

# Stanford SOCIAL INNOVATION<sup>Review</sup>

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## *Books*

### **The Poverty Industry**

By Daniel L. Hatcher

Review by Angela Glover Blackwell

Stanford Social Innovation Review  
Fall 2016

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# BOOKS

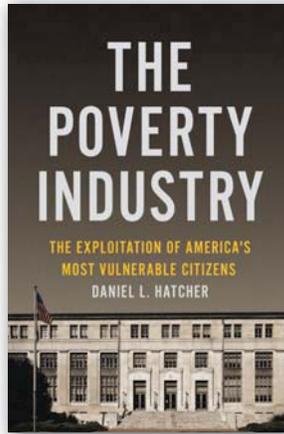
REVIEWS OF NEW AND NOTABLE TITLES

## Siphoning Off the Safety Net

REVIEW BY ANGELA GLOVER BLACKWELL

**I**n the wake of the protests in Ferguson, Mo., after a white police officer killed unarmed black teenager Michael Brown, a local legal aid organization released a report that shed light on long-simmering tensions between the community and the criminal justice system. The report revealed that African-Americans in Ferguson and nearby communities were far more likely to be arrested for nonviolent offenses such as traffic violations, charged exorbitant fines and fees, and jailed when they didn't, and often couldn't, pay. For years, residents had complained that the aim of these practices was not to protect public safety but to increase city revenues on the backs of those least able to pay or fight back. Until a legal settlement with the US Department of Justice, court fines and fees were the Ferguson city government's second-largest source of income.

Revenue schemes that target the poor are not confined to a few jurisdictions or to the justice system. Rather, as Daniel Hatcher documents in his new book, *The Poverty Industry*, states and municipalities across the country, working with private contractors, have turned a range of vulnerable populations into sources of income for cash-strapped agencies, general government funds, and corporate coffers. Motivated in part by severe funding cuts, agencies in red states and blue states alike divert money intended to help abused and neglected children, disabled youth, the elderly poor, and impoverished families; state contractors use sophisticated analytics to determine how to squeeze even more dollars from them. "[A]s policy experts across the political spectrum debate the best structure for government aid programs, a massive siphoning of the safety net is occurring behind the scenes," Hatcher writes. These practices are increasing even in the face of civil rights concerns, lawsuits, and multi-million-dollar fraud settlements.



**THE POVERTY INDUSTRY:  
The Exploitation of America's  
Most Vulnerable Citizens**

By Daniel L. Hatcher  
277 pages, New York University Press, 2016

Hatcher, a law professor at the University of Baltimore, tells such a damning tale that as I started reading, I wondered if he was engaging in hyperbole. But he convinced me that he wasn't through a forceful systems analysis, a mass of documents obtained through Freedom of Information Act and court filings, and heartbreaking stories about the human toll.

How the poverty industry operates varies from program to program and system to system. Foster care offers especially egregious examples. An orphan named Alex who spent six years in Maryland foster care did not know he was eligible to receive Social Security survivor benefits, which could have given him the financial resources to help with his transition out of foster care at age 18. He did not know that the foster care agency received those benefits as his representative and, although it had an obligation to use the money in his best interest, instead put it toward its own budget. Alex left foster care penniless; the Maryland foster care agency hired a contractor to learn how to obtain more funds from kids like him.

If a foster parent or social worker were to pocket a child's benefits for his or her own use, we would rightly call it theft. But foster care agencies take more than \$250 million a year in assets from children in their care. They claim that this advances the greater

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good, because adding to their fiscal capacity leads to improved services. But even if one accepts the dubious assertion that human services agencies should fund themselves by extracting resources from the people they exist to serve, Hatcher shows that in practice, this rationale fails. Contractors take a big cut, and much of the rest winds up in state general funds, rather than devoted to people in need.

Hatcher has done a great public service by shining a light on these massive distortions. However, the book would be even stronger with more data demonstrating these exploitative strategies' results. How much money do private contractors earn in this way? How many states prioritize fiscal interest over social welfare in various programs? How many people like Alex are hurt? What role do these dynamics play in the cycle of poverty? The book left me hungry to know more.

I also wish that Hatcher had explored the racial dimensions of these revenue-generating maneuvers. He barely touches on the fact that aid programs and systems disproportionately serve people of color. As those programs and systems mine their clients for resources, it's critical to call out exactly which communities bear the greatest impact. If Ferguson taught the United States anything, it's that we cannot afford to ignore the ways in which implicit bias and institutional racism drive inequitable, even cynical, government policies and practices cloaked as public service.

How can we address the injustices that Hatcher has exposed? Certainly, stronger laws and enforcement are needed to protect program beneficiaries from government misuse of resources. Hatcher also recommends structural solutions, including clarifying and enforcing the purpose of aid programs and restoring their fiscal integrity. He makes clear that the poverty industry's misuse of funds does not mean that funding should be cut—only that we should make sure the resources reach those in need. Our society has debated the best way to help the poor for decades. But surely we can agree that when funds are allocated with the stated intent of helping vulnerable Americans, they should be used that way. ■