THE HAMILTON PROJECT

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PANEL TWO: ENHANCING THE SOCIAL SAFETY NET
ROUNDTABLE DISCUSSION ON POLICY ALTERNATIVES

MODERATOR:
HAROLD E. FORD, JR. MERRILL LYNCH

PANELISTS:
REBECCA M. BLANK,
BROOKINGS

ROBERT CARMONA,
STRIVE

ROBERT GREENSTEIN,
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JASON FURMAN: Okay, we will get started with the second panel. As I said, this panel is intended to provide a broader perspective that helps take some of the issues we just talked about and specific policy ideas and puts them in a bigger context. And my job is just to introduce the moderator and then let the wonderful discussion flourish. And we're lucky to have Harold Ford, who is a former congressman from Tennessee, currently the vice chairman of Merrill Lynch.

And as we were thinking about what moderator we wanted, I got an email from the ideas primary that I think is at the DLC or PPI organizes. And it was from Harold with his EITC ideas. And it reminded me that he was also a member of the Hamilton Project advisory council and would be the perfect person to moderate this discussion. So Congressman Ford, if I can turn it over to you.

HAROLD FORD: Yes, sir. Director Furman, thank you for the introduction and thank you for all of your leadership and direction at Hamilton and at Brookings. I'm always excited to be in his presence. His mother is my friend and was a great advisor, remains a great advisor, so he comes from good stock. (Laughter.) So I thank him and congratulate him as well.

This is an august panel that we have. I am sorry that I was not able to join the first panel. I know that Dean Blank and Mr. Greenstein were part or at least were present during most of it. Mr. Carmona might have been part of it as well or been present. I understand it was lively and interesting and invigorating as well. We are sure this one will be the same.

The assembled group here: Becky Blank, Professor Rebecca Blank, who was a former dean of the Ford School of Public Policy at the University of Michigan, former member of the president's council of economic advisors and currently the visiting, the Kerr visiting fellow at the Brookings Institution, a distinguished author, an accomplished author on matters, policy matters that we will discuss today as well as other matters that affect working people across this country, especially those that find themselves below the poverty line.

We are delighted to have Bob Carmona, who brings a practical and everyday in theory to practice, work ethic, and approach to what we're dealing with today. As the former executive director and current president of STRIVE, a workforce training program with more than 30 offices in 20 cities across the country, a board member of the Workforce Alliance and the New York Employment and Training Coalition. We look forward to hearing Mr. Carmona's comments and thoughts and ideas and particularly, as many of the policy experts and big thinkers on this issue meet up with those who are actually practitioners on the home front.

Bob Greenstein – I joke with him because I have known him for some time. He has not always agreed with my positions on the issues over the years. When I was in Congress, I was proud to call him a mentor, as many of us in public life are, largely because he's been as consistent and as true and as sincere to his beliefs and convictions over the years on a variety of issue that involve federal spending priorities, especially as they relate to domestic policy issues. I'm excited that he's on the panel.

As I shared with him, I've never known if his last name was pronounced Greenstein or Greenstein. My personal rabbi from Memphis spells it the same and calls himself Greenstein, but I learned that my friend Bob calls himself Greenstein. So I'm delighted that he is here and look forward to not only his ideas on these issues, but hope he would even share a little bit about where he thinks this Congress may go and where the White House and Congress may end up, rather, as they negotiate a budget.

And finally, my favorite Democrat in the Republican Party – (laughter) – someone who –

JACK KEMP: There once was a democratic Republican Party – (laughter) – 1800.

MR. FORD: Someone who, in all seriousness, whom I believe embodies the very best in politics. Politics at its best, I think some would agree, if not all is always about ideas. And whether you come from one part or one end of the ideological spectrum or one political party, you can only hope that your adversary or even your ally in your party or outside of your party will challenge you with new ideas, with new approaches, and with meaningful, constructive ways in which to do things.

As a former congressman who has never been afraid to talk about capital formation and the use of public policy, particularly tax policy, to accomplish the goals of creating opportunity for all, as a football player, professional football player – and I hope he regales us with a few stories – and as the former secretary of Housing and Urban Development and as his party's number two, party bearer, in '96 as the vice-presidential nominee for the National Republican Party under Bob Dole, he has been as consistent a politician, a public figure and a political figure in his views and ideas and approaches to addressing issues of poverty, to addressing issues of capital formation for those who find themselves at the bottom of the ladder. Secretary Kemp, we thank you for your time.

MR. KEMP: Thank you, Harold.

MR. FORD: And thank you for your commitment to public life. Let me jump right into it. And what I'd love to do is just to open up and ask a broad question. And I understand there will be questions from the audience and we encourage that. If members of the panel could only do one policy, could only do one policy reform or make one policy recommendation that would create somewhat of an overhaul to help make work pay and reduce poverty, what would it be? I'd love to start with Dean Blank and do a round the clock if we can and hear from the panelists. So Dean Blank, big policy, how would you do it?

REBECCA BLANK: Yeah, it's an honor to be here and I'd say I love being on a panel with Congressman Ford. We got to know each other – he's a graduate of the University of Michigan, which is very important, and I was the dean there at the Ford school. And one of our first commencements, since we couldn't bring Gerald Ford in that particular year, we brought his brother Harold in – (laughter) – who gave just a wonderful, wonderful talk. So big policies that work – I'm going to disobey the laws. I'm going to say two things actually.

One, if you are worried about low-skill work, we've done a lot to bring low-skilled single moms into the workforce. And there's a lot more we can do that this long agenda, but at this point, I really think we need to spend some more time thinking about the men, and particularly the men coming out of jail, the men who are fathers, and the men who are increasingly dropping out of the labor force. And there's good evidence to link those dropouts, you know, the decline in formal labor-force participation with declining wages, which the men are facing even more so than the women.

So my first policy is definitely to increase the Earned Income Tax Credit for individuals who do not have children in their households because many of those individuals are connected to children and it will stabilize their lives and stabilize the lives of those who they are connected to if they are more involved in the workforce and earning higher incomes. So that's comment number one.

Comment number two, which I've got to make, is that there is a group of people out there who are not in the labor market and for whom it's not just a matter of slightly higher wages and more jobs. And those are people who are more disconnected, who face multiple barriers to work. There's really clear evidence right now that among the single mothers, a growing population of low-skilled single mothers is neither working nor receiving welfare, and that is a group we need to worry a very great deal about. And I think proposals that are going to try to reach out to the population and that's very heavily involved often with the mental-health community as well.

