

## Eroding commitments to end poverty

SOPHIA MURPHY



Economic expansion continued in the last five years, absolute poverty rates dropped (marginally) and unemployment remained low (at about 4%). Nonetheless, five years after Beijing and Copenhagen, the US has little to boast about. What has it done with its wealth? Has it “integrated goals and targets for combating poverty into overall economic and social policies and planning...?”

The answer is “no”. The 2000 Presidential election stimulated some serious discussion of social policies, but the Bush administration now in power is not interested in combating poverty. The USD 1.6 trillion in tax cuts sought by the Bush administration over the next ten years will reduce already inadequate investment in social and health programs. The Bush budget increases military spending by USD 14.2 billion to a total USD 310.5 billion.

The US Census Bureau announced recently that it favours the Republican Party’s contention that only census returns should be used to count the population. This is despite the proven under-count that results from this approach - particularly of poor and minority Americans - and the existence of well-established, more accurate statistical methods. The result will be ten more years of under-funding for federal programs that provide a social safety net and political disenfranchisement through misallocated electoral districts.

### Tax cuts proposals

On March 1, 2001, the US House Ways and Means Committee approved the core of President Bush’s tax cut plan.<sup>1</sup> The committee approved the legislation with no public testimony and before approval of the overall national budget. This plan marks a clear departure from recent tax reform proposals, which tried to reduce the burden of tax on lower and middle-income earners and had the support of both political parties. Instead, Bush’s plan focuses almost all the benefits of the tax cut on the richest one percent of the population.

The last such radical tax cut, under the Reagan administration in 1981, resulted in huge government budget deficits in the late 1980s and early 1990s. The Clinton administration reduced this deficit with the help of USD 56 billion in cuts to food and cash assistance to the poorest US citizens, under the so-called “welfare reform” legislation in 1996.

President Bush’s proposal focuses on income tax reduction, but people living in poverty pay more payroll than income taxes. Payroll taxes include Social Security (for retirement) and unemployment insurance. The plan does nothing to relieve this tax burden on low-income earners. The Center on Budget and Policy Priorities calculates that a single mother with two children working full-time and earning USD 22,000 a year would receive no tax relief at all under the plan.<sup>2</sup> Eliminating her income tax makes no difference, as she is already effectively exempt from paying it.

### The rich and the poor

According to government numbers, “American households experienced another year of strong, broadly shared income growth in 1999, and poverty fell sharply, .... But income inequality remains historically high, annual earnings of full-time workers grew more slowly than in recent years and family hours of work continue to expand.”<sup>3</sup>

Poverty rates fell from 12.7% in 1998 to 11.8% in 1999 and the income gap between middle and lower-income earners closed to some extent.<sup>4</sup> Income at the top level, however, grew more rapidly than at the bottom, ensuring that income inequality persisted. At the same time, middle-income households are working longer hours to maintain their income level. Middle-income, married-couple families with children, headed by someone aged 25 to 54, worked an average of 33 more hours per week in 1999 as compared to 1998.<sup>5</sup>

The poverty rate for African-Americans in 1999 was 23.6% - about three times that of non-Hispanic Whites. African-Americans, together with American Indians, the Nait of Alaska and Hispanics, suffer poverty at a much higher rate than non-Hispanic Whites and other minorities.

Unemployment is low, but wages are also low. Finding a job that pays enough to stay above the poverty line is difficult. Despite the proven benefits of increasing the minimum wage, particularly for working women who are disproportionately represented at the low end of the income scale, US Congress is unwilling to raise (the very low) minimum wage. In a joint analysis of the results of the 2000 Population Census, the Economic Policy Institute and the Center on Budget and Policy Priorities found that the incomes of the highest paid 20% of workers had increased significantly over the past 20 years, while those of the poorest fifth of the population had declined in many states.<sup>6</sup>

Proposals to address poverty and inequality include raising the minimum wage, strengthening unemployment insurance and reforming regressive tax systems. Unfortunately, President Bush’s proposed tax cuts promise to create new deficits that will eliminate budgets needed to implement US commitments to the Social Summit, except, perhaps, in the area of education.

1 David E. Rosenbaum. “House Committee Approves Core of Bush’s Tax Cuts.” *New York Times*, 2 March 2001.

2 Robert Greenstein and Isaac Shapiro. *Taking down the toll booth to the middle class? Myth and reality governing the Bush tax plan and lower-income working families*. Center on Budget and Policy Priorities, 6 February 2001.

3 Economic Policy Institute. *Income Picture*. 26 September 2000, <http://www.epinet.org/webfeatures/econindicators>

4 U.S. Census Bureau. *Poverty: 1999 Highlights*. 20 September 2000, <http://www.census.gov/hhes/poverty>

5 Economic Policy Institute, *op.cit.*

6 Economic Policy Institute and the Center on Budget and Policy Priorities. *Pulling Apart: A State-by-State Analysis of Income Trends*. USA: January 2000.

