THE BROOKINGS INSTITUTION

POVERTY AND INCOME IN 2010:
A LOOK AT THE NEW CENSUS DATA AND WHAT THE NUMBERS MEAN

Washington, D.C.
Tuesday, September 13, 2011

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P R O C E E D I N G S

MR. HASKINS: Okay. My name is Ron Haskins. I remembered that all this time. And along with Belle Sawhill I run a center here called the Center on Children and Families. And this I think is our ninth annual event on the day the Census releases its poverty numbers. So welcome.

Here's our plan for the event. First, I'm going to give a brief summary of the numbers which I think is untainted by any kind of political consideration. And then we're going to give eight minutes apiece to our wonderful panel to make comments about the numbers. Then I'm going to ask them some questions and then we'll give the audience a chance to ask some questions. And then we will go home and look for work.

So let me see if I can actually do this.

All right. So the first thing is children in poverty and people in poverty. And as everybody knows by now, the numbers went up. They went up a lot. I have to say though that my colleague Belle Sawhill, even though I harassed her for a whole year that her model didn't work, it did work. And I think we've had a release on that. Maybe Belle will talk about that, that she's predicted poverty. And if it continues to work we'll have lots and lots of poverty in the future. And poverty went up both for -- oh, it's not going to work -- it went up for both kids and for all people.

I want to call your attention to one thing I think is really quite important and that is that this is not just a one-year event. I mean, we essentially have been in the trough since 2000. There have been some years that poverty declined a little bit, income went up. But it's been a rugged road since 2000. So we've had more than a decade of difficult numbers. And perhaps people on the panel will talk about it. I think we can expect that this is not about to end. We can look forward to more poverty and lower income in the future as well. But it's noticeable that we have a long-term trend here that is not very pleasant.

Here's the poverty rate for kids in female-headed families and married couple families that also went up as all the poverty rates did just about. I call this to your attention because for those of us in policy, unless we can do something about poverty in female-headed families, we are not going to have major impacts on policy in the United States because the poverty rates among kids in female-headed families are so high -- four or five times as high as in married couple families. And not only that but, unfortunately, the demographic trends in the United States are that we put more and more and more kids into female-headed families. And as a result of that we take them out of the situation, married couple family, where they would have much lower poverty rate.

And so think about this. Even if we had successful poverty programs that actually did reduce the poverty rate, we still could have an increase in poverty because of the demographic trends. So this is a very important piece of data to keep in mind when you're thinking about what our policies for what poverty ought to be.

Here's median income. And again, unfortunate data. The median income goes down. It has -- we haven't had very many good years since 2000 again as in the poverty numbers. And you can see the separation between minority groups, Hispanics, and blacks, and all people. So that's an unfortunate part of this story but it again has some implications for policy that I thought many of you would be interested in.

It is noticeable that in several years, last year and this year included, that the income for Hispanics does not significantly decline even though the last data points a little bit below the data point for 2009. It is not a significant decline. In the year before, it actually increased. So something interesting about Hispanics and I'm not exactly sure how to explain what is going on there but it's happened for two years whatever it is.

And here we have -- I want to at least give some idea. I see all these reports on poverty and people don't talk about government programs. So I want to at least say something about government programs. So these solid lines here, this is for the middle 20 percent and the next to the bottom 20 percent, and the bottom 20 percent. And the solid line is life in the state of nature, so to speak. Without any government programs, this is what the poverty rate would be.

But we do have government programs. We have tax programs that are very favorable to the poor. The earned tax credit and the child tax credit among them. And then we have lots of other programs, like unemployment insurance, food stamps, and so forth -- I'm sure the panelists will talk about this -- that do provide benefits for low-income families, both families in the bottom and in the second quintile.

And the distance between the solid line and the dotted line is what government programs do. So our government programs really have a major impact. I hope that Indi is going to talk about that. We actually have separate studies that are very good both with Census Bureau data and with the Survey of Income and Program Participation, two entirely different datasets that show the same thing, namely that government programs actually not only reduce poverty but at least in 2009 prevented child poverty from increasing. So that's -- our programs do have some impact on the poor and you can see it very clearly in these numbers.

I do not have the numbers here for 2010 for the post-tax post-transfer. In other words, what the effects of the government programs are because the Census Bureau hasn't released those yet. But they'll do that in the next couple of months and we'll put it on our website when they do.

Here's the percent of people with private or government health insurance. This obscures a lot but the overall picture shows you, I think, that we are in a time when health insurance is not increasing. We had wonderful increases, especially in the late '90s, primarily because of expansions of Medicaid and the creation of the State Health Insurance Program. And that -- we had some increases after that. We had a couple of bad years. And then the last two years there's been a modest decline. There actually is some information here that's more positive than this and I think Katharine is going to talk about that in a few minutes. But the overall picture, as with poverty, as with family income, for health insurance it's not good.

And this would be even worse if I showed details on where the coverage comes from because the private coverages are declining. Maybe not precipitously but pretty steadily over the last decade and a half or so. And that means we have to have more and more and more government coverage and that's part of what's driving up the deficit. So we're in serious talks about whether we're going to change our health policy even separate from the health policy that we passed, the Affordable Care Act. So all this is a little bit in transition here but right now we are not covering more people with health insurance in the United States; we're leaving people uninsured.

This is the employment population ratio. I really wanted to show this to you because I think our problem here is employment. I mean, that's not exactly nuclear physics. But in the United States, unless you're elderly and in some cases if you're on disability programs, you cannot get out of poverty unless you work. And probably the biggest victory we've had against poverty other than with Social Security in the elderly is with single parent families because of the huge increase in mothers' work rate, especially never married mothers, during -- after welfare reform and all the way through, roughly speaking, 2000 there's been a fairly modest decline since then until last year it was a little steeper and now it's a little steeper still. And so these families are virtually guaranteed to be in poverty if the mothers don't work.

And it isn't only a female phenomenon. In fact, the disappearance from the labor force of males is even greater. It's a long-term secular trend. It's true in Europe. It's true in the United States. Something going on with men. I'm not exactly sure what it is. Maybe Juan can explain to us what's wrong with those guys. But non-work is a big problem. Part of it is undoubtedly the economy. It raises the issue very squarely that without more jobs and without more employment the future is dismal and that's essentially how Belle's model works.

So that's an overview. The bottom line is that it was a bad year for poverty, for income and for insurance. So I can't think of ways that the picture could be much worse than it was. And hopefully some panelist is going to tell us the answer of how we can avoid this in the future.

So let me briefly introduce the panel. A wonderful panel that we're very fortunate to have here today. First, Katharine Abraham from the Council of Economic Advisors. And Katharine in her normal life, before she came to the administration, was at the University of Maryland and at one time was actually at Brookings. And she was also once the head of the Bureau of Labor and Statistics. So you look like exactly the right person to come to our panel here.

Juan Williams from FOX News, one of the most acclaimed news people in the United States. Something that not very many people know is that he actually won an Emmy for a TV documentary that he wrote several years ago. And for those of you who are interested in journalists who actually write -- I don't think we have very many in the United States -- but Juan writes a lot. He publishes books. And if you want to get an idea of the style, he once published a book called *Enough: The Phony Leaders, Dead-End Movements, and Culture of Failure That are Undermining Black America*. I think you could refer to this book as something like Cosby with numbers and logic behind it. It's really quite a book. I strongly recommend it.

And then Indi Dutta-Gupta from -- who used to be with the Ways and Means Committee and is now with the Center on Budget and Policy Priorities. So that's a sign that he's totally without bias, right smack in the middle. And I hope Indi is going to talk about -- oh, by the way, he wrote a very interesting paper when he was with New America on how to cut the poverty rate in half, I believe.

What?

