Editor's Note: The following four short essays were written by students in a Freshman Seminar course taught by Dr. Seeborg in the fall of 1992. The course dealt with issues related to race and poverty.

Causes of Poverty in Chicago

by

Angela A. Smith

Chicago is one city that has been hit hard by poverty. It has lost much business and industry, it has lost much of its middle-class population, and it has experienced an increased crime rate.

Several systemic problems have contributed to increased poverty in Chicago, making it nearly impossible for the urban poor to escape the cycle of poverty.

One factor contributing to increased poverty is the lack of willingness by financial institutions to reinvest in black communities, especially poor black communities. When black businesses or neighborhoods are destroyed by a natural disaster or civil unrest, they often are never rebuilt. This contributes to a lack of jobs in these communities.

America's poor also are suffering at the hands of big business. Those who live in government subsidized housing are often displaced by what is called "progress." When a housing project is demolished to make way for a new building, the new building usually is an apartment complex intended to house non-welfare recipients or some other structure like a sports stadium. Construction of the new Chicago Stadium on the city's impoverished West Side, for example, will displace the poor living in the area.

In many ways, the federal welfare system has helped to perpetuate the cycle of poverty that has trapped so many of the nation's poor. According to Daniel Bassill, executive director and founder of Cabrini Connections, the welfare system is very "unuser friendly" and in many ways it "makes people cheat" in order to get by.

It is a system that does not allow welfare recipients to have assets--one must be financially broke to receive more aid. Gary Guichard, a Cook County public defender, notes the unfortunate effects of this policy with the case of a woman who was criminally prosecuted for welfare fraud because she saved money for her daughter's college education. This is just one example of how the welfare system discourages initiative and limits the ability of individuals to break the cycle of poverty.

The problems of housing and welfare are closely linked. Social worker Lynette Thomas points out that the Chicago Housing Authority (CHA) often subsidizes "substandard housing" for the poor. In many cases, the CHA is paying the bulk of a $500--$600 monthly rent for apartments with no hot water or heat.
The reality of poverty hit me very hard when I witnessed inner-city conditions in Chicago as part of a freshman seminar course on "Race and Poverty" that I took last semester at Illinois Wesleyan University. Looking at all the decay and deterioration it is easy to understand how most of us pass by these areas and are unable to see past the rubble. We don't see that what is now the empty shell of a building was once, perhaps, the dream of a young entrepreneur.

This environment also limits the viewpoints of those who live in poverty plagued areas. They often are unable to see much hope for themselves in terms of escaping their impoverished neighborhoods.

When one is surrounded by ruin and hopelessness, it becomes difficult to see much else.

Race and Poverty

by

Tim Culbertson

The inner city has suffered in the second half of the 20th century. Business has moved out, crime has proliferated, and the only people left in the inner city are the poor.

The debate over the causes of and solutions for inner-city problems are a leading topic in domestic policy discussions. Theories about the cause of inner-city poverty tend to belong to two schools of thought.

The structuralist theory argues that poverty is a result of the system—the poor underclass has no responsibility for their own poverty. For example, blacks who formerly lived in areas now considered ghettos had middle class incomes so they were able to own and maintain homes. When middle class blacks began migrating to the suburbs, they sold their homes to others who were not as well off. These new homeowners were affluent enough to own homes, but did not have enough disposable income to provide for proper upkeep of their homes and neighborhoods, which began to deteriorate.

The neoclassical school, on the other hand, criticizes welfare and other government aid for the poor, arguing that such social programs are undesirable since they tend to undermine the incentive of recipients to work and save money. Under most benefit programs, recipients are penalized for earning additional income. For example, a welfare family might have benefits removed on a dollar-for-dollar basis if the head of household earns additional income. There is really no incentive for working if the same amount of money can be gained without getting a job.

While the welfare system does encourage freelisting, it also is true that there are few work opportunities in the inner city. As inner cities decayed, there has been a lack of capital for reinvestment. There is simply no interest in rebuilding the inner city—money moves to the suburbs and never seems to come back. Jobs follow the money. Most jobs remaining in the city are held
by suburban commuters. Institutions with money are not willing to reinvest in an environment of decay, even though it is their very lack of reinvestment that promotes the decay. Therefore, the remaining jobs are difficult to find and are low paying.

