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MAYOR BLOOMBERG ADDRESSES THE BROOKINGS CENTER ON CHILDREN AND FAMILIES “BRIEFING ON THE CENSUS POVERTY REPORT”

Mayor Proposes New Earned Income Tax Credit that Demands More of Recipients in Exchange for Greater Benefits

“Thank you, Strobe, and good afternoon, everyone. The Brookings Institution has achieved a special measure of respect in Washington because it has risen above partisanship – and that’s not an easy thing to do in this town.

“It’s an honor to be invited to join this group today to talk about the Census Bureau’s latest poverty numbers. It was 40 years ago this month that the Bureau released its first national assessment of poverty in America. And since then, we’ve learned an awful lot about what works – and what doesn’t work – in the fight against poverty.

“For instance, we know that a good education is one of the best ways to fight poverty. But for decades, politicians just threw money at our schools, without holding them accountable for success – and a generation of children paid a heavy price. We increased our costs, antagonized those paying the bills, and made no meaningful change in outcomes. The children are now struggling to succeed in an increasingly competitive global economy – and too many are losing out. I know from my own life how important a good education is. I’m the product of public schools, and I know the opportunity that public education provides.

“In New York City, there are 1.1 million public school students, and for too long they were victimized by a system that put politics and patronage ahead of learning and excellence. We are beginning to turn around the schools in New York City by setting the bar high, and holding everyone – students, teachers, principals, and administrators – accountable for success and, if we don’t get it, stopping the funding. As a result, test scores are up between 10 and 20 points, and graduation rates are up nearly 20 percent.

“For every additional child that we can get to graduate high school and go on to higher education—that is one more child who will be far less likely to get stuck in a lifetime of poverty—and far more likely to climb the ladder of success.

Lessons Learned in Fighting Poverty

“Transforming our schools into centers of learning where excellence is expected and failure is not acceptable is the best long-term strategy we have for fighting poverty – and for ensuring America’s continued economic dominance.

“But what about those who are stuck in poverty now? How do we help them to seize opportunities and lift themselves out of poverty? Those are the questions I’d like to focus on today. Of course, I don’t have to tell anyone in this room that there’s no single answer – no magic bullet.

“But we’ve learned the hard way that you can’t fight poverty by ducking its principal causes – that includes not only a lack of education, but also dependency on government. The 1996 welfare reform law – which many people in this room really deserve credit for shaping – took aim at dependency, and though it hasn’t been a magic bullet, it definitely hit the mark.

“Combined with the expansion of the Earned Income Tax Credit, and backed by a growing economy, welfare reform led millions of people into the labor market, where they attained the dignity of work and a chance to rise out of poverty.

“In New York City, for instance, welfare caseloads are lower than at any time since 1964. They’ve dropped more than 33 percent over the past five years while we’ve been in office, which outpaces the decline nationally. Unemployment in our city hit a historic low last year – 4.9 percent.

“Across the nation, welfare reform and expansions to the EITC helped us moved the percentage of Americans living in poverty from an average of about 14.5 percent in the early 1990s to 12.3 percent today. But while that reduction is good news, the fact is, today’s poverty rate is still higher than it was for much of the 1970s. Of course, the accuracy of the poverty measure is another story – and I’ll speak to that in a few minutes.

“But since it’s the measure everyone uses, the question is: Is leaving one in eight Americans in poverty really the best we can do? Millions of them are mothers and children living day-to-day, struggling to lead stable lives – to put food on the table – to stay healthy – to survive.

“Are we just going to shrug our shoulders and hope that the market’s invisible hand lifts them up? Or pound our fists and demand that the heavy hand of government pick them up? If we’re going to take either route – we’re going to fail. No “ifs, ands, or buts” about it.

“But if we’re willing to apply the critical lessons we’ve learned in fighting poverty – beginning with the need to discard ideology in favor of innovation and experimentation – then I believe we can build on the progress we’ve made over the past 10 years and drop poverty to historic lows over the next ten years.

New York City’s New and Innovative Anti-poverty Programs

“One of the lessons of welfare reform was that cities and states can be both a catalyst and a model for federal action – and so in New York City, we’re determined to help lead the way.

“About nine months ago, we established a Center for Economic Opportunity in New York City government, with a budget of \$150 million to test and evaluate innovative new strategies. Its initial focus: Reducing poverty among young adults, families with small children, and the working poor – three groups that together comprise close to half the approximately 1.5 million New Yorkers living in poverty. Its philosophy: Fighting poverty through the proven strategy of encouraging personal responsibility.

“Up to now, government policy has applied this philosophy primarily by developing policies that encourage work. In New York City, we are committed to building on that effort, but we’re also taking it a step further – and let me give you just a few examples.