SPEAKER: (inaudible)

MR. HASKINS: What did he say?

SPEAKER: Center for American Progress.

MR. HASKINS: Center for American Progress. So sorry. There's a difference between those two? (Laughter)

Anyway, he wrote this important paper. So I read it. I thought it was quite interesting. I wish it would work.

And then finally, Richard Burkhauser, who is an economist from Cornell, professor of public policy. His recent work on income and government benefits has shown that government benefits do a lot, a surprising amount. They basically changed the whole picture of what the distribution income in the United States looks like if you consider all government benefits and make a few other adjustments. Quite an interesting paper.

And I think I would probably get shot if I didn't mention that next week he's releasing a book called *The Declining Work and Welfare of People with Disabilities*, which is quite an interesting book. I read it and I look forward to the event next week.

So let's begin with Katharine.

MS. ABRAHAM: Thank you, Ron. I really appreciate the chance to be here. These numbers for 2010 that were released today give us our first look at the first full year following the deepest recession in our country's history since the Great Depression of the 1930s. And the news is not great. Poverty went up. Real median income fell. We saw an increase in the number of people without health insurance.

It's not unusual, I think, if you go back and look at the data historically, to see increases in poverty, to see declines in income in the year following the end of a recession. The size of the changes that we saw in 2010, though, are a little usual and I think they reflect the severity of the recession that we experienced.

I'm actually going to pick up on a theme that Ron has raised already which is this is really all about work or lack of work for people. I have a handout. If you picked it up it's got my name on the front. It's got a few graphs inside in the handout. If you wanted to take a look at Figure 1 and Figure 2, what you can see very clearly is that these outcomes that we're focused on today -- poverty, median family incomes -- are directly related to unemployment. So if you look at Figure 1 you see clearly that as unemployment goes up, poverty tends to go up; as unemployment comes down, poverty tends to come down, albeit with a lag. So even if as unemployment starts to fall based on the historical experience, I wouldn't expect poverty to come down immediately.

Figure 2 takes a look at median family incomes. And there the relationship is an inverse one. The higher the unemployment rate, the lower median family incomes tend to be. So that's giving us a clue already that what we're really talking about here in terms of these movements in poverty year to year is what's happening to the availability of work for people.

And you can see that in the data. If you look at what's changed between 2009 and 2010 and where this increase in the number of people in poverty that we see is coming from, it's basically all coming from people who did not work during the year.

Among adults there were about -- I'm focusing on adults, not kids. But there were about 1.8 million more adults in poverty in 2010 than in 2009. And all of that increase incurred among the group who did not work at all during the year.

I haven't had a chance yet to get my hands on the microdata, and so I haven't been able to look at children. My guess would be that the increase in poverty that we've seen among children is occurring in households where adults are not working. But I haven't looked at that yet.

It is a bit of a question I think why poverty should be higher among people who are not working in 2010 than it was in 2009. Partly it's just that there are more people who didn't work at all during the year. But it's also true that the poverty rate was higher for people who didn't work during the year in 2010 than was the case in 2009. And I think an important part of that is what happened with unemployment insurance. So unemployment insurance, as Ron has already indicated, plays a big role in keeping people out of poverty. The Census Bureau estimates that in 2010 there were about 3.2 million people who would have been poor had their households not received unemployment insurance.

But the other thing that happened in 2010 is that there were a lot of people who by that point had been unemployed for a very long time. If you look at my handout, Figure 3 is a graph that shows the history of the evolution of the number of people unemployed by duration of unemployment. And you can see the big increases in people unemployed for very long periods of time, including people who were unemployed so long that they exhausted their unemployment insurance benefits. There were about 1.6 million people who exhausted their unemployment insurance benefits during 2010 and that has to have played a role in the increase in poverty for that non-working group.

I'm also interested in the distribution of what's happened to poverty rates by age group. And what you see is a really clear pattern. And I think Ron has alluded to this already. It's the young people whose poverty went up in 2010, including when you're looking at working-age people. Young working-age people had significant increases in poverty and the increases got smaller as you go to older age groups; for people over age 65 it didn't go up at all.

Well, what is going on with that? You have to suspect that it's that these young people are having a hard time -- speaking as the parent of a 23-year-old who recently graduated from a very fine college -- having a hard time making their way into the labor market and finding employment. So again it gets back to jobs, I think.

There is an anomaly. If you look at the data, you don't really see much increase in poverty among people age 25-35. But according to some analysis that the Census Bureau has done of the data, a lot of that is because they're not forming households. They're moving back in with their parents at higher rates than has been true in the past.

MR. HASKINS: Isn't that a great development?

MS. ABRAHAM: I actually love having my son home.

So there's, you know, again, it gets back to opportunities for employment.

The one group in terms of the age groups where poverty didn't go up is those age 65 and older. And as is well known, Social Security plays an enormously important role in keeping those people out of poverty.

Just a fact to add in that I think is relevant for this, median earnings actually -- which fell -- did not go down over the year for people who were working year-round full-time. The decline in median earnings, again, is all because there are more people who were only working part-time, part-year, or not working at all.

Well, what does this imply for policy and about, you know, what we should be doing? You know, we have seen growth in employment over the past year and a half. Employment in the private sector has gone up every month for the last 18 months. But clearly, the pace of job growth needs to be faster. We need to be aggressive about boosting growth and about adding jobs. I think you're all aware of the American Jobs Act that the President has sent to the Congress. It outlines a series of measures that I think are needed to jumpstart the economy and get the President -- get the Americans back to work.

I'm not going to go through all the details of the plan. They're outlined in the slides that I have at the end of my handout. They include tax cuts for employees and for employers. They include money to keep teachers in the classroom and to accelerate investment in infrastructure. They include an extension of unemployment insurance, reform of the unemployment insurance system, tax incentives to hire the long-term unemployment, investments in low-income youth and low-income adults. I think it's a good package and I think if it's not enacted there could be people who experience significant problems.

One thing that's near and dear to my heart is the extension of the unemployment insurance benefits. The Department of Labor has estimated that if benefits are not extended there will be 6 million people or more who exhaust their benefits during the coming yet. So that's my thoughts on the poverty and median earnings numbers.

I do want to make just one really brief comment on the health insurance numbers that we were talking about beforehand. As Ron has noted, there was not a big change in the percent of people covered by health insurance over the year from 2009 to 2010. There were more people without health insurance coverage. The one bright spot in the health insurance picture is what happened with 19 to 25 year olds. As you know, the Affordable Care -- one of the provisions of the Affordable Care Act that kicked in early, has already kicked in, is the provisions saying that children up to the age of 25 have to be eligible for coverage under their parents' plans. And that kicked in last summer and you're really seeing it in the data. There was a significant increase in the share of that group that were covered. So I think, you know, credit to the Affordable Care Act for that. But let me stop.

MR. HASKINS: Good. Thank you very much.

Juan Williams. Thank you for coming, Juan.

MR. WILLIAMS: It's my pleasure. Thank you for inviting me. I'm going to try to keep my remarks short because I look forward to this discussion with the panel.

Ron and Belle asked me to address the role of personal responsibility in accounting for poverty rates. And I know for many of you in the audience it would be easy to think they made this request after liberal NPR fired me and conservative FOX hired me. (Laughter) But I'm here to reassure you that's not the case; that as someone who grew up in poverty I have a sustained and personal interest in how individuals surmount poverty in combination with social policy but also through the use of personal responsibility. And I think there are critical elements of personal responsibility to be factored into this debate even on this day when we confront such grim news about poverty statistics here at the start of the 21st century.

This argument about personal responsibility puts me at odds with people who view any mention of personal responsibility in connection with poverty, and again, on such a momentous day, as blaming the victim. And this is especially true at a time of recession that's been tied directly to predatory lending among the poor and working class, high unemployment. And as Ron has pointed out, jobs are the number one way to confront poverty. And the ever- widening fact of a class-divided American society are all undeniable.