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## Copenhagen and Beijing follow-up

The US government is politically indifferent to commitments made in Copenhagen and Beijing. The statement by Donna Shalala, Secretary for Health and Human Services and leader of the US delegation to the World Summit for Social Development Review Conference in Geneva, gave no indication of the scope and ambition of the governments' commitments in Copenhagen against poverty and for equity.<sup>7</sup> The US government never created a mechanism to follow-up the commitments it made in Copenhagen. For much of the past five years, there has been no dedicated focal point in government to monitor implementation. No effort was made before the Geneva meeting to assess with civil society the implementation of commitments to date.

For Beijing + 5, the effort was a little better. A series of meetings was organised around the country and, in answering the UN questionnaire on implementation of the Beijing Platform for Action, the United States was able to point to some important initiatives and new spending priorities that reflect a stronger concern for women's issues.<sup>8</sup> The Clinton administration appointed more women than ever to top-level cabinet, executive and judicial positions.

An NGO report on US implementation of the Beijing Platform published by the Women's Environment and Development Organisation (WEDO) shows that, while more women are working than ever before, they work in jobs that do not pay enough to support their families.<sup>9</sup> This situation has worsened in the last five years. Women in the United States still earn only 76% of what men earn, on average. At this rate (it was 59% in 1963), it will take more than 50 years to reach parity! According to the Economic Policy Institute, the gender wage gap widened by 1% in 1999 over 1998.

## The less generous donor of Official Development Assistance

The United States remains the least generous ODA donor as a percentage of its GNP.<sup>10</sup> In 1999, it gave 0.10%, constant with 1998 levels. As before, the largest part of spending on overseas projects was for military expenditures. In 2000, the US Congress allocated USD 435 million for debt relief - some USD 200 million short of the goal set by Clinton in his statement to the G-8 meeting in Cologne. The US spent only 0.5% of its bilateral ODA on basic education and 1.6% on basic health programs in 1998.

## "Africa Growth and Opportunity Act"

In May 2000, the United States passed the "Africa Growth and Opportunity Act" into law. This Act, celebrated by its proponents as a great victory, found little enthusiasm in the US and African NGO community.

The legislation was presented as a move away from aid to trade, and as a way to 'bring Africa into the world economy'. But even if one assumes that development will follow international trade and investment, the Act falls short. Products of vital interest to some African countries but sensitive to political pressure in the United States, such as sugar, were excluded. Measures to remove tariffs on textile exports to the US require that the raw materials originate in the US, undermining efforts to build an integrated textile industry in Africa and ignoring the benefits that new markets for cotton and other materials grown on the continent could bring.

The Act also builds in considerable conditionalities, many of them in areas that are heavily contested by African governments in other arenas, including the World Trade Organisation.<sup>11</sup> For example, countries that enter into trade agreements with the US under this Act will have to eliminate barriers to US trade and investment, including granting US firms equal treatment with African firms. Barriers to imports from the US have to be removed.<sup>12</sup> As the experience of implementing the Uruguay Round Agreements has shown, there is every danger that such liberalisation, without consideration of development needs in Africa, will only increase imports to the continent, further jeopardising the livelihoods and productive capacities of some of the poorest people in the world.

## Conclusion

Unless there is a political shift toward greater internationalism and a renewal of the spirit that marked the anti-poverty and civil rights initiatives of the 1960s, it is difficult to see how the United States will fulfil even the spirit of its Copenhagen and Beijing commitments. The struggle continues. ■

Institute for Agriculture and Trade Policy  
<smurphy@iatp.org>

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7 Donna E. Shalala, Secretary of Health and Human Services, "Nourishing Human Potential Around The World," statement made at the *UN General Assembly Special Session on the World Summit for Social Development*, Geneva, June 2000, <http://www.hhs.gov/news/speeches/000626.html>

8 *U.S. response to UN questionnaire on the Implementation of the Beijing Platform for Action*, U.S. State Department, <http://secretary.state.gov/www/picw/beijing/questionnaire.html>

9 WEDO et al. *Women's Equality, an Unfinished Agenda*. USA:2000.

10 This section draws from *The Reality of Aid 2000* and, in particular, the chapter on the United States, by Emira Woods and John Zarafonitis at InterAction.

11 "Africa: Growth and Opportunity Act a Danger." Third World Network, African Regional Secretariat, October 2000, <http://www.corpwatch.org/trac/headlines/2000/353.html>

12 Grace Buhera, "Significance of Africa Growth and Opportunity Act for the SADC Region." *The Black World Today*, 20 December 2000, <http://www.tbwt.com/views/feat/feat6014.asp>