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# Scratching By: How Government Creates Poverty as We Know It

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poor people dependent on — and thus vulnerable to negligent or unscrupulous treatment from — both landlords and bosses by constraining their ability to find other, better homes, or other, better livelihoods. The same squeeze puts many more poor people into the position of living “one paycheck away” from homelessness and makes that position all the more precarious by harassing and coercing and imposing artificial destitution on those who do end up on the street.

American state corporatism forcibly reshapes the world of work and business on the model of a commercial strip mall: sanitized, centralized, regimented, officious, and dominated by a few powerful proprietors and their short list of favored partners, to whom everyone else relates as either an employee or a consumer. A truly free market, without the pervasive control of state licensure requirements, regulation, inspections, paperwork, taxes, “fees,” and the rest, has much more to do with the traditional image of a bazaar: messy, decentralized, diverse, informal, flexible, pervaded by haggling, and kept together by the spontaneous order of countless small-time independent operators, who quickly and easily shift between the roles of customer, merchant, contract laborer, and more. It is precisely because we have the strip mall rather than the bazaar that people living in poverty find themselves so often confined to ghettos, caught in precarious situations, and dependent on others — either on the bum or caught in jobs they hate but cannot leave, while barely keeping a barely tolerable roof over their heads.

The poorer you are, the more you need access to informal and flexible alternatives, and the more you need opportunities to apply some creative hustling. When the state shuts that out, it shuts poor people into ghettoized poverty.

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dent cabbies is VeriFone Holdings, the first firm approved to sell the electronic systems to a captive market. Doug Bergeron, VeriFone's CEO, crow's that "Every year, we find a free ride on a new segment of the economy that is going electronic." In this case, VeriFone is enjoying a "free ride" indeed.

The practical consequence is that poor people who might otherwise be able to make easy money on their own are legally forced out of driving a taxi, or else forced to hire themselves out to an existing medallion-holder on his own terms. Either way, poor people are shoved out of flexible, independent work, which many would be willing and able to do using one of the few capital goods that they already have on hand. Lots of poor people have cars they could use; not a lot have a couple hundred thousand dollars to spend on a government-created license.

Government regimentation of land, housing, and labor creates and sustains the very structure of urban poverty. Government seizures create and reinforce the dilapidation of ghetto neighborhoods by constricting the housing market to a few landlords and keeping marginal lands out of use. Government regulations create homelessness and artificially make it worse for the homeless by driving up housing costs and by obstructing or destroying any intermediate informal living solutions between renting an apartment and living on the street. And having made the ghetto, government prohibitions keep poor people confined in it, by shutting them out of more affluent neighborhoods where many might be able to live if only they were able to share expenses.

## **Ratcheting Costs Up and Opportunities Down**

Artificially limiting the alternative options for housing ratchets up the fixed costs of living for the urban poor. Artificially limiting the alternative options for independent work ratchets down the opportunities for increasing income. And the squeeze makes

lations and inspections. The latter make it practically impossible to run a food-oriented business without buying or leasing property dedicated to preparing the food, at which point you may as well forget about it unless you already have a lot of start-up capital sitting around.

Every modern urban center has a tremendous demand for taxi cabs. In principle, anyone who needed to make some extra money could start a part-time “gypsy cab” service with a car she already has, a cell phone, and some word of mouth. She can make good money for honest labor, providing a useful service to willing customers — as a single independent worker, without needing to please a boss, who can set her own hours and put as much or as little into it as she wants in order to make the money she needs.

But in the United States, city governments routinely impose massive constraints and controls on taxi service. The worst offenders are often the cities with the highest demand for cabs, like New York City, where the government enforces an arbitrary cap on the number of taxi cabs through a system of government-created licenses, or “medallions.” The total number of medallion taxis is capped at about 13,000 cabs for the entire city, with occasional government auctions for a handful of new medallions. The system requires anyone who wants to become an independent cab driver to purchase a medallion at monopoly prices from an existing holder or wait around for the city to auction off new ones. At the auction last November a total of 63 new medallions were made available for auction with a minimum bidding price of \$189,000.

Besides the cost of a medallion, cab owners are also legally required to pay an annual licensing fee of \$550 and to pay for three inspections by the city government each year, at a total annual cost of \$150. The city government enforces a single fare structure, enforces a common paint job, and now is even forcing all city cabs to upgrade to high-cost, high-tech GPS and payment systems, whether or not the cabbie or her customer happens to want them. The primary beneficiary of this politically imposed squeeze on indepen-

The experience of oppressed people is that the living of one’s life is confined and shaped by forces and barriers which are not accidental or occasional and hence avoidable, but are systematically related to each other in such a way as to catch one between and among them and restrict or penalize motion in any direction. It is the experience of being caged in: all avenues, in every direction, are blocked or booby trapped. — Marilyn Frye, “Oppression” in *The Politics of Reality*

Governments — local, state, and federal — spend a lot of time wringing their hands about the plight of the urban poor. Look around any government agency and you’ll never fail to find some know-it-all with a suit and a nameplate on his desk who has just the right government program to eliminate or ameliorate, or at least contain, the worst aspects of grinding poverty in American cities — especially as experienced by black people, immigrants, people with disabilities, and everyone else marked for the special observation and solicitude of the state bureaucracy. Depending on the bureaucrat’s frame of mind, his pet programs might focus on doling out conditional charity to “deserving” poor people, or putting more “at-risk” poor people under the surveillance of social workers and medical experts, or beating up recalcitrant poor people and locking them in cages for several years.

