 15, even if students in the United States test considerably better in reading proficiency. In most OECD countries, the inverse relationship between long-term unemployment and education is evident: the lower the education, the higher the probability of joblessness. However, the rate of unemployment at each education level is lower in most of the developed countries than in the United States.

The data from the 2003 OECD survey suggests that a greater investment in public education, as a proportion of the GNP, might drive down the student–teacher ratio, especially in the area of science. Scores on science testing have a higher standard of deviation in the United States than elsewhere, indicating a very wide spread in attainment. In other words, the problem in American education is one of distribution. The United States has outstanding public schools that are centers of excellence. It also has dilapidated schools, strapped for money, packed with students without hope for a better future. Large numbers of students from poor families are not getting the resources they need to do well in school. Poverty is becoming more concentrated, and school districts in poor areas do not have the revenues to counterbalance the downward spiral (Reich, 2003).

Is No Child Left Behind, the program passed in 2001, an adequate response to this crisis? The stated purpose—to raise the proficiency of students who fall behind—seems to make sense. But implementation has fallen short of the goals. Funds have not come through on the scale that was promised. The standards used for evaluation are confusing and limited. The “improve or else” approach to evaluation encourages schools to manipulate

Table 3.6 Public Education in the United States and OECD Placement

	USA	OECD ranking
Expenditures		
primary/secondary (per student)	\$8,144	3rd
tertiary (per student)	22,234	1st
% GNP primary/secondary	3.5	12th
% GNP tertiary	0.9	18th
% money going to public schools	89	12th
Staff		
ratio teaching staff/1,000 students	64.4	18th
contact hours (primary)	1,139	1st
contact hours (middle school)	1,127	1st
contact hours (high school)	1,167	2nd
Students		
science test means, 15-year-olds	499*	13th
reading proficiency, 15-year-olds	12.2**	7th
Unemployment, ages 25–64***		
less than high school	36%	13th
high school	22%	15th
college	14%	20th

* Mean value. Standard deviation = 7.03. Standard deviations for countries with higher means varied from 1.5 to 5.5.

** Percentage at the 95th percentile

*** Rankings refer to countries with less unemployment than the United States at each educational level.

Source: OECD *Education Survey* (2002, Tables B1.6, B2.1b, D3.3, D4.1, A6.1, A7.1, A7.2, A10.2c, A10.2e).

test results rather than innovate. In addition, many of the studies that inspired the simplistic thrust of the policy have turned out to be inaccurate (Schrag et al., 2004).

Appropriations are almost a third less than what was authorized by Congress—about \$6 billion under the mark. By default, the costs of No Child Left Behind fall on the states and the cities that cannot afford them. Unaccompanied by more contextual and formative vehicles of assessment, evaluation standards are rigid. A compromise with the states produced a hodgepodge of tests that were not comparable. Classes have become laboratories for testing. On the ground, the goal is to avoid penalizing teachers and schools with low test results.

Finally, the experiments that were used as pilot projects to shape the program were found to be less than scientific. The “Houston miracle,” attributed to then superintendent Rod Paige, who became George W. Bush’s

first-term Secretary of Education, looked like a success. But it was built on a stratospheric dropout rate of 60 percent. Class sessions were reduced to test drills. Cheating was rampant in the reporting of results, and the students did poorly in tests other than those mandated by the district. On the internal tests, more than 80 percent of Houston students were proficient in reading, but only 25 percent passed the National Assessment of Educational Tests (Special Report on Educating America, 2004).

The goal of No Child Left Behind—improving the nation's schools and its human capital—is consensual. What is needed is a thoughtful reform that rectifies the concrete disparity between goals and the methods of reaching them. Just as important is an understanding of who the children at risk of school failure are. Indicators of the well-being of children, shown in Table 3.7, provide a useful starting point (Mather & Rivers, 2003).

Abundant research confirms that the seeds of academic failure are sewn long before high-risk students enter the schools. The demand for quality child care is growing, both for infants and preschoolers (see Chapter 10). Yet, in 2001, only half of the preschool children living below the poverty line actually attended preschool centers. To be sure, older children should also be helped. But the sorry state of child care indicates the need for progress based on more than just honing testing skills.