However, there are some solutions designed to bring the inner city out of decay and back to life. Most importantly, the people of the inner city and underclass must be willing to get involved.

In downtown Chicago, for example, housing projects are being planned where residents would not be exclusively low-income families. This mix of residents provides a source of disposable income to provide for upkeep. Integrating different economic classes can also provide more positive role models, which are badly needed in an environment rich with crime, poverty, and failure. Other cities have instituted pilot programs where police move into public housing complexes to provide a deterrent on crime.

The welfare system is in dire need of reform. There is no excuse for a system which effectively taxes outside income at ridiculous levels—in some cases 100 percent, for the people it claims to help. It encourages and even requires families to spend their periodic allotments; those who save some each month are penalized or prosecuted for fraud because they tried to help themselves. The system encourages cheating, it discourages initiative, and it tends to degrade those who are on the dole.

Instead, the welfare system should be simple and direct—it should keep people on their feet in hard times, rather than keeping them hovering below the poverty line indefinitely. The money saved could be better spent in areas such as education as a hedge against poverty in future generations.

There also is hope with regard to reinvestment in the inner cities. With the return of the middle class, there will be more demand for rebuilding urban areas as more consumers with disposable income appear. This could lead to revitalization of cities. The presence of active business would increase employment opportunities and hopefully reduce the grip of poverty on the underclass.

With the right solutions and enough hard work, there is a chance that inner cities can become revitalized. It cannot happen overnight, but if the government and the people cooperate—it will happen.

Reflections After a Trip To Chicago
by
Dan Hobbs

I grew up in a town of about 2,000 people. My parents decided to settle in western Nebraska, where my mother spent her childhood.

I went to very small schools, where the entire enrollment was a mere fraction of many schools’ graduating classes. No one could really choose which school to attend, since there was only
one. Consequently, I grew up with a large variety of people. My classmates were prominent businesspersons' children as well as the destitute. Society was much less economically stratified than in a city, and I got acquainted with all sorts of people. My parents did not want my brothers and me to live in a socioeconomic vacuum.

I have seen some of the worst neighborhoods in Chicago. They are places where thousands and thousands of people live in abject poverty. How have we let an urban underclass emerge silently in such a prosperous nation?

An absence of community throughout the inner city is one major reason why, I believe, the urban underclass has grown. Several years ago, as the urban underclass appeared, the look of certain neighborhoods changed dramatically. Middle-class blacks and whites moved to the suburbs, and the predominantly black poor were concentrated in the core of American cities. Housing projects, once an exciting new atmosphere which people were anxious to move into, deteriorated, and to live in one was a shame. Entire neighborhoods were ripped apart by expressways, leaving many people homeless. Public schools became places where personal security and survival became far more important than academics.

I did not experience any of these problems in my hometown. I strongly believe this is because I always lived in a community. It is important that there be people in your neighborhood you know and trust.

The role models for too many inner-city children are drug-dealing gang members, offering immediate protection from other gangs, transparent friendship, money, and status. The people inner-city youngsters see every day provide no inspiration for success. Life expectancy is much shorter than in the outside world, and inner-city youth feel they must become rich and powerful before they get shot like so many others. The concept of delayed gratification is foreign to the inner-city-residents who live day-to-day and have no long-term goals. In a community, there are people with high ambitions and those who have been left far behind; but in the inner city, no one feels inspired to achieve.

Environment plays a huge role in determining who we are. No one is born knowing they always will be poor. What a person sees daily defines their boundaries. In a true community, where success and satisfaction are admired and coveted, people see opportunity. In the inner cities of America, success is reserved for those on the outside. The urban underclass constantly is reminded that they are nothing but poor. The inner cities of America must become integrated not only racially, but economically.

Part of the solution to the plight of the inner city—a solution often overlooked—is the establishment of true communities instead of "housing." How can one succeed when surrounded by pessimism and crime?