But the one thing that the government and its managerial aid workers will never do is just get out of the way and let poor people do the things that poor people naturally do, and always have done, to scratch by.

Government anti-poverty programs are a classic case of the therapeutic state setting out to treat disorders created by the state itself. Urban poverty as we know it is, in fact, exclusively a creature of state intervention in consensual economic dealings. This claim may seem bold, even to most libertarians. But a lot turns on the phrase “as we know it.” Even if absolute *laissez faire* reigned begin-

ning tomorrow, there would still be people in big cities who are living paycheck to paycheck, heavily in debt, homeless, jobless, or otherwise at the bottom rungs of the socioeconomic ladder. These conditions may be persistent social problems, and it may be that free people in a free society will still have to come up with voluntary institutions and practices for addressing them. But in the state-regimented market that dominates today, the material predicament that poor people find themselves in — and the arrangements they must make within that predicament — are battered into their familiar shape, as if by an invisible fist, through the diffuse effects of pervasive, interlocking interventions.

Consider the commonplace phenomena of urban poverty. Livelihoods in American inner cities are typically extremely precarious: as Sudhir Alladi Venkatesh writes in *Off the Books*: “Conditions in neighborhoods of concentrated poverty can change quickly and in ways that can leave families unprepared and without much recourse.” Fixed costs of living — rent, food, clothing, and so on — consume most or all of a family’s income, with little or no access to credit, savings, or insurance to safeguard them from unexpected disasters.

## Dependent on Others

Their poverty often leaves them dependent on other people. It pervades the lives of the employed and the unemployed alike: the jobless fall back on charity or help from family; those who live paycheck to paycheck, with little chance of finding any work elsewhere, depend on the good graces of a select few bosses and brokers. One woman quoted by Venkatesh explained why she continued to work through an exploitative labor shark rather than leaving for a steady job with a well-to-do family: “And what if that family gets rid of me? Where am I going next? See, I can’t take that chance,

## Constraints on Making Income

Turning from expenses to income, pervasive government regulation, passed in the so-called “public interest” at the behest of comfortable middle- and upper-class Progressives, creates endless constraints on poor people’s ability to earn a living or make needed money on the side.

There are, to start out, the trades that the state has made entirely illegal: selling drugs outside of a state-authorized pharmacy, prostitution outside of the occasional state-authorized brothel “ranch,” or running small-time gambling operations outside of a state-authorized corporate casino. These trades are often practiced by women and men facing desperate poverty; the state’s efforts add the danger of fines, forfeitures, and lost years in prison.

## Poor Shut Out

Beyond the government-created black market, there are also countless jobs that could be done above-ground, but from which the poor are systematically shut out by arbitrary regulation and licensure requirements. In principle, many women in black communities could make money braiding hair, with only their own craft, word of mouth, and the living room of an apartment. But in many states, anyone found braiding hair without having put down hundreds of dollars and days of her life to apply for a government-fabricated cosmetology or hair-care license will be fined hundreds or thousands of dollars.

In principle, anyone who knows how to cook can make money by laying out the cash for ingredients and some insulated containers, and taking the food from his own kitchen to a stand set up on the sidewalk or, with the landlord’s permission, in a parking lot. But then there are business licenses to pay for (often hundreds of dollars) and the costs of complying with health-department regu-

the lot. In April 2007 the city police took advantage of an accidental fire to enforce its politically fabricated title to the land, clearing the lot, arresting 11 people, and erecting a fence to safeguard the once-again vacant lot for professional “affordable housing” developers.

Had the city government not made use of its supposed title to the abandoned land, it no doubt could have made use of state and federal building codes to ensure that residents would be forced back into homelessness — for their own safety, of course. That is in fact what a county health commission in Indiana did to a 93-year-old man named Thelmon Green, who lived in his ’86 Chevrolet van, which the local towing company allowed him to keep on its lot. Many people thrown into poverty by a sudden financial catastrophe live out of a car for weeks or months until they get back on their feet. Living in a car is cramped, but it beats living on the streets: a car means a place you can have to yourself, which holds your possessions, with doors you can lock, and sometimes even air conditioning and heating. But staying in a car over the long term is much harder to manage without running afoul of the law. Thelmon Green got by well enough in his van for ten years, but when the Indianapolis Star printed a human-interest story on him last December, the county health commission took notice and promptly ordered Green evicted from his own van, in the name of the local housing code.