“Next month, we will launch a controversial pilot program that incentivizes personal decisions – the critical decisions that are most likely to help people break the cycle of poverty. For instance, more than a quarter-million young people between the ages of 16 and 24 live below the poverty line in New York City. Often, they’re just one wrong, short-sighted step—like dropping out of school or committing a crime—away from a lifetime of poverty. But with the right incentives, we believe they will be better able to make the right decisions.

“The same idea holds for poor adults, most of whom want the same things for their families that all of us want – and most of them are trying to succeed. But let’s face it: Sometimes, life can throw some pretty tough curves at you – a sick child, a big rent increase, a family emergency. And sometimes, the resources just aren’t there.

“But if resources are made available on the condition that a job is maintained – or that other steps are taken that will help lead out of poverty, families can better manage these curves, instead of falling victim to them.

“That’s where our new ‘Opportunity NYC’ initiative comes in. It’s modeled on programs that have succeeded in Mexico and other countries, but that haven’t yet been tried in America—until now. Starting next month, we’ll begin making cash payments—from privately raised dollars—to a test group of young people and adults if – let me say that again: If – they do the things that are most likely to lead them to break the cycle of poverty. That means high school students will be able earn \$600 for each statewide standardized test they pass – \$400 for graduating – and up to \$50 a month for maintaining near-perfect school attendance – while adults will be able to earn up to \$150 a month for working full-time.

“Now, you might say – “But why should we pay people for doing what they’re supposed to do?” It’s a fair question – but think of it this way: Every other anti-poverty program that’s been tried has failed to get the national poverty rate below 11 percent. So what are the options? Do nothing? Or dress-up the failed old ideas?

“We have other options – but only if we’re not afraid of thinking outside the box, even if that means breaking taboos. And let’s face it: If we had been afraid of breaking taboos in the 1990s, requiring mothers to work never would have happened as part of the welfare reform – but now almost everyone accepts that it was a good and necessary thing.

“That’s leadership. You have to be willing to stick your neck out on policies where the results are unknown.

“My perspective is this: Why shouldn’t we experiment with a program built around the one strategy that has proven time and again to work wonders – capitalism? Employees are supposed to work hard, but the promise of a bonus usually makes people work their hardest. That’s capitalism, and it shouldn’t be a foreign concept to government. We use it through tax policy, loan guarantees, and subsidies to encourage or discourage economic activity and personal behavior.

“We’re going to rigorously evaluate whether these ‘conditional cash transfers’ are successful. If they are, we’ll expand them. If they aren’t, we’ll modify or end them.

“We also know that learning new skills helps people move from minimum wage jobs to living wage jobs. And so we’ll also test whether conditional cash transfers can encourage working adults to complete training programs for higher-wage jobs that lead out of poverty.

“To help more parents enter the workplace and expand their hours, this year we’ll also begin offering a new child care tax credit – joining Washington D.C. as the only two cities to offer a local credit. It will benefit close to 50,000 working families in our city – and for many people, especially mothers, it could mean the difference between working and not working – or working 20 hours a week versus working 40 hours a week.

Reforming and Expanding the EITC

“Nonetheless, a full-time job remains, hands down, the best anti-poverty program ever devised. And the most effective way that government has ever encouraged employment is the Earned Income Tax Credit. The EITC enjoys unusually broad support from both the left and the right – not because it’s a compromise, but because it’s innovative and smart and effective. But right now, we’re not leveraging its full power.

“That’s why today, I want to propose a substantial expansion and reform of the Federal EITC that, I believe, will allow us to take the next big step in poverty reduction. Welfare reform and the EITC have both primarily incentivized work among women with young children.

“But why should we expect young mothers to work and not young fathers? Right now, fathers are missing from our strategy to drive down the poverty rate. The gains that we’ve made over the past ten years have been fueled by mothers. That strategy has

worked very well, but we're now approaching its limits – in part because fathers have been missing from the table and in part because of declining real wages for all low-income workers.

“If we are going to achieve another round of substantial gains like the kind we experienced post-1996, then we have to do more to connect fathers to jobs and to their families. And we have to increase the rewards for work so that work pays –both for parents and individuals. I believe that by expanding and reforming the EITC, we can do both.

“Today, you're all receiving a detailed fact sheet on my proposal, but let me just quickly run over a few of the highlights: Currently the qualifying age for the federal EITC for individual, childless tax filers is 25; we should lower it to 21. People in their early 20s are making life-changing decisions – we want those decisions to center on entering the workforce.

“Today, the EITC's maximum qualifying income for single filers is \$12,000 a year; we should raise that ceiling by roughly a third, to just over \$18,000 – which will substantially increase the EITC grant to those making poverty-level wages.

