



Problems of poverty and inequality in society need both social and spacial solutions. **BY BEVERLEY PITMAN**

Persistent Inequality and ‘Poverty Traps’

‘THE GROWING GAP’ is a phrase that Armine Yalnizyan uses to describe the sharp increase in the number of affluent families and the stagnation of poor ones in Canada over the past thirty years.¹ “In 2004,” she writes in a just-released study, “the richest 10% of families raising children earned 82 times more than the poorest 10%—almost triple the ratio of 1976, when they earned 31 times more.”

By focusing on income trends for all Canadian families, not just those living in poverty, Yalnizyan’s report, *The Rich and the Rest of Us*, shifts the explanatory focus to a dynamic much bigger than individual luck or success, lack of training, or effort, or motivation—namely, the redistributive mechanisms of the Canadian economic system. The study concludes that while wage earners in Canadian families have done their part as individuals, in true Horatio Alger fashion, by working longer hours over the last three decades, their country’s economic policies have disproportionately benefited a select few.²

The stubborn persistence of poverty in the world, including affluent countries like Canada, is something orthodox economists find difficult to explain. Economic competition together with liberal economic institutions is *supposed* to lead to convergence in the economic fortunes of individuals and their households, particularly during periods of economic growth. In Canada, between 1964 and 2004, the arguments of *The Rich and the Rest of Us* suggest that convergence pressures were more than offset by a strong counter pressure—the redistributive policies and practices of the state.

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Other economists maintain that persistent inequality—“Canada’s poorest families appear to be stuck in time,” Yalnizyan states—is more

¹ Yalnizyan, A. (2007). *The Rich and the Rest of Us: The Changing Face of Canada’s Growing Gap*. Toronto: Canadian Centre for Policy Alternatives.

² Horatio Alger, as Bowles et al. (2006) remind us, was the 19th century American writer whose heroes all escaped poverty “by dint of effort, ability, and inner strength” and whose lasting effect is the idea that “an individual’s socioeconomic prospects are largely under his or her control” (what economists call ‘the achievement model of income determination’).

often the result of a combination of things, including (but not limited to) state activity. In a recent book called just that, *Poverty Traps*, Samuel Bowles, Steven Durlauf, and Karla Hoff have elaborated three broad kinds of explanations for the persistence of poverty in the world.³ All focus on the formation of a spatial concentration of poverty that locks people in and shuts them off from economic opportunity.

The first type of explanation for persistent poverty that Bowles et al. describe focuses on certain *critical thresholds*—in overall wealth or human capital—that must be reached before the forces of standard competitive theory step in.⁴ A common situation in impoverished countries is a chronically under-funded educational system, which prompts those who can afford to acquire an education elsewhere to move, leaving behind those who cannot—in a hopeless trap.

The second explanation focuses on *institutions* themselves. Historical studies of economic development show that a certain broad class of institutions has played a central mediating role in the evolution toward a market-based society with opportunities for a broad cross-section of the population. In areas of the world where such institutions (private property, for example) have been absent, underdeveloped, uncoordinated or corrupt, and where opportunities for individual

social mobility have consequently been few and far between, income disparities have tended to the extreme.

The third type of explanation for poverty's persistence originates in the research of William Julius Wilson, an American sociologist whose longitudinal studies of 'ghetto poverty' (neighbourhoods with poverty rates of 40% or more) in Chicago's black inner city have initiated a new literature on *neighbourhood effects*.⁵ Wilson has

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found that peer effects, role model influences, and other factors operating at the level of the social group help explain the persistence of poverty in small, spatially bounded areas. In seeing the ghetto as a place apart—a zone where social groups, social interactions, and socio-economic life all differ from those in mainstream

³ Bowles, S., Durlauf, S.N. and Hoff, K. (eds.) (2006). *Poverty Traps*. Princeton, NJ: Princeton University Press.

⁴ See Bowles et al., *Introduction*.

⁵ Wilson, who is likely best known for his 1987 book, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (University of Chicago Press), sets out his 'neighborhood effects' approach in *When Work Disappears: The World of the New Urban Poor* (Vintage Books, 1997).

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society—he also sees the growth in joblessness and economic exclusion in these neighbourhoods as strongly connected to the spatial and industrial restructuring of the US economy. In fact, he believes such forces have triggered a process of ‘hyperghettoization’ in American cities.⁶

A study called *Poverty By Postal Code* has recently used Wilson’s neighbourhood-effects approach in an investigation of persistent and spatially concentrated poverty amongst families in metropolitan Toronto. Prepared by the United Way of Greater Toronto and The Canadian Council on Social Development, the study traces changes in the geography of family-based poverty in 1981, 1991, and 2001.⁷

The key findings of *Poverty by Postal Code* were as follows:⁸

- In 2001, almost one in five families in Toronto were living in poverty (according to Statistic Canada’s low-income cut-offs).
- Toronto’s ‘poor’ families were much more concentrated in neighbourhoods where there is a high proportion of families living in poverty in 2001 compared to twenty years ago. In 1981, just 17.8% of ‘poor’ families lived in such neighbourhoods, compared to 43.2% in 2001.
- Concentration has resulted in a dramatic rise in the number of higher poverty neighbourhoods

in the City of Toronto, approximately doubling every ten years, from 30 in 1981, to 66 in 1991, to 120 in 2001.

- In inner suburbs, the combined total of higher poverty neighbourhoods rose from 15 in 1981, to 92 in 2001.
- And lastly, there has been a profound shift in the resident profile of higher poverty neighbourhoods, with ‘poor’ visible minority and immigrant families making up a far larger percentage of the total ‘poor’ family population in those neighbourhoods today than twenty years ago.

What are the implications of the poverty-trap idea and studies like *Poverty by Postal Code*?

Above all else, they demonstrate that persistent inequality is produced not only by the forces of economic competition and the income redistribution policies of states, but also *socially*—through the interactions of individuals, families, neighbours, and other community members—and *spatially*—through urban neighbourhoods.

And because the lived experience of the growing gap between rich and poor is that of families in their neighbourhoods, measures to alleviate poverty must begin there, with them—and involve the neighbourhood and community associations, and municipal governments that support them. ■

⁶ See, e.g., Wacquant, L. and Wilson, W.J. (1989). The cost of racial and class exclusion in the inner city, *Annals of the American Academy of Political and Social Science*, 501(1): 8-25.

⁷ United Way of Greater Toronto and The Canadian Council on Social Development (2004). *Poverty by Postal Code: The Geography of Neighbourhood Poverty, 1981-2001*. Toronto: UWGT and CCSD.

⁸ *Ibid.*, p. 4.