Table 3.7 Key Indicators of Child Well-Being, 2000

<i>Indicator</i>	<i>United States</i>	
	<i>Number</i>	<i>Percent</i>
Children in poverty	11,746,858	16.6
Children in extreme poverty (below 50% poverty level)	5,274,343	7.4
Children in low-income families (below 20% poverty level)	26,806,452	37.8
Children* in single-parent households	16,812,254	23.3
Population ages 16–19 who are high school dropouts	1,566,039	9.8
Population ages 16–19 who are not in school and not working	1,423,283	8.9
Children ages 5–17 who have difficulty speaking English	3,493,118	6.6
Children ages 5–15 with one or more disabilities	2,614,919	5.8
Children living in high-poverty neighborhoods	14,746,918	20.4

Source: Ann E. Casey Foundation, *A Kids Count/PRB Report on Census 2000*.

Table 3.8 Relationship Between Parents' Education and Children's Cognitive Abilities

<i>Standardized OLS (Ordinary Least Squares) Regression Coefficients</i>		
	<i>Coefficient for 16- to 25-year-olds</i>	<i>Coefficient for 25- to 65-year-olds</i>
Denmark	0.29	0.31
Norway	0.24	0.34
Sweden	0.23	0.39
Belgium (Flanders)	0.39	0.33
Germany	0.27	0.17
Netherlands	0.32	0.48
Portugal	0.34	0.47
Canada	0.34	0.47
USA	0.48	0.48

Source: International literacy survey data reported in Esping-Andersen (2002a, p. 28).

Overcoming the impediments that poor children face in schooling is an urgent issue. International research on the correlation between the education of parents and achievement of children, as teens and young adults (summarized in Table 3.8), documents the problem. While the challenge confronts all postindustrial countries that depend increasingly on an educated workforce, the data show that the problem is particularly grave in the United States. Here, parent-child correlations are very high. As a consequence, the future success of children is very directly contingent on parental education. The offspring of better-educated parents have a head start, and the converse holds true for children of parents with lower educational achievement. The success of No Child Left Behind, and with it the attainment of equal opportunity education, hinges on the ability to improve the prospects of students whose parents have inadequate schooling, and who grow up in settings where aspirations are stifled by dead-end experiences.

The Income Gap and the Difference Principle

Nowhere in his writings does Rawls call for economic equality. However, his difference principle states that the rewards that accrue to individuals in advantaged positions have to be counterbalanced by benefits for the most destitute members of society. This is close to John F. Kennedy's idea that "a rising tide floats all boats." The expectation is that growth in well-being among the

higher-ups should also entail improvement in the situation of those toward the lower echelons, even if inequality between the two groups remains.

According to the difference principle, the emergence and growth of the welfare state should have been accompanied by a relative increase in the economic well-being of the poor. But comparative data contradict this expectation. Over the last two decades in the United States, the income gap has steadily increased. The richest have done exceptionally well relative to those at the middle as well as the bottom of the pay scale. Contrary to what has happened in other periods of prosperity, the disparity in income did not abate during the boom times of the late 1990s (Danziger & Gottschalk, 1993). The trickle-down effect was reversed.

Figure 3.3 highlights income growth among income groups between the late seventies and 2000. According to 2003 data from the U.S. Census Bureau, 20 percent of the wealthiest Americans control 50 percent of all income, while the amount of income controlled by the bottom 20 percent has dropped to 3.5 percent.

The contrast between the remuneration of CEOs and that of employees reflects still more dramatically the exponential distancing between classes. Within a 10-year span, the economic rewards of CEOs went from being 42 times the average factory worker's pay to 419 times. The ratio in the United States is 475:1. In Germany, it is 21:1; in the British Isles, 24:1; in France, 15:1; and in Sweden, 13:1 (Blackburn, 2002, p. 201).