And it's not just women, of course, who are out of the labor market and need additional mental health services. So thinking about specific and targeted ways to bring them into the labor market to deal with the barriers that they face before they are going to get into work or provide them with a safety net if indeed you think work just isn't an option, rather than leaving them and their children without income is absolutely mandatory.

MR. FORD: So EITC and targeting resources for those –

MS. BLANK: Targeting those with multiple barriers to work who are not working and now no longer have access to some of our safety-net programs.

MR. FORD: Rob?

ROBERT CARMONA: First of all, let me thank the principal of the Hamilton Project for having me here. I would have said I was slumming because – I'm not slumming today because I work in Harlem, but everybody knows Harlem is prime real estate now – (laughter) – so I'm not slumming. But Becky kind of took the words out of my mouth. This concentration on men – the more that I do this work, the more I become convinced that one of the most devastating things in our community is lack of male involvement in families. I mean, one of the previous panelists, you know, focused on incarcerated men and all of the barriers that we've erected to keep them incarcerated even once they're released to the extent that we can take those away.

I mean, a very simple thing, like a lot of guys that go to jail, particularly in New York State, don't have access to higher education. And all the indicators show that if they do have access to higher education, the recidivism rate drops from like 65 percent on average like 7 to 8 percent. And, you know, things like being able to live in public housing and the like. So, you know, my vote would go for concentration on that and policies that enable individuals that are formerly incarcerated to kind of become part of the main –

MR. FORD: Do you see the EITC working in Harlem? And how, in light of what Dean Blank – and there's a lot of attention here in Washington now, even at the DLC where I am, there's talk about that?

MR. CARMONA: I do, but that is kind of after the fact, for me as a practitioner and anybody who's a practitioner out there. I can't afford to think big picture, all right, because it would become too frustrating. When you're working in the hood, so to speak, you've got to look at it one client at a time, one success at a time, because taking the big picture is kind of overwhelming and debilitating, quite frankly.

I made a – I had a question to – at the earlier panel, and I think we are apologetic about the kind of investments that Harry and his colleagues ask here, and I don't think that we should be apologetic. Clearly, you know, we have to focus on what can be done in Washington, but I don't think that the principles here in Washington have been challenged the way they should. And I've just got to say this, a lot of the work we do is in spite of what we see. We want poor folks to be accountable.

And if you look at the average poor person, if you look at the Daily News, the New York Post, and papers like that, people can read them and they're at the fifth grade level, so one think that they get is that people at the highest levels of government, people at the highest level of business have been blatantly unaccountable. And they can read that, and they – well challenge them then to be accountable. Look at the larger side, you'll say, why should I be? The people that lead me are not and these are the examples that I follow. So, in a lot of respects, people in those communities get their unaccountability honestly.

MR. FORD: Mr. Secretary, you've never been timid about big ideas, offering big ideas and big change. And as a leader of a former large organization with the government with responsibility in these areas, if you could send Secretary Jackson memo that he would follow, just to modify the question a tad bit for you, one big – and I heard you nodding loudly when Dean Blank made the point about incarcerated men and the barriers. What would that recommend – what would that policy recommendation be to Secretary Jackson – he's a good man – for he and the president to follow?

MR. KEMP: Well, first of all, thank you for the wonderful introduction and to pay you the compliment, you're my favorite Abraham Lincoln Democrat – (laughter).

MR. FORD: I'm glad you chose Abe Lincoln – (chuckles).

MR. KEMP: Yeah, right. And I want to congratulate Brookings and the Hamilton Project and with specificity. I read through not every line but all of the ideas being expressed by the Hamilton group, and they all are absolutely wonderful ideas for public policy to be reformed in our country. And I like what the dean and you, Bob, talked about in terms of concentrating on African-American men and male of color.

I'm going to take it up a little bit though. And by the way, there really was a Democratic Republican Party; Mr. Jefferson beat the Federalists by being a Democratic Republican. It's a beautiful name, I love it, and I use the word democratic in a way that I think would be applicable, not only to the politics of our country, but to the economics, I think we have to democratize our system. I think our system works very well once you're up on the rungs of the ladder and you can climb to untold levels based upon your own merit, your own determination, your education, as Bob pointed out, et cetera.

I have made a case that – in fact I wrote a chapter for John Edwards's book on poverty, that I thought what was really missing in the debate so far that I've been looking at, both from the center left to the center right, is the type of a policy that could help democratize our capitalistic system. Big idea: Lincoln's Homestead Act of 1862, 160 acres of land free and clear and under contract, if you lived on it and worked on it and improved it. You don't have to tell people to improve that which they own. As soon as they own something, they begin to improve it. So, that's big idea. The Moral Land Grant College Act of 1864, establishing our agricultural colleges, goes to what Bob was talking about even though it hasn't been as accessible as would be higher education, particularly to those who are incarcerated or coming out of incarceration. Franklin Roosevelt, G.I. Bill, FHA, two big ideas of the '30s and '40s that helped reduce the gap between wealth and poverty.

So, what would I do if I could have an immediate impact on one policy? I'm for the EITC being liberalized. It was a very, very positive – but what does it do? It offsets the payroll tax. When a working woman comes off welfare, she loses her welfare food stamps and healthcare and the tax – the after-tax benefits of not working sometimes are higher than the after-tax benefits of going to work. So, here's my proposal, and it's not something that I've just come to lately. It's predicated upon the Bed-Stuyvesant Project of Bobby Kennedy circa 1968. He said, and I quote, “to ignore the potential contribution of private enterprise is to fight a war on poverty with a platoon while the great armies are left standing aside.”

So, what would that great army be? Some form of democratic capitalism; to it, eliminate the payroll tax altogether. Take the areas that have been redlined in our country’s history: Watts, Los Angeles, East L.A., East Harlem, South Bronx, I can go through them because I’ve visited them all when I was secretary of housing, South Side of Chicago, Overtown Miami. I won’t try to label every, but take those redlined areas and just put them up on a huge U.S. map in front of the United States Congress and then say that every redlined area in our country would be green-lined for a zone of enterprise that would pay the woman who comes off welfare, the father who comes off unemployment or out of prison, faces no payroll tax, up to 200 – over 200 percent of poverty level. Eliminate the capital gain tax, which is a stupid tax, by the way; it’s not a tax on the rich, it’s a tax on poor people who want to get rich who can’t get rich on wages. The only way to create wealth is to earn, save, and invest.

So, anyone who invests his or her capital in a newly generated green zone, enterprise zone, empowerment zone – whatever you want to call it, I don’t need my name on it – no capital gain tax, no tax on the wages of a working woman or man up to 200 percent of poverty level. Get ready for this: no corporate tax for 10 years, jump-start that economy. No tax on the small business, no tax on a corporation who would put their plant, their business, their technology to work hiring people in this formerly redlined, now green-lined area.

