

Robbing the Poor

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Daniel L. Hatcher, [The Poverty Industry: The Exploitation of America's Most Vulnerable Citizens](#) (N.Y.U. Press, 2016).

Professor [Daniel Hatcher](#)'s new [book](#) opens up new, fertile, ground for poverty law scholarship and critique. The book contributes not only to our understanding of how “cooperative” federalism—which is a crucial part of many anti-poverty programs—works in practice but also the impact that state budget shortfalls can have on the most vulnerable members of society. *The Poverty Industry* shows the myriad ways that states, in collusion with private companies, misuse money meant to help the poor, primarily by diverting federal matching funds from their intended purposes into the general fund. Hatcher's three main examples—taken from the foster care, Medicaid, and child support programs—highlight the perverse incentives that lead state agencies to take actions that directly contradict their mandate in order to provide states with additional unrestricted revenue.

With the support of private companies contracted to maximize money collected either from the federal government or from the poor themselves, states are neglecting and, worse, directly harming whole groups of those with the greatest needs. As Hatcher shows states are taking social security, even survivor, benefits from children in the foster care system while acting as the childrens' “representative payee.” (Pp. 65-110.) To game federal Medicaid payments, states use shell games that involve falsely inflating state Medicaid contributions on paper—using a variety of techniques from creating fully refunded bed taxes on hospitals to making elevated payments to providers—that are immediately kicked back to the general fund. (Pp. 111-42.) With the assistance of private contractors, states aggressively pursue child support payments and then, in the name of “cost recovery,” divert what little money is collected from the kids who should benefit to the state budget. In their aggressive pursuit of child support the states effectively ignore both the “best interests of the child” standard and the often destructive consequences to the often fragile relationship between fathers and mothers. (Pp. 143-79.) *The Poverty Industry* ends by giving other examples of how states and municipalities seek to profit off the poor, ranging from drugging the elderly to reduce expenses at state nursing homes to paying for basic services such as courts and policing through fees and fines. (Pp. 183-206.) In the wake of the shooting of Michael Brown in Ferguson, there has been increased attention to how such revenue generation tactics, in the context of racism and the criminalization of poverty, can harm whole communities.¹ Hatcher makes a compelling case that state agencies, in their quest to generate revenue for themselves or for the general state budget, have lost sight of their mission to help those in need.

Though the book does include in a bit too much unnecessary repetition (it could probably be twenty pages shorter), by combining numerous examples of how funds are systematically and wrongly taken from the poor with insightful analysis linking the chosen examples, Hatcher has exposed previously underappreciated features of society's antipoverty programs. Hatcher's proposal for how to rein in “the poverty industry” is well-supported by the many examples and is fairly straight-forward: “We can all disagree about the best way to help vulnerable populations. And we will. But we all should be able to agree that when aid funds are generated with specific intent to help those in need, those funds should be used as intended.” (P. 207.) Although such a proposal seems fairly modest, if implemented it would involve numerous agencies at the state and federal levels and would result in a significant increases in funds that are not only ear-marked for the poor but actually reach them. It also, in keeping with the book's focus on real world examples, is a proposal that could find enough political traction to be implemented.

Let me end by noting that *The Poverty Industry* illustrates how expansive “poverty law” can be as an organizing

concept. Hatcher could have given the book a different title—*The Problem with Cooperative Federalism* or *Ripping off the Federal Government*—but as he shows, these state schemes ultimately are harming the poor. Even though some of the examples are well known, such as the difference in support for poor families versus foster care families, *The Poverty Industry* offers a wealth of new examples for most poverty law readers. Through FOIA requests, Hatcher was able to learn a great deal about the inner workings of the companies tasked with extracting as much money as possible from the federal government and from poor people and about the sketchy connections between these companies and state agencies. As with most books about poverty, *The Poverty Industry* is not a joy to read—on its surface it goes into considerable detail on a range of poverty programs and beneath its surface lurks the pain of those harmed by the practices the book details—but it is a book well worthy of attention and quite an achievement for Professor Hatcher.

1. See, e.g., Ta-Nehisi Coates, *The Gangsters of Ferguson*, *The Atlantic Mag.*, Mar. 5, 2015. [?]

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