But structural economic shifts, I think, make it -- even if they make it easy to dismiss calls for personal responsibility as imperious or callous. In fact, I'd argue exactly the opposite. I think they make the case for personal responsibility all the more compelling. The fact is that no structural shift -- booms, recessions -- have had much effect on the poverty rate that America has faced in the last 40 years. You go back to the time of Dr. King, let's say the late '60s, and he spoke about the nation being involved in deep, regrettable sin because the poverty rate then was over 14 percent. And even as we gather here today looking at these new numbers, the poverty rate is about 15 percent.

The notable change in terms of American poverty during that poverty would be who is at risk of falling into the grip of deprivation. Technological advances, the global economic workforce have placed tremendous pressure; it seems to me, specifically on blue collar workers. A man without a high school diploma -- and Ron called attention to the plight of men in specific -- but a man without a high school education at the time of Dr. King still had a chance to succeed in America. That's if he had a strong back, a will to work, he could reasonably expect to find a job that allowed him to marry and support a family.

Today that's simply not true. Stable blue collar jobs without a doubt have migrated overseas. People with college and graduate degrees are the ones who compete for the high-paying jobs and the stable jobs. People with college and graduate degrees are more likely to marry and stay married, forming high income and again, stable, two-parent families. And if you look at Ron and Belle's data you'll see that second to the importance of jobs in addressing poverty rate would be the importance of that two-parent family. And all of that, of course, in the case of two-parent families transfers advantage, education, contacts, and wealth to future generations. It gives children just a tremendous advantage.

And this leads me to a conclusion that even as we talk about the importance of social policy to mitigate the impact of poverty, and we'll hear more about that shortly, we also have to deliver, I think, a very clear and honest message to the poor in America. And that is that there is much they can do to help themselves in the face of this depressing data.

And I wrote in a book that Ron mentioned, *Enough*, that I think that there's basically a four-point message that needs to be delivered on this front. One, graduate high school, at least, and get as much education as possible. Two, stay in the job market, even if it's derided as flipping burgers. Stay in the job market to gain experience, build resumes, create contacts that provide the basis of a professional network. Three -- and again, what you saw from today's data makes this evident -- don't marry until you're in your 20s and have finished your education and have successfully entered the job market. And one final point on this would be, obviously, don't have children until you are married, both in terms of your personal interests and in terms of the child's interest.

Now, I could add into this, again, coming back to the personal responsibility theme, don't use debilitating drugs -- crack and meth. Don't engage in criminal activity that exposes you to higher risk of arrest and being imprisoned. Those grim events in any person's life will create a record that will make it even harder for you to escape poverty, to get an education, to be eligible for the military, to get a job, all those basic steps on the ladder of upward mobility to get people out of poverty in America.

And to the contrary, advice would be engage in community activities -- politics, church, sports -- again, to build social capital. And I'm not mentioning this, you know, especially today it might seem outrageous, but obviously you want to, where possible, save money and invest money and certainly not spend money on depreciable products.

So I say that it's proven that if you follow these four steps there's almost no chance that you will live in poverty in the United States today. The poverty rates for blacks and Hispanics, as we saw in today's data, was 27 percent and 26 percent, respectively; 10 percent for white Americans. But if you follow these steps that I have articulated today, basically what you would see is that for Hispanic or black families their poverty rate is actually lower than the poverty rate for whites. So none of this is to excuse systemic structural shifts as a factor in producing the higher poverty rates that we are experiencing as a nation. None of this, of course, excuses racism as it impacts the job market. But these are sure-fire strategies for helping the poor, especially the minority poor in America. So it's not blaming the poor; it's empowering people to help themselves, to be advocates for their own cause, to build coalitions across racial lines, across political lines in service to helping more people escape poverty in this country, and use some of the strategies then that social policy would put in place. But I think when we focus solely on the social policy, I think we miss the opportunity to deliver a very positive message about empowerment, what people can do for themselves to help escape poverty's tenacious grip.

MR. HASKINS: Thank you.

Richard Burkhauser.

MR. BURKHAUSER: So, Ron, thanks for inviting me. When I accepted this I thought it would be a great thing because I love this document. It's my favorite government document. And I said, gee, if I do this I'll get to see it a week early and I'll have 50 minutes to talk about it. Then I found out I would only see it at 10 a.m. and I only have eight minutes to talk about it. (Laughter)

So what I've done is scribble down some notes. And these are first reactions to my favorite part of that document which is in the weeds, in the appendices. I never read the words, always go right to the appendices.

So what is this document? It's really -- the March CPS provides a report card on the economic health of Americans since about the 1960s. And it has four success parameters. Appendix Tables 1 and 2 talk about median household income. That is what's happening to the average American. Appendix Table A3 talks about the entire distribution and how income and equality has changed. Table B1 talks about poverty, which is the left tail of the distribution. And Table B2 talks about employment, which is the engine of market income and as all the panelists agree, it's the key to success in America.

So what does this year's edition tell us? Well, quite frankly, the bad news for America is that collectively the outcomes that we see across those four parameters are actually worse than looking at any individual part of the success parameters. What I'm going to do is focus on what's been happening over the Great Recession of '07 and now Alto '10 if you think of income as still going down. Compare that with what happened in '09 and '10 and then refer back to some work I've been doing that's looked at what's the difference between this Great Recession and the last major double-dipper session of '79 and '83.

Okay. So let's start with median income. Median income has fallen by 6.4 percent since 2007. And I want to differentiate a little bit from Ron's characterization of what's been going on in the United States. I think that the best way to think about what's been going on in the United States since 1979 is looking across business cycles. So '79 peak to '89 peak; '89 peak to 2000 peak; 2000 peak to 2007 peak, which wasn't quite as high as 2000. And then what's been happening in the trough as we go down from 2007 to at least 2010. And when will we change and when will incomes start to rise?

So the point is that we've lost 6.4 percent of our income since averaging -- median income since 2007. But the big news is that last year it went down by 2.3 percent. That is unprecedented. It has never been the case. It's always the case that income lags the NBER style measure of recession, but it's always been the case prior that income has fallen but less than it's fallen during actual recession year. This is the first time in the history, at least back to 1960 when CPS has been collecting these, that median income has actually fallen more in '09/'10 after the supposed recession is over than in the previous year. For blacks it's even worse. The decline since '07 is 10.1 percent. Last year it fell by 3.2 percent more than for the population as a whole. Comparing it to the Great Recession of '79-'82, in that recession median income fell between '79 and '82 by 5.6 percent. It's already fallen by 6.4 percent in this recession. Okay. What about -- that's through the average American.

What's been happening to the entire distribution? It turns out that if you go to Table A.3, the entire distribution between '09 and '10 shifted to the left. So uniformly across the distribution people are worse off. They're certainly worse off from 2007 to 2010, but the decline between '09 and '10 is uniform across the distribution. Actually, the top 20 percent had a greater fall in their mean income, 2.3 percent, than the middle of the distribution, 2.1 percent.

How does this compare to -- there was effectively no change in income and equality. We just moved -- everybody collectively moved to the left. How does this compare to the Great Recession of '79-'83? Income inequality has increased in the United States by 2.2 percent since '07 compared to 2.1 percent '79-'83.

What about poverty? We've talked about that before. Poverty rates have increased by 2.6 percent from '07 to '10. They increased by 0.8 percent last year. That's somewhat smaller than the previous year but for blacks actually the poverty rate increased more in '09-'10 than it did in '08-'07. And their poverty rates went up to 27.4 percent. So in terms of poverty rates, between '79 and '83 in the last Great Recession, it went from 11.7 to 15.2. We haven't had anything higher than 15.2, but we're at 15.1, which is as high as we've had since 1983.

