

# Generational Poverty

An Economic Look at the Culture of the Poor

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## **Part III**

# **Generational Mistakes**



## Chapter 13

# Social Mobility and Economic Success

When examining cyclical poverty, it is important to study the typical tendencies of people that have generational success. Some like to equate financial success to a level of work ethic. The harder you work, the more you will make. This book's study takes a different approach. Certainly, harder work will generally produce better results given your personal situation. However, this notion is frequently criticized. Some individuals work incredibly hard throughout their lives, but never reach the wealth that other people may have that generally work a more leisurely schedule.

Why should someone that works a grinding existence see less financial success than someone that has a less-intense experience? The convenient answer is to say that others have it easy. They either inherited the money or they simply belong to the right demographic. In this case, white-male would be the most advantageous while black-female would be the most difficult. As you look at the numbers in regard to frequency of success, it is hard to challenge this idea. This chapter will delve into this issue and peel back the layers of the onion further. I will not deny that some demographics have a more challenging climb on the socioeconomic ladder. The important contradiction is that I believe it is possible to make the ascent despite all disadvantages that one might inherit at birth.

Making financial progress may take a completely different mindset than that of your parents. Hard work is a significant part of the equation and cannot be taken for granted. Still, there are also many other life choices that need to be made in order for *hard work* to gain traction. Without these items in place, it becomes increasingly difficult to blaze your path toward financial success. A person will not only have to develop a strong work ethic, but they may also need to form their own opinions about resisting urges and conforming to their community's standards. When closely examined, changing a person's thought process appears to be the more difficult hurdle. This is exemplified by my experience with BBBS.

Jermaine was and is a promising young man. I have always liked him and know that he has the potential to rise above his situation. What I did not know, until recently, is that overcoming the influence of his community would be his toughest challenge. I naively thought that by seeing the relative success that I had at an early age, he would want to emulate my life. It has been quite the awakening for me to find out that he would slide into the exact same circumstances as those around him.

The first glaring issue facing the more impoverished communities of this country is the challenge of raising a child as a single parent. Raising a child with a significant other is difficult, but going it alone is one of the most financially crippling situations one can find himself (or, more typically, herself) trying to navigate. According to the 2006 Census, there are over 13 million single parents in the United States <sup>1</sup>. The Department of Agriculture estimated in 2010 that it costs on average almost \$227,000 to raise a child <sup>2</sup>. The average income of a high school graduate, is a little more than \$20,000 annually. The simple math in this equation presents the unmanageable task at hand.

As you may have perceived, many single parents do live below the poverty line. The financial responsibilities are virtually impossible to traverse, but there are many psychological issues that accompany this predicament as well. Those living below the poverty line are more inclined to develop depression, anxiety, and other health issues. This can lead to numerous problems, the most damaging being a poor relationship with his or her child. As you can see, this is how the cycle begins and continues. Parents in this situation are against the odds and they have the most difficult time properly raising a child.

I want to make sure that readers understand that this book is not being judgmental of any situation. On the contrary, the idea is to point out perceived behaviors that lead to financial distress and attempt to break that generational cycle. According to a 2013 report by the Pew Research Center, over 60% of single parents made less than \$30,000 annually <sup>3</sup>. This is a systemic trial and the numbers

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<sup>1</sup>"Financial Tips for Single Parents." Midland National Life Insurance Company. N.p., 11 June 2014. Web.

<sup>2</sup>Bjega, Alan. "Cost to Raise 2010 U.S. Newborn Is \$226,920." Bloomberg, 9 June 2011. Web.

<sup>3</sup>Halpin, John. "Why Single Mothers Are In Economic Crisis And What Can Be

are clear. If the first step to getting help is admitting that you have a problem, then the first step to improving the life of your family is to admit that they are making consistent mistakes with each passing generation.

The concept of “social mobility” becomes a glaring obstacle. How is Na’Licia, who had a child at 17, and then two others, going to want to make sure that move up the social ladder? It appears to be an impossible task. Harvard economist Raj Chetty said that, “children of married parents also have higher rates of upward mobility if they live in communities with fewer single parents<sup>4</sup>.” So, not only does it help your cause to have two parents, but it is also statistically better for children to live in a community that has less single parents.

The more telling statistic may be that poorer people living in clusters are less likely to leave the cluster. In the rare instance that a single parent living below the poverty line lives within a wealthy community (some wealthy areas can have pockets of government housing for example), Dr. Chetty has found that they would be more likely to experience social mobility.

Another answer seems obvious. If wealthy surroundings and increased income create more opportunity, then the redistribution of wealth from the very wealthy to the very poor is the cure. Peculiarly, this solution does not have statistical support. His findings actually indicated that a strong two-parent home and better schools were the solution. Taxing and throwing money at the poor was somewhat inconsequential. It is becoming a more consistent occurrence that funding, devoted to solving problems, is having minimal impact. Unfortunately, the solutions are far more complicated and tedious.

