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UNITED STATES DEPARTMENT OF AGRICULTURE
Economic Research Service

THE EXTRA COST OF BEING POOR

Talk by Trienah Meyers
Staff Assistant to the Administrator
at the National Agricultural Outlook Conference
Washington, D. C., 3:00 p.m., Wednesday, February 18, 1970

In one way, I'm a fine one to be up here talking to you about the extra costs of being poor. Like most of you, I sit at a reasonably comfortable rung on the economic ladder, and the only times I miss meals are when my plane is late or misses connecting flights. When I was asked at the White House Conference on Food, Nutrition and Health a couple of months ago to limit myself to \$2.50 a day for food as part of the demonstrations, I declined. I couldn't honestly do that without feeling like a hypocrite--playing at being poor for a few meals, while I attended meetings in one of the more elegant hotels in Washington.

On the other hand, if persons like you and me don't talk a little louder and considerably more frequently and coherently about poverty than we have in the past--there can be some dire consequences. For one thing, if we wait too long no one is going to be able to hear us above the growing roar at the bottom of the ladder. You should have heard the roar at the recent White House Conference on food. More important, though, the more people like us get ourselves involved, the more likely it is and the quicker it will be that the national body will gain some real leverage on the problems of poverty.

The Economic Research Service does get some exposure to conditions of the poor--the most recent is in the context of the evaluation of the Expanded Food and Nutrition Education Program. In this program, FES has over 5,000 indigenous aides, with special training and supervision provided through the Land Grant Colleges and Universities, seeking out and teaching the culturally deprived on matters relating to nutrition. As of last count, they were

This speech is based in large part on materials developed by Miss Edna Jones, Senior Analyst, Datagraphics, Inc., Allison Park, Pennsylvania.

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working with more than 150,000 poor families. Those who evaluated the program at the grass roots observed that this educational system is--appropriately--working two ways. New insights and understandings about poverty are indeed seeping all the way up through the establishment.

I'd like to share with you on the basis of our most recent observations and reports some concepts about the cost of being poor that are not generally thought of, about the interactions among these costs, and finally, about what promises to function best as leverage for change.

Franklin Roosevelt, in his memorable "four freedoms" speech to Congress on January 6, 1941, didn't mention "economic freedom" per se, but the Nation's thirty million poor have infinitely less economic freedom than their more affluent countrymen. Not only does the poor consumer have less money to spend, but his discretionary freedoms of time, place, quality, amount, and mode of purchase are severely restricted. Let's look at each of these facets of consumer inflexibility for the poor. Oh, and I'm not talking about general buying. I'm talking about necessities for an individual's or a family's well-being. In many instances the poor are paying more for the very necessities of life than the rest of us.

For example, time of purchase is an extremely important determinant of the cost of most items. The "thrifty" consumer can use fluctuations in prices to good advantage. End-of-season clothing sales are representative of the sort of saving which can be realized. The seasonal variations, even the weekly "specials" in food prices are another, particularly where the consumer has a home freezer. But the poor consumer can take little, if any, advantage of these possible savings. While the buying habits of the more affluent members of the buying public are determined at least partially by convenience, those of the poor are dictated almost exclusively by an existing need. Of what use is a sale on children's summer clothing in September, if the seat just gave way in Johnnie's only pair of winter school pants this week? "Poor" is trying to keep expenditures as near even with income as possible, and there is very little flexibility in this situation. How quickly a good budget plan is destroyed when even a small emergency cannot be met--when there are no savings to absorb the "bumps," only present income!

Let me tell you about a recent case. Some of the Expanded Food and Nutrition Education Program aides in a large eastern seaboard city became convinced that food retailers in their community were actually raising prices when welfare checks were distributed. Part of the aides' job is to help raise the nutritional level of their client families. Since increased prices would

measurably affect their clients' nutritional intake, they advised families to delay buying food until a few days after the welfare checks were distributed.

Now, I am not here to debate the existence of this situation--and our research indicates it is not a problem of national scale. The crucial point is that the aides failed almost completely in their efforts to effect delays in food purchasing. This was NOT because of apathy on the part of the home-makers--they honestly believed that prices were being raised--the families simply could not wait. Most of them had already been waiting--for a welfare check. In this instance, aides were suggesting only a few days' delay in buying. Can you imagine the effectiveness of telling a poor family that buying clothes a half-year ahead of time will save them money? "Poor" is buying when you can.