But here's the big one and the one I want to focus on most importantly. I don't think what you want to look at is the unemployment rate. That really hides what's really going on. Things are much worse than the unemployment rate. What you want to look at is the employment rate because there's ways of keeping the unemployment rate down by shifting people into the disability roles, shifting them into early retirement or other factors. So the employment rate is key and the number of people working is key.

So what's happened between '07 and 2010 to total full-time jobs? They've declined by 9.3 million jobs full-time. The change in '09-'10, well, the good news is men's full-time employment increased by 500,000; the bad news is that women's full-time employment decreased by 500,000. So no change in '09 and '10 in the full-time jobs in the United States. We're still 9.3 million below what we were in '07.

What's been happening is if you look at total jobs, they've declined by 5.4 million between '07 and '09, but they declined between '09 and '10 by another 1.6 million jobs. What's been happening is that we've had a shift in the share of people who are working full-time as a share of all workers who are earning jobs. In '07, about 25 percent of the workforce, the employee workforce making earnings, were in part-time jobs. It was up to 31.2 percent in 2009; it's still at 30.5 percent, way above the '07. So the job picture is much worse than what it appears even looking at unemployment.

Okay. So what does this mean? Well, what it means is the good news about this -- what makes this recession so much different than ’79-’83 is that ’79-’83 there was a dramatic decline in earnings. That’s what drove median income down. There was some decline in employment but it was mostly earnings. This recession is unique in that employment is driving this; earnings, as was stated before, have fallen a little bit since ’07 but nowhere near what employment has fallen.

What’s made things better than it would have been before is an unprecedented amount of government transfers to the population. That didn’t happen in ’89 to ’93, but the downside of that is we now have 99 weeks of unemployment, an unprecedented number of UI benefits, but we also have an unprecedented number of people who are long-term unemployment. The risk is the medicine will create a problem worse than the cure. So what we really have to think about is whether we want to continue to continue to do the kinds of things we’ve been doing for the last couple of years that gave us almost nothing in terms of jobs and employment and market income, or whether we need to think about more what we did in the ’80s when we had dramatic declines in marginal tax rates and a coalition between a Republican President and a Democratic Senate in driving down income tax and other taxes for all Americans.

MR. HASKINS: Indi. Thank you, Richard.

MR. DUTTA-GUPTA: First, I just want to thank Ron and Belle for inviting me. I’m excited to be here.

I have a fairly straightforward presentation for you all.

Poverty matters, policy matters, and policymakers face very important decisions right now that will have important consequences for poverty in the years to come.

So first of all, poverty matters in part because, as we all know, it’s highly associated with hardships like food insecurity, the risk of experiencing hunger or actually experiencing hunger. For those below the poverty line in households with children, nearly half are at risk of being hungry or have actually experienced hunger.

For those above the poverty line but below 180 percent of the property line, that rate falls to about 33 percent who are food insecure. For those who are a little farther from the poverty line you can see in the charts that that rate falls to less than 10 percent. In other words, being poor means that you have nearly 5 times greater likelihood of being food insecure in households with children than if you have incomes above 185 percent of the poverty line. And we see this pattern with other hardships as well.

But poverty also causes long-term damage. And recent research, controlling for a whole range of background variables, suggests that for families with incomes below $25,000 a year and children -- young children under the age of 6, that a $3,000 increase in income would result in about a 17 percent increase in those children's earnings as a result. We don't see the same impact for higher income families where it would only be about a 2 percent increase. This is not necessarily a causal story but it's also not the usual sort of correlation that we see. It's much stronger.

But policymakers are often interested in the causal story. And new and careful research by one of the country's foremost experts on child poverty, Greg Duncan, suggests that income itself is also having an impact on young children's performance by improving their achievement in the early years of school. So poverty matters. But let's look at what we do right now and how policy matters. And as some of the speakers have already mentioned, if you take the tax and transfer system as a whole, we significantly reduce poverty compared to a world without it. You can see from one of the charts that if you look at the middle two bars on the impact of the tax and transfer system on poverty,

poverty is cut roughly in half by the tax and transfer system. And you might ask the obvious question, well, what about work disincentive effects? Well, the authors of the study from where this data comes from -- some of whom include experts on work disincentive effects -- find that that would have almost no effect when looking at all the programs taken together.

So, in fact, the tax and transfer system, even if you assume that pretax and transfer poverty might be a little lower due to work disincentive effects if we didn't have these programs, the tax and transfer system still significantly reduces poverty on an ongoing basis. Then, on a temporary basis you can see the Recovery Act through provisions like the Make More Pay Credit, the Earned Income Tax Credit and expansions of it and the Child Tax Credit, unemployment insurance expansions, and expansions in SNAP benefits also lifted millions of people out of poverty. And research from the Department of Agriculture shows that the SNAP benefit increase and the Recovery Act very likely reduced insecurity among the target population, those below 130 percent of poverty.

But we don't see as strong responses from all programs. For example, TANF has not responded significantly to the increase in unemployment. And in part that helps explain why the share of people living below half the poverty line, those living in deep poverty as we call it, has actually hit an all-time high. I don't have the data point there in the chart for 2010 but I believe it's 6.7 percent. So these are people, say in a family of four, with incomes of around $11,000 a year.

So what's next? Well, as we've discussed, the Congressional Budget office and others project that the unemployment rate will remain elevated for the next few years, well above 8 percent into 2014. And this is highly related to poverty projections. Policymakers absolutely need to boost the economy, in part by extending unemployment insurance benefits, in part by extending and maybe improving upon the Payroll Tax Cut as Katharine mentioned and taking other steps to turn around the economy.

But, that's not going to be enough. As Ron mentioned, from 2001 to 2007, the period covering the last economic expansion, poverty ended up higher than where we were before. So at a minimum you need the economy to be improving but it doesn't guarantee that you're going to get the poverty reduction you want. So we also need concerted policy efforts that will connect people with limited employment prospects to good jobs.

But finally, I want to leave you all with this point that in this climate of deficit reduction, policymakers should not increase poverty and inequality. And this is actually a historic bipartisan principle found as far back as 1985 and embodied in the three successful deficit reduction efforts of the 1990s, in 1993 and 1997, where we actually reduced poverty and inequality even as we shrank budget deficits significantly. The only two major deficit reduction proposals, bipartisan deficit reduction proposals right now that have been designed in whole or in part by current members of Congress, the Bowles-Simpson Commission proposal or the President's National Commission on Deficit Reduction and the Gang of Six proposal by six senators, both embody this principle. The Bowles-Simpson proposal made very clear that they intended for deficit reduction not to increase poverty and inequality. They protected core low-income entitlements.

And in the Gang of Six proposal, now, the Gang of Six includes three Republican conservative senators: Senators Saxby Chambliss, Mike Crapo, and Tom Coburn. In this proposal the senators went out of their way to make sure that low-income entitlement programs were not cut, even as they proposed arguably 4 trillion or more in deficit reduction over the next 10 years with some exception to Medicaid where there might be some savings that don't harm beneficiaries. In this proposal, specific instructions were given to those in Congress who oversee the SNAP program. They cannot reduce deficits by cutting the SNAP program or food stamp benefits. Similarly, for the Senate Finance Committee, instructions were given to say that you can't cut deficits by cutting the Earned Income Tax Credit or Child Tax Credit. And in fact, the Gang of Six proposal said that you have to at least maintain, if not increase, progressivity in the tax code.