A few businesses nationally have been provided tax breaks
in order to relocate in the inner city. They have been successful in making a profit and bringing jobs to the inner city. When working becomes routine for even one resident that person shows the neighborhood that success in the inner city is not impossible. Soon other residents would adapt a lifestyle in which employment is central. The trick is keeping good role models in the inner city and not letting success be strictly for the suburbs.

It is very important that we rebuild the horrible American ghettos and make them habitable. The inner cities of this country must no longer be ignored. Instead of saying, "Oh, isn’t it a shame", it is up to us as a nation to form communities where pride and dedication—rather than laziness and despair—form the most admirable role models.

**Poverty in Chicago**

_by Laurel E. Martin_

Expensive condos and luxurious high rises adorn Chicago’s gold coast. Ritzy restaurants cater to the affluent and Michigan Avenue’s pricey department stores attract only those waving Visa and MasterCards.

However, behind the glamour there is a growing population that remains trapped in poverty. Many reasons contribute to poverty in Chicago—and they all seem linked together in a chain that’s almost impossible to break.

A few decades ago, cities were rich with development symbolized by numerous industrial and manufacturing jobs available to blue collar workers. Wages were sufficient to support a family and a middle class lifestyle. This offered an attractive scene for immigrants and minorities who came to Chicago to find a better life.

However, a wave of deindustrialization eventually flew across the Midwest. Industries moved to the sunbelt, or even out of the country in search of cheaper labor. Other businesses relocated to the suburbs in hopes of avoiding the city’s high costs. The jobs that were left in the city required extensive skills, education, and experience—things inner-city dwellers did not have. A mismatch was created between available jobs and the qualifications of those looking for work. People were caught in urban entrapment. They were stuck in the city without jobs or the income to move to where the jobs had relocated.

A depreciation in land values followed urban entrapment as businesses and financial institutions that once catered to city neighborhoods closed down or moved to higher income areas. Landowners couldn’t afford the upkeep on their property and the tax base spiraled downward.

The city’s shrinking tax base played a pivotal role in the
decline of Chicago’s once excellent public schools. With understaffed schools and underpaid teachers, survival—not learning—became the main objective. Without strong schools, poverty will remain a way of life for large numbers of Chicagoans.

With the widening gap between the classes, there also has been an increase in the "under-class phenomenon." Violence, gang activity, vandalism, and homicide are on the rise. People without rewarding jobs or stable lives resort to these activities to find a sense of success or accomplishment.

Decreased land values, lower education levels, and increased crime rates are discouraging businesses to relocate in Chicago. If inner-city neighborhoods could attract investment, they would be on the road to recovery. The lack of reinvestment in poor neighborhoods leaves them trapped in a vicious cycle.

The solutions to Chicago’s poverty are complex. It’s easy to point out what is wrong in the city, but harder to say how to fix it. Three key reforms would help end poverty in Chicago:

- **Welfare Reform.** We need to make the welfare system "user friendly." Existing welfare programs give lip service to helping the poor, while encouraging parasitic tendencies since any earnings are 100 percent taxable. The welfare system should encourage steps toward getting people out of poverty—not hinder them. A workfare-type program could link people with jobs and salaries and perhaps even inspire private enterprise. A negative income tax would encourage people to get jobs instead of relying solely on welfare, a burden to taxpayers.

- **Education Reform.** The education system in Chicago needs drastic change. New investments in teachers, schools, computers, books, and science equipment need to be a priority. Administrative cuts in the school system and a redistribution of the tax base would fund sorely needed improvements. Improved education would allow more people to competitively enter the workforce and help end the vicious cycle of poverty.

- **Investment Policy Reform.** Banks, other financial institutions, and businesses need to reinvest in Chicago’s neighborhoods to improve them and to help create jobs, giving people the power of the purse—a power critical to reducing the "under class phenomenon." As more businesses return to the city and find a better educated workforce, poverty would begin to wane.

Poverty cannot easily be ended. Many people benefit from Chicago’s poverty, but the problem can not be ignored. With the present system, there is no end in sight. Moreover, it is causing it to grow. The end to poverty will come only with a reworked welfare system, a new priority placed on education, and a reinvestment in inner-city neighborhoods.
Clintonomics: A Vision of Change
by Barb Kube

With the Reagan/Bush years behind us, so too are the days of supply-side economics. Unfortunately, the problems of high unemployment and ballooning debt remain. These, accompanied by a sluggish growth rate and an increasing disparity between those that have and those that have not, are the problems facing the Clinton administration.