Where one buys items can also have a distinct effect on how much these items cost, and again, the poor consumer has little control over where she spends her money. Dr. Joseph Uhl at Purdue, in reporting to economists on his studies of buying, commented recently that American education is producing scientific geniuses and illiterate consumers. Most people, particularly the affluent, know that prices on equivalent items often vary widely from store to store. Whether or not they make use of the information, they at least have the freedom to do so. The suburban purchaser can leave the children with a babysitter and take off in the car for whatever store has the best buy. She can classify her needs by purchase type--greens at one market, eggs at another, or draperies at one end of the city and appliances at the other. Not so the poor. No babysitter, no car, no bus or taxi fare--in short, no freedom. The poor are somehow fenced into a small geographical purchasing area by economic and psychological barriers. This is particularly true of the rural poor, but it also applies in large metropolitan areas. "Poor" is buying in the neighborhood, at whatever the prices happen to be.

The poor are particularly vulnerable to the door-to-door salesman. In a rural county in the South, for instance, nutrition aides reported on an enterprising appliance salesman who managed to sell home freezers to a number of poor families who had only recently obtained electricity for their houses. His primary selling point was that the families could prepare many foodstuffs for freezing and thus keep them throughout the months in which these foods were not grown or sold. The salesman was, of course, correct in this statement. But somehow the purchasers received the impression that the freezers could be used as substitutes for refrigerators. Their first experiences with trying to freeze such things as lettuce, cabbage, and butter were, needless to say, somewhat disappointing.

It is not clear in this case whether the salesman had deliberately tried to victimize the people, although the possibility must be admitted. Whatever his intentions, the results were clear--families who bought the freezers were saddled with payments plus the need for another major appliance.

One of the most talked about areas in consumer-producer relations is product quality. We are all familiar with the growing outcry against the philosophy of planned obsolescence and shoddiness of manufacturing. I would bet if we took a survey in this room we could come up with quite a list of personal experiences with non-toasting toasters, cars which shed their parts like molting canaries, radios that go snap, crackle and pop--and television sets that seem to be dependent upon monthly visits by servicemen for their existence. Some of us can afford to buy insurance for repairs on major appliances--the poor cannot.

Another aspect of quality also has a bearing on the value of products to the consumer. I shall borrow a phrase from the military-industrial world and call this aspect "cost/effectiveness." If, for instance, a \$4.00 pair of shoes lasts only two months, and a \$16.00 pair of shoes lasts for 18 months, which is really cheaper? The answer is obvious. There is often, although by no means always, a positive relationship between the cost of an item and its relative quality. The discriminating consumer can learn to take advantage of this situation by buying items which are of sufficient quality to wear well, but not so expensive that the benefit of buying them is outweighed by their cost. Again, however, this avenue is seldom open to the poor consumer. His lack of financial flexibility forces him to buy only what he can immediately afford. Even if he is aware of the advantage of buying a more expensive brand or item, he cannot take advantage of the knowledge. "Poor" is buying whatever quality shoes and trousers you can manage on your time payments.

Buying in bulk is another way in which household costs may be kept down. Not only are many items discounted when purchased in comparatively large quantities, but taking advantage of sales by buying extra amounts of sale items is an excellent way to decrease the amount spent on staples. We teach this constantly. The poor are not able to exploit the benefits of bulk buying. If a mother has to feed a family--she cannot forego buying milk in order to purchase five extra cans of beans which happen to be on sale at six for a dollar. So, "poor" is buying in amounts you can afford--usually one at a time--and not being able to take advantage of the "twofers and threefers."

Many years ago a famous man expressed this quite effectively in a single sentence. He said, "The poor can't afford to be frugal."

In general, very poor people have almost no flexibility in the method by which they pay for their purchases. Without any collateral, and with the condition of poverty as a given, it is difficult, if not impossible, for many families to obtain credit. This closes the door on the possibility of using most of the avenues of cost/effective buying about which I have been talking. When they can get credit, it often works against them by enmeshing them in a financial web which they often do not understand and are powerless to control. Credit to the affluent is often a payday to payday convenience; to the poor, it is usually a long haul leading to a far higher cost per item than you or I would pay. "Poor" is paying more interest on credit terms because it takes longer to pay. And as an additional cost of credit, think how quick, easy, and cheap it is for us to pay our bills. If we keep a minimum balance in our checking account, the check costs nothing and it takes us very little time to pay our bills. We sometimes even get the envelope free and just add a 6-cent stamp. Without this convenience, the poor must make a special trip to each store in which they have payments to make--spending busfare and considerable time. They could send a money order--but that costs money and a trip to a post office which is not always close.