So to sum up, poverty matters. It creates immediate harm and has long-term damaging effects. Policy matters both on an ongoing basis and on a temporary basis. Policy has significantly reduced poverty and policymakers now have important decisions to make about turning around the economy, connecting people with limited employment prospects to good jobs and ensuring the deficit reduction not increase poverty or inequality. In fact, if you see in the last two slides, there's a very good reason why the Joint Select Committee in Congress was a "super committee" as it's called, should adopt this historic principle.

From 1979 to 2007, you can see the bottom 20 percent of households saw income growth of only 16 percent, while the top 1 percent saw income growth of 281 percent. Now, this was not always so. From 1948 to the 1970s, in fact, the bottom 90 percent and the top 1 percent saw their incomes grow together, but in the last few decades the top 1 percent has seen significant average income growth while the bottom 90 percent has seen very little. And the U.S. is now left with some of the highest rates of poverty and inequality in the world, and the policymakers on the Joint Select Committee would be wise to ensure not to make either problem worse.

MR. HASKINS: Thank you. That would have been even better if you had looked at your notes. (Laughter) What a memory this guy has.

Belle Sawhill.

MS. SAWHILL: All right. I was impressed as well, Indi. And as the last person to speak, everything I think has been said at this point. But my --

MR. HASKINS: Well, that's it for you, Belle.

MS. SAWHILL: My excuse for boring you a little bit longer is that not everyone has said it. So I think that what's been very clear from what's been laid out before on this panel is all of the numbers are pretty grim right now. Also, they're going to get worse. We do have a formal analytic model here that projects poverty rates based on a few variables, such as unemployment in the last few years. And we have pretty much predicted spot-on the poverty rate for the last two years even before the data came out. So the model seems to be working pretty well.

Quite apart from bragging about the model, I think the key point is that poverty, as others have already emphasized, is very, very closely linked to employment. Just about everybody on this panel has said that. You know, my favorite way of summing it up is the best anti-poverty policy that we could have as a country is give everyone a job. And, you know, even in Juan's four-point program of personal responsibility it's about if there's a job out there, any job, take it, stick with it, persevere. Maybe you'll build your resume in the process. So that's point one.

Bad news, now and for years to come. When I say years to come, we predict from our model that the poverty rate will be about 16 percent mid-decade. So, you know, it's not like we're at a peak and we're going to turn around quickly because there is a lag as I think Kathy said in unemployment and the way poverty responds to it.

Second point is I think the one that Indi has really been emphasizing, and that is that we're at a crossroads. We could, through policy make things better or through policy make things worse. On the worse, making things worse path, the greatest fear and concern that those of us who care about this issue have is that Congress will enact various kinds of deficit reductions, spending cuts that disproportionately impact low-income families. And as Indi has said, there have been commitments in the past, including in the current Congress to some extent, to fence off those programs. The "super committee," if it can't come to an agreement and we have an automatic sequester of both defense and nondefense spending as a result, that says -- the rule says or the law says fence off low-income programs. So that's good.

On the other hand, even before that, we have a lot of cuts in discretionary spending that are going to need to be made. And these programs, these low-income programs are very vulnerable. They don't have a political constituency and for that reason I do worry. On the more positive side, we could do more, as we did in the original Recovery Act in 2009, to help people who are slipping into poverty and who don't have jobs.

Now, there's been a lot of debate about the so-called stimulus package, the Recovery Act. The phrase I hear all the time in the media and from people who didn't like it is we know it didn't work. Let me tell you that I don't know very many mainstream economists who agree with that view. The Congressional Budget Office has done good analysis of the impacts of the original Recovery Act, including updating those estimates to 2011, even though the peak spending under the Recovery Act was in 2010 and is now diminishing sharply in 2011. Even in 2011, according to CBO, the impact of the Recovery Act on the unemployment rate -- they use a range. They say it was somewhere between half a percentage point and 1-1/2 percentage points. Take the middle if you want to rough estimate. Granted, there's uncertainty here. One percentage point lower unemployment rate. That's a big deal. Even in the waning phases of this original Recovery Act.

I make this point because we have a new proposal on the table from the

President that Kathy alluded to. Legislation was just sent to the Congress yesterday. We all heard a speech last week about it. And the likely impact of that is arguably similar. I say that because although it's a package of about $450 billion, on an annualized basis it's roughly the same size as the original Recovery Act as best I can determine. So it could reduce the unemployment rate from let's say 9 percent to 8 percent over the next year or so and if it did that would also have a big impact on the poverty rate.

So I've done my good Brookings-style back of the envelope with a little analysis thrown in estimate of -- this is my estimate. It's not Kathy's. It's not anybody else's. It could be wrong, but no, I think it's pretty good -- (Laughter) -- of what the impact of the President's jobs proposal would be on the poverty rate in 2012. And my estimate is that it would prevent roughly 3 million people from slipping into poverty. Now, that's a lot of people. And as Indi has said, that's a lot of hardship. It's a crude measure to be sure, you know, being just a little bit above or below the poverty line doesn't make that much difference but it's a nice handy indicator.

Where do I get the 3 million from? What you have to remember is that a jobs program of the sort that the President has put forward is a double whammy. It has a dual role. On the one hand it creates some jobs or saves some jobs. And I estimate that it would save or create about -- enough jobs to prevent about 1-1/2 million people from slipping into poverty. This is, you know, a job is the best anti-poverty strategy. It, in addition to keeping more people employed, would extend unemployment insurance and would lower payroll taxes for employees in all kinds of jobs, including low-pay jobs. Those effects of the safety net, if we measured them and counted them in the picture here, would keep another 1-1/2 million people from slipping into poverty. So about half the effect of 3 million fewer people in poverty if Congress enacted the President's jobs program. About half the impact is because there would be more jobs and about half the impact is because there would be a sturdier safety net.

So I think I will leave it at that. And thank you all for being here, and I'll turn it back to Ron.

MR. HASKINS: Thank you. Katharine has to leave at 3:35, I believe.

MS. ABRAHAM: Unfortunately.

MR. HASKINS: Because she's going to go back and report to the President everything she heard at this panel and it's going to cause him to come up with some great policies.

MS. SAWHILL: She didn't coach me at all on this.

MR. HASKINS: So let me ask you a question first. First, do you want to say anything about anything the panelists said from your perspective as -- on (inaudible) advisors?

MS. ABRAHAM: No, I had wanted to make a comment about the policies that we pursued in the past not having any appreciable effect on employment but I think Belle has addressed that. So I'm fine.

MR. HASKINS: Okay, good.

Yeah, go ahead.

MS. SAWHILL: And you agree with me.

MS. ABRAHAM: I agree with you.

MR. BURKHAUSER: Belle talked about unemployment, but Belle, if you look at Table B2, last year the total number of the change in full-time employment in the United States was zero. And the number of total jobs fell by 1.6 million. So what you have to say is that things would have been worse as opposed to we have increased the number of jobs in the country. That's what you mean.

MS. SAWHILL: That is what I mean. There is this issue of what's the counterfactual. So I'm speaking a little too loosely perhaps.

And let me, since you've brought it up, point out that even the unemployment rate is a very inadequate measure of what's going on here which I think you got at because there are a whole lot of people who are just dropping out of the labor force now and they don't even show up in the unemployment rate. And if you look at labor force participation rates or employment rates, and Ron showed some of this, the picture looks much worse than if you just look at unemployment rates. So that has to be factored in. I just wanted to keep it simple.

MR. HASKINS: In fact, by the way, let me just add to this my miserable interpretation of these numbers. If you compare unemployment to population ratio, which avoids all these flaws of people dropping out of the labor force because they're counted in the number, our employment-to-population ratio has declined quite consistently for at least 10 years, and we are now below the U.K., Germany, and, amazingly, the Netherlands, who at one time had an employment population ratio of about 42 percent. So these countries have increased and we have declined. And this is a big part of the story. We talk about causality later.