Since government housing codes impose detailed requirements on the size, architecture, and building materials for new permanent housing, as well as on specialized and extremely expensive contract work for electricity, plumbing, and other luxuries, they effectively obstruct or destroy most efforts to create transitional, intermediate, or informal sorts of shelter that cost less than rented space in government-approved housing projects, but provide more safety and comfort than living on the street.

you know. . . . All I got is Johnnie and it took me the longest just to get him on my side.”

The daily experience of the urban poor is shaped by geographical concentration in socially and culturally isolated ghetto neighborhoods within the larger city, which have their own characteristic features: housing is concentrated in dilapidated apartments and housing projects, owned by a select few absentee landlords; many abandoned buildings and vacant lots are scattered through the neighborhood, which remain unused for years at a time; the use of outside spaces is affected by large numbers of unemployed or homeless people.

The favorite solutions of the welfare state — government doles and “urban renewal” projects — mark no real improvement. Rather than freeing poor people from dependence on benefactors and bosses, they merely transfer the dependence to the state, leaving the least politically connected people at the mercy of the political process.

But in a free market — a truly free market, where individual poor people are just as free as established formal-economy players to use their own property, their own labor, their own know-how, and the resources that are available to them — the informal, enterprising actions by poor people themselves would do far more to systematically undermine, or completely eliminate, each of the stereotypical conditions that welfare statist deplora. Every day and in every culture from time out of mind, poor people have repeatedly shown remarkable intelligence, courage, persistence, and creativity in finding ways to put food on the table, save money, keep safe, raise families, live full lives, learn, enjoy themselves, and experience beauty, whenever, wherever, and to whatever degree they have been free to do so. The fault for despairing, dilapidated urban ghettos lies not in the pressures of the market, nor in the character flaws of individual poor people, nor in the characteristics of ghetto subcultures. The fault lies in the state and its persistent interference with poor

people's own efforts to get by through independent work, clever hustling, scratching together resources, and voluntary mutual aid.

## Housing Crisis

Progressives routinely deplore the “affordable housing crisis” in American cities. In cities such as New York and Los Angeles, about 20 to 25 percent of low-income renters are spending more than half their incomes just on housing. But it is the very laws that Progressives favor — land-use policies, zoning codes, and building codes — that ratchet up housing costs, stand in the way of alternative housing options, and confine poor people to ghetto neighborhoods. Historically, when they have been free to do so, poor people have happily disregarded the ideals of political humanitarians and found their own ways to cut housing costs, even in bustling cities with tight housing markets.

One way was to get other families, or friends, or strangers, to move in and split the rent. Depending on the number of people sharing a home, this might mean a less-comfortable living situation; it might even mean one that is unhealthy. But decisions about health and comfort are best made by the individual people who bear the costs and reap the benefits. Unfortunately today the decisions are made ahead of time by city governments through zoning laws that prohibit or restrict sharing a home among people not related by blood or marriage, and building codes that limit the number of residents in a building.

Those who cannot make enough money to cover the rent on their own, and cannot split the rent enough due to zoning and building codes, are priced out of the housing market entirely. Once homeless, they are left exposed not only to the elements, but also to harassment or arrest by the police for “loitering” or “vagrancy,” even on public property, in efforts to force them into overcrowded and dangerous institutional shelters. But while government laws make

living on the streets even harder than it already is, government intervention also blocks homeless people's efforts to find themselves shelter outside the conventional housing market. One of the oldest and commonest survival strategies practiced by the urban poor is to find wild or abandoned land and build shanties on it out of salvageable scrap materials. Scrap materials are plentiful, and large portions of land in ghetto neighborhoods are typically left unused as condemned buildings or vacant lots. Formal title is very often seized by the city government or by quasi-governmental “development” corporations through the use of eminent domain. Lots are held out of use, often for years at a time, while they await government public-works projects or developers willing to buy up the land for large-scale building.

## Urban Homesteading

In a free market, vacant lots and abandoned buildings could eventually be homesteaded by anyone willing to do the work of occupying and using them. Poor people could use abandoned spaces within their own communities for setting up shop, for gardening, or for living space. In Miami, in October 2006, a group of community organizers and about 35 homeless people built Umoja Village, a shanty town, on an inner-city lot that the local government had kept vacant for years. They publicly stated to the local government that “We have only one demand . . . leave us alone.”

That would be the end of the story in a free market: there would be no eminent domain, no government ownership, and thus also no political process of seizure and redevelopment; once-homeless people could establish property rights to abandoned land through their own sweat equity — without fear of the government's demolishing their work and selling their land out from under them. But back in Miami, the city attorney and city council took about a month to begin legal efforts to destroy the residents' homes and force them off