My favorite rabbi in Bethesda with whom we lit a menorah Saturday night for the fifth night of Hanukah, Rabbi Stuart Weinblath of Bethesda, quoted at dinner Maimonides, the 11th century Talmudic philosopher, Moses Moses ben Maimon (?). He said, “the highest form of charity is to prevent a man from taking charity.” The greatest form of charity in Judaism is to remove the need for charity, and there’s only way to really remove the need for charity, that’s provide education and a job and an opportunity to climb that ladder that we euphemistically call American, but it ain’t American, it’s Chinese and Latino and Hispanic and African and Asian and we’re finding out Macedonian, whatever. That’s my big idea for the moment.

MR. FORD: Yes, sir, it’s pretty big, too. It seems appropriate that we would turn to Director Greenstein to give us the answer to the question, but to put some of the ideas in perspective, 20 year historically from what impact ideas like these have had on the budget and where we are today and how we could incorporate some of these ideas without causing short, intermediate, or long-term harm to the projections regarding surpluses – but we haven’t really had a surplus conversation in a while – but what impact it would have in the short term on our debt picture?

ROBERT GREENSTEIN: Let me say three things on the poverty front, and I’ll try and briefly mention the debt picture at the end. I think there’s a distinction between what would be the most important policies to make work pay, reduce poverty over time, and an immediate issue that we're facing. We have about a 50 percent risk, as I'm sure everyone in the audience knows, of a recession. In recessions, poverty goes up significantly; a number of people who were poor become poorer.

Now, the front line in a recession is supposed to be the unemployment insurance program, which in theory should protect those low-income workers who succeed in going to work if they, due to no fault of their own, lose their job in a downturn. But we all know the unemployment insurance program doesn't work very well for low-wage workers, it only covers about 37 percent of the unemployed now, and does much less well for many low-wage workers, particularly many women who are less than full time workers with young children.

Reforms to address this were called for by the bipartisan advisory committee on unemployment compensation 12 years ago. Congress has never moved on them, except that some of the key things were passed two months ago in a deficit-neutral bill by the House of Representatives. It has been sitting in the Senate for two months. These are reforms recommended, again, 12 years ago by a bipartisan commission. They've got to be put in place before unemployment really starts to rise significantly. Should that occur, the Senate could attach them to something, they could be enacted in the next 10 days, but they won't be. That's unfortunate.

So, this is the most immediate thing, like it ought to be done in the next 10 days to do. Thinking larger, getting closer to the topic of the panel, in the area of making work pay, it won't surprise anyone who knows the Center on Budget's work, that we're very attracted to Karl Scholz's proposal regarding the EITC expansion for childless workers, given the large role we played in its creation in '93 and the center has been proposing since about '95 a major expansion in this. Further, I won't repeat the reasons, Karl outlined them eloquently on the first panel, but I want to add to this, if we're looking about big gaps in the make work pay area, and we're talking about a significant hole, particularly for men and for childless workers, another growing hole is the lack of adequate resources for adequate quality childcare to better enable low-income parents to go to work. And the gap between the childcare needs and the childcare resources that are being made available is growing significantly year by year and that's got to be a part of the make work pay agenda as well.

But my third point is that I would probably put something else ahead of either of those things, although it isn't precisely make work pay, it's poverty, but not make work pay. And that is the proposal set forth in a recent outstanding paper, I recommend every read, by fellow panelist here Rebecca Blank. It's in the Future of Children volume that I think came out this fall. And in this paper, Becky points out that the share of low-income single mothers who have neither employment nor cash welfare assistance has roughly doubled since the early '90s. It has been growing even during the period of economic recovery, the census data show that about one third of all poor children now have incomes, even after counting non-cash benefits, below half the poverty line, in significant part because a growing share of them are in what Becky calls these disconnected families.

And the changes made last year in the TANF program will pretty certainly make this problem worse because they make it harder for states to tailor their TANF programs to provide the services that these multi-barrier families face. As Greg acknowledge, for all the – I love the New Hope – I love his proposal in the New Hope Project – but as he noted, it isn't really for these severely multi-barrier families, to a great degree.

So, one more point here: what really struck me in Becky's paper was she makes an analogy between these families and the flow-out after deinstitutionalization for mental institutions several decades ago, which was liberating for many people who were able to then make it, but there were a subset of those people who sank, didn't get the help they needed, and became homeless. And she notes that the welfare policy changes of the '90s, many families went to work, got less poor, climbed out of poverty, but we have this group of disconnected mothers, and she notes some of them may have been able to put employment together for a while, but their physical, metal problems, depression, whatever, ultimately defeat them, or their family may have housed them for a while, but ultimately that's unsustainable. And she worries, and got me even more worried than I was before I read her paper, of a growing problem here or a growing population of mothers and children without employment, without much assistance, really at the bottom, and large numbers of kids involved.

I won't – she has proposals she can talk about, about how to try to address that, but I think that dealing with those disconnected families has to be one of our higher – highest priorities in the poverty area alongside making work pay; not one or the other, we've got to do both.

MR. KEMP: I want to thank Bob for not suggesting that the budget consequences of the Kemp idea would destroy the fiscal conservatism of the United States. Thank you, sir.

MR. GREENSTEIN: Let me –

MR. KEMP: I'm sure you'll hit it later though – (chuckles).

MR. FORD: Did you want to – you said you would want to make a minute just on what these implications are for –

MR. GREENSTEIN: Well, what was really covered, I thought, by Jason Furman in the first panel – I'm an ardent believe in the pay as you go – but, what pay as you go really is supposed to mean is not that good policies shouldn't be implemented, but if they're important enough policies, then you ought to be able to find the ways to pay for it. Certainly, not everything else in the tax code or in the spending side of the budget is as high a priority in my view as the things we were talking about here today. So, I thought Jason outlined it well.

The one question I sort of have, and I don't know enough about it, this is more a question for Karl Scholz or others, and this is – there's only very small amounts of money involved – but my sense is that there's a little money that might be gotten from some changes in some of the existing tax breaks that are designed to spur employment of low income workers, but that really aren't very effective in doing that.

MR. FORD: Bob, let me ask you a question. Now, you talked about some of these ideas are after the fact, in light of what Bob's analysis of Dean Blank's paper or one of her essays, and in light of what Secretary Kemp called for, the no cap gains and no payroll tax above the 200 percent of poverty for – and no taxes for, no corporate tax on companies that may locate in areas where we find many of these depressing statistics prevalent. Is that too after the fact?