Before you leave though I want to ask you a question. So there are tremendous gaps and we all know Washington is not necessarily the fairest place in the world. And the skepticism because of stimulus even caused the President not to use the word in his address to Congress the other night; I think you make a very strong case, what Belle said, in fact, it might be modest. Hers is a projection. If you actually study what happened with the ARRA, the Center on Budget and Policy Priorities and other analysts who are maybe a little bit more to the center have shown basically the same thing, that 4.5 million people avoided poverty because of the ARRA, the provisions in the ARRA. Do you think there's any way that the President and administration and

Democrats in Congress can use this argument to persuade the House to pass some kind of stimulus that involves something to do with employment as several of the provisions in the President's initiative do?

MS. ABRAHAM: I hope so. I mean, I think if you look at the research that's been done on this, it is very clear that the ARRA had a significant impact. People disagree about, you know, some about the size of the impact. I tend to look at the numbers on employment rather than the numbers on people in poverty but anywhere from, you know, 2-1/2 to 3-1/2 million more people were employed at the peak of the impact of the Recovery Act than would have been employed otherwise. And I think that's really, you know, significant.

So I hope that looking at what we've been seeing with employment numbers, you know, not just back in 2010 but in recent months and thinking about where we're headed going forward that people will agree that we need to jumpstart the jobs engine and that these components of the package that the President has outlined, that people will agree that it will help with that.

MR. WILLIAMS: You know, what's striking to me in listening to this conversation is how, in fact, the stimulus has been -- has gotten a bad name, if you will, according to the very numbers that Belle was talking about.

MS. ABRAHAM: You notice I didn't use that word.

MR. WILLIAMS: That's right. Well, that was noted earlier that the President didn't use that word. But the point would be that, in fact, the national narrative is such that it is tuned in to first and foremost the unemployment rate and as such, the kind of advances that Belle Sawhill noted from the previous stimulus have simply helped to make it more -- to help critics defame it. And in fact, suggest that it simply added to the size of the deficit without helping the larger -- with the larger issue of unemployment.

MS. ABRAHAM: Yeah, as I think everyone here probably realizes, the recession turned out to be far worse than anyone expected. When people were talking back in 2009 about what the Recovery Act would likely do and where we would be, you know, one, two, three years out, no on appreciated how serious the recession was going to turn out to be. And I mean, actually we learned recently that it was worse even than we thought as we were living through it with the Bureau of Economic Analysis putting out new data that show that the reduction in GDP was much bigger. And so given that backdrop, you know, I think it had a big positive impact. But you're right; it's a hard story to tell.

MR. HASKINS: I want to ask you a follow-up on this but I want to let her leave first because she has to leave at 3:35, right?

MS. ABRAHAM: 3:35.

MR. HASKINS: Bye.

MS. ABRAHAM: So. I am sorry.

MR. HASKINS: This is called the grand exit.

MS. SAWHILL: I think we should thank Kathy for taking her valuable time here. (Applause)

MS. ABRAHAM: I really do apologize.

MR. HASKINS: No, no. That's fine. Don't worry.

So, Juan, Kathy says she hopes that there will be serious attention to the President's proposal and we might pass something. What do you think? Politically now. Politically. The chances that the House is going to pass anything even close to 450 or whatever billion?

MR. WILLIAMS: I wouldn't put any money on that one. I think the chances are pretty low. I mean, in the political calculus you'd have to say that

Republicans are aware at this moment looking at polls that it's increasingly the case the American people have a low opinion of the fact that Congress has not take action. The President is out campaigning against the Congress and, specifically, the Republican majority as obstructionists, as people who have not created any jobs plan.

MR. HASKINS: God, can you imagine that? That's shocking.

MR. WILLIAMS: Right, right, right. So the question then is we're going into an election year. We're now in the last quarter of this year as we approach an election cycle that's already in motion. And whether or not the Republicans would, therefore, say in order to take away this weapon from the president that he would beat them about the head for not having taken action on jobs in blocking his proposals, that they would identify specific segments of the President's jobs plan and then try to act on those. And in that case you're looking at things like closing some of those loopholes and deductions. I think you're looking at very limited spending in terms of infrastructure. But that's about it.

MR. HASKINS: Yeah. You want to disagree? Go ahead.

MR. BURKHAUSER: So Kathy talked about the recession being worse than we thought it would be. I would argue that the recovery has been worse than we thought it would be. '09-'10 is unbelievably bad for a year after supposedly a recession is over. So I guess what I would ask is we had -- what we had is the major stimulus really only came into effect in 2010. If this is what we got out of the recession, it's very hard to know what the counterfactual is. But the factual is that there was no increase in full-time jobs in the United States. We lost 1.6 million. So maybe we all agree that we need good policy. The issue is what is the good policy? An alternative to the kinds of proposals that President Obama is talking about are proposals by the Republicans that have been tried in the past and have had some success, namely cutting marginal tax rates, cutting the capital gains tax, supporting trade acts with our neighbors to the south, cutting regulation. These are the kinds of things that you want to do if you're interested in increasing growth.

Now, yes, there may be some problem of income and equality that goes along with this growth, but we're not talking about simply poverty increasing in '09-'10. We're talking about the entire distribution moving to the left. We need to move the entire distribution to the right. And I don't care that much if it increases income inequality as long as it increases the income of all Americans, including poor people.

MR. HASKINS: Okay, now, I want to paint kind of an ugly picture that I think is real here and I want you to tell me why I'm wrong. We all agree that the government programs -- and we have really very, very good studies that show that the government programs did have a major impact on poverty. And I just don't see any way to get around that. Okay? So now we have two, I think, big threats to government programs. And this is what I want you to reassure the audience about. First of all, the stimulus is ending, so ARRA that poured all those dollars into the economy and into these programs is ending. And Congress has been asked to re-up and they didn't already and now they have another chance and Juan thinks, and I think most political observers think, at the most the President gets a little bit out of this thing.

And then secondly, we've got all this cutting going on. I mean, look, we agreed to cut the budget by a trillion dollars which Congress has never done before. And it's all going to come out of appropriated accounts, and many of these programs are in appropriated accounts. So I guarantee it, there are people up there right now proposing cuts in Head Start and other programs that are appropriated. And if they don't get a budget deal, which I think is the most likely thing to happen, they're going to have automatic across-the-board cuts and they, too, are disproportionately going to hit discretionary spending.

So where's the room for optimism here that these programs that have quite dramatically kept the poverty rate from increasing even more are going to be able to continue to have effect in the next year or two years, three years as the ARRA ends and budget cutting gets serious?

MS. SAWHILL: I think it's the right question, and I think as both Indi and I said earlier but maybe it's not clear, on the second part of the debt deal that set up the "super committee," calls for close to a trillion or $900 billion in cuts on discretionary spending through caps on appropriated spending and then says to the "super committee" you've got to find another 1-1/2 or 1.2 trillion. And then if you can't find it, and I don't think you think or I think or probably most of us think they're going to find agreement because they were at stalemate and it's six to six, then the sequester is supposed to occur. The little bit of good news here is that those low-income programs are protected in the sequester anyway. I mean, you know, a lot of people have talked about the fact that the President has bargained hard enough in all of these negotiations over the debt ceiling or whatever it's been. And one of the things that he and the Democrats did get out of this debt deal was this protection for the low-income programs.

Now, I don't think they're protected in the first phase of this. And so your general point I think is well taken, Ron, but it's, you know, and all we're talking about is keeping what we have. We're certainly not talking about doing anything more like we did in ARRA. So that is going away. And the very fact that that's going away is going to have a negative impact on poverty.

I don't know, Indi, if that, or anyone else, if you agree with that.