The poor and, to a lesser extent, the American people in general, are also hampered by inadequate consumer education and sophistication. While the aspects of buying previously discussed comprise a considerable portion of consumer sophistication, there are other considerations. Through a lack of acquaintance with merchandising and advertising techniques, the poor consumer is often led to purchase inappropriate merchandise. I noted earlier that the poor are particularly vulnerable to door-to-door salesmen. Salesmen rarely come in response to expressed needs of the consumer, and even less often in response to the real needs of the poor. For example, the evaluators observed in one county that a number of homes had the same gilt-framed picture of a martyred hero. Homemakers reported that they were paying a salesman \$25 on time--for a picture which the program evaluators estimated might have cost \$2.98 at a retail store. While the picture was probably a psychological necessity, that price tag was quite out of proportion to its worth. This episode might not have occurred if the purchasers had known more about buying and had more experience in what was available in regular retail stores. Unfortunately, the people who are likely to be hurt most by a lack of knowledge are the very ones who are least likely to be able to acquire such knowledge. Because of their history of limited buying power, lack of consumer mobility, and inflexible finances, they have little opportunity to acquire the purchasing sophistication of more affluent consumers. And, since poverty has in many cases become institutionalized, poor people are not likely to learn these skills from their families.

There are a multitude of agencies and programs set up to help the poor. Some of the most important are the various food assistance programs. When they work well, these programs accomplish at least a large portion of the desired outcome---improved nutrition for the poor and the release of a portion of their income for other kinds of expenditure. Yet, even in these programs, situations sometimes conspire to rob the poor of the advantages gained from participation. In a rural area, the nutrition aides reported an incident of a woman who was feeding the oatmeal from her commodity food program to her hogs. She said she didn't like the oatmeal, and didn't know any way to prepare it so the family would eat it. Another family had painted their shed with a mixture of water and commodity powdered egg mix. No one in the family knew how to read well enough to decipher the instructions on the tin. The indigenous aides in the nutrition program have been particularly effective in situations like this, since they can generally find the underlying causes for misuse or failure to use food assistance. The nutrition aides report that without special instruction and a chance to taste commodity items such as bulgar, poor people just don't understand how to use foods they've never known before. The fact that you and I pay \$0.85 for bulgar under a different name doesn't mean a thing to them. For the thousands who aren't reached by the nutrition education aides, such problems can nullify the potential of food programs.

Up to this point, I have been talking only about economic matters. But there are other costs to being poor. Some of these are inextricably interwoven with the economic costs of poverty; some are indeed the result of poverty; but all are degrading.

There is an entire spectrum of educational, psychological, and physical costs which may attend the condition of poverty. The fact that a third of the adults in Marengo County, Alabama failed to complete more than three years of education is a statistic few people have on the tips of their tongues. Its meaning in terms of the well-being of the people is known to even fewer. The coincidence of mass low education and poverty marks ignorance as an added cost of being poor--all the prattling about equal education to the contrary.

It has been estimated that as much as 60 percent of the Nation's ghetto population may be emotionally unstable enough to require professional care. Eminent psychiatrists have pointed out that although the incidence of severe psychosis among some poverty groups is high, the treatment of poor psychotics has lagged far behind that of the more affluent members of society. Whereas the relatively well-to-do generally receive treatment by private psychiatrists or in clinics, the poor are treated in hospitals. In addition, poor people generally do not receive the individualized care usually afforded to the

wealthier patients. They are much more likely to receive electroshock and drug therapy, rather than the more costly individual psychotherapy. The reasons behind this condition are largely economic, but not wholly so. It has been noted, for instance, that psychiatrists in general have failed to comprehend the kinds of problems and situations to which poor people are exposed. The psychiatrist attempts to treat mental aberration from his own socio-economic point of view, without developing the rapport and understanding necessary for effective therapy (Man Against Poverty: World War III).

Perhaps a more basic issue than the lack of adequate psychiatric care for the poor is what makes ghetto dwellers develop mental and emotional aberrations in the first place. This is a difficult area to grapple with, since interpretations of the causes are many and varied. Yet, it does not take a great deal of insight to isolate a few potential causes--hopelessness, joblessness, fear, and frustration. I will leave specific interpretation to more qualified personnel, but surely a society which bombards its members with messages that cars, homes, electric ranges, hair dressings, and the "right" deodorant are all prerequisites for success and happiness, and then manages to exclude a significant number of its members from participating in the quest for these things cannot expect only good to come from the situation. Can we rationally expect a housewife who is afraid to step out of her apartment door because of the gangs who roam the halls of many urban housing projects to have the same confidence and trust in society as does the suburban homemaker? I think not.