“For instance, along with other adjustments to the EITC that we're proposing, the result of these changes would mean that someone now making \$11,000 a year, who now qualifies for a Federal EITC with a grand total of \$86, would instead be eligible for close to \$1,000 more in after-tax income. And because New York has State and City EITCs pegged to the Federal program, this tax credit would increase by approximately \$350 more.

Eliminate Marriage Penalty and Ask More of Fathers

“I also believe we should eliminate what is now a significant EITC ‘marriage penalty’ for families both with and without children. Marriage increases a family's chances of rising out of poverty – why would government discourage it? It shouldn't. At the same time, why should government give cash to a father who is not paying child support? Again, it shouldn't. The EITC should be a catalyst for fathers to fulfill their obligations as responsible spouses, parents, and citizens.

“What I'm proposing today is an EITC that offers more, and in exchange, expects more – from fathers, and from all workers. If you owe child support and you're not current on your payments, no check from the IRS. Period. And individuals should have to work the equivalent of at least 26 weeks a year – so that the incentive is not just for occasional work that will yield extra cash from the government, but sustained, full-time work.

“Bigger benefits – basic responsibilities. That's a fair trade – and as we've seen time and again, both in welfare reform and education reform, people will rise to the expectations that are set for them.

“This proposal would cover roughly 445,000 New York City residents, nearly 80 percent of who would be new recipients. Nationwide, 19.7 million Americans would qualify, with 10.5 million of them newly eligible, which would add roughly \$8.5 billion a year to the cost of the EITC. That’s not a small chunk of change – but there is no doubt that with more Americans working, and more fathers working and paying child support – our economy – and our whole society – will benefit enormously.

Reforming the Antiquated Poverty Formula

“Now, before closing, let me note that so far I’ve refrained from saying how many people our expanded EITC would ‘lift out of poverty.’ There’s a reason for that—and it goes to a fundamental problem we’ve got to address if we’re serious about reducing poverty.

“The federal poverty measurement – as I’m sure everyone here knows – hasn’t been changed since it was first introduced in 1964. Since then, the federal government has launched a number of programs that are designed to supplement income: Food Stamps, Medicaid, subsidized housing, and of course the EITC.

“Yet none of these programs are counted towards a person’s income for purposes of defining poverty. Nor are income taxes and payroll taxes deducted out, even though they affect a families’ real income, as do regional differences in cost-of-living. Nor does the formula indicate that we’ve made any gains in fighting poverty.

“In 2005, the poverty rate was higher than it was throughout the 1970s, but by virtually any measure of material deprivation – including hunger – overcrowded living conditions – ownership of cars and household appliances – health and dental care – and life expectancy – we have made real progress in fighting poverty and raising living standards since the 70s. At the same time, the poverty line is now much further away from the middle-class than it was back in 1964.

“The poverty formula, you might say, is bankrupt. It obscures both the good results we’ve achieved, as well as the hard work that remains to be done. I come from a background where numbers matter, and data drive decisions. We all say ‘In God We Trust,’ and we do. But for all others, you have to bring data. I’m a big believer in the saying, ‘If you can’t measure it, you can’t manage it.’ So just as we need a more creative, more vigorous approach to fighting poverty – we need a more accurate method of assessing whether we’re making any progress.

“That’s why in New York, as we pilot many of our new strategies, we are also going to be developing new, more accurate, more informative poverty measures that both sides of the political aisle can support. I expect that in doing this over the course of the next year, we’ll be looking for help from some of the people in this room. And we’ll also be drawing on the work that has already been done in this area, both by the Census Bureau and by organizations like the National Academy of Sciences.

“Just as cities and states led the way in fundamentally changing the welfare reform debate, I believe they can play the same role when it comes to poverty – both in terms of measuring and managing the problem. We can be the pioneers of the next big ideas – but at the same time, we need the federal government to expand on the strategies that have already proven successful.

“And so in the months ahead, we will be working closely with our Congressional delegation – especially Charlie Rangel, chairman of the House Ways and Means Committee – to put poverty back on the national agenda. And I believe that issue Number One should be expanding and reforming the best anti-poverty tool we have: the EITC.

“By taking proven strategies to the next level, and by experimenting with innovative new pilot programs, as we’re doing in New York – I believe that we can help more Americans become independent, responsible individuals and parents who invest in their own success, and the success of their families and communities. Those investments have the power to break the cycle of poverty – and we should do everything in our power to encourage them. All of us have a role to play – whether you’re a researcher – an advocate – an elected official – or a voter.

“Progress is not inevitable. It’s up to us to create it. Let’s get to work. Thank you.”