What the Pandemic Teaches Us About Poverty: Lessons from the United States

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In a turbulent year packed with record-high unemployment in the United States, the spread of the COVID-19 pandemic, and widespread school closures, the American welfare state proved that it has a remarkable capability to make life better for a large share of the country's residents. This, more than anything, is the lesson to be learned from the recent U.S. Census Bureau report that the national poverty rate fell to a record low amidst the COVID-19 pandemic.

This lesson, however, is about to face a critical test: the U.S. Congress is currently debating whether to extend the expanded Child Tax Credit, the latest addition to the country's suite of poverty-reduction tools that amounts to a near-universal cash payment delivered monthly to families with children.

In new research, my colleagues and I at Columbia University's Center on Poverty and Social Policy found that the Child Tax Credit is working as intended: the first payments, delivered in July and August 2021, led to a 25 percent decline in food insufficiency among low-income families with children and contributed to historic declines in the monthly child poverty rate. The lessons from the decline in poverty in 2020 provide direct evidence on why Congress ought to extend the Child Tax Credit beyond 2021.

First, let's appreciate some of the more remarkable numbers from Census's 2020 poverty estimates. The decline in the poverty rate from 11.8% in 2019 to 9.1% in 2020 marks the largest single-year drop in poverty in the U.S. since at least 1967, the first year for which we have reliable data. And keep in mind: the poverty rate in 2019 was previously the lowest level on record. Poverty declined for children, working-age adults, and the retirement-age populations alike, with particularly strong declines for Black and Hispanic individuals. Combined, all income transfers lifted 53 million U.S. residents – around 16 percent of the population – above the poverty line (which is around $30,000 per year for a typical two-parent, two-child family).

The stimulus checks and expanded unemployment benefits alone – the two core income transfers from the CARES Act, passed in March 2020 – respectively lifted 11.7 million and 5.5 million U.S. residents out of poverty. For comparison, the social policy response during the Great Recession was nowhere near as effective as the response during COVID-19.

And sure, poverty is only one indicator of economic well-being. But the U.S. Department of Agriculture announced one week before the Census Bureau's poverty report that food insecurity in the U.S. was also kept in check during the pandemic, likely attributable again to the successful expansion of the nation's welfare state.

Indeed, the CARES Act and the treatment of low-income families in 2020 mark an historic deviation from an increasingly work-based welfare state. Since the early 1990s, cash assistance for jobless families has declined precipitously, while income transfers targeted at low-wage workers has grown dramatically. These developments had strongly reduced poverty rates among working families living near the poverty line, but have left the jobless with very little support. The consequences were vast. Consider that in the year prior to COVID-19's arrival, more than 1.3 million children across the country's public schools experienced homelessness, double the number from 10 years before. In New York City alone, there were enough children experiencing homelessness – more than 100,000 – to fill every seat in Yankees and Mets baseball stadiums combined. At least two studies, including one of my own, attribute some of these increases with the declines in cash support for jobless families.

The assistance provided during the pandemic proved that high and rising hardship need not be the norm. Put differently, activating the American welfare state and pointing its efforts toward the lowest-income families is effective – and it need not be limited to times of economic despair.

As skeptics point out, however, the success of 2020 will be difficult to continue moving forward; after all, there is little chance that Congress decides to pay out two rounds of stimulus checks to most Americans as the economy improves. Fair enough, but this critique misses an important point: simply sustaining the expanded Child Tax Credit, which Congress signed into law in March 2021, will likely be sufficient to maintain low poverty rates moving forward, our team estimates, particularly among children.

In global perspective, the Child Tax Credit is not unique: nearly every other high-income country has a version of a child benefit that reduces poverty and hardship even when the economy is hot. For now, the U.S. joins the ranks of its peer countries. But despite evidence of the Child Tax Credit's initial success, and the enormous good that the American welfare state brought to struggling families in 2020, the survival of this American version of a child benefit is in doubt. If the U.S. Congress is to learn its lesson from the past year, it will extend the Child Tax Credit and make the low poverty rates of the pandemic a reality for future years, as well.

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