MR. DUTTA-GUPTA: Yeah, let me jump in. I think that's right what Belle said. Let me just add that again the only two major bipartisan sort of comprehensive deficit reduction proposals that have been created in whole or in part by current members of Congress actually aim bigger than the 1.2 trillion or really the Joint Select Committee's charged with 1.5 trillion or more but 1.2 trillion would avoid sequestration or the across-the-board cuts. But the only two proposals not only would accomplish significant deficit reduction -- this is the Bowles-Simpson proposal and the Gang of Six proposal -- but they would protect low-income programs.

So, in fact, I don't see bipartisan agreement anywhere else. I do see it in two proposals that happen to be fully consistent with what Belle and I might agree with and others here might agree with. I know that -- I think that Belle and Ron signed a letter arguing for the Joint Select Committee to aim for a much higher target. And it's possible. And so there's hope there.

The other thing to keep in mind is you only need a simple majority on the "super committee" to get a deal. And that means just one member of either party has to be peeled off or switch and vote with the other party if the parties are voting in line. I'm not saying that's very likely.

MR. HASKINS: I think that's why Coburn didn't make it.

MR. DUTTA-GUPTA: That could be. (Laughter)

You know, there was careful selection. And so I don't want to overstate the likelihood of the Joint Select Committee producing a plan, but if it does I think there will be enormous pressure for the plan to be adopted by Congress and for the President to sign it.

MR. HASKINS: Right.

MR. DUTTA-GUPTA: So I just -- I wanted to add that.

MR. HASKINS: Do you want to add something, Rich?

MR. BURKHAUSER: So I would say I think the current tradeoffs that we're talking about are really beside the point in some way. I think what we really need to talk about --

MR. HASKINS: We specialize in that here at Brookings, Rich.

(Laughter)

MR. BURKHAUSER: We really have much longer term problems here. And what we have to sort of recognize is that not all programs for the poor are the kind of programs that are the most effective in doing their job. So I would argue, for instance, that our current Medicaid program could clearly be cut and some of those savings shifted to some of the income programs that we're talking about. Congressman Ryan has a very interesting idea of devolving Medicaid to the states just as we very successfully did with TANF. We could do that with SSI. When you allow the states to handle these things that is a way of reducing the overall growth of those programs and capturing that growth for other programs which are effective on the income side.

MR. HASKINS: Okay. And I know Indi is going to have a heart attack if he doesn't respond to that. So go ahead but make it short, okay?

MR. DUTTA-GUPTA: Sure. So, first, I would actually say TANF should provide caution, not encouragement to people who want to block grant programs. So, in fact, it's become less effective as you can see in reducing the share of people below poverty. The other thing about Medicaid as well, it needs improvement and there's some room for cuts. It's a very lean program. The reality is that Medicaid spends less per beneficiary than comparable private coverage and it has shown less growth in costs than comparable private coverage. So here is an example of the government running a program more efficiently than the private sector.

Can I add one other quick point?

MR. HASKINS: Yes, if it's quick.

MR. DUTTA-GUPTA: So I just wanted to add to one issue that's come up. I think Juan made a good point about how certainly well-being in the country would be improved if people followed a certain blueprint. That makes a lot of sense and we would all encourage among our own family and friends and for our own children. But it's also the case that actually poverty rates did decline by over 50 percent from 1959 to 1973 under the official measure and about 25 percent from 1993 to 2000 under the official measure. So we have seen periods of very significant reductions in poverty.

And then the final point I want to make is when you look at pre-transfer tax and transfer poverty and compare the U.S. to over countries, we're actually not exceptionally high. Our pre-tax and transfer poverty rates are comparable to many other countries, but we're very high when it comes to post-tax and transfer poverty rates. So the reality is that those countries, those other wealthy western countries that have figured out how to reduce poverty and have very low rates of poverty have more effective tax and transfer systems.

MR. HASKINS: All right. Let me ask the other obvious question here. Especially if we're a little bit -- we're thinking that at best we'll be able to keep what we have to quote what Belle Sawhill said. And I don't see how anybody could disagree with that. So if that's the case and even if we're able to achieve that, we're still going to have high poverty. Your model shows that. I think everybody agrees with that as well. So that means that the alternative is more work. What can government do to help people work more? And I would add, especially in view of what you said about poverty declining '93 to 2000, that there was an enormous, unprecedented increase in work by low-income mothers: 40 percent in 4 years. And at that moment the poverty rate among kids in female-headed families dropped like a rock and so did it for black kids because so many of them are in female-headed families. So work is really a key here. What is government going to do to increase work?

MS. SAWHILL: I'd like to come in on that. In that period that you're talking about where employment increased so much, especially amongst single parent families, we were in a hot economy, to use one of your favorite phrases. The unemployment rate was very low. There were plenty of jobs available. So the problem wasn't on the demand side. Employers were dying to hire people. The problem was a little more on the supply side, and welfare reform gave people a big nudge, more than a big nudge, almost a requirement to go to work. And then other policies supplemented that by making work pay: Earned Income Tax Credit, Child Care, et cetera. Those two things together, and Ron and I have written about this in our book *Creating an Opportunity Society*, led --

MR. HASKINS: What's the name of that? (Laughter)

SPEAKER: Good book.

MS. SAWHILL: Those two policies together, you know, a nudge on the one hand and some rewards for work on the other, had a very positive impact. Now we're in a period where employers aren't hiring. I think Rich made the point -- I very much disagree with some of his points which if I had time I would come back on -- but he did make the point that the problem right now is not so much that employers are laying people off; it's that they're not hiring. And our colleague, Scott Winship here at Brookings, has written a very nice piece that lays out the data on that, that we've had a problem for a decade that employers aren't hiring. So you have this big pool of unemployed people and nobody is dipping into it. We aren't even having growth rates right now that keep pace with the growth of the labor force.

So I think when you ask what can government do, government in an earlier period when we were at full employment was nudging people on the supply side. And I think Rich's agenda for the future of economic growth is a supply side agenda. It's about increasing the potential of the economy to grow by reducing tax rates and reducing regulation and doing other good things that he might want to do. But in the meantime, we're in this deep hole and it's not going to be, you know, employers aren't going to suddenly wake up one morning and say I want to hire a lot of people if nobody is buying their goods. And I think we have to learn the distinction between being in a recession, being in a hole, versus having a better long-term growth trend.

MR. HASKINS: Okay. Any quick response to that? Then I want to go to the audience.

MR. WILLIAMS: I think subsidized employment, as we saw with the TANF Emergency Fund, and I think, Ron, you've written some about this, is a great idea. And there's some version of that in the President's American Jobs Act proposal under the pathways to work component.

MR. HASKINS: Okay, audience. Brief questions, please. And raise your hand and we'll bring you a microphone. Tell us your name and ask a question.

Right up here.

MR. GONZALES: Hi. Oscar Gonzales.

The question I had is I saw a study by Northwestern University that indicated that there has been some GDP growth but it has been accumulating to capital versus labor so that you have a lot of companies facing uncertainty hoarding a lot of cash. And, you know, basically, you know, not having the desire to hire individuals and, you know, what can be done from a psychological perspective to, you know, increase the level of certainty that exists in the country? And in some ways I think it's related to the stimulus as well that, you know, $800 billion went out there but it was like the tree that fell and nobody heard it because, you know, 30 states --

MS. SAWHILL: I maintain some people did.

MR. GONZALES: Thirty states increased their state taxes so the payroll tax seemed invisible. So people almost were, you know, they got like, you know, a few dollars every month versus --

MS. SAWHILL: A thousand. A thousand is more than a few.

MR. GONZALES: Yeah, but it was -- you know, there's an issue of a negative multiplier because they were not aware of it possibly.

MR. HASKINS: Belle, keep going. Do you want to answer?