And then when we come to Dean Blank, Dean, if you would just comment on the points that Director Greenstein made regarding your essay and who you assess the impact of what Secretary Kemp – because I'm – I'd love – the ideas, I think, are the most important. It's clear, I've not heard anyone quite say right off the back yet, maybe it's in the last panel, that a good job is probably the best way to do this, but it seems like Kemp's ideas sort of move in that direction a bit. And I'm curious if that's too after the fact, to borrow your term?

MR. CARMONA: I wouldn't – I don't know about characterizing it as after the fact. I think that, particularly people that – the people that we're talking about that these policies would ultimately impact, pay absolutely no attention to them. If you have conversations with individuals, you know, at – that are served by organizations like STRIVE, and there are many of them, very useful and good organizations, they are so concentrated on their day-to-day existence, that the challenge of looking at that big picture is just too overwhelming for them.

I think Becky's point about this growing population of women that are disconnected, I think, is certainly critical as a challenge that I – you know, that we also mentioned about – that men face in our community. And you know, one of the things that I think, in coming on me to mention this, is probably a positive and that may be able to impact living wage jobs for people in our communities, is this notion that you're going to have the biggest exodus of retirees in this country's history over the next 10 to 15 years. And there are a lot of jobs that pay quite well that are not going to be able to be sucked up through immigration and all that, that I think that companies that Secretary Kemp may be referring to, are going to have to look at individuals that heretofore they haven't looked at.

Harry made a comment about STRIVE doing a program where we've attempted to marry workforce and education. But in order to get the contextual math and reading to do the kind of jobs we're talking about, you have to at least be at the tenth grade level, you know, engineering – you're always going to need a plumber, you're always going to need a carpenter. I don't care how high-tech we get, you're going to need a plumber. And these individuals are retiring and they made a good deal of dough so their children had the opportunity to go to college, and we're looking at these kind of individuals to go into these occupations. But there's going to be a, A, a recognition that there has to be a broader view of what we characterize as education and that because there's, in my view, been a massive disinvestment in education, we have people coming to STRIVE, even high school graduates, at the second or third grade level. So, we can –

MR. FORD: Reading at the second or third grade level?

MR. CARMONA: And they're high school graduates; forget about those that are dropouts. But if we can understand the link between education and workforce and make the kind of investments that we need to do, you know, different sectoral strategies, there is some – there's a silver lining out there.

Most of us in this room are college educated and we are not concentrating on the fact that the preponderant of the people in this country are not going to go to college. I think maybe 30 percent of Americans go to college. There's a whole slew of occupations that poor folks can master if we make the appropriate investments in education at this point. Now, it's a long-winded way and I don't even know if I answered your question, but that's my story.

MR. FORD: In Harlem, would a two – would a no corporate tax and no payroll tax of 200 percent, would that attract? Is that something that would inspire, incentivize the kind of workforce training and encourage people to go out and get the skill set needed to keep the job? Get a job and keep a job?

MR. CARMONA: It may be – it may be attractive to the employers, but you know, given something like that, I would wonder where we'd get the money to meet the bread and butter needs of the communities. I mean, if there's no tax, who pays for services? We've got to ask, you, Jack. You know, things that we take for granted.

I think it would be attractive to employers, but most poor folks, they don't think about taxes. And they're at a tax rate that's so low, I'm not sure what the significance would be to an individual making that kind of money.

MR. FORD: Sure.

MR. GREENSTEIN: Again, others like Karl know this area better than I, but I don't think the track record on place-based tax breaks to spur economic development has been all that impressive. And the revenue loss from the idea would be large. I'd go in the other direction; I'm still a fan of Ronald Reagan's 1986 tax reform act where we tax all income, we try to tax all income at the same rates. We tax capital gains and ordinary income at similar rates, rather than moving capital gains taxes down towards zero.

If I were to make a change in the tax code following up on what Rob's talking about with education, I look in a different direction. I look at the fact that the evidence is quite clear that the costs of college, whether it is community college or four-year college, are a significant barrier for many kids from low-income families. The evidence showing that the existing tax credits in the tax code, the hope credit, the life-long learning credit, and not to say, things like the 529s, the evidence is that they have near zero effect in increasing college attendance. They give tax breaks to people who would've gone anyway, and they're no refundable, so the very people for whom a tax-based approach for tuition assistance could have the biggest bang for the buck, the very people we're talking about on the panel, are shut out.

Congress is talking about further expansions for middle and upper-middle, possibly going up as high as $180,000 a year, students through expansions of these tax credits. The first thing that ought to be done is to make those credits partially or fully refundable and provide a better ability for low-income students to attend school, and if they do attend, to stay and graduate and not have to drop out half way through for financial pressures. That'd be my first tax-based priority in the poverty area.

MR. KEMP: It's interesting to me that whatever tax credit you're talking about does what? It offsets a tax. All I'm saying is, why not eliminate the source of the problem up front? No tax in a green-lined area where they're not paying taxes anyway. How do you lose tax revenue if you cut the capital gain tax in an area where no capital gain taxes are being paid at all? I don't know, Bob, if you read Henry Louis Gates's piece in The New York Times, I think a week ago – he studied 25 African-American families that were very successful. I'm not talking Oprah or Bob Johnson, we're talking about families that were successful knowing there was a huge problem –

MR. FORD: You're talking about black families like the Kemp family, is what you're referring to – (laughter).

MR. KEMP: As a certified African-American on this panel, the cradle of all humanity is Africa; we're all African-American. Henry Louis Gates – Skip Gates, I gave him an honorary degree at Howard University; we've become penpals since then – discovered that where people have ownership opportunities, particularly in the African-American community, which he was addressing, the ability to generate wealth and get out of poverty was enormous. The trouble is, there's not enough opportunities to own something, i.e., property, a stock, a bond, a home.

And I think preventing a recession would be important. Will I wait for that recession to come? We're already in a housing recession, and the Fed, which I think kept interest rates too low for too long, encouraged these ARMs to be given in the sub-prime market and now, as interest rates climbed up to 5.2 under the new chairman of the Fed, who's getting hit the hardest? The sub-prime market, where they're losing those homes; 65 percent of all the defaults are in the ARMs, the adjustable rate mortgage areas. So preventing the recession by cutting the Fed fund's rate should have been cut 100 basis points, at least 50 basis points.