Elected on a platform for change, Bill Clinton neither wasted time nor minced words as he outlined his Vision of Change for America during his first State of the Union Address. President Clinton has proposed a comprehensive economic recovery plan aimed at reducing the deficit by $477 billion over the next five years, as well as simultaneously providing short-term relief and long-term solutions to the puzzles of unemployment and sluggish growth. In general, Clinton intends to meet these seemingly contradictory objectives by (1) revising tax codes, (2) instituting growth initiatives and (3) reducing government spending.

Clinton’s proposals are consistent with macroeconomic theory, which advocates using expansionary fiscal policy (increase spending and decrease taxes) to combat high unemployment, and a contractionary policy prescription for reducing the deficit (less government spending and more taxes). The diametric nature of the two policies is obvious. If a proper balance is not found and stimulus measures work too well or too quickly, Mr. Clinton will find himself fighting another enemy, inflation. On the other hand, when trying to provide meaningful deficit reduction, the President must be careful to avoid crowding out private investment which could push our economy back into recession. It is a precarious balancing act, much like walking a tightrope. Mr. Clinton’s proposals attack these problems with a similar dynamic and creative energy.

At the heart of Clintonomics is a belief in the urgent need to restore a sense of equity to the way government deals with our economic system, something that was lost in the 1980s. Leading the fight for equity is the tax reform package. In essence, the President would 1) raise the tax rates on affluent individuals; 2) increase the corporate tax rate from 34% to 36%; 3) tax 85% of income for wealthy Social Security recipients; 4) create an investment-tax credit for expenditures on new plants and equipment, provided that the investment is held for at least five years and does not exceed $1 million; and 5) initiate a BTU energy tax that will affect taxpayers who earn more than $30,000. Each change is aimed at creating a feeling of "shared sacrifice" by making those who have the most pay more. Thus, a greater sense
of progressivity will emerge.

In addition to being fair, instituting a BTU tax at the production level will help promote energy efficiency and economic independence for the United States. Clinton's plan, which is to be phased in over a four year period, places the highest per unit rate on oil. This is no accident. It is believed that placing a high rate on oil will help decrease America's dependency on foreign oil as well as encourage research on more environmentally safe and efficient forms of energy. Certain politicians and other critics of the BTU tax argue that this will actually hurt the American economy by increasing production costs. However, energy prices under the BTU tax would still be much lower than the corresponding prices in Europe and Japan. Some of these nations pay higher energy prices and still maintain a trade surplus with the United States. This suggests that lower energy prices cannot guarantee a better balance of trade; perhaps changes need to take place within the corporate structure.

Fueled by corporate down-sizing and increased worker productivity, the nation's unemployment rate is uncomfortably high and wages are stagnant. Furthermore, it has been estimated that permanent job losers accounted for 43.1% of the unemployed in 1992 (Nage 42). At the risk of being labeled "just another tax-and-spend Democrat," President Clinton has proposed numerous short- and long-run growth initiatives. Included in this agenda is increased funding for highway and other infrastructure projects, a national service program for the repayment college loans, a summer jobs program, the National Science Foundation (research grants) as well as programs for children such as Head Start and WIC. Choosing to invest in human capital sends a powerful message to the public—it tells taxpayers that the government does care about those who pay the bills; they will no longer be giving something for nothing. At the same time, such programs will benefit the entire economy in the long-run.

This second result is what distinguishes President Clinton's proposals from those of other "tax-and-spend" economic plans. His proposals recognize two fundamental economic principles. First, taxes are a function of government. Second, increasing taxes as a form of revenue-raising is not inherently bad, but rather the effectiveness of such fiscal policy is determined by the manner in which tax dollars are spent. Using tax revenue to fund long-term growth initiatives rather than one-time pet projects will benefit everyone. Even those who are being asked to bear more of the present tax burden will benefit from an improved economy in the future.