The concentration of wealth was also accompanied, in 2003, by an uptick in the poverty rates. Since poverty in the United States is calculated in

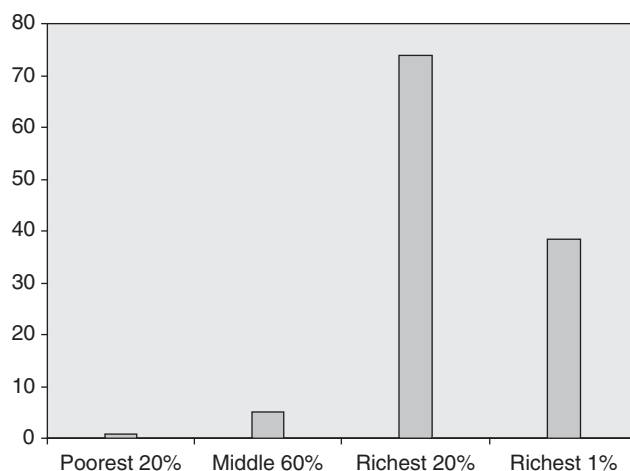


Figure 3.3 Distribution of Income Growth Among Income Groups, 1979–2000

Growth rates (%): Poorest 0.8; Middle 5.1; Richest 74.0; Top rich 38.4

Source: US Census Bureau, *Income Inequality*, Tables 1 & 2 (revised May, 2004). *Income Earnings and Poverty*, American Community Survey, 2004.

absolute terms, this means that a greater proportion of the population falls below survival standards (DeNavas-Walt et al., 2004).

Another anomaly is that, as of this writing, the federal minimum wage has not been changed since 1998 in a society that embraces the work ethic—this in spite of inflation in the cost of basic goods. It is legal in the United States to pay full-time workers poverty wages. In 1968, the minimum wage was 86 percent of the living wage, and in 1970, it was 80 percent. In 1998, it had come down to 68 percent. These calculations were done more carefully in 2001, to take into account place of residence and state-approved minimum wages (Pearce, 2002). In Los Angeles County, for example, the minimum wage corresponds to 14 percent of what a family with two children needs to get by (see Table 3.4).

The evidence is overwhelming that in the United States, the difference principle of distributive justice has been disregarded. If wealth, including a variety of assets, had been used for these determinations, rather than income, the conclusion would have been still more devastating.

Institutional Strategies to Prevent Dysfunctional Inequalities

In Rawls's view, taxation might be a means to reduce inequality. How does the tax code work in the United States, for or against this end?

Corporate as compared to personal taxes have declined over the past six decades. Supply-side economists see nothing wrong with this trend as long as it encourages investment, creating in turn more jobs, and hence a more equitable distribution of rewards. Damning as they are, these figures do not take into account the perfectly legal tax-dodge called "corporation inversion": Corporations set up a company in a tax-free zone, such as the Bahamas, calling it a subsidiary of a foreign corporation (Lowenberg, 2004).

Its name notwithstanding, the 1997 Taxpayer Relief Act made the personal tax code more complicated and less fair at the same time. The Act envisioned \$95 billion in cuts over 5 years and \$275 billion over 10 years. Almost half of these tax savings went to the wealthiest 5 percent—to those households with incomes over \$135,000 at the time and assets in excess of \$650,000. The reforms reduced capital gains taxes as well as levies on estates. The top 5 percent got 62.4 percent of the savings with the capital gains cut, and 25.6 percent went to the other 15 percent of the upper quintile. The remaining 80 percent of the population received 5.9 percent of the total cuts. Estate taxes now are levied on only 2 percent of the largest holdings. This has reduced the tax bill on the richest estates by \$10 billion (Citizens for Tax Justice, 1999).

It is estimated that the tax cuts of 2001 and 2002 will cost the U.S. Treasury \$3.6 trillion between 2001 and 2014. The tax code continues to be decidedly regressive. In spite of a modest boost in the EITC for poor working families, and small breaks for the middle class, it works disproportionately to the advantage of those in the top 1-percent bracket (Gale & Orszag,

2004; Johnston, 2003). The tax cuts not only aggravate inequality, but also cut into public spending on education, health, housing, job training, and the like. The government provides tax breaks totaling \$741 billion a year. While some of these are designed to ease the lives of children and the elderly, most are not (see Figure 3.1).

In sum, with Rawls's theory of distributive justice in view, the bottom line is this: The United States has failed to distribute access to basic goods—especially health care—at a level consistent with the abundant resources of the country. There are still striking shortfalls in the achievement in educational opportunity, and there is no evidence of adhering to the difference principle. Instead of using taxes as a tool to curb dysfunctional inequality, from the 1980s on, the government seems to have been bent on widening the income gap.