Twenty-five basis points was nothing, A; B, I really want to make the point to you again that eliminating a tax that is not now being paid, the creed and incentive for capital to come into that area – if you look at the most successful cities in the world, Hong Kong, Singapore, Dubai, they run from Asia to Middle East to Africa, are the lowest tax, freest enterprise cities. I'm not talking laissez-faire, 18th century, Darwinian capitalism; I'm talking about a social safety net, all the things that the Hamilton project have talked about. They're great, do everything we can, but I don't think the budget – I remember when Charlie Rangel introduced his bill in '98, and it went to O&B. They said, we can't afford it, $5 billion over 10 years. We couldn't afford it. So the Republicans turned it down. Charlie Rangel pushed it, Bill Clinton signed it, changed the name to empowerment zones and I'll make a case, Bob, it's doing pretty well in Harlem. Why not do it in a turbo-prop way, and eliminate totally the capital gain tax for 10 years because a corporate tax for 10 years and a payroll tax in perpetuity.

MR. FORD: Dean Blank?

MS. BLANK: So the question of whether you want to focus a lot of resources on a few target areas, or want to do things that are little bit more, you know, universal in the sense of hitting anyone who is eligible across the country, is a really important question. I guess I must say, I have a lot of sympathy for Bob Greenstein's point of view here, that a lot of the things that we have tried in more disadvantaged communities, many of them tax-based, have ended up basically shifting around where the jobs are without having very much of a net effect of job growth at all, and they're quite extensive.

MR. KEMP: Give me an example.

MS. BLANK: You know, people have evaluated the enterprise zones fairly clearly, and said that the enterprise zones of the 1980s ended up basically costing, you know, multiple tens of thousands of dollars with very little job creation. There's four or five major research studies that essentially say that.

MR. KEMP: Note the – excuse me for arguing, Dean, but the empowerment zones that have signed into law by the Republican Congress and a Democratic president, i.e., Bill Clinton, there is no real tax incentive other than tax credit based on wages. What I'm suggesting goes far beyond just a little tax credit. I'm eliminating the tax on anybody that puts their capital at risk in that area.

MS. BLANK: No, I understand the radicalness of your proposal, believe me – (laughter) – you know –

MR. KEMP: But you said it wouldn't work.

MS. BLANK: But I guess the question is, do you think the problem is the taxes. And, you know, I would much rather see a set of proposals that create jobs broadly and that subsidize wages broadly, so that no matter where you live, if you're a less-skilled or lower-wage worker, you've got an incentive to go to work and you've got a way to stabilize your income. And to target that just on one – you know, and a small number of communities, you know, first of all encourages everyone, you know, who's low-income to live together. And everything we know says that's a bad idea; you actually want to disperse people and create quite a bit of integration across income levels. You know, and you really don't want to provide subsidies to employers here. I mean, the people you want to get the money to is not the employers but to the families and the individuals. And a lot of the tax-based strategies – and yours is different than what I've before, I'll freely admit; maybe it'll work differently. A lot of the tax-based strategies end up giving more money to the employers and not getting as much through to the people.

MR. GREENSTEIN: And Rob was talking about how Harlem was becoming prime real estate. Now, had we had a big tax break in Harlem a few years ago of the sort you're talking about, people would now be saying see, Harlem is moving forward economically because of the tax break. But it's happening without those tax breaks. I think it's very hard to make those kinds of things work.

I would rather invest more money in something you've also been a big proponent of; I would both increase the number of section 8 housing vouchers, and try to take all the – there are 2,400 public housing authorities throughout the country. In theory, vouchers are portable. You're in an inner city, you have a voucher, there's a job in the next town; you can move to the next town and use your voucher there. In practice, it's hard to make it work because of this vulcanized structure of all these little public housing authorities. We ought to, in my view, consolidate, metro-area wide, the housing authorities, make the portability work, provide more vouchers and empower people to move to where the best jobs and the best schools are. I would do more of that sort of thing.

MR. KEMP: Harold, everything – I want to say I agree with just almost 98 percent of everything that's been said. Republicans love school vouchers, and my liberal Democratic friends love housing vouchers; why not link them together and have – no, seriously. You just mentioned you want a voucher for housing to get a better education. Why not link a housing and an education voucher?

But, to go back to my predicate. Everything we've talked about, I think just about everything, Harold, we've talked about here is either subsidizing a wage or a tax credit against the tax on the wage. All I'm saying is, find those areas, do the macro thing, and I would support the Hamilton Project on almost everything I've read of it. There's not a bad idea – they're all good ideas.

But why not do something that is so radical that it goes to the heart of what's happening in Watts, Los Angeles? There is no capital, and I'm going to quote Jesse Jackson. He said, capitalism without access to capital is an ism, it's an abstraction. We've got to make capitalism work or it's not working, and the only way to do it is to incentivize men and women of affluence – some will be white, some will be black, some will be from other countries, whatever, who bailed out UBS, Singapore sovereign wealth fund; who bailed out Citibank; Abu Dhabi. Does it bother anybody that Abu Dhabi invested in Citibank? It doesn't bother me a bit. So let's make capitalism work by really incentivizing it instead of – and subsidize every wage you want and have every tax credit you want; why not try something radical – not left or right, I don't think it's right or left.

So I'm disappointed we end up debating whether a tax incentive would work. You'd eliminate the capital gain tax in Watts, Los Angeles, for any man or woman who puts her capital, his capital, at risk in a job-creating enterprise.

Folks, I am, I guess, upper-income. My daddy was a truck driver. He bought the truck, started a trucking company, and he had access to capital. There is no access to capital in those redlined areas of America, and I think what's happening today is re-redlining, de facto.

MS. BLANK: I want to talk a little bit about – it falls right under what Secretary Kemp is saying about access to formal financial services among low-income families. Large numbers of low-income families do not hold checking accounts, regularly use various payroll loans, which end up at huge interest rates. And in part because they have relatively unstable incomes, you know, need something that smoothes consumption for them. And one of the real things that we need to think about, and particularly in disadvantaged areas, is making sure that our banks have availability of accounts that are open to low-income families that make sense for low-income families.

So you don't need the huge minimum deposit; you don't have large prices for every check that you write, but there are incentives for banks to serve the low-income and moderate-income community, in terms of financial services, to provide alternative forms of payday loans that don't have – that might have higher interest rates than longer-term loans, but don't have the 1,000 percent interest rates that you see. And that's one area of, you know, making sure that low-income families have access to the same capitalist structures and banking structures that all the rest of us have. That, I think, is highly important and particularly important in the low-income neighborhoods the banks seriously under-serve in all sorts of ways.