Investments in human capital, infrastructure, technology will do more than just create jobs in the short-run. Such programs will also increase efficiency, productivity and quality. This can help American businesses become more competitive in the global marketplace in the long-run. Increasing American competitiveness through greater commitment to training and education should increase real economic growth. The cumulative benefits—more tax revenue and fewer government
outlays for automatic stabilizers—far outweigh the costs of such programs.

One way in which the Clinton administration addresses the issue of costs is by calling for spending cuts, particularly in inefficient and outdated programs. The dissolution of the former Soviet Union has provided President Clinton with a unique historical opportunity—he is now in the position to reduce military spending and reap the peace dividend without jeopardizing national defense. Cuts in the Defense Department budget account for the largest proportion of spending cuts. Reductions will also be realized through such actions as establishing a cap on agricultural subsidies, reducing the White House Staff and putting a freeze on federal salaries.

Critics complain that Clinton’s program will only cut spending by $1 for every $2 increase in taxes. However, discretionary spending can only be reduced by so much. Unfortunately, entitlement and interest payments are assuming an increasingly more prominent role in the government budget; and when government has less control over where its money is spent, it also has fewer available policy options. Thus, the strength of this fiscal plan can only be seen by assessing the deficit-reducing benefits of the immediate spending cuts along with the long-term decrease in transfer payments that will result from various growth initiatives.

No matter how economically sound fiscal policy is, it will only succeed if it is closely coordinated with monetary policy. Such coordination was symbolized during the State of the Union Address, where First Lady Hillary Rodham-Clinton was seated next to Chairman of the Federal Reserve Alan Greenspan. This marked the first time in over a decade that the Fed and the Oval Office are pursuing similar objectives. Without FED cooperation, rising interest rates could result in a crowding out of private-sector investment. Greenspan has acknowledged that the Fed must play a crucial role in maintaining low interest rates, and has offered his silent support to Clinton’s plan. So far, so good.

Ultimately the true test of President Clinton’s budget plan will be less a test of math than it will be a test of fairness. Its fate rests in the hands of the Washington politicians and the voting public. Members of Congress will assess the plan’s strengths and weaknesses using a mysterious formula which involves same notion of economic theory as well as a hefty dose of self-interest (re-election maximizing strategy); the ability of the American people to influence such decisions cannot be underestimated. If a majority of both the voting public and the law makers believe that this is an equitable solution, it is still an open question as to whether or not they will be willing to give up certain special interest ("pork barrel") projects in order secure a brighter economic future for the entire nation. Will they denounce their plea for change by reverting back to the same old habit of trying to minimize their individual burdens, at the expense of someone else?

While no single proposal can possibly alleviate all of the
economic pressures that are being felt in this country, Clinton’s Vision can be an important turning point toward instituting meaningful debt reduction and long-term growth. These goals are vitally important to all socioeconomic sectors of American society. The choices are not easy; no one can please all people all of the time. Perhaps President Clinton identified the most appropriate criteria by which to judge his plan when he said, "My fellow Americans, the test of this plan cannot be what is in it for me. It has got to be what is in it for us."

**Model GATT**

*Dr. Lowry and Franklin Nnebe*

The General Agreement on Tariffs and Trade (GATT) is an international agreement created to address critical issues affecting international trade. The current round of GATT trade negotiations, The Uruguay Round, began six years ago and has not yet been completed. The Model GATT course over winter-term was offered to provide the students with an opportunity to understand the inner functions of GATT and its role in world trade as well as attempt to complete the Uruguay Round at a mock negotiating conference. The course’s unusual title coupled with Dr. Lowry’s innovative and stimulating teaching skills attracted a broad scope of majors and backgrounds.

The first two weeks of the course were spent learning about the specific mechanisms of GATT through class lectures and reading numerous articles on current GATT issues. There were no exams given on the material, but rather, students were themselves responsible for preparing for the conference. In addition, class lectures facilitated intense, yet sensible discussion and allowed for a relaxed class atmosphere. After this initial contact with the GATT material, everyone in the class (including Dr. Lowry), was assigned a country or trade group to research and represent at the Uruguay Round conference. The next week was allocated to political and economic positions of each student’s country or trade group, as well as conferring with representatives of other countries, to depict as closely as possible the multilateral activities in "real world" negotiations. At the end of the research, delegates submitted proposals and amendments to the GATT Agreement for consideration at the conference.