There were some other finds in Dr. Chetty’s study that had statistical significance. When there is a higher frequency of voting and devout religious affiliation in the area, children are more likely to experience social moves. As a *laissez faire* economist, I do not typically push religion in my writing. However, I would be remiss to not include its impact. The relationship between voluntary community involvement and the progress of that area are important. Churches do amazing work in their communities and generally have a more

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Done About It." Think Progress. N.p., 18 Mar. 2013. Web.

<sup>4</sup>Raj, Chetty. "Upward Mobility In America." On Point with Tom Ashbrook. NPR, 23 July 2013. Web.

lasting impression than a government project. This is due to the consistency and frequency of their work and funding.

If a single parent home presents the greatest economic challenge, then what demographic creates the situation that is most likely to succeed? As you might expect, the *answer* is a couple that lives together, shares expenses, and does not have children. Coincidentally, another Harvard professor, Dr. Daniel Gilbert, studied that couples are also happier without children <sup>5</sup>. I mention this only because of the juxtaposition that a young, single parent might experience with depression and anxiety. "Figures show that married people are in almost every way happier than unmarried people – whether they are single, divorced, cohabiting," comments Dr. Gilbert. He went on to add that, "They are healthier, live longer, have more sex."

If a couple makes the leap to procreate, the first thought is that children are a lot of work and responsibility. So, of course that stress will naturally take its toll. Still, your parenting issues go further than that and many can be quantified. The financial issues of paying for a child are evident. Your transition is the move from having two incomes and low expenses to having to make a tough financial decision: Do you move down to one income with increased expenses or do you stick with two incomes and add yet another considerable expense—daycare? When you start looking at the expense side of the equation, the occasional missed date night, forgone weekend sleep-in, or missed weekend getaway seem trivial.

To further explore this point, it would be helpful to have a substantial test group that is full of couples without children. Luckily (for this study), there is a segment of the population like this: the gay community. This portion of the population is full of dual-income, no kid (DINK) relationships. According to a 2012 survey of over 1,000 gay couples by Prudential, there were several financial advantages found <sup>6</sup>. On average, gay couples made more money, had a lower unemployment rate, saved more, and struggled with less debt. This financial success occurs without the assistance of being able to legally marry in most places. To further the point, homosexuals also have a better average education.

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<sup>5</sup>Kate, Devlin. "Marriage without Children the Key to Bliss." The Telegraph. Telegraph Media Group, 09 May 2008. Web.

<sup>6</sup>"LGBT Financial Experience 2012-2013 Research Study | Prudential." Prudential, N.d. Web. <<http://www.prudential.com/lgbt>>.

Lacking the responsibility inherent with having a child has significant long-run advantages when furthering your education or career. Women have struggled with this obstacle for centuries. Even after Kennedy's Equal Pay Act of 1963, women still make less than 80% on average of what a man would make doing the same job<sup>7</sup>. In this day and age, it is difficult to feel like the difference is due to blatant sexism. The discrepancy in pay comes down to a risk/reward relationship. Women are the higher risk to cut their careers short or take significant time off from work.

The reality is not fair and it is not my intent to take a political stance on the issue. My point in bringing this situation up is to illustrate that companies are taking into account the threat of children when paying their employees. Unless there is a fundamental biological change within our species, the problem of women being paid unfairly will continue to persist. Hiring a woman presents extra risks to a company and they mitigate that risk by passing some of the economic cost along to the employee.

What about the women that do not have children? Well, this situation is interesting! American Enterprise Institute scholar Christina Hoff Sommers has uncovered some surprising statistics. She found that women without children often earn more money than their male counterparts<sup>8</sup>. In fact, in a comparison of unmarried and childless men and women between the ages of 35 and 43, women earn more: 108 cents on a man's dollar. She also found that some of the unequal pay statistics can be misleading because many women pursue humanities based careers. Occupations in that arena generally pay less than the math and science fields that frequently draw more men.

The overwhelming message received by these findings is that opportunity comes from not having children, at least not right away. I am certainly not advocating never having children. However, it generally makes sense to delay procreation. It financially benefits couples as well as individuals to abstain for a while. As an economist, it may be easier for me to look at the numbers before making life decisions. Regardless, it does make sense to at least consider the financial impact of having children *before* reproducing. People are living

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<sup>7</sup>Coy, Peter, and Elizabeth Dwoskin. "Shortchanged: Why Women Get Paid Less Than Men." Bloomberg Business Week. N.p., 21 June 2012. Web.

<sup>8</sup>Furchtgott-Roth, Diana. "Christina Hoff Sommers' 'Freedom Feminism' Is Right Path for Women's Movement." Washington Examiner. N.p., 18 June 2013. Web.

longer and staying healthier longer. It is possible to have children well into your 30s and 40s and waiting makes the financial challenge of having children more palatable.