MR. FORD: You all have efforts and STRIVE has been a part of any kind of partnership like this. This is often talked about, with obviously the savings rates being incredibly low, access to –

MR. CARMONA: Well, we've always had what we would characterize as financial literacy kind of classes; get people to become more aware of the value of that instead of, you know, relying on cashing their checks to local check-cashing and things like that. But that's, I think, something that's cultural and in some ways embedded, that the financial literacy classes try to address, so we do.

MR. FORD: My congressional district was Memphis. Didn't take up the entire city, but it was encapsulated there. And I'm always fascinated when I hear conversations about what to do for people that live in these communities. And I was blessed to serve on the financial services committee to Congress, and whenever we had a challenge with the financial services community we did the logical thing; we invited them in or they had a lobbyist bring them into the office, and they would explain their needs. And we, most of the times, responded if not favorably, doggone close to favorably to what it is they want.

This population of people we oftentimes kind of talk around, above them, beneath them, without taking the conversation directly to them. And if capitalism is to be believed, I don't care where you live; you're excited and motivated by the opportunity to be rewarded for whatever it is you do. In most of these communities, a lot of the communities that we're talking about here – and I would agree, I don't think there's much difference. There's not as big as a chasm between, I think, what Kemp is saying and what others on the panel are saying regarding not confining this to geography, and not limiting to a certain area, but making it broader-based.

I did a poll in – I ran for Senate last year and didn't win, and did a poll amongst poor people, amongst middle-income to poor people. And you know, the thing they associated most – and this is in Tennessee. What people associated most with being rich in America; tax cuts. They said that rich people got tax cuts. So, you know, we used the data for a variety of reasons; we largely used it initially for developing and organizing a political message.

But the more I thought about it, it really had a bigger policy implication. And if indeed poor people associate rich people with getting tax cuts, it explains a lot of political dynamics and even some of the success at the national level that both parties have, and we might as well prepare ourselves for a pretty robust, if not ugly discussion about one party being for tax cuts and another party being against them when frankly, the party that claims they're for them oftentimes constructs regimes that are more beneficial to one group or a smaller group of people than they are everyone else, which is one of the reasons I applaud what Kemp is saying. Whether we think the impact is too detrimental to the overall budget, whether the practice has been as universally positive as we'd like, the reality is if you say to someone earning $30,000 a year, you're going to get a tax cut, I found at least in this little parochial poll we did, that people responded and reacted.

I would contend that one of the reasons that Harlem has emerged is there have been a number of – the real estate has emerged has been a number of reasons. One of the reasons is that there's not enough room in lower Manhattan, so people are moving to upper Manhattan. So there a number of different – if someone now is a property owner there, I can tell you it's expensive in New York City now, but it's even expensive up in Harlem.

But I mentioned it only to say that, as we talk about tax cuts and tax incentives and vouchers, the other interesting thing I found about most hardworking poor people where I'm from is that they all love the idea of education vouchers. I mean, if people who actually would be impacted by it, if you poll them, the parents whose kids are in these really bad schools, they don't know – and here's where I think you're absolutely right, Mr. Carmona. They don't know what a voucher is, they just know you're going to get their child out of the setting their in that's not teaching them right. And if there's an opportunity for something better, then you've got to be willing to support it.

The reason I think the Hamilton Project is so critical to all of this, and the reason this panel is so important, the conversation is so important, is that we need to begin to sort of transcend all of this kind of partisan political boundaries because as you stated so eloquently and powerfully and simply, people that we're trying to serve, they don't think about all of this. I mean, they don't think about who they're paying taxes to, if it's local, state or federal; they don't think about whether it's a Democrat or Republican idea; and as you said so well, Bob, there's a plan that's been in place for 12 years that the people who we want to take advantage of it aren't taking advantage of it.

Now, I happen to think tax cuts and incentives work. I now work on a street –

MR. KEMP: Careful, now. Careful.

MR. FORD: I actually work on a big street up in New York now, where it serves as an incentive. And a group of people where I work, who form these organizations and alliances now, to come down on Wall Street to prevent Congress from raising a tax on a source of income – they won't call it that, my friends up there don't, but in a lot of ways it is. I don't know, as you describe, what you get on the up and investment shouldn't be taxed in a certain way. I'm going to leave that discussion for my friends here in Washington, and the group that get paid to make the argument.

If we treat rich people that way, treat poor people that way. And the only reason I'm not totally sold on all of the specifics of Chairman Kemp, chairman of Kemp Partners and Secretary Kemp's ideas, but I do like the idea of taking, as you indicated, taking the same architecture we have for those at the top and applying it elsewhere, and helping people to understand.

I was with a group of people in Washington – Chuck Schwab and John Rogers at Aerial Capital sponsored a thing called the Black Investor Conference. And they were explaining how similarly situated black men and similarly situated white men work at a company for the same number of years; the black man has four times less savings than their white counterpart. Not that has anything to do with the racial part, it's just important because of the differences. And it was amazing to me because as it was being explained, even when it was explained to black workers that your employer will match X percent of what you put in, most people still thought they would lose, not realizing that you already had a hedge against whatever you may lose because your employer is putting money there.

So this financial literacy, I think, is vital to this overall process or whatever we overlap – however we address these challenges, be it a combination we talked about up here, or none of this. Whatever the issue may be, you got to look at it and treat people, I think, exactly the same way because if you work and make $300,000 a year or $30,000 a year, as my friend, one of my employers at Fox News said to me so well, Rupert Murdoch, he said, we have one mantra at our station and I'll you why we think it works. He said, we don't believe that anybody that watches Fox News comes home on Friday when they get their paycheck and say, doggone it, I wish I could have paid more taxes this week, regardless of where you fall on the income ladder. And we've got to figure out how we make that fairer, I think, for everyone.

So having made a speech, in a lot of ways, trying to sort of jumpstart a little bit as we talk, to come back to your point, pay-go, Mr. Greenstein, how do you – I mean, it's easy to say, and I agree with my director wholeheartedly, we got to find ways to pay. Where would you make some of these changes with regard to the overall poverty work-for-pay and strengthening opportunities for people. Where would you make changes in that government outlay right now to ensure that we have resources for some of the other ideas that have come up here?

MR. GREENSTEIN: Well, just to sharpen the discussion, I wouldn't start by lowering capital gains taxes, which to me are not something that benefits people at the bottom; it benefits the owners of capital who are making the investments, who are primarily people at the top. If we want to give more tax breaks for people at the bottom we could, you know, make the earned income tax credit get more robust. But that wasn't really the question.