The educational deficiencies of the poor are well known. In the inner cores of the Nation's large cities where poverty is rampant, schools are notoriously poor. The report of the National Advisory Commission on Civil Disorders takes note of the fact that "...ghetto schools have experienced overcrowding. Shortages of textbooks and supplies have developed. Double shifts are common; hallways and other non-classroom space have been adopted for class instruction; and mobile classroom units are used." The report also mentions several instances of seemingly discriminatory educational practices, with school overcrowding in areas with a high percentage of ghetto Negro enrollment being a much greater problem than in white or predominantly white schools. Our society also spends less money educating ghetto children than children of suburban families. The teachers in schools attended by disadvantaged Negro children tend to be less experienced and qualified than those in schools attended by middle-class white children. The ghetto schools also tend to have fewer facilities than those in more prosperous areas. This list of indictments of our educational practices and priorities could go on and on, but it tends toward overkill. Let's take a look at the results: the average black sixth-grader of a northeastern metropolitan area is, on the basis of

standard achievement tests, 1.6 grades behind his white counterpart. By the twelfth grade, this gap has widened to 3.3 grades. The black student is almost four times as likely as the white to fail the Selective Service Mental Test, and is three times as likely to drop out of school at ages 16 and 17. At least in urban areas, ghetto dwellers are clearly getting the short end of the stick (National Advisory Commission on Civil Disorders).

The extra costs of being poor are also physical. Many poor people exist under conditions which inexorably sap their energies and abilities to resist. Of the more than 2,000 homes on which our nutrition program evaluators collected data, roughly one-third did not have running water. Many of the poor families did not sit down together for meals because there was not sufficient room or furnishings. Can you imagine the energies that go into homemaking under those conditions? "Poor" isn't lazy; it's just very tired and often ill.

The extra costs of being poor, then, are not only economic--they are also psychological, educational, and physical. Clearly these are not independent costs. In fact, there is an almost insidious interrelationship creating an entrapment that might lead one to conclude that the only means of reducing the costs of being poor is to be rich. The recommendation made at the White House Conference for a \$5,500 annual minimum income for a family of four was a thought in that direction--but that alone will not solve many of the problems I have cited here, even if such federal expenditures were feasible.

When one looks in depth at the nature of the costs of being poor and looks across the effectiveness and ineffectiveness of poverty programs of the past couple of years, the importance of three separate types of leverage comes more clearly into focus.

The first and most far-reaching is educational leverage. Education has long-term effects. It also has a multiplier effect. Aides in the nutrition education program have observed this multiplier effect of education among homemakers--they find that what was discussed in one household, about low-cost meals, sometimes is known to the lady down the block before the aide arrives at that home. Certainly education is generational within the family. What the mother learns about food preparation is learned by her children through example. The converse is undoubtedly true. What children learn in 4-H and in school is carried home and can influence parents. The same is true of all other facets of education of the poor. To educate one person in Marengo County, Alabama beyond the fourth grade enhances the probability

that several others will aspire to more than a fourth grade education. And, although the delivery costs of education are high, the maintenance costs are close to zero dollars. Once the concepts are incorporated by the learner, she or he has them at their disposal from that time on.

The second approach is through economic leverage. Economic leverage has potential for what we might call positive regenerative feedback. That is, each dollar added to a poor person's income can reduce the added costs of being poor. The Food Stamp Program provides some of this type of leverage. Much more of this type of assistance is needed.

The third type of leverage is psychological or motivational in character. We have seen some of this kind of leverage coming into play in the recent nutrition conference, and more widely in the community action agencies throughout the country. The poor are becoming their own voice and the sound is penetrating the barriers of stereo-typing, moralizing, and philosophizing that have separated the other two-thirds of the Nation from them. Just to be heard is motivating.

On the optimistic side we do have hope--more importantly, "they have hope." Let me share with you some findings of a recent ERS study. A set of identical questions were asked of 1,249 heads of households in the Mississippi Delta Region--some poor, some affluent. Researchers wanted to discover if the poor were more pessimistic about their chances for bettering their lives than the affluent. It turned out they were. Did this pessimism block them from attempting to escape their economic plight? Surprisingly, it didn't stop them from trying. They were asked about willingness to take special training, change jobs, and moving to a distant city. Poverty status had no bearing on the response of the Delta residents to these questions. The persons most willing to take free training courses or make a 200-mile move were just as apt to be poor as affluent. But regardless of their financial status, these people were generally young rather than old, married more often than single, and Negro more frequently than white. Most headed up rather small families and had at least a sixth grade education.

The persons who showed the greatest reluctance to alter their lives were Negro female family heads. Many of these women were poor, but it appeared their family responsibilities hampered them more than poverty.

People in poverty have not seemed to fit well into the mythical mold of "the American way of life." The larger portion of the American public has tended to see poor people as beings apart from themselves. They see and

condemn the violence of the ghettos, but do not seek to understand the causes of the violence. They berate the poor for their alleged laziness and lack of initiative, yet do not seem sensitive to the reasons for their joblessness. For the upper two-thirds to really understand the lower third would be in itself a major psychological push forward.

I somehow have the feeling that any one of these three approaches, used alone, won't work. Certainly the leverage gained by the three in unison will be far greater than the sum of the three used independently. Together they tend to nurture one another, to have a synergetic effort. Or, to put it in the language of the poor, that would really bang it.