Laura Sandler wrote a controversial article for *Time Magazine* entitled *Having It All Without Having Children*<sup>9</sup>. She states that the U.S. birthrate is the lowest it has ever been and this even includes the “fertility crash” of the Great Depression. In that article she also cites a study that was conducted at the London School of Economics by Satoshi Kanazawa. He found that more intelligent women (as determined by IQ) are waiting longer and longer to have children, or not having them at all. To further perpetuate the theme, women that wait longer and are further into their careers (and presumably better educated) have an even higher opportunity cost to have children. Delay seems to have a bit of a spiraling effect. The longer you wait, the more you give up to have children.

Naturally, there are some concerns about waiting. The first to come to mind is the ever-present biological clock. It is ticking and women are well aware of it. They see it on television and many are reminded of it by their families. The good news is that there are many options available to *older* women planning to have children. Fertility drugs have come a long way and allow many women to become pregnant well into their 40s. Of course, adoption is always a wonderful alternative. There are thousands of children that need parents and they are not nearly as picky about your age as one might think.

Unfortunately for Na’Licia and many other women living in poverty, she has made a critical decision that will continue to present challenges to her social mobility. She has put herself in the same position as Chastity and Charlotte when they were her age. Having children early in life and before settling with a significant other is the most difficult path to financial success. Now, her options are more limited. She has children to take care of and it will be a challenge for her to maintain consistent employment.

One basic economic principle is that people respond to incentives. Somehow, we need to find a way to remove the incentive to have children at such a young age. The current pressures are legitimate on a young woman in Na’Licia’s community. If you have a child, it gives you the ability to start drawing government assistance, which can be a means to move out on your own. We also have to remember

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<sup>9</sup>Sandler, Laura. "Having It All Without Having Children." *Time*. N.p., 12 Aug. 2013. Web.

that in impoverished communities, many children are exposed to mature subject matter. This accelerates the process and comfort level in a person becoming sexually active. It is incredibly difficult to steer someone away from teenage pregnancy when it is accepted by your peers, rewarded by the government, and common within your own family.

The National Center for Chronic Disease Prevention and Health Promotion found in 2008 that 435,000 live births occurred to mothers between the ages of 15 and 19<sup>10</sup>. More than half of those births were unintended. They estimate that teen pregnancies cost the tax payers more than \$9 billion between “increased health care and foster care, increased incarceration rates among children of teen parents, and lost tax revenue because of lower educational attainment and income among teen mothers.”

The CDC lists teen pregnancy as one of its top six priorities. This is a list of the specific ways where they would like to encourage a change in the thought process of at-risk teenagers:

1. Knowledge of sexual issues, HIV, other STDs, and pregnancy (including methods of prevention).
2. Perception of HIV risk.
3. Personal values about sex and abstinence.
4. Attitudes toward condoms (pro and con).
5. Perception of peer norms and behavior about sex.
6. Individual ability to refuse sex and to use condoms.
7. Intent to abstain from sex, or limit number of partners.
8. Communication with parents or other adults about sex, condoms, and contraception.
9. Individual ability to avoid HIV/STD risk and risk behaviors.
10. Avoidance of places and situations that might lead to sex.
11. Intent to use a condom.

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<sup>10</sup>Preventing Teen Pregnancy 2010-2015 (n.d.): n. pag. CDC.gov. Centers for Disease Control. Web. <[http://www.cdc.gov/TeenPregnancy/PDF/TeenPregnancy\\_AAG.pdf](http://www.cdc.gov/TeenPregnancy/PDF/TeenPregnancy_AAG.pdf)>.

Changing attitudes, cultures, and lifestyles can be incredibly difficult. Ideally, it would be more effective to provide incentives to not become pregnant. The issue of welfare to mothers is a double-edged sword. On one side, we are providing much needed assistance to a young woman that has limited alternatives. On the other, we are enabling men and women to make irresponsible decisions. Cutting this element of welfare would undoubtedly make a significant impact in reducing teen pregnancies. However, it would also be a harsh reality for anyone that managed to find themselves in that very predicament.

The more liberal answer of handing out contraception is gaining some traction. Most conservatives, especially social conservatives, and religious voters do not like the idea of paying for contraception. The idea creates a direct conflict with their religious beliefs. It is also viewed as another tax for a program that promotes irresponsible behavior. While this logic is true, the net savings to the tax payers would be significant with government sponsored birth control. It would certainly lessen the cost and long-term concerns associated with teen pregnancy. Ironically, I could see many fiscal conservatives being onboard with this idea.

I also wonder if medical science will assist us with this issue one day. I envision a science-fiction movie where all babies receive a reversible procedure that prevents them from reproducing. It has the effect of a vasectomy or hysterectomy and is minimally invasive. When two people decide that they are ready to have children, they visit the doctor and have the switch turned on for procreation. Voila—no more unwanted pregnancies.

Outside of this crazy notion, this situation is difficult to regulate and improve. The ideal situation is for communities to start really putting thought into their reproduction and financial futures. Young people need to know how difficult life is with a child and exactly how detrimental that situation can be as a teenager. This is an extremely tough code to crack and women like Charlotte, Chastity, and Na'Licia will continue to struggle with its consequences for some time.