I think we're going to need to do several kinds of things. Hamilton has talked about this in other contexts. I mean, the two biggest issues for the fiscal health of the country going forward, which means both avoiding crushing levels of persistent deficits that could really hurt the economy in future decades, and having the resources for high-priority things, such as those we're talking about here today because we got to have major reform of the healthcare system and we're going to need to bring in more revenue. We're not going to be able to have a society that is older, and where healthcare advances continue to break through at an enormous pace, with healthcare costs rising; they'll rise even after all the reforms we do. You can't get there from here with revenues at 18.5 or 19 percent of GDP.

Now, you can have lower levels of revenue and more inefficiency, and more harm from the tax code, and you can have higher levels of revenue and actually more efficiency if you construct the tax system right. A reformed tax system, in my view, you have the broadest ratio you can, then the rates don't have to be that high and we need to bring in some more revenue. On the spending side, as one example, in the healthcare area of the sort of thing we can do right now, we have a unanimous recommendation from Congress's own advisory commission on the Medicare program, probably the fastest-growing program in the federal budget in terms of out-weighs, that we're losing huge amounts of money through overpayments to private insurance companies that participate in the Medicare Advantage part of Medicare. Not that we shouldn't have private companies; we should, but they should be paid the same as it costs regular Medicare entry people, not 12 percent more. Unanimous recommendation of the Medicare payment advisory commission, congressional budget offices, it would save $150 billion over 10 years. That's way beyond the costs of the things we're talking about on this panel.

Having said that, just to inject a current note that I'm very sad about, there's a bill on the Hill to do some very modest things in Medicare. And they're talking about not

$150 billion in savings for Medicare Advantage, but maybe five or $10 billion in savings for Medicare Advantage over the next five years. And the White House is saying, you take one dime; we veto the whole bill.

Now, we have to be in a situation where we're willing to make hard choices, in areas from Medicare to the tax code, and other areas. If we can make the hard choices, we can have fiscal stability and fund the kinds of priorities we're talking about here today. If we can't make those choices, hardly anything that we've talked about here today will happen. You know, everybody will say we can have people in both parties of goodwill saying, these are good ideas, and we get down and we hit the budget wall. There's no money; sorry, can't do them.

MR. KEMP: Well, preventing a recession is absolutely of paramount importance if you want revenue to keep coming in to the federal government. Going into a recession, people getting unemployed, your revenue base goes down. And clearly, preventing a recession is so important and I think Harold, what you have proposed in your op-ed articles, expanding EITC, flattening out and making the tax code fairer, but I want to make one hopefully pithy point. Capital gain tax is not ordinary income, Bob. It's income from investment, and if you punish investment you're not hurting the rich; all they'd do would sit on an asset and collateralize bit, borrow against it, and get access to capital.

If you raise capital gains to ordinary income levels you're going to, in my opinion – I told Barack Obama – I didn't tell Barack Obama, I wrote him a letter. It's not ordinary income; you can't get rich on wages. The only way to get wealth is to earn, save and invest, and if you punish working and punish investment, you're not hurting rich people, who are already rich. And most of the wealth in America, in white America, was made when tax rates are low.

So now, as African Americans and people are color are coming into their God-given, natural civil and human rights, we are punishing – I saw Whoopi Goldberg, that's my secretary of Treasury in the Kemp administration, Whoopi Goldberg. She said, I don't want my death to cause my taxes to be paid at 55 percent after I've already paid them at 40 percent my whole life. Whoopi Goldberg for Treasury secretary.

MR. FORD: We have questions from the audience, can we turn to on the – on Secretary Goldberg, on that note.

MR. GREENSTEIN: Well, in the absence of questions, could I just say is tax reformers across the political spectrum have long pointed out, when the differential gets large between capital gains income and ordinary income, it creates powerful incentives for people to use tax shelters to convert ordinary income in the capital gains, even when that's not the most efficient use of the resources. So it can actually create significant distortions, and what better example than the current carried-interest loophole, which is driven by the capital gains differential.

So again, I think the principle of the ’86 tax reform act was the right principle: try to have a broad-based tax on all forms of income the same, and that allows you to have lower rates than you otherwise would. And the lower rates give you more economic efficiency than a very low capital gains rate than a big differential will.

MR. KEMP: I don’t want a big differential, I want a low differential. It’s not ordinary income, though. You get taxed on your income; you save it, you get taxed. You invest it; you get taxed again. It’s unindexed, you get taxed on the inflated value of the asset and if you die, you’re taxed at 55 percent, starting in 2011.

It’s a terrible code, and we all agree it should be reformed. Even Jimmy Carter wanted to reform it and I think if Harold Ford, Jack Kemp and you, Bob, and I sat down we could come up with a simple, fair, low tax-rate system for America. But we got to have enterprise zones, or you’re going to leave a lot of people behind.

MR. FORD: Rob, did you want to come in? I heard you muttering underneath what – (laughter).

MR. CARMONA: Well, what I was muttering was, you know, the theme should be concentrated on tax code, and I want to bring it back to some of the discussion that I guess the previous panel had on – I forget the tax code, on investments in workforce and healthcare and things of that nature. I think they have a much more direct benefit to poor folks.

The other thing, too, and somebody mentioned community college – I can only look at my experience. I think that we have been, as a country, have been so concentrated on looking at the elite schools or, you know, to having our young look at the elite schools that we’re not looking at avenues that really are the ticket to the middle class. I know for me, growing up in the ’60s, college was not on the radar; you know, you were black or Latino, you get out of high school hopefully and you went to get the job with the city. But I started out in community college, and people don’t realize that that’s like real college. You know, if you can keep your grade level up to, say, a 3-index and transfer into a state university or what have you. And to the extent that we can get our young folks – now we’re talking about the generation of the poor women and the men, the children of these men, to get them to look at community college and I know that once I got to a community college, it kind of whet my appetite to the possibilities.

There are so many things we could do through the community college: different skill training activities in collaboration with employers, you know, the kind of sectoral strategies that have been demonstrated to bring people’s wages up. There are a slew of things that we’ve talked about here, both this panel and my college, and clearly there’s no silver bullet and not one-size-fits-all. I just think that what we have not done – this audience, really, is we’re kind of preaching to the converted. Everybody here, on some level, has a commitment to those people less fortunate than us or you wouldn’t be sitting here.

But how do we take these arguments outside of the room in the context, and challenge our policymakers because we'd be back here – you know, certainly Harry and I have been seeing each other for years in forums like this. We have a lot of the answers, Becky knows this, to what needs to happen in poor communities. What we lack is political will, and I think it gets obfuscated sometimes by these discussions on tax policy and things like that, and we get away from what poor people on the ground really, really need, and what activities or programs already in place, that they'll be taken to scale. And that's – I mean, that would be my challenge to this body: How do we bring this outside of preaching to the converted because that's what we're doing here, in some respects.