The conference was a seven-hour negotiating session held on the second to last day of class. Four main areas of trade negotiations were undertaken, consistent with proposals submitted by the delegates: Textiles, Services and Intellectual Property Rights, Graduation and Safeguards, and Agricultural and Topical Products. All of these issues were arenas for fierce and intense debate, but gradually the interests of the countries were synthesized, and the countries successfully reached agreement in each area. At the end of the day, the four areas were brought to the general floor for voting, where the unanimous passing of the package marked a delightful conclusion to the six-year Uruguay
Round. On the last day of class, while students in other classes huddled over exam papers, all of the delegates met for the signing of the official agreement and to witness an important and historic victory for world trade.

The Model GATT class demonstrated that learning can be quite enjoyable and educational (with or without exams), and that "learning by doing" strengthens skills important in life. Finally, the course could not have been as successful without the tremendous energy and inspiring lectures of Dr. Lowry, or indeed, without the enthusiastic participation of all the students involved. These factors provided for a worthwhile and enjoyable winter-term.

BILL KNOWS POLITICS—NOT ECONOMICS

by James C. Joslin

"The Economy, Stupid"

Everyone remembers the catch phrase of the Clinton campaign. When other issues came up, Clinton would remind himself and the country just what our number one problem was. The American people elected Bill Clinton largely because he promised to strengthen and rebuild our economy.

True to form, Clinton held his famous economic "summit" even before he was inaugurated. He wanted to make sure those who elected him realized just how serious he was about the economy. In truth, the summit was little more than a photo of where economists and business leaders who helped on the campaign could rehash their already approved opinions. One economist did suggest a smaller role for the government sector. Silly him! He forgot the rules of the game. Well, he was not called upon again.

While the summit was obviously not good economics, it was good politics. Unfortunately, the two mix about as well as Mike Didka and Mike McCasky. Clinton couldn't have cared less. As long as the American people thought he was "fixing" the economy, he was happy.

My point is that the better the politician, the worse the economist. Economics is about tough choices that may cause controversy. Politics is about pleasing people. Economics deals with scarcity. Politics deals with abundance (votes).

Once in the White House, Clinton continued to emphasize his economic plans. However, his first couple weeks were filled with controversy and broken campaign promises. Desperate to stick to at least one campaign promise, he disappeared to work on his economic recovery package.

I can picture it clearly. Bill is sitting at his desk drawing supply and demand curves and reviewing his ECON 100 textbook. Just then, Chelsea walks in.

"No, Dad. You have it wrong. The demand curve slopes down,
"Rats. I thought I was starting to get it."

Come on, folks. Clinton's economic plan resembles one of my science experiments. And believe me, I'm no rocket scientist. While Bill might not know economics, he does know politics. That's why he promised everybody the moon and the stars if he was elected.

Moon...Stars...Hey, maybe he's the rocket scientist.

Anyway, by the time the smoke clears, the American people can expect to pay five dollars in taxes for every dollar in deficit reduction. And this is BEFORE the plan goes to Congress. Clinton's glutton friends in Congress will surely whittle away at any spending cuts in order to save their own pet projects.

This plan will suffocate a long-term recovery and crucify the middle class. When Clinton promised to cut spending and reduce taxes on the middle class, I was willing to give him a chance. Well, guess what happened when the politician turned into a pseudo-economist. The middle class have already lost their tax break, the deficit will be a pest for longer than promised, and an energy and consumption tax are in the making.

The middle class has been betrayed—not by an economist, but by a politician. We thought we were getting a new style democrat—one that would cut taxes and cut spending. Instead, we have Jimmy Carter with a bad accent.

While I did not vote for Ross Perot, I would much rather have his no-nonsense, "Let's get under the hood and fix it" approach. Instead of repairing the economy like an economist, Clinton, like a politician, is selling us another lemon.