MS. SAWHILL: Well, I think I've been talking too much but my answer to you is, yes, they're sitting on a ton of cash. A ton. But why would they want to spend it when nobody is buying their stuff? It doesn't make sense to hire and invest in new capacity and create new jobs when you don't need people because customers aren't coming through your door.

MR. HASKINS: Anybody else?

Next question. Yeah, right -- on your right there.

SPEAKER: It seems nobody is paying attention to the cause of this recession. If you looked at the statistics before, there were only two industries, broad industries that were growing. It was health care, which still grows, which is government subsidized, and it was the housing industry. Every other industry in America was shrinking before this. Our growth -- why they said Bush had no growth economy was because the housing industry absorbed the losses of all the other areas.

MS. SAWHILL: The financial sector was growing like crazy.

SPEAKER: And also the financial sector. So we imploded the financial sector.

MR. HASKINS: And services. And services had growth.

SPEAKER: Very little. We imploded the financial sector. We imploded the housing sector. So, therefore, until these sectors recover, all that you're talking about you can't do anything. I mean, the housing sector is the weight on the country.

MS. SAWHILL: Yep.

SPEAKER: Until you do something about this huge sector, and also we forget that the housing sector was more than just employing people in housing. It was, as everybody said, the ATM machine. Anybody who had a house ended up with a second mortgage, or a lot of people, and we had this massive amount of new consumerism based on the debt that you could get out of your inflated house. Now this whole thing has disappeared.

MR. HASKINS: I'm not convinced there's a question on here yet but --

SPEAKER: So my question is what policies do you have considering you can't change the unemployment statistic because the housing sector is dead and the ATM part of it is dead and that was what was driving prosperity?

MR. HASKINS: Okay. We get it. We get it. Does somebody want to answer it?

MS. SAWHILL: I will, but anybody else?

MR. HASKINS: Rich?

MR. BURKHAUSER: Go ahead.

MS. SAWHILL: You know, the President has a refinancing proposal, although he didn't say very much about it and I don't know the details. I agree with you that the housing market is like an albatross right now on the economy and that there has been too little effort to figure out what to do about that. Whether this refinancing proposal can work, I couldn't say.

MR. HASKINS: Next question. All the way in the back.

MR. RAASCH: Yes, my question is --

MR. HASKINS: Tell us your name.

MR. RAASCH: Chuck Raasch. I'm with Gannett.

A couple of questions on the concept of full employment. You used the term "full employment." Have you changed your expectations, Ms. Sawhill, on what full employment is in this economy as a result of what we're going through? And have we reached a new norm in expectation of employment in this country as a result of this deep recession?

MS. SAWHILL: Well, there are some people who believe that a result of these very high levels of unemployment and especially of long-term unemployment, that we are developing a structural problem in our economy and it will be hard to get back to the low levels of unemployment that we had before this recession began.

I'm somewhat agnostic about that. I think it's possible that the structural unemployment problem will be worse in the future but I'd also like to think that if you use fiscal and monetary policy appropriately you can get down to relatively low levels like 4 percent. You know, it's interesting that even Alan Greenspan who was no, you know, big liberal Keynesian earlier on with pushing the accelerator, the monetary accelerator down to the floor to test what the lowest level of unemployment we could get to without triggering inflation. And I think that's the right approach.

MR. HASKINS: It's worth adding as well, I think Alice Rivlin pointed out the other day when we had this discussion that people talked exactly like that in the early 1980s when we had a huge recession, high unemployment, and people were saying, well, the national unemployment rate -- previously people were saying roughly 5 percent. No, no, it's higher than that because look at our economy. The 1960s -- the 1990s came, the economy went nuts, unemployment just fell like a rock. So hopefully that will happen again and we won't have to wait 20 years.

Rich is going to say something.

MR. BURKHAUSER: One difference between the 1980s recession and our current recession is there was a dramatic decline in the real wages of workers as opposed to this very high unemployment rate that we have now or reduction in employment. It led to greater income inequality, but it got the economy going, got people jobs. So to some degree what may be happening is that low skilled workers are going to eventually have lower wages and then are going to be employed.

MR. HASKINS: That's encouraging, too. Next question.

MS. KLINE: Hi, Andrea Kline with the Family Voices of D.C., Inc.

I'd like to talk about ACA small businesses because my understanding in the business community it's the uncertainty there. What are the implications for small businesses that are preventing small businesses from doing the hiring? Because the reality is small business are the primary employers in the U.S. What are your thoughts on that?

And number two, if we're talking about jobs, those of us that work with the underserved, the poor, a low-paying job is a low-paying job. Without subsidies provided by the government there's always going to be poverty. So what is the national plan or your recommendations if we're going to go through changes in unemployment insurance, if we're going to go through changes in creating jobs, what is the national plan in building people in their resumes so that at some point, probably in five years, they'll be able to have a job that can support their families and also provide for their future?

MR. SAWHILL: I've been talking a lot so I'm trying --

MR. DUTTA-GUPTA: I'll jump in with a little. My underrating of the NFIB, the National Federation of Independent Business, survey that they do and they're generally considered a conservative group, I'd say.

MR. HASKINS: Yep.

MR. DUTTA-GUPTA: Their businesses say that the number one reason -- the number one problem they face is lack of demand, which Belle has pointed out. So uncertainty may be somewhere on that list. And I understand with ACA, of course, it takes time to put out the regulations and guidance and regulations, but one would not think that would deter hiring now. And the businesses now aren't identifying uncertainty as a top concern.

I think on your second point, as Ron and Belle have said, when you think about the work supports in addition to the push from TANF during a stronger labor market of the 1990s that can do a lot to reduce poverty and give people sort of some push for upper mobility in a low-wage labor market. These were significant expansions in the Earned Income Tax Credit, Child Care Assistance, and I think while Ron may be right, or Belle, really, that we're just -- we're going to be lucky to hold onto some of these things. There might be ways to build upon them and refashion some of them and make them more effective. But you're right, at the end of the day the economy is producing a lot of very low-wage jobs. Maybe not as many as might reduce unemployment as much as we'd like, but we will almost certainly always need work supports for these folks.

MR. HASKINS: Last question.

MS. SAWHILL: And I think Juan really emphasized the importance of education and other means to re-skill the labor force so that we don't become such a low-wage economy.

MR. HASKINS: In the back there.

MR. GRANADO: Hi, Anthony Granado, the U.S. Bishops Conference.

I have a question that's more theoretical for the panel. In analyzing kind of what seems to be clear dysfunction within our economy and within our political society itself, is it time to maybe ask the question is there something foundationally flawed in our assumptions about economics and our assumptions about politics because it seems to me just kind of theorizing that we have this winner-takes-all mentality that is seeming to cause great disparity amongst people economically, issues of justice, and then just the very functioning of our democracy. So has the classical liberal model and its philosophical assumptions really reached a point where there's something off?

MR. HASKINS: Rich, what do you think?

MR. BURKHAUSER: Well, in this economy there are no winners. The entire distribution has moved to the left. I guess I would go back to President Kennedy in 1960 when he says a rising tide lifts all boats. What we need is economic growth and that's what should be our number one priority. And we should just accept whatever the distributional consequences of that are until we get sufficient growth so that we can start to redistribute income to low-income people who can't work.

MR. HASKINS: If we did keep the programs we have now, government, there'd be considerable redistribution already. I mean, let's make that clear. The audience shouldn't go away thinking that the government is not making a tremendous effort here and having a big impact. Even without the provision of ARRA there are still huge impacts.

Belle, do you want to --

MS. SAWHILL: Ad for our book, read chapter 3. It's all about values.

MR. HASKINS: All right. Thank you very much. Please join me in thanking the audience.

And thank you for coming. Good day.

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