MR. FORD: Let me ask Jason to come to the panel; I just want to close on one thing and get a response from everybody on the panel.

We are now a few years after Katrina, and the realities on the ground are arguably more depressing today than they were before, for no other reason that they have not improved at a dramatic pace. We talked about a range of things here from a much broader and macro sense. I know those on the panel have followed this close, and I'm going to make a presumption the audience has followed, at least at some level, what's happening in New Orleans. The biggest challenge facing the government and addressing and improving the situation on the ground in New Orleans, Mr. Carmona, what would you do if you were a policymaker for one day, to not only have an impact there but make a statement about this government's commitment to ensure that you and Harry don't have to see each other five years from now, having the exactly same conversation about the exact same set of issues.

MR. CARMONA: I don't think the government does have a commitment. Every time I think of, this is the country that rebuilt Europe, rebuilt Japan, and we can't rebuild a small city of 500,000 people, is just appalling, criminal, whatever word we want to use for it. I would – and you know, hear the presidential candidates on either party really making any noise about that. I think that we need to challenge them to live up to the ideals of what America used to be. Even as a black man, you know, black guys are always skeptical about land of the free, home of the brave; that's just our reality. But this is not even the America that I know as a black man, and it's changed so significantly in the last – I would say in the last seven years, that this is gotten – it's like the bizarro world, and I don't think that we've lost the heart to challenge the immorality of where we're going and where we are.

MR. FORD: Thirty seconds, Dean Blank, on your thoughts.

MS. BLANK: There's so much you want to say about what should have happened, and you just got to put that aside. I mean, I am appalled at the fact that, you know, two years after the fact we still have not cleaned up the housing and cleaned up the neighborhoods that were affected by these hurricanes, and step number one is simply to go in, do the rehabilitation, work with the people who are down there trying to rebuild their homes and, you know, housing is number one here, and work on that front.

MR. FORD: Director?

MR. GREENSTEIN: Housing is definitely number one. Part of the problem is that low-income workers from New Orleans can't move back because they can't find housing they can afford. The supply of affordable housing has been greatly reduced because of the impacts on many of the physical structures, and so the rents are way up; I think there are parts in New Orleans where the rents are double or more than double what they were pre-Katrina. And so we don't have these low-income workers moving back. We need a crash program to make more of the – there is housing that is there that is not affordable to low-income people without vouchers or other subsidies. There needs to be a whole program of subsidies; some are vouchers, some are certain kinds of loans to owners, that we help them rehabilitate their homes if they agree to open a portion of the units to low-income people.

And then, while we're doing that so that people can afford to move back there, we clearly need a big program to help low-income and minority home owners, Ninth Ward and elsewhere, be able to rebuild homes they can own and live in them, and that'll take a little longer to do. The most immediate thing, I think, is opening up affordable rental housing so low-income workers can move back.

MR. FORD: Secretary Kemp, I wanted you last just because of the president and what we're faced with. I think 10 years from now, I will be married – hopefully, if she doesn't leave me before our wedding in April, and I have kids, and they reach middle school and they look back and they're going to ask me, Daddy, what took you so long to do something about these people living here. Statements have been made about America; what would you have done as Secretary of Housing and Urban Development, how would you have organized a better network?

MR. KEMP: First of all, I agree with everybody up here, but particularly Bob. It's a disgrace to our country; it's a moral stain on our republic, and particularly the Republican Party, for not coming up with something bold. Every displaced homeowner should have been given a voucher instead of a FEMA trailer. People are still living in trailers after Hugo in Florida; disgraceful. Every single family should have had a Section 8 voucher where they could move, and I would have added it to an education voucher. But, putting aside that debatable subject, only Harold and I believe –

MR. FORD: Don't say capital gains in the final – (laughter) – just so we get – we want to end on a high note.

MR. KEMP: This is my problem. No, I wrote a letter to O&B and I said, look – I talked about Roosevelt and Lincoln, and what they agreed on: a homestead act. Take land that the federal government owned or was in possession of, and grant it to residents, grant it to people who would homestead it. The rhetoric is in there, the go-zone is in there, but it's full of little tax credits. I was suggesting they should have really been bold in the go-zone. New Orleans, throughout Mississippi, Alabama and Louisiana, they just had little tiny tax incentives, and I think it should have been driven by rewarding men and women who would put their capital at risk. And I can't even mention capital gains, but they didn't touch it; they didn't touch it, I'm embarrassed that they didn't touch it. And they used all the good language.

Vouchers, education and attract capital would have been my beginning of an answer.

MR. FORD: Give this panel a round of applause, and we thank them for their time and expertise.

(Applause.)

MR. FORD: I'm going to let him close.

And turn back over to Director Furman.

MR. FURMAN: I will, just for one second actually, add a comment to this panel and then thank you, and let you go.

I think the conversation about wealth creation was very important. And when I think of one of the most important steps for wealth creation, it's individuals saving and building up their own wealth. And if you look at a low-income family, chances are their job doesn't have a 401(k); chances are if they do, as Rob said, they may not really understand it and sign up for it. Even if they do, they won't actually get any tax breaks from that 401(k); if they don't have taxable income, the tax deduction or tax exclusion doesn't mean anything to them. And finally, if they overcome all of those they'll accumulate a bunch of assets, and end up losing their food stamps as a result and facing, in effect, some of the highest tax rates on savings in the tax code, as Bob Greenstein has written about, are on low-income families.

So when you think about that form of wealth creation, and another thing that I'd like to put on the table, and no one will be allowed to rebut it, are ideas that the Hamilton Project and then the Retirement Security Project at Brookings and Georgetown have talked about, at a minimum automatic IRAs so everyone would have an IRA that their money would automatically be in, so some of this financial literacy wouldn't be as important if you set up the options in the right way in the first place, the defaults in the right way.

Something more ambitious, something like an automatic 401(k) with more generous matching funds, the people like Jean Spurling have written about and advocated for years, and then reforming the asset tests in public programs so that when people do save and accumulate wealth, they don't lose out as a result of that. So I'd like to add that, but I see everyone nodding their heads, so we don't even need to do a rebuttal and can end this. I thought this was a really great discussion today; there was a lot of comedy. It was much better than the time we had the president of AFSMI (ph) describe the CEO of

General Mills as “cereal man;” here, everyone was directors and secretaries and ultimately agreed with my nomination in terms of wealth creation and asset building.

So, thank you very much for coming.

